

# A Milestone Year

2021 Annual Report

 **Hysan** 希慎

stock code 00014





## 2021 was a milestone year for Hysan Development.

We delivered a series of significant investments in our medium-to-long term strategic plan. Our strategy involves the continued curation and expansion of our “Core” in Lee Gardens, as well as investment in growth “Pillars” which will deliver a more balanced and diversified portfolio for Hysan.

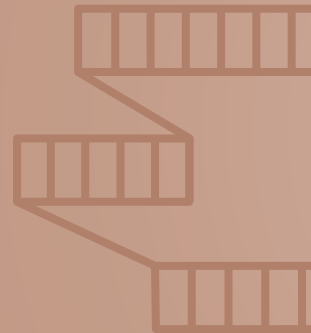
**Lee Irene Yun-Lien**  
*Chairman*

## Core and Pillars

**GBA  
Flex Business**

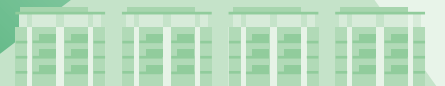


**AREA  
REJUVENATION**



**CONNECTIVITY**

**Residential  
Development  
& Sales**



### CONTENTS

<b>C</b> Chairman's Statement Page 2	<b>1</b> Overview Page 14	<b>2</b> Business Performance Page 24	<b>3</b> Corporate Governance Page 40	<b>4</b> Financial Statements, Valuation and Other Information Page 101
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**Lee Gardens  
Shanghai**



**LEE  
GARDENS  
HONG KONG**

**CAROLINE HILL  
ROAD PROJECT**

**SMART COMMUNITY  
BASED BUSINESS  
MODEL**



**Medical &  
Health**

We welcome stakeholders' feedback on this Report. Please share your thoughts at [hysan@hysan.com.hk](mailto:hysan@hysan.com.hk)

In an effort to reduce consumption of resources due to printing and distributing hard copies, the Hysan Sustainability Report has been prepared for electronic distribution and is available for public viewing on Hysan Development's website ([www.hysan.com.hk](http://www.hysan.com.hk)). Limited copies are printed and distributed, primarily to our shareholders.

A summary of the Sustainability Report is provided on pages 91 to 93 of this Annual Report.



Scan QR code to read the Sustainability Report 2021

# Chairman's Statement



## Hysan's core portfolio

Hysan has a renowned mixed-use portfolio in one of Hong Kong's most well-known, premier destinations. This has been our core for close to a century and will continue to be our centre of excellence. Lee Gardens is a tangible brand that people identify with. Our natural advantage includes high traffic flows concentrated in a dense land mass, which gives us the critical mass as a community lab to roll out and test digital solutions that bring convenience and added value to our patrons. Our smart community business model and our street shop curation connect people and promote 'wellness'. Lee Gardens is accessible and inclusive. We engage in responsible and sustainable development, which includes environmental and social considerations. Importantly, Hysan is well known for the quality of care and high standards of service throughout our malls and properties.

We will continue to enhance and rejuvenate our core business, especially with the planned extension to the Caroline Hill Road site. This will expand our core footprint while also adding a notable lifestyle element through the inclusion of a significant green community space. We will also provide major enhancements to our existing portfolio, including the creation of an exclusive destination for luxury retail flagship stores, an update of Hysan Place to maintain its leadership as a trend-setter, and the addition of rich textures to the neighbourhood streetscape.

The world is changing quickly, and there are plenty of threats and, equally, many opportunities. In addition to our core business, we have identified several strategic pillars which will deliver a more balanced, diversified, risk-adjusted and complementary portfolio over the medium to long term.

Our investment thesis for these growth pillars is predicated on a number of factors: that they complement our core, are asset-light, rely less on us being a pure capital provider but leverage our strength to partner with established and specialized operators, and, importantly, provide geographic diversification.

## Summary of key achievements in 2021

2021 was a watershed year for Hysan. We executed a series of significant investments in our medium to long-term strategic plan, delivering strategic growth pillars which drive geographic diversification, invest in asset-light operating businesses, and target business opportunities that complement and reinforce our core business. In addition, we started a trading asset pillar with our first “develop and sale” project in Tai Po, which should produce periodic earnings ‘pops’.

Our investments in 2021 included winning a tender for the Caroline Hill Road project in Hong Kong; acquiring a commercial complex development in Jing’an, Shanghai; partnering with IWG to promote flexible workspaces in the Greater Bay Area, and investing in New Frontier Group to expand its premium healthcare business throughout Mainland China.

We are making preparations for the sale of our residential project in Hong Kong’s Tai Po, as well as participating in an urban renewal project in the city’s To Kwa Wan area. Last but not least, we have led the sector with our green finance activities, including securing the Hong Kong market’s largest ever green loan.

## Growing our core footprint in Causeway Bay with the Caroline Hill Road project

Hysan won the tender for the Caroline Hill Road site in 2021, securing a strategic piece of our Lee Gardens area puzzle.

Caroline Hill Road site is located between the south-eastern side of our Lee Gardens cluster and the historic South China Stadium, which has been the sporting playground of generations of Hong Kong people. It provides a natural extension of our footprint, adding to the already well-loved lifestyle offerings of Lee Garden Three.

The natural attributes of this piece of land are varied, significant, and beautiful. Our design will focus on showcasing an iconic and historic banyan tree against a lush background of 60,000 square feet of greenery. This will be Hong Kong’s most unique urban oasis, open for the community to enjoy.

The Caroline Hill Road site will add approximately 30% to the Lee Gardens footprint, delivering premium Grade A commercial mixed-use buildings. We will also deliver community facilities on behalf of the government. These will be built alongside the proposed district court buildings. These additions are expected to bring more foot traffic to the area.

## CHAIRMAN'S STATEMENT

We are proud of our skills in curating vibrant elements within densely built environment for the benefit of our communities. The Caroline Hill Road site will further showcase our understanding of the community's needs and aspirations by introducing even more unique features for all stakeholders to enjoy.

By 2026, when this project is completed, we plan to deliver much-enhanced area connectivity including a fully-integrated and weatherproof pedestrian walkway system for the entire Lee Gardens area, from the Causeway Bay MTR station all the way to Caroline Hill Road. We expect several minibuses routes will be relocated to an all-weather transportation hub in our Caroline Hill Road site, and we plan to improve vehicular access to the area.

### Building the "Lee Gardens of Shanghai"

Shanghai is one of the most vibrant and cosmopolitan cities in the world. Hysan already has one highly successful investment, Grand Gateway 66, in the Xuhui district of the city. We have also added to our portfolio in another part of the city. The new 24-storey commercial complex which we acquired recently, known as Lee Gardens Shanghai, is located in the heart of Jing'an district, a historic area featuring Shikumen houses, which are architecturally unique to Shanghai – not dissimilar to our Lee Gardens area, which also blends new with the old architecture.

Drawing on our experience of cultivating vibrant communities in Hong Kong, we will showcase our unique brand of smart community, connectivity, integrating the present day with history, respecting traditions, and preserving authenticity.

### Joint venture with leading flex operator IWG in the Greater Bay Area

The use of workspace, and indeed the very concept of an office, had been evolving even before COVID-19. Hysan has identified flexible workspaces as a fast-growing business segment that complements our traditional office portfolio and, at the same time, provides an effective hedge against our office portfolio exposure. The need to manage supply and demand and reduce the fixed costs of having a large office are now important considerations for corporates. Today's workforce, especially post-COVID-19, is likely to continue to adopt hybrid modes of work.

We entered into a 50/50 joint venture with IWG, a long-established global brand that is one of the most successful flex operators in the world. We are confident and optimistic about our opportunities in the Greater Bay Area.

## Expanding into premium healthcare in Mainland China

Our investment in New Frontier Group aims to give us strategic exposure to the fast-growing premium healthcare services sector in Mainland China. The medical, health and wellness sector is now an increasingly important part of modern commercial properties, a trend we also observed within our own portfolio.

New Frontier Group operates a portfolio of acute hospitals, online hospital services, rehabilitation and geriatric hospitals, oncology centres, ambulatory centres, outpatient clinics, home health networks, doctor groups, training centres and health insurance services across the country.

Through this venture, we are partnering with a world-class operator in a high-growth sector, providing us with further geographic diversification beyond the Greater Bay Area and Shanghai.

## Sales set to start at Hysan's Tai Po residential site

We are very excited about our Tai Po project, which is targeted to be launched around Q2 2022. Apart from the design, the quality of materials, landscaping, facilities, and the almost 360-degree views facing Tolo Harbour on one side and rolling green hills and the serene Tsz Shan Monastery on the other side, the Tai Po project will also benefit from the government policy to build out and expand Hong Kong's Northern Metropolis.

## 2022 outlook

The world continues to be critically affected by the pandemic. Hong Kong is entering its third difficult year, showing obvious fatigue. On a macro level, we are facing rising interest rates, potential inflation and unemployment and changes in national policy. This has all been set against a backdrop of ongoing global geopolitical tensions. On a positive note, Hong Kong increasingly will be connected to other parts of the Greater Bay Area and has the potential to play an important role in its development.

Hysan is well placed to capture opportunities across its strategic growth pillars, and to enhance and transform our core portfolio to position Lee Gardens as an attractive destination for future generations to live, work and flourish.

### Lee Irene Yun-Lien

*Chairman*

Hong Kong, 24 February 2022

# Expanding and Connecting Lee Gardens

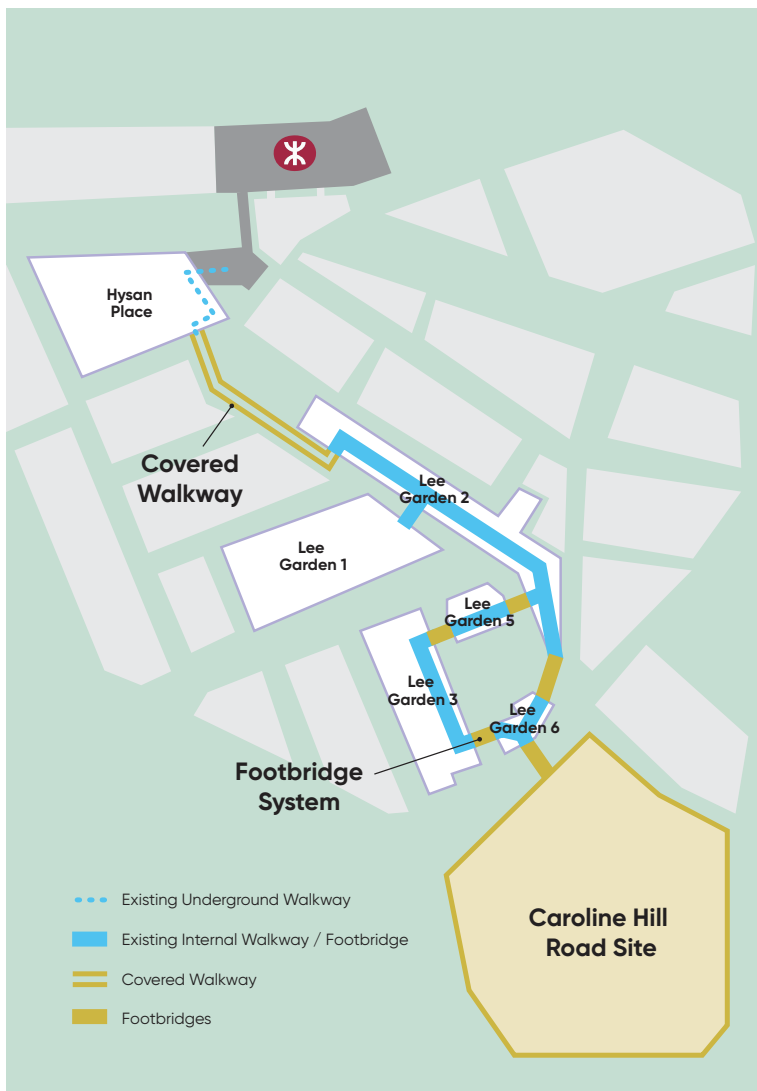
## Caroline Hill Road

The Caroline Hill Road site is a strategic piece of Hysan's Lee Gardens area puzzle. Hysan plans to develop premium commercial buildings with community facilities at this site, creating significant synergies with Hysan's existing Lee Gardens amenities. A long-term investment, it is scheduled for completion in 2026. It will expand

the scale of the Lee Gardens portfolio by 30%. It also aims to reinforce Hysan's leading position in Hong Kong and the importance of Causeway Bay as a key destination for locals and visitors. The lush background of 60,000 square feet of greenery will also make the site Hong Kong's most unique urban oasis.







## Enhanced Connectivity & Walkability

The potential value of the project will be enhanced by a proposed area connectivity scheme, which will offer pedestrians a pleasant, weatherproof walking journey to and from Causeway Bay MTR station and the present Lee Gardens area, as well as its future extension at the Caroline Hill Road site.





## BUILDING THE PILLARS

# Developing Lee Gardens Shanghai

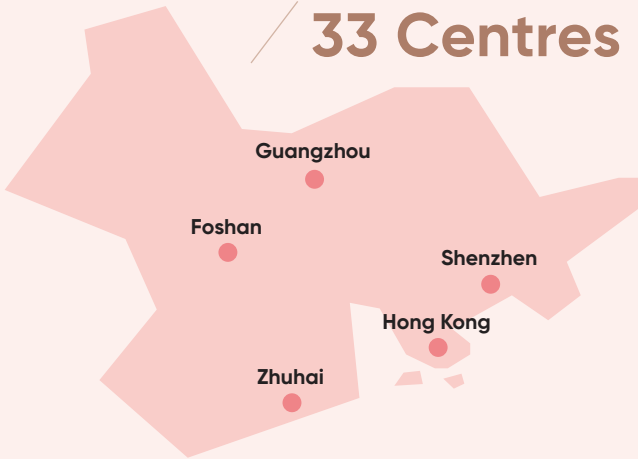


Shanghai is one of the most vibrant and cosmopolitan cities in the world. Hysan has added a new 24-storey commercial complex, Lee Gardens Shanghai, to our portfolio. It is located in the heart of Jing'an district, a 3-minute walk from the Shanghai Natural History Museum Station, and one station away from Nanjing West Road and Dazhongli. This is a historic area not

dissimilar to our Lee Gardens area, which also blends brand-new with traditional architecture.

Drawing on our experience of cultivating vibrant communities in Hong Kong, we will strive to showcase our unique brand of smart community, connectivity, integrating the present day with history, and preserving authenticity.

5 Cities  
33 Centres



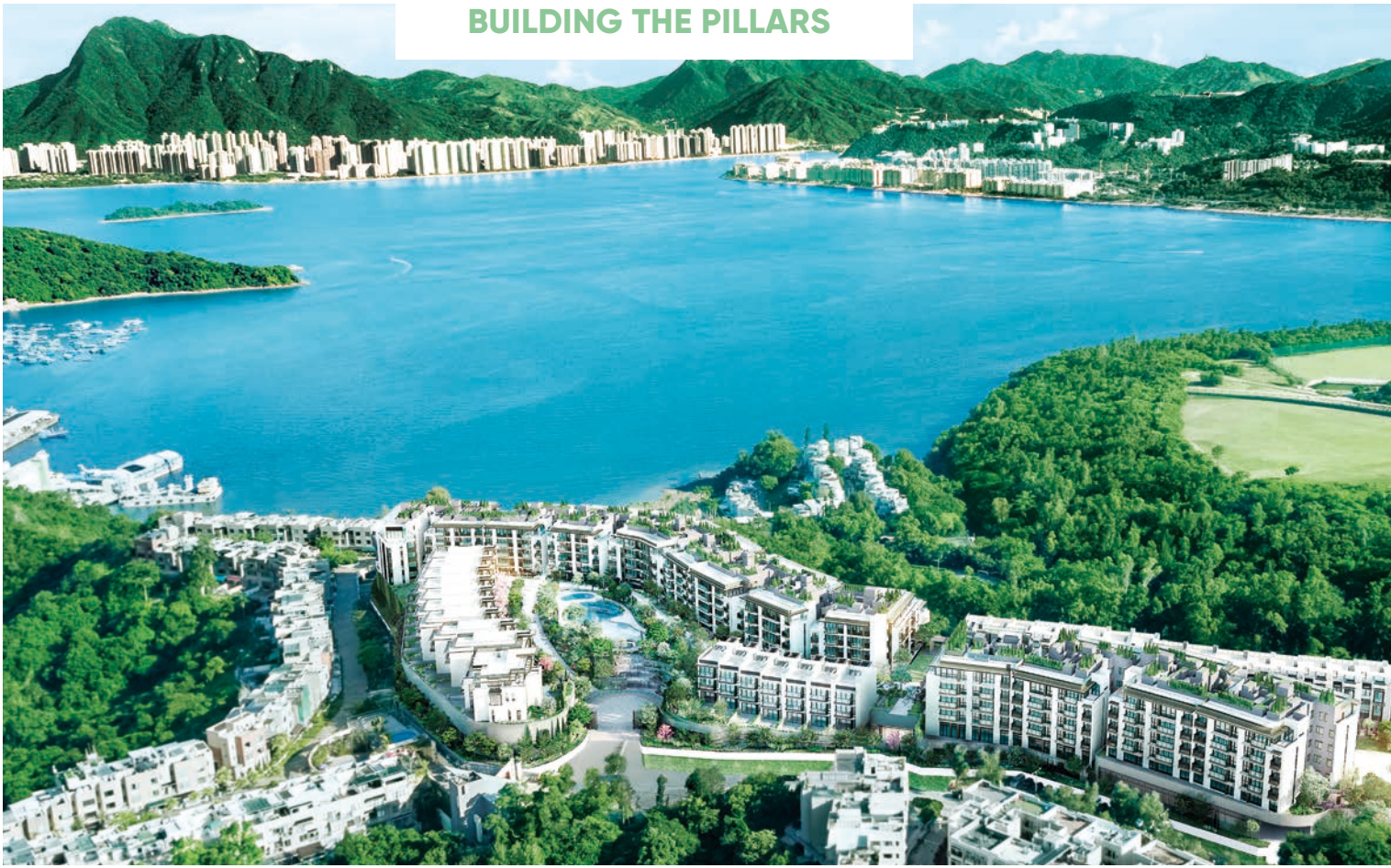
Hysan joined the leading flexible workspace operator IWG to manage its 33 existing locations across the Greater Bay Area. Through the arrangement, we will continue to expand the business presence of IWG's brands in the vast and growing flexible workspace market in the region.

Hysan's vision encompasses a fast-evolving workspace ecosystem, with IWG playing an important role in meeting end users' needs in a modern shared economy. The joint venture also reflects the confidence of the partners in the economic growth potential of the Greater Bay Area.

# Joining IWG on a Greater Bay Area Flex Workspace Venture

## BUILDING THE PILLARS





# Unveiling a Quality Residential Haven in Tai Po



Located on a verdant hilltop in Tai Po, Hysan's residential joint venture development is ready for its sales launch in the first half of 2022. The low-density project comprises houses and flats of 262 units and will showcase Hysan's continuous pursuit of excellence in design and facilities.

Its geographical advantages will be magnified with the future development of Hong Kong's Northern Metropolis, complementing the already-burgeoning Shenzhen business districts just across the border. When completed, the Tai Po site will be the perfect haven for executives and professionals working in those areas.

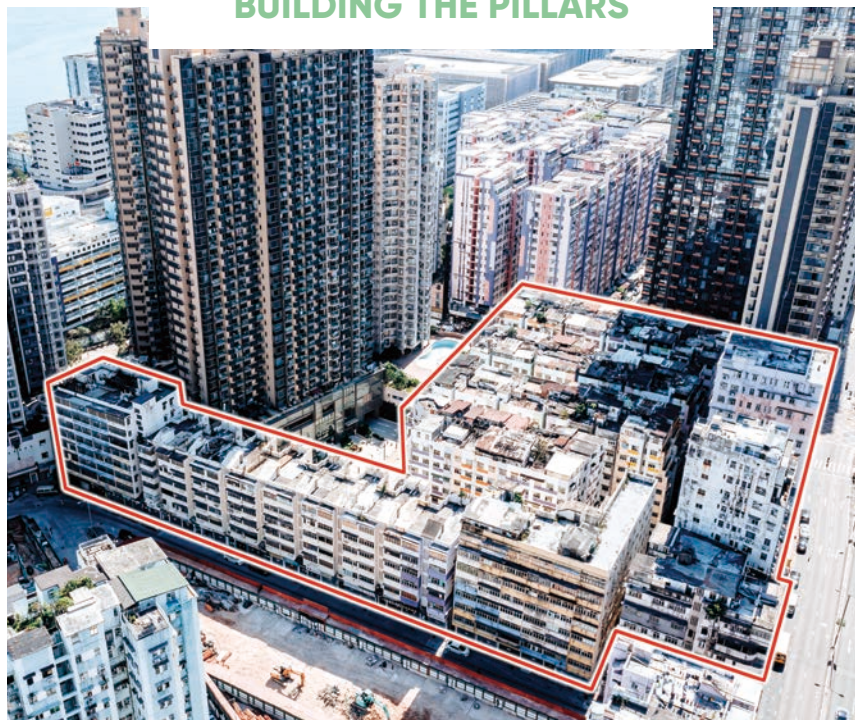


# Curating the retail portion of a To Kwa Wan Residential Project

Hysan recently acquired a 25% stake in a joint venture to develop the Urban Renewal Authority's residential project at Bailey Street/Wing Kwong Street in Kowloon's To Kwa Wan.

The quality site is adjacent to the blossoming commercial and residential hub of Kai Tak and within a 5-minute walk to To Kwa Wan and Sung Wong Toi MTR stations. Hysan will leverage its skillsets by overseeing the design and operation of the retail portion of the project.

## BUILDING THE PILLARS



# Investing in the Premium Healthcare Sector

## through New Frontier Group

Our investment in New Frontier Group aims to give us strategic exposure to the fast-growing premium healthcare services sector in Mainland China. The medical, health and wellness sector is now an increasingly important part of modern commercial properties, a trend we have also observed within our own portfolio.

New Frontier Group operates a portfolio of acute hospitals, online hospital services, rehabilitation

and geriatric hospitals, oncology centres, ambulatory centres, outpatient clinics, home health networks, doctor groups, training centres and health insurance services across the country.

Through this venture, we are partnering with a world-class operator in a high-growth sector, providing us with further geographic diversification beyond the Greater Bay Area and Shanghai.

### BUILDING THE PILLARS



# Combatting COVID-19

2021 remained a difficult year for Hong Kong as COVID-19 continued to prevent the city from returning to full normalcy. Hysan played its part to provide extensive support to the community throughout the year. Our dynamic and multi-faceted solutions to aid our tenants included the provision of more than 1000 medical-grade air purifiers to our food and beverage and service industry lessees.

We partnered with Adventist Medical to host Hong Kong's first mall-based vaccination promotion centre. We also donated health-check packages through Adventist and Po Leung Kuk to the underprivileged and frontline workers in preparation for vaccination.

We are proud that 99% of our staff members had received two vaccination doses even before the end of 2021.







# OVERVIEW

- 16** Key Facts
  - 16 Our Portfolio
  - 17 Value Creation
  - 18 Our Assets
- 20** 2021 Performance at a Glance
- 22** Financial Review Summary

# Key Facts

## VISION

To be the premier property company in its market of choice.

## MISSION

Provide our stakeholders with sustainable and outstanding returns from a property portfolio which is strategically planned and managed by passionate, responsible and forward-looking professionals.

## VALUES

L E E G A R D E N S  
E X M O C E R N E U  
A C P O C S I T T S  
D E O D O P V R W T  
E L W U E I E O A  
R L E C N C N P R I  
S E R I T T G R K N  
H N M T A / E I A  
I C E I B D N N B  
P E N Z I R E I L  
T E L I U L  
N I V R I  
S T E S T  
H Y N H Y  
I I  
P P

## ➤ Our Portfolio



Hysan’s investment portfolio is set predominantly in Lee Gardens, a unique part of Hong Kong’s renowned commercial heart in Causeway Bay.

Within our approximately 4.5 million square feet of retail, office and residential tenant space, we strive to become partners with our tenants and create a sustainable ecosystem. Our medium-to-long term strategy involves the continued refinement and expansion of our “Core” in Lee Gardens, as well as investment in growth “Pillars” which will deliver a more balanced and diversified portfolio for Hysan.

# Value Creation

## Financial Achievements:

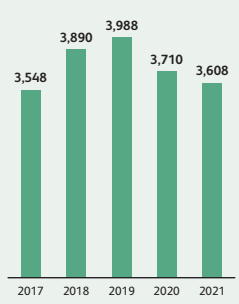
- Steady and progressive total return
- Strong balance sheet

### Active Management

Curate a balanced office and retail portfolio with a diversified group of tenants, with our long-term partnerships with tenants serving us well in challenging times

#### Turnover

2017-2021 (HK\$ million)

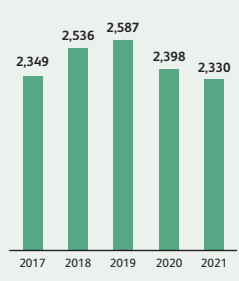


### Financial Achievements

Maintain resilience and strength in the face of adversity

#### Recurring Underlying Profit

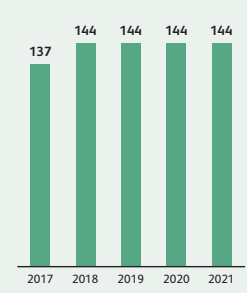
2017-2021 (HK\$ million)



### Dividends per Share

Provide steady returns

2017-2021 (HK cents)



## Supported by Strong Underlying Non-Financial Achievements:

### Environment

Minimize our impact on the environment, and achieve higher efficiency at the same time

### Community

Make positive contributions to communities where we operate

### Employees

Create a working environment where talent can thrive

### Governance

Strong governance is the heart of long-term sustainable performance

## KEY FACTS

### Our Assets

#### Hysan Place *Office and Retail*

**Greenest commercial building and trendiest shopping centre in town**

Completed 2012

Approx. Gross Floor Area	Number of Floors	Parking Spaces
<b>716,000 ft<sup>2</sup></b>	<b>40</b>	<b>66</b>

#### Lee Theatre Plaza *Retail only*

**One of Hong Kong's best-loved shopping and dining complexes**

Completed 1994 | Lower zone renovated 2013

Approx. Gross Floor Area	Number of Floors
<b>314,000 ft<sup>2</sup></b>	<b>26</b>

#### Leighton Centre *Office and Retail*

**Popular office complex amongst sports and lifestyle shops**

Completed 1977 | Renovated 2011

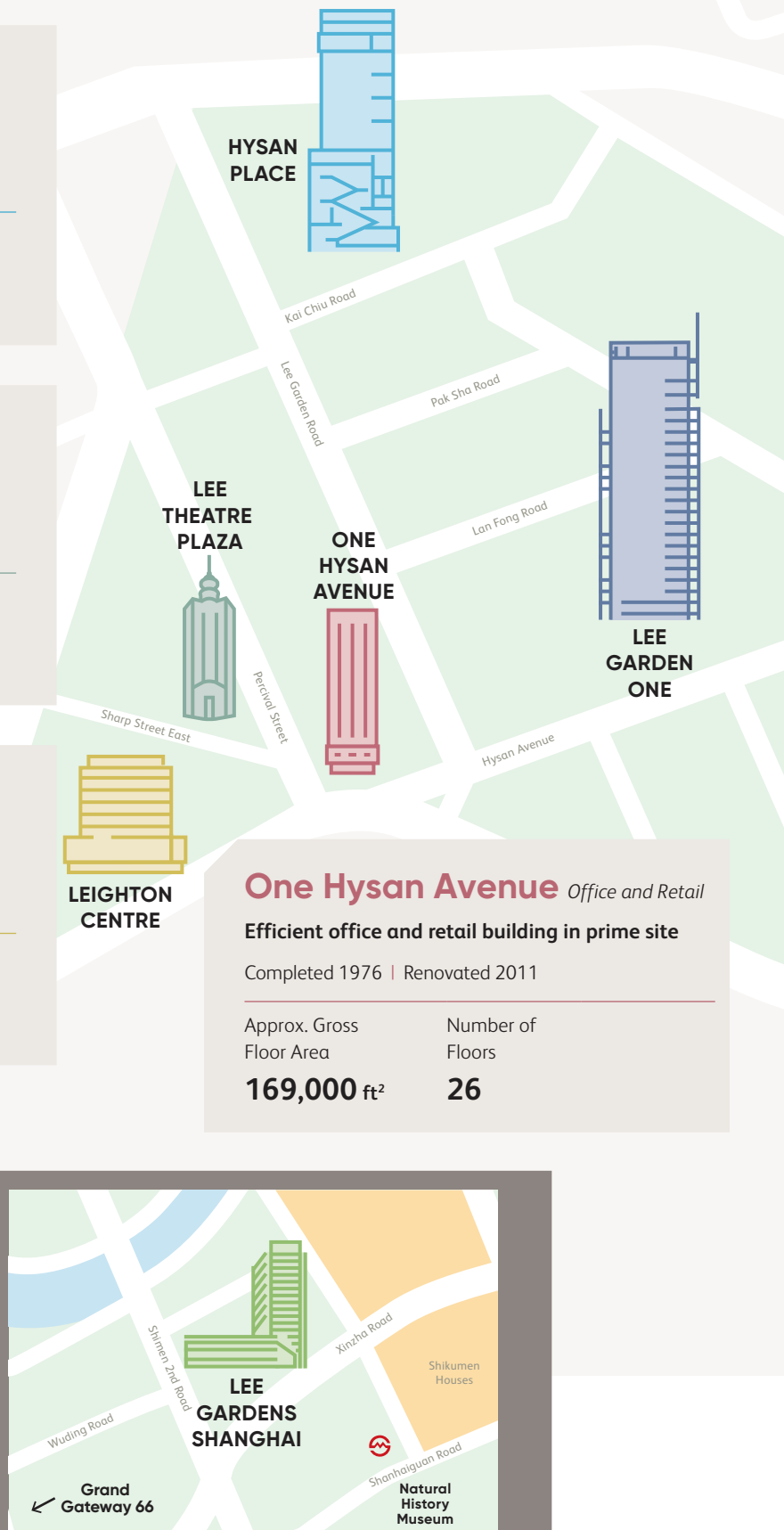
Approx. Gross Floor Area	Number of Floors	Parking Spaces
<b>430,000 ft<sup>2</sup></b>	<b>28</b>	<b>321</b>

#### One Hysan Avenue *Office and Retail*

**Efficient office and retail building in prime site**

Completed 1976 | Renovated 2011

Approx. Gross Floor Area	Number of Floors
<b>169,000 ft<sup>2</sup></b>	<b>26</b>



## Shanghai

### Lee Gardens Shanghai

**Grade A commercial complex in one of the world's most vibrant cities**

Acquired in 2022

Approx. Gross Floor Area	Number of Floors
<b>736,000 ft<sup>2</sup></b>	<b>24</b>

### Lee Garden One *Office and Retail*

Home to international corporations and premium brands

Completed 1997

Approx. Gross Floor Area	Number of Floors	Parking Spaces
<b>903,000</b> ft <sup>2</sup>	<b>53</b>	<b>200</b>

### Lee Garden Two *Office and Retail*

Spacious offices and home to children's concept floors

Completed 1992 | Retail podium renovated 2019

Approx. Gross Floor Area	Number of Floors	Parking Spaces
<b>621,000</b> ft <sup>2</sup>	<b>34</b>	<b>167</b>

### Lee Garden Three *Office and Retail*

Newest commercial address in Lee Gardens

Completed 2017

Approx. Gross Floor Area	Number of Floors	Parking Spaces
<b>467,000</b> ft <sup>2</sup>	<b>32</b>	<b>201</b>

### Lee Garden Five *Office and Retail*

An office and retail complex in one of Hong Kong's most prestigious commercial areas

Completed 1989 | Renovated 2009

Approx. Gross Floor Area	Number of Floors
<b>132,000</b> ft <sup>2</sup>	<b>25</b>

### Lee Garden Six *Office and Retail*

Convenient office and retail location

Completed 1988 | Renovated 2004

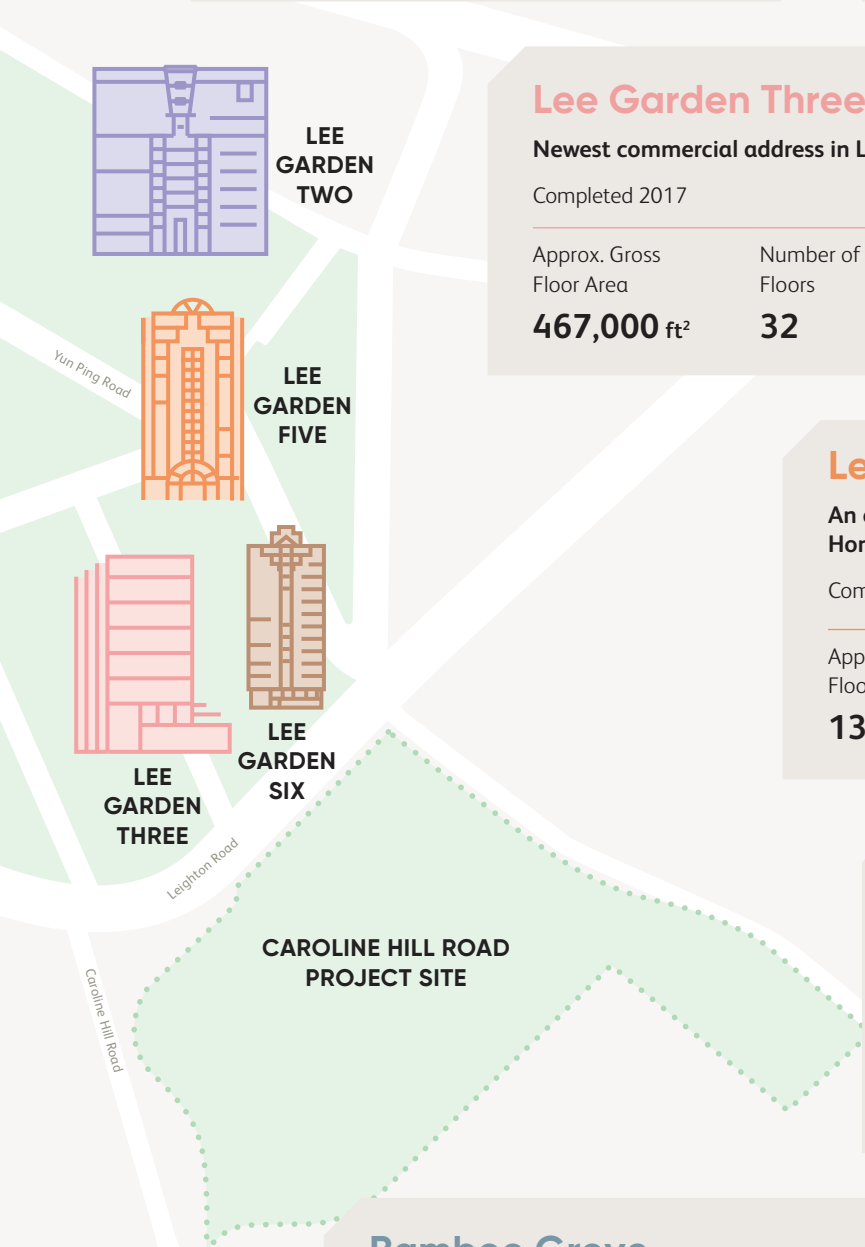
Approx. Gross Floor Area	Number of Floors
<b>80,000</b> ft <sup>2</sup>	<b>24</b>

### Bamboo Grove *Residential*

Quality international living in Mid-Levels

Completed 1985 | Renovated 2019

Approx. Gross Floor Area	Number of Units	Parking Spaces
<b>691,000</b> ft <sup>2</sup>	<b>345</b>	<b>436</b>



# 2021 Performance at a Glance

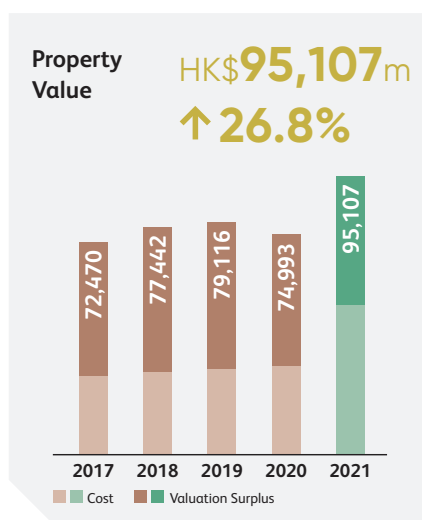
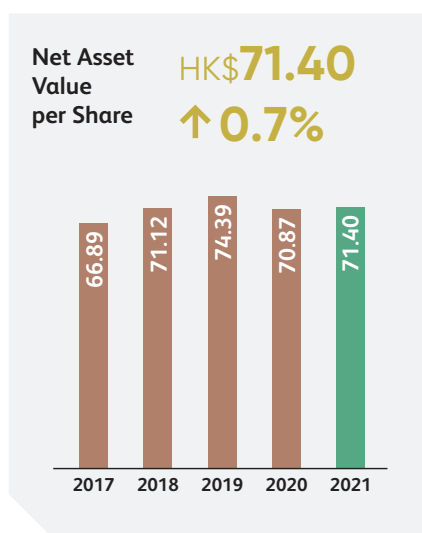
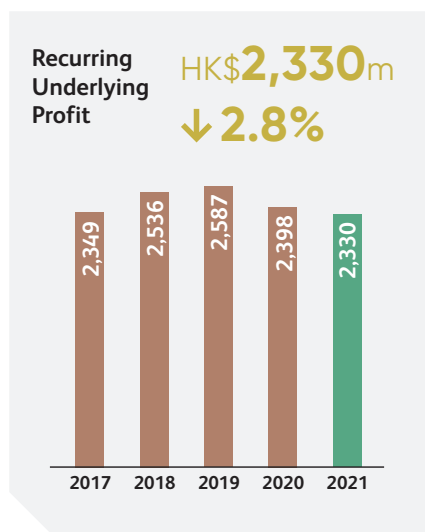
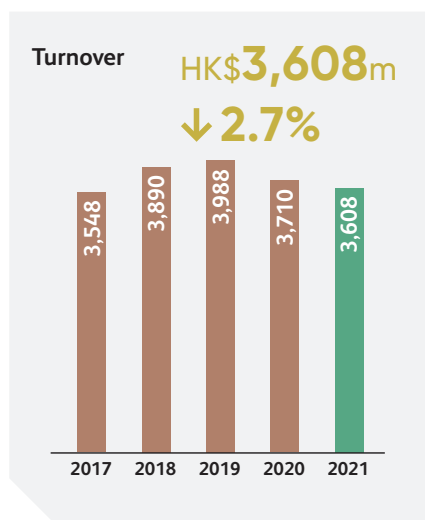
## ➤ Environmental, Social and Governance Recognitions

- “Four-star” rating and “Green Star” designation: Global Real Estate Sustainability Benchmark (“GRESB”). An “A” for public disclosure for the third year running
- “AA” Rating: Hang Seng Corporate Sustainability Benchmark Index
- “A” Rating: MSCI ESG Ratings assessment
- Constituent member: FTSE4Good Index Series
- “Low Risk”: Sustainalytics ESG Risk Rating
- Best IR Company, Best Annual Report, Grand ESG Award, Best ESG-E, Best ESG-S, Best ESG-G (Mid Cap) in the Hong Kong Investor Relations Association’s Investor Relations Awards 2021
- Gold Award (Non-Hang Seng Index - Medium Market Capitalization Category) in the Hong Kong Institute of Certified Public Accountants Most Sustainable Companies/Organizations Awards 2021
- Excellence Award in Environmental, Social and Governance Reporting in the Hong Kong Management Association’s 2021 Best Annual Reports Awards
- Certificate of Excellence in the Hong Kong Management Association’s Hong Kong Sustainability Award 2020/21 Organization Awards (Large-sized Organizations Category)
- Honours Award (Traditional Annual Report) in MerComm, Inc’s 2021 International ARC Awards (Real Estate Development/SVC: Various & Multi-Use Category)



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# ➤ Financial Performance



## Financial Prudence

### Net Interest Coverage <sup>(Note 1)</sup>

**9.1 times**  
(2020: 9.8 times)

### Net Debt to Equity <sup>(Note 2)</sup>

**11.7%**  
(2020: Net Cash)

### Effective Interest Rate

**2.9%**  
(2020: 3.0%)

### Average Debt Maturity

**6.1 years**  
(2020: 6.8 years)

### Fixed Rate Debt

**75%**  
(2020: 88%)

### Capital Market Issuances

**92%**  
(2020: 89%)

### Credit Ratings

**Moody's: A3**

**Fitch: A-**

#### Notes:

1. Net Interest Coverage is defined as gross profit less administrative expenses before depreciation divided by net interest expenses
2. Net Debt to Equity is defined as borrowings less time deposits, cash and cash equivalents divided by total equity

# Financial Review Summary

## 1 Turnover

Turnover decreased year-on-year by 2.7%. COVID-19 continued to pressure the office sector. The retail sector started to recover as economic fundamentals and market sentiment improved. The residential segment declined mainly due to limited expatriate demand.

Turnover of the Group's office portfolio recorded a decline of 4.7% to HK\$1,728 million (2020: HK\$1,814 million), including turnover rent of HK\$5 million (2020: HK\$7 million). Hong Kong's office rental market saw reduced demand and rental pressure during the period under review. The submarkets of Central and Wan Chai/Causeway Bay were among those most affected, due to major tenants' downsizing. However, several established flexible workspace operators took the opportunity to expand in popular commercial areas like Causeway Bay.

Turnover of the Group's retail portfolio experienced an increase of 1.3% to HK\$1,620 million (2020: HK\$1,600 million), including an increase in turnover rent to HK\$112 million (2020: HK\$44 million). Hong Kong retail sales generally improved throughout 2021 as the COVID-19 situation became less volatile, the employment market improved, and the government's consumption voucher scheme was rolled out. However, the lack of any meaningful cross-border traffic led to minimal tourist spending. The recovery of some retail sub-sectors still depends on the return of visitors from Mainland China and overseas.

Hysan's residential portfolio turnover decreased by 12.2% to HK\$260 million (2020: HK\$296 million). The luxury residential rental market remained under pressure due to the lack of professional expatriates arriving in Hong Kong. Flexible leases were offered to customers in 2021, providing those who required shorter-term stays in Bamboo Grove with more options. To secure new tenants, we made agency fees more attractive and adopted a tenant referral programme.

Details of the operating performances of the group's individual operations are set out on pages 26 to 30 of the Review of Operations.

## 2 Finance cost

Finance costs decreased to HK\$393 million, as compared with HK\$546 million in 2020, as the Group capitalized the interest expense of funds used to finance its property development activities. The Group raised approximately HK\$7 billion from new issuance via its medium term note programme in 2020, taking advantage of ample market liquidity and a low interest rate environment. During 2021, finance costs related to such funding exercises amounted to HK\$394 million (2020: HK\$313 million). The effective interest rate for the year was 2.9%, as compared with 3.0% in 2020.

## Consolidated Statement of profit or loss for the year ended 31.12.2021

	HK\$ million
<b>1</b> Turnover	3,608
Operating cost	(773)
Net margin	2,835
Investment income	92
Other losses	(8)
<b>2</b> Finance costs	(393)
<b>3</b> Change in fair value of investment properties	(720)
<b>4</b> Share of results of associates	458
<b>4</b> Share of results of joint ventures	(3)
Profit before taxation	2,261
Taxation	(358)
Profit for the year	1,903
Attributable to perpetual capital securities holders and other non-controlling interests	(520)
Profit attributable to shareholders	1,383

## Underlying profit attributable to shareholders for the year ended 31.12.2021

	HK\$ million
Profit attributable to shareholders	1,383
Non-operating items	947
<b>5</b> Underlying profit	2,330

## Consolidated Statement of Cash Flows for the year ended 31.12.2021

	HK\$ million
Net margin	2,835
Changes in other working capital	(19)
Depreciation of property, plant and equipment	29
Cash generated from operations	2,845
Net investment and advance to joint ventures and other financial investments	(1,126)
Net borrowings	7,507
Issuance of perpetual capital securities, net of distribution and transaction costs	(459)
Bank deposits	8,340
Interest and taxation	(861)
Dividends paid	(1,617)
Considerations for share repurchases	(146)
<b>3</b> Acquisition of investment properties and other capital expenditure	(22,334)
Net cash outflow	(7,851)
Time deposits, cash and cash equivalents	24,935
Less: Time deposits maturing more than 3 months	(10,546)
Cash and cash equivalents at 1.1.2021	14,389
Cash and cash equivalents at 31.12.2021*	6,538
*Representing:	
Time deposits, cash and cash equivalents	8,404
Time deposits maturing more than 3 months	(1,866)
	6,538



### Consolidated Statement of Financial Position at 31.12.2021

	HK\$ million
<b>Net Assets</b>	
<b>3</b> Investment properties	95,107
Other long-term investments	9,516
Time deposits, cash and cash equivalents	8,404
Other assets	4,346
<b>Total assets</b>	<b>117,373</b>
Borrowings	(18,657)
Taxation	(1,091)
Other liabilities	(9,740)
	<b>87,885</b>
<b>Capital and reserves</b>	
Share capital	7,723
Retained Profits	64,873
Other reserves	15,289
	<b>87,885</b>

### Consolidated Statement of Financial Position at 1.1.2021

	HK\$ million
<b>Net Assets</b>	
<b>3</b> Investment properties	74,993
Other long-term investment	7,655
Time deposits, cash and cash equivalents	24,935
Other assets	2,172
<b>Total assets</b>	<b>109,755</b>
Borrowings	(18,970)
Taxation	(1,031)
Other liabilities	(2,305)
	<b>87,449</b>
<b>Capital and reserves</b>	
Share capital	7,722
Retained Profits	65,131
Other reserves	14,596
	<b>87,449</b>

### Consolidated Retained Profits for the year ended 31.12.2021

	HK\$ million
Retained profits at 1.1.2021	65,131
Profit attributable to shareholders	1,383
Repurchase of own shares	(146)
Dividends paid during the year	(1,497)
Other reserve movement	2
Retained profits at 31.12.2021	<b>64,873</b>

### **3** Investment properties

As at 31 December 2021, the Group's investment real estate portfolio was valued at HK\$95,107 million, an increase of 26.8% from the HK\$74,993 million recorded at the prior year-end, mainly due to the successful tender of a commercial site at Caroline Hill Road, Causeway Bay, Hong Kong in May 2021 at a land premium of \$19,778 million.

The valuation was carried out by Knight Frank Petty Limited, an independent professional valuer, on the basis of market value. A fair value loss on investment properties (after considering capital expenditure spent on the Group's investment properties) of HK\$720 million (2020: fair value loss of HK\$4,903 million) was recognized in the Group's consolidated statement of profit or loss for the year. The loss mainly reflects heightened market risk in a challenged retail sector, coupled with an office sector weakened by continued global economic uncertainty.

### **4** Share of results of associates and joint ventures

The Group's investments in associates are primarily represented by its interest in Grand Gateway 66, a retail, office and residential complex in Shanghai, China. The share of results of associates increased to HK\$458 million (2020: HK\$225 million), mainly due to the Group's share of the revaluation gain (net of deferred tax) amounting to HK\$172 million (2020: revaluation loss of HK\$12 million). The properties at Grand Gateway 66 were revalued at fair value by an independent professional valuer for both years ended 31 December 2020 and 2021.

The Group's investment in joint ventures comprises interests in a Tai Po residential project and in the IWG Flex business. The increase in carrying value reflects the acquisition of IWG Flex business completed in September 2021.

### **5** Underlying profit

Underlying Profit decreased year-on-year by 2.8%. Details of the reconciliation from reported profit to underlying profit are set out on page 27 of the Review of Operations.

**2**

# BUSINESS PERFORMANCE

- 26** Management's Discussion and Analysis
  - 26 Strategy
  - 26 Review of Operations
  - 31 Core Expansion and Strategic Pillars
  - 33 Financial Review
  - 36 Treasury Policy

# Management's Discussion and Analysis

## ➤ Strategy

Hysan strives to create value and provide stable and progressive return for our shareholders from our investment portfolio, which is predominantly located in Hong Kong's prime Causeway Bay district. We continue to maintain a strategic focus on our Lee Gardens portfolio while also seeking to complement our core business by tapping investment opportunities in Mainland China and the new economy.

## ➤ Review of Operations

Hysan's investment property portfolio comprises three sectors – office, retail and residential – covering a total floor area of approximately 4.5 million square feet. As at 31 December 2021, office properties made up around 55% of the Group's investment portfolio by gross floor area, with retail properties accounting for approximately 30%. These properties are located in Lee Gardens, Causeway Bay. Around 15% of the Group's portfolio by gross floor area consists of residential properties, which are mainly apartments in Bamboo Grove, Mid-Levels.

Turnover and Underlying Profit decreased year-on-year by 2.7% and 2.8% respectively. COVID-19 continued to pressure the office sector. The retail sector started to recover as economic fundamentals and market sentiment improved. The residential segment declined mainly due to limited expatriate demand.

The Board of Directors has declared a second interim dividend of HK117 cents per share (2020: HK117 cents) which will be payable in cash.

	2021 HK\$ million	2020 HK\$ million	Change
Turnover	3,608	3,710	-2.7%
– Office	1,728	1,814	-4.7%
– Retail	1,620	1,600	+1.3%
– Residential	260	296	-12.2%
Recurring Underlying Profit	2,330	2,398	-2.8%
Underlying Profit	2,330	2,398	-2.8%

The reconciliation of Recurring Underlying Profit, Underlying Profit and Reported Profit (Loss) is as follows:

	2021 HK\$ million	2020 HK\$ million
Reported profit (loss)	1,383	(2,547)
Change in fair value of properties	493	4,692
Investment properties	720	4,903
Less: Effect of other non-controlling interests	(55)	(223)
Share of associates (net of tax)	(172)	12
Imputed interest income on interest-free loan to a joint venture	(13)	(30)
Other gains and losses	8	(5)
Profit attributable to perpetual capital securities holders	459	288
Recurring Underlying Profit/Underlying Profit	2,330	2,398

## Key Performance Indicators

The Group's turnover growth and occupancy rates are the key measurements used for the assessment of our core leasing business performance. Cost effectiveness is assessed by the Group's management using the property expenses ratio (as a percentage of turnover).

Key Performance Indicators	Definition	Business Performance		
		Sector	2021	2020
Turnover Growth	Rental revenue in current year vs that in previous year	Office	-4.7%	-1.0%
		Retail	+1.3%	-12.9%
		Residential	-12.2%	-7.2%
Occupancy Rate	Percentage of total lettable area leased / total lettable area of each portfolio at year-end	Office	94%	95%
		Retail	99%	96%
		Residential	71%	74%
Property Expenses Ratio	Property expenses divided by turnover	N/A	13.8%	13.2%

Note: No changes have been made to the source data or calculation methods used when compared to 2020.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Office

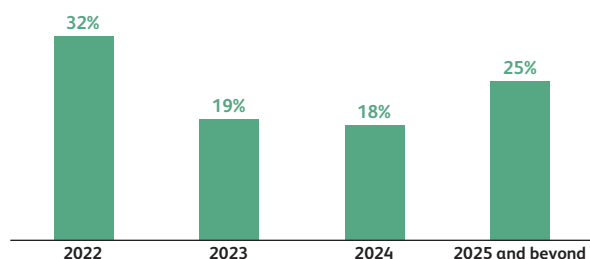
Turnover of the Group's office portfolio recorded a decline of 4.7% to HK\$1,728 million (2020: HK\$1,814 million), including turnover rent of HK\$5 million (2020: HK\$7 million).

Hong Kong's office rental market saw reduced demand and rental pressure during the period under review. The submarkets of Central and Wan Chai/Causeway Bay were among those most affected, due to major tenants' downsizing. However, several established flexible workspace operators took the opportunity to expand in popular commercial areas like Causeway Bay.

The average rental reversion rate on renewals, rent review and new lettings for Hysan's Lee Gardens portfolio slipped into negative territory, but occupancy held firm at a resilient 94% as at 31 December 2021 (2020: 95%).

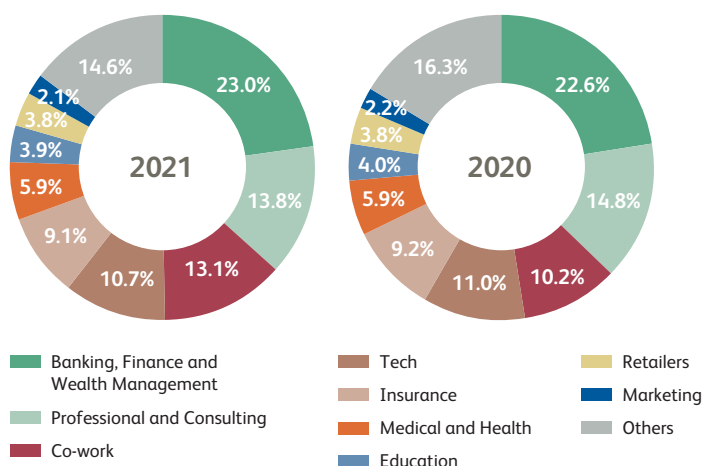
Hysan's offices are seen as ideal locations for the wealth management industry owing to their premier location, excellent facilities and complementary retail amenities. HSBC and Standard Chartered Bank each leased one of the upper floors in Hysan Place and Lee Garden One respectively. Given this combination of attractive location and office/retail synergies, we expect that our offices will remain attractive to technology firms, flexible workspace operators, and the medical and health sector.

### Office Lease Expiry Profile by Area Occupied (As at 31 December 2021)



The office tenant profile remained stable. Banking, Finance and Wealth Management (23.0%), Professional & Consulting (13.8%) and Co-Work (13.1%) accounted for the top three slots in our tenant portfolio by floor area occupied, while the Tech sector was in fourth place with 10.7%.

### Office Tenant Profile by Area Occupied as at Year-end



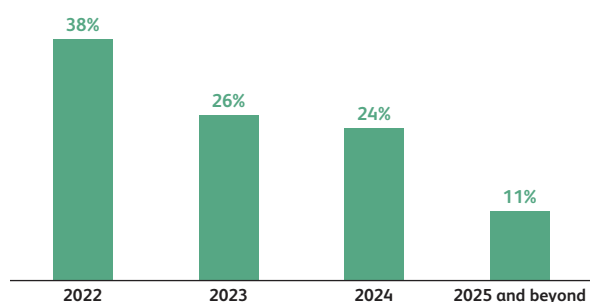
### Retail

Turnover of the Group’s retail portfolio experienced an increase of 1.3 % to HK\$1,620 million (2020: HK\$1,600 million), including an increase in turnover rent to HK\$112 million (2020: HK\$44 million). Retail occupancy was 99 % as at 31 December 2021 (2020: 96 %). The average rental reversion rate on renewals, rent review and new lettings remained negative during the year.

Hong Kong retail sales generally improved throughout 2021 as the COVID-19 situation became less volatile, the employment market improved, and the government’s consumption voucher scheme was rolled out. However, the lack of any meaningful cross-border traffic led to minimal tourist spending. The recovery of some retail sub-sectors still depends on the return of visitors from Mainland China and overseas.

Our own retail tenants’ sales were also buoyed by these positive trends in the Hong Kong economy. With Hysan maintaining its traditionally strong relationship with local consumers, estimated tenant sales for the year outperformed overall Hong Kong retail sales. During 2021, our tenant list expanded to include a number of food and beverage outlets, luxury boutiques, lifestyle and apparel shops, and health and beauty product stores. We also hosted pop-up shops, including a popular art gallery.

### Retail Lease Expiry Profile by Area Occupied (As at 31 December 2021)



### Marketing Initiatives and Loyalty Programmes

In response to the official pandemic prevention measures in force throughout the year, Hysan rolled out a series of digital marketing campaigns to enable a 24/7 shopping experience. This included collaborations with luxury brands, as well as international and local labels. Our “Dine Safe at Lee Gardens” and “Power Up” campaigns also offered e-coupons and merchant e-vouchers from restaurant tenants and other renowned brands.

Beyond digital, our physical marketing campaigns also brought impressive traffic to Lee Gardens and drove strong sales. Our two major Christmas campaigns attracted more than 1.3 million visitors to the area over the promotional period. Crowd-pleasing shopping privileges saw a more than 15% year-on-year rise for tenant sales transactions, bringing more than 30% increase in year-on-year promotional sales during the Christmas period.

Club Avenue saw further recruitment of VIP members via external partnerships and brand cooperation. Prominent brand events were held with fashion, jewellery and beauty ones having the highest profile. Overall members' spending achieved a double-digit percentage year-on-year growth across all membership tiers, with contributions from existing and quality new members.

### Harnessing Business Technology

In 2021, Hysan unveiled “hy!”, a one-stop digital engagement platform with comprehensive e-commerce capabilities that aims to engage stakeholders and strengthen customer activation and retention. With the official launch set for early 2022, the Hysan community will soon enjoy upgraded online functions that allow members to access a wider variety of e-shopping products as well as to participate in community programmes.

Meanwhile, the foundation data integration of Hysan's data lake will also be completed in early 2022. This process will consolidate information from multiple sources including membership, coupon usage, e-commerce transactions, car parking and others.

Against the backdrop of rapid changes to the office environment brought about by the COVID-19 pandemic and other factors, Hysan also upgraded its back-end remote system to further improve the efficiency of its “work from home” arrangements.

### Residential

Hysan's residential portfolio turnover decreased by 12.2% to HK\$260 million (2020: HK\$296 million). Occupancy stood at 71% as at 31 December 2021 (2020: 74%).

Average rental reversion in the sector was negative with regard to renewals, rent review and new lettings.

The luxury residential rental market remained under pressure due to the lack of professional expatriates arriving in Hong Kong. Flexible leases were offered to customers in 2021, providing those who required shorter-term stays in Bamboo Grove with more options. To secure new tenants, we made agency fees more attractive and adopted a tenant referral programme.



## ➤ Core Expansion and Strategic Pillars

### Hong Kong Investment Property – Caroline Hill Road Project

Hysan will develop a premium commercial building with community facilities at the Caroline Hill Road site that neighbours its existing Lee Gardens portfolio. This joint venture project with Chinachem Group is a strategic long-term investment that will enhance the significance of Lee Gardens as a key commercial destination.

Ground investigation works began in the fourth quarter of 2021 and foundation works are expected to commence in the third quarter of 2022, with the entire project scheduled to be completed in 2026. The new site will be linked to the rest of Lee Gardens via a weatherproof walking route.

### Shanghai Investment Property – Commercial Complex in Jing'an District

Subsequent to the year-end, Hysan acquired a commercial complex that is strategically located in the heart of Shanghai's Jing'an district. The newly completed 24-storey building features approximately 50,000 square metres of ready-to-rent Grade A office space and 18,000 square metres of retail space. Hysan is now conducting asset enhancement works for the retail space, with completion expected by mid-2023.

This investment marks an important step in Hysan's long-term planning and development strategy for Shanghai, through which we aim to bring our Lee Gardens business philosophy and smart community business model to China's most populous city.

### Shanghai Investment Property – Grand Gateway 66

This investment property, in which Hysan owns a 26% stake, continued to record strong performance thanks to an asset enhancement initiative completed in 2020.

### Residential Development – Tai Po Luxury Residential Project

Located on a verdant hilltop in Tai Po, Hysan's joint-venture residential development was ready for its sales launch in the first half of 2022. The low-density project comprises 262 exclusive houses and flats, showcasing Hysan's continuous pursuit of excellence in design and facilities.

Its geographical advantages will be amplified by the future development of Hong Kong's "Northern Metropolis", complementing the already-burgeoning Shenzhen business districts just across the border. When completed, the Tai Po site will become the perfect haven for executives and professionals working in those areas.

### Residential Development – URA Residential Project in To Kwa Wan

In February 2022, Hysan acquired a 25% stake in a joint venture with Henderson Land and Empire Holdings to develop the URA residential project at Bailey Street/Wing Kwong Street in To Kwa Wan.

This is a quality site with high development potential, adjacent to the burgeoning commercial and residential hub of Kai Tak and within 5-minute walking distance to To Kwa Wan and Sung Wong Toi MTR stations. Hysan will leverage its skillsets by overseeing the design and operation of the retail portion of the project, which comprises a retail mall and shopping streets.

### Greater Bay Area Flex – Joint Venture with IWG

In August 2021, Hysan and IWG plc formed a joint venture with the exclusive rights to operate all IWG brands in Hong Kong and the Greater Bay Area. The investment expands Hysan's business footprint in the Greater Bay Area into flexible workspace. The joint venture operates 33 existing locations across the Greater Bay Area and will continue to expand the business presence of IWG's brands within the region's vast and growing flexible workspace market.

Hysan's vision encompasses a fast-evolving workspace ecosystem, with IWG playing an important role in meeting end-users' needs and expectations. The joint venture also reflects the confidence of both partners in the economic growth potential of the Greater Bay Area.

### Medical and Health – New Frontier Group

New Frontier Group is a leading private healthcare services provider based in China which operates a system of acute hospitals, online hospital, rehabilitation and geriatric hospitals, oncology centres, ambulatory centres, outpatient clinics, home health network, doctor groups, training centres and health insurance services across China.

Hysan's minority stake investment in New Frontier Group provides strategic exposure for the Group in Mainland China's fast-growing healthcare sector and demand for premium healthcare services.



## Financial Review

A review of the Group's results and operations is featured in the preceding sections. This section deals with other significant financial matters.

### Operating Costs

The Group's operating costs are generally classified as property expenses (direct costs and front-line staff wages and benefits) and administrative expenses (indirect costs, largely comprising payroll related costs of management and head office staff).

The Group's operating costs to turnover ratio was 21.4% (2020: 20.4%).

### Finance Costs

Finance costs decreased to HK\$393 million, as compared with HK\$546 million in 2020, as the Group capitalized the interest expense of funds used to finance its property development activities. The Group raised approximately HK\$7 billion from new issuance via its medium term note programme in 2020, taking advantage of ample market liquidity and a low interest rate environment. During 2021, finance costs related to such funding exercises amounted to HK\$394 million (2020: HK\$313 million). The effective interest rate for the year was 2.9%, as compared with 3.0% in 2020.

Further explanation of the Group's treasury activities and policy, including debt and interest rate management, is set out in the "Treasury Policy" section.

### Revaluation of Investment Properties

As at 31 December 2021, the Group's investment real estate portfolio was valued at HK\$95,107 million, an increase of 26.8% from the HK\$74,993 million recorded at the prior year-end, mainly due to the successful tender of a commercial site at Caroline Hill Road, Causeway Bay, Hong Kong in May 2021 at a land premium of \$19,778 million.

The valuation was carried out by Knight Frank Petty Limited, an independent professional valuer, on the basis of market value. A fair value loss on investment properties (after considering capital expenditure spent on the Group's investment properties) of HK\$720 million (2020: fair value loss of HK\$4,903 million) was recognized in the Group's consolidated statement of profit or loss for the year. The loss mainly reflects heightened market risk in a challenged retail sector, coupled with an office sector weakened by continued global economic uncertainty.

The following shows the property valuation of each portfolio at year-end.

	2021 HK\$ million	2020 HK\$ million	Change
Office	34,707	34,593	+0.3%
Retail	31,868	31,670	+0.6%
Residential	8,712	8,730	-0.2%
Property under development	19,820	–	n/m
	<b>95,107</b>	<b>74,993</b>	<b>+26.8%</b>

n/m: not meaningful

### Investments in Associates and Joint Ventures

The Group's investments in associates are primarily represented by its interest in Grand Gateway 66, a retail, office and residential complex in Shanghai, China. The share of results of associates increased to HK\$458 million (2020: HK\$225 million), mainly due to the Group's share of the revaluation gain (net of deferred tax) amounting to HK\$172 million (2020: revaluation loss of HK\$12 million). The properties at Grand Gateway 66 were revalued at fair value by an independent professional valuer for both years ended 31 December 2020 and 2021.

The Group's investment in joint ventures comprises interests in a Tai Po residential project and in the IWG Flex business. The increase in carrying value reflects the acquisition of IWG Flex business completed in September 2021.

### Other Financial Investments

During the year, the Group extended its geographical and business reach through certain strategic minority stake investments. Investment in New Frontier Group was one of the key initiatives which provides strategic exposure for the Group in the fast-growing healthcare sector in Mainland China. As at 31 December 2021, other financial investments totalled HK\$1,780 million (2020: HK\$789 million).

### Bank Deposits

In addition to placing surplus funds as time deposits in banks with strong credit ratings, the Group also invested in investment grade debt securities.

Excluding imputed interest income recognized on an interest-free loan of HK\$13 million (2020: HK\$30 million) to a joint venture company for a residential site development in Tai Po, like-for-like interest income decreased to HK\$79 million (2020: HK\$242 million) resulting from shorter-tenor bank deposits placed to provide flexibility to meet funding requirement from investment opportunities and other strategic initiatives.

### Cash Flow

Cash flow of the Group during the year is summarized below. Cash includes liquid cash and bank deposits with less than 3 months' tenor.

	2021 HK\$ million	2020 HK\$ million
Cash generated from operations	2,845	2,758
Net investment and advance to joint ventures and other financial investments	(1,126)	(285)
Net borrowings	7,507	6,458
Issuance of perpetual capital securities, net of distribution and transaction costs	(459)	10,314
Bank deposits	8,340	(4,843)
Interest and taxation	(861)	(980)
Dividends paid	(1,617)	(1,621)
Considerations for share repurchases	(146)	(96)
Capital expenditure	(22,334)	(913)
<b>Net cash (outflow) inflow</b>	<b>(7,851)</b>	<b>10,792</b>

The Group's cash generated from operations was HK\$2,845 million (2020: HK\$2,758 million), HK\$87 million higher than that in 2020, reflecting improvement in working capital management.

Net investment and advance to joint venture and other financial investments, amounted to HK\$1,126 million (2020: HK\$285 million) in 2021 related to the investment in IWG Flex business, an advance to the residential site development in Tai Po and investment in New Frontier Group.

Net borrowings amounted to HK\$7,507 million, reflecting an advance from non-controlling interest, issuance of fixed rate notes and repayment of bank loans. In 2020, total net borrowings were HK\$6,458 million.

In 2020, the Group through a wholly owned subsidiary of the Company (the "Issuer") issued US\$850 million (equivalent to approximately HK\$6,604 million) 4.10% subordinated perpetual capital securities, which are unconditionally and irrevocably guaranteed by the Company. Further, the Issuer issued US\$500 million (equivalent to approximately HK\$3,875 million) 4.85% senior perpetual capital securities, which are unconditionally and irrevocably guaranteed by the Company. The proceeds of the capital securities are for general corporate purposes and the capital securities are listed on The Stock Exchange of Hong Kong Limited. In 2021, the distribution paid to perpetual capital securities holders amounted to HK\$459 million.

Cash from bank deposits was HK\$8,340 million (2020: cash placed in bank deposits: HK\$4,843 million), which was mainly attributable to increase in shorter tenor deposits.

The Group paid dividends of HK\$1,497 million (2020: HK\$1,502 million), via a 2020 second interim dividend of HK117 cents per share (2020: HK117 cents) and a 2021 first interim dividend of HK27 cents per share (2020: HK27 cents).

During the year, the Group repurchased 5.5 million of its own shares as part of its capital management programme for an aggregate consideration of approximately HK\$146 million.

## Capital Expenditure and Management

The Group had successfully tendered for the Caroline Hill Road commercial site in May 2021 for a consideration of HK\$19,778 million to develop a premium commercial project. In addition to this strategic development project, the Group is also committed to enhancing the asset value of its current investment property portfolio through selective asset enhancement and redevelopment. The Group has also established a portfolio-wide whole-life cycle maintenance programme as part of our ongoing strategy to proactively implement preventive maintenance activities.

Total capital expenditure during the year was HK\$22,334 million (2020: HK\$913 million).

## ➤ Treasury Policy

### Capital Structure Management

To ensure a healthy financial position and a suitable capital structure servicing its financing needs and achieving sustainable growth, the Group constantly strives to diversify its funding sources and maintain an appropriate debt maturity profile relative to the overall use of funds. It also aims to maintain adequate liquidity, keep a low borrowing margin relative to market conditions, and adopt suitable hedging and forex management strategies.

### Funding Sources

The Group's total Gross Debt<sup>1</sup> level decreased to HK\$18,807 million as at 31 December 2021 (2020: HK\$19,204 million), mainly owing to new issuance of HK\$400 million of medium-term notes and early repayment of HK\$800 million in bank loans during the year.

As at 31 December 2021, bank loans accounted for approximately 8% of the Group's total Gross Debt with the remaining 92% made up of capital market financing (2020: 11% : 89%). All the Group's debts are on an unsecured and committed basis.

The following table shows the Group's sources of debt financing as at 31 December 2021:

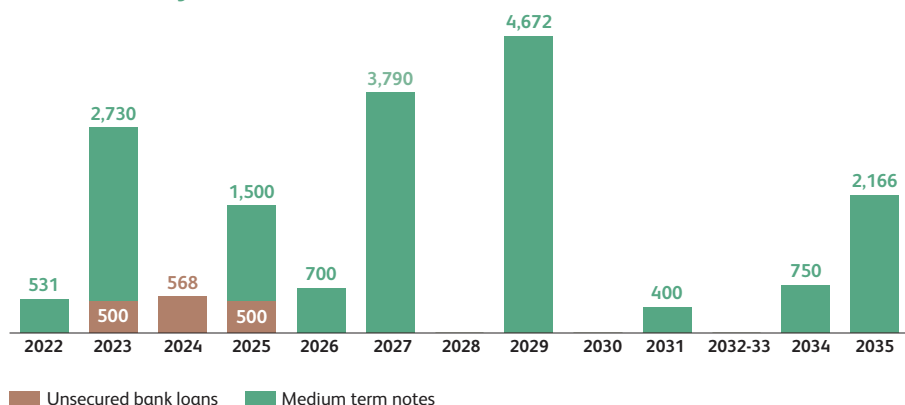
	Available HK\$ million	Drawn HK\$ million	Undrawn HK\$ million
Term loans	1,817	1,567	250
Committed revolving loans	5,300	–	5,300
Capital market issuances	17,240	17,240	–
<b>Total committed facilities</b>	<b>24,357</b>	<b>18,807</b>	<b>5,550</b>
Uncommitted revolving loans	1,580	–	1,580
<b>Total source of debts financing</b>	<b>25,937</b>	<b>18,807</b>	<b>7,130</b>

### Maturity Profile

The Group maintains a well-structured debt maturity profile extending over in the next 14 years, aligned appropriately with the nature of our assets and operations. As at 31 December 2021, the average maturity of debt portfolio was about 6.1 years (2020: 6.8 years). The Group has approximately HK\$531 million of debt maturing in 2022.

<sup>1</sup> Gross Debt represents the Group's contractual principal payment obligations as at 31 December 2021. However, in accordance with the Group's accounting policies, the debt is measured at amortized costs, using the effective interest method. As disclosed in the Group's consolidated statement of financial position as at 31 December 2021, the book value of the outstanding debt of the Group was HK\$18,657 million (2020: HK\$18,970 million).

## Debt Maturity Profile at the end of 2021 (HK\$ million)



## Gearing ratio and net interest coverage

The Group's gearing ratio, as measured by Net Debt to Equity ratio<sup>2</sup>, was 11.7% at year-end 2021 (2020: net cash position). The Group's Net Interest Coverage decreased to 9.1 times for 2021 (2020: 9.8 times).

## Credit Rating

The Group aims to maintain investment-grade credit ratings and keeps up active dialogue with credit rating agencies. As at 31 December 2021, the Group maintained its credit ratings at A3 from Moody's and A from Fitch, reflecting its strong financial position and prudent capital management strategy.



<sup>2</sup> Net Debt to Equity ratio is defined as borrowings less time deposits, cash and cash equivalents divided by total equity.

### Liquidity Management

As at 31 December 2021, the Group had cash and bank deposits totalling about HK\$8,404 million (2020: HK\$24,935 million). To preserve liquidity and enhance interest yields, the Group invested HK\$1,014 million (2020: HK\$454 million) in investment-grade debt securities.

Further liquidity, if needed, is available from the undrawn committed facilities offered by the Group's relationship banks. These facilities, amounted to HK\$5,550 million as at the end of 2021 (2020: HK\$5,450 million), allow the Group to obtain additional liquidity as the need arises.

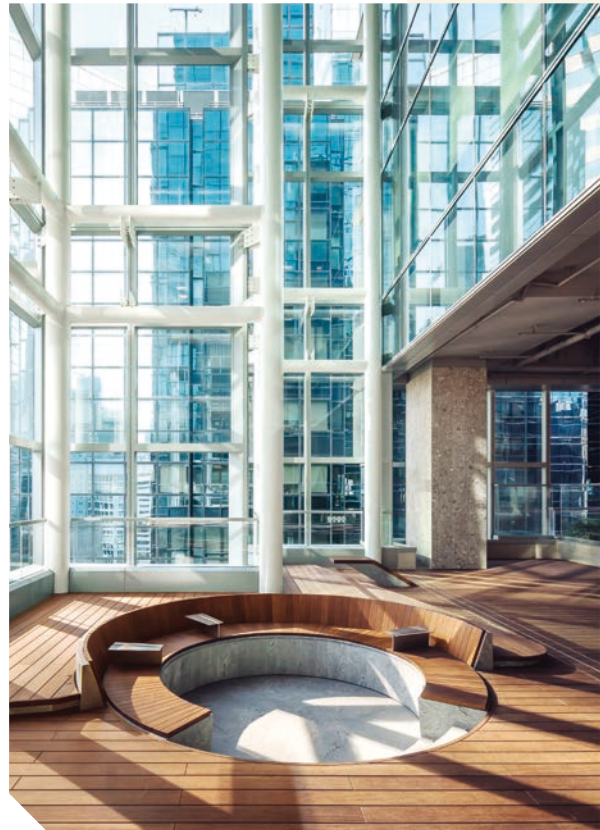
### Interest Rate Management

Interest expense represents one of the key costs of the Group's business. The Group monitors its interest rate exposure closely and adopts an appropriate hedging strategy in light of market conditions. The fixed rate debt ratio (after taking into account interest rate swap) as at 31 December 2021 was 75% (2020: 88%). The effective interest rate decreased slightly to 2.9% at the end of 2021 from 3.0% at the prior year-end.

### Foreign Exchange Management

The Group aims to achieve minimal currency exposure and does not speculate in currency movements for asset and liability management purposes.

All USD fixed rate notes were hedged through cross-currency swaps that effectively converted the borrowings into HKD. A USD bank loan has also been drawn down as a natural hedge against the Group's outstanding foreign currency balances in debt securities investments.





## Use of Derivatives

As at 31 December 2021, all the Group's outstanding derivatives were related to the hedging of foreign exchange exposures. Strict internal guidelines have been established to ensure derivatives are only used to manage volatilities or to adjust the risk profile of the Group's treasury assets and liabilities in an appropriate manner.

## Counterparty Credit Risk

All deposits are placed with banks with strong credit ratings and counterparty risk is monitored on a regular basis.

Before entering into any hedging transaction, the Group ensures that its counterparties possess strong investment-grade ratings, so as to control credit risk. As part of our risk management, a limit on maximum risk-adjusted credit exposure is assigned to each counterparty, which basically reflects the credit quality of the counterparty.

## Sustainable Finance Initiatives

The Group established its Green Finance Framework ("Framework") in 2019 and subsequently issued HK\$1,550 million green bonds to refinance the construction costs for Lee Garden Three, which has achieved green building certificates from BEAM Plus and LEED. In July 2021, we established the Sustainable Finance Framework, expanding the scope of the Framework to finance eligible projects that potentially offer a positive environment and social impact.

Under the Framework, the Group has completed the following sustainable finance transactions:

- HK\$1,550 million green bonds issued in 2019
- US\$125 million sustainability-linked hedging solution in 2020
- HK\$400 million sustainable bonds issued in 2021
- HK\$965 million sustainability-linked loans in 2021

Total sustainable financing at year-end stood at approximately HK\$3,890 million, representing around 21% of the Group's total Gross Debts. We aim to gradually increase the sustainable finance portion of the Group's overall debt portfolio.

3

# CORPORATE GOVERNANCE

- 42** Corporate Governance Report
  - 42 Corporate Governance Highlights
  - 43 Our Leadership Team
  - 49 Our Governance Structure, Our Governance System and Our Corporate Governance Framework
  - 68 Our Risk Management and Internal Control Framework
- 70** Risk Management and Internal Control Report
- 77** Audit and Risk Management Committee Report
- 81** Remuneration Committee Report
- 87** Nomination Committee Report
- 89** Sustainability Committee Report
- 91** Sustainability Report 2021 – Summary
- 94** Directors' Report

# Corporate Governance Report

## Corporate Governance Highlights

Hysan embraces good corporate governance as one of its core values, and as the foundation of achieving consistent and sustainable performance. We are committed to achieving best practice in all aspects of corporate governance, going above and beyond regulatory compliance under the Rules Governing the Listing of Securities (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

In 2021, Hysan continued to comply fully with the requirements of the Corporate Governance Code (the

“Corporate Governance Code”) set out in Appendix 14 of the Listing Rules. Furthermore, Hysan has complied with all applicable requirements and provisions of the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules.

This section outlines the highlights and major areas in which Hysan’s corporate governance practices have exceeded the Corporate Governance Code to date and over the past five years.

### Hysan’s Corporate Governance Achievements (Beyond Compliance)

Sustainability Committee established on 1 January 2020.

Terms of Reference\* for Audit and Risk Management Committee, Nomination Committee, Remuneration Committee, Sustainability Committee, and Executive Committee updated in 2021 and 2022.

Established sustainable finance framework\* in 2021, expanding the scope of its existing green finance framework to include social projects and initiatives that would yield a positive impact for society and the stakeholders and communities served by the Group. Issued its first green bond in 2019 and first sustainability bond in 2021. Secured its first sustainability-linked loan in 2021.

Risk Appetite Statement\* adopted in 2021.

Anti-Fraud Policy\* adopted in 2021, along with supporting fraud handling policy and procedures to control and assist the detection and prevention of fraud.

Tax Governance Policy\* adopted in 2021, along with supporting tax compliance policy and procedures.

Human Rights Policy\* adopted in 2020, as well as a Code of Ethics\* applicable to all staff and Directors. Joint venture partners, contractors and suppliers are encouraged and expected to comply.

Board independence: four INEDs out of ten Directors, exceeding the Listing Rules minimum requirement.

Effective and detailed digital evaluation by the Board of its own performance and that of its committees. Directors’ feedback analysed and discussed in meetings.

Comprehensive Onboarding Guidelines for Directors\*.

Individual reports for each Board Committee.

Appointment of Directors through formal letters of appointment. Formal criteria and requirements\* established for Non-Executive Director appointments, including expected time commitment.

A separate Whistleblowing Policy\* established in 2016. An independent third party is engaged as the whistleblowing channel, reporting directly to the Audit and Risk Management Committee.

A formal Board of Directors Mandate\* and a detailed List of Matters Reserved for the Board\* provide for a clear division of roles between the Board and management.

Formal Corporate Governance Guidelines\* formulated in 2004 and further reviewed in 2021 and 2022.

Corporate Disclosure Policy\* formulated in 2013 and further enhanced in 2019. Hysan’s Disclosure Committee conducts regular assessments of inside information and guides and promotes the timely and accurately disseminated disclosure of inside information and stakeholder communications.

Formal Code for Securities Dealing by Directors and Employees, including clearance and approval procedures.

More than 20 business days’ notice for AGMs.

Early announcement of audited financial results within two months and publication of Annual Report within three months after the financial year-end.

Adopted limits on the issuance of additional shares under general mandate from 2018 onwards: specifically, such issuance shall not exceed 10% of the total number of the Company’s issued shares, and the discount to market price for any shares to be issued shall not exceed 10%.

Proactive invitation to major nominee companies by Hysan to forward communication materials to the ultimate beneficial shareholders at the Group’s expense.

Auditor Services Policy\* for the engagement of auditors.

Confirmation from senior management to the Audit and Risk Management Committee regarding verification compliance. Additional assurance from Internal Audit regarding the review of continuing connected transactions.

Sustainable Procurement Policy\* adopted in 2021.

\* Detailed policies and terms of reference are available on the Company’s website: [www.hysan.com.hk/governance](http://www.hysan.com.hk/governance).

## Our Leadership Team

### Board of Directors

The Board is the governing body of our Group, and assumes the responsibility of overseeing the corporate governance of our Group.

### Executive Directors



#### Lee Irene Yun-Lien

Chairman of the Board

N

**Board Appointment** Ms. Lee was appointed as a Non-Executive Director in March 2011, Non-Executive Chairman in May 2011, and executive Chairman in March 2012. She also serves as a director of certain subsidiaries of the Group. She is aged 68.

**Competencies and Experience** Ms. Lee leads the Group in her executive Chairman role. Ms. Lee is the independent non-executive chairman of Hang Seng Bank Limited. She is also an independent non-executive director of HSBC Holdings plc and The Hongkong and Shanghai Banking Corporation Limited. She is a member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority. She has held senior positions in investment banking and fund management in a number of renowned international financial institutions. Previously, Ms. Lee was an executive director of Citicorp Investment Bank Limited in New York, London and Sydney, and head of corporate finance at Commonwealth Bank of Australia and chief executive officer of Sealcorp Holdings Limited, both based in Sydney. She was also

the non-executive chairman of Keybridge Capital Limited (listed on the Australian Stock Exchange), a non-executive director of ING Bank (Australia) Limited, QBE Insurance Group Limited and The Myer Family Company Pty Limited, an independent non-executive director of Noble Group Limited (listed on Singapore Exchange Limited), CLP Holdings Limited and Cathay Pacific Airways Limited, and a member of the Advisory Council of JP Morgan Australia. Ms. Lee was formerly a member of the Australian Government Takeovers Panel.

She is a member of the founding Lee family, sister of Mr. Lee Anthony Hsien Pin (Non-Executive Director) and his alternate on the Board.

**Qualifications** Ms. Lee holds a Bachelor of Arts Degree from Smith College, the United States of America, and is a Barrister-at-Law in England and Wales and a member of the Honourable Society of Gray's Inn, the United Kingdom.

**Committees** Ms. Lee is the Chairman of the Nomination Committee.



Audit and Risk Management Committee



Remuneration Committee



Nomination Committee



Sustainability Committee



Committee Chairman

### Executive Directors (continued)



#### Lui Kon Wai

Executive Director and Chief Operating Officer

**Board Appointment** Mr. Lui was appointed as the Group's Chief Operating Officer in December 2016 and Executive Director in October 2021. He also serves as a director of certain subsidiaries of the Group. He is aged 56.

**Competencies and Experience** Under the leadership of the Executive Chairman, Mr. Lui is responsible for translating and executing the Group's strategy and vision into operational and financial attainment, and also driving the Group's business growth, development and investment.

He has over 30 years of experience as a senior executive in the property industry globally, covering acquisitions, development and asset management for residential, office, retail and large-scale mixed-use developments in Hong Kong, Mainland China and overseas.

**Qualifications** Mr. Lui holds a Master of Business Administration degree from the University of Warwick, the United Kingdom. He is also a Fellow of the Royal Institution of Chartered Surveyors and a Member of the Chartered Institute of Building.

### Non-Executive Directors



#### Churchouse Frederick Peter

Independent Non-Executive Director



**Board Appointment** Mr. Churchouse was appointed as an Independent Non-Executive Director in December 2012 and is aged 72.

**Competencies and Experience** Mr. Churchouse has been involved in Asian securities and property investment markets for more than 30 years. He is currently a private investor including having his own private family office company, Portwood Company Ltd. He is an independent non-executive director of Longfor Group Holdings Limited. He was the publisher and author of *The Churchouse Letter*. In 2004, Mr. Churchouse set up an Asian investment fund under LIM Advisors. He acted as a director and Responsible Officer of LIM

Advisors until the end of 2009. Prior to this, Mr. Churchouse worked at Morgan Stanley as a managing director and advisory director from early 1988. He acted in a variety of roles including head of regional research, regional strategist and head of regional property research. He was also a board member of Macquarie Retail Management (Asia) Limited.

**Qualifications** Mr. Churchouse gained a Bachelor of Arts degree and a Master of Social Sciences degree from the University of Waikato in New Zealand.

**Committees** Mr. Churchouse is a member of the Audit and Risk Management Committee and the Nomination Committee.



## Fan Yan Hok Philip

### Independent Non-Executive Director



**Board Appointment** Mr. Fan was appointed as an Independent Non-Executive Director in January 2010. He is aged 72.

**Competencies and Experience** Mr. Fan is an independent non-executive director of China Everbright Environment Group Limited, First Pacific Company Limited, China Aircraft Leasing Group Holdings Limited and PFC Device Inc. He was previously an independent director of Goodman Group.

**Qualifications** Mr. Fan holds a Bachelor's Degree in Industrial Engineering and a Master's Degree in Operations Research from Stanford University, as well as a Master's Degree in Management Science from the Massachusetts Institute of Technology.

**Committees** Mr. Fan is the Chairman of the Remuneration Committee, and a member of the Audit and Risk Management Committee, the Nomination Committee and the Sustainability Committee.



## Poon Chung Yin Joseph

### Independent Non-Executive Director



**Board Appointment** Mr. Poon was appointed as an Independent Non-Executive Director in January 2010. He is aged 67.

**Competencies and Experience** Mr. Poon is a non-executive director of Tai Chong Cheang Group, a member of the Advising Committee of the Asia Pacific Institute for Strategy and a board advisor of Clean Air Network. He was formerly an independent non-executive director of AAC Technologies Holdings Inc., the group managing director and deputy chief executive officer of Tai Chong Cheang Group, managing director and deputy chief executive of Hang Seng Bank Limited and held senior management posts in HSBC Group and a number of internationally renowned financial institutions. Mr. Poon was the former chairman of Hang Seng Index Advisory Committee, Hang Seng Indexes Company

Limited, a former member of the Board of Inland Revenue of the Hong Kong Special Administrative Region and the Environment and Conservation Fund Investment Committee, and a former committee member of the Chinese General Chamber of Commerce.

**Qualifications** Mr. Poon holds a Bachelor of Commerce degree from the University of Western Australia. He is a member of Chartered Accountants Australia and New Zealand, and the Hong Kong Institute of Certified Public Accountants. Mr. Poon is also a Fellow of the Hong Kong Institute of Directors.

**Committees** Mr. Poon is the Chairman of the Audit and Risk Management Committee, and a member of the Remuneration Committee and the Nomination Committee.



Audit and Risk Management Committee



Remuneration Committee



Nomination Committee



Sustainability Committee



Committee Chairman

### Non-Executive Directors (continued)



**Wong Ching Ying Belinda**  
Independent Non-Executive Director

S

**Board Appointment** Ms. Wong was appointed as an Independent Non-Executive Director in December 2018 and is aged 50.

**Competencies and Experience** Ms. Wong is currently the chairman of Starbucks China. Ms. Wong joined Starbucks Coffee Company in 2000 and held leadership positions across a variety of business units and geographies, including marketing director for the Asia Pacific region of Starbucks Coffee, managing director of Starbucks Singapore and general manager of Starbucks Hong Kong. Prior to joining Starbucks group in 2000, Ms. Wong was the marketing manager of McDonald's China Development Company. She is also an

independent non-executive director of Television Broadcasts Limited and has extensive experience in retail, food and beverage, people, brand development and growth strategy across the Greater China and Asia Pacific regions. She serves as a member of the Faculty Advisory Board for University of British Columbia's Sauder School of Business.

**Qualifications** Ms. Wong holds a Bachelor of Commerce degree with a major in finance from the University of British Columbia in Canada.

**Committees** Ms. Wong is a member of the Sustainability Committee.



**Jebson Hans Michael B.B.S.**  
Non-Executive Director

S

**Board Appointment** Mr. Jebson was appointed as a Non-Executive Director in 1994 and is aged 65.

**Competencies and Experience** Mr. Jebson is chairman of Jebson and Company Limited as well as a director of other Jebson Group companies worldwide. He is also an independent non-executive director of The Wharf (Holdings) Limited. Mr. Jebson currently holds a number of public offices, namely, chairman of the Asian Cultural Council Hong Kong, chairman of the Advisory Council of the Business School of The Hong Kong University of Science and Technology, trustee of World Wide Fund for Nature Hong Kong, and member of the Board of Trustees of Asia Society Hong Kong Center, the Hong Kong-Europe Business Council of the Hong Kong Trade Development Council as well as the Advisory Board of the Hong Kong Red Cross. Since 2015, he has also been a member of the Operations Review Committee of the Independent Commission Against Corruption.

Mr. Jebson was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region in 2001, made a Knight of the Dannebrog by receiving the Silver Cross of the Order of Dannebrog by H. M. The Queen of Denmark in 2006, was awarded the Merit Cross of the Order of the Merit of the Federal Republic of Germany in 2009, received the title "Hofjægermester" by H. M. The Queen of Denmark in January 2011 and was awarded the Knight of 1st Class of the Order of Dannebrog, Denmark in 2014. Mr. Jebson received the title "Kammerherre" by H.M. The Queen of Denmark in 2020. In 2021, Mr. Jebson was conferred the title of Guangzhou Honorary Citizen.

**Qualifications** Mr. Jebson was awarded Doctor of Business Administration honoris causa of The Hong Kong University of Science and Technology in 2015.

**Committees** Mr. Jebson is the Chairman of the Sustainability Committee.





## Lee Anthony Hsien Pin

Non-Executive Director

A

**Board Appointment** Mr. Lee was appointed as a Non-Executive Director in 1994 and is aged 64.

**Competencies and Experience** Mr. Lee is a director and substantial shareholder of the Australian-listed Beyond International Limited, principally engaged in television programme production and international sales of television programmes and feature films. He is also a non-executive director of Television Broadcasts Limited and a member of the Board of Trustees of Princeton

University. Mr. Lee is a member of the founding Lee family and a director of Lee Hysan Company Limited, a substantial shareholder of the Company. He is the brother of Ms. Lee Irene Yun-Lien, Chairman.

**Qualifications** Mr. Lee received a Bachelor of Arts Degree from Princeton University and a Master of Business Administration Degree from The Chinese University of Hong Kong.

**Committees** Mr. Lee is a member of the Audit and Risk Management Committee.



## Lee Chien

Non-Executive Director

N

**Board Appointment** Mr. Lee was appointed as a Non-Executive Director in 1988 and is aged 68.

**Competencies and Experience** Mr. Lee is a non-executive director of Swire Pacific Limited and a number of private companies. He is a member of the founding Lee family and a director of Lee Hysan Company Limited, a substantial shareholder of the Company. Mr. Lee is a Council member of The Chinese University of Hong Kong and St. Paul's Co-educational College and a

Trustee Emeritus of Stanford University. He is also a director of CUHK Medical Centre.

**Qualifications** Mr. Lee received a Bachelor of Science Degree in Mathematical Science, a Master of Science Degree in Operations Research and a Master of Business Administration Degree from Stanford University.

**Committees** Mr. Lee is a member of the Nomination Committee.



Audit and Risk Management Committee



Remuneration Committee



Nomination Committee



Sustainability Committee



Committee Chairman

### Non-Executive Directors (continued)



#### Lee Tze Hau Michael

Non-Executive Director

R

**Board Appointment** Mr. Lee joined the Board in January 2010, having previously served as a Director from 1990 to 2007. He is aged 60.

**Competencies and Experience** Mr. Lee is currently a director of Oxer Limited, a private investment company. He is also an independent non-executive director of Chen Hsong Holdings Limited and the deputy chairman of the Board of Stewards of The Hong Kong Jockey Club. He was previously an independent non-executive director of Hong Kong Exchanges and Clearing Limited and Trinity Limited, and an independent non-executive director and chairman of OTC Clearing Hong Kong

Limited. Mr. Lee was also a member of the Main Board and Growth Enterprise Market Listing Committees of The Stock Exchange of Hong Kong Limited. Mr. Lee is a member of the founding Lee family and a director of Lee Hysan Company Limited, a substantial shareholder of the Company.

**Qualifications** Mr. Lee received his Bachelor of Arts Degree from Bowdoin College and his Master of Business Administration Degree from Boston University.

**Committees** Mr. Lee is a member of the Remuneration Committee.

### Senior Management



#### Hao Shu Yan Roger

BBA (Hons), CPA, ACA, ACCA

**Chief Financial Officer and Company Secretary**

Mr. Hao is responsible for the Group's financial control, treasury, legal and secretarial functions, and serves as a director of certain Hysan subsidiaries. He joined the Group in 2008. Mr. Hao accumulated extensive experience in auditing, financial management and control while holding senior positions in multinational corporations. He is aged 56.



#### Choy Man Wai Kitty

BEcon, MSc, MBA

**Director, Retail**

Ms. Choy is responsible for the Group's retail portfolio and asset management strategies, and serves as a director of certain Hysan subsidiaries. She joined the Group in 2000 and prior to joining Hysan, Ms. Choy held a supervisory position at a major property development company. She is aged 49.



#### Yip Mo Ching Jessica

BSc (Surveying), MBA, MRICS,

MHKIS, RPS

**Director, Office and Residential**

Ms. Yip is responsible for managing the office and residential portfolio of the Group, and serves as a director of certain Hysan subsidiaries. Prior to joining the Group in 2012, Ms. Yip fulfilled various roles in international consultancies, occupiers and developers. She has extensive experience in the real estate industry. She is aged 45.

## ➤ Our Governance Structure

The Board is responsible for the stewardship of the Group and ensuring the effectiveness and adequacy of the Group's corporate governance system. A strong corporate governance system allows the Group to enhance business efficacy with precision and thus successfully achieve its intended results, while also supporting Hysan's strategic objective of optimising consistent long-term financial returns for its shareholders.

The Board is the governing body of the Group and assumes the responsibility of shaping business goals and strategies in the best interests of the Group. In carrying out its duties, the Board may, within defined limits and authority, delegate tasks to its Board Committees.

Our Board has four Board Committees, namely:

- Audit and Risk Management Committee
- Remuneration Committee
- Nomination Committee
- Sustainability Committee

The Executive Committee and different Management Committees at the Group level are empowered to implement and execute the Group's business goals and strategies as determined and led by the Board.

Details are set out under the "Leadership" section on page 50.

## ➤ Our Governance System

Hysan operates within a clear and effective corporate governance system.

The Corporate Governance Guidelines (reviewed from time to time with last updated in January 2022) serve as the main code governing the Board's commitment to high standards of corporate governance and its roles and responsibilities in supervising the management of the business and affairs of the Group.

Our corporate governance system comprises, inter alia:

- Corporate Governance Framework
- Risk Management and Internal Control Framework

At Hysan, we recognize the importance of achieving good corporate governance from top to bottom: not only at the Board level, but also throughout the whole Hysan Group. Our corporate governance procedures and practices are

embedded in a wide range of corporate policies and guidelines, including, but not limited to, the following key policies and guidelines. All Directors and employees are expected to follow our corporate governance policies and guidelines.

- Corporate Governance Guidelines
- Onboarding Guidelines for Directors
- Board of Directors Mandate
- Roles and Requirements of Non-Executive Directors
- List of Matters Reserved for the Board
- Terms of Reference of each Board Committee
- Diversity Policy
- Nomination Policy
- Auditor Services Policy
- Code of Ethics for Directors and Employees
- Corporate Disclosure Policy
- Anti-Fraud Policy
- Whistleblowing Policy
- Procedures for Shareholders to Convene General Meetings/Put Forward Proposals
- Shareholders Communication Policy
- Tax Governance Policy
- Human Rights Policy

Detailed policies and terms of references are available on the Company's website: [www.hysan.com.hk/governance](http://www.hysan.com.hk/governance).

## ➤ Our Corporate Governance Framework

Our corporate governance framework is carefully and regularly assessed and tailored in accordance with developments in regulatory regimes, international best practices, and the Company's needs.

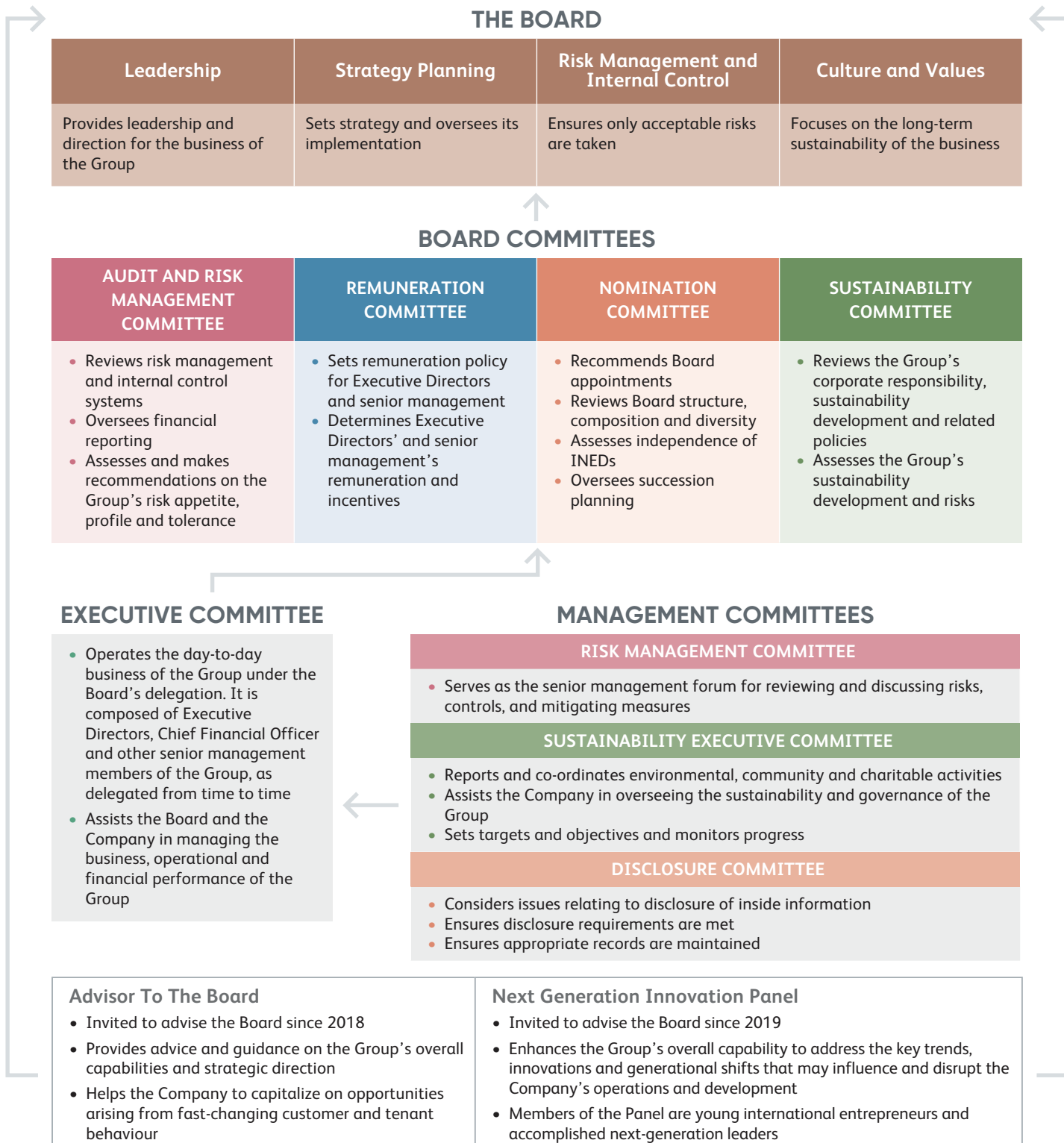
This framework is the centrepiece of our corporate governance system. It aims to ensure that both Directors and employees act within a robust chain of delegated authority and powers, in accordance with our corporate governance principles of:

- |                        |                         |
|------------------------|-------------------------|
| <b>1</b> Leadership    | <b>3</b> Accountability |
| <b>2</b> Effectiveness | <b>4</b> Engagement     |

# 1 Leadership

Our Group’s business operations and affairs are effectively managed and carried out through a chain of delegated authority within defined limits.

## Leadership at a glance



## Board

All Directors are recruited through formal letters of appointment which set out clearly the terms and conditions of their appointments. Directors (including all Non-Executive Directors and Independent Non-Executive Directors) serve for a term of three years and are subject to rotation.

The main roles and responsibilities of the Board are:

- Setting business goals and strategies in the best interests of the Group and overseeing their implementation;
- Providing insights regarding the Group's culture and values;
- Determining the Group's risk appetite and evaluating the risks that the Group is willing to take;
- Overseeing and ensuring the adequacy and effectiveness of the Group's internal controls and risk management system; and
- Supervising the corporate governance and financial performance of the Group.

The Board is governed by a formal **Board of Directors Mandate**.

To retain control of key decisions and ensure that there is a clear division of responsibilities between the Board and the management regarding the daily operations of the Group, the Board has identified certain reserved matters that only the Board can approve. Other matters, responsibilities and authorities have been effectively delegated as described. Details are set out in the **List of Matters Reserved for the Board**.

## Board Committees

The Board has four Board Committees, namely the Audit and Risk Management Committee, Remuneration Committee, Nomination Committee and Sustainability Committee.

All Committee meetings are conducted prior to full Board meetings to ensure that all vital matters are reported to the Board in advance, considered thoroughly and decided upon by the full Board in a timely manner.

Each Committee has access to independent professional advice as and when required, and supported by the Company Secretary. All Board Committees report to the Board. During the year, the procedures for seeking independent professional advice have also been enhanced to facilitate Board access to such advice.

Full details of the Committees' activities during the year are set out in their respective reports:

- "Audit and Risk Management Committee Report" on pages 77 to 80
- "Remuneration Committee Report" on pages 81 to 86
- "Nomination Committee Report" on pages 87 to 88
- "Sustainability Committee Report" on pages 89 to 90

The Terms of Reference for each Committee were updated in 2021 and further reviewed and/or updated (as the case may be) in 2022.

## Executive Committee and Management Committees

The Executive Committee is entrusted with the task of implementing and executing business goals and strategies as determined by the Board. The Board retains control of key decisions and certain reserved matters specified in the **List of Matters Reserved for the Board**, which is reviewed annually.

The Executive Committee members include the Executive Directors, the Chief Financial Officer and other members as may be appointed by the Board from time to time. The Terms of Reference for the Executive Committee were updated in 2021.

Hysan's strong governance framework requires a number of executive and advisory groups. These include, among others, three governance-related management level committees:

- the Risk Management Committee;
- the Sustainability Executive Committee; and
- the Disclosure Committee.

To enhance the Group's strategy and overall capabilities in addressing new business trends and emerging generational shifts, the Board has appointed Li Xinzhe Jennifer as an Advisor to the Board, as well as establishing a Next Generation Innovation Panel to advise the Board accordingly.

## 2 Effectiveness

Board effectiveness stems from achieving the right composition, size, diversity, commitment, and independence. This can be attained through a proper nomination process, ongoing reviews, and a board evaluation process.

### Board Size

As at 31 December 2021, there were ten Directors on the Board: the Chairman, the Executive Director and Chief Operating Officer and eight Non-Executive Directors (including four Independent Non-Executive Directors).

Lee Irene Yun-Lien is currently the Board Chairman. She leads the Board, particularly regarding the long-term strategic development of the Group and matters that drive shareholder value.

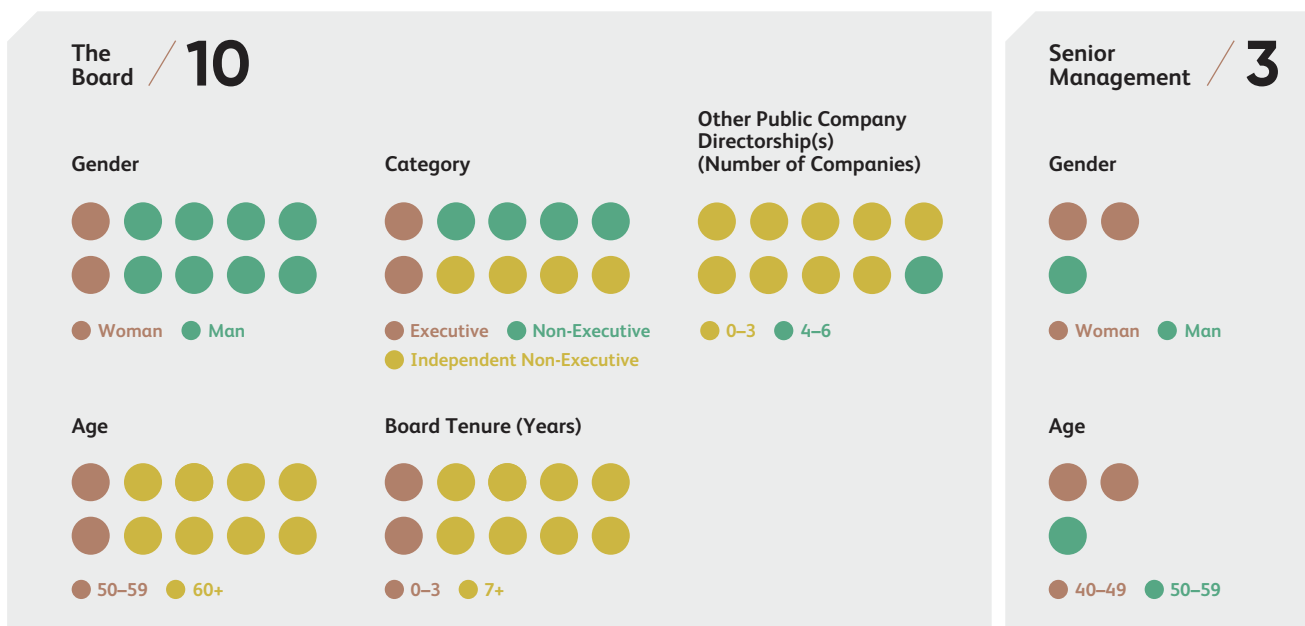
On 1 October 2021, Lui Kon Wai, Chief Operating Officer since December 2016, was also appointed as an Executive Director in accordance with the Company’s Diversity Policy and Nomination Policy. Under the leadership of the Board Chairman, Lui Kon Wai is responsible for translating and executing the Group’s strategy and vision into operational and financial attainment, and for driving the Group’s business growth, development and investment. He has over 30 years of global experience as a senior executive in the

property industry, covering acquisitions, development and asset management for residential, office, retail and large-scale mixed-use developments in Hong Kong, Mainland China and overseas.

Churchouse Frederick Peter, Fan Yan Hok Philip and Poon Chung Yin Joseph have served as Independent Non-Executive Directors for more than nine years. Churchouse Frederick Peter and Poon Chung Yin Joseph were re-elected at the 2021 annual general meeting (“AGM”), while Fan Yan Hok Philip will retire by rotation at the forthcoming AGM to be held on 19 May 2022. The Board highly values their experience and wisdom. They continue to provide positive and significant contributions and guidance to the Company’s strategies and business development, offering independent judgment from their areas of expertise and experience in risk management, finance, people and culture, technology, and environmental, social and governance (ESG) matters, all of which are relevant to the Group’s business. The Board and the Nomination Committee are of the view that Churchouse Frederick Peter, Fan Yan Hok Philip and Poon Chung Yin Joseph have consistently demonstrated a healthy level of professional scepticism where appropriate and have not held back from asking probing questions and challenging executive management’s views and recommendations. There is no evidence to suggest that their tenure has had any impact on their independence.

Fan Yan Hok Philip, Jebesen Hans Michael, Lee Anthony Hsien Pin, Lui Kon Wai and Wong Ching Ying Belinda will retire at the forthcoming AGM to be held on 19 May 2022. All of them being eligible for re-election will offer themselves for

### The Board and Senior Management Composition



(Directors’ full biographies, including relationships among members of the Board, and Senior Management’s full biographies, are set out in pages 43 to 48, and are also available on the Company’s website: [www.hysan.com.hk/about/leadership](http://www.hysan.com.hk/about/leadership))

re-election. Details of the candidates standing for re-election as Directors are set out in the AGM circular to shareholders. None of these Directors has a service contract with the Company or any of its subsidiaries that is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The Board, through the Nomination Committee, has determined that the Board size of ten Directors is adequate and effective in terms of carrying out its duties and responsibilities, and recommends the re-election of the retiring Directors.

## Board Diversity

Hysan recognizes the importance of diversity among its Board members and has adopted a Diversity Policy to this end. During the year, the Diversity Policy was updated to require that the Policy be reviewed at least annually to ensure its continued effectiveness and confirm that the Board has an appropriate mix of skills and experience to deliver the Company's strategy.

The Diversity Policy requires the Nomination Committee to annually review the following, and report to the Board:

- the structure, size and composition of the Board; and
- the diversity of background, skills and experience (including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board.

Our Board currently has two women Directors out of ten Directors, and is committed to improving gender diversity as and when suitable candidates are identified.

In striving to maintain gender diversity, similar considerations are used when recruiting and selecting key management and other personnel across the Group's operations. As at 31 December 2021, we maintained a 39:61 ratio of women to men in the workplace. For details of our hiring practices, please refer to our Sustainability Report.

Our eight Non-Executive Directors are from diverse and complementary backgrounds. The valuable experience and expertise they bring to our business are critical for the long-term growth of the Group.

Skill / Experience	Summary	Combined
<b>Environmental, Social and Governance</b>	Experience in, and commitment to, exceptional corporate governance standards, environmental management, and social responsibility initiatives.	
<b>Risk Management</b>	Experience in anticipating and identifying the key risks to an organization and monitoring the effectiveness of risk management frameworks and controls.	
<b>Strategy</b>	Experience in defining strategic objectives, assessing business plans and driving execution in large and complex organisations.	
<b>Customer and Retail</b>	Experience as a senior executive in a major retail, customer products, services or distribution company.	
<b>Real Estate Investment</b>	Experience as a senior executive in another major company in the property investment, development or facilities management sector, or related industry experience or insights into real estate investment opportunities.	
<b>Financial Services and Investment</b>	Experience in the financial services industry or experience in overseeing financial transactions and investment management.	
<b>Financial Acumen</b>	Understanding of a business's financial drivers, and experience in implementing or overseeing financial accounting, reporting and internal controls.	
<b>People and Culture</b>	Experience in monitoring a company's culture, overseeing people management and succession planning, and setting remuneration frameworks.	
<b>International and China</b>	Experience in international and Mainland China economics and relations.	
<b>Technology</b>	Experience in digital and technology business or in monitoring technology-related projects.	

● Extensive    ● Moderate

## Board Commitment

Board effectiveness is attained through significant commitment and contribution from each Director.

To ensure that our Directors have spent sufficient time engaged in the affairs of the Company, the Directors disclose to the Company once a year details of their other offices held in Hong Kong or overseas-listed public companies and other significant commitments, as well as an indication of the time involved in those positions. In addition, the Directors usually inform the Company promptly whenever there are changes regarding their other positions.

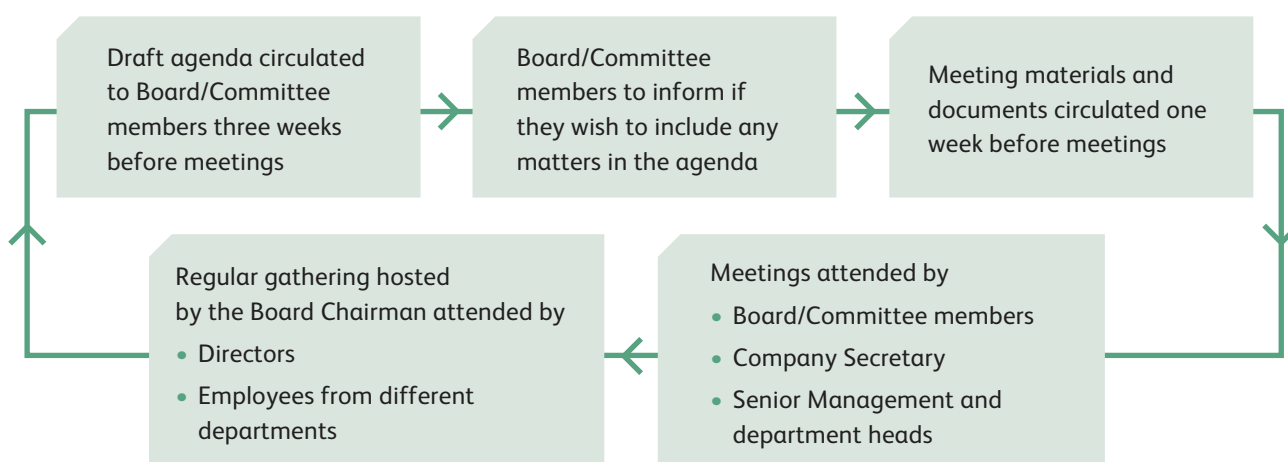
The Board and the Board Committees meet regularly each year. The Board and Board Committee members are given full and timely access to meeting agendas and materials well before the meetings to allow them to read materials thoroughly. The committee chairs are also given sufficient time at each Board meeting to report on the discussions undertaken at Board Committee meetings and make recommendations for the Board's further deliberation and/or approval. The Senior Management and other department

heads are invited to present to the Board on operational topics during the year and to engage in open discussions with the Board.

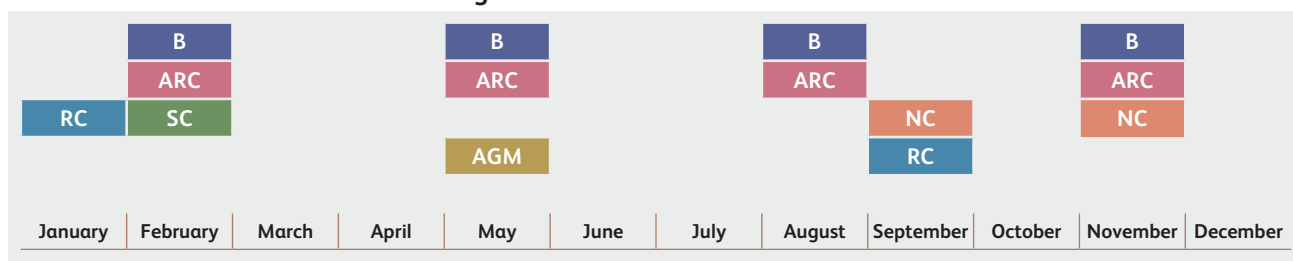
During the year, efficient hybrid (physical and virtual) Board and Board Committee meetings took place using effective technology and a digital board portal, after giving due weight and consideration to the health and safety of Board members and employees considering the COVID-19 pandemic situation. This effective technological connectivity continued to promote a high level of involvement and engagement at different levels of the business.

## Meeting Process

In 2021, the Directors participated extensively in the Company's affairs and the Board's discussions and decisions, as reflected in their high attendance record in Board and Board Committee meetings during the year. The Independent Non-Executive Directors held separate meetings with the Board Chairman to discuss Board and relevant matters.



## Board and Board Committee meetings in 2021



<b>B</b> Board Meeting(s)	<b>RC</b> Remuneration Committee Meeting	<b>SC</b> Sustainability Committee Meeting
<b>ARC</b> Audit and Risk Management Committee Meeting	<b>NC</b> Nomination Committee Meeting	<b>AGM</b> Annual General Meeting



## Directors' Attendance at Meetings and Continuous Professional Development in 2021

The following table shows Directors' attendance at meetings and training:

Directors	B (Total: 5) (Note 1)	ARC (Total: 4)	RC (Total: 2)	NC (Total: 2)	SC (Total: 1)	AGM (Annually)	Training (Note 4)
Lee Irene Yun-Lien	●●●●●	●●●●● (Note 2)	●● (Note 2)	●●	● (Note 2)	●	✓
Lui Kon Wai (Note 3)	●●	● (Note 2)	—	—	—	—	✓
Churthouse Frederick Peter	●●●●○	●●●●○	—	●○	—	●	✓
Fan Yan Hok Philip	●●●●●	●●●●●	●●	●●	●	●	✓
Poon Chung Yin Joseph	●●●●●	●●●●●	○●	●●	—	●	✓
Wong Ching Ying Belinda	●○●○●○	—	—	—	○	○	✓
Jebsen Hans Michael	●○●○●○	—	—	—	●	○	✓
Lee Anthony Hsien Pin	○●○●○●	○●○●○●	—	—	—	○	✓
Lee Chien	●●●●●	—	—	●●	—	●	✓
Lee Tze Hau Michael	●●●●●	—	●●	—	—	●	✓

● Attended      ○ Attended by tele/video conference/webcast

### Notes:

- In addition to the routine Board meeting in November, a dedicated half-day Board meeting was also held in November 2021 to discuss the Group's business plans and long-term directional strategy.
- Executive Directors are invited to present updates and/or answer relevant questions in order to facilitate the decision-making process. Executive Directors are expressly excused from the sections of Remuneration Committee meetings when their own compensation packages are discussed.
- Lui Kon Wai was appointed as an Executive Director on 1 October 2021.
- This includes (i) trainings organized by Hysan; (ii) expert briefings, seminars and conferences relevant to the Company's business; and (iii) reading legal, regulatory, industry and directors' duties related updates prepared by Hysan on a quarterly basis.

## Continuous Professional Development

In addition to regular Board and Board Committee meetings, the Directors attended various knowledge development sessions during the year to keep abreast of industry trends, knowledge and skills.

In 2021, the knowledge development sessions included a deep-dive presentation by our Next Generation Innovation Panel entitled "What Does the Future of Luxury Look Like?", a co-project with the Group's retail team that profiled the future of retail; and a directors' forum with guest speaker Mr. Carl Wu, Chief Executive Officer and Co-Founder of New Frontier Group, who gave an update on healthcare business. All Directors also received various legal and regulatory updates and have access to a comprehensive online board

portal containing memoranda on Directors' Duties and Responsibilities, anti-corruption practices and other training materials. Directors have expressed the view that the training sessions have been stimulating and highly relevant, and that there were adequate training opportunities during the year. Directors are required to provide the Company with details of training undertaken once a year.

In 2021, members of the senior management and the Company Secretary had access to a variety of training activities, including attending seminars, workshops and conferences and receiving regulatory updates relevant to their business and duties, anti-corruption practices as well as their directors' duties and responsibilities when acting as directors of subsidiaries. They received sufficient internal and external training to better equip them to fulfil their roles in supporting the Company.

## Board Independence

Hysan’s Board has always maintained its independence. As at 31 December 2021, four out of our ten Directors were Independent Non-executive Directors (exceeding the Listing Rules requirement).

### Criteria of independence

- Clearly set out in our Corporate Governance Guidelines
- Must be free from any business or other relationship that may interfere with the exercise of their independent judgment

Board independence is regularly and consistently reviewed and maintained, including through:

- Strict compliance with our Code of Ethics, which aims to avoid conflicts of interest;
- Separate discussions amongst Non-Executive Directors, without the presence of Executive Directors or Board members related to the founding Lee family;

- Full disclosure in annual reports of cross-directorships or other business relationships that may interfere with Directors’ independence;
- Full Board approval of connected transactions (as described clearly in the List of Matters Reserved for the Board), with exempted transactions required to be reported to the full Board after obtaining management approval;
- Independent professional advice, as and when required by individual Directors;
- Two reminders each year to the Directors from the Company Secretary on compliance with connected transactions related Listing Rules requirements; and
- Review by the Nomination Committee of potential conflicts of interest and recommendation on appropriate actions to take.

During the reporting year, the Nomination Committee carried out a detailed review of the Directors’ independence and was satisfied that each of the four Independent Non-Executive Directors was independent at the time of review.

## Independence Status

Name	Management	Independent	Not Independent	November 2021 Review – Reason for Independence Status
Churchouse Frederick Peter		✓		No business or other relationships with the Group or management that will affect independence
Fan Yan Hok Philip		✓		
Poon Chung Yin Joseph		✓		
Wong Ching Ying Belinda		✓		

Notes:

1. Shanghai Starbucks Coffee Enterprise Co., Ltd., a wholly-owned subsidiary of Starbucks Corporation (listed on NASDAQ), is one of the tenants of a commercial complex located in Shanghai, People’s Republic of China owned by an associate of the Company. The revenue or profit derived from those leases indirectly as the share of results of an associate is immaterial (less than 1% of the Company’s turnover or equity attributable to owners of the Company or total assets of the Company for the year ended 31 December 2021) to the Group. During her term as Independent Non-Executive Director of the Company, Wong Ching Ying Belinda will abstain from voting on any Board resolution in relation to any business dealings with the Starbucks group. Wong Ching Ying Belinda has agreed not to participate in any decision making or approval process involving the Starbucks group. Since operational matters (office / retail leasing) are unlikely to be considered at Board level, any conflict of interest is regarded as unlikely to occur in practice. Wong Ching Ying Belinda has ceased to be director of certain entities of Starbucks Coffee Company during the year (including Shanghai Starbucks Coffee Enterprise Co., Ltd.).
2. Wong Ching Ying Belinda holds a cross-directorship with Lee Anthony Hsien Pin since they both serve on the boards of the Company and Television Broadcasts Limited. However, given that Wong Ching Ying Belinda plays a non-executive role and does not hold any shares in the two companies, the Company considers that such cross-directorship would not undermine the independence of Wong Ching Ying Belinda with respect to her directorship in the Company.
3. The Board and the Nomination Committee have assessed the independence of Wong Ching Ying Belinda in light of the circumstances, including (i) her background, experiences, achievements and character, and (ii) the nature of the Company’s relationship with the Starbucks group and Wong Ching Ying Belinda’s roles, as well as the mitigating actions as described above, and concluded that her independence would not be affected. It was decided that potential conflicts, which are minimal, could be managed and that the benefits of her appointment outweighed any risk of conflict. In addition, the mitigation principles and actions are adequate and appropriate to deal with any such issues.

## Nomination Process

A proper and detailed nomination process ensures the appointment of talented Directors suitable for the best interests of the Group.

Hysan has a unique Nomination Policy governing nomination practices and procedures. The Nomination Committee considers a variety of factors in assessing the suitability of a proposed candidate, including:

- Reputation for integrity;
- Accomplishment, experience and reputation in the real estate industry and other relevant sectors;
- Commitment in respect of time, interest and attention to the Company's business, including devoting adequate time for preparation and participation in meetings, training and other Board or Company associated activities;
- Diversity in all aspects, including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Ability to assist and support management and make significant contributions to the Company's success;
- Compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment of an independent non-executive director; and
- Any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

In considering the appointment of any proposed candidate to the Board, the Nomination Committee shall undertake adequate due diligence in respect of the individual, evaluate the candidate using the same criteria regardless of the source of the candidacy, and make recommendations for the Board's consideration and approval.

In considering the re-appointment of any existing member(s) of the Board, the Nomination Committee shall review the retiring director's overall contribution to the Company as well as the selection criteria set out in the Nomination Policy. The Nomination Committee will then make recommendations to the Board for its consideration, with the Board determining whether to recommend the proposed candidates for re-election at a general meeting.

## Priorities of our induction programme

### Providing an overview of:

- the Group's business and challenges;
- the Group's strategies and key risks faced;
- the Group's corporate and organizational structure;
- the Board's culture, governance and dynamics; and
- the legal and regulatory obligations of a Director.

### Getting to know the Board and Senior Management

- meeting with the Board Chairman, Committee Chairmen and senior management; and
- introductory session with the Company Secretary and training with external advisers.

**Meetings are well planned and efficiently run. Good balance of business and compliance/governance. The focus is always on business strategy, risks, directions and is forward looking.**

Directors' comments received in Board Evaluation 2021.

In order to ensure that the Directors are committed to allocating sufficient time and attention to the affairs of the Group, Directors are engaged by formal letters of appointment with a specific term of three years and are subject to rotation under the Company's Articles of Association.

The Directors are subject to re-election at the first AGM following their appointment. Every Director will be subject to retirement by rotation at least once every three years under the Company's Articles of Association. Retiring Directors are eligible for re-election at the AGM at which they retire. There is no cumulative voting in Directors' elections. The election of each Director is executed through a separate resolution.

The Board has adopted comprehensive Onboarding Guidelines for Directors, which sets out a properly tailored induction programme that gives new Directors an understanding of the Group, its businesses and operations (including the major risks it faces), and Board governance and dynamics, with due regard to the Director's unique background, experience and skills.

The induction programme includes an introductory session with the Company Secretary, individual meetings with the Board Chairman, Committee Chairmen and Senior Management, portfolio visits, and meetings with the Company's external advisers. Individual briefings are arranged on topics such as Directors' responsibilities and an overview of the Group's business. The Company has provided Lui Kon Wai, the Director appointed during the year, with a full and comprehensive induction upon his appointment.

### Ongoing review by Nomination Committee

The Nomination Committee reviews the Board's structure, size, composition, commitment, independence and diversity from time to time. The last review was conducted in November 2021.

The Nomination Committee undertook a comprehensive review, considering the gender, age, tenure, cultural/ educational and professional background, skills, knowledge and experience of each Director, as well as the structure, composition, size, commitment and independence of the Board.

The Nomination Committee was of the view that the existing Board was satisfactory and effective in terms of its size, structure, composition, commitment, independence and diversity. The Committee concluded that, in order to support board succession planning and long-term growth, the boardroom of the future will require expertise in technology and digital media, finance and accounting, risk management, and environmental, social and governance (ESG) matters. Gender diversity should also be taken into account in Board refreshment and succession planning.

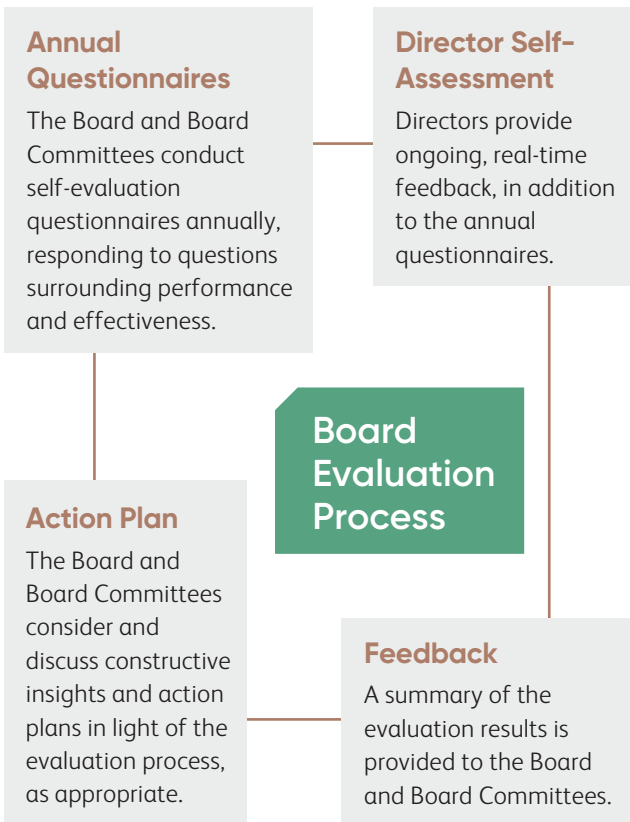
**Hysan has a very strong reputation in the community as a "good citizen" – and it is clear that the Board recognizes this and works to ensure that the "good citizen" culture continues – it is a product of a long history and values established at an early stage.**

Directors' comments received in Board Evaluation 2021.

## Board Evaluation

In addition to the ongoing review by the Nomination Committee, each Director plays a role in evaluating the Board’s performance in order to ensure the effectiveness of the Board.

Board evaluation is an ongoing and continual process. Each Director reviews the Board’s performance, as well as the performance of the Board Committees, through various means.



Each Board and Board Committee member is required to annually submit an anonymous online questionnaire on relevant matters such as the Board’s performance, its dynamics and processes, its composition and diversity, risk management, and the proceedings of Board meetings. Being anonymous, the questionnaire encourages Directors to share suggestions, provide comments and raise any concerns.

## 2021 Evaluation Report

The Chairman, supported by the Company Secretary, collated the e-Questionnaire responses into a detailed Evaluation Report. The Evaluation Report was prepared based on the collective comments from all Directors and

Board Committee members. The evaluation received a 100% response rate. The 2021 Evaluation Report was submitted to, considered, and discussed by the Board, and constructive feedback received.

## Parameters

We have structured our 2021 evaluation based on the Directors’ views regarding the effectiveness and performance of the Board. The evaluation consists of quantitative element based on ratings and qualitative element based on Directors’ written responses and specific questions addressing emerging business trends and regulatory changes.

The evaluation examines five different aspects of the Board: leadership, composition, meetings and processes, “the Board in action” and training.

## Framework of the Evaluation

- 1 Leadership** investigates the role of Directors and the functions of their roles and the Company’s culture;
- 2 Composition** discusses Board size and structure, the balance of knowledge, experience and skills of the Directors, and Directors’ effectiveness in exercising independent judgement;
- 3 Meetings and Processes** seeks feedback on the respective meeting schedules of the Board and its Committees; the quality of agendas, meeting papers and minutes; satisfaction with the integrity of financial statements and accounts; the governance framework for anti-fraud and whistleblowing matters, policies, operation and compliance controls; internal controls, the ESG governance framework and risk management processes;
- 4 Decision Making and Accountability – The Board in Action** looks into performance effectiveness, supply of and access to information, the appropriateness of strategy, and levels of remuneration; and
- 5 Training** investigates the quality of training and seeks input on areas of interest for future training events.

### Conclusions from this year's evaluation

This year's evaluation concluded that the Board and its Committees continued to operate effectively and to a high standard, with all Directors indicating a high degree of satisfaction with the performance and operation of the Company. The overall results ranged from positive to very positive, and there were no material issues to report. All Board members were keen to use this evaluation process as a timely opportunity to identify ways to improve performance.

Directors favourably perceived their board leadership as highly effective. All Board members actively and constructively contributed to discharging the roles and responsibilities of the Board. Open dialogue, constructive debate and the exercise of independent judgement were widely cited as positive achievements of the Board.

This year, we started to discuss the Company's culture. This year's Board evaluation concluded that the Board is engaged in embedding culture into its mindset. Audit of Company's culture conducted during the year helps the Board reinforcing the alignment of purpose, value, strategy, operation, performance and reward.

Directors were also satisfied in terms of the diversity of skills and experience. Directors with different skills, experience and backgrounds may need to be recruited to help the Company progress its diversity agenda with confidence.


Presentations, materials and papers were well organized, comprehensive, focused and delivered by management in a timely manner, and gave a balanced and sufficiently detailed assessment of the Group's performance, position and prospects. Board and Committee meetings were productive, participative and efficiently utilized to discuss

relevant issues and set strategic directions for the Group. The Directors were given direct access to senior management, the Company Secretary, and professional advice (when necessary) to facilitate full understanding of the Group's business affairs. Monthly reports and updates provided balanced and easily comprehensible assessments between Board meetings.

The Directors agreed that the Board shall focus on risks associated with (I) the ongoing impact of COVID-19, which is creating a challenging business environment and affecting the economy; (II) new growth strategies and evolving business challenges; and (III) geographical and business diversification.

### Conclusion on Effectiveness

Through a proper nomination process, coupled with ongoing reviews by the Nomination Committee and the board evaluation process, Board effectiveness has been ensured and maintained at all times.



**All directors are actively engaged, display curiosity and strong interest. Generous in offering ideas.**

Directors' comments received in Board Evaluation 2021.

## 3 Accountability

Our corporate governance framework provides clear lines of accountability. The **List of Matters Reserved for the Board**, together with the **Terms of Reference** of our Board Committees, specifies the decisions that can only be made by the Board. Authority for managing the Group's daily operations and other decisions is clearly delegated to the Executive Committee, supported by various Management Committees. Management of the Group is responsible for ensuring that a similar process of delegation is in place within his or her department or area of responsibilities. The Board is regularly kept up to date on the key events, material transactions and business outlook of the Group through management reports, as well as on the Group's financials through monthly financial reports. These reports provide the Board with sufficient transparency regarding the Company's operations. To facilitate the decision-making process, senior management are regularly invited to our Board and Committee meetings to make presentations and answer any questions that Board and Committee members may have.

### Board Accountability

The Board and the Board Committees are held accountable and responsible to the shareholders by various means:

- All Directors are appointed by formal letters of appointment which clearly set out the terms and conditions of their appointments;
- All Directors are subject to rotation, and the re-appointments of retiring Directors are subject to shareholders' approval at AGMs;
- All Directors are required to make full and frank disclosure of their cross-directorships and other commitments in the Group's annual reports;
- All Directors are required to make full and frank disclosure of their connected persons and transactions. Significant connected transactions must be approved by shareholders in accordance with the Listing Rules;
- All Directors are required to act within their defined and clear authority and powers in accordance with the Group's corporate policies and guidelines, including, but not limited to, the Code of Ethics, Board of Directors Mandate, List of Matters Reserved for the Board and the Terms of Reference of each Board Committee;
- Non-Executive Directors are additionally subject to the "Roles and Requirements of Non-Executive Directors" under the relevant policy;
- All Directors are subject to ongoing review by the Nomination Committee as well as evaluation by other Board members;
- All Directors are subject to the Anti-Fraud Policy and Whistleblowing Policy, which allows an individual to report any irregularity directly to an independent third party;
- All Directors are required to review annual reports, interim reports, announcements and circulars for publication in a timely manner, and in accordance with the Companies Ordinance and the Listing Rules; and
- Our financial statements are verified and audited by an independent auditor.

### Executive Member Accountability

The Executive Committee, Management Committees, and Senior Management members (collectively the "**Executive Members**") are held accountable and responsible to the Board by various means:

- Executive Members are required to make full and frank disclosure of their other commitments;
- Executive Members are required to make full and frank disclosure of their connected persons and transactions, which may require full Board approval;
- Executive Members are required to report and send timely updates to the Board on the key events and business outlook of the Group, and submit monthly financial reports to the Board providing sufficient transparency about the Company's operations;
- Executive Members are required to attend relevant sections of Board and Board Committee meetings to answer any questions that the Board and Board Committee members may have; and
- Executive Members are deemed to potentially have access to inside information and are subject to the Code for Securities Dealing by Restricted Employees, which governs dealings in securities. Each Executive Member is required to semi-annually declare that they have complied with the Code throughout the relevant year. Following a specific enquiry by the Company, each Executive Member has made such declaration for the year ended 31 December 2021.

### Board Activities during 2021



An outline of the key areas of Board activity in carrying out its roles and responsibilities during the year is provided below.

#### Strategy

- Discussed the Group's strategic objectives, with a focus on strategic plans for continuing to build our businesses' resilience through the rejuvenation and curation of the Lee Gardens area, tech-based operations and sustainability, while generating value through our core activities;
- Discussed business strategy and opportunities for the diversification and sustainable growth of the Group;
- Reviewed the future challenges faced by the Group, including the impact of COVID-19 on long-term stability and growth;
- Considered and approved the Group's investment strategy; and
- Considered and approved strategically important investments and acquisitions, namely the development of Caroline Hill Road in Causeway Bay, Hong Kong (jointly with Chinachem Group), the acquisition of a premium commercial project in Jing'an District, Shanghai, the Mainland China, a joint venture with IWG plc for flexible workspace operations in the Greater Bay Area, and investment in New Frontier Group.

#### Leadership

- Reviewed the Board structure, size, composition, diversity, commitment, as well as the independence of Directors;
- Reviewed and evaluated the fees of Directors;
- Reviewed compensation for the senior management; and
- Considered people development and plans to retain and motivate high-performance individuals.

#### Environmental, Social and Governance

- Reviewed, enhanced and approved key governance-related reports and policies to further improve our corporate governance and align with the latest developments and changes to the Listing Rules and other relevant regulatory requirements. This included our:
  - Corporate Governance Guidelines
  - Diversity Policy
  - Shareholder Communication Policy;
- Reviewed Terms of Reference of Committees;
- Considered the quarterly sustainability progress and the Sustainability Report;
- Endorsed and recommended to shareholders a change to the Company's Articles of Association;
- Approved the appointment of Lui Kon Wai as Executive Director; and
- Approved the change of Company Secretary.



## Financial, Operational and Business Performance

- Considered financial performance of the business and approved the annual budget and treasury policy;
- Reviewed the interim and annual results, and approved the interim and annual reports;
- Reviewed and discussed financial forecasts and capital structure management; and
- Reviewed operating results and regular updates of the Group's core businesses (i.e. the office, retail, residential and property development segments).

## Risk Management and Internal Controls

- Reviewed the Group's risk appetite and assessed external and internal risk level movements and mitigating actions;
- Adopted a risk appetite statement which articulates the Group's principles regarding risk acceptance in pursuit of its strategic mission and business objectives;
- Reviewed the effectiveness of Hysan's risk management and internal control systems;
- Met with the Company's valuers regularly during the year to discuss the portfolio valuation;
- Reviewed the major risks the Group is facing related to the COVID-19 pandemic; and
- Considered an update from the Audit and Risk Management Committee on the Group's e-procurement system, cyber-security framework and protection approach.

## Commitment and Accountability

- Discussed the outcome of the Board evaluation and effectiveness review, and agreed improvement opportunities;
- The Chairs of all Committees updated the Board on the proceedings of their meetings, including the key discussion points and areas of concern; and
- Reviewed key corporate governance-related reports.

## Stakeholder Engagement

- Reviewed employee engagement programmes during the year, including learning and talent development, staff engagement and wellness initiatives.

## Directors' Interests in Shares

As at 31 December 2021, the interests and short positions of the Directors in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures

Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), are set out below:

### Aggregate Long Positions in Shares and Underlying Shares of the Company

Name	Number of ordinary shares held				Total	% of the total no. of issued shares (Note a)
	Personal interests	Family interests	Corporate interests	Other interests		
Jebsen Hans Michael	60,984	–	2,473,316 (Note b)	–	2,534,300	0.245
Lee Chien	970,000	–	–	–	970,000	0.094
Lee Irene Yun-Lien	444,000	–	–	–	444,000	0.043

Notes:

(a) The percentages were compiled based on the total number of issued shares of the Company (i.e. 1,034,258,223 ordinary shares) as at 31 December 2021.

(b) Such shares were held through a corporation in which Jebsen Hans Michael was a member entitled to exercise no less than one-third of the voting power at general meetings.

Executive Directors of the Company have been granted share options under the Company's share option schemes adopted on 10 May 2005 (the "2005 Scheme") and 15 May 2015 (the "New Scheme"), details of which are set out in the

section "Long-term Incentives: Share Option Schemes" below. These constitute interests in underlying shares of equity derivatives of the Company under the SFO.

### Aggregate Long Positions in Shares of Associated Corporations

Listed below is a Director's interest in the shares of Barrowgate Limited ("Barrowgate"), a 65.36% owned subsidiary of the Company:

Name	Number of ordinary shares held			% of the total no. of issued shares
	Corporate interests	Other interests	Total	
Jebsen Hans Michael	1,000	–	1,000	10 (Note)

Note:

Jebsen and Company Limited ("Jebsen and Company") held a 10% interest in the total number of issued shares in Barrowgate through a wholly-owned subsidiary. Jebsen Hans Michael was deemed to be interested in the shares of Barrowgate by virtue of him being a controlling shareholder of Jebsen and Company.

Apart from the above, no other interest or short position in the shares, underlying shares or debentures of the Company or any associated corporations as at 31 December 2021 were recorded in the register required to be kept under

Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Director's securities transactions. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the year.

## Directors' Interests in Contracts

During the year, certain Directors had interests, directly or indirectly, in contracts with the Group. These contracts constituted related party transactions, connected transactions or contracts of significance under applicable accounting or regulatory rules (details are disclosed in the "Directors' Report").

## Directors' Interests in Competing Business

The Group is principally engaged in property investment, development and management of high-quality investment properties in Hong Kong. The following Directors (excluding Independent Non-Executive Directors, in accordance with Listing Rules' disclosure requirements) are considered to have interests in other activities (the "Deemed Competing Business") that compete or are likely to compete with the said core business of the Group, all within the meaning of the Listing Rules:

- (i) Jebsen Hans Michael and his alternate, Yang Chi Hsin Trevor, hold directorships in Jebsen and Company. Business activities of some of its subsidiaries include, inter alia, investment holding and property investment in both Mainland China and Hong Kong. Jebsen Hans Michael is also a substantial shareholder of Jebsen and Company Limited and its subsidiaries.

Jebsen Hans Michael is an independent non-executive director of The Wharf (Holdings) Limited whose business includes, inter alia, property investment, development and management in both Mainland China and Hong Kong.

- (ii) Lee Chien is an independent non-executive director of Swire Pacific Limited whose business includes, inter alia, property investment and trading in Hong Kong, Mainland China and the United States of America.

The Company's management team is separate and independent from that of the companies identified above. In addition, the relevant Directors have non-executive roles and are not involved in the Company's day-to-day operations and management.

For the reasons stated above, coupled with the diligence of the Group's Independent Non-Executive Directors and the Audit and Risk Management Committee, the Group is capable of carrying on its business independent of and at arm's length from the Deemed Competing Business.

The Board also has a process in place to regularly review and resolve situations where a Director may have a conflict of interest.

## 4 Engagement

Hysan is committed to carefully evaluating the impact of its operations on its stakeholders, including shareholders, employees and investors, as well as the wider community.

Hysan has adopted the Corporate Disclosure Policy, which provides guidance on the disclosure of material information to investors, analysts and media. This policy identifies spokespersons and clearly outlines the responsibilities for communication with each stakeholder group. Details are available on the Company's website: [www.hysan.com.hk/governance](http://www.hysan.com.hk/governance).

### Shareholder Engagement

Hysan aims to maintain open and constructive dialogue with its shareholders and to provide them with the information they require to make sound investment decisions.

We have adopted the Shareholder Communication Policy, which governs our framework for providing shareholders with ready, equal and timely access to balanced and easily comprehensible information about the Company. The Shareholder Communication Policy was updated in 2021 to emphasize our commitment to enhancing communication with stakeholders and to require the policy to be reviewed annually to ensure its continued effectiveness.

In accordance with the Shareholder Communication Policy and our Company's Articles of Association:

- We have published key corporate governance policies, the Terms of Reference of Board Committees, the Group's financial reports, press releases and announcements on the Company's website;
- We have published annual reports, interim reports and announcements in a timely manner with the Stock Exchange and on the Company's website;
- The senior management has presented the annual and interim results through press conferences, webcasts, the Company's website, and face-to-face meetings in order to communicate with shareholders, investors and analysts;
- Since December 2015, shareholders can choose to receive corporate communications via electronic means, with the aim to reduce resource consumption related to printing and distribution of hard copies;
- We have arranged annual shareholder visits since 2016, receiving an overwhelming response each year. The shareholder visits include a briefing on the Company's history, sustainability activities and other business areas,

followed by a walking tour of the Lee Gardens area arranged by the Group. The visits are opportunities for the management to constructively communicate with shareholders. Due to COVID-19 pandemic, our shareholder visits were suspended in 2021 until further notice, after giving due weight and consideration to the health and safety of shareholders;

- Since 2005, we have invited major nominee companies to forward communication materials to shareholders at our expense;
- Shareholders are given opportunities to meet the Directors and Senior Management and to raise questions at our AGMs every May. Details are set out in the "AGM" section below;
- Shareholders may put forward proposals for consideration at general meeting. A general meeting of shareholders can also be convened by the Board or with a written request signed by shareholders holding at least 5% of the total voting rights of all the shareholders ("5% Shareholder"). The Group's Procedures for Shareholders to Convene General Meetings / Put Forward Proposals are available on the Company's website;
- All shareholders are welcome at all times to give feedback to and communicate with the Directors or management through the Company Secretary;
- There are no limitations imposed on the right of non-residents or foreign persons to hold or vote the Company's shares, other than those that would generally apply to all shareholders;
- All shareholders are entitled to receive dividends according to our Dividend Policy. Dividend payment shall be determined based on the Group's financial performance, future capital requirements, and general economic and business conditions, etc.; and
- Changes to our Articles of Association (i) to allow the Company flexibility to hold a general meeting at one or more locations using facilities that enable the members of the Company who are not together at the same place to listen, speak and vote at the meeting; and (ii) to explicitly set out other related powers of the Board and the Chairman of the general meeting, were proposed and approved at the AGM held in May 2021.

With the above measures in place, the Shareholder Communication Policy are considered to have been effectively implemented.

## AGM

Our AGMs are held around the month of May each year. They act as a means of communication with our shareholders and an opportunity for shareholders to understand the business performance of the Company.

Our AGMs are an important annual event for the Group and are attended by our Directors, Senior Management, and our independent auditor.

In order to ensure that our shareholders have sufficient time to consider the AGM notices, annual reports and financial statements, the said documents are dispatched to shareholders more than 30 days prior to the AGMs, exceeding the statutory requirement of 21 days. Comprehensive information is also given on each resolution to be proposed.

Since 2004, we have conducted all voting at AGMs by poll. The poll is conducted by the Company's Registrar and scrutinized by the Group's auditors. Procedures for conducting the poll are explained at the AGMs prior to the taking of poll. Poll results are announced and posted on the websites of both the Stock Exchange and the Company at [www.hysan.com.hk](http://www.hysan.com.hk).

We held our 2021 AGM at Hong Kong Convention and Exhibition Centre on 21 May 2021. Key matters resolved at the 2021 AGM include:

- Receipt of the Statement of Accounts for the year ended 31 December 2020 and the Reports of the Directors and Auditor thereon;
- Re-election of Churchouse Frederick Peter as Director;
- Re-election of Poon Chung Yin Joseph as Director;
- Re-election of Lee Chien as Director;
- Re-appointment of Deloitte Touche Tohmatsu as Auditor;
- Granting of a general mandate to allot, issue and deal with additional shares in the Company (not exceeding 10% of the number of its issued shares, and the discount for any shares to be issued shall not exceed 10%);
- Granting of a general mandate to repurchase shares in the Company (not exceeding 10% of the number of its issued shares); and
- Approval of the amendments to the Articles of Association.

We successfully held our 2021 AGM despite the COVID-19 pandemic in Hong Kong. In order to ensure the health and safety of all attendees, as well as to comply with government regulatory requirements, we took stringent and sufficient precautionary measures, including, but not limited to:

- Splitting attendees into separate small groups to sit in the main room or in separate rooms with video and audio link facilities;
- Special seating arrangements to allow for appropriate social distancing;
- No distribution of beverages and souvenirs to control human traffic;
- Body temperature screening and submission of health declarations by attendees prior to entry; and
- Compulsory wearing of face masks by attendees.

The aforementioned precautionary measures were set out in the AGM circular sent well in advance of the 2021 AGM. Shareholders were also reminded to appoint the Chairman of the AGM as their proxy to vote on the resolutions.

In light of the uncertain development of the current COVID-19 situation, shareholders are encouraged to appoint the Chairman of the 2022 AGM as their proxy to vote on the resolutions, instead of attending the meeting in person. For the health and safety of shareholders attending the meeting, we will implement precautionary measures at the 2022 AGM in accordance with the prevailing guidelines published by the Government and/or regulatory authorities. Details of the measures will be announced as appropriate.

## Investor Relations

Hysan is committed to maintaining open and constructive dialogue via effective two-way communication with its stakeholders, including equity and fixed-income investors, analysts and credit rating agencies.

Given the rapidly changing environment, we aim to provide regular updates on Hysan's operating and financial performance. Amid the COVID-19 pandemic, we arranged virtual meetings and conference calls with institutional investors on a regular basis and held live webcasts for our post-results briefings, which were hosted by our senior management.

A dedicated Investor section is also available on the Company's website: [www.hysan.com.hk/investor](http://www.hysan.com.hk/investor), which is updated on a regular basis.

### Calendar of our Main Investor Relations Events

#### 2021 1st Half

- Annual results announcement
  - Press conference
  - Analyst briefing (live audio webcasts were also available)
- Post-results roadshows in Hong Kong
- Annual General Meeting
- Investor conferences in Hong Kong

#### 2021 2nd Half

- Interim results announcement
  - Press conference
  - Analyst briefing (live audio webcasts were also available)
- Post-results roadshows in Hong Kong

## Employee Engagement

At Hysan, talent engagement and development are part of our core values.

Hysan nurtures a work environment that encourages open dialogue and supports employees to unleash their potential and fulfil their career aspirations. Each year, employees and their supervisors discuss and agree on goals and expectations. Employees are provided with ongoing feedback throughout the year to ensure that they are on track, with a final review being conducted at the end of the performance year.

We have proactively developed our talent pipeline through our management trainee programme, launched in 2017 re-started in 2022, as well as our Apprenticeship Scheme, in order to meet our long-term business needs.

In 2021, Hysan continued to leverage its e-learning platform to provide rich and diverse learning content to employees, covering topics such as leadership skills, team collaboration, data protection, connected transactions, anti-competition law, tenancy laws, cybersecurity awareness, anti-corruption related series, etc. To engage employees, we have also deployed various communication strategies to keep staff abreast of the Company's news and development.

Full details are included in the Sustainability Report.

## OUR RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board has the overall responsibility of determining the Group's risk appetite and reviewing and maintaining an effective risk management system.

The Audit and Risk Management Committee supported the Board to review the process by which risks are identified, prioritized, managed and mitigated in accordance with the Group's risk appetite. Each business or transactions entails risks of a different nature, but the Group aims to only undertake and mitigate reasonable risks that are in line with our long-term and strategic goals and targets. Our risk management system is designed and tailored carefully to manage and mitigate risks, and to afford reasonable assurance against material misstatement or loss. Everyone within the Group has a role to play in the risk management system, which is underpinned by the "Three Lines of Defence" model.

Full details of risk management and internal control activities during the year are set out in the "Risk Management and Internal Control Report" on pages 70 to 76.

The Board has the overall responsibility of maintaining an effective and robust internal control and compliance system.

## Operation Control

The Group has numerous and comprehensive corporate policies and guidelines that detail our practices and procedures in carrying out our business affairs.

Our business affairs are operated through a chain of delegation, from the Board to the Executive Committee through the List of Matters Reserved for the Board, and from the Executive Committee to the responsible business units.

Department head shall ensure that their business unit has fully complied with corporate policies and guidelines in its day-to-day operations.

For any matter involving potentially price sensitive or inside information, business units are required to escalate the matter to the Disclosure Committee. The Disclosure Committee promotes consistent disclosure practices with

the aim of ensuring the timely, accurate, complete, and widely disseminated disclosure of inside information about the Group to the market in accordance with applicable laws, regulatory requirements and the Corporate Disclosure Policy.

The Disclosure Committee conducts meetings in order to assess the materiality and nature of the information and advises the Board promptly whether such information constitutes inside information. All discussions are recorded in the formal meeting minutes of the Disclosure Committee.

## Compliance Framework

Each business unit is required to report any irregularity or non-compliance immediately to the compliance team. Our Group's compliance policy sets out the control process for the early identification and recording of non-compliance in order to prevent and/or mitigate the risks of liability and material loss.

In addition, each business unit must submit a full compliance report twice a year, which is reported to the Audit and Risk Management Committee.

Through these means, we are able to effectively monitor the compliance of each business unit of the Group, prioritize each case identified, and ensure comprehensive reporting and follow-up.

All matters relating to the Group's internal controls are collectively reviewed by the Board, with the support of the Audit and Risk Management Committee and the Internal Audit function.

Internal Audit reviews the Group's practices and procedures for conducting business affairs, including leasing business, accounting and financial reporting, corporate communication processes, etc., from time to time, in order to ensure that our business affairs are conducted in full compliance with our corporate policies and guidelines. Internal Audit also examines and suggests areas of improvement for our corporate policies and guidelines.

Our compliance team issues quarterly legal and regulatory updates to the Board and reviews our corporate policies and guidelines from time to time to ensure compliance with the latest legal and regulatory developments as well as suggestions from Internal Audit.

The Group's reporting process and financial management is part of our internal controls. The Board, supported by the Audit and Risk Management Committee, monitors the integrity of the Group's reporting process and financial management. It scrutinizes the full and half-yearly financial

statements, and reviews in detail the work of the external auditor and external valuer, as well as any financial judgements and estimates made by the management.

Full details of the Group's risk management and internal control activities during the year are set out in the "Risk Management and Internal Control Report" on pages 70 to 76.

## Sustainability Framework

The Board has established the Sustainability Committee with the aim of enhancing our corporate responsibility, sustainable development and environmental management regarding climate change.

The Sustainability Committee, supported by the Sustainability Executive Committee at the management level, provides long-term direction and supervises sustainability-related matters.

During the year, the Board continued its approach of utilizing a community model for sustainability, focusing on environmental operations management and sustainable construction for our new developments and major enhancement works, as well as offering various social sustainability initiatives to our community.

Full details of Hysan's sustainability development and activities during the year are set out in:

- The 2021 Sustainability Report on Hysan's website: [www.hysan.com.hk](http://www.hysan.com.hk).
- The "Sustainability Committee Report" on pages 89 to 90.
- A summary of the Sustainability Report on pages 91 to 93.

The Sustainability Report has been prepared for electronic distribution in an effort to reduce resource consumption related to the printing and distribution of hard copies, and is available for public viewing on Hysan's website ([www.hysan.com.hk](http://www.hysan.com.hk)). Limited copies are printed and distributed primarily to our shareholders.

By Order of the Board  
**Lee Irene Yun-Lien**  
*Chairman*

Hong Kong, 24 February 2022

# Risk Management and Internal Control Report

## Responsibility

Responsibility for risk management is shared by the Board of Directors and the management of the Group. The Board has overall responsibility for reviewing and maintaining sound and effective risk management and internal control systems. The management's role is to design and implement such systems and report to the Board and the Audit and Risk Management Committee regarding the identification and management of risks. This process is essential to achieving the Group's business objectives.

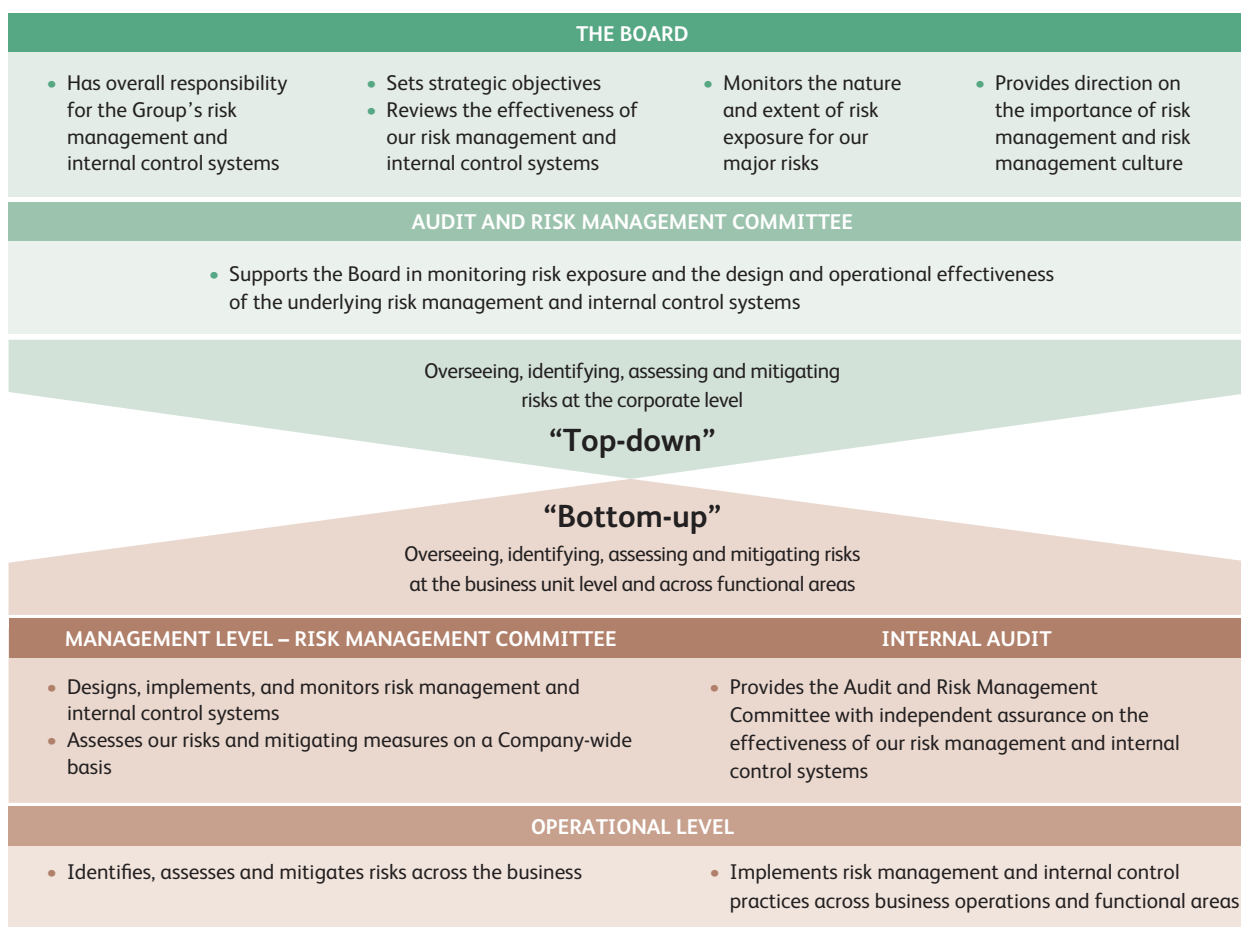
## Our Risk Management and Internal Control Framework

The Audit and Risk Management Committee supports the Board in monitoring the Group's risk exposures and overseeing the design and operational effectiveness of its underlying risk management and internal control systems. Acting on behalf of the Board, the Committee consistently supervises the following processes:

- i. Reviewing the Group's principal business risks and the control measures used to mitigate, transfer or avoid such risks; the strengths and weaknesses of the Group's overall risk management and internal control systems; and action plans to address such weaknesses or improve the assessment process;
- ii. Reviewing reports by Internal Audit on the Group's business processes and operations, including action plans to address any control weaknesses identified, and receiving status updates and monitoring the implementation of such audit recommendations; and
- iii. Reviewing reports by the Group's external and internal auditors regarding any control issues identified in the course of their work, and discussing with external and internal auditors the scope of their respective reviews and findings.

The Audit and Risk Management Committee reports its findings to the Board, which then takes them into consideration in forming its own view of the effectiveness of the Group's risk management and internal control systems.

## Hysan's Top-Down/Bottom-Up Risk Management Framework





## 2021 Review of Risk Management and Internal Control Effectiveness

In respect of the year ended 31 December 2021, the Board, with confirmation from the Executive Director and Chief Operating Officer, Chief Financial Officer and Company Secretary, Head of Internal Audit and Legal Counsel, considered the Group's risk management and internal control systems to be effective and adequate. No significant areas of concern that may affect the financial, operational and compliance controls, ESG compliance, internal audit, risk management and internal control functions of the Group were identified. The Group's risk management and internal control systems are designed to manage rather than to eliminate the risks of failure to achieve its business objectives, and can only provide reasonable, not absolute, assurance against material misstatement or loss.

During the review, the Board also considered the resources and staff qualifications/experience of the Group's internal audit, accounting, financial reporting and business support functions, and found their training and budgets to be adequate.

## Our Risk Management and Internal Control Model

Our risk management and internal control model is based on that of the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in the U.S., but with due consideration given to our organizational structure and business nature.

Our model has five components. The following section describes how the model fits our operational and control environment:

- **Control Environment** – We have a strong tradition of good corporate governance and are committed to maintaining high standards of integrity, openness, probity and accountability. A formal Code of Ethics is communicated to all staff, including new recruits. We have maintained a separate Whistleblowing Policy since 2016, under which whistleblowers can raise concerns in confidence through an independent third party, who then reports cases to the Audit and Risk Management Committee. In January 2021, we also adopted a separate Anti-Fraud Policy to further promote an ethical culture and emphasize our "zero tolerance" attitude to fraud. During the year, no material related issues were raised.

Following the Risk Management Guidelines developed in 2020, we adopted a Risk Appetite Statement in June 2021 that articulates the Group's principles regarding risk acceptance in pursuit of its strategic mission and business

objectives. The statement defines the type of risk scenarios the Group should avoid and not to become exposed to, taking the varying levels of exposure into consideration.

We are committed to building risk awareness and responsibility for control into our corporate culture, thus making it the foundation of our risk management and internal control systems.

- **Risk Assessment** – We continually improve our risk management process and the quality of information generated, while maintaining a simple and practical approach. We seek to embed risk management into all our operations (including retail, office, residential, property management and technical services, projects, marketing, and investment and development) and functional areas (including finance, human resources and administration, business technology, legal and secretarial, and corporate communications).

Department heads review and update their risk registers on an annual basis, providing assurances that controls are appropriately embedded and operating effectively.

At management level, the Risk Management Committee, comprising the Chairman, Executive Director and Chief Operating Officer, Chief Financial Officer and Company Secretary, Group Financial Controller and Head of Internal Audit, sets relevant policies and regularly monitors potential weaknesses and action items. The Committee is also responsible for identifying and assessing macro and strategic risks, including emerging risks.

This bottom-up approach, in which operating unit heads identify operational risks, combines with top-down stewardship to ensure a comprehensive assessment of the Group's major risks. Discussion sessions with all department heads further enhance the participatory and interactive aspects of our overall risk assessment and risk challenge process.

- **Control Activities** – Our business operations involve well-established business processes. The Group's control activities have traditionally been based on supervisor reviews, the segregation of duties, and well-defined physical and digital control points. These control policies have been formalized as written policies and procedures, with defined limits of delegated authority and segregated duties and controls.

The annual budgeting and planning process, one of our key control activities, takes into consideration all risk factors as well as the latest economic and social trends. All operating units, in preparing their respective plans, are required to identify material risks that may have an impact on the achievement of their business objectives.

Action plans to mitigate identified risks are then required to be developed for implementation. Variance analyses are regularly performed and reported to the management and the Board, helping to identify deficiencies for which timely remedial actions can be taken.

The monitoring of major project expenditures is another significant control activity, as this represents a particularly capital-intensive aspect of our property business. For each project, a detailed analysis of expected risks and returns is submitted to the operating unit heads, Executive Director and Chief Operating Officer, Chief Financial Officer, Chairman and the Board for approval as appropriate. Criteria used to assess projects' business and financial feasibility are generally based on net present value, the payback period and the internal rate of return from projected cash flow, as well as sensitivity analysis.

Management also conducts internal control self-assessment on an annual basis. All department and unit heads must complete a relevant control self-assessment questionnaire and confirm with management that appropriate internal control policies and procedures have been established and properly complied with.

- **Monitoring Activities** – The Board and the Audit and Risk Management Committee oversee the control process with assistance from our Internal Audit team. Management provides update reports to the Audit and Risk Management Committee on major risks and appropriate mitigating measures. In 2021, the Audit and Risk Management Committee held four meetings (2020: four meetings) to address dynamic risks and enhance the risk management oversight function. Each meeting included a dedicated discussion of risk management, internal control systems and recent developments.

### Risk Management Process

The Group has a robust process to review and communicate risks across its multi-level risk governance structure. This consists of (i) an ongoing process integrated into its day-to-day operations, in which risk owners dynamically evaluate and report any emerging risks they encounter to the Risk Management Committee; and (ii) a periodic risk assessment process through which key risks identified by management are systematically assessed on a regular basis.

#### Ongoing Risk Monitoring Process

Risk owners and the Risk Management Committee promptly make assessments and take action in response to new or emerging risks. This is a continuous and interactive process that includes communication and consultation with stakeholders.

- New risk confronted / anticipated
- Immediate risk review
- Assess risk
- Assess mitigation actions
- Notify parties
- Brainstorm and communicate
- Enforcement

#### Regular Risk Assessment Process

##### Risk Assessment

- Review and highlight key risks across different dimensions at the business unit level
- Analyse risks through detailed consideration of likelihood, impact and velocity, using established risk criteria

##### Risk Treatment

- Decide how to treat risks, based on the approaches of "Terminate, Transfer, Treat and Take" (or a combination thereof, where applicable)

##### Residual Risk and Risk Tolerance Level

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

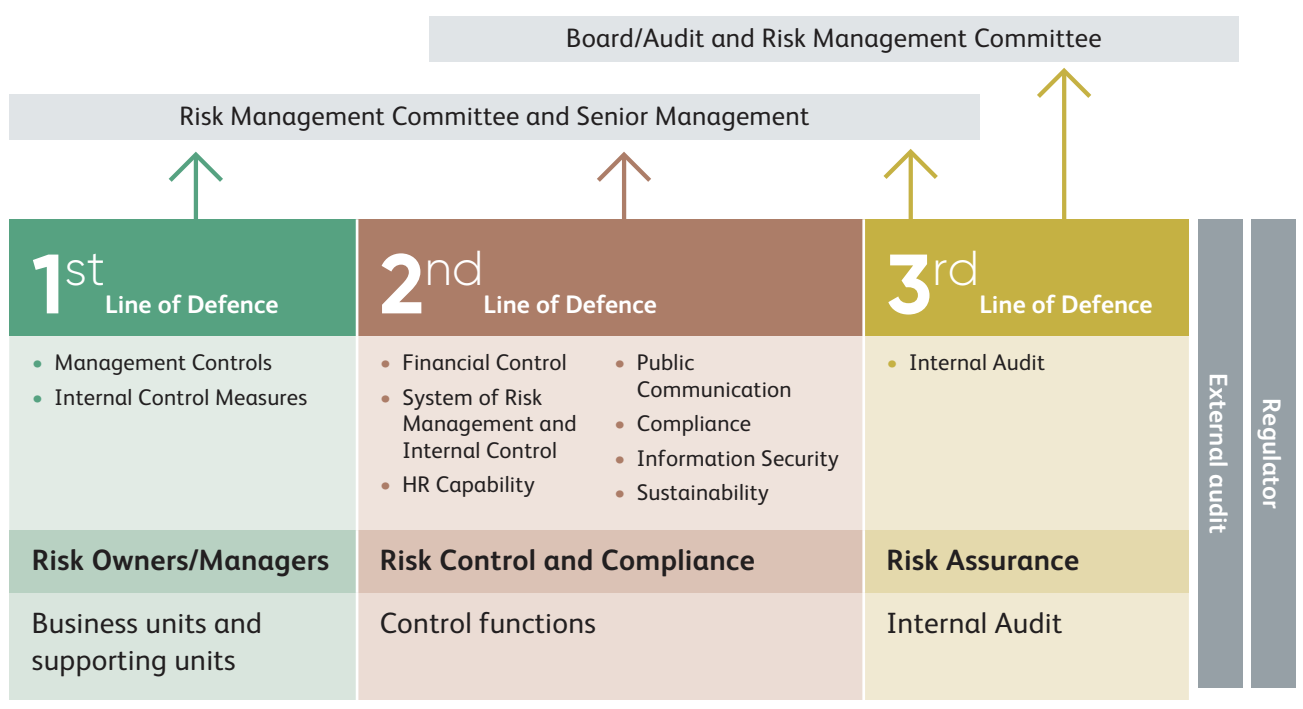
##### Risk Reporting

- Translate risk registers into a risk radar
- Effectively summarize and reflect the prioritized key risks of the Group

## Hysan's "Three Lines of Defence" Model

Clear responsibilities and robust controls are vital to help manage risks. Since 2017, we have reinforced our risk governance structure by adopting a "Three Lines of

Defence" model to address how specific duties related to risk and control should be assigned and coordinated within the Group. This has reinforced Hysan's risk management capabilities and compliance culture across all divisions and functions.



The model aims to reinforce the Group's risk management capabilities and compliance culture throughout the Group. The responsibilities of each of the defence lines are as follows:

<b>Business Units and Supporting Units</b>	<b>Corporate Monitoring and Control Functions</b>	<b>Group Internal Audit</b>
<ul style="list-style-type: none"> <li>Ultimately accountable for all risks and controls in all business processes</li> </ul>	<ul style="list-style-type: none"> <li>Responsible for the Group's policy framework and independent risk assessment</li> </ul>	<ul style="list-style-type: none"> <li>Responsible for providing independent and objective assurance on the effectiveness of risk management, internal controls and governance processes</li> </ul>

The past three years has thrown up a series of big risk environments that the management team has done extremely well to deal with. Management has raised and discussed these in depth with the Board and other Committees.

Directors' comments received in Board Evaluation 2021.

## Our Risk Profile

Our approach for managing risk is underpinned by our understanding of our current risk exposures as well as how

our risks are changing over time. The following table illustrates the nature of our major risks. Further analysis of our strategies is set out in other sections of the Annual Report as indicated below:

Risk area	Risk level changes during 2021	Description of risk change	Our mitigating measures
Continuing COVID-19 pandemic	↔	<ul style="list-style-type: none"> <li>The proliferation and continuance of the COVID-19 pandemic in Hong Kong since early 2020 has affected the local retail and property leasing markets.</li> </ul>	<ul style="list-style-type: none"> <li>Continued to maintain hygiene standards and reinforced disinfection procedures in our properties.</li> <li>Close dialogue maintained with tenants.</li> <li>Developed a communication protocol with tenants for the notification of infection cases.</li> <li>Took the lead in promoting COVID-19 vaccination among our stakeholders with the aim to have Lee Gardens become a "Fully-Vaccinated Community".</li> </ul>
Overall business environment	↔	<ul style="list-style-type: none"> <li>The continuing COVID-19 pandemic is slowing down the development of the global and local economies.</li> <li>Uncertainties remain regarding China-U.S. trade tensions.</li> </ul>	<ul style="list-style-type: none"> <li>Proactive measures taken to ease tenants' business pressures.</li> <li>Focus on portfolio curation as well as prudent and sound financial management to ensure Hysan's business resilience.</li> </ul>
Office sector	↑	<ul style="list-style-type: none"> <li>Slowdown in demand due to unclear economic recovery prospects.</li> <li>Average rents for Grade A offices in Hong Kong recorded a drop in 2021.</li> <li>Net take-up of Grade A office space in Hong Kong dropped in 2021.</li> <li>Co-working and work-from-home models continued to disrupt the traditional office leasing business.</li> </ul>	<ul style="list-style-type: none"> <li>Diverse and flexible leasing efforts and maintaining a diversified tenant mix to ensure a more resilient tenant portfolio.</li> <li>Offer tailored solutions to increase marketability of office units.</li> <li>Embrace the co-working trend by collaborating with strong and leading co-working brands.</li> <li>Aim for mutual empowerment with our Retail portfolio.</li> </ul>
Retail sector	↔	<ul style="list-style-type: none"> <li>The Hong Kong retail market began to recover and retail sales increased compared to 2020.</li> <li>Tourist arrivals dropped significantly due to COVID-19 travel restrictions in Hong Kong.</li> <li>Brands consolidated their outlets with renewed focus on local consumption.</li> <li>Peer competition intensified.</li> </ul>	<ul style="list-style-type: none"> <li>Diverse and flexible leasing efforts as well as active curation of tenant mix to ensure a more resilient and sustainable tenant portfolio.</li> <li>Strengthen our long-term partnerships with strategic tenants.</li> <li>Achieve appropriate balance of customer profile for the local resident and tourist market segments.</li> <li>Use mobile and business technology to drive loyalty programmes as well as shopping experiences that distinguish our offerings.</li> <li>Focus on marketing efforts to target relevant existing and potential new shoppers.</li> </ul>
Residential sector	↔	<ul style="list-style-type: none"> <li>Uncertainties in the economy affected demand for luxury residential units from expatriates, as well as rent levels due to their tighter budgets.</li> </ul>	<ul style="list-style-type: none"> <li>Flexible leasing efforts to meet customer needs.</li> <li>Continue to invest in the renovation of residential units and common areas to attract new tenants and improve rents.</li> </ul>
Tai Po Residential Development Project	↔	<ul style="list-style-type: none"> <li>Recent signs of stability in the residential property market.</li> </ul>	<ul style="list-style-type: none"> <li>Approach the market at the right moment.</li> </ul>
Caroline Hill Road Commercial Development Project	✕	<ul style="list-style-type: none"> <li>Successful tender for a commercial site at Caroline Hill Road, Causeway Bay, Hong Kong, with the aim of developing a premium commercial building with community facilities on the site through a joint venture with Chinachem Group.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure the site is carefully and professionally designed to fit market demand.</li> <li>Development with best-in-class green building standard and sustainability features.</li> </ul>
Newly-acquired Property in Shanghai, PRC	✕	<ul style="list-style-type: none"> <li>Completion of acquisition of a premium commercial property in Jing'an District, Shanghai, which significantly expands the scale of Hysan's portfolio and diversifies Hysan's business in the Mainland market.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure the property's asset management plan is strategically formulated.</li> <li>Strong local team developed.</li> </ul>

Risk area	Risk level changes during 2021	Description of risk change	Our mitigating measures
Human Resources	↔	<ul style="list-style-type: none"> <li>The service industry continues to face labour shortages.</li> <li>Increased competition for skilled personnel to support our growth strategy, including both frontline operations and management positions.</li> <li>COVID-19 pandemic threatens the health and safety of the workforce and brings disruption to business operations.</li> </ul>	<ul style="list-style-type: none"> <li>Improve working environment and benefits with an emphasis on wellbeing, to help recruit new employees and retain talented people more effectively.</li> <li>Enhance staff productivity with technology and process automation.</li> <li>Grow and develop talent via Mobile Learning, Hysan Forum and our Leadership Programme.</li> <li>Strengthen our employer brand.</li> <li>Strongly encouraged universal vaccination among the workforce to minimize risk. As at 31 December 2021, a high percentage of Hysan employees had been vaccinated.</li> </ul>
Cyber Security	↔	<ul style="list-style-type: none"> <li>Given rapid developments in business technology, Hysan continues to leverage technology to improve our offering to shoppers and tenants, as well as to enhance our operations and management.</li> <li>Business disruption due to cyber-security risks can be significant and costly to rectify.</li> </ul>	<ul style="list-style-type: none"> <li>Regular cyber-security reviews and upgrades to mitigate risks.</li> <li>Engaged external professionals to conduct a technical information security assessment.</li> <li>Put in place cyber-security policies and procedures, as well as insurance for cyber risk.</li> <li>Information about cyber-security risk and protection guidelines are available to all staff.</li> <li>Ongoing monitoring of key risk indicators.</li> </ul>
ESG Compliance	↔	<ul style="list-style-type: none"> <li>Increasing attention from investors and the general public on public companies' ESG performance.</li> <li>New requirements on compliance.</li> </ul>	<ul style="list-style-type: none"> <li>Engaged professional independent consultant(s) to conduct an overall review of the Group's sustainability and climate change performance.</li> <li>Formulated a sustainability framework with clear Sustainability Development Goals.</li> <li>Adopted Sustainability Procurement Policy.</li> <li>Board-level Sustainability Committee supported by management-level Sustainability Executive Committee and operations-level Sustainability Task Force.</li> <li>Apply new technologies to reduce carbon footprint.</li> </ul>
Environmental Management regarding Climate Change	↔	<ul style="list-style-type: none"> <li>Climate change impacts Hysan's strategies and investments as society shifts to a low-carbon future.</li> <li>Climate change impacts the operations and management of buildings in our portfolio.</li> </ul>	<ul style="list-style-type: none"> <li>Regularly review transitional risks and physical risks in relation to climate change.</li> <li>Regularly update contingency plans.</li> <li>Monitor emissions from existing buildings and new development projects.</li> <li>Put in place ISO 14001 Environmental Management System, ISO 50001 Energy Management System and building analytics systems for daily operational risk management.</li> <li>Invest in renewable energy.</li> <li>Apply new technologies to mitigate operational risk.</li> <li>Assess and enhance indoor air quality in relation to the COVID-19 pandemic situation.</li> </ul>
Customer Data Protection and Privacy Protection	↔	<ul style="list-style-type: none"> <li>Given rapid developments in business technology, personal data might be collected in appropriately through digital platforms and other channels.</li> </ul>	<ul style="list-style-type: none"> <li>Continuously build a holistic approach to managing and protecting data and privacy through the implementation of a variety of processes, roles and controls.</li> <li>Conducted comprehensive privacy compliance review.</li> <li>Adopted stringent privacy policies and procedures, with strict compliance by all employees and service providers.</li> <li>Introduced a centralized data privacy inventory.</li> <li>No material customer data loss cases and customer privacy breaches reported in the last three years.</li> </ul>
Anti-Fraud and Anti-Corruption	↔	<ul style="list-style-type: none"> <li>External service providers and third parties are often engaged to provide business and technological solutions.</li> <li>Hysan continues to plan for business diversification across the Group.</li> </ul>	<ul style="list-style-type: none"> <li>Adopted an Anti-Fraud Policy as a framework, supported by comprehensive anti-fraud procedures and guidelines.</li> <li>Put in place and regularly review our Code of Ethics and Whistleblowing Policy.</li> <li>Established an independent whistleblowing channel.</li> <li>Identified potential fraud risks across the Group and no material related cases reported in the last three years.</li> </ul>

Notes:



where "inherent risks" (i.e. before taking into consideration mitigating activities) have increased



where "inherent risks" have decreased



where "inherent risks" have remained broadly the same



new risk

## Our Efforts to Enhance the Internal Control Environment and Activities in 2021

In addition to the actions described above, the following section outlines examples of improvements we have made to strengthen our risk management and internal control systems:

<p><b>Control Environment – compliance policies</b></p>	<ul style="list-style-type: none"> <li>Introduced a Tax Governance Policy and Anti-Fraud Policy in 2021. Updated corporate governance policies including the Diversity Policy, Corporate Governance Guidelines, Shareholder Communication Policy and the Terms of Reference of various Board Committees in 2021 and 2022.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing review and refinement of processes and structures to enhance compliance.</li> </ul>
<p><b>Control Environment – refining the risk management framework and developing our risk appetite</b></p>	<ul style="list-style-type: none"> <li>Refined the Group’s Risk Management Framework, a multi-layered framework that comprises risk modelling and risk management processes, risk reporting structures and roles and responsibilities, risk infrastructure and management, risk tracking and risk assurance.</li> <li>Introduced a Risk Appetite Statement for the Group, which articulates the Group’s principles regarding risk acceptance in pursuit of its strategic mission and business objectives.</li> </ul>	<ul style="list-style-type: none"> <li>Providing a consistent and systematic approach to risk management across the Group at all levels.</li> </ul>
<p><b>Risk Assessment – updating the Group’s Risk Management Guidelines</b></p>	<ul style="list-style-type: none"> <li>The Risk Management Guidelines were updated such that risks were reclassified to facilitate the processes of risk identification, risk evaluation and risk reporting, with the aim of refining and strengthening the risk management process.</li> <li>The management-level Risk Management Committee plays a key role in identifying and tracking such risks, with top management leading discussions with all department heads.</li> </ul>	<ul style="list-style-type: none"> <li>Continual review and refinement of the risk management process to ensure that all major risks are properly identified, evaluated, reported and monitored.</li> </ul>
<p><b>Control Activities – internal controls and policies</b></p>	<ul style="list-style-type: none"> <li>A professional service provider was engaged to conduct an in-depth vulnerability assessment of our corporate infrastructure. Gaps highlighted were reviewed for rectification, thereby strengthening the information security management of the Group.</li> <li>A culture audit was conducted for the first time, to reflect the underlying values within our corporate culture.</li> <li>Regular training and education was made available to all staff. Hysan continued to leverage various digital means, including our unique Hysan Mobile Learning platform, to deliver compliance training to our personnel. Topics covered data protection, directors’ duties, connected transactions, anti-corruption, anti-competition law, corporate disclosure, privacy and cyber-security awareness, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Continual review and refinement of policies and procedures to support the essential task of keeping risk management and internal controls aligned with fast-changing external and internal business environments.</li> </ul>
<p><b>Monitoring Activities – Group-wide data privacy inventory</b></p>	<ul style="list-style-type: none"> <li>A consolidated data privacy inventory was developed in December 2021. It specified the control points (including both physical and logical security) deployed for identified information items that contain personal information. The inventory will be used as a starting point to enable the monitoring of privacy risks on a continuous basis. It will also aid in the undertaking of regular privacy assessments.</li> </ul>	<ul style="list-style-type: none"> <li>Facilitating the monitoring of privacy risks in the Group.</li> </ul>

The Risk Management Committee  
 Hong Kong, 24 February 2022

# Audit and Risk Management Committee Report

## Dear Shareholders,

We are pleased to present the Audit and Risk Management Committee's report for 2021, which provides an overview of the work undertaken by the Committee during the year. In 2021, the Committee continued to play a key oversight role for the Board in reviewing the Group's risk management and internal control systems, monitoring internal and external auditors and overseeing the financial reporting process. The most significant topics considered by the Committee during the year included rigorous assessment of the Group's enhanced risk management and internal control systems, major risks relating to COVID-19, procurement of some functions, cyber security and data privacy.

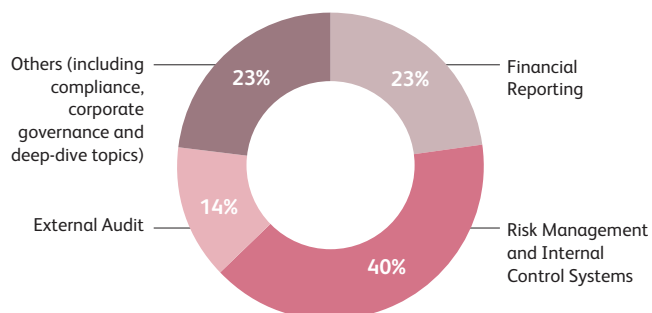
## Highlights in 2021 and 2022

- Revised the Group's model of risk management
- Published the Group's Risk Appetite Statement
- Updated the Group's Risk Management Guidelines, facilitating the functional risk management process
- Engaged a professional service provider and conducted a technical information security assessment for the corporate infrastructure
- Undertook a new corporate culture audit
- Reviewed departmental inventories for data privacy management
- Reviewed procurement procedures of selected functions

## Key responsibilities

- Oversee the integrity of the Group's financial management and reporting processes and the preparation of financial statements
- Review the risk management and internal control framework
- Review the effectiveness and adequacy of the risk management and internal control systems
- Review the major identified risks
- Assess and determine the risk appetite of the Group
- Oversee the Internal Audit
- Oversee the relationship with the external auditor and the provision of non-audit services

## Committee activities and agenda time during the year



## Composition

The majority of the Committee is comprised of Independent Non-Executive Directors

## Committee Members

Poon Chung Yin Joseph\* (Chairman)

Churchouse Frederick Peter\*

Fan Yan Hok Philip\*

Lee Anthony Hsien Pin

\* Independent Non-Executive Director

## Meeting Schedule

The Audit and Risk Management Committee held four meetings during the year, with one of those meetings specifically focused on addressing dynamic risks and enhancing the risk management oversight function. The Board Chairman and management members (including the Executive Director and Chief Operating Officer, Chief Financial Officer and Group Financial Controller), internal auditor, external auditor and external valuer (as appropriate) attended the meetings by invitation to present updates and answer relevant questions, and thus facilitate the Committee's decision-making process. To further facilitate open dialogue and assurance, pre-meeting sessions with external and internal auditors were held without the management's presence.

## Roles and Authorities

The Audit and Risk Management Committee's main roles and authorities are to:

- Oversee the Group's financial management and reporting processes and monitor the work carried out by the external auditor. Within this process, the management is responsible for the preparation of the Group's financial statements, including the selection of suitable accounting policies, while the external auditor is responsible for auditing and attesting to the Group's financial statements and evaluating the Group's system of internal controls in this regard. Formal statements of Directors' responsibility for the financial statements are contained in the "Financial Statements, Valuation and Other Information" section of this Annual Report;
- Review the Company's risk management and internal control systems;
- Review reports on major risks faced by the Group;
- Review resource adequacy and staff qualifications and experience in the Group's internal audit, accounting and financial reporting functions, as well as their training programmes and budget;
- Review the Group's Whistleblowing Policy. Under this policy, employees and related third parties who deal with the Group (e.g. consultants, contractors, suppliers, agents and customers) can raise concerns, in confidence or anonymously, about misconduct, malpractice or irregularities in any matters related to the Group. The Audit and Risk Management Committee ensures that the concerns raised are investigated and followed up as appropriate;
- Review the Anti-Fraud Policy. This is a separate policy to further promote an ethical culture and emphasize our "zero tolerance" attitude to fraud;
- Review the effectiveness of the Company's internal audit function;
- Oversee the Company's relationship with the external auditor; and
- Report its findings to the Board after each Audit and Risk Management Committee meeting.

## Activities

Details of the meeting held in February 2021 were set out in the 2020 Annual Report.

From March 2021 to February 2022, the Audit and Risk Management Committee held four meetings. Details of matters discussed in the meetings are given below.

### The Audit and Risk Management Committee Over the Past 12 Months

<b>May 2021 meeting</b>	Report from Internal Audit "Deep dive" topic Legal and regulatory update Risk management review and Risk Appetite Statement
<b>August 2021 meeting</b>	Interim results Property valuations External auditor report Risk management review Report from Internal Audit Legal and regulatory update
<b>November 2021 meeting</b>	External audit progress report Report from Internal Audit Risk management review Annual review of adequacy of resources Legal and regulatory update
<b>February 2022 meeting</b>	Annual results Property valuations Report from Internal Audit Annual review of risk management and internal control effectiveness Effectiveness and independence of external auditor External audit completion report External audit plan for 2022 Annual review of continuing connected transactions Legal and regulatory update



## Financial Reporting

In terms of financial reporting, the Audit and Risk Management Committee reviewed and discussed with management and the external auditor, and recommended for approval to the Board, the unaudited financial statements for the first six months ended 30 June 2021; the audited financial statements for the year ended 31 December 2021; and the Independent Auditor's Report for the year ended 31 December 2021, prior to their publication. The Committee's review and recommendations were based on the external auditor's review work, as well as the following:

- Discussions with the external auditor and internal auditor regarding the scope of their respective reviews and findings;
- Discussions with management regarding significant parameters and judgments affecting the Group's financial statements, including the valuation of investment properties as at 30 June 2021 and 31 December 2021 by the independent professional valuer, Knight Frank Petty Limited; and
- A joint review with both management and the external auditor of the Key Audit Matters included in the Independent Auditor's Report for the year ended 31 December 2021.

## Review of Risk Management and Internal Control Systems

Key initiatives in relation to our review of risk management and internal control systems during the year are given below:

- Risk Management Model of the Group: we revised how our risk management processes work and the structure of the core components within, in order to form an updated model;
- Risk Appetite Statement: the Risk Appetite Statement was proposed by the Committee and adopted by the Board for the purpose of controlling group-wide risks and defining the type of risk scenarios the Group should avoid exposure to;
- Update of Risk Management Guidelines: risk categories were reclassified, helping risk owners to identify and assess risks within their portfolios;
- Technical Information Security Assessment: a professional service provider was engaged to conduct in-depth security penetration tests of the corporate infrastructure. Potential vulnerability issues were highlighted to guide the strengthening of network protections;

- Culture Audit: a company-wide review was performed to assess the organizational culture;
- Data Privacy Management: a new data privacy inventory was developed across departments and business units, expediting privacy risk monitoring; and
- Procurement Control Review: reviews were conducted to strengthen the procurement control procedures of selected functions.

In addition, the Audit and Risk Management Committee:

- Evaluated the financial aspects of the Group's strategy implementation;
- Considered the Group's key corporate risks, including the overall business environment, operational risks, ESG risks and compliance, etc., with the overall approach being set by senior management;
- Considered the key imminent risks and risk registers presented by the management;
- Reviewed all legal and regulatory updates and trends that may affect the Group, and their implications;
- Reviewed the methodology used by the Group's independent professional valuer, Knight Frank Petty Limited, in the valuation of its investment properties, and discussed the key judgements made by the valuers;
- Reviewed resource adequacy and staff qualifications and experience in the Group's internal audit, accounting and financial reporting functions, as well as their training programmes and budget; and
- Reviewed the annual risk management and internal control systems performance for 2021, based on:
  - Reports from Internal Audit on the review of the Company's continuing connected transactions for the year ended 31 December 2021, as well as the adequacy and effectiveness of the related internal control procedures;
  - Regular reports by management regarding major risks, movements in risk levels and mitigating actions, as well as special reports on select major risk items (as detailed above);
  - Regular reports from Internal Audit, including the implementation status of its recommendations;
  - Certification and confirmation of controls' effectiveness by management, covering financial, operational and compliance controls, ESG compliance, internal audit, risk management and internal control, as well as the adoption of a control self-assessment questionnaire across the operating departments; and
  - Confirmation from the external auditor that it had not identified any control weaknesses in respect of the Group's financial reporting cycle during its audit.

## AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Audit and Risk Management Committee was satisfied as to the adequacy and effectiveness of the Company's risk management and internal control systems, including resource adequacy and staff qualifications and experience in the Group's accounting, financial reporting and internal audit functions, as well as their training programmes and budget. No significant areas of concern that might affect financial, operational and compliance controls, ESG compliance, internal audit, risk management or internal control were identified.

### External Auditor

In terms of overseeing the relationship with the external auditor, the Audit and Risk Management Committee:

- Reviewed and considered the terms of engagement of the external auditor in respect of the Group's 2021 results (including the 2021 annual audit, the related results announcement, and the annual review of continuing connected transactions) and the annual update regarding its MTN Programme;
- Reviewed the audit progress report of the external auditor;
- Carried out the annual assessment of the auditor's qualifications, expertise, services and independence, remaining satisfied with the same. The assessment was performed by reviewing the management's detailed assessment of the external auditor's independence, service quality and remuneration level, as well as the annual confirmation of auditor's independence issued by the external auditor.

In particular, the assessment was satisfied that the auditor's independence and objectivity were not in any way impaired by the provision of non-audit services. All services were pre-approved by the Audit and Risk Management Committee. Appropriate policies and procedures have been established to identify audit and non-audit services, as well as prohibited non-audit services that might impair the independence of the auditor. Deloitte Touche Tohmatsu confirmed its independence with regard to the non-audit services provided. A rotation arrangement for the lead audit partner was also established and implemented by the auditor. The lead audit partner is required to comply with professional ethics and independence policies and requirements applicable to the work performed;

### External Auditor's Services and Fees

	2021 HK\$ million	2020 HK\$ million
Audit Services	2.8	2.6
Non-audit Services (Note)	1.9	3.8
<b>Total</b>	<b>4.7</b>	<b>6.4</b>

Note:

"Non-audit services" include review consultancy services, agreed-upon-procedures reports, statutory compliance, and regulatory or government procedures related to financial, accounting or regulatory reporting matters with which the Group is required to comply.

- Reviewed and considered the 2022 audit service plan of the external auditor, and the terms of its engagement in respect of the 2022 interim results review; and
- Recommended to the Board that the shareholders be asked to re-appoint Deloitte Touche Tohmatsu as the Group's external auditor for 2022.

### Internal Audit

The Audit and Risk Management Committee reviewed the internal audit plan regarding the key risks and business strategy of the Group, details of specific significant internal audit findings, management responses to audit reports issued during the year, and regular reports on implementation status. Following the Group's three-year audit plan, Internal Audit continuously conducted projects that highlighted control gaps for management rectification. Audit findings were raised via audit reports, including management responses regarding the status of subsequent follow-up and implementation.

Members' attendance records are disclosed in the table on page 55.

### Evaluation

The Board and Committee evaluation process, which took place during the year, concluded that the Audit and Risk Management Committee was effective in fulfilling its roles in 2021. For details, please refer to the "Board Evaluation" section of the Corporate Governance Report (pages 59 to 60).

Members of the Audit and Risk Management Committee

**Poon Chung Yin Joseph** (Chairman)  
**Churhouse Frederick Peter**  
**Fan Yan Hok Philip**  
**Lee Anthony Hsien Pin**

Hong Kong, 24 February 2022

# Remuneration Committee Report

## Dear Shareholders,

We are pleased to present the Remuneration Committee Report for 2021. The primary roles of the Remuneration Committee are to advise the Board on formulating the remuneration policy for Directors and senior management, to determine remuneration and incentive packages for Directors and senior management, and to ensure that the remuneration packages are commensurate with the qualifications and competencies of the Directors and senior management and are appropriate to the best interests of the Company and its shareholders.

## Key responsibilities

- Review the Company's framework and general policies for the remuneration of Executive Directors and senior management
- Review the remuneration packages of Executive Directors, Non-Executive Directors and senior management
- Review share incentive plans

## Meeting Schedule

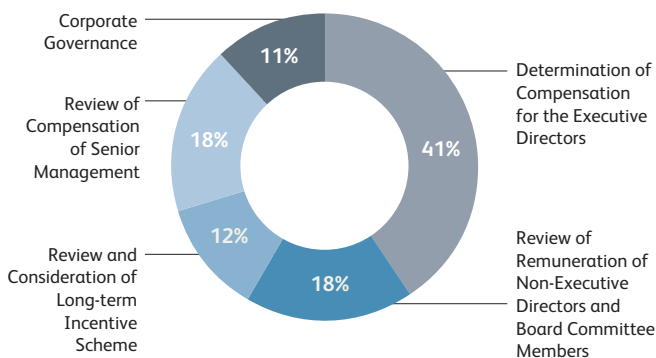
The Remuneration Committee generally meets at least once a year. The Executive Directors and management may be invited to Remuneration Committee meetings to present updates and/or answer relevant questions in order to facilitate the decision-making process. No Director is involved in deciding their own remuneration.

## Roles and Authorities

The Remuneration Committee's main roles and authorities are to:

- Review the Group's framework and general policies for the remuneration of Executive Directors and members of senior management, as recommended by management, and make recommendations to the Board;
- Review and determine the remuneration of Executive Directors and senior management;
- Review the fees payable to Non-Executive Directors and Board Committee members prior to shareholders' approval at the AGM; and
- Review new share incentive plans, changes to the key terms of pension plans, and the key terms of any new compensation and benefits plans that have a material financial, reputational and strategic impact on the Company.

## Committee activities and agenda time during the year



## Composition

The majority of the Committee is composed of Independent Non-Executive Directors

## Committee members

Fan Yan Hok Philip\* (Chairman)

Lee Tze Hau Michael

Poon Chung Yin Joseph\*

\* Independent Non-Executive Director

## Highlights in 2021 and 2022

- Considered remuneration for Directors and senior management
- Considered the Company's compensation structure and long-term incentive scheme
- Reviewed its Terms of Reference

## Activities

In January 2021, the Remuneration Committee met to:

- Approve the Executive Director's 2021 compensation package and 2020 performance-based bonus;
- Review the fees for Non-Executive Directors and Board Committee members;
- Review and determine the compensation of senior management;
- Review and consider the long-term incentive scheme; and
- Review the terms of reference of the Remuneration Committee.

In September 2021, the Committee also met to approve the 2021 compensation package for the newly appointed Executive Director, which took effect from 1 October 2021.

## REMUNERATION COMMITTEE REPORT

In January 2022, the Remuneration Committee also held a meeting to:

- Approve the Executive Directors' 2022 compensation packages and 2021 performance-based bonuses;
- Review the fees for Non-Executive Directors and Board Committee members;
- Review and determine the compensation of senior management; and
- Review and consider the long-term incentive scheme.

Members' attendance records are disclosed in the table on page 55.

### Executive Director and Senior Management Remuneration Policy

The Group's remuneration policy aims to provide a fair market level of remuneration to attract, retain and motivate high-quality Executive Directors, senior management and employees. At the same time, rewards must be aligned with shareholders' interests.

The following principles have been established:

- Remuneration packages and structures shall reflect a fair reward system for all participants with an emphasis on performance, comprising the following components:

Components Determining Factors

Fixed compensation	
Base salary and allowances	<ul style="list-style-type: none"> <li>• Market trends: pay increments in line with general and real estate industry norms</li> <li>• Market benchmarks relevant to role and job scope</li> <li>• Company performance</li> <li>• Individual performance and contribution, measured against annual financial and operational targets (turnover, expense ratio, earnings per share ("EPS"), portfolio year-end occupancy, achievement of key strategic initiatives, etc.)</li> </ul>
Variable compensation	
Performance bonus	<ul style="list-style-type: none"> <li>• Company performance</li> <li>• Individual performance and contribution, measured against annual financial and operational targets (turnover, expense ratio, EPS, portfolio year-end occupancy, achievement of key strategic initiatives, etc.)</li> <li>• Actual bonus paid out ranges from 0–200% of target bonus, which is set as a percentage of annual base salary</li> </ul>
Share options	<ul style="list-style-type: none"> <li>• Company performance</li> <li>• Individual performance and potential, as well as long-term contribution to the Company</li> <li>• Level of share options granted is based on a prescribed grant multiple of annual base salary</li> </ul>

- Remuneration packages shall be set at levels that ensure comparability and competitiveness with Hong Kong-based companies competing for a similar talent pool, with special emphasis on the real estate industry. Independent professional advice is to be sought where appropriate;
- The Remuneration Committee shall determine the overall amount of each component of remuneration, taking into account both quantitative and qualitative assessments of performance, as well as the achievement of financial and operational key performance targets that align with the Group's long-term strategy;
- Remuneration policy and practice shall be as transparent as possible;
- Share option grantees shall develop significant personal shareholdings through executive share option schemes, in order to align their interests with those of shareholders;
- Pay and employment conditions elsewhere in the Group shall be taken into account; and
- The remuneration policy for Executive Directors and senior management shall be reviewed regularly, independent of executive management.

In January 2022, the Remuneration Committee held a meeting to consider the annual base salaries of Lee Irene Yun-Lien and Lui Kon Wai, and concluded that their 2022 annual fixed base salaries shall be HK\$8,240,000 and HK\$5,600,000 respectively.

Details of Directors' remuneration, including individual Executive Directors and senior management's emoluments for 2021, as well as changes in share options for Executive Directors during the year, are set out in notes 11, 12 and 37, respectively, to the consolidated financial statements.

### Non-Executive Director Remuneration Policy

Key elements of our Non-Executive Director remuneration policy include the following:

- Remuneration shall be set at an appropriate level to attract and retain first-class non-executive talent;
- Remuneration of Non-Executive Directors shall be set by the Board (subject to shareholders' approval) and should be proportional to their commitment and contribution to the Company;
- Remuneration practices shall be consistent with recognized best practice standards for Non-Executive Directors' remuneration;
- Remuneration shall be in the form of cash fees, payable semi-annually; and

- Non-Executive Directors shall not receive share options from the Company.

In 2021, Non-Executive Directors received no compensation from the Group other than the fees disclosed below. None of the Non-Executive Directors received any pension benefits from the Company, nor did they participate in any bonus or incentive schemes.

Non-Executive Directors (including Independent Non-Executive Directors) received fees totalling HK\$3,139,000 during 2021.

## Director Fee Levels

Director fees are subject to shareholders' approval at general meetings. In January 2022, the Remuneration Committee duly considered a number of factors, including the level of responsibility, experience and abilities required of the Directors, the level of care and amount of time required, as well as the fees offered for similar positions in companies requiring the same talents, and agreed that the fees of the Non-Executive Directors shall remain at the same level.

The current fees for Non-Executive Directors and Board Committee members are set out below. Executive Directors do not receive any director fees.

	Per annum HK\$	
<b>Board of Directors</b>		
Non-Executive Director	280,000	(Note 1)
<b>Audit and Risk Management Committee</b>		
Chairman	180,000	(Note 1)
Member	108,000	(Note 1)
<b>Remuneration Committee</b>		
Chairman	75,000	(Note 1)
Member	45,000	(Note 1)
<b>Nomination Committee</b>		
Chairman	50,000	(Note 1)
Member	30,000	(Note 1)
<b>Sustainability Committee</b>		
Chairman	50,000	(Note 2)
Member	30,000	(Note 2)

Notes:

1. Approved by shareholders at the 2019 AGM and took effect on 1 June 2019.
2. Approved by the Board and took effect on 1 January 2020.

## Human Resources Practices

The Group aims to attract, retain and develop high-calibre individuals who are committed to attaining our objectives. The total number of employees as at 31 December 2021 was 467 (2020: 489). The Group's human resources practices are aligned with our corporate objectives in order to maximize shareholder value and achieve growth. Details of our human resources programmes, training and development are set out in our 2021 Sustainability Report.

## Long-term Incentives: Share Option Schemes

The Company may grant options under executive share option schemes as adopted from time to time. The purpose of such schemes is to strengthen the connection between individual employees' and shareholders' interests. The power to grant options to Executive Directors is vested in the Remuneration Committee, with endorsement by all Independent Non-Executive Directors being required under the Listing Rules. The Chairman or the Chief Executive Officer may grant options to management staff below the Executive Director level.

## The 2005 Share Option Scheme (the "2005 Scheme")

The Company adopted the 2005 Scheme at its AGM held on 10 May 2005 (the "2005 AGM"), which had a term of 10 years and expired on 9 May 2015. All outstanding options granted under the 2005 Scheme will continue to be valid and exercisable in accordance with the provisions of the 2005 Scheme. No further option will be granted under the 2005 Scheme.

Under the 2005 Scheme, options to subscribe to the ordinary shares of the Company may be granted to employees of the Company or any of its wholly-owned subsidiaries (including Executive Directors), as well as such other persons as the Board may consider appropriate from time to time, on the basis of their contribution to the development and growth of the Company and its subsidiaries.

The maximum number of shares in respect of which options may be granted under the 2005 Scheme and any other share option scheme of the Company shall not exceed the maximum number of shares permissible under the Listing Rules, being 10% of the total number of shares in issue as at the date of the 2005 AGM (being 104,996,365 shares).

## REMUNERATION COMMITTEE REPORT

The maximum entitlement of each participant under the 2005 Scheme must not, during any 12-month period, exceed the maximum number of shares permissible under the Listing Rules (which is 1% of the total number of shares in issue as at the date of the 2005 AGM, being 10,499,636 shares). The exercise price shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; and (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant. The consideration for each grant of option is HK\$1 and is required to be paid within 30 days from the date of grant, with full payment for the exercise price to be made upon the exercise of the relevant option.

### The 2015 Share Option Scheme (the "New Scheme")

The Company adopted the New Scheme at its AGM held on 15 May 2015 (the "2015 AGM"), which has a term of 10 years and will expire on 14 May 2025. The terms of the New Scheme are substantially the same as those of the 2005 Scheme.

Under the New Scheme, options to subscribe to the ordinary shares of the Company may be granted to employees of the Company or any of its subsidiaries (including Executive Directors), as well as such other persons as the Board may consider appropriate from time to time, on the basis of their contribution to the development and growth of the Company and its subsidiaries.

The maximum number of shares in respect of which options may be granted under the New Scheme and any other share option schemes of the Company shall not in aggregate exceed the maximum number of shares permissible under the Listing Rules, currently being 10% of the total number of shares in issue as at the date of the 2015 AGM (being 106,389,669 shares). Under the Listing Rules, a listed issuer may seek approval from its shareholders in a general meeting to "refresh" the 10% limit under the New Scheme. In addition, the total number of shares that may be issued upon the exercise of all outstanding options granted but not yet exercised under the New Scheme and any other share option schemes of the Company must not exceed 30% of the shares in issue from time to time (or the maximum number of shares permissible under the Listing Rules). No options may be granted where such a grant would result in this 30% limit or the maximum permissible limit being exceeded.

The maximum entitlement of each participant under the New Scheme must not, during any 12-month period, exceed the maximum number of shares permissible under the Listing Rules (which is 1% of the total number of shares in issue as at the date of the 2015 AGM, being 10,638,966 shares). The exercise price shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; and (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant. The consideration for each grant of option is HK\$1 and is required to be paid within 30 days from the date of grant, with full payment for the exercise price to be made upon the exercise of the relevant option.

### Grant and vesting structures

Under the Company's current policy, grants are to be made on a periodic basis. The exercise period is 10 years. The vesting period is three years in equal proportions starting from the first anniversary of the grant, with the shares becoming fully vested on the third anniversary. The size of the grant will be determined with reference to a base salary multiple and job performance metrics. The Board reviews the grant and vesting structures from time to time.

### Movement of share options

During the year, a total of 1,607,000 share options were granted under the New Scheme. The 2005 Scheme expired on 9 May 2015 and no further option has been granted under the 2005 Scheme.

As at the date of this Annual Report:

- share options exercisable into a total of 1,239,000 ordinary shares of the Company granted and fully-vested under the 2005 Scheme remained outstanding, representing approximately 0.12% of the total number of issued shares of the Company;
- share options exercisable into a total of 5,844,067 ordinary shares of the Company (including fully-vested share options exercisable into 3,376,718 ordinary shares of the Company) granted under the New Scheme remained outstanding, representing approximately 0.57% of the total number of issued shares of the Company; and
- 100,121,673 shares remained issuable under the New Scheme, representing approximately 9.68% of the total number of issued shares of the Company.

Details of options granted, exercised, cancelled/lapsed and outstanding under the 2005 Scheme and the New Scheme (“the Schemes”) during the year are as follows:

Name	Date of Grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2021	Changes during the year			Balance as at 31.12.2021
					Granted	Exercised	Cancelled/ lapsed (Note b)	
<b>2005 Scheme</b>								
<b>Executive Director</b>								
Lee Irene Yun-Lien	14.5.2012	33.50	14.5.2013 – 13.5.2022	87,000	–	–	–	87,000
	7.3.2013	39.92	7.3.2014 – 6.3.2023	265,000	–	–	–	265,000
	10.3.2014	32.84	10.3.2015 – 9.3.2024	325,000	–	–	–	325,000
	12.3.2015	36.27	12.3.2016 – 11.3.2025	300,000	–	–	–	300,000
<b>Eligible employees (Note c)</b>	31.3.2011	32.00	31.3.2012 – 30.3.2021	32,000	–	–	(32,000)	–
	30.3.2012	31.61	30.3.2013 – 29.3.2022	70,000	–	–	–	70,000
	28.3.2013	39.20	28.3.2014 – 27.3.2023	85,000	–	–	–	85,000
	31.3.2014	33.75	31.3.2015 – 30.3.2024	46,000	–	–	–	46,000
	31.3.2015	34.00	31.3.2016 – 30.3.2025	62,667	–	–	(1,667)	61,000
				<b>1,272,667</b>	<b>–</b>	<b>–</b>	<b>(33,667)</b>	<b>1,239,000</b>
<b>New Scheme</b>								
<b>Executive Directors</b>								
Lee Irene Yun-Lien	9.3.2016	33.15	9.3.2017 – 8.3.2026	375,000	–	–	–	375,000
	23.2.2017	36.25	23.2.2018 – 22.2.2027	300,000	–	–	–	300,000
	1.3.2018	44.60	1.3.2019 – 29.2.2028	373,200	–	–	–	373,200
	22.2.2019	42.40	22.2.2020 – 21.2.2029	494,200	–	–	–	494,200
	21.2.2020	29.73	21.2.2021 – 20.2.2030	650,000	–	–	–	650,000
	26.2.2021	33.05 (Note e)	26.2.2022 – 25.2.2031	–	664,000	–	–	664,000
Lui Kon Wai (Note g)	29.3.2018	41.50	29.3.2019 – 28.3.2028	179,000	–	–	–	179,000
	29.3.2019	42.05	29.3.2020 – 28.3.2029	203,000	–	–	–	203,000
	31.3.2020	25.20	31.3.2021 – 30.3.2030	262,000	–	–	–	262,000
	31.3.2021	30.40 (Note f)	31.3.2022 – 30.3.2031	–	267,000	–	–	267,000
<b>Eligible employees (Note c)</b>	31.3.2016	33.05	31.3.2017 – 30.3.2026	125,000	–	–	(19,000)	106,000
	31.3.2017	35.33	31.3.2018 – 30.3.2027	244,667	–	–	(36,000)	208,667
	29.3.2018	41.50	29.3.2019 – 28.3.2028	315,000	–	–	(55,000)	260,000
	29.3.2019	42.05	29.3.2020 – 28.3.2029	555,000	–	–	(162,000)	393,000
	31.3.2020	25.20	31.3.2021 – 30.3.2030	690,000	–	(57,332) (Note d)	(134,668)	498,000
	31.3.2021	30.40 (Note f)	31.3.2022 – 30.3.2031	–	676,000	–	(65,000)	611,000
				<b>4,766,067</b>	<b>1,607,000</b>	<b>(57,332)</b>	<b>(471,668)</b>	<b>5,844,067</b>

Notes:

- (a) All options granted have a vesting period of three years in equal proportions starting from the first anniversary of the grant and becoming fully vested on the third anniversary. In this table, “exercise period” begins with the first anniversary of the date of grant.
- (b) These options lapsed during the year upon the resignations of certain eligible employees or the end of the period during which the options are exercisable.
- (c) Eligible employees are those working under employment contracts that are regarded as “continuous contracts” for the purposes of the Employment Ordinance.
- (d) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$30.58.
- (e) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 25 February 2021) was HK\$33.25.
- (f) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 30 March 2021) was HK\$31.50.
- (g) Lui Kon Wai, currently Chief Operating Officer, was appointed as Executive Director with effect from 1 October 2021.

## REMUNERATION COMMITTEE REPORT

Apart from the above, the Company has not granted any share options under the Schemes to any other persons during the year that are required to be disclosed under Rule 17.07 of the Listing Rules.

Particulars of the Schemes are set out in note 37 to the consolidated financial statements.

### Value of share options

Pursuant to Rule 17.08 of the Listing Rules, the value of the share options granted during the year is to be expensed through the Group's statement of profit or loss over the three-year vesting period of the options.

The fair values of share options granted by the Company were determined using the Black-Scholes option pricing model (the "Model"), a commonly-used model for estimating the fair value of an option. The variables and assumptions used in computing the fair value of the share options are based on the management's best estimates. The value of an option is determined by different variables which are based on a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

The inputs into the Model were as follows:

Date of grant	31.3.2021	26.2.2021
Closing share price at the date of grant	HK\$30.40	HK\$33.05
Exercise price	HK\$30.40	HK\$33.05
Risk-free rate (Note a)	0.817 %	0.726 %
Expected life of option (Note b)	5 years	5 years
Expected volatility (Note c)	27.100 %	26.899 %
Expected dividend per annum (Note d)	HK\$1.408	HK\$1.388
Estimated fair values per share option	HK\$4.770	HK\$5.560

Notes:

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

Members of the Remuneration Committee

**Fan Yan Hok Philip** (Chairman)

**Lee Tze Hau Michael**

**Poon Chung Yin Joseph**

Hong Kong, 24 February 2022



# Nomination Committee Report

## Dear Shareholders,

We are pleased to present the Nomination Committee Report for 2021. The primary roles of the Nomination Committee are to review the Board's structure, composition and diversity, and to recommend Board appointments. The roles of the Non-Executive Directors continue to evolve in line with the growing demands of a fast-changing business environment. The Board is constantly looking ahead to ensure that our Non-Executive Directors have the skills and experience required to drive the highest standards of performance. During the year, we were pleased to welcome Lui Kon Wai, our Chief Operating Officer, to the Board.

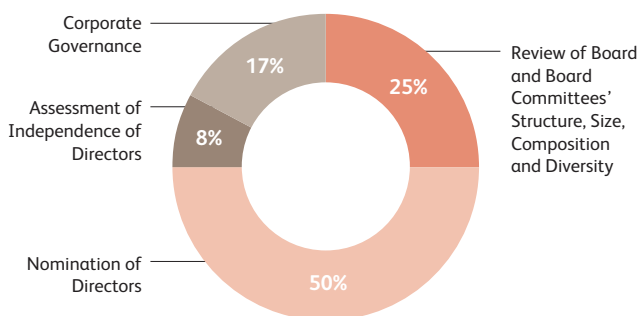
## Highlights in 2021

- Nominated Lui Kon Wai as Executive Director
- Considered the re-appointment and independence of Directors
- Reviewed the Diversity Policy

## Key responsibilities

- Review the structure, size and composition of the Board
- Review the skills, knowledge, experience and diversity aspects of each Director
- Assess the independence of the Independent Non-Executive Directors
- Make recommendations to the Board on the appointment of Directors
- Review the time commitment and expertise of each Director, while taking into account other material commitments of such Directors
- Oversee succession planning for the Board

## Committee activities and agenda time during the year



## Meeting Schedule

The Nomination Committee generally meets at least once a year.

## Roles and Authorities

The Nomination Committee's main roles and authorities are to:

- Review and make recommendations on the structure, size, composition and diversity of the Board with a view to complementing the Company's corporate strategies;
- Review the Diversity Policy;
- Review the independence of Directors pursuant to the Listing Rules' requirements;
- Oversee the general succession planning of the Board;
- Review the time commitment and effort required of Directors to discharge their responsibilities;
- Review the training and continuous professional development of the Directors; and
- Recommend the nomination of Directors after careful consideration of the attributes and values required in accordance with the Company's Nomination Policy, while also taking into account diversity aspects (including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) with due regard to the benefits of diversity, as set out under the Diversity Policy.

## Composition

The majority of the Committee is comprised of Independent Non-Executive Directors

## Committee members

Lee Irene Yun-Lien (Chairman)

Churchouse Frederick Peter\*

Fan Yan Hok Philip\*

Lee Chien

Poon Chung Yin Joseph\*

\* Independent Non-Executive Director

### Director Recruitment Process

**1** A wide and diverse range of candidates with different skills and business backgrounds appropriate to the Group's business needs are identified

**2** Nomination Committee Chairman meets with shortlisted candidates

**3** Nomination Committee assesses the suitability of the candidates based on a range of criteria

**4** All Directors are given the opportunity to meet with the preferred candidate

**5** Nomination Committee makes a recommendation to the Board

### Activities

During 2021, the Committee held two meetings. Details of matters discussed in the meetings are given below.

### Board Composition

Regarding board composition, the Committee:

- Considered the nomination of our Chief Operating Officer Lui Kon Wai as an Executive Director on the basis of his expertise and global experience in the property industry (which covers acquisitions, development and asset management for residential, office, retail and large-scale mixed-use developments in Hong Kong, Mainland China and overseas), his personal attributes as well as his extensive understanding of the Group's business, in accordance with the Company's Nomination Policy and Diversity Policy. The appointment of Lui Kon Wai as Executive Director reflected a strong internal succession planning process and demonstrated our focus on people development;
- Assessed the Board's structure, size, composition and diversity, and monitored the progress made towards enriching the skills and experience of Board members while improving Board diversity in its widest sense (including gender) in line with the Company's strategy. During the year, the Board continued to engage Li Xinzhe Jennifer as an advisor to the Board to enrich the Board's skills and diversity, and the Next Generation Innovation Panel to strengthen the Board's capability and support its strategic decision-making. The Nomination Committee was satisfied that the current composition and size of the Board is appropriate for the time being. These matters shall continue to be kept under regular review;
- Recommended the re-appointment of Directors to the Board;
- Reviewed the time commitment of Directors. The Committee was satisfied that all Directors were committed to the Company and had contributed to the Board through their participation in the Company's affairs and discussions at Board and Board Committee meetings during the year, as reflected in their high rates of attendance as recorded in the table on page 55;
- Reviewed the contributions of those Directors who are due to retire and are subject to re-appointment at the forthcoming AGM with the support of the Board; and

- Reviewed the training of the Directors and senior management.

### Independence of Non-Executive Directors

The Committee assessed the independence, effectiveness and commitment of each of the Company's Independent Non-Executive Directors during the year.

It also considered the fact that three Directors (Churchouse Frederick Peter, Fan Yan Hok Philip and Poon Chung Yin Joseph) have served as Independent Non-Executive Directors for more than nine years. Churchouse Frederick Peter and Poon Chung Yin Joseph were re-elected at the 2021 AGM and will remain on the Board for a further year, while Fan Yan Hok Philip will retire by rotation at the forthcoming AGM to be held on 19 May 2022. The Nomination Committee recognized the contribution of Churchouse Frederick Peter, Fan Yan Hok Philip and Poon Chung Yin Joseph, who have developed deep insights into the Group's business and provided invaluable contributions to the Board over the years. The Nomination Committee was also of the view that Churchouse Frederick Peter, Fan Yan Hok Philip and Poon Chung Yin Joseph have exercised independent judgement and consistently demonstrated a healthy level of professional scepticism whenever appropriate, and have not held back from asking probing questions and challenging the executive management's views and recommendations. There is no evidence to suggest that their tenure has had any impact on their independence. The Nomination Committee was thus satisfied that, notwithstanding the length of service of such Directors, as well as the number and nature of offices they hold in other public companies and their other commitments, they remained highly committed to the Company, are independent and impartial, and continue to be in a position to discharge their duties and responsibilities in the coming year.

### Review of Policy

The Committee reviewed the Diversity Policy (available on the Company's website) to formalize the Board's commitment to annually assess diversity and ensure its continued effectiveness.

### Committee Effectiveness

The Committee's effectiveness was formally reviewed during the year as part of the Board evaluation process, which concluded that the Committee has operated effectively.

Members of the Nomination Committee

**Lee Irene Yun-Lien** (Chairman)  
**Churchouse Frederick Peter**  
**Fan Yan Hok Philip**  
**Lee Chien**  
**Poon Chung Yin Joseph**

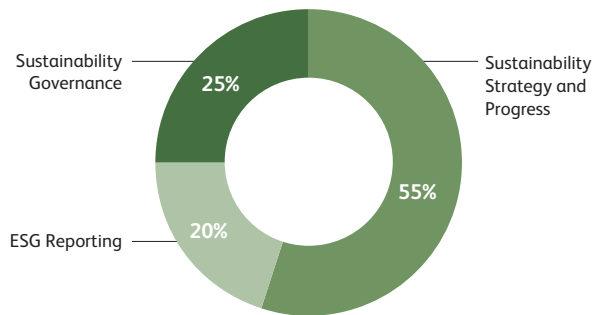
Hong Kong, 24 February 2022

# Sustainability Committee Report

## Dear Shareholders,

We are pleased to present the Sustainability Committee Report for 2021. The primary roles of the Sustainability Committee are to review and oversee the Group's corporate responsibility activities, sustainability development and related policies. The Committee is tasked with overseeing the Group's overall vision and action plans for corporate responsibility and sustainability, and bringing any related issues to the attention of the Board. It also assesses and makes recommendations on matters concerning the Group's sustainability opportunities and risks.

## Committee activities and agenda time during the reporting period



## Composition

The majority of the Committee is comprised of Independent Non-Executive Directors

## Committee members

Jebsen Hans Michael B.B.S. (Chairman)

Fan Yan Hok Philip\*

Wong Ching Ying Belinda\*

\* Independent Non-Executive Director

## Highlights in 2021 and 2022

- Reviewed and endorsed the Group's sustainability strategy
- Considered the progress of ESG initiatives on a quarterly basis
- Considered the Group's commitment and actions taken to engage employees and society throughout the COVID-19 pandemic
- Reviewed sustainability finance framework and initiatives
- Assessed sustainability risks and opportunities
- Enhanced its Terms of Reference
- Reviewed the Sustainability Report

## Key responsibilities

- Oversee corporate responsibility and sustainability matters
- Review the Group's sustainability footprint, targets and commitments, and make recommendations to the Board

## Meeting Schedule

The Sustainability Committee generally meets at least once a year. One meeting was held in 2021 to review and discuss sustainability matters. The Board Chairman and management members (including the Executive Director and Chief Operating Officer, Chief Financial Officer and Company Secretary, and General Manager, Corporate Communication) attend the meetings by invitation to present updates and answer relevant questions, and thus facilitate the Committee's decision-making process.

## Roles and Authorities

The Sustainability Committee's main roles and authorities are to:

- Review and endorse the Group's corporate responsibility and sustainability plans, strategies, priorities, policies, practices and frameworks, and report to the Board;
- Review and evaluate the adequacy and effectiveness of the actions taken by the Group based on its corporate responsibility and sustainability plans, strategies, priorities, policies and frameworks, and recommend improvements;
- Review sustainability risks and opportunities, and report to the Board;
- Monitor and review existing and/or emerging issues, trends and investments related to the corporate responsibility and sustainability priorities of the Group;

## SUSTAINABILITY COMMITTEE REPORT

- Monitor and review the Group’s corporate responsibility and sustainability policies and practices to ensure they remain relevant and compliant with legal and regulatory requirements (including, but not limited to, the relevant Hong Kong Stock Exchange Environmental, Social and Governance Reporting Guide and the Listing Rules); and
- Review the annual corporate responsibility and sustainability report and relevant disclosures in the Company’s annual report, and provide recommendations to the Board regarding their approval.

### Activities

Details of the meeting held in February 2021 were set out in the 2020 Annual Report.

From March 2021 to February 2022, the Sustainability Committee held one meeting. Details of matters discussed in the meeting are given below.

### The Sustainability Committee Over the Past 12 Months

<b>May Quarterly Update</b>	Sustainability Progress Update – Q1 2021
<b>August Quarterly Update</b>	Sustainability Progress Update – Q2 2021
<b>November Quarterly Update</b>	Sustainability Progress Update – Q3 2021
<b>February 2022 meeting</b>	Sustainability Progress Update – Q4 2021 Sustainability Report Annual review of adequacy of resources of ESG functions Annual review of ESG risks Committee Terms of Reference

### Review the Group’s Sustainability Strategies

The Committee reviewed the Group’s sustainability strategies and objectives, considered the Group’s action plan and identified potential related risks and challenges, as benchmarked against international standards and industry peers. It also identified material ESG-related issues.

### Discuss ESG Overview and Initiatives

In terms of the Group’s ESG activities and initiatives, the Committee:

- Reviewed the Group’s engagement strategy on a regular basis to prepare for the future. Hysan has consistently engaged with the community in which it operates, since our community is core to the Group’s heritage;
- Reviewed ESG measures taken to promote the sustainable development of the Group, including our response to the COVID-19 pandemic, highlighting our initiatives to ensure the safety and well-being of our employees and the community, and to take the lead in promoting COVID-19 vaccination among our stakeholders with the aim of having Lee Gardens become a “Fully-Vaccinated Community”;
- Reviewed our sustainability finance framework and initiatives to support eligible green or social projects;
- Reviewed ESG-related sustainability efforts and achievements; and
- Identified short and long-term sustainability targets across the Group and reviewed their progress.

### Sustainability Governance

Regarding sustainability governance, the Committee:

- Reviewed reports on the major ESG risks that are integrated into the Group’s risk assessment process, including risks relating to the COVID-19 pandemic, ESG compliance and environmental management related to climate change, as well as corresponding mitigation measures. Details are set out in the Risk Management and Internal Control Report;
- Reviewed the framework for sustainability governance and confirmed its satisfaction with the adequacy of resources for ESG performance and reporting; and
- Reviewed its Terms of Reference to enhance the Group’s sustainability governance structure.

More details are set out in the 2021 Sustainability Report.

Members of the Sustainability Committee

**Jebsen Hans Michael B.B.S.** (Chairman)  
**Fan Yan Hok Philip**  
**Wong Ching Ying Belinda**

Hong Kong, 24 February 2022

# Sustainability Report 2021 – Summary

This section provides a summary of Hysan’s sustainability strategy and 2021 highlights. The reporting period is from 1 January 2021 to 31 December 2021, unless otherwise specified. During this period, Hysan continued to comply fully with the requirements of the provisions contained in the Environmental, Social and Governance Reporting Guide, Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Healthy communities depend upon a sustainable and liveable natural environment. For this reason, Hysan has continued to make environmental management, and in particular decarbonization, a core pillar of its corporate strategies and day-to-day operations. The Group achieved significant headway in this regard during 2021, and will continue to make every effort to develop the right pathway towards a net-zero carbon strategy for Hysan.

2021 was a watershed year for Hysan, as the Group made substantial investments both in the familiar environs of Causeway Bay and in Shanghai. It also secured a wider foothold in the Greater Bay Area with an investment in the flexible workspace sector. Sustainability will be at the heart of these projects, with a special emphasis on community development. The Caroline Hill Road site in Causeway Bay, for example, will be developed not only as a successful commercial building, but also as an urban oasis which will benefit nearby communities.

With guidance from Hysan’s Board-level Sustainability Committee, the management team initiated and maintained a wide range of new and existing sustainability projects based on environmental, social and governance objectives that align with a number of the Sustainability Development Goals (“SDGs”) adopted by the United Nations General Assembly and with reference to the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”). Our efforts have been recognised by some of the world’s top sustainability indices and rating agencies.

## Climate Resilience

With global leaders adopting ambitious climate targets at the COP26 summit and Hong Kong publishing its own Climate Action Plan 2050 last year, the urgent importance of embedding decarbonisation in Hysan’s strategies and daily operations is well recognised by the Group. Buildings contribute significantly to carbon emissions and energy consumption, so reducing our reliance on fossil fuels plays a key role in our business sustainability. Given the clear need to accelerate our progress towards low carbon emissions, we have committed to developing a climate action plan with reference to the recommendations of the TCFD for better adaptation and resilience. We have also given serious consideration to the Hong Kong Exchanges and Clearing Ltd (“HKEX”)’s recently published Practical Net-Zero Guide for Business in developing our own pathway towards a net-zero carbon strategy.

## Sustainability Policy

Hysan’s Sustainability Policy is formulated by the Sustainability Executive Committee and applies to all properties and business units. Projects and initiatives based on the Policy’s strategic agenda are executed by the Sustainability Task Force, which comprises representatives from each of Hysan’s departments. The Board-level Sustainability Committee will continue to review this Policy, which guides the Group’s long-term direction.

## Environmental Management System

Hysan’s Environmental Policy focuses on measuring and reporting carbon reduction efforts, promoting waste reduction at source, enhancing green purchasing and improving stakeholder engagement. We have obtained ISO 14001 Environmental Management System certification for our head office in order to align our corporate environmental management efforts with international standards, and to strengthen our measures for monitoring, reviewing and minimising the environmental impact of our operations. We communicate Hysan’s environmental management policies and priorities to our staff through the Sustainable Office Guide, thus cultivating a green office environment.

Please refer to our standalone Sustainability Report for further details of the Group’s sustainable development efforts and progress.

## LIFE – 2030 Strategy and Targets



### Leap into Smart and Eco-business

Smart use of natural resources and technology for reducing the environmental impacts of Hysan’s daily operations

### Targets and Commitment

#### Climate Resilience and Adaptation

- Achieve 20% reduction in carbon intensity by 2024 (baseline: 2005)<sup>1</sup>  
**2021 progress:**  
**35% reduction**

#### Renewable Energy

- Target to generate a total of 100,000 kWh of renewable energy per year by 2025  
**2021 progress:**  
**14,004 kWh generated**

#### Energy Efficiency & Reduction

- Target to achieve an average of 20% reduction in electricity purchased by 2024 (baseline: 2005)<sup>1</sup>  
**2021 progress:**  
**22% reduction**
- Complete energy audit for 75% of total electricity consumption of building operations by 2025  
**2021 progress:**  
**20% completed**

### Integrate with our Communities

Integrate community needs into our core business operations and partnerships, provide support to community projects, and develop sustainable partnership with our tenants

### Targets and Commitment

- Create a vibrant, diverse and inclusive Lee Gardens community  
**2021 progress:**

Over **672,000** people drawn to Hysan campaigns promoting local businesses

including over **38,000** participants engaged in community initiatives

- Promote collaboration with impact organizations

**2021 progress:**  
**33** impact partners (NGOs, SMEs) engaged

- Promote public awareness on eco-conscious living

**2021 progress:**  
**1,943** people participated in promoting an eco-conscious community

1. We have carried out a thorough reassessment of our carbon and energy reduction potential for the short to medium term. In 2022, we aim to provide 2030 targets which will match industry best practices.



## Foster Partnership with our People

Build a diverse and inclusive workforce, treat our people fairly and help them realise their full potential

### Targets and commitment

#### Health & Safety

- Reduce workplace injury rate to below 0.5% by 2030 and maintain zero work-related fatalities

**2021 progress:**

Injury rate of **2.35%**, zero work-related fatalities

#### Diversity & Inclusion

- Maintain gender balance in management

**2021 progress:**

**49%** of management positions held by women

#### Talent Development

- Increase the numbers of learning activities offered by 30% by 2030 (baseline: 2020)

**2021 progress:**

**15%** increase

- Increase training hours per employee by 20% by 2030 (baseline: 2020)

**2021 progress:**

**9%** increase

#### Talent Engagement and Wellbeing

- Increase the numbers of employee engagement activities offered by 30% by 2030 (baseline: 2020)

**2021 progress:**

**10%** increase

- Maintain an annual average employee participation rate of 60% or above

**2021 progress:**

**64%**

- Enrich health protection programme covering physical and mental health for all employees

**2021 progress:**

New programmes added include eye-health self exercises, yoga classes, Thai boxing experience, Singing Bowl relaxation sessions, nutrition talks, family care tips for employees with children starting secondary school and vaccine information talks



## Establish Strong Corporate Governance

Build a strong governance structure, maintain an ethical workplace and promote green finance

### Targets and commitment

#### Sustainability Benchmarks and Indices

- Maintain global recognition from major benchmarks and indices

**2021 progress:**

Obtained four stars and a score of "A" for public disclosure in the 2021 Real Estate Assessment of the GRESB

#### Green and Sustainable Finance

- Target to have 40% of debt financed by sustainable finance by 2030

**2021 progress:**

**21%** of debt financed by sustainable finance

# Directors' Report

The Directors submitted their report together with the audited consolidated financial statements for the year ended 31 December 2021, which were approved by the Board of Directors on 24 February 2022.

## PRINCIPAL ACTIVITIES

The principal activities of the Group continued throughout 2021 to be property investment, management, and development. Details of the Group's principal subsidiaries, associates and joint ventures as at 31 December 2021 are set out in notes 17 to 19 respectively to the consolidated financial statements.

The turnover and results of the Group are principally derived from the leasing of investment properties located in Hong Kong. The Group's turnover and results by operating segment are set out in note 5 to the consolidated financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss on page 107.

The first interim dividend of HK27 cents per share, amounting to approximately HK\$281 million, was paid to shareholders during the year.

The Board declared a second interim dividend of HK117 cents per share to the shareholders on the register of members on 11 March 2022, totalling approximately HK\$1,210 million. The dividends declared and paid for ordinary shares in respect of the full year 2021 will total approximately HK\$1,491 million, and the balance of the profit will be retained.

## BUSINESS REVIEW AND PERFORMANCE

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year, the material factors underlying its results and financial position and material attributable factors relating to the development and likely future developments of the Group's business, are provided throughout this Annual Report, particularly in the following separate sections:

- (a) Review of the Group's business – "Management's Discussion and Analysis";
- (b) The Group's risk management framework, the principal risks the Group is facing and the controls in place – "Risk Management and Internal Control Report";
- (c) Particulars of important events affecting the Group that have occurred since the end of the financial year 2021 – "Chairman's Statement", "Management's Discussion and Analysis" and "Notes to the Consolidated Financial Statements";
- (d) Future development of the Group's business – "Key Facts" and "Chairman's Statement";
- (e) Analysis using financial key performance indicators – "Management's Discussion and Analysis";
- (f) Discussion of the Group's environmental policies and performance – "Sustainability Report 2021 – Summary";
- (g) Discussion of the Group's compliance with the relevant laws and regulations that have a significant impact on the Group – "Corporate Governance Report", "Sustainability Report 2021 – Summary" and "Independent Auditor's Report"; and
- (h) An account of the Group's key relationships with its employees, customers, suppliers and others that have a significant impact on the Group and on which the Group's success depends – "Directors' Report" and "Sustainability Report 2021 – Summary".

A detailed discussion of the Group's environmental policies and performance, its compliance with the relevant laws and regulations that have a significant impact on the Group, and its key relationships with stakeholders, is contained in the separate Sustainability Report 2021, which is available on the Company's website: [www.hysan.com.hk](http://www.hysan.com.hk).

These discussions form part of this Directors' Report.



## RESERVES

Movements during the year in the reserves of the Group and the Company are set out in the consolidated statement of changes in equity on pages 110 and 111 and note 31 to the consolidated financial statements respectively.

## INVESTMENT PROPERTIES

All of the Group's investment properties were revalued by an independent professional valuer as at 31 December 2021 using the fair value model. Details of movements during the year in the investment properties of the Group are set out in note 15 to the consolidated financial statements.

Details of the major investment properties of the Group as at 31 December 2021 are set out in the section "Schedule of Principal Properties" of this Annual Report.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

## SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

## CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance and meeting the requirements of the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

Further information on the Company's corporate governance practices is set out in the following separate reports:

- (a) "Corporate Governance Report" (pages 42 to 69) – this gives detailed information on the Group's compliance with the Corporate Governance Code and relevant laws and regulations, its adoption of local and international best practices, Directors' service contracts, and Directors' interests in shares, contracts and competing business;
- (b) "Risk Management and Internal Control Report" (pages 70 to 76) – this sets out the Group's framework for risk assessment and internal control (including control environment, control activities and work completed during the year);
- (c) "Audit and Risk Management Committee Report" (pages 77 to 80) – this sets out the terms of reference, work performed and findings of the Audit and Risk Management Committee for the year;
- (d) "Remuneration Committee Report" (pages 81 to 86) – this gives detailed information on Directors' remuneration and interests (including information on Directors' compensation);
- (e) "Nomination Committee Report" (pages 87 and 88) – this sets out the terms of reference, work performed and findings of the Nomination Committee for the year; and
- (f) "Sustainability Committee Report" (pages 89 and 90) – this sets out the terms of reference, work performed and findings of the Sustainability Committee.

Further information on the Group's sustainability policies and practices is contained in the separate Sustainability Report 2021, which is available on the Company's website: [www.hysan.com.hk](http://www.hysan.com.hk).

**THE BOARD**

The Board is currently chaired by Lee Irene Yun-Lien, Chairman. There are eight other Non-Executive Directors.

Lui Kon Wai was appointed as Executive Director with effect from 1 October 2021.

Lee Irene Yun-Lien and Yang Chi Hsin Trevor served as alternate Directors to Lee Anthony Hsien Pin and Jebsen Hans Michael, respectively, throughout the year.

Save as otherwise mentioned above, other Directors whose names and biographies appear on pages 43 to 48 have been Directors of the Company throughout the year and up to the date of this report.

Under Article 97 of the Company's Articles of Association ("Articles"), a Director appointed as an addition to the Board shall hold office only until the next following Annual General Meeting ("AGM").

Under Article 114 of the Articles, one-third (or such other number as may be required under applicable legislation) of the Directors (and where the applicable number is not an integral number, to be rounded upwards), who have been longest in office shall retire from office by rotation at each AGM. A retiring Director is eligible for re-election.

Particulars of Directors seeking re-election at the forthcoming AGM are set out in the related circular to shareholders.

The Company received from each Independent Non-Executive Director an annual confirmation of his or her independence with regard to each of the factors referred to in Rule 3.13 (1) to (8) of the Listing Rules, and the Company considered all of them to be independent. The Nomination Committee also reviewed the Directors' independence in a meeting held in November 2021 (See "Corporate Governance Report" and "Nomination Committee Report").

The names of Directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report are available on the Company's website: [www.hysan.com.hk](http://www.hysan.com.hk).

**DIRECTORS' INTERESTS IN SHARES**

Details of the interests and short positions of the Directors in the shares, underlying shares or debentures of the Company and its associated corporations are set out in "Corporate Governance Report" on pages 42 to 69.

**SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES**

As at 31 December 2021, the interests or short positions of substantial shareholders and other persons of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company, were as follows:

**Aggregate long positions in shares and underlying shares of the Company**

Name	Capacity	Number of ordinary shares held	% of the total no. of issued shares (Note)
Lee Hysan Company Limited	Beneficial owner	433,130,735	41.88
Silchester International Investors LLP	Investment manager	83,647,000	8.09
First Eagle Investment Management, LLC	Investment manager	52,460,214	5.07

Note:

The percentages were compiled based on the total number of issued shares of the Company as at 31 December 2021 (i.e. 1,034,258,223 ordinary shares).

Apart from the above, no other interest or short position in the shares or underlying shares of the Company were recorded in the register that is required to be kept under Section 336 of the SFO as at 31 December 2021.

## RELATED PARTY TRANSACTIONS

The Group entered into certain transactions with parties regarded as “Related Parties” under applicable accounting principles. These mainly relate to contracts entered into by the Group in the ordinary course of business and that were negotiated on normal commercial terms and on an arm’s length basis. Further details are set out in note 36 to the consolidated financial statements.

Some of these transactions also constituted “Continuing Connected Transactions” under the Listing Rules, as identified below.

## CONTINUING CONNECTED TRANSACTIONS

Certain transactions entered into by the Group constituted continuing connected transactions that were subject to reporting and announcement requirements but exempt from the circular and shareholders’ approval requirements under Rule 14A.76(2) of the Listing Rules during the year (the “Transactions”). Details of the Transactions required to be disclosed are set out as follows:

### I. Leases granted by the Group

#### (a) Lee Garden Two, 28 Yun Ping Road, Hong Kong (“Lee Garden Two”)

The following lease arrangements were entered into by Barrowgate Limited (“Barrowgate”), a 65.36 % subsidiary of the Company and the property owner of Lee Garden Two, as landlord, with the following connected person:

Connected person	Date of agreement	Term	Premises	Annual consideration (Note a)
Jebsen and Company Limited (Note b)	22 June 2018 (Lease, Carpark Licence Agreements and Licence Agreements) (Note c)	3 years commencing from 1 September 2018	Office units on the 28th, 30th and 31st Floors, 4 carparking spaces and 2 portions of spaces near the carparking spaces	2021: HK\$25,777,000 (on pro-rata basis)

#### (b) Hysan Place, 500 Hennessy Road, Hong Kong (“Hysan Place”)

The following lease arrangements were entered into by Earn Extra Investments Limited (“Earn Extra”), a wholly-owned subsidiary of the Company and the property owner of Hysan Place, as landlord, with the following connected person:

Connected person	Date of agreement	Term	Premises	Annual consideration (Note a)
Jebsen and Company Limited (Note b)	19 March 2021 (Note c)	3 years commencing from 1 November 2021	Office units on the 20th, 21st and 22nd Floors	2021: HK\$8,693,000 (on pro-rata basis) 2022: HK\$52,158,000 2023: HK\$52,158,000 2024: HK\$43,465,000 (on pro-rata basis)

### II. Provision of leasing and property management services to a non-wholly-owned subsidiary regarding Lee Garden Two

(a) The following management agreement was entered into by Hysan Leasing Company Limited, a wholly-owned subsidiary of the Company, with Barrowgate, a connected subsidiary of the Company, for the provision of leasing marketing and lease administration services in respect of Lee Garden Two:

Connected person	Date of agreement	Term	Premises	Consideration received during the year
Barrowgate Limited	20 March 2019	3 years commencing from 1 April 2019	Whole premises of Lee Garden Two	HK\$23,932,000 (Note d)

**CONTINUING CONNECTED TRANSACTIONS** continued

**II. Provision of leasing and property management services to a non-wholly-owned subsidiary regarding Lee Garden Two (continued)**

(b) The following management agreement was entered into by Hysan Property Management Limited, a wholly-owned subsidiary of the Company, with Barrowgate, a connected subsidiary of the Company, for the provision of property management services in respect of Lee Garden Two:

Connected person	Date of agreement	Term	Premises	Consideration received during the year
Barrowgate Limited	20 March 2019	3 years commencing from 1 April 2019	Whole premises of Lee Garden Two	HK\$4,301,000 (Note d)

**III. Provision of escrow services by a connected person**

The following escrow agency agreement (the "Escrow Agreement") was entered into between Hysan (Shanghai) Limited ("Hysan Shanghai"), a wholly-owned subsidiary of the Company, among others, with the following connected person (as escrow agent):

Connected person	Date of agreement	Term	Services	Escrow amount, upfront fee and administration fee payable during the year
The Hongkong and Shanghai Banking Corporation Limited (Note e)	17 September 2021 (Note f)	Commencing from 17 September 2021 and shall be terminated on the earlier of (i) the release of all escrow amount; (ii) the 3rd anniversary; or (iii) earlier termination in accordance with the Escrow Agreement	Provision of escrow agency service to hold the escrow amount of RMB1,132 million (equivalent to approximately HK\$1,370 million) in escrow	HK\$1,370,000,000 (Escrow amount) HK\$39,000 (Upfront fee) HK\$132,000 (Administration fee)

Notes:

- (a) The annual considerations were calculated based on prevailing rates of rental, operating charges and licence fees for each of the relevant financial years as provided in the relevant agreements. The rental, operating charges and licence fees (as the case may be) are payable monthly in advance.
- (b) Jebsen and Company Limited ("Jebsen and Company") is (i) a substantial shareholder of Barrowgate holding 10% legal and beneficial interest in Barrowgate and (ii) an associate of Jebsen Hans Michael, Non-Executive Director of the Company.
- (c) As the aggregated annual consideration under the leases and various licence agreements (where applicable) entered into between Jebsen and Company on one part and Barrowgate and Earn Extra respectively on the other part exceeds the applicable de minimis threshold under the Listing Rules, each of them constituted continuing connected transaction of the Company, subject to announcement and reporting requirements but exempt from independent shareholders' approval requirements.
- (d) These represent the actual consideration received for the year ended 31 December 2021, calculated on the basis of the fee schedules as prescribed in the respective management agreements.
- (e) The Hongkong and Shanghai Banking Corporation Limited ("HSBC") is the holding company of Hang Seng Bank Limited, a substantial shareholder of Barrowgate holding 24.64% interest in Barrowgate.
- (f) The Escrow Agreement dated 17 September 2021 was entered into by Hysan Shanghai, HSBC, Chinex Limited and Coworld Investments Limited to facilitate payment arrangement contemplated under the sale and purchase agreement dated 17 September 2021 in relation to Hysan Shanghai's acquisition of the entire issued shares of Scorecity Investments Limited.

All the Transactions were entered in the ordinary and usual course of business of the respective companies within the Group, after due negotiations on an arm's length basis with reference to the prevailing market conditions.

Announcements in respect of the Transactions were published in accordance with the Listing Rules. The Company confirms that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules insofar as they are applicable.

## CONTINUING CONNECTED TRANSACTIONS continued

Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 97 to 98 of the Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Company's Internal Audit has reviewed the Transactions and the related internal control procedures, and concluded that the internal control procedures are adequate and effective. All Independent Non-Executive Directors of the Company have reviewed the Transactions and the report of the auditor and confirmed that the Transactions are:

1. in the ordinary and usual course of business of the Group;
2. on normal commercial terms or better; and
3. on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

## DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

The lease, carpark licence agreements and licence agreements between Jebesen and Company and Barrowgate are considered contracts of significance under paragraph 15 of Appendix 16 to the Listing Rules due to the related annual consideration having a revenue ratio of 0.96% under the revenue test (the percentage ratios for assets ratio and consideration ratio are 0.03% and 0.14% respectively). Details of the transaction are set out under (I) of "Continuing Connected Transactions".

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, 30.84% of the aggregate amount of purchases was attributable to the Group's five largest suppliers, with the largest supplier accounting for 9.83% of the Group's total purchases. The aggregate amount of turnover attributable to the Group's five largest customers was less than 30% (being the Listing Rule disclosure threshold) of total turnover of the Group.

None of the Directors, their close associates or any shareholder (which to the knowledge of the Director owns more than 5% of the Company's issued shares) had any interest in the Group's five largest suppliers.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company was authorized at its AGMs to repurchase its own ordinary shares not exceeding 10% of the total number of its issued shares as at the dates of the resolutions being passed. During the year, the Company repurchased its ordinary shares on the Stock Exchange when they were trading at a significant discount to the Company's net asset value in order to enhance shareholder value.

During the year, the Company repurchased an aggregate of 5,500,000 ordinary shares for a total consideration of approximately HK\$146 million on the Stock Exchange. The repurchased shares were cancelled during the year. Details of the shares repurchased are as follows:—

Month of repurchase in 2021	Number of ordinary shares repurchased	Consideration per share		Aggregate consideration paid HK\$ million
		Highest HK\$	Lowest HK\$	
June	100,000	29.95	29.95	3
August	1,600,000	28.50	27.45	45
September	1,700,000	27.60	24.20	42
October	1,500,000	27.30	24.75	40
November	600,000	27.10	26.25	16
	<u>5,500,000</u>			<u>146</u>

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

## **ISSUANCE OF SECURITIES**

A HK\$400 million 1.50 % Fixed Rate Note (the "Fixed Rate Note") due in July 2026 was issued during the year under the Group's US\$4 billion Medium Term Note Programme ("MTN Programme") and in accordance with the eligibility criteria set out in Hysan's Sustainable Finance Framework. The Fixed Rate Note is unconditionally and irrevocably guaranteed by the Company. The issuer under the MTN Programme is Hysan (MTN) Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company. For further details of the Fixed Rate Note, please refer to note 27 to the consolidated financial statements and Sustainability Report 2021. Save as disclosed above, the Group has not issued any debentures during the year.

## **EQUITY-LINKED AGREEMENTS**

The Company granted share options under share option schemes as adopted from time to time. Share options granted are subject to three years vesting period and the consideration for each grant of option is HK\$1. During the year, 57,332 ordinary shares of the Company have been issued pursuant to the exercise of share options. As at the end of the year, share options exercisable into a total of 7,083,067 ordinary shares of the Company (including fully-vested share options exercisable into 4,234,317 shares of the Company) remained outstanding.

For further details of the above share options, please refer to "Remuneration Committee Report – Long-term Incentives: Share Option Schemes".

## **PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this report as required under the Listing Rules.

## **DONATIONS**

During the year, the Group made donations of approximately HK\$1.4 million to charitable and non-profit-making organizations.

## **PERMITTED INDEMNITY PROVISION**

Pursuant to the Articles, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred by him or her in the execution of the duties of his or her office or in relation thereto. The Directors and Officers Liability Insurance ("D&O Insurance") taken out by the Company throughout the year provides adequate cover for such indemnities to all the Directors of the Company and its subsidiaries. The relevant provisions in the Articles and the D&O Insurance were in force during the financial year ended 31 December 2021 and as of the date of approval of this report.

## **AUDITOR**

A resolution for the re-appointment of Deloitte Touche Tohmatsu as auditor of the Company is to be proposed at the 2022 AGM.

By Order of the Board  
**Lee Irene Yun-Lien**  
*Chairman*

Hong Kong, 24 February 2022

# 4

## FINANCIAL STATEMENTS, VALUATION AND OTHER INFORMATION

- 102** Directors' Responsibility for the Financial Statements
- 103** Independent Auditor's Report
- 107** Consolidated Statement of Profit or Loss
- 108** Consolidated Statement of Comprehensive Income
- 109** Consolidated Statement of Financial Position
- 110** Consolidated Statement of Changes in Equity
- 112** Consolidated Statement of Cash Flows
- 113** Significant Accounting Policies
- 124** Notes to the Consolidated Financial Statements
- 161** Financial Risk Management
- 172** Five-Year Financial Summary
- 174** Report of the Valuer
- 175** Schedule of Principal Properties
- 177** Shareholding Analysis
- 178** Shareholder Information
- 180** Corporate Information

# Directors' Responsibility for the Financial Statements

The Companies Ordinance requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of their respective profit or loss for the year then ended. In preparing the financial statements, the Directors are required to:

- (a) select suitable accounting policies and apply them on a consistent basis, making judgments and estimates that are prudent, fair and reasonable;
- (b) state the reasons for any significant departure from accounting standards; and
- (c) prepare the financial statements on the going concern basis, unless it is not appropriate to presume that the Company and the Group will continue in business for the foreseeable future.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.



# Independent Auditor's Report

# Deloitte.

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Overview

Business Performance

Corporate Governance

Financial Statements and Valuation

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF HYSAN DEVELOPMENT COMPANY LIMITED

希慎興業有限公司

(incorporated in Hong Kong with limited liability)

#### Opinion

We have audited the consolidated financial statements of Hysan Development Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 107 to 171, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and financial risk management.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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 ("HKSA") 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.

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### **Key Audit Matters** continued

#### **Valuation of investment properties**

We identified the valuation of investment properties as a key audit matter due to the inherent level of subjective judgements and estimates required in determining the fair values.

The Group's investment property portfolio comprises retail, office and residential properties mainly located in Causeway Bay, Hong Kong and is stated at fair value of HK\$95,107 million, accounting for approximately 81 % of the Group's total assets as at 31 December 2021 with a fair value loss of HK\$720 million recognized in the consolidated statement of profit or loss for the year then ended.

All of the Group's investment properties are measured using the fair value model based on a valuation performed by an independent qualified professional valuer (the "Valuer"). As disclosed in note 3 of the Notes to the Consolidated Financial Statements section of the consolidated financial statements, in determining the fair values of the Group's investment properties, the Valuer has applied a market value basis which involves, inter-alia, certain estimates, including appropriate capitalisation rates, reversionary income potential and redevelopment potential of the investment properties in determining the fair values. As further disclosed in note 15 of the Notes to the Consolidated Financial Statements section of the consolidated financial statements, the valuation of investment properties under development of HK\$19,820 million as at 31 December 2021 is based on the development potential of the properties as if they were completed and are also dependent upon the estimated costs of development and allowance of profit required for the development.

#### **Other Information**

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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 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, 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.

#### **How our audit addressed the key audit matter**

Our procedures in relation to the valuation of investment properties included:

- Evaluating the competence, capabilities, and objectivity of the Valuer and obtaining an understanding of the Valuer's scope of work and their terms of engagement;
- Evaluating the appropriateness of the Valuer's valuation approaches to assess if they meet the requirements of the HKFRSs and industry norms;
- Challenging the reasonableness of the key assumptions applied based on available market data and our knowledge of the property industry in Hong Kong;
- Obtaining the detailed work of the Valuer on selected investment properties to evaluate the accuracy and relevance of key data inputs underpinning the valuation, such as rental income, term of existing leases by comparing them to the existing leases summary of the Group or reversionary income potential by comparing fair market rents estimated by the Valuer against recent lease renewals and evaluating whether capitalisation rates adopted are comparable to the market; and
- Assessing the appropriateness of assumption made and key inputs including capitalization rate and prevailing market rent on the valuation of investment properties under development and the estimated costs to complete the development of the sites by comparing to market data and evaluating whether the allowance of profit required for the development is comparable to the market.

### **Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements**

The Directors of the Company are responsible for the preparation of the 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 have no realistic alternative but to do so.

Those charged with governance are responsible 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 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 HKSAAs 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 HKSAAs, we exercise professional judgement and maintain professional skepticism 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 those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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.

## INDEPENDENT AUDITOR'S REPORT continued

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements** continued

From the matters communicated with those charged with governance, 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 the independent auditor's report is Lee Wing Cheong, Wilfred.

### **Deloitte Touche Tohmatsu**

Certified Public Accountants

Hong Kong

24 February 2022

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

	Notes	2021 HK\$ million	2020 HK\$ million
Turnover	4	3,608	3,710
Property expenses		(499)	(490)
Gross profit		3,109	3,220
Investment income	6	92	272
Other gains and losses		(8)	5
Administrative expenses		(274)	(268)
Finance costs	7	(393)	(546)
Change in fair value of investment properties		(720)	(4,903)
Share of results of:			
associates		458	225
joint ventures		(3)	–
Profit (loss) before taxation		2,261	(1,995)
Taxation	8	(358)	(353)
<b>Profit (loss) for the year</b>	9	<b>1,903</b>	<b>(2,348)</b>
Profit (loss) for the year attributable to:			
Owners of the Company		1,383	(2,547)
Perpetual capital securities holders		459	288
Other non-controlling interests		61	(89)
		1,903	(2,348)
<b>Earnings (loss) per share</b> (expressed in HK cents)	14		
Basic		133	(244)
Diluted		133	(244)

Overview

Business Performance

Corporate Governance

Financial Statements and Valuation

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Note	2021 HK\$ million	2020 HK\$ million
<b>Profit (loss) for the year</b>		<b>1,903</b>	<b>(2,348)</b>
<b>Other comprehensive income (expenses)</b>	10		
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Loss on revaluation of properties held for own use (net of tax)		(18)	(1)
Change in fair value of equity instruments at fair value through other comprehensive income ("FVTOCI")		314	5
		<b>296</b>	<b>4</b>
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net adjustments to hedging reserve		(20)	(122)
Share of translation reserve of an associate		167	341
		<b>147</b>	<b>219</b>
Other comprehensive income for the year (net of tax)		<b>443</b>	<b>223</b>
<b>Total comprehensive income (expenses) for the year</b>		<b>2,346</b>	<b>(2,125)</b>
Total comprehensive income (expenses) attributable to:			
Owners of the Company		1,826	(2,324)
Perpetual capital securities holders		459	288
Other non-controlling interests		61	(89)
		<b>2,346</b>	<b>(2,125)</b>

# Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 HK\$ million	2020 HK\$ million
<b>Non-current assets</b>			
Investment properties	15	95,107	74,993
Property, plant and equipment	16	472	834
Investments in associates	18	5,995	5,577
Loans to associates	18	10	11
Investments in joint ventures	19	475	125
Loans to a joint venture	19	1,256	1,153
Other financial investments	20	1,780	789
Debt securities	21	843	454
Deferred tax asset	28	90	55
Other financial assets	22	9	1
Other receivables	23	1,835	361
		<b>107,872</b>	<b>84,353</b>
<b>Current assets</b>			
Accounts and other receivables	23	887	467
Debt securities	21	171	–
Tax recoverable		39	–
Time deposits	24	1,866	10,546
Cash and cash equivalents	24	6,538	14,389
		<b>9,501</b>	<b>25,402</b>
<b>Current liabilities</b>			
Accounts payable and accruals	25	820	931
Deposits from tenants		372	377
Amounts due to non-controlling interests	26	214	217
Borrowings	27	531	–
Taxation payable		–	27
		<b>1,937</b>	<b>1,552</b>
<b>Net current assets</b>		<b>7,564</b>	<b>23,850</b>
<b>Total assets less current liabilities</b>		<b>115,436</b>	<b>108,203</b>
<b>Non-current liabilities</b>			
Amounts due to non-controlling interests	26	7,639	–
Borrowings	27	18,126	18,970
Other financial liabilities	22	149	183
Deposits from tenants		546	597
Deferred tax liabilities	28	1,091	1,004
		<b>27,551</b>	<b>20,754</b>
<b>Net assets</b>		<b>87,885</b>	<b>87,449</b>
<b>Capital and reserves</b>			
Share capital	30	7,723	7,722
Reserves		66,147	65,958
<b>Equity attributable to owners of the Company</b>		<b>73,870</b>	<b>73,680</b>
<b>Perpetual capital securities</b>	29	<b>10,657</b>	<b>10,657</b>
<b>Other non-controlling interests</b>		<b>3,358</b>	<b>3,112</b>
<b>Total equity</b>		<b>87,885</b>	<b>87,449</b>

The consolidated financial statements on pages 107 to 171 were approved and authorized for issue by the Board of Directors on 24 February 2022 and are signed on its behalf by:

Lee Irene Y.L.  
Director

Lui Kon Wai  
Director

Overview

Business Performance

Corporate Governance

Financial Statements and Valuation

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company			
	Share capital HK\$ million	Share options reserve HK\$ million	General reserve HK\$ million	Investments revaluation reserve HK\$ million
<b>As at 1 January 2021</b>	<b>7,722</b>	<b>27</b>	<b>96</b>	<b>6</b>
Profit for the year	-	-	-	-
Net gains arising from hedging instruments	-	-	-	-
Reclassification of net losses to profit or loss	-	-	-	-
Loss on revaluation of properties held for own use	-	-	-	-
Change in fair value of equity investments at FVTOCI	-	-	-	314
Share of translation reserve of an associate	-	-	-	-
<b>Total comprehensive income (expense) for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>314</b>
Issue of shares under share option schemes	1	-	-	-
Recognition of equity-settled share-based payments	-	5	-	-
Forfeiture of share options	-	(1)	-	-
Repurchase of own shares	-	-	-	-
Forfeiture of unclaimed dividend	-	-	-	-
Dividends paid during the year (note 13)	-	-	-	-
Distribution to perpetual capital securities holders	-	-	-	-
Deemed contribution from a non-controlling shareholder	-	-	-	-
<b>As at 31 December 2021</b>	<b>7,723</b>	<b>31</b>	<b>96</b>	<b>320</b>
<b>As at 1 January 2020</b>	<b>7,720</b>	<b>23</b>	<b>96</b>	<b>1</b>
Loss for the year	-	-	-	-
Net losses arising from hedging instruments	-	-	-	-
Reclassification of net losses to profit or loss	-	-	-	-
Loss on revaluation of properties held for own use	-	-	-	-
Change in fair value of equity investment at FVTOCI	-	-	-	5
Share of translation reserve of an associate	-	-	-	-
<b>Total comprehensive (expenses) income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5</b>
Issue of shares under share option schemes	2	-	-	-
Recognition of equity-settled share-based payments	-	4	-	-
Repurchase of own shares	-	-	-	-
Forfeiture of unclaimed dividend	-	-	-	-
Dividends paid during the year (note 13)	-	-	-	-
Distribution to perpetual capital securities holders	-	-	-	-
Issue of perpetual capital securities (note 29)	-	-	-	-
Transaction costs in relation to the issuance of perpetual capital securities	-	-	-	-
<b>As at 31 December 2020</b>	<b>7,722</b>	<b>27</b>	<b>96</b>	<b>6</b>



Attributable to owners of the Company					Total HK\$ million	Perpetual capital securities HK\$ million	Other non- controlling interests HK\$ million	Total HK\$ million
Hedging reserve HK\$ million	Properties revaluation reserve HK\$ million	Translation reserve HK\$ million	Retained profits HK\$ million					
(141)	476	363	65,131	73,680	10,657	3,112	87,449	
-	-	-	1,383	1,383	459	61	1,903	
42	-	-	-	42	-	-	42	
(62)	-	-	-	(62)	-	-	(62)	
-	(18)	-	-	(18)	-	-	(18)	
-	-	-	-	314	-	-	314	
-	-	167	-	167	-	-	167	
(20)	(18)	167	1,383	1,826	459	61	2,346	
-	-	-	-	1	-	-	1	
-	-	-	-	5	-	-	5	
-	-	-	1	-	-	-	-	
-	-	-	(146)	(146)	-	-	(146)	
-	-	-	1	1	-	-	1	
-	-	-	(1,497)	(1,497)	-	(121)	(1,618)	
-	-	-	-	-	(459)	-	(459)	
-	-	-	-	-	-	306	306	
(161)	458	530	64,873	73,870	10,657	3,358	87,885	
(19)	477	22	69,330	77,650	-	3,322	80,972	
-	-	-	(2,547)	(2,547)	288	(89)	(2,348)	
(150)	-	-	-	(150)	-	-	(150)	
28	-	-	-	28	-	-	28	
-	(1)	-	-	(1)	-	-	(1)	
-	-	-	-	5	-	-	5	
-	-	341	-	341	-	-	341	
(122)	(1)	341	(2,547)	(2,324)	288	(89)	(2,125)	
-	-	-	-	2	-	-	2	
-	-	-	-	4	-	-	4	
-	-	-	(96)	(96)	-	-	(96)	
-	-	-	1	1	-	-	1	
-	-	-	(1,502)	(1,502)	-	(121)	(1,623)	
-	-	-	-	-	(135)	-	(135)	
-	-	-	-	-	10,504	-	10,504	
-	-	-	(55)	(55)	-	-	(55)	
(141)	476	363	65,131	73,680	10,657	3,112	87,449	

# Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 HK\$ million	2020 HK\$ million
<b>Operating activities</b>			
Profit (loss) before taxation		2,261	(1,995)
Adjustments for:			
Net interest income		(92)	(272)
Other gains and losses		11	10
Depreciation of property, plant and equipment		29	24
Share-based payment expenses		5	4
Finance costs		393	546
Change in fair value of investment properties		720	4,903
Share of results of associates		(458)	(225)
Share of results of a joint venture		3	–
Operating cash flows before movements in working capital		2,872	2,995
Decrease (increase) in accounts and other receivables		126	(200)
Decrease in accounts payable and accruals		(97)	(10)
Decrease in deposits from tenants		(56)	(27)
Cash generated from operations		2,845	2,758
Hong Kong Profits Tax paid		(369)	(718)
<b>Net cash from operating activities</b>		<b>2,476</b>	<b>2,040</b>
<b>Investing activities</b>			
Payments in respect of investment properties		(22,262)	(892)
Purchases of property, plant and equipment		(72)	(21)
Dividends received from an associate		207	177
Repayment from an associate		1	–
Investment in a joint venture		(355)	–
Advance to a joint venture		(90)	(18)
Payment in respect of other financial investments		(682)	(267)
Return of capital in respect of other financial investment		–	81
Purchases of debt securities		(554)	(286)
Interest received		73	248
Additions to time deposits with original maturity over three months		(14,302)	(32,559)
Proceeds upon maturity of time deposits with original maturity over three months		22,989	27,744
<b>Net cash used in investing activities</b>		<b>(15,047)</b>	<b>(5,793)</b>
<b>Financing activities</b>			
Payment of finance costs		(565)	(510)
Advance from non-controlling interest	32	7,911	–
New bank loans	32	–	600
Repayment of bank loans	32	(800)	(250)
Issuance of perpetual capital securities, net of transaction costs		–	10,449
Issuance of fixed rate notes	32	399	6,676
Repayment of fixed rate note	32	–	(565)
Repayment to non-controlling interests of a subsidiary	32	(3)	(3)
Proceeds on exercise of share options		1	2
Payment on repurchase of own shares		(146)	(96)
Dividends paid		(1,497)	(1,502)
Distribution paid to perpetual capital securities holders		(459)	(135)
Dividends paid to other non-controlling interests		(121)	(121)
<b>Net cash from financing activities</b>		<b>4,720</b>	<b>14,545</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(7,851)</b>	<b>10,792</b>
<b>Cash and cash equivalents as at 1 January</b>		<b>14,389</b>	<b>3,597</b>
<b>Cash and cash equivalents as at 31 December</b>	24	<b>6,538</b>	<b>14,389</b>

# Significant Accounting Policies

For the year ended 31 December 2021

These consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the Hong Kong Companies Ordinance (“CO”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal accounting policies adopted are as follows:

## 1. BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributable to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests (including perpetual capital securities holders and non-controlling interests in subsidiaries) are presented separately from the Group’s equity attributable to owners of the Company therein.

## SIGNIFICANT ACCOUNTING POLICIES continued

For the year ended 31 December 2021

### 2. INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of parties sharing control.

The results, assets and liabilities of associate or joint venture are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associate or joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associate or joint venture are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture equals or exceeds its interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less cost of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with an associate or a joint venture of the Group, profits or losses resulting from the transactions with the associate or joint venture are recognized in the consolidated financial statements only to the extent of the interests in the associate or joint venture that are not related to the Group.

### 3. INVESTMENT PROPERTIES

Investment properties are properties held to earn rental and/or for capital appreciation including properties under redevelopment for such proposes.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value using the fair value model, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under redevelopment are capitalized as part of the carrying amount of the investment properties under redevelopment. Investment properties under redevelopment are measured at fair value at the end of the reporting period. Any difference between the fair value of the investment properties under redevelopment and their carrying amount is recognized in profit or loss in the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognized.

#### 4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost or fair value less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

For ownership interests of properties which includes both leasehold land and building elements, the leasehold land and building elements are allocated in proportion to the relative fair values unless such allocation cannot be made reliably, in which case, the entire properties are classified as property, plant and equipment.

Any revaluation increase arising from revaluation of properties is recognized in other comprehensive income and accumulated in the properties revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation of an asset is recognized in profit or loss to the extent that it exceeds the balance, if any, on the properties revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the corresponding revaluation surplus is transferred to retained profits.

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognized in other comprehensive income and accumulated in properties revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to retained profits.

Depreciation is recognized so as to write off the cost or fair value of items of property, plant and equipment less their estimated residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

#### 5. IMPAIRMENT OF NON-FINANCIAL ASSETS

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have relevant suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, except for certain properties which are carried at revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## SIGNIFICANT ACCOUNTING POLICIES continued

For the year ended 31 December 2021

### 6. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value except for accounts receivables arising from contract with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

#### Financial assets

All recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

#### (a) Classification of financial assets

Debt instruments and hybrid contracts that meet the following conditions are subsequently measured at amortized cost less impairment loss (except for debt investments that are designated as at FVTPL on initial recognition):

- the asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that initial recognition of a financial asset, the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

#### (i) Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments measured subsequently at amortized cost and is included in the investment income as disclosed in note 6 of the Notes to the Consolidated Financial Statements section.

#### (ii) Financial assets at FVTPL

Financial assets at FVTPL include derivatives that are not designated and effective as hedging instruments, club debentures and fund investment.

Investments in equity instruments are classified as FVTPL, unless the Group designates such investment that is not held for trading as at FVTOCI.

## 6. FINANCIAL INSTRUMENTS continued

### Financial assets continued

#### (a) Classification of financial assets continued

##### (ii) Financial assets at FVTPL continued

Debt instruments that do not meet the amortized cost criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI (see (a) above) are measured at FVTPL. In addition, debt instruments that meet the amortized cost criteria may be designated as at FVTPL. A debt instruments may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Debt instruments are reclassified from amortized cost to FVTPL when the business model is changed such that the amortized cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed.

Financial assets at FVTPL are measured at fair value at the end of the reporting period, with any gains or losses arising from remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss excludes any dividend earned on the financial asset and is included in other gains and losses. Fair value is determined in the manner described in note 4 of the Financial Risk Management section.

##### (iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

#### (b) Impairment of financial assets

The Group performs impairment assessment under Expected Credit Losses ("ECL") model on financial assets (including loans to associates and a joint venture, debt securities, accounts and other receivables, time deposits and cash and cash equivalents) and financial guarantee contracts which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on both quantitative and qualitative information combined with current conditions and forward-looking analysis.

The Group recognizes lifetime ECL for accounts receivables. For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition. The ECL on the financial assets and the financial guarantee contracts are assessed individually for debtors with significant balances.

#### (c) Measurement and recognition of ECL

The measurement of ECL is a function of probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected loss is the present value of the expected payment to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

## SIGNIFICANT ACCOUNTING POLICIES continued

For the year ended 31 December 2021

### 6. FINANCIAL INSTRUMENTS continued

#### Financial assets continued

##### (c) Measurement and recognition of ECL continued

Interest income is calculated based on the gross carrying amount of the financial assets unless the financial asset is credit impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of accounts receivables, debt securities and loans to a joint venture where the corresponding adjustment is recognized through a loss allowance account.

For financial guarantee contracts, the loss allowances are recognized at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognized less, where appropriate, cumulative amount of income recognized over the guarantee period.

##### (d) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset, except for an equity instruments designated at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of an equity instruments designated at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

#### Financial liabilities and equity instruments

##### (a) Classification and measurement

Financial liabilities and equity instruments issued by a group entity are classified as financial liabilities or equity instruments according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into (i) financial liabilities at FVTPL and (ii) other financial liabilities subsequently measured at amortized cost. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

##### (i) Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis for financial liabilities, other than those financial liabilities at FVTPL, of which the interest expense is included in other gains or losses.

##### (ii) Financial liabilities at FVTPL

Financial liabilities at FVTPL, representing those as held for trading, comprise derivatives that are not designated and effective as hedging instruments.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognized directly in profit or loss in the period in which they arise.

##### (iii) Financial liabilities at amortized cost

Financial liabilities (including accounts payable and accruals, amounts due to non-controlling interests, deposits from tenants and borrowings) are subsequently measured at amortized cost, using the effective interest method. Interest expense that is not capitalized as part of costs of an asset is included in finance costs as disclosed in note 7 of the Notes to the Consolidated Financial Statements section.



## 6. FINANCIAL INSTRUMENTS continued

### Financial liabilities and equity instruments continued

#### (a) Classification and measurement continued

##### (iv) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Consideration paid to repurchase the Company's own equity instruments is deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Perpetual capital securities, which includes no contractual obligation for the Group to deliver cash or other financial assets to the holders is classified as equity instrument and is initially recorded at the proceeds received.

##### (v) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contract is measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognized less, where appropriate, cumulative amortisation recognized over the guarantee period.

##### (b) Derecognition of financial liabilities

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

### Derivative financial instruments and hedging

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts and cross currency swaps. Further details of derivative financial instruments are disclosed in note 22 of the Notes to the Consolidated Financial Statements section.

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair values at the end of the reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

#### Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges and fair value hedge.

At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meets all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Note 22 of the Notes to the Consolidated Financial Statements section sets out details of the fair values of the derivative instruments used for hedging purposes.

## SIGNIFICANT ACCOUNTING POLICIES continued

For the year ended 31 December 2021

### 6. FINANCIAL INSTRUMENTS continued

#### Hedge accounting continued

##### (a) Fair value hedges

Changes in the fair values of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair values of the hedged items that are attributable to the hedged risk. The adjustment to the carrying amount of the hedged item for which the effective interest method is used is amortised to profit or loss when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

##### (b) Cash flow hedges

The effective portion of changes in the fair values of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income and accumulated in hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in other gains and losses.

Amounts previously recognized in other comprehensive income and accumulated in hedging reserve are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the consolidated statement of profit or loss as the recognized hedged item.

Upon discontinuation of the hedging relationship of a cash flow hedge, any cumulative gain or loss accumulated in hedging reserve at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss.

##### (c) Discontinuation of hedges

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part of a hedging relationship) ceases to meet the qualifying criteria (after taking into account any rebalancing of the hedging relationship, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

### 7. REVENUE RECOGNITION

The Group recognizes revenue from the following major sources:

- Leasing of investment properties
- Provision of property management services

The Group's accounting policies for rental income are included under "Leases" and accounting policies for revenue from property management services are as below:

Revenue is measured at the fair value of the consideration received or receivable.

The Group recognizes revenue when (or as) a performance obligation is satisfied i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents goods and services (or a bundle of goods or services) that are distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct goods or service.

Revenue from provision of property management services is recognized over time.

## 8. LEASES

### Definition of 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.

For contracts entered into or modified on or after the date of initial application of HKFRS16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

### The Group as lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Rentals received with reference to turnover of tenants are recognized as income when they arise.

### Allocation of consideration to components of a contract

When a contract includes both lease and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

### Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees. Such adjustments are recognized if the amount is considered material.

### Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

## 9. FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in translation reserve.

## 10. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

## SIGNIFICANT ACCOUNTING POLICIES continued

For the year ended 31 December 2021

### 11. RETIREMENT BENEFIT COSTS

Payments to the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

### 12. TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### (a) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit (loss) before taxation as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### (b) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are generally recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For the purposes of measuring deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property", such properties' value is presumed to be recovered through sale. Such a presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured in accordance with the above general principles set out in HKAS 12 "Income Taxes" (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

### 13. EQUITY-SETTLED SHARE-BASED PAYMENTS TRANSACTIONS

#### Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in share options reserve.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognized in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognized in share options reserve will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share options reserve will be transferred to retained profits.

### 14. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 “Impairment of Assets”.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The financial instruments that are measured at fair value on a recurring basis, grouped into Levels 1 to 3 based on the degree to which the inputs to the fair value measurements are observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets and liabilities.
- Level 2: fair value measurements are those derived from inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 1. GENERAL

The Company is a public listed company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the “Shareholder Information” section of the annual report.

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are property investment, management and development.

These consolidated financial statements are presented in Hong Kong dollars (“HKD”), which is the same as the functional currency of the Company.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective.

HKFRS 17	Insurance Contracts and the related Amendments <sup>3</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>3</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>3</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>3</sup>
Amendments to HKAS 16	Property, Plant and Equipment- Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contract – Cost of Fulfilling a contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 April 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined

The Group anticipated that the application of all these new and amendments to HKFRSs had no material impact on the Group’s financial position and financial performance.

### 3. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in the "Significant Accounting Policies" section, the management of the Group is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. 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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### **Fair value of investment properties**

At the end of the reporting period, the Group's investment properties are stated at fair value of HK\$95,107 million (2020: HK\$74,993 million) based on the valuation performed by an independent qualified professional valuer. In determining the fair value, the valuer has applied a market value basis which involves, inter-alia, certain estimates, including appropriate capitalisation rates, reversionary income potential and development potential taking into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In relying on the valuation, management has exercised their judgement and is satisfied that the method of valuation is reflective of the current market conditions at the end of the reporting period.

### 4. TURNOVER

Turnover represents gross rental income from leasing of investment properties and management fee income from provision of property management services for the year.

The Group's principal activities are property investment, management and development, and its turnover and results are principally derived from investment properties located in Hong Kong.

Contracts for property management services have various contractual periods for which the Group bills fixed amount for each month of service period. Substantially all of the revenue from provision of property management services is recognized at the amount to which the Group has right to invoice which reflect the progress towards complete satisfaction of performance obligations satisfied over time. The categories for disaggregation of revenue from provision of property management services recognized over time in Hong Kong are consistent with the segment disclosure under note 5 of the Notes to the Consolidated Financial Statements section.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 December 2021

### 5. SEGMENT INFORMATION

Based on the internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance, the Group's operating and reportable segments are as follows:

Retail segment - leasing of space and related facilities to a variety of retail and leisure operators

Office segment - leasing of high quality office space and related facilities

Residential segment - leasing of luxury residential properties and related facilities

Property development segment - development of properties for sale or leasing

#### Segment turnover and results

The following is an analysis of the Group's turnover and results by operating and reportable segment.

	Retail HK\$ million	Office HK\$ million	Residential HK\$ million	Property development HK\$ million	Consolidated HK\$ million
<b>For the year ended 31 December 2021</b>					
<b>Turnover</b>					
Leasing of investment properties	1,447	1,519	233	–	3,199
Provision of property management services	173	209	27	–	409
<b>Segment revenue</b>	<b>1,620</b>	<b>1,728</b>	<b>260</b>	<b>–</b>	<b>3,608</b>
Property expenses	(265)	(178)	(56)	–	(499)
<b>Segment profit</b>	<b>1,355</b>	<b>1,550</b>	<b>204</b>	<b>–</b>	<b>3,109</b>
Investment income					92
Other gains and losses					(8)
Administrative expenses					(274)
Finance costs					(393)
Change in fair value of investment properties					(720)
Share of results of:					
associates					458
a joint venture					(3)
Profit before taxation					2,261

#### For the year ended 31 December 2020

##### Turnover

Leasing of investment properties	1,431	1,598	266	–	3,295
Provision of property management services	169	216	30	–	415
<b>Segment revenue</b>	<b>1,600</b>	<b>1,814</b>	<b>296</b>	<b>–</b>	<b>3,710</b>
Property expenses	(247)	(187)	(56)	–	(490)
<b>Segment profit</b>	<b>1,353</b>	<b>1,627</b>	<b>240</b>	<b>–</b>	<b>3,220</b>
Investment income					272
Other gains and losses					5
Administrative expenses					(268)
Finance costs					(546)
Change in fair value of investment properties					(4,903)
Share of results of associates					225
Loss before taxation					(1,995)



## 5. SEGMENT INFORMATION continued

### Segment turnover and results continued

All of the segment turnover reported above is from external customers.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in the "Significant Accounting Policies" section. Segment profit represents the profit earned by each segment without allocation of investment income, other gains and losses, administrative expenses (including central administrative costs and directors' emoluments), finance costs, change in fair value of investment properties and share of results of associates and a joint venture. This is the measure reported to the chief operating decision maker of the Group for the purpose of resource allocation and performance assessment.

### Segment assets

The following is an analysis of the Group's assets by operating and reportable segment.

	Retail HK\$ million	Office HK\$ million	Residential HK\$ million	Property development HK\$ million	Consolidated HK\$ million
<b>As at 31 December 2021</b>					
<b>Segment assets</b>	<b>31,921</b>	<b>34,715</b>	<b>8,715</b>	<b>21,199</b>	<b>96,550</b>
Investments in and loans to associates					6,005
Investment in a joint venture					352
Other financial investments					1,780
Other assets					12,686
Consolidated assets					<u>117,373</u>
<b>As at 31 December 2020</b>					
<b>Segment assets</b>	<b>31,727</b>	<b>34,602</b>	<b>8,731</b>	<b>1,278</b>	<b>76,338</b>
Investments in and loans to associates					5,588
Other financial investments					789
Other assets					27,040
Consolidated assets					<u>109,755</u>

Segment assets represented the investment properties and accounts receivable of each segment and investment in and loans to a joint venture under property development segment without allocation of property, plant and equipment, investments in and loans to associates, investment in a joint venture, other financial investments, debt securities, other financial assets, deferred tax asset, other receivables, time deposits and cash and cash equivalents. This is the measure reported to the chief operating decision maker of the Group for the purpose of monitoring segment performances and allocating resources between segments. The investment properties are included in segment assets at their fair values whilst the change in fair value of investment properties is not included in segment profit.

Included in the property development segment is an investment property under development, which will be transferred to other segments upon completion of the development.

No segment liabilities analysis is presented as the Group's liabilities are monitored on a group basis.

All the Group's non-current assets excluding financial instruments and deferred tax assets are located in Hong Kong, except for those assets with carrying amounts of HK\$7,522 million (2020: HK\$5,585 million) which operate in Mainland China.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 December 2021

### 5. SEGMENT INFORMATION continued

#### Other segment information

	Retail HK\$ million	Office HK\$ million	Residential HK\$ million	Property development HK\$ million	Consolidated HK\$ million
<b>For the year ended 31 December 2021</b>					
Additions to non-current assets	320	102	8	20,020	20,450
<b>For the year ended 31 December 2020</b>					
Additions to non-current assets	730	66	46	–	842

### 6. INVESTMENT INCOME

The following is an analysis of investment income:

	2021 HK\$ million	2020 HK\$ million
Interest income	79	242
Imputed interest income on interest-free loan to a joint venture	13	30
	<b>92</b>	<b>272</b>

### 7. FINANCE COSTS

	2021 HK\$ million	2020 HK\$ million
Finance costs comprise:		
Interest on unsecured bank loans	18	41
Interest on unsecured fixed rate notes	524	463
Imputed interest on amounts due to non-controlling interests	34	–
Total interest expenses	<b>576</b>	<b>504</b>
Other finance costs	42	39
Less: amounts capitalised (Note)	<b>(228)</b>	<b>–</b>
	<b>390</b>	<b>543</b>
Net exchange losses (gains) on borrowings	62	(28)
Reclassification of net (gains) losses from hedging reserve on financial instruments designated as cash flow hedges	<b>(62)</b>	28
Medium Term Note Programme expenses	3	3
	<b>393</b>	<b>546</b>

Note:

During the year, interest expenses have been capitalised to investment properties under development at an average capitalisation rate of 2.9% per annum.

## 8. TAXATION

	2021 HK\$ million	2020 HK\$ million
Current tax		
Hong Kong Profits Tax		
– current year	306	329
– under-provision in prior years	3	–
Deferred tax (note 28)	49	24
	<b>358</b>	<b>353</b>

Hong Kong Profits Tax is calculated at 16.5 % of the estimated assessable profit for both years.

The taxation for the year can be reconciled to the profit (loss) before taxation per the consolidated statement of profit or loss as follows:

	2021 HK\$ million	2020 HK\$ million
Profit (loss) before taxation	2,261	(1,995)
Tax at Hong Kong Profits Tax rate of 16.5 %	373	(329)
Tax effect of share of results of associates	(76)	(37)
Tax effect of expenses not deductible for tax purposes	126	836
Tax effect of income not taxable for tax purposes	(122)	(122)
Tax effect of estimated tax losses not recognized	11	7
Recognition of previously unrecognized tax losses	43	(2)
Under-provision in prior years	3	–
Taxation for the year	<b>358</b>	<b>353</b>

In addition to the amount charged to the consolidated statement of profit or loss, deferred tax relating to the revaluation of the Group's properties held for own use has been charged directly to properties valuation reserve (see note 28 of the Notes to the Consolidated Financial Statements section).

## 9. PROFIT (LOSS) FOR THE YEAR

	2021 HK\$ million	2020 HK\$ million
Profit (loss) for the year has been arrived at after charging (crediting):		
Auditor's remuneration	3	3
Depreciation of property, plant and equipment	29	24
Gross rental income from investment properties including rentals received with reference to turnover of tenants of HK\$118 million (2020: HK\$51 million)	(3,199)	(3,295)
Less:		
– Direct operating expenses arising from leasing of investment properties	167	166
	<b>(3,032)</b>	<b>(3,129)</b>
Staff costs (including directors' emoluments)	274	282
Share of income tax of associates (included in share of results of associates)	180	92

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 December 2021

### 10. OTHER COMPREHENSIVE INCOME (EXPENSES)

	2021 HK\$ million	2020 HK\$ million
Other comprehensive income (expenses) comprises:		
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Revaluation of properties held for own use:		
Loss on revaluation of properties held for own use (net of tax)	(18)	(1)
Change in fair value of equity instruments at fair value through other comprehensive income ("FVTOCI")	314	5
	<b>296</b>	<b>4</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Derivatives designated as cash flow hedges:		
Net gains (losses) arising during the year	42	(150)
Reclassification of net (losses) gains to profit or loss	(62)	28
	<b>(20)</b>	<b>(122)</b>
Share of translation reserve of an associate	167	341
	<b>147</b>	<b>219</b>
Other comprehensive income for the year (net of tax)	<b>443</b>	<b>223</b>

Tax effect relating to other comprehensive income (expenses):

	2021			2020		
	Before-tax amount HK\$ million	Tax expense HK\$ million	Net-of-tax amount HK\$ million	Before-tax amount HK\$ million	Tax expense HK\$ million	Net-of-tax amount HK\$ million
Loss on revaluation of properties held for own use	(20)	2	(18)	(1)	–	(1)
Change in fair value of equity instruments at FVTOCI	314	–	314	5	–	5
Net adjustments to hedging reserve	(20)	–	(20)	(122)	–	(122)
Share of translation reserve of an associate	167	–	167	341	–	341
	<b>441</b>	<b>2</b>	<b>443</b>	<b>223</b>	<b>–</b>	<b>223</b>

## 11. DIRECTORS' EMOLUMENTS

	2021 HK\$ million	2020 HK\$ million
Directors' fees	3	3
Other emoluments		
Basic salaries, housing and other allowances	13	8
Bonus (Notes d & f)	20	14
Share-based payments	4	2
	<b>40</b>	<b>27</b>

The emoluments paid or payable to each of the Directors of the Company for the two years ended 31 December 2021 and 2020, calculated with reference to their employment as Directors of the Company or for provision of other services to the Company and the Group, are set out below:

	Directors' fees HK\$'000 (Note e)	Basic salaries, housing and other allowances HK\$'000 (Note d)	Bonus HK\$'000 (Note d)	Share-based payments HK\$'000 (Note g)	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
<b>For the year ended 31 December 2021</b>						
<b>Executive Directors (Note a)</b>						
Lee Irene Yun-Lien	–	8,002	15,200	2,867	18	26,087
Lui Kon Wai (Note h)	–	4,959	4,400	941	18	10,318
<b>Non-Executive Directors (Note b)</b>						
Jebsen Hans Michael	330	–	–	–	–	330
Lee Anthony Hsien Pin	388	–	–	–	–	388
Lee Chien	310	–	–	–	–	310
Lee Tze Hau Michael	325	–	–	–	–	325
<b>Independent Non-Executive Directors (Note c)</b>						
Churchouse Frederick Peter	418	–	–	–	–	418
Fan Yan Hok Philip	523	–	–	–	–	523
Poon Chung Yin Joseph	535	–	–	–	–	535
Wong Ching Ying Belinda	310	–	–	–	–	310
	<b>3,139</b>	<b>12,961</b>	<b>19,600</b>	<b>3,808</b>	<b>36</b>	<b>39,544</b>
	Directors' fees HK\$'000 (Note e)	Basic salaries, housing and other allowances HK\$'000 (Note f)	Bonus HK\$'000 (Note f)	Share-based payments HK\$'000 (Note g)	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
<b>For the year ended 31 December 2020</b>						
<b>Executive Director (Note a)</b>						
Lee Irene Yun-Lien	–	8,002	14,000	1,809	18	23,829
<b>Non-Executive Directors (Note b)</b>						
Jebsen Hans Michael	330	–	–	–	–	330
Lee Anthony Hsien Pin	388	–	–	–	–	388
Lee Chien	310	–	–	–	–	310
Lee Tze Hau Michael	325	–	–	–	–	325
<b>Independent Non-Executive Directors (Note c)</b>						
Churchouse Frederick Peter	407	–	–	–	–	407
Fan Yan Hok Philip	523	–	–	–	–	523
Lau Lawrence Juen-Yee	113	–	–	–	–	113
Poon Chung Yin Joseph	535	–	–	–	–	535
Wong Ching Ying Belinda	310	–	–	–	–	310
	<b>3,241</b>	<b>8,002</b>	<b>14,000</b>	<b>1,809</b>	<b>18</b>	<b>27,070</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 December 2021

### 11. DIRECTORS' EMOLUMENTS continued

Notes:

- (a) The Executive Directors' emoluments shown above were for the services in connection with the management of the affairs of the Company and the Group.
- (b) The Non-Executive Directors' emoluments shown above were for the services as Directors of the Company.
- (c) The Independent Non-Executive Directors' emoluments shown above were for the services as Directors of the Company.
- (d) The annual cash remuneration of Lee Irene Yun-Lien, Chairman, and Lui Kon Wai, Executive Director and Chief Operating Officer, are comprised of (i) fixed base salary; and (ii) variable performance bonus which is determined by reference to the Company's performance as well as individual performance and contribution, to be measured against annual financial and operational targets.

For the year ended 31 December 2021, Lee Irene Yun-Lien's base salary of HK\$8,000,000 and the performance bonus of HK\$15,200,000 were approved by the Remuneration Committee in January 2021 and January 2022 respectively.

Approved by the Remuneration Committee in September 2021, annual base salary of Lui Kon Wai had been adjusted to HK\$5,600,000 with effect from 1 October 2021. Performance bonus of HK\$4,400,000 were also approved by the Remuneration Committee in January 2022.

- (e) Last revision of annual Directors' fees for serving on the Board (effective 1 June 2019) were approved by shareholders at the 2019 AGM. Fees of chairman and members of the Sustainability Committee (effective 1 January 2020) were approved by the Board in February 2020. Details are set out in Remuneration Committee Report.

Directors' fees are calculated on annual basis and paid semi-annually. For Directors not having served the full year on a position, the fees will be calculated and paid on pro rata basis.

Breakdown of Directors' fees of each of the Directors of the Company for the year ended 31 December 2021 is set out below:

	Board HK\$'000	Audit and Risk Management Committee HK\$'000	Remuneration Committee HK\$'000	Nomination Committee HK\$'000	Sustainability Committee HK\$'000	2021 Total HK\$'000	2020 Total HK\$'000
<b>Executive Directors</b>							
Lee Irene Yun-Lien	-	-	-	-	-	-	-
Lui Kon Wai	-	-	-	-	-	-	-
<b>Non-Executive Directors</b>							
Jebsen Hans Michael	280	-	-	-	50	330	330
Lee Anthony Hsien Pin	280	108	-	-	-	388	388
Lee Chien	280	-	-	30	-	310	310
Lee Tze Hau Michael	280	-	45	-	-	325	325
<b>Independent Non-Executive Directors</b>							
Churchouse Frederick Peter (Note i)	280	108	-	30	-	418	407
Fan Yan Hok Philip	280	108	75	30	30	523	523
Lau Lawrence Juen-Yee (Note j)	-	-	-	-	-	-	113
Poon Chung Yin Joseph	280	180	45	30	-	535	535
Wong Ching Ying Belinda	280	-	-	-	30	310	310
	<b>2,240</b>	<b>504</b>	<b>165</b>	<b>120</b>	<b>110</b>	<b>3,139</b>	<b>3,241</b>

- (f) The annual cash remuneration of Lee Irene Yun-Lien, Chairman, is comprised of (i) fixed base salary; and (ii) variable performance bonus which is determined by reference to the Company's performance as well as individual performance and contribution, to be measured against annual financial and operational targets.
- For the year ended 31 December 2020, the base salary of HK\$8,000,000 and the performance bonus of HK\$14,000,000 were approved by the Remuneration Committee in January 2020 and January 2021 respectively.
- (g) Share-based payments are the fair values of share options granted to Executive Director, which are determined at the date of grant and expensed over the vesting period (except where options are forfeited before vesting), regardless of whether the Executive Director exercises the share options or not during the year. Details of the share option schemes are set out in note 37 of the Notes to the Consolidated Financial Statements section.
- (h) Lui Kon Wai, currently Chief Operating Officer, was appointed as Executive Director with effect from 1 October 2021.
- (i) Churchouse Frederick Peter was appointed as a member of the Nomination Committee with effect from the conclusion of 2020 AGM held on 13 May 2020.
- (j) Lau Lawrence Juen-Yee retired as an Independent Non-Executive Director and a member of the Nomination Committee with effect from the conclusion of 2020 AGM.

## 11. DIRECTORS' EMOLUMENTS continued

There was no arrangement under which a Director waived or agreed to waive any remuneration during both years.

There was no payment to a Director as inducement for Director to join the Group or compensation for the loss of office as a Director in connection with the management of the affairs of any member of the Group during both years.

Details of material interests of the Directors of the Company in transactions, arrangements or contracts entered into by subsidiaries of the Company are disclosed in the Directors' Report.

## 12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2020: one) were Directors of the Company, details of whose emoluments are included in note 11 of the Notes to the Consolidated Financial Statements section. The emoluments of all of the five individuals with the highest emoluments for the years ended 31 December 2021 and 2020 were as follows:

	2021 HK\$ million	2020 HK\$ million
Basic salaries, housing and other allowances	22	22
Bonus	23	20
Share-based payments (Note)	5	3
	<b>50</b>	<b>45</b>

Note:

Share-based payments are the fair values of share options granted to Executive Director and eligible employees, which are determined at the date of grant and expensed over the vesting period (except where options are forfeited before vesting), regardless of whether the Executive Director or eligible employees exercise the share options or not during the year.

Their emoluments are within the following bands:

	Number of individuals	
	2021	2020
HK\$4,000,001 to HK\$4,500,000	1	2
HK\$4,500,001 to HK\$5,000,000	1	1
HK\$5,000,001 to HK\$5,500,000	1	–
HK\$6,500,001 to HK\$7,000,000	–	1
HK\$10,000,001 to HK\$10,500,000	1	–
HK\$23,500,001 to HK\$24,000,000	–	1
HK\$26,000,001 to HK\$26,500,000	1	–
	<b>5</b>	<b>5</b>

Senior management (for the purpose of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) during the year are Executive Directors and other members of senior management of the Group. Their emoluments are within the following bands.

	Number of individuals	
	2021	2020
HK\$3,000,001 to HK\$4,000,000	–	1
HK\$4,000,001 to HK\$5,000,000	2	3
HK\$5,000,001 to HK\$6,000,000	1	–
HK\$6,000,001 to HK\$7,000,000	–	1
HK\$10,000,001 to HK\$11,000,000	1	–
HK\$23,000,001 to HK\$24,000,000	–	1
HK\$26,000,001 to HK\$27,000,000	1	–
	<b>5</b>	<b>6</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 December 2021

### 13. DIVIDENDS

#### (a) Dividends recognized as distribution during the year:

	2021 HK\$ million	2020 HK\$ million
2021 first interim dividend paid – HK27 cents per share	281	–
2020 first interim dividend paid – HK27 cents per share	–	281
2020 second interim dividend paid – HK117 cents per share	1,216	–
2019 second interim dividend paid – HK117 cents per share	–	1,221
	<b>1,497</b>	<b>1,502</b>

#### (b) Dividends declared after the end of the reporting period:

	2021 HK\$ million	2020 HK\$ million
Second interim dividend (in lieu of a final dividend) – HK 117 cents per share (2020: HK117 cents per share)	<b>1,210</b>	1,216

The second interim dividend is not recognized as a liability as at 31 December 2021 because it has been declared after the end of the reporting period. It will be payable in cash.

### 14. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

	Earnings (loss)	
	2021 HK\$ million	2020 HK\$ million
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share:		
Profit (loss) for the year attributable to owners of the Company	<b>1,383</b>	(2,547)
	Number of shares	
	2021	2020
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<b>1,038,238,085</b>	1,041,797,236
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	<b>95,159</b>	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	<b>1,038,333,244</b>	1,041,797,236

The computation of diluted earnings (loss) per share does not assume the exercise of certain (2020: all) of the Company's outstanding share options as the exercise prices of those options were higher than the average market price for shares.



## 15. INVESTMENT PROPERTIES

	2021 HK\$ million	2020 HK\$ million
<b>Fair Value</b>		
At 1 January	74,993	79,116
Additions	20,450	842
Net transfer from (to) property, plant and equipment	384	(62)
Change in fair value recognized in profit or loss – unrealized	(720)	(4,903)
<b>As at 31 December</b>	<b>95,107</b>	<b>74,993</b>

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

During the year, the Group has successfully won the tender of a commercial site at Caroline Hill Road, Causeway bay, Hong Kong at a land premium of HK\$19,778 million. The land is classified as investment properties in the consolidated statement of financial position of the Group upon the completion of the acquisition.

### Fair value measurements and valuation processes

The fair value of the Group's investment properties as at 31 December 2021 and 2020 and as at the date of transfer to/from property, plant and equipment from/to investment properties has been arrived at on the basis of a valuation carried out on those dates by Knight Frank Petty Limited, an independent qualified professional valuer not connected with the Group. The Group's investment properties have been valued individually, on market value basis, which conforms to The Hong Kong Institute of Surveyors Valuation Standards. In estimating the fair value of the investment properties, the management of the Group has considered the highest and best use of the investment properties.

The value of the completed investment properties is derived from the basis of capitalisation of net income with due allowance for the reversionary income potential but without allowances for any expenses or taxation which may be incurred in effecting a sale, and where appropriate, cross reference by sale comparables. There has been no change to the valuation technique during the year for completed properties.

For investment properties under development, residual method of valuation was adopted. The value is based on the development potential of the properties as if they were completed in accordance with the existing development proposal at the date of valuation. The value has also taken into consideration all costs of development and allowance of profit required for the development, which duly reflected the risks associated with the development.

All of the fair value measurements of the Group's investment properties were categorized into Level 3 of the fair value hierarchy. Details of fair value hierarchy are set out as below.

There were no transfers into or out of Level 3 during the year.

At the end of the reporting period, the management of the Group works with Knight Frank Petty Limited to establish and determine the appropriate valuation techniques and inputs for Level 3 fair value measurements. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the Directors of the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 December 2021

### 15. INVESTMENT PROPERTIES continued

#### Fair value measurements using significant unobservable inputs (Level 3)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements of the Group's investment properties by operating and reportable segment.

	Retail HK\$ million	Office HK\$ million	Residential HK\$ million	Investment properties under development HK\$ million	Total HK\$ million
As at 1 January 2020	35,059	35,498	8,559	–	79,116
Additions	730	66	46	–	842
Net transfer to property, plant and equipment	–	(62)	–	–	(62)
Change in fair value recognized in profit or loss – unrealized	(4,119)	(909)	125	–	(4,903)
As at 31 December 2020	31,670	34,593	8,730	–	74,993
Additions	320	102	8	20,020	20,450
Transfer from property, plant and equipment	–	384	–	–	384
Change in fair value recognized in profit or loss – unrealized	(122)	(372)	(26)	(200)	(720)
As at 31 December 2021	31,868	34,707	8,712	19,820	95,107

#### Information about fair value measurements using significant unobservable inputs (Level 3)

The following table shows the valuation techniques used in the determination of fair value for investment properties by operating and reportable segment and unobservable inputs used in the valuation models.

Description	Fair value as at 31 December		Valuation techniques	Unobservable inputs	Range/weighted average of unobservable inputs
	2021 HK\$ million	2020 HK\$ million			
Retail	31,868	31,670	Income capitalisation approach	(i) Capitalisation rate (ii) Prevailing market rent per month	5.25 % – 5.50 % (2020: 5.25 % – 5.50 %) HK\$125 per square foot (2020: HK\$125 per square foot)
Office	34,707	34,593	Income capitalisation approach	(i) Capitalisation rate (ii) Prevailing market rent per month	4.25 % – 5.00 % (2020: 4.25 % – 5.00 %) HK\$59 per square foot (2020: HK\$59 per square foot)
Residential	8,712	8,730	Income capitalisation approach	(i) Capitalisation rate (ii) Prevailing market rent per month	3.75 % (2020: 3.75 %) HK\$39 per square foot (2020: HK\$39 per square foot)
Investment properties under development	19,820	–	Residual method	(i) Capitalisation rate (ii) Prevailing market rent per month	3.50 % – 5.00 % (2020: N/A) HK\$120 per square foot (2020: N/A)

The higher the capitalisation rate, the lower the fair value.

Prevailing market rent is estimated based on independent valuer's view of recent lettings, within the subject properties and other comparable properties. It does not always equal to the committed rent by tenants. The higher the prevailing market rent, the higher the fair value.

## 16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings in Hong Kong HK\$ million (Note)	Furniture, fixtures and equipment HK\$ million	Computers HK\$ million	Motor vehicles HK\$ million	Total HK\$ million
<b>COST OR VALUATION</b>					
As at 1 January 2020	725	123	96	2	946
Additions	–	3	18	–	21
Net transfer from investment properties	62	–	–	–	62
Deficit on revaluation	(6)	–	–	–	(6)
As at 31 December 2020	781	126	114	2	1,023
Additions	25	11	36	–	72
Transfer to investment properties	(384)	–	–	–	(384)
Deficit on revaluation	(26)	–	–	–	(26)
As at 31 December 2021	396	137	150	2	685
Comprising:					
At cost	–	137	150	2	289
At valuation	396	–	–	–	396
	396	137	150	2	685
<b>ACCUMULATED DEPRECIATION</b>					
As at 1 January 2020	–	104	66	–	170
Provided for the year	5	7	12	–	24
Eliminated on revaluation	(5)	–	–	–	(5)
As at 31 December 2020	–	111	78	–	189
Provided for the year	5	8	16	–	29
Eliminated on revaluation	(5)	–	–	–	(5)
As at 31 December 2021	–	119	94	–	213
<b>CARRYING AMOUNTS</b>					
As at 31 December 2021	396	18	56	2	472
As at 31 December 2020	781	15	36	2	834

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 December 2021

### 16. PROPERTY, PLANT AND EQUIPMENT continued

The above items of property, plant and equipment are depreciated on a straight-line basis over the following terms or at the following rates per annum:

Leasehold land and buildings in Hong Kong	Over the term of the lease or 40 years
Furniture, fixtures and equipment	20 %
Computers	20 %
Motor vehicles	25 %

Note:

#### Fair value measurements and valuation processes

The fair value of the Group's leasehold land and buildings in Hong Kong as at 31 December 2021 and 2020 and as at the date of transfer to/from investment properties from/to property, plant and equipment has been arrived at on the basis of a valuation carried out on those dates by Knight Frank Petty Limited, an independent qualified professional valuer not connected with the Group. The Group's leasehold land and buildings in Hong Kong have been valued individually, on market value basis, which conforms to The Hong Kong Institute of Surveyors Valuation Standards. In estimating the fair value of the properties, the management of the Group has considered the highest and best use of the properties.

The value was derived from the basis of capitalisation of net income with due allowance for the reversionary income potential but without allowance of any expenses or taxation which may be incurred in effecting a sale, and where appropriate, cross reference by sale comparables. There has been no change to the valuation technique during the year.

All of the fair value measurements of the Group's leasehold land and buildings in Hong Kong were categorized into Level 3 of the fair value hierarchy. Details of fair value hierarchy are set out as below.

There were no transfers into or out of Level 3 during the year.

At the end of the reporting period, the management of the Group works with Knight Frank Petty Limited to establish and determine the appropriate valuation techniques and inputs for Level 3 fair value measurements. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the Directors of the Company.

#### Information about fair value measurements using significant unobservable inputs (Level 3)

The following table shows the valuation techniques used in the determination of fair value for leasehold land and buildings in Hong Kong and unobservable inputs used in the valuation models.

Description	Fair value as at 31 December		Valuation techniques	Unobservable inputs	Range/weighted average of unobservable inputs
	2021 HK\$ million	2020 HK\$ million			
Leasehold land and buildings in Hong Kong	396	781	Income capitalisation approach	(i) Capitalisation rate	4.25 % - 4.75 % (2020: 4.25 % - 4.75 %)
				(ii) Prevailing market rent per month	HK\$69 per square foot (2020: HK\$69 per square foot)

The higher the capitalisation rate, the lower the fair value.

Prevailing market rent is estimated based on independent values view of recent lettings, within the subject properties and other comparable properties. It does not always equal to the committed rent by tenants. The higher the prevailing market rent, the higher the fair value.

The loss of HK\$21 million (2020: loss of HK\$1 million) arising on revaluation has been recognized in other comprehensive income and accumulated in properties revaluation reserve.

Had the Group's leasehold land and buildings in Hong Kong been measured at historical cost less subsequent accumulated depreciation, their carrying amounts would have been HK\$166 million (2020: HK\$275 million) at the end of the reporting period.

Furniture, fixtures and equipment of the Group include assets carried at cost of HK\$62 million (2020: HK\$55 million) and accumulated depreciation of HK\$52 million (2020: HK\$42 million) in respect of assets held for leasing out under operating leases. Depreciation charges in respect of those assets for the year amounted to HK\$5 million (2020: HK\$5 million). There has been no disposal during both years ended 31 December 2021 and 2020.

## 17. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The table below lists the principal subsidiaries of the Company:

Name of subsidiary	Place of incorporation/ operation	Issued share capital	Proportion of ownership interests/ voting rights held by the Company		Principal activities
			directly	indirectly	
Admore Investments Limited	Hong Kong	HK\$2	100 %	–	Investment holding
Alpha Ace Limited	Hong Kong	HK\$1	–	100 %	Property development
Bamboo Grove Recreational Services Limited	Hong Kong	HK\$2	–	100 %	Resident club management
Barrowgate Limited	Hong Kong	HK\$10,000	–	65.36 %	Property investment
Earn Extra Investments Limited	Hong Kong	HK\$1	–	100 %	Property investment
Elect Global Investments Limited	British Virgin Islands/ Hong Kong	US\$1	100 %	–	Treasury operation
HD Investment Limited	British Virgin Islands	HK\$1	–	100 %	Investment holding
HD Treasury Limited	Hong Kong	HK\$2	100 %	–	Treasury operation
Hysan Corporate Services Limited	Hong Kong	HK\$2	100 %	–	Provision of corporate services
Hysan Leasing Company Limited	Hong Kong	HK\$2	100 %	–	Leasing administration
Hysan (MTN) Limited	British Virgin Islands/ Hong Kong	US\$1	100 %	–	Treasury operation
Hysan Marketing Services Limited	Hong Kong	HK\$1	–	100 %	General business
Hysan IT Services Company Limited	Hong Kong	HK\$1	–	100 %	Information technology
Hysan Property Management Limited	Hong Kong	HK\$2	100 %	–	Property management
Hysan Treasury Limited	Hong Kong	HK\$2	100 %	–	Treasury operation
Kwong Hup Holding Limited	British Virgin Islands	HK\$1	100 %	–	Investment holding
Kwong Wan Realty Limited	Hong Kong	HK\$1,000	100 %	–	Property investment
Lee Theatre Realty Limited	Hong Kong	HK\$10	–	100 %	Property investment
Leighton Property Company Limited	Hong Kong	HK\$2	–	100 %	Property investment
Minsal Limited	Hong Kong	HK\$2	100 %	–	Property investment
Main Rise Development Limited	Hong Kong	HK\$2	–	100 %	Investment holding
Mariner Bay Limited	British Virgin Islands/ Hong Kong	US\$1	–	100 %	Investment holding
Mondsee Limited	Hong Kong	HK\$2	100 %	–	Property investment
OHA Property Company Limited	Hong Kong	HK\$2	–	100 %	Property investment
Patchway Holdings (HK) Limited	Hong Kong	HK\$1	–	60 % (2020: 100 %)	Property investment
Patchway Holdings Limited	British Virgin Islands	US\$10	–	60 % (2020: 100 %)	Investment holding
Perfect Win Properties Limited	Hong Kong	HK\$2	–	100 %	Property investment
Silver Nicety Company Limited	Hong Kong	HK\$20	–	100 %	Property investment

The Directors of the Company are of the opinion that a complete list of all subsidiaries and their particulars will be of excessive length and therefore the above table contains only those subsidiaries which materially contribute to the net income of the Group or hold a material portion of the assets or liabilities or otherwise are operating subsidiaries of the Company. Other than unsecured fixed rate notes issued by Hysan (MTN) Limited (“Hysan MTN”) as disclosed in note 27 of the Notes to the Consolidated Financial Statements section, none of the subsidiaries had issued any debt securities at the end of the reporting period.

During the year, the Group entered into an agreement to allot 40 % of the enlarged equity interest of Patchway Holdings Limited (“Patchway”) to an independent third party, Coastday Limited (“Coastday”).

The Group’s subsidiaries that have material non-controlling interests includes Barrowgate Limited (“Barrowgate”), Patchway and Elect Global Investments Limited (“Elect Global”). Elect Global’s issued ordinary shares are fully held by the Group. As disclosed in note 29 of the Notes to Consolidated Financial Statement section, Elect Global issued perpetual capital securities which are classified as equity to parties outside the Group. The amount of such non-controlling interests of Elect Global has been disclosed in consolidated statement of changes in equity as perpetual capital securities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 December 2021

### 17. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY continued

The summarized financial information in respect of Barrowgate and Patchway are set out below. The summarized financial information below represents amounts before intragroup eliminations.

	2021		2020	
	Barrowgate HK\$ million	Patchway HK\$ million	Barrowgate HK\$ million	Patchway HK\$ million
Current assets	219	1	310	–
Non-current assets	9,659	19,820	9,688	–
Current liabilities	(800)	–	(811)	–
Non-current liabilities	(201)	(19,025)	(203)	–
Turnover	498	–	552	–
Profit (loss) and total comprehensive income (expenses) for the year	243	(58)	(256)	–
Dividends paid to non-controlling interests	121	–	121	–
Net cash inflows from operating activities	341	–	324	–
Net cash (outflows) inflows from investing activities	(77)	–	158	–
Cash outflows from financing activities	(360)	–	(360)	–

### 18. INVESTMENTS IN ASSOCIATES AND LOANS TO ASSOCIATES

	2021 HK\$ million	2020 HK\$ million
Cost of unlisted investments	2	2
Share of post-acquisition profits and other comprehensive income, net of dividends received	5,993	5,575
	<b>5,995</b>	<b>5,577</b>
Loans to associates classified as: Non-current assets	10	11

The balances of loans to associates are unsecured, interest-free and have no fixed repayment terms. The Directors of the Company are of the opinion that the Group will not demand repayment from the associates within the next twelve months from the end of the reporting period and the loans are therefore classified as non-current assets.

The Directors of the Company are of the opinion that a complete list of all associates will be of excessive length and the Group summarizes details of the Group's material associate as at 31 December 2021 and 2020 as follows:

Name of associate	Form of business structure	Place of incorporation/ establishment and operation	Class of share held/ registered capital	Effective interest held by the Group	Principal activities
Country Link Enterprises Limited (Note)	Private limited company	Hong Kong	Ordinary share of HK\$5,000,000	26.3%	Investment holding
Shanghai Kong Hui Property Development Co., Ltd. (Note)	Sino-Foreign equity joint venture	The PRC	US\$165,000,000 <sup>#</sup>	24.7%	Property development and leasing
Shanghai Grand Gateway Plaza Property Management Co., Ltd. (Note)	Sino-Foreign equity joint venture	The PRC	US\$140,000 <sup>#</sup>	23.7%	Property management

<sup>#</sup> Fully paid-up registered capital

Note:

Shanghai Kong Hui Property Development Co., Ltd. and Shanghai Grand Gateway Plaza Property Management Co., Ltd. are non-wholly owned subsidiaries of Country Link Enterprises Limited, together known as "Country Link".

## 18. INVESTMENTS IN ASSOCIATES AND LOANS TO ASSOCIATES continued

The summarized consolidated financial information in respect of the Group's material associate is set out below. The summarized consolidated financial information below represents amounts shown in the associate's consolidated financial statements prepared in accordance with HKFRSs. All of the Group's associates are accounted for using the equity method in the Group's consolidated financial statements.

### Country Link

	2021 HK\$ million	2020 HK\$ million
Current assets	2,505	2,111
Non-current assets	30,183	28,400
Current liabilities	(1,317)	(1,306)
Non-current liabilities	(7,099)	(6,620)
Turnover	1,867	1,525
Profit for the year	1,852	884
Other comprehensive income for the year	671	1,377
Total comprehensive income for the year	2,523	2,261
Dividends received from the associate during the year	207	177

Reconciliation of the above summarized consolidated financial information to the carrying amount of the interest in the associate that is material to the Group recognized in the consolidated financial statements:

	2021 HK\$ million	2020 HK\$ million
Net assets of the associate	24,272	22,585
Non-controlling interests of the associate	(1,444)	(1,342)
Net assets of the associate after deducting non-controlling interests of the associate	22,828	21,243
Proportion of the Group's ownership interest in the associate	26.3%	26.3%
Group's share of net assets of the associate	6,004	5,587
Others	(2)	(2)
Carrying amount of the Group's interest in the associate	6,002	5,585

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 December 2021

### 19. INVESTMENTS IN JOINT VENTURES AND LOANS TO A JOINT VENTURE

Details of the Group's investments in and loans to joint ventures are as follows:

	2021 HK\$ million	2020 HK\$ million
Investments in joint ventures		
Unlisted shares, at cost	355	–
Deemed capital contribution in a joint venture (Note a)	123	125
Share of post-acquisition loss and other comprehensive expense, net of dividends received	(3)	–
	<b>475</b>	<b>125</b>
Loans to a joint venture classified as:		
Non-current assets (Note b)	1,256	1,153

Notes:

- (a) The deemed capital contribution in a joint venture represents the fair value adjustments in relation to the loan to a joint venture at initial recognition based on the estimated timing on future cash flows.
- (b) The loans to a joint venture are unsecured and have no fixed repayment terms. As at 31 December 2021, except for the loans to a joint venture with aggregate carrying amounts of HK\$120 million (2020: HK\$120 million) which are carrying variable rates ranging from 2.06% to 2.20% (2020: 2.11% to 4.71%) per annum, the remaining loan to a joint venture of the Group is interest-free. The Directors of the Company are of the opinion that the Group will not demand repayment of the loans from the joint venture within the next twelve months from the end of the reporting period and the loans are therefore classified as non-current assets. The effective interest rate for imputed interest income on the interest-free portion is determined based on the cost of fund of the borrower per annum.

Details of the Group's joint ventures as at 31 December 2021 and 2020 are as follows:

Name of joint venture	Place of incorporation and operation	Class of share held	Effective ownership interest and voting rights held by the Group	Principal activities
Strongbod Limited (Note a)	British Virgin Islands	Ordinary shares of US\$10	60% (Note b)	Investment holding
Gainwick Limited (Note a)	Hong Kong	Ordinary share of HK\$1	60% (Note b)	Property development and investment
H & I GBA Investment Limited (Note c)	Hong Kong	Ordinary shares of US\$90,000,000	50% (2020: N/A)	Investment holding

Notes:

- (a) Gainwick Limited is a wholly owned subsidiary of Strongbod Limited, together known as "Strongbod".
- (b) Pursuant to the shareholder's agreement dated 5 December 2016, entered into by the Group, the joint venture partner and Strongbod, decisions on all relevant business and operation activities of Strongbod require unanimous board approval from directors of Strongbod appointed by the Group and those appointed by the joint venture partner. Therefore, the Group recognized the investment in Strongbod as a joint venture.
- (c) The subsidiaries of H & I GBA Investment Limited principally engaged in IWG GBA Flex business.

The summarized consolidated financial information in respect of the Group's material joint venture is set out below. The summarized consolidated financial information below represents amounts shown in the joint venture's consolidated financial statements prepared in accordance with HKFRSs. The joint venture is accounted for using the equity method in the Group's consolidated financial statements. There was no material share of post-acquisition profits and other comprehensive income in both years.



## 19. INVESTMENTS IN JOINT VENTURES AND LOANS TO A JOINT VENTURE continued

### Strongbod

	2021 HK\$ million	2020 HK\$ million
Current assets	6,191	4,609
Current liabilities	(346)	(217)
Non-current liabilities	(5,846)	(4,392)

Reconciliation of the above summarized consolidated financial information to the carrying amount of the interest in the joint venture that is material to the Group recognized in the consolidated financial statements:

	2021 HK\$ million	2020 HK\$ million
Net assets of the joint venture	–	–
Proportion of the Group's ownership interest in the joint venture	60%	60%
Group's share of net assets of the joint venture	–	–
Add: Deemed capital contribution in the joint venture	123	125
Carrying amount of the Group's interest in the joint venture	123	125

## 20. OTHER FINANCIAL INVESTMENTS

	2021 HK\$ million	2020 HK\$ million
Investment designated as at FVTOCI		
– Investment in equity security listed overseas (Note a)	268	200
– Investments in unlisted equity securities (Note a)	1,205	297
Investment at FVTPL		
– Unlisted investment in a fund investment (Note b)	307	292
	1,780	789

Notes:

- (a) These investments are designated as at FVTOCI because the Directors of the Company believe that the Group's strategy of holding these investments is for long-term strategic purpose. All these investees are principally engaged in healthcare services business in China.
- (b) The balance represents the Group's interest in a fund investment as limited partner. The fund investment engages in property investment in Asia Pacific. The fund investment is classified as FVTPL.

## 21. DEBT SECURITIES

	2021 HK\$ million	2020 HK\$ million
Debt securities, at amortized cost:		
– listed in Hong Kong	820	338
– listed overseas	194	116
Total	1,014	454
Analysed for reporting purposes as:		
Current assets	171	–
Non-current assets	843	454
	1,014	454

As at 31 December 2021, the effective yield of the debt securities ranged from 1.22% to 4.85% (2020: 2.44% to 4.85%) per annum, payable quarterly, semi-annually or annually, and the securities will mature from February 2022 to February 2051 (2020: from February 2022 to June 2025). At the end of the reporting period, none of these assets were past due.

Details of the impairment assessment of debt securities are set out in the Financial Risk Management section.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 December 2021

### 22. OTHER FINANCIAL ASSETS/LIABILITIES

	Non-current	
	2021 HK\$ million	2020 HK\$ million
<b>Other financial assets</b>		
Financial assets measured at FVTPL:		
Club debenture	1	1
Derivatives under hedge accounting:		
Cash flow hedges		
– Cross currency swap	8	–
<b>Total</b>	<b>9</b>	<b>1</b>
<b>Other financial liabilities</b>		
Derivatives under hedge accounting:		
Cash flow hedges		
– Cross currency swaps	79	183
Fair value hedges		
– Interest rate swaps	70	–
<b>Total</b>	<b>149</b>	<b>183</b>

#### (a) Cash flow hedges

##### Foreign currency risk

During the year, the Group used cross currency swaps to manage its foreign currency exposure. The principal terms of the cross currency swaps have been negotiated to match the major terms of the respective designated hedged items and the management considers that the hedges are highly effective.

The table below is prepared based on the maturity dates of respective contracts. The major terms of these outstanding cross currency swaps at the end of the reporting period are as follows:

##### Hedging instruments

	2021					2020				
	Average exchange rate*	Foreign currency	Notional amount		Fair value	Average exchange rate*	Foreign currency	Notional amount		Fair value
			HK\$ million	HK\$ million	HK\$ million			HK\$ million	HK\$ million	HK\$ million
<b>Cross currency swaps</b>										
<b>Hedging of USD fixed rate notes (Note)</b>										
More than 1 year but Not exceeding 5 years	7.7519	USD	300	2,326	8	7.7519	USD	300	2,326	(8)
More than 5 years	7.8477	USD	1,125	8,829	(79)	7.8477	USD	1,125	8,829	(175)
<b>Total</b>				<b>11,155</b>	<b>(71)</b>				<b>11,155</b>	<b>(183)</b>

\* Average exchange rate represented the average exchange rate of HKD versus respective currencies weighted by the notional amounts of the contracts or the swaps.

Note:

The Group used HK\$11,155 million (2020: HK\$11,155 million) cross currency swaps to convert USD interest and principal of US\$1,425 million (2020: US\$1,425 million) fixed rate notes into HKD.

## 22. OTHER FINANCIAL ASSETS/LIABILITIES continued

### (a) Cash flow hedges continued

#### Foreign currency risk continued

#### Hedged items

	Carrying amount of the hedged item				Cash flow hedge reserves	
	Assets		Liabilities		2021 HK\$ million	2020 HK\$ million
	2021 HK\$ million	2020 HK\$ million	2021 HK\$ million	2020 HK\$ million		
USD fixed rate notes	–	–	11,045	10,974	(161)	(141)

The hedging ineffectiveness for the years ended 31 December 2021 and 2020 was insignificant.

	Change in the value of the hedging instrument recognized in other comprehensive income		Amount reclassified from the cash flow hedge reserve to profit or loss		Line item affected in profit or loss because of the reclassification
	2021 HK\$ million	2020 HK\$ million	2021 HK\$ million	2020 HK\$ million	
Forward foreign exchange contracts	–	–	–	–	Investment income
Cross currency swaps	42	(150)	(62)	28	Finance costs

The fair values of cross currency swaps are measured using quoted forward exchange rates and yield curves from quoted interest rates matching maturities of the contracts and swaps.

### (b) Fair value hedges

The Group used interest rate swaps to minimise its exposure to fair value changes of its USD fixed rate notes by swapping the notes from fixed rates to floating rates. The major terms of the interest rate swaps match the corresponding notes and the management considers that the swaps are highly effective hedging instruments.

The table below is prepared based on the maturity dates of respective contracts. The major terms of these outstanding interest rate swaps at the end of the reporting period are as follows:

	2021		
	Average interest rate*	Notional amount HK\$ million	Fair value HK\$ million
Interest rate swaps (Note)			
More than 5 years	2.88%	400	(70)

\* The average interest rate represented the average fixed interest rate (weighted by the notional amounts of the interest rate swaps) received by the Group against payments of 3-month HIBOR.

Note:

The Group designated fixed-to-floating interest rate swaps with notional amount of HK\$400 million as at 31 December 2021 to hedge USD fixed rate notes with notional amount of HK\$400 million by converting fixed rate of 2.88 % per annum to HIBOR plus 2.02 % per annum.

As a result of the hedge accounting, the carrying amount of the hedged item as at 31 December 2021 was adjusted by cumulative losses of HK\$70 million. The changes in fair values of the notes for the hedged risk were included in profit or loss at the same time that the changes in fair value of the swaps were included in profit or loss.

The fair values of interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

### (c) Financial assets measured at FVTPL

#### Club debenture

Amount represented investment in unlisted club debenture. The Group's investment in unlisted club debenture has been classified as financial assets measured at FVTPL.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 December 2021

### 23. ACCOUNTS AND OTHER RECEIVABLES

	2021 HK\$ million	2020 HK\$ million
Accounts receivable	64	67
Interest receivable	111	109
Prepayments in respect of investment properties	132	149
Deposit for acquisition of a subsidiary	1,520	–
Other receivables and prepayments	895	503
Total	2,722	828
Analysed for reporting purposes as:		
Current assets	887	467
Non-current assets	1,835	361
	2,722	828

The following is an ageing analysis of accounts receivable (net of allowance for credit losses) at the end of the reporting period. Accounts receivable mainly includes rents from leasing of investment properties, which are normally received in advance.

	2021 HK\$ million	2020 HK\$ million
Less than 30 days	28	34
31-90 days	30	23
Over 90 days	6	10
	64	67

### 24. TIME DEPOSITS/CASH AND CASH EQUIVALENTS

Time deposits, cash and bank balances include bank deposits carrying effective interest rates ranging from 0.01 % to 0.62 % (2020: 0.08 % to 2.73 %) per annum.

As at 31 December 2021 and 2020, the Group performed impairment assessment on time deposits and bank balances and concluded that the probability of default of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

### 25. ACCOUNTS PAYABLE AND ACCRUALS

	2021 HK\$ million	2020 HK\$ million
Accounts payable	193	277
Interest payable	155	161
Other payables	472	493
	820	931

At the end of the reporting period, accounts payable of the Group with carrying amount of HK\$143 million (2020: HK\$160 million) were aged less than 90 days.

## 26. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

	2021 HK\$ million	2020 HK\$ million
<b>Current</b> (Note a)	<b>214</b>	<b>217</b>
<b>Non-current</b> (Note b)	<b>7,639</b>	<b>–</b>
	<b>7,853</b>	<b>217</b>

Notes:

- (a) The balances are unsecured, interest-free and repayable on demand.  
 (b) The balance is unsecured, interest-free and for the development of a commercial site at Caroline Hill Road, Causeway Bay, Hong Kong.

## 27. BORROWINGS

The maturity profile based on the scheduled repayment dates set out in the respective borrowings agreement was as follow:

	2021 HK\$ million	2020 HK\$ million
Unsecured bank loans:		
Within 1 year	–	–
More than 1 year, but not exceeding 2 years	498	797
More than 2 years, but not exceeding 5 years	1,063	1,556
	<b>1,561</b>	<b>2,353</b>
Less: Amount due within 1 year included under current liabilities	–	–
	<b>1,561</b>	<b>2,353</b>
Unsecured fixed rate notes:		
Within 1 year	531	–
More than 1 year, but not exceeding 2 years	2,742	527
More than 2 years, but not exceeding 5 years	2,185	3,716
More than 5 years	11,638	12,374
	<b>17,096</b>	<b>16,617</b>
Less: Amount due within 1 year included under current liabilities	(531)	–
	<b>16,565</b>	<b>16,617</b>
Total current borrowings	<b>531</b>	<b>–</b>
Total non-current borrowings	<b>18,126</b>	<b>18,970</b>
Total borrowings	<b>18,657</b>	<b>18,970</b>

All the bank loans are guaranteed as to principal and interest and are carrying variable-rate. Interest rates of the loans are normally re-fixed at every one to three months. The effective interest rates (which were also equal to contracted interest rates) were 1.83 % (2020: 1.40 %) per annum at the end of the reporting period.

All the unsecured fixed rate notes were issued by Hysan MTN, a wholly owned subsidiary of the Company. The notes are guaranteed as to principal and interest by the Company and bear an effective interest rate equal to their respective contracted interest rate. The contract rates per annum (before cross-currency swaps) at the end of the reporting period were as follows:

	2021		2020	
	HK\$ %	US\$ %	HK\$ %	US\$ %
Unsecured fixed rate notes	<b>1.50 – 4.50</b>	<b>2.74 – 3.74</b>	2.10 – 4.50	2.82 – 3.55

As detailed in note 22 of the Notes to the Consolidated Financial Statements section, during the years ended 31 December 2021 and 2020, cross currency swaps were used to hedge or manage the foreign exchange rate risks of the Group's USD fixed rate notes.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 December 2021

### 28. DEFERRED TAX ASSET/LIABILITIES

The following are the major deferred tax liabilities (assets) recognized by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation HK\$ million	Revaluation of properties HK\$ million	Tax losses HK\$ million	Total HK\$ million
As at 1 January 2020	956	90	(121)	925
Charge (credit) to profit or loss (note 8)	72	–	(48)	24
As at 31 December 2020	1,028	90	(169)	949
Charge (credit) to profit or loss (note 8)	85	(6)	(30)	49
Charge to other comprehensive income	–	3	–	3
<b>As at 31 December 2021</b>	<b>1,113</b>	<b>87</b>	<b>(199)</b>	<b>1,001</b>

At the end of the reporting period, the Group has unused estimated tax losses of HK\$1,981 million (2020: HK\$1,730 million) available for offset against future profits. A deferred tax asset has been recognized in respect of HK\$1,205 million (2020: HK\$1,025 million) of such losses. No deferred tax asset has been recognized in respect of the remaining HK\$776 million (2020: HK\$705 million) due to the unpredictability of future profit streams and the tax losses may be carried forward indefinitely.

### 29. PERPETUAL CAPITAL SECURITIES

In 2020, the Group through a wholly owned subsidiary of the Company (the “Issuer”) issued US\$850 million (equivalent to approximately HK\$6,604 million) 4.10% subordinated perpetual capital securities (the “Subordinated Securities”), which are unconditionally and irrevocably guaranteed by the Company. Further, the Issuer issued US\$500 million (equivalent to approximately HK\$3,875 million) 4.85% senior perpetual capital securities (the “Senior Securities”), which are unconditionally and irrevocably guaranteed by the Company. The proceeds of the capital securities are for general corporate purpose and the capital securities are listed on Hong Kong Stock Exchange.

Distribution on the Subordinated Securities and Senior Securities are payable semi-annually in-arrear each year and can be deferred at the sole discretion of the Issuer, if the Issuer and the Company do not declare or pay dividends or repurchase, redeem, cancel, reduce or otherwise acquire any securities of lower or equal rank. The Subordinated Securities and Senior Securities have no fixed maturity and are redeemable at the Issuer’s option on or after 3 June 2025 and 25 August 2023 respectively, at their principal amounts together with any distribution accrued to such date.

The Securities are classified as equity and initially recognized at the amount of proceeds received in the consolidated financial statements of the Group.

### 30. SHARE CAPITAL

	Number of shares	Share capital HK\$ million
Ordinary shares, issued and fully paid:		
As at 1 January 2020	1,043,820,891	7,720
Issue of shares under share option schemes	50,000	2
Cancellation upon repurchase of own shares (Note)	(4,170,000)	–
As at 31 December 2020	1,039,700,891	7,722
Issue of shares under share option schemes	57,332	1
Cancellation upon repurchase of own shares (Note)	(5,500,000)	–
As at 31 December 2021	<b>1,034,258,223</b>	<b>7,723</b>

### 30. SHARE CAPITAL *continued*

During the year of 2021, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month of repurchase in 2021	Number of ordinary shares repurchased (Note)	Consideration per share		Aggregate consideration paid HK\$ million
		Highest HK\$	Lowest HK\$	
June	100,000	29.95	29.95	3
August	1,600,000	28.50	27.45	45
September	1,700,000	27.60	24.20	42
October	1,500,000	27.30	24.75	40
November	600,000	27.10	26.25	16
	<b>5,500,000</b>			<b>146</b>

During the year of 2020, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month of repurchase in 2020	Number of ordinary shares repurchased (Note)	Consideration per share		Aggregate consideration paid HK\$ million
		Highest HK\$	Lowest HK\$	
March	1,700,000	25.40	21.65	41
October	2,200,000	25.30	23.95	55
	<b>3,900,000</b>			<b>96</b>

Note:

The Company was authorized at its annual general meetings to repurchase its own ordinary shares not exceeding 10% of the total number of its issued shares as at the dates of the resolutions being passed. In 2021 and 2020, the Company repurchased its ordinary shares on the Stock Exchange when they were trading at a significant discount to the Company's net asset value in order to enhance shareholder value. Out of 5,500,000 and 3,900,000 ordinary shares repurchased in 2021 and 2020, 5,500,000 and 3,900,000 ordinary shares were cancelled during the year ended 31 December 2021 and 2020 respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 December 2021

### 31. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2021 HK\$ million	2020 HK\$ million
<b>Non-current assets</b>		
Investments in subsidiaries	2,230	1,845
Other financial assets	1	1
Amounts due from subsidiaries	6,988	3,692
	9,219	5,538
<b>Current assets</b>		
Other receivables	12	17
Amounts due from subsidiaries	2,655	10,463
Cash and cash equivalents	1,657	1
	4,324	10,481
<b>Current liabilities</b>		
Other payables and accruals	63	72
Amounts due to subsidiaries	976	2,564
	1,039	2,636
<b>Net current assets</b>	3,285	7,845
<b>Net assets</b>	12,504	13,383
<b>Capital and reserves</b>		
Share capital (note 30)	7,723	7,722
Reserves	4,781	5,661
<b>Total equity</b>	12,504	13,383

The Company's statement of financial position was approved and authorized for issue by the Board of Directors on 24 February 2022 and are signed on its behalf by:

Lee Irene Y.L.  
Director

Lui Kon Wai  
Director



### 31. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY continued

#### Movement in the Company's reserve

	Share options reserve HK\$ million	General reserve HK\$ million (Note)	Retained profits HK\$ million	Total HK\$ million
As at 1 January 2020	23	100	5,410	5,533
Recognition of equity-settled share-based payments	4	–	–	4
Repurchase of own shares	–	–	(96)	(96)
Profit and total comprehensive income for the year	–	–	1,721	1,721
Forfeiture of unclaimed dividends	–	–	1	1
Dividends paid during the year (note 13)	–	–	(1,502)	(1,502)
As at 31 December 2020	27	100	5,534	5,661
Recognition of equity-settled share-based payments	5	–	–	5
Forfeiture of share options	(1)	–	–	(1)
Repurchase of own shares	–	–	(146)	(146)
Profit and total comprehensive income for the year	–	–	758	758
Forfeiture of unclaimed dividends	–	–	1	1
Dividends paid during the year (note 13)	–	–	(1,497)	(1,497)
As at 31 December 2021	31	100	4,650	4,781

Note:

General reserve was set up from the transfer of retained profits.

The Company's reserves available for distribution to its owners as at 31 December 2021 amounted to HK\$4,750 million (2020: HK\$5,634 million), being its general reserve and retained profits at that date.

### 32. RECONCILIATION OF ASSETS/LIABILITIES RELATING TO FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Amounts due to non-controlling interests HK\$ million	Borrowings and other interest-bearing liabilities HK\$ million	Total HK\$ million
As at 1 January 2020	220	12,660	12,880
Cash flows, net	(3)	5,951	5,948
Other non-cash changes			
Foreign exchange adjustments	–	(26)	(26)
Finance costs	–	546	546
As at 31 December 2020	217	19,131	19,348
As at 1 January 2021	217	19,131	19,348
Cash flows, net	7,908	(966)	6,942
Other non-cash changes			
Foreign exchange adjustments	–	60	60
Finance costs	–	393	393
Interest capitalised	34	194	228
Deemed contribution from a non-controlling shareholder	(306)	–	(306)
As at 31 December 2021	7,853	18,812	26,665

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 December 2021

### 33. RETIREMENT BENEFITS PLANS

With effect from 1 December 2000, the Group set up an Enhanced Mandatory Provident Fund Scheme (the “Enhanced MPF Scheme”), a defined contribution scheme, for all qualifying employees. The Enhanced MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under Section 124(1) of the Mandatory Provident Fund Schemes (General) Regulation.

Pursuant to the rules of the Enhanced MPF Scheme, the Group’s contributions to the plan are based on fixed percentages of members’ salaries, ranging from 5% of MPF relevant income to 15% of basic salary. Members’ mandatory contributions are fixed at 5% of MPF relevant income, in compliance with MPF legislation.

Total contributions made by the Group during the year amounted to HK\$10 million (2020: HK\$10 million).

### 34. COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments in respect of its investment properties, property, plant and equipment and subscription to a fund investment as limited partner:

	2021 HK\$ million	2020 HK\$ million
(a) Capital commitment: Contracted but not provided for investment properties and property, plant and equipment	2,933	157
(b) Other commitment: Subscription to a fund investment as limited partner	65	85

### 35. LEASE COMMITMENTS

At the end of the reporting period, the Group as lessor had contracted with tenants for the following undiscounted lease payments receivable over the non-cancellable periods:

	2021 HK\$ million	2020 HK\$ million
Within one year	2,574	2,867
In the second year	1,590	1,874
In the third year	973	1,026
In the fourth year	536	610
In the fifth year	448	427
Over five years	775	1,019
	6,896	7,823

Operating lease payments represent rentals receivable by the Group from leasing of its investment properties. Typically, leases are negotiated and rentals are fixed for lease term of one to three years. Certain leases include rentals received with reference to turnover of tenants.

### 36. RELATED PARTY TRANSACTIONS AND BALANCES

#### (a) Transactions and balances with related parties

During the year, the Group has transaction with related party including imputed interest income on interest-free loan to a joint venture and imputed interest expense on interest-free amounts due to non-controlling interests as disclosed under notes 6, 7 and note 26 of the Notes to the Consolidated Financial Statements section respectively. The imputed interest expense arising from the amounts due to non-controlling interests during the year has been fully capitalised into investment properties under development.

At the end of the reporting period, the Group has several balances with related parties including loans to associates and loans to a joint venture as disclosed under note 18 and note 19 of the Notes to the Consolidated Financial Statements section.

The Group has granted guarantees to banks for facilities granted to a joint venture as disclosed under note 1(b) of the Financial Risk Management Objectives and Policies section.

The Group has entered into the escrow agreement with The Hongkong and Shanghai Banking Corporation Limited on 17 September 2021, an intermediate holding company of Imenson Limited (“Imenson”), with an escrowed amount of HK\$1,370 million. As at 31 December 2021, the outstanding amounts held under such escrow agreement has been included under the other receivables and prepayments and deposit for acquisition of a subsidiary as set out under note 23 of the Notes to the Consolidated Financial Statements section.

	Gross rental income received from Year ended 31 December		Amount due to non-controlling interests At 31 December	
	2021 HK\$ million	2020 HK\$ million	2021 HK\$ million	2020 HK\$ million
Related companies controlled by the Directors of the Company (Note a (i) & (ii))	38	42	61	62
Non-controlling shareholders of subsidiaries (Note b (i) & (ii))	6	5	7,792	154

#### Notes:

- (a) (i) The sum of transactions represents the aggregate gross rental income received from related companies where the Directors of the Company have controlling interests over these related companies.
- (ii) The balance represents outstanding loan advanced to a non-wholly owned subsidiary of the Company, Barrowgate by Jebsen Capital Limited, a wholly owned subsidiary of Jebsen and Company Limited, of which Jebsen Hans Michael is a director and a controlling shareholder, as a shareholder loan in proportion to its shareholding in Barrowgate for general funding purpose. The amount is unsecured, interest-free and repayable on demand.
- (b) (i) The sum of transactions represents the aggregate gross rental income received from Hang Seng Bank Limited (“Hang Seng”), the intermediate holding company of Imenson, and The Hongkong and Shanghai Banking Corporation Limited, the holding company of Hang Seng. Imenson is a non-controlling shareholder with significant influence over Barrowgate.
- (ii) The balance represents outstanding loans advanced to Barrowgate by Imenson and Patchway by Coastday, as shareholder loans in proportion to its shareholding in Barrowgate and Patchway respectively. The amounts advanced to Barrowgate are unsecured, interest-free and repayable on demand. The amount advanced to Patchway is unsecured, interest-free and for the development of a commercial site at Caroline Hill Road, Causeway Bay, Hong Kong

#### (b) Compensation of key management personnel

The remuneration of Directors and other members of senior management of the Group are as follows:

	2021 HK\$ million	2020 HK\$ million
Directors’ fees, salaries and other short-term employee benefits	49	48
Share-based payments	5	3
Retirement benefits scheme contributions	1	1
	55	52

The remuneration of the Directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

### **37. SHARE-BASED PAYMENT TRANSACTIONS**

#### **(a) Equity-settled share option scheme**

##### **The 2005 Scheme**

The Company adopted the 2005 Scheme at its AGM held on 10 May 2005, which has a term of 10 years and expired on 9 May 2015. All outstanding options granted under the 2005 Scheme will continue to be valid and exercisable in accordance with the provisions of the 2005 Scheme.

The purpose of the 2005 Scheme is to provide an incentive for employees of the Company and its wholly-owned subsidiaries to work with commitment towards enhancing the value of the Company and its shares for the benefit of its shareholders.

Under the 2005 Scheme, options to subscribe for ordinary shares of the Company may be granted to employees of the Company or any wholly-owned subsidiaries (including Executive Director) and such other persons as the Board may consider appropriate from time to time, on the basis of their contribution to the development and growth of the Company and its subsidiaries.

The maximum number of shares in respect of which options may be granted under the 2005 Scheme and any other share option scheme of the Company shall not exceed such number of shares as required under the Listing Rules, currently being 10% of the shares in issue as at 10 May 2005, the date of the AGM approving the 2005 Scheme (being 104,996,365 shares).

The maximum entitlement of each participant under the 2005 Scheme must not during any 12-month period exceed such number of shares as required under the Listing Rules (which is 1% of the total shares in issue as at the date of shareholder approval, being 10,499,636 shares). The exercise price shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; and (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant.

Consideration on each grant of option is HK\$1 and is required to be paid within 30 days from the date of grant of options, with full payment for exercise price to be made on exercise of the relevant options.

### 37. SHARE-BASED PAYMENT TRANSACTIONS continued

#### (a) Equity-settled share option scheme continued

##### The New Scheme

The Company adopted the New Scheme (together with the 2005 Scheme are referred to as the “Schemes”) at its AGM held on 15 May 2015, which has a term of 10 years and will expire on 14 May 2025. Terms of the New Scheme are substantially the same as those under the 2005 Scheme.

The purpose of the New Scheme is to provide an incentive for employees of the Company and its subsidiaries to work with commitment towards enhancing the value of the Company and its shares for the benefit of its shareholders.

Under the New Scheme, options to subscribe for ordinary shares of the Company may be granted to employees of the Company or any subsidiaries (including Executive Director) and such other persons as the Board may consider appropriate from time to time, on the basis of their contribution to the development and growth of the Company and its subsidiaries.

The maximum number of shares in respect of which options may be granted under the New Scheme and any other share option schemes of the Company shall not in aggregate exceed such number of shares as required under the Listing Rules, currently being 10 % of the shares in issue as at 15 May 2015, the date of the AGM approving the New Scheme (being 106,389,669 shares). Under the Listing Rules, a listed issuer may seek approval by its shareholders in general meeting for “refreshing” the 10 % limit under the scheme. The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company must not exceed 30 % of the shares in issue from time to time (or such number of shares as required under the Listing Rules). No options may be granted if such grant will result in this 30 % limit being exceeded.

The maximum entitlement of each participant under the New Scheme must not during any 12-month period exceed such number of shares as required under the Listing Rules (which is 1 % of the total shares in issue as at the date of shareholder approval, being 10,638,966 shares). The exercise price shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant; and (ii) the average of the closing prices of the shares as stated in the Stock Exchange’s daily quotations sheets for the 5 business days immediately preceding the date of grant. Consideration on each grant of option is HK\$1 and is required to be paid within 30 days from the date of grant of options, with full payment for exercise price to be made on exercise of the relevant options.

During the year, a total of 1,607,000 (2020: 1,602,000) share options were granted under the New Scheme. The 2005 Scheme expired on 9 May 2015 and no further option will be granted under the 2005 Scheme.

#### (b) Grant and vesting structures

Under the Company’s current policy, grants will be made on a periodic basis. For the Schemes, the exercise period is 10 years and vesting period is 3 years in equal proportions starting from the 1st anniversary and become fully vested on the 3rd anniversary of the grant. Size of grant will be determined by reference to base salary multiple and job grades. A clear performance criterion will be a key driver. The Board will review the grant and vesting structures from time to time.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 December 2021

### 37. SHARE-BASED PAYMENT TRANSACTIONS continued

#### (c) Movement of share options

The following table discloses movements of the Company's share options held by the Director and eligible employees during the current year:

Name	Date of grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2021	Changes during the year			Balance as at 31.12.2021
					Granted	Exercised	Cancelled/ lapsed (Note b)	
<b>2005 Scheme</b>								
<b>Executive Director</b>								
Lee Irene Yun-Lien	14.5.2012	33.50	14.5.2013 – 13.5.2022	87,000	–	–	–	87,000
	7.3.2013	39.92	7.3.2014 – 6.3.2023	265,000	–	–	–	265,000
	10.3.2014	32.84	10.3.2015 – 9.3.2024	325,000	–	–	–	325,000
	12.3.2015	36.27	12.3.2016 – 11.3.2025	300,000	–	–	–	300,000
<b>Eligible employees (Note c)</b>								
	31.3.2011	32.00	31.3.2012 – 30.3.2021	32,000	–	–	(32,000)	–
	30.3.2012	31.61	30.3.2013 – 29.3.2022	70,000	–	–	–	70,000
	28.3.2013	39.20	28.3.2014 – 27.3.2023	85,000	–	–	–	85,000
	31.3.2014	33.75	31.3.2015 – 30.3.2024	46,000	–	–	–	46,000
	31.3.2015	34.00	31.3.2016 – 30.3.2025	62,667	–	–	(1,667)	61,000
				<b>1,272,667</b>	<b>–</b>	<b>–</b>	<b>(33,667)</b>	<b>1,239,000</b>

### 37. SHARE-BASED PAYMENT TRANSACTIONS *continued*

#### (c) Movement of share options *continued*

Name	Date of grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2021	Changes during the year			Balance as at 31.12.2021
					Granted	Exercised	Cancelled/lapsed (Note b)	
<b>New Scheme</b>								
<b>Executive Directors</b>								
Lee Irene Yun-Lien	9.3.2016	33.15	9.3.2017 – 8.3.2026	375,000	–	–	–	375,000
	23.2.2017	36.25	23.2.2018 – 22.2.2027	300,000	–	–	–	300,000
	1.3.2018	44.60	1.3.2019 – 29.2.2028	373,200	–	–	–	373,200
	22.2.2019	42.40	22.2.2020 – 21.2.2029	494,200	–	–	–	494,200
	21.2.2020	29.73	21.2.2021 – 20.2.2030	650,000	–	–	–	650,000
	26.2.2021	33.05 (Note e)	26.2.2022 – 25.2.2031	–	664,000	–	–	664,000
Lui Kon Wai (Note g)	29.3.2018	41.50	29.3.2019 – 28.3.2028	179,000	–	–	–	179,000
	29.3.2019	42.05	29.3.2020 – 28.3.2029	203,000	–	–	–	203,000
	31.3.2020	25.20	31.3.2021 – 30.3.2030	262,000	–	–	–	262,000
	31.3.2021	30.40 (Note f)	31.3.2022 – 30.3.2031	–	267,000	–	–	267,000
<b>Eligible employees</b> (Note c)	31.3.2016	33.05	31.3.2017 – 30.3.2026	125,000	–	–	(19,000)	106,000
	31.3.2017	35.33	31.3.2018 – 30.3.2027	244,667	–	–	(36,000)	208,667
	29.3.2018	41.50	29.3.2019 – 28.3.2028	315,000	–	–	(55,000)	260,000
	29.3.2019	42.05	29.3.2020 – 28.3.2029	555,000	–	–	(162,000)	393,000
	31.3.2020	25.20	31.3.2021 – 30.3.2030	690,000	–	(57,332) (Note d)	(134,668)	498,000
	31.3.2021	30.40 (Note f)	31.3.2022 – 30.3.2031	–	676,000	–	(65,000)	611,000
				<b>4,766,067</b>	<b>1,607,000</b>	<b>(57,332)</b>	<b>(471,668)</b>	<b>5,844,067</b>
<b>Exercisable at the end of the year</b>								<b>4,234,317</b>

#### Notes:

- All options granted have a vesting period of 3 years in equal proportions starting from the 1st anniversary and become fully vested on the 3rd anniversary of the grant. In this table, "exercise period" begins with the 1st anniversary of the grant date.
- The options lapsed during the year upon resignations of certain eligible employees or the end of the period during which the options are exercisable.
- Eligible employees are those working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance.
- The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$30.58.
- The closing price of the shares of the Company immediately before the date of grant (i.e. as of 25 February 2021) was HK\$33.25.
- The closing price of the shares of the Company immediately before the date of grant (i.e. as of 30 March 2021) was HK\$31.50.
- Lui Kon Wai, currently Chief Operating Officer, was appointed as Executive Director with effect from 1 October 2021.

In respect of the share options exercised during the year ended 31 December 2021, the weighted average share price at the dates of exercise was HK\$30.41.

Apart from the above, the Company had not granted any share option under the Schemes to any other person as required to be disclosed under Rule 17.07 of the Listing Rules in 2021.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 December 2021

### 37. SHARE-BASED PAYMENT TRANSACTIONS continued

#### (c) Movement of share options continued

The following table discloses movements of the Company's share options held by the Director and eligible employees in prior year:

Name	Date of grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2020	Changes during the year			Balance as at 31.12.2020
					Granted	Exercised	Cancelled/ lapsed (Note b)	
<b>2005 Scheme</b>								
<b>Executive Director</b>								
Lee Irene Yun-Lien	14.5.2012	33.50	14.5.2013 – 13.5.2022	87,000	–	–	–	87,000
	7.3.2013	39.92	7.3.2014 – 6.3.2023	265,000	–	–	–	265,000
	10.3.2014	32.84	10.3.2015 – 9.3.2024	325,000	–	–	–	325,000
	12.3.2015	36.27	12.3.2016 – 11.3.2025	300,000	–	–	–	300,000
<b>Eligible employees (Note c)</b>								
	31.3.2010	22.45	31.3.2011 – 30.3.2020	50,000	–	(50,000) (Note d)	–	–
	31.3.2011	32.00	31.3.2012 – 30.3.2021	32,000	–	–	–	32,000
	30.3.2012	31.61	30.3.2013 – 29.3.2022	70,000	–	–	–	70,000
	28.3.2013	39.20	28.3.2014 – 27.3.2023	85,000	–	–	–	85,000
	31.3.2014	33.75	31.3.2015 – 30.3.2024	46,000	–	–	–	46,000
	31.3.2015	34.00	31.3.2016 – 30.3.2025	62,667	–	–	–	62,667
				<b>1,322,667</b>	<b>–</b>	<b>(50,000)</b>	<b>–</b>	<b>1,272,667</b>



### 37. SHARE-BASED PAYMENT TRANSACTIONS *continued*

#### (c) Movement of share options *continued*

Name	Date of grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2020	Changes during the year			Balance as at 31.12.2020
					Granted	Exercised	Cancelled/lapsed (Note b)	
<b>New Scheme</b>								
<b>Executive Director</b>								
Lee Irene Yun-Lien	9.3.2016	33.15	9.3.2017 – 8.3.2026	375,000	–	–	–	375,000
	23.2.2017	36.25	23.2.2018 – 22.2.2027	300,000	–	–	–	300,000
	1.3.2018	44.60	1.3.2019 – 29.2.2028	373,200	–	–	–	373,200
	22.2.2019	42.40	22.2.2020 – 21.2.2029	494,200	–	–	–	494,200
	21.2.2020	29.73 (Note e)	21.2.2021 – 20.2.2030	–	650,000	–	–	650,000
<b>Eligible employees (Note c)</b>								
	31.3.2016	33.05	31.3.2017 – 30.3.2026	125,000	–	–	–	125,000
	31.3.2017	35.33	31.3.2018 – 30.3.2027	244,667	–	–	–	244,667
	29.3.2018	41.50	29.3.2019 – 28.3.2028	496,000	–	–	(2,000)	494,000
	29.3.2019	42.05	29.3.2020 – 28.3.2029	762,000	–	–	(4,000)	758,000
	31.3.2020	25.20 (Note f)	31.3.2021 – 30.3.2030	–	952,000	–	–	952,000
				<b>3,170,067</b>	<b>1,602,000</b>	<b>–</b>	<b>(6,000)</b>	<b>4,766,067</b>
Exercisable at the end of the year								<b>3,312,853</b>

#### Notes:

- All options granted have a vesting period of 3 years in equal proportions starting from the 1st anniversary and become fully vested on the 3rd anniversary of the grant. In this table, “exercise period” begins with the 1st anniversary of the grant date.
- The options lapsed during the year upon resignations of certain eligible employees.
- Eligible employees are working under employment contracts that are regarded as “continuous contracts” for the purposes of the Employment Ordinance.
- The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$28.40.
- The closing price of the shares of the Company immediately before the date of grant (i.e. as of 20 February 2020) was HK\$29.55.
- The closing price of the shares of the Company immediately before the date of grant (i.e. as of 30 March 2020) was HK\$23.85.

In respect of the share options exercised during the year ended 31 December 2020, the weighted average share price at the dates of exercise was HK\$28.35.

Apart from the above, the Company had not granted any share option under the Schemes to any other person as required to be disclosed under Rule 17.07 of the Listing Rules in 2020.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 December 2021

### 37. SHARE-BASED PAYMENT TRANSACTIONS continued

#### (d) Fair values of share options

The Group has applied HKFRS 2 to account for its share options granted. In accordance with HKFRS 2, fair value of share options granted to employees determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the Group's share options reserve. In the current year, the Group recognized the share option expenses of HK\$5 million (2020: HK\$4 million) in relation to share options granted by the Company, of which HK\$4 million (2020: HK\$2 million) related to the Director (see note 11 of the Notes to Consolidated Financial Statements section), with a corresponding adjustment recognized in the Group's share options reserve.

The fair values of share options granted by the Company were determined by using Black-Scholes option pricing model (the "Model"). The Model is one of the commonly used models to estimate the fair value of an option. The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

The inputs into the Model were as follows:

Date of grant	31.3.2021	26.2.2021	31.3.2020	21.2.2020
Closing share price at the date of grant	HK\$30.400	HK\$33.050	HK\$25.200	HK\$29.250
Exercise price	HK\$30.400	HK\$33.050	HK\$25.200	HK\$29.730
Risk free rate (Note a)	0.817%	0.726%	0.528%	1.172%
Expected life of option (Note b)	5 years	5 years	5 years	5 years
Expected volatility (Note c)	27.100%	26.899%	18.518%	18.013%
Expected dividend per annum (Note d)	HK\$1.408	HK\$1.388	HK\$1.384	HK\$1.384
Estimated fair values per share option	HK\$4.770	HK\$5.560	HK\$2.060	HK\$2.520

Notes:

- Risk free rate: being the approximate yields of 5-year Exchange Fund Notes traded on the date of grant, matching the expected life of each option.
- Expected life of option: being the period of 5 years commencing on the date of grant, based on management's best estimates for the effects of non-transferability, exercise restriction and behavioural consideration.
- Expected volatility: being the appropriate historical volatility of closing prices of the shares of the Company over the past 5 years immediately before the date of grant.
- Expected dividend per annum: being the approximate average annual cash dividend over the past 5 financial years.

### 38. SUBSEQUENT EVENTS

On 4 January 2022, Hysan (Shanghai) Limited, an indirect wholly-owned subsidiary of the Company, completed the acquisition of asset through an acquisition of Scorecity Investments Limited (the "Acquisition"), being an indirect holder of a commercial complex located at Nos. 668 and 688 Xinzha Road, Shanghai, the PRC. Upon the completion of the Acquisition, Scorecity Investments Limited became an indirect wholly-owned subsidiary of the Company.

On 25 January 2022, Patchway Holdings (HK) Limited, a 60% owned-subsiary of the Company, entered into a facility agreement with several banks for an aggregate facility amounted to HK\$12,951 million. The proceeds from such facilities are expected to be used for refinancing up to 40% of the total sum of land premium paid and 80% of construction cost and the related professional fees in connection with the Group's investment properties under development.

On 7 February 2022, Lucida Enterprises Limited, an indirect wholly-owned subsidiary of the Company, entered into the shareholder's agreement to subscribe 25% of the enlarged issued share capital of Nation Star Development Limited ("Nation Star"). Nation Star won the tender of the development of the land known as Kowloon Inland Lot No. 11279 in October 2021. Upon completion, Nation Star will be accounted for in the Group's future consolidated financial statements by applying equity accounting method.

# Financial Risk Management

For the year ended 31 December 2021

## 1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include loans to associates, loans to a joint venture, other financial investments, debt securities, accounts and other receivables, time deposits, cash and cash equivalents, accounts payable and accruals, amounts due to non-controlling interests, borrowings and derivative financial instruments. Details of these financial instruments are disclosed in respective Notes to the Consolidated Financial Statements section. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

### (a) Credit risk and impairment assessment

The credit risk of the Group is primarily attributable to loans to associates, loans to a joint venture, accounts and other receivables, derivative financial instruments, debt securities, time deposits and bank balances. The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position.

The Group reviewed and assessed the Group's existing financial assets and financial guarantee contract for impairment using reasonable, supportable and forward-looking information that is available without undue cost or effort in accordance with HKFRS 9. For the purpose of internal credit risk management, the Group uses financial information (such as historical settlement records, past due records, deposits held or other credit enhancement) to assess whether credit risk has increased significantly since initial recognition.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Accounts receivables	Other financial assets
Performing	The counterparty has a low credit risk of default or does not have any past-due amounts	Lifetime Expected Credit Losses ("ECL") – not credit-impaired	12-month ECL – not credit-impaired
Non-performing	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

### Loans to associates and a joint venture

The Group regularly monitors the business performance of the associates and joint venture. The Group's credit risk in these balances are mitigated through the value of the assets held by these entities and the power to participate or jointly control the relevant activities of these entities. As at 31 December 2021, these loans with gross carrying amount of HK\$1,272 million (2020: HK\$1,170 million) are considered to be performing and were assessed individually based on 12-month ECL.

### Accounts and other receivables

Credit checks on tenants are part of the normal leasing process and stringent monitoring procedures are in place to deal with overdue debts. In addition, the Group reviews the expected credit losses of each individual debt, after taking into consideration the deposits from tenants, at the end of each reporting period. Deposits of acquisition of a subsidiary were held in escrow by financial institution with strong credit rating. As at 31 December 2021, accounts and other receivables with gross carrying amount of HK\$2,722 million (2020: HK\$828 million) are considered to be performing and were assessed individually based on the respective lifetime ECL and 12-month ECL.

## FINANCIAL RISK MANAGEMENT continued

For the year ended 31 December 2021

### 1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

#### (a) Credit risk and impairment assessment continued

##### Debt securities, time deposits, bank balances and derivative financial instruments

Credit exposure to financial institutions and debt securities issuers are monitored and reported regularly to the management. The exposure to each counterparty comprised (i) investment value of financial assets (including bank balances, time deposits and debt securities); (ii) net positive value of derivative financial instruments and; (iii) potential exposures to derivatives which are based on the remaining term and the notional amount of the derivative financial instruments.

The Group only deals with financial institutions and invests in debt securities issued by issuers that have strong credit ratings to mitigate counterparty risk. As at 31 December 2021, debt securities, time deposits and bank balances and derivative financial instruments with gross carrying amount of HK\$9,429 million (2020: HK\$25,389 million) were assessed individually based on 12-month ECL and considered to be performing as all financial institutions that the Group dealt with. Time deposits, bank balances and debt securities invested in had credit ratings A or above as rated by international credit rating agencies. In order to limit exposure to each financial institution and debt securities issuers, an exposure limit was set with each counterparty according to their external credit rating with regular review by management.

Other than concentration of credit risk on loans to associates and a joint venture, the Group does not have any other significant concentration of credit risk.

No credit loss is provided for except for loans to a joint venture and debt securities. A reconciliation of loss allowances recognized is presented below.

	Loss allowance for	
	Loans to a joint venture HK\$ million	Debt securities HK\$ million
As at 1 January 2020	6	4
Net impairment loss under ECL model	–	7
As at 31 December 2020	6	11
Net impairment loss under ECL model	–	(8)
<b>As at 31 December 2021</b>	<b>6</b>	<b>3</b>

The maximum exposure to credit risk is represented by the carrying amount of each financial asset at amortized cost in the consolidated statement of financial position after deducting any impairment allowance. Besides, the Group is also exposed to credit risk arising from the corporate financial guarantees which will cause a financial loss to the Group if the guarantee is called out.

In respect of the financial guarantee contract, the credit risk exposures of the Group is assessed under 12-month ECL and concluded that the loss given default of the counter party, a joint venture, is insignificant and accordingly, no allowance of credit loss is provided. Details of the Group's credit risk maximum exposure are set out in note 1(b) of the Financial risk management objectives and policies section.

## 1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

### (b) Liquidity risk

The Group closely monitors its liquidity requirements and the sufficiency of cash and available banking facilities so as to ensure that the payment obligations are met.

The following table details the remaining contractual maturity of the Group for its non-derivative financial liabilities based on the agreed repayment terms. Maturity of the Group's financial guarantee contract is presented separately. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay. The table includes both interest and principal cash flows. The interest payments are computed using contractual rates or, if floating, based on the prevailing market rate at the end of the reporting period. For cash flows denominated in currency other than Hong Kong dollars ("HKD"), the prevailing foreign exchange rates at the end of the reporting period are used to convert the cash flows into HKD.

	Carrying amount HK\$ million	Total contractual undiscounted cash flow HK\$ million	Within 1 year or on demand HK\$ million	More than 1 year but not exceeding 2 years HK\$ million	More than 2 years but not exceeding 5 years HK\$ million	More than 5 years HK\$ million
<b>As at 31 December 2021</b>						
<b>Non-derivative financial liabilities</b>						
Accounts payable and accruals	(820)	(820)	(820)	–	–	–
Deposits from tenants	(918)	(918)	(372)	(249)	(262)	(35)
Amounts due to non-controlling interests	(7,853)	(8,125)	(214)	(3,164)	–	(4,747)
Unsecured bank loans	(1,561)	(1,309)	(14)	(514)	(781)	–
Unsecured fixed rate notes	(17,096)	(20,658)	(1,050)	(3,210)	(3,366)	(13,032)
	<b>(28,248)</b>	<b>(31,830)</b>	<b>(2,470)</b>	<b>(7,137)</b>	<b>(4,409)</b>	<b>(17,814)</b>
<b>As at 31 December 2020</b>						
<b>Non-derivative financial liabilities</b>						
Accounts payable and accruals	(931)	(931)	(931)	–	–	–
Deposits from tenants	(974)	(974)	(377)	(290)	(260)	(47)
Amounts due to non-controlling interests	(217)	(217)	(217)	–	–	–
Unsecured bank loans	(2,353)	(2,428)	(22)	(817)	(1,589)	–
Unsecured fixed rate notes	(16,617)	(20,673)	(521)	(1,042)	(5,478)	(13,632)
	<b>(21,092)</b>	<b>(25,223)</b>	<b>(2,068)</b>	<b>(2,149)</b>	<b>(7,327)</b>	<b>(13,679)</b>

Note:

In addition to the items as set out in the above liquidity risk table, the maximum amount the Group could be required to settle under a financial guarantee provided by the Group in respect of banking facilities granted to a joint venture is HK\$3,000 million as at 31 December 2021 and 2020, if such amount is claimed by the counterparty to the guarantee at any time within the guaranteed period. Based on expectations at the end of the reporting period, the Directors of the Company consider that it is more likely than not that no amount will be payable by the Group under such financial guarantee arrangement.

## FINANCIAL RISK MANAGEMENT continued

For the year ended 31 December 2021

### 1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

#### (b) Liquidity risk continued

The following table details the Group's remaining contractual maturity for its derivative financial instruments. The table has been drawn up based on the undiscounted gross inflows (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the prevailing market rate at the end of the reporting period. For cash flows denominated in currency other than HKD, the prevailing foreign exchange rates at the end of the reporting period are used to convert the cash flows into HKD.

	Carrying amount HK\$ million	Total contractual undiscounted cash flow HK\$ million	Within 1 year or on demand HK\$ million	More than 1 year but not exceeding 2 years HK\$ million	More than 2 years but not exceeding 5 years HK\$ million	More than 5 years HK\$ million
<b>As at 31 December 2021</b>						
<b>Derivative settled net</b>						
Interest rate swaps	(70)	(14)	13	21	(34)	(14)
<b>Derivative settled gross</b>						
Cross currency swaps	(71)					
Outflow		(13,497)	(351)	(2,613)	(800)	(9,733)
Inflow		13,447	344	2,642	786	9,675
<b>As at 31 December 2020</b>						
<b>Derivative settled gross</b>						
Cross currency swaps	(183)					
Outflow		(13,848)	(351)	(351)	(3,147)	(9,999)
Inflow		13,712	342	342	3,147	9,881

#### (c) Interest rate risk

The Group manages its interest rate exposure by assessing the potential impact on the Group's financial position arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed rates and floating rates and ensure that they are within an appropriate range. The Group is exposed to fair value interest rate risk in relation to fixed rate debt securities (see note 21 of the Notes to Consolidated Financial Statements section).

As at 31 December 2021, about 25 % (2020: 12.0 %) of the Group's gross debts was effectively on a floating rate basis. The ratio could be adjusted according to views about changes in the interest rate trend going forward. In addition, the Group is exposed to cash flow interest rate risk as the interest income derived from time deposits and bank balances is subject to interest rate changes. Other than the concentration of interest rate risk related to the movements in Hong Kong Interbank Offered Rate, the Group has no significant concentration of interest rate risk.

As at 31 December 2021, included in the Group's borrowings is an unsecured USD bank loan amounted to HK\$466 million carrying variable interests with reference to the London Interbank Offered Rate that may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators. The management of the Group considers the impact of the interest rate benchmark reform to the Group's financial position and financial performance will not be significant.

#### Sensitivity analysis

The sensitivity analysis below has been determined assuming that the change in interest rates had occurred at the end of the reporting period and all other variables were held constant. Such change has been applied to non-derivative financial instruments that would have affected the profit or loss and equity. A change of +100 and -25 basis points ("bps") (2020: +100 and -25 basis points) was applied to the HKD and US dollars ("USD") yield curves at the end of the reporting period. The applied change of bps represented management's assessment of the reasonably possible change in interest rates based on the current market conditions.

## 1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

### (c) Interest rate risk continued

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the year end exposure does not reflect the exposure during the year.

	Increase (decrease) in profit or loss		Increase (decrease) in equity	
	bps increase HK\$ million	bps decrease HK\$ million	bps increase HK\$ million	bps decrease HK\$ million
<b>As at 31 December 2021</b>	<b>(8)</b>	<b>2</b>	<b>41</b>	<b>(11)</b>
<b>As at 31 December 2020</b>	<b>(16)</b>	<b>4</b>	<b>18</b>	<b>(3)</b>

### (d) Currency risk

The Group aims to minimize its currency risk and does not speculate in currency movements for debt management. To cover foreign exchange exposures arising from debts, the Group's foreign currency denominated monetary liabilities may be hedged back to HKD unless the liabilities are naturally hedged by the underlying asset in the same foreign currency. In managing the Group's monetary assets, the Group limits the aggregate net foreign currency exposures to a certain threshold. Exposures exceeding that threshold will be hedged back to HKD. The majority of the Group's assets are located and all rental income and management fee income are derived in Hong Kong, and denominated in HKD. At the end of the reporting period, the Group has the following monetary assets and monetary liabilities denominated in USD. The Group's unsecured fixed rate notes are hedged by cross currency swaps.

	2021		2020	
	US\$ million	Total equivalent to HK\$ million	US\$ million	Total equivalent to HK\$ million
<b>Assets</b>				
Cash	213	1,660	12	96
Time deposits	–	–	30	230
Debt securities	130	1,014	59	454
Other financial investments	228	1,780	102	789
	<b>571</b>	<b>4,454</b>	<b>203</b>	<b>1,569</b>
<b>Liabilities</b>				
Bank loan	60	466	60	463
Unsecured fixed rate notes	1,425	11,043	1,425	10,971
	<b>1,485</b>	<b>11,509</b>	<b>1,485</b>	<b>11,434</b>

Other than concentration of currency risk of the above items denominated in USD (2020: USD), the Group has no other significant currency risk.

The Group has entered into appropriate hedging instruments, mentioned in note 22 of the Notes to the Consolidated Financial Statements section, to hedge against part of the potential currency risk of the above items. The Group reviews the continuing effectiveness of hedging instruments at least at the end of the reporting period and until the hedging instrument expires or is terminated or the hedge no longer meets the criteria for hedge accounting.

## FINANCIAL RISK MANAGEMENT continued

For the year ended 31 December 2021

### 1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

#### (d) Currency risk continued

##### Sensitivity analysis

The sensitivity analysis below has been determined assuming that a change in exchange rate had occurred at the end of the reporting period and all other variable were held constant. Such change has been applied to both derivative and non-derivative financial instruments that would have affected the profit or loss and other comprehensive income. Change of 500 percentage in points (“pips”) (2020: 500 pips) was applied to the HKD: USD (2020: HKD: USD) spot and forward rates at the end of the reporting period.

In management’s opinion, the sensitivity analysis is unrepresentative of the currency risk as the year end exposure does not reflect the exposure during the year.

	Increase (decrease) in profit or loss		Increase (decrease) in other comprehensive income	
	pips increase HK\$ million	pips decrease HK\$ million	pips increase HK\$ million	pips decrease HK\$ million
<b>As at 31 December 2021</b>				
USD	18	(18)	7	(7)
<b>As at 31 December 2020</b>				
USD	7	(7)	83	(83)

#### (e) Other price risk

The Group is exposed to other price risk through its investment in equity security measured at fair value through other comprehensive income (“FVTOCI”) and fund investment measured at fair value through profit or loss (“FVTPL”). The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

##### Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date. If the price of the equity security had been 5 % higher/lower, the other comprehensive income for the year ended 31 December 2021 would increase/decrease by HK\$74 million (2020: HK\$25 million) as a result of the changes in fair value of investment as at FVTOCI.

### 2. CATEGORIES OF FINANCIAL INSTRUMENTS

	2021 HK\$ million	2020 HK\$ million
<b>Financial assets</b>		
FVTPL	308	293
FVTOCI	1,473	497
Derivative instrument under hedge accounting	8	–
Amortized cost (including cash and cash equivalents)	10,672	26,731
	<b>12,461</b>	<b>27,521</b>
<b>Financial liabilities</b>		
Derivative instruments under hedge accounting	149	183
Amortized cost	28,248	21,092
	<b>28,397</b>	<b>21,275</b>



### 3. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO ENFORCEABLE MASTER NETTING ARRANGEMENTS OR SIMILAR AGREEMENTS

The Group has entered certain derivative transactions that are covered by the International Swaps and Derivatives Association Master Agreements (“ISDA Agreements”) signed with various banks. These derivative instruments are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognized amounts. Other than derivatives transactions mentioned above, the Group has no other financial assets and financial liabilities which are offset in the Group’s consolidated statement of financial statements or are subject to similar netting arrangements.

#### (a) Financial assets subject to enforceable master netting arrangements or similar agreements

	Gross amounts of recognized financial assets HK\$ million	Gross amounts of recognized financial liabilities set off in the consolidated statement of financial position HK\$ million	Net amounts of financial assets presented in the consolidated statement of financial position HK\$ million
<b>As at 31 December 2021</b>			
Derivatives under hedge accounting	8	–	8
<b>As at 31 December 2020</b>			
Derivatives under hedge accounting	–	–	–

#### (b) Net financial assets subject to enforceable master netting arrangements or similar agreements, by counterparty

	Net amounts of financial assets presented in the consolidated statement of financial position HK\$ million	Financial liabilities not set off in the consolidated statement of financial position HK\$ million	Net amount HK\$ million
<b>As at 31 December 2021</b>			
Counterparty A	8	(8)	–
<b>As at 31 December 2020</b>			
Counterparty A	–	–	–

#### (c) Financial liabilities subject to enforceable master netting arrangements or similar agreements

	Gross amounts of recognized financial liabilities HK\$ million	Gross amounts of recognized financial assets set off in the consolidated statement of financial position HK\$ million	Net amounts of financial liabilities presented in the consolidated statement of financial position HK\$ million
<b>As at 31 December 2021</b>			
Derivatives under hedge accounting	(149)	–	(149)
<b>As at 31 December 2020</b>			
Derivatives under hedge accounting	(183)	–	(183)

## FINANCIAL RISK MANAGEMENT continued

For the year ended 31 December 2021

### 3. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO ENFORCEABLE MASTER NETTING ARRANGEMENTS OR SIMILAR AGREEMENTS continued

#### (d) Net financial liabilities subject to enforceable master netting arrangements and similar agreements, by counterparty

	Net amounts of financial liabilities presented in the consolidated statement of financial position HK\$ million	Financial assets not set off in the consolidated statement of financial position HK\$ million	Net amount HK\$ million
<b>As at 31 December 2021</b>			
Counterparty A	(22)	8	(14)
Counterparty B	(60)	–	(60)
Counterparty C	(31)	–	(31)
Counterparty D	(27)	–	(27)
Counterparty E	(9)	–	(9)
	<b>(149)</b>	<b>8</b>	<b>(141)</b>
<b>As at 31 December 2020</b>			
Counterparty A	(32)	–	(32)
Counterparty B	(36)	–	(36)
Counterparty C	(36)	–	(36)
Counterparty D	(66)	–	(66)
Counterparty E	(13)	–	(13)
	<b>(183)</b>	<b>–</b>	<b>(183)</b>

### 4. FAIR VALUE MEASUREMENT

#### (a) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The fair values of financial assets and financial liabilities measured at amortized cost are determined in accordance with generally accepted pricing models based on discounted cash flow methodology taking into account the market interest rate and credit risk of the counterparties and of the Group as appropriate.

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortized cost in the consolidated financial statements approximate their fair values, except for the carrying amount of HK\$17,096 million (2020: HK\$16,617 million) unsecured fixed rate notes as stated in note 27 of the Notes to the Consolidated Financial Statements section with fair value of HK\$17,830 million (2020: HK\$17,432 million).

The fair value of HK\$11,453 million (2020: HK\$11,476 million) of the unsecured fixed rate notes is categorized into Level 1 of the fair value hierarchy, in which the fair value was derived from quoted prices in an active market translated at the spot foreign exchange rate of the respective currency at year end.

The fair value of HK\$6,377 million (2020: HK\$5,956 million) of the unsecured fixed rate notes is categorized into Level 2 of the fair value hierarchy, in which the fair value was measured using discounted cash flow methodology based on observable yield curves of the respective currency taking into account the credit margin of the Group as appropriate.

#### 4. FAIR VALUE MEASUREMENT continued

##### (b) Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured at fair value on a recurring basis, grouped into Levels 1 to 3 based on the degree to which the inputs to the fair value measurements are observable.

	2021			
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
<b>Financial assets</b>				
<b>Financial assets at FVTPL</b>				
Unlisted club debenture	–	1	–	1
Fund investment	–	–	307	307
<b>Financial asset at FVTOCI</b>				
Listed investment in equity security	268	–	–	268
Unlisted investment in equity securities	–	–	1,205	1,205
<b>Derivatives under hedge accounting</b>				
Cross currency swaps	–	8	–	8
<b>Total</b>	<b>268</b>	<b>9</b>	<b>1,512</b>	<b>1,789</b>
<b>Financial liabilities</b>				
<b>Derivatives under hedge accounting</b>				
Cross currency swaps	–	79	–	79
Interest rate swaps	–	70	–	70
<b>Total</b>	<b>–</b>	<b>149</b>	<b>–</b>	<b>149</b>
<b>2020</b>				
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
<b>Financial assets</b>				
<b>Financial assets at FVTPL</b>				
Unlisted club debenture	–	1	–	1
Fund investment	–	–	292	292
<b>Financial asset at FVTOCI</b>				
Listed investment in equity security	200	–	–	200
Unlisted investment in equity security	–	–	297	297
<b>Total</b>	<b>200</b>	<b>1</b>	<b>589</b>	<b>790</b>
<b>Financial liability</b>				
<b>Derivative under hedge accounting</b>				
Cross currency swap	–	183	–	183

## FINANCIAL RISK MANAGEMENT continued

For the year ended 31 December 2021

### 4. FAIR VALUE MEASUREMENT continued

#### (c) Reconciliation of Level 3 fair value measurement of financial asset

	Fund investment HK\$ million	Unlisted investment in equity security HK\$ million
As at 1 January 2020	366	–
Addition	10	257
Return of capital	(81)	–
Loss recognized in profit or loss	(3)	–
Profit recognized in other comprehensive income	–	40
As at 31 December 2020	292	297
Addition	20	662
Loss recognized in profit or loss	(5)	–
Profit recognized in other comprehensive income	–	246
<b>As at 31 December 2021</b>	<b>307</b>	<b>1,205</b>

There were no transfers between these three levels during the year.

The unrealized fair value loss of HK\$5 million (2020: unrealized fair value loss of HK\$3 million) relating to fund investment at fair value through profits or loss is included in other gains and losses.

#### (d) Valuation techniques and inputs used in fair value measurements

Cross currency swaps are measured using discounted cash flow methodology based on observable spot and forward exchange rates as well as the yield curves of the respective currencies taking into account the credit risk of the counterparties and of the Group as appropriate.

Financial assets grouped in Level 3 are measured with reference to underlying assets and liabilities as at the end of the reporting period and other valuation techniques including market approach, taking into account different multiples such as price per earnings multiples of comparable listed companies, where relevant. If there is lack of marketability, a discount is applied in determining the fair value. A slight increase in lack of marketability discount would result in a slight decrease in the fair value of the unlisted investment in equity securities, vice versa.

#### (e) Valuation process of Level 3 fair value measurements of financial assets

At the end of the reporting period, the management of the Group obtains the valuation techniques and inputs for Level 3 fair value measurements in relation to the fund investment and its underlying assets and liabilities. The Group engages independent qualified professional valuer to perform the valuation for investment in equity security. Where there is a material change in the fair value of the financial assets grouped in Level 3, analysis will be performed and the causes of the fluctuations will be reported to the Directors of the Company.

## 5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The Group monitors its capital structure on the basis of a net debt to equity ratio. For this purpose, the Group defines net debt as borrowings as shown in the consolidated statement of financial position less time deposits, cash and cash equivalents.

The management reviews the Group's net debt to equity ratio regularly and adjusts the ratio through the payment of dividends, the issue of new share, perpetual capital securities or debt, the repurchase of shares and the redemption of existing perpetual capital securities or debt.

The net debt to equity ratio at the year end was as follows:

	2021 HK\$ million	2020 HK\$ million
Unsecured bank loans	1,561	2,353
Unsecured fixed rate notes	17,096	16,617
Borrowings	18,657	18,970
Less: Time deposits	(1,866)	(10,546)
Cash and cash equivalents	(6,538)	(14,389)
Net debt (cash)	10,253	(5,965)
Total equity	87,885	87,449
Net debt to equity	11.7%	N/A

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

# Five-Year Financial Summary

For the year ended 31 December

	2021 HK\$ million	2020 HK\$ million	2019 HK\$ million (Note a)	2018 HK\$ million (Note b)	2017 HK\$ million
<b>Results</b>					
Turnover	3,608	3,710	3,988	3,890	3,548
Property expenses	(499)	(490)	(536)	(523)	(449)
Gross profit	3,109	3,220	3,452	3,367	3,099
Other income	–	–	–	–	261
Investment income	92	272	154	78	69
Other gains and losses	(8)	5	10	(16)	–
Administrative expenses	(274)	(268)	(269)	(227)	(247)
Finance costs	(393)	(546)	(313)	(222)	(158)
Change in fair value of investment properties	(720)	(4,903)	792	3,532	853
Share of results of associates	458	225	1,733	288	220
Share of results of joint ventures	(3)	–	–	–	–
Profit (loss) before taxation	2,261	(1,995)	5,559	6,800	4,097
Taxation	(358)	(353)	(473)	(481)	(484)
Profit (loss) for the year	1,903	(2,348)	5,086	6,319	3,613
Perpetual capital securities holders	(459)	(288)	–	–	–
Other non-controlling interests	(61)	89	(241)	(286)	23
Profit (loss) attributable to owners of the Company	1,383	(2,547)	4,845	6,033	3,636
Underlying profit for the year	2,330	2,398	2,587	2,536	2,491
Recurring underlying profit for the year	2,330	2,398	2,587	2,536	2,349
Dividends					
Dividends paid	1,497	1,502	1,507	1,444	1,411
Dividends declared	1,210	1,216	1,221	1,224	1,161
Dividends per share (HK cents)	144	144	144	144	137
Earnings (loss) per share (HK\$), based on:					
Profit (loss) for the year					
– basic	1.33	(2.44)	4.63	5.77	3.48
– diluted	1.33	(2.44)	4.63	5.76	3.48
<b>Performance indicators</b>					
Net debt to equity	11.7%	N/A	3.9%	4.5%	4.8%
Net interest coverage (times)	9.1x	9.8x	17.0x	18.1x	17.1x
Net asset value per share (HK\$)	71.4	70.9	74.4	71.1	66.9
Net debt (cash) per share (HK\$)	9.9	(5.7)	3.1	3.4	3.4
Year-end share price (HK\$)	24.1	28.4	30.6	37.3	41.5

## As at 31 December

	2021 HK\$ million	2020 HK\$ million	2019 HK\$ million (Note a)	2018 HK\$ million (Note b)	2017 HK\$ million
<b>Assets and liabilities</b>					
Investment properties	95,107	74,993	79,116	77,442	72,470
Investments in associates	5,995	5,577	5,189	3,708	3,779
Loans to associates	10	11	11	11	10
Investments in joint ventures	475	125	143	145	147
Loans to a joint venture	1,256	1,153	1,090	1,062	982
Other financial investments	1,780	789	601	294	21
Time deposits, cash and cash equivalents	8,404	24,935	9,332	2,817	2,662
Other assets	4,346	2,172	1,561	1,564	2,049
<b>Total assets</b>	<b>117,373</b>	<b>109,755</b>	<b>97,043</b>	<b>87,043</b>	<b>82,120</b>
Borrowings	(18,657)	(18,970)	(12,529)	(6,322)	(6,185)
Taxation	(1,091)	(1,031)	(1,341)	(962)	(945)
Other liabilities	(9,740)	(2,305)	(2,201)	(2,122)	(1,989)
<b>Total liabilities</b>	<b>(29,488)</b>	<b>(22,306)</b>	<b>(16,071)</b>	<b>(9,406)</b>	<b>(9,119)</b>
<b>Net assets</b>	<b>87,885</b>	<b>87,449</b>	<b>80,972</b>	<b>77,637</b>	<b>73,001</b>
Perpetual capital securities	(10,657)	(10,657)	–	–	–
Other non-controlling interests	(3,358)	(3,112)	(3,322)	(3,206)	(3,048)
<b>Shareholders' funds</b>	<b>73,870</b>	<b>73,680</b>	<b>77,650</b>	<b>74,431</b>	<b>69,953</b>

## Definitions:

- (1) Underlying profit for the year:  
a non-HKFRS measure, is arrived at by adding (i) Reported Profit (Loss) excluding unrealized fair value change of investment properties and items not generated from the Group's core property investment business; and (ii) Profit attributable to holders of perpetual capital securities.
- (2) Recurring underlying profit for the year:  
a non-HKFRS measure, is a performance indicator of the Group's core property investment business and is arrived at by excluding from Underlying Profit items that are non-recurring in nature
- (3) Net debt to equity:  
borrowings less time deposits, cash and cash equivalents divided by total equity
- (4) Net interest coverage:  
gross profit less administrative expenses before depreciation divided by net interest expenses
- (5) Net asset value per share:  
shareholders' funds divided by number of issued shares as at year end
- (6) Net debt per share:  
borrowings less time deposits, cash and cash equivalents divided by number of issued shares at year end

## Notes:

- a. In 2019, the Group has applied HKFRS 16. Accordingly, certain comparative information for the years ended 31 December 2017 and 2018 may not be comparable to the year ended 31 December 2019 as such comparative information was prepared under HKAS 17. Accounting policies resulting from application of HKFRS 16 are disclosed in the "Significant Accounting Policies" Section.
- b. In 2018, the Group has applied the remaining sections of HKFRS 9. Accordingly, certain comparative information for the years ended 31 December 2017 may not be comparable to the years ended 31 December 2018 and 2019 as such comparative information was prepared under HKAS 39. Accounting policies resulting from application of HKFRS 9 are disclosed in the "Significant Accounting Policies" Section.

# Report of the Valuer

To the Board of Directors

**Hysan Development Company Limited**

Dear Sirs,

## **Annual Revaluation of Investment Properties as at 31 December 2021**

In accordance with your appointment of Knight Frank Petty Limited to value the investment properties in Hong Kong owned by Hysan Development Company Limited and its subsidiaries, we are pleased to advise that the market value of the investment properties as at 31 December 2021 was in the approximate sum of Hong Kong Dollars Ninety-Five Billion One Hundred and Seven Million (Hong Kong Dollars 95,107 million).

The completed investment properties has been valued individually on market value basis and have been assessed on the basis of capitalisation of the net and potential income. We have also cross-checked the values by market comparables.

Yours faithfully

**Knight Frank Petty Limited**

Hong Kong, 17 February 2022



# Schedule of Principal Properties

As at 31 December 2021

## INVESTMENT PROPERTIES

Address	Lot No.	Use	Category of the Lease	Percentage held by the Group
1. <b>Bamboo Grove</b> 74-86 Kennedy Road Mid-Levels Hong Kong	I.L. 8624	Residential	Medium term lease	100 %
2. <b>Hysan Place</b> 500 Hennessy Road Causeway Bay Hong Kong	Sec. FF of I.L. 29 and the R.P. of Marine Lot 365	Commercial	Long lease	100 %
3. <b>Lee Garden One</b> 33 Hysan Avenue Causeway Bay Hong Kong	Sec. DD of I.L. 29, Sec. L of I.L. 457, Sec. MM of I.L. 29, the R.P. of Sec. L of I.L. 29, and the R.P. of I.L. 457	Commercial	Long lease	100 %
4. <b>Lee Garden Two</b> 28 Yun Ping Road Causeway Bay Hong Kong	Sec. G of I.L. 29, Sec. A, O, F and H of I.L. 457, the R.P. of Sec. C, D, E and G of I.L. 457, Subsec. 1 of Sec. C, D, E and G of I.L. 457, Subsec. 2 of Sec. E of I.L. 457 and Subsec. 1, 2, 3 and the R.P. of Sec. C of I.L. 461	Commercial	Long lease	65.36 %
5. <b>Lee Garden Three</b> 1 Sunning Road Causeway Bay Hong Kong	The R.P. of Subsec. 1 of Sec. J of I.L. 29, Subsec. 2 of Sec. J of I.L. 29 and the R.P. of Sec. J of I.L. 29	Commercial	Long lease	100 %

Overview

Business Performance

Corporate Governance

Financial Statements and Valuation

## SCHEDULE OF PRINCIPAL PROPERTIES continued

As at 31 December 2021

### INVESTMENT PROPERTIES continued

Address	Lot No.	Use	Category of the Lease	Percentage held by the Group
6. <b>Lee Garden Five</b> 18 Hysan Avenue Causeway Bay Hong Kong	Sec. N of I.L. 457 and Sec. LL of I.L. 29	Commercial	Long lease	100 %
7. <b>Lee Garden Six</b> 111 Leighton Road Causeway Bay Hong Kong	Sec. KK of I.L. 29	Commercial	Long lease	100 %
8. <b>Lee Theatre Plaza</b> 99 Percival Street Causeway Bay Hong Kong	I.L. 1452, the R.P. of I.L. 472 and 476	Commercial	Long lease	100 %
9. <b>Leighton Centre</b> 77 Leighton Road Causeway Bay Hong Kong	Sec. B, C and the R.P. of I.L. 1451	Commercial	Long lease	100 %
10. <b>One Hysan Avenue</b> 1 Hysan Avenue Causeway Bay Hong Kong	The R.P. of Sec. GG of I.L. 29	Commercial	Long lease	100 %
11. <b>Inland Lot No 8945</b> Caroline Hill Road Causeway Bay Hong Kong*	I.L. 8945	Commercial	Medium lease	60 %

\* The site is currently under development. The development site has a total site area of approximately 159,329 square feet and proposed total gross floor area of approximately 1,076,400 square feet. It is targeted for completion around 2026.

# Shareholding Analysis

## SHARE CAPITAL

At 31 December 2021

	HK\$	Number of Ordinary Shares
Issued and fully paid-up capital	7,723,225,778	1,034,258,223

There was one class of ordinary shares with equal voting rights.

## DISTRIBUTION OF SHAREHOLDINGS

(At 31 December 2021, as per register of members of the Company)

Size of registered shareholdings	Number of shareholders	% of shareholders	Number of ordinary shares	% of the total no. of issued shares (Note)
5,000 or below	2,166	72.25	3,374,581	0.33
5,001 – 50,000	721	24.05	11,125,973	1.07
50,001 – 100,000	62	2.07	4,684,847	0.45
100,001 – 500,000	40	1.33	8,330,079	0.81
500,001 – 1,000,000	3	0.10	1,697,299	0.16
Above 1,000,000	6	0.20	1,005,045,444	97.18
<b>Total</b>	<b>2,998</b>	<b>100</b>	<b>1,034,258,223</b>	<b>100</b>

## TYPES OF SHAREHOLDERS

(At 31 December 2021, as per register of members of the Company)

Type of shareholders	Number of ordinary shares held	% of the total no. of issued shares (Note)
Lee Hysan Company Limited	433,130,735	41.88
Other corporate shareholders	574,098,800	55.51
Individual shareholders	27,028,688	2.61
<b>Total</b>	<b>1,034,258,223</b>	<b>100</b>

## LOCATION OF SHAREHOLDERS

(At 31 December 2021, as per register of members of the Company)

Location of shareholders	Number of ordinary shares held	% of the total no. of issued shares (Note)
Hong Kong	1,032,126,685	99.794
United States and Canada	1,898,751	0.184
United Kingdom	17,085	0.002
Others	215,702	0.020
<b>Total</b>	<b>1,034,258,223</b>	<b>100</b>

Note:

The percentages were compiled based on the total number of issued shares of the Company as at 31 December 2021 (i.e. 1,034,258,223 ordinary shares).

# Shareholder Information

## FINANCIAL CALENDAR

Full year results announced	24 February 2022
Ex-dividend date for second interim dividend	9 March 2022
Closure of register of members and record date for second interim dividend	11 March 2022
Dispatch of second interim dividend warrants	(on or about) 25 March 2022
Closure of register of members for Annual General Meeting	16 to 19 May 2022
Annual General Meeting	19 May 2022
2022 interim results to be announced	11 August 2022*

\* subject to change

## DIVIDEND

The Board declares the payment of a second interim dividend of HK117 cents per share. The second interim dividend will be payable in cash to shareholders on the register of members as at Friday, 11 March 2022.

The register of members will be closed on Friday, 11 March 2022, for the purpose of determining shareholders' entitlement to the second interim dividend, on which date no transfer of shares will be registered. In order to qualify for the second interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar not later than 4:00 p.m. on Thursday, 10 March 2022.

Dividend warrants will be dispatched to shareholders on or about Friday, 25 March 2022.

The register of members will also be closed from Monday, 16 May 2022 to Thursday, 19 May 2022, both dates inclusive, for the purpose of determining shareholders' entitlement to attend and vote at the Annual General Meeting to be held on Thursday, 19 May 2022, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar not later than 4:00 p.m. on Friday, 13 May 2022.

## SHAREHOLDER SERVICES

For enquiries about share transfer and registration, please contact the Company's Registrar, Tricor Standard Limited:

Tricor Standard Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong  
Telephone: (852) 2980 1333  
Facsimile: (852) 2861 1465

Holders of the Company's ordinary shares should notify the Registrar promptly of any change of their address.

The Annual Report is printed in English and Chinese language and is available on our website at [www.hysan.com.hk](http://www.hysan.com.hk). Shareholders may at any time choose to receive the Annual Report in printed form in either the English or Chinese language or both or by electronic means. Shareholders who have chosen to receive the Annual Report using electronic means and who for any reason have difficulty in receiving or gaining access to the Annual Report will promptly upon request be sent a printed copy free of charge.

Shareholders may at any time change their choice of the language or means of receipt of the Annual Report by notice in writing to the Company or the Company's Registrar, or by email to [hysan14-ecom@hk.tricorglobal.com](mailto:hysan14-ecom@hk.tricorglobal.com) or [cosec@hysan.com.hk](mailto:cosec@hysan.com.hk). The Change Request Form may be downloaded from the Company's website at [www.hysan.com.hk](http://www.hysan.com.hk).

## INVESTOR RELATIONS

For enquiries relating to investor relations, please email to [investor@hysan.com.hk](mailto:investor@hysan.com.hk) or write to the Company at:

Investor Relations  
Hysan Development Company Limited  
50/F Lee Garden One  
33 Hysan Avenue  
Hong Kong  
Telephone: (852) 2895 5777  
Facsimile: (852) 2577 5153

# Corporate Information

## BOARD OF DIRECTORS

Lee Irene Yun-Lien (*Chairman*)  
Lui Kon Wai (*Executive Director and Chief Operating Officer*)  
Churchouse Frederick Peter\*\*  
Fan Yan Hok Philip\*\*  
Poon Chung Yin Joseph\*\*  
Wong Ching Ying Belinda\*\*  
Jebsen Hans Michael B.B.S.\*  
(*Yang Chi Hsin Trevor as his alternate*)  
Lee Anthony Hsien Pin\*  
(*Lee Irene Yun-Lien as his alternate*)  
Lee Chien\*  
Lee Tze Hau Michael \*

## AUDIT AND RISK MANAGEMENT COMMITTEE

Poon Chung Yin Joseph\*\* (*Chairman*)  
Churchouse Frederick Peter\*\*  
Fan Yan Hok Philip\*\*  
Lee Anthony Hsien Pin\*

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

Lee Irene Yun-Lien (*Chairman*)  
Churchouse Frederick Peter\*\*  
Fan Yan Hok Philip\*\*  
Poon Chung Yin Joseph\*\*  
Lee Chien\*

\* Non-Executive Director

\*\* Independent Non-Executive Director

## SUSTAINABILITY COMMITTEE

Jebsen Hans Michael B.B.S.\* (*Chairman*)  
Fan Yan Hok Philip\*\*  
Wong Ching Ying Belinda\*\*

## COMPANY SECRETARY

Hao Shu Yan

## REGISTERED OFFICE

50/F Lee Garden One  
33 Hysan Avenue  
Hong Kong

## OUR WEBSITE

Press releases and other information of the Group can be found at our website: [www.hysan.com.hk](http://www.hysan.com.hk).

## SHARE LISTING

Hysan's shares are listed on The Stock Exchange of Hong Kong Limited. It has a sponsored American Depositary Receipts (ADR) Programme in the New York market.

## STOCK CODE

The Stock Exchange of Hong Kong Limited: 00014  
Bloomberg: 14HK  
Reuters: 0014.HK  
Ticker Symbol for ADR Code: HYSNY  
CUSIP reference number: 449162304

## AUDITOR

Deloitte Touche Tohmatsu  
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