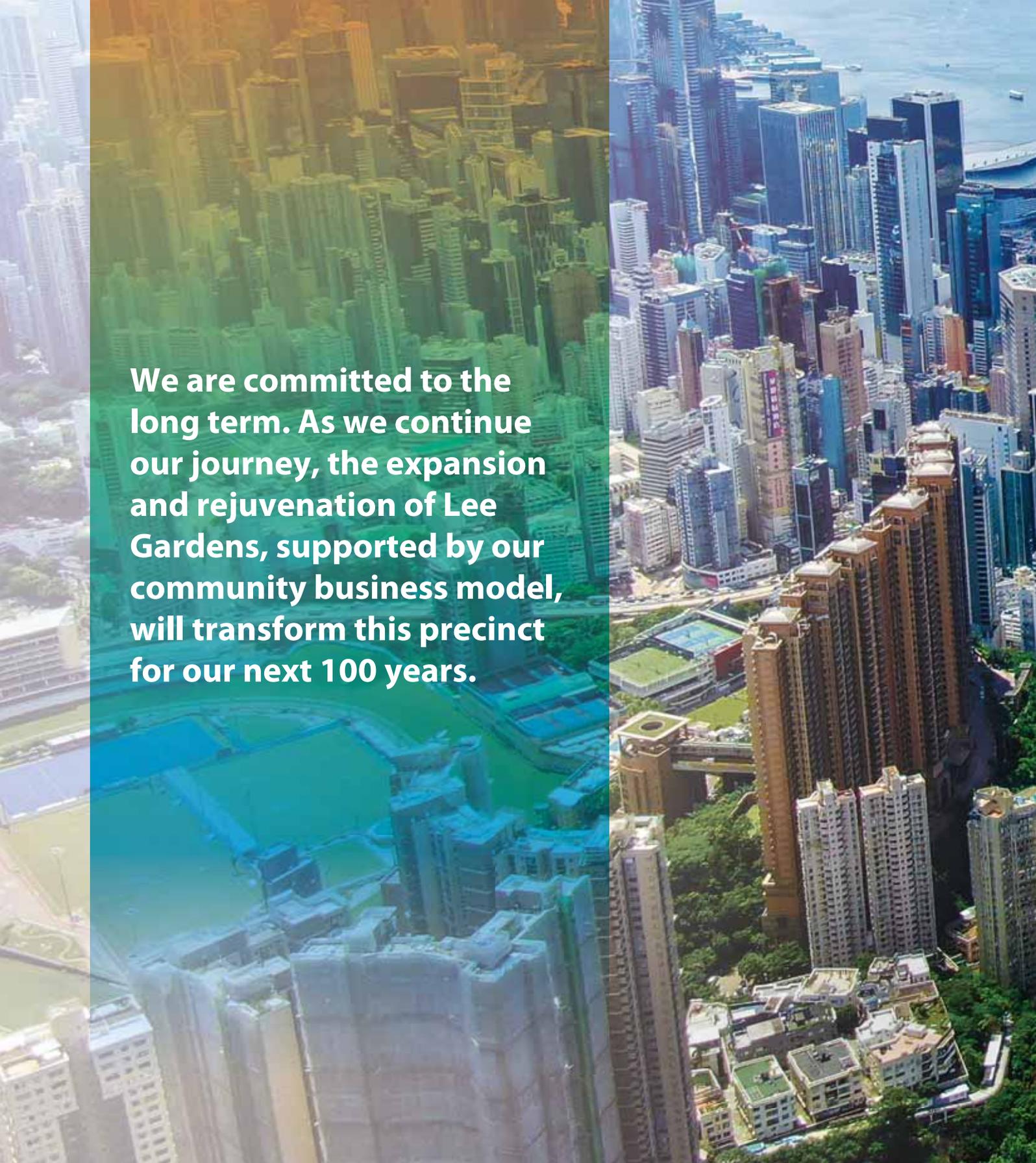




The Next 100 Years

2023 ANNUAL REPORT



We are committed to the long term. As we continue our journey, the expansion and rejuvenation of Lee Gardens, supported by our community business model, will transform this precinct for our next 100 years.

We welcome stakeholders' feedback on this Report. Please share your thoughts at 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).

A summary of Sustainability Report 2023 is provided on pages 121 to 123 of this Annual Report.



Scan QR code to read the Sustainability Report 2023



Artist's impression for illustrative purposes only

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Other Information**

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Chairman's Statement

“

We look forward to the next
100 years of Lee Gardens,
where people come

**to work, live
and enjoy,**

now, and for
generations to come.

”



This year, we celebrate the 100th anniversary of Hysan, a testament to our enduring presence in Hong Kong and a legacy of community development. I would like to express my heartfelt gratitude to everyone who has been a part of the history, culture and the collective memory of Hysan and Lee Gardens.

Over the past century, Lee Gardens has grown from a garden for the public, to now, one of the world's most bustling and vibrant destinations. Our dual-engine office and retail portfolio, combined with our community business model, provide resilience and strength in the face of uncertainty. The blend of offerings creates an array of lifestyle experiences for office tenants, shoppers, tourists and residents. Our unique portfolio is at the heart of Hong Kong Island, we connect people and curate communities through our diverse offerings, the attraction of our convenient and prime location, and an engaging approach to reaching out to customers of all ages with events and programmes designed to appeal to their interests and aspirations. As Hysan enters its 101st year, we continue to evolve with the expansion, transformation and rejuvenation of Lee Gardens. Our community business model and our deep engagement with our stakeholders are key ingredients which will ensure a long-term future for Lee Gardens.

2023 presented a mix of challenges and opportunities for Hysan. This was a year of global upheaval as the world gradually recovered from the pandemic. Many continuing and new challenges, including ongoing geopolitical tensions, escalating geoeconomic fragmentation, interest rate hikes, inflation concerns and the increasing frequency of extreme weather events were impediments to recovery.

Chairman's Statement

Hong Kong was not immune to the impact of these external shocks. While there were improvements, especially in tourist numbers, consumption was cautious and the export sector remained weak. Expectations of prolonged high interest rates and concerns about the economic outlook on the Mainland dampened market sentiment in the local stock and property markets. Additionally, cities in the Greater Bay Area offered attractive day or weekend trips for Hong Kong, resulting in an imbalance in tourist flows.

Hong Kong's office sector continued to struggle against the backdrop of post-pandemic structural change. Landlords defended occupancy with more flexible lease terms and enhanced rental incentives as increased supply came to market. Lee Gardens is a highly desirable and competitive choice with our premium office space and facilities which include an abundance of retail, food and beverage offerings, situated in a well-connected, convenient and vibrant neighbourhood community.

The retail sector in Hong Kong is undergoing a transformation driven by changes in consumer behaviour, particularly a shift in tourist focus from extravagant shopping to experience-based tourism. In response, a brand-new lifestyle hub, #URBANHOOD, was unveiled in December 2023 at the basement of Hysan Place. This hub, spanning two levels, showcases a vibrant mix of nearly 40 lifestyle, entertainment, food and beverage brands from various Asian cities, including some making their debut in Hong Kong. This transformation was a continuation of our commitment to youth culture, celebrating a creative and lifestyle focused generation, connecting them with the ever-changing popular culture. Together with #UrbanSky, #UrbanPark, and over a hundred local and international brands and dining outlets in Hysan Place and around the Lee Gardens neighbourhood, #URBANHOOD offers an engaging experience that appeals to all generations.

Throughout the year, we introduced various initiatives to cater to the diverse interests and needs of our customers. Lee Garden's own indoor play space for toddlers and preschoolers was launched to provide novel and unique experiences for families. A series of festive events, promotions and thematic campaigns were designed to attract and engage locals and tourists.

Understanding customer behaviour and needs remains central to our Customer First philosophy. We continuously refined our offerings and launched targeted marketing and sales initiatives, collaborating with our tenants to attract and sustain our loyal Club Avenue membership. We are also focused on growing and grooming our Lee Gardens Club members. The performance of retail sales at Hysan surpassed that of the overall retail market in Hong Kong, leading to an increase in turnover rent of 45% year-on-year.

In 2023, we also made significant progress in the rejuvenation of the Lee Gardens hub. Major enhancement works at Lee Garden One were completed with the unveiling of the arcade in late 2023. The flagship stores of our key luxury anchor tenants are undergoing renovations and will be completed in stages during 2024 and 2025. The reopening of these flagship stores will reinforce our status as home to top luxury brands at Lee Gardens on Hysan Avenue.

Our roots run deep in Hong Kong and Causeway Bay in particular. The rich tapestry of Lee Gardens' legacy was built upon our community, and it is for this reason that our community business model, which prioritises inclusivity, social wellbeing, environmental stewardship, positive economic impact and liveability, remains fundamental to our sustainability strategy.

During the year, we are delighted to have received prestigious awards that recognised our commitment to sustainability. These included the Distinction Award of The Hong Kong Management Association Hong Kong Sustainability Award 2023 and, for the 20th consecutive year, the Corporate Governance Award of the Hong Kong Institute of Certified Public Accountants Best Corporate Governance and ESG Awards 2023. These accolades are testaments to our unwavering dedication to achieving excellence in ESG.

We are committed to addressing climate change. Our Caroline Hill Road project adheres to the highest sustainability standards and is designed to withstand climate challenges. Furthermore, we are focused on "S", the social element in ESG. We actively promote sports, art and culture through community programmes, promoting inclusivity and positive social impact, and ensuring their accessibility to a wider community in Hong Kong.

Looking ahead, while the local and global economic outlook for 2024 remains uncertain, what will always remain true is our commitment to fostering development and growth. Therefore, the Board has made the decision to adjust our dividend in order to build for the future.

We look forward to the next 100 years of Lee Gardens, where people come to work, live and enjoy, now, and for generations to come.

Lee Irene Yun-Lien

Chairman

Hong Kong, 22 February 2024

Balanced Dual-Engine Portfolio



RETAIL

Connect people and curate communities through

DIVERSE OFFERINGS

Our dual-engine office and retail portfolio, combined with our community business model, provide resilience and strength in the face of uncertainty. The blend of offerings creates an array of lifestyle experiences for office tenants, shoppers, tourists and residents.

Premium office space and vibrant community attract

A DIVERSITY OF OFFICE TENANTS

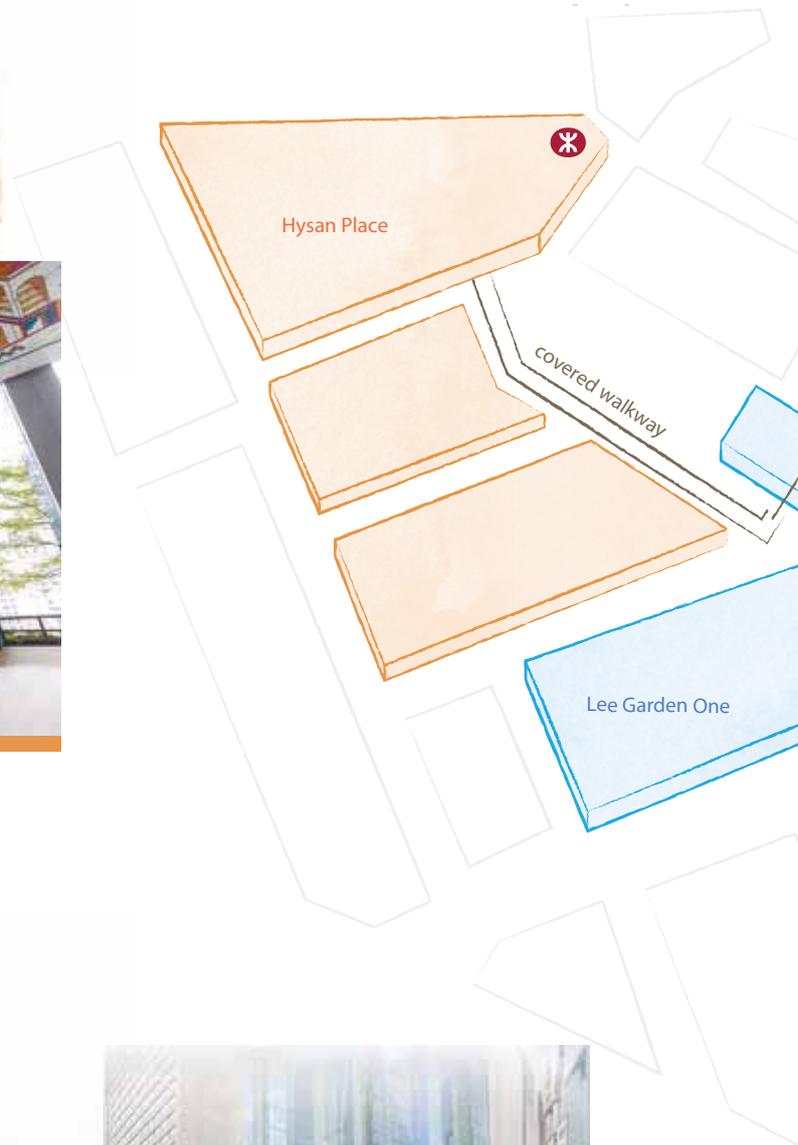
OFFICE



Expansion and Rejuvenation of Lee Gardens

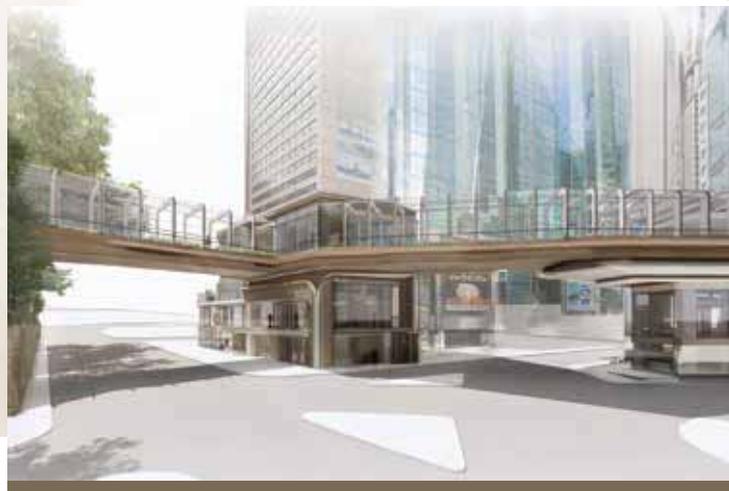
Trendsetter

Hysan Place acts as the gateway to the rest of the Lee Gardens core portfolio. It has been, and will remain, the trendsetter in our portfolio, with a high level of urban vibrancy that starts with its MTR-connected basement levels.



Enhanced Walkability

Hysan will put in place a new connectivity system throughout our Lee Gardens buildings, as well as linking Causeway Bay MTR station through to the Caroline Hill Road development. Once completed, the new connectivity system will make Lee Gardens the premier walkable commercial destination in Hong Kong.



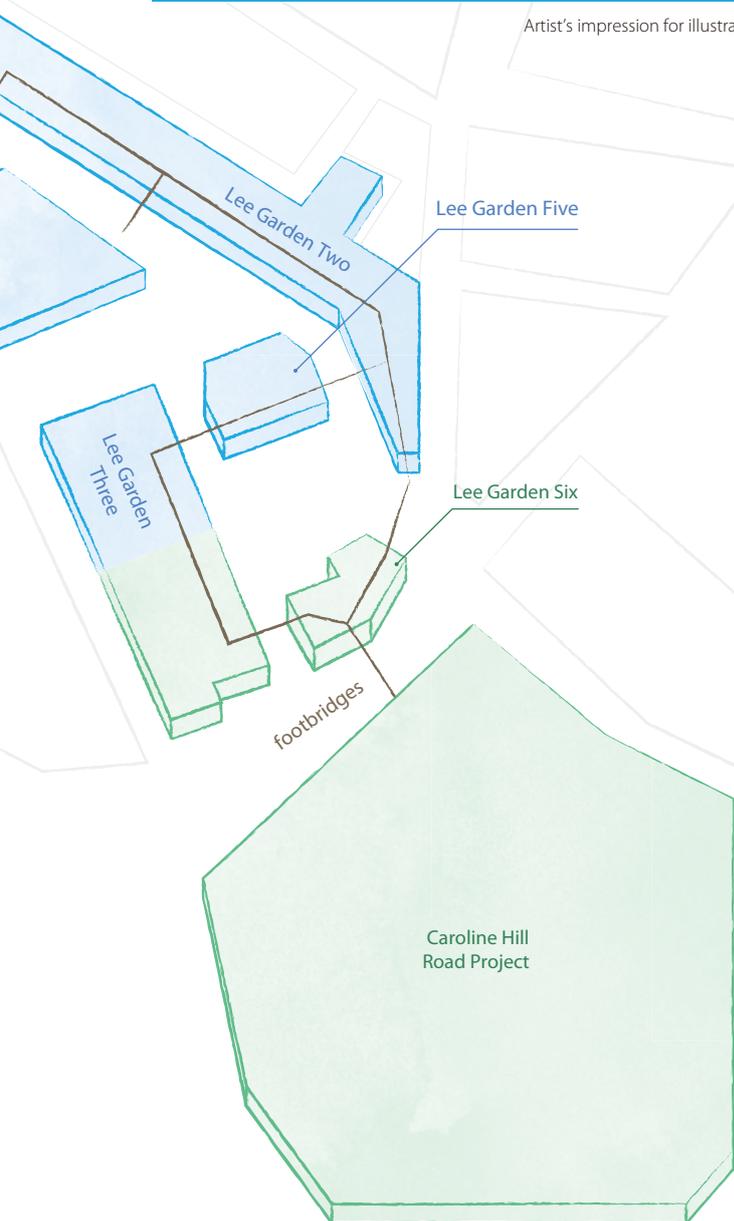
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Home of Luxury Flagships

The demand for expansion by our key retail anchor tenants gave us the confidence and impetus to the strategic rejuvenation. After the refurbishments are completed, this cluster of buildings on Hysan Avenue will become an even more exclusive destination for top international brands.



Artist's impression for illustrative purposes only



Artist's impression for illustrative purposes only

The Green Centric

The Caroline Hill Road project will become the heart of our green-centric area, setting new standards for premium, sustainability-minded offices.

Strategic Pillars

Pillars

We invest in strategic growth pillars that drive geographic diversification and target business opportunities that complement and reinforce our core business.

Lee Gardens Shanghai

Enhancement of the retail space started in 2023 and is expected to be completed in 2024.



Artist's impression for illustrative purposes only



GBA Flex

Solution in new office ecosystem, showing good performance.



VILLA LUCCA

1/4 of houses and apartments were sold or leased in 2023.

To Kwa Wan Residential

Hysan's skillsets are being leveraged in the design and operations of the retail portion of the project.



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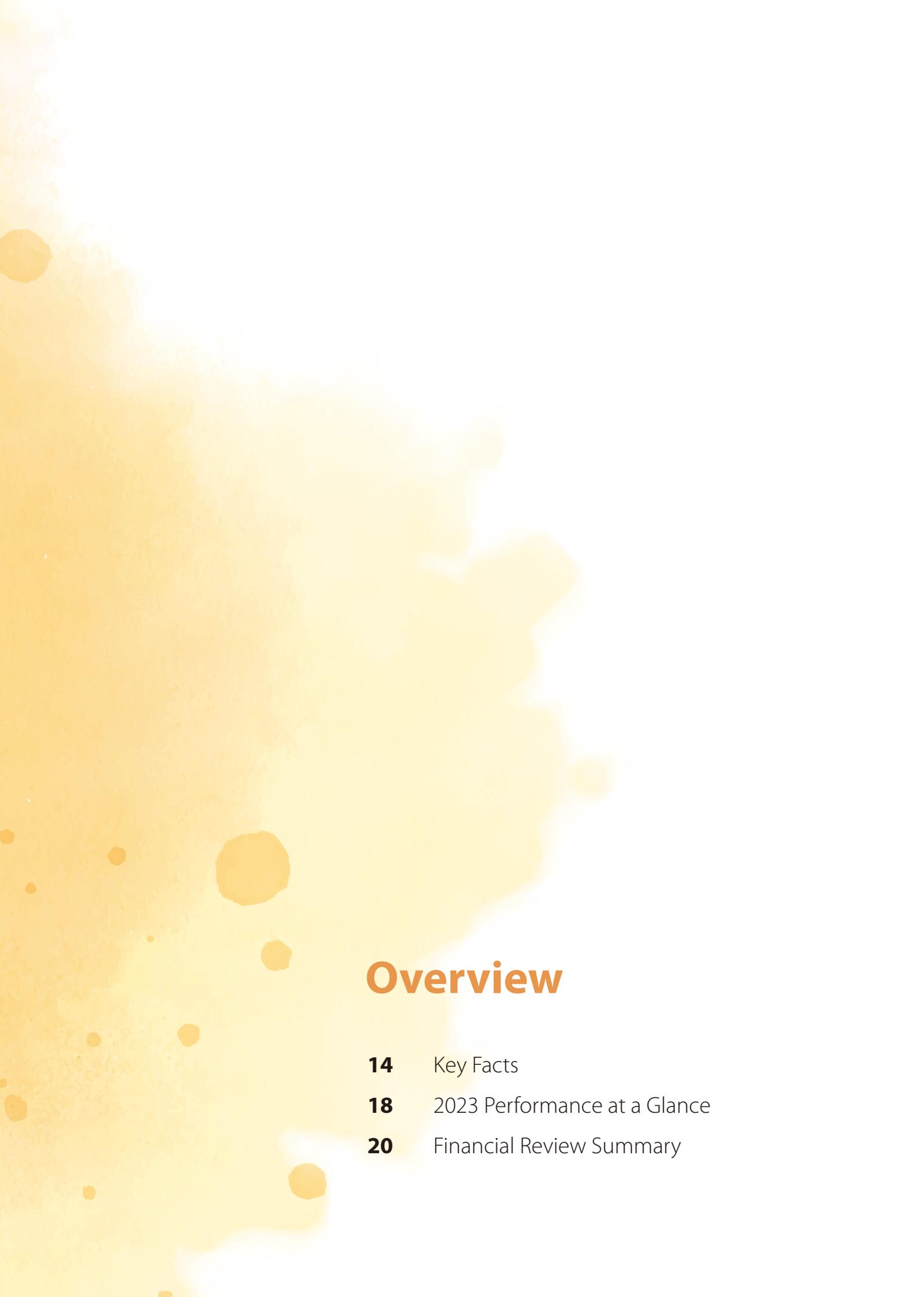
New Frontier Investment

Demand for premium healthcare services is rising.



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1



Overview

- 14** Key Facts
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Key Facts



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.

VISION

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

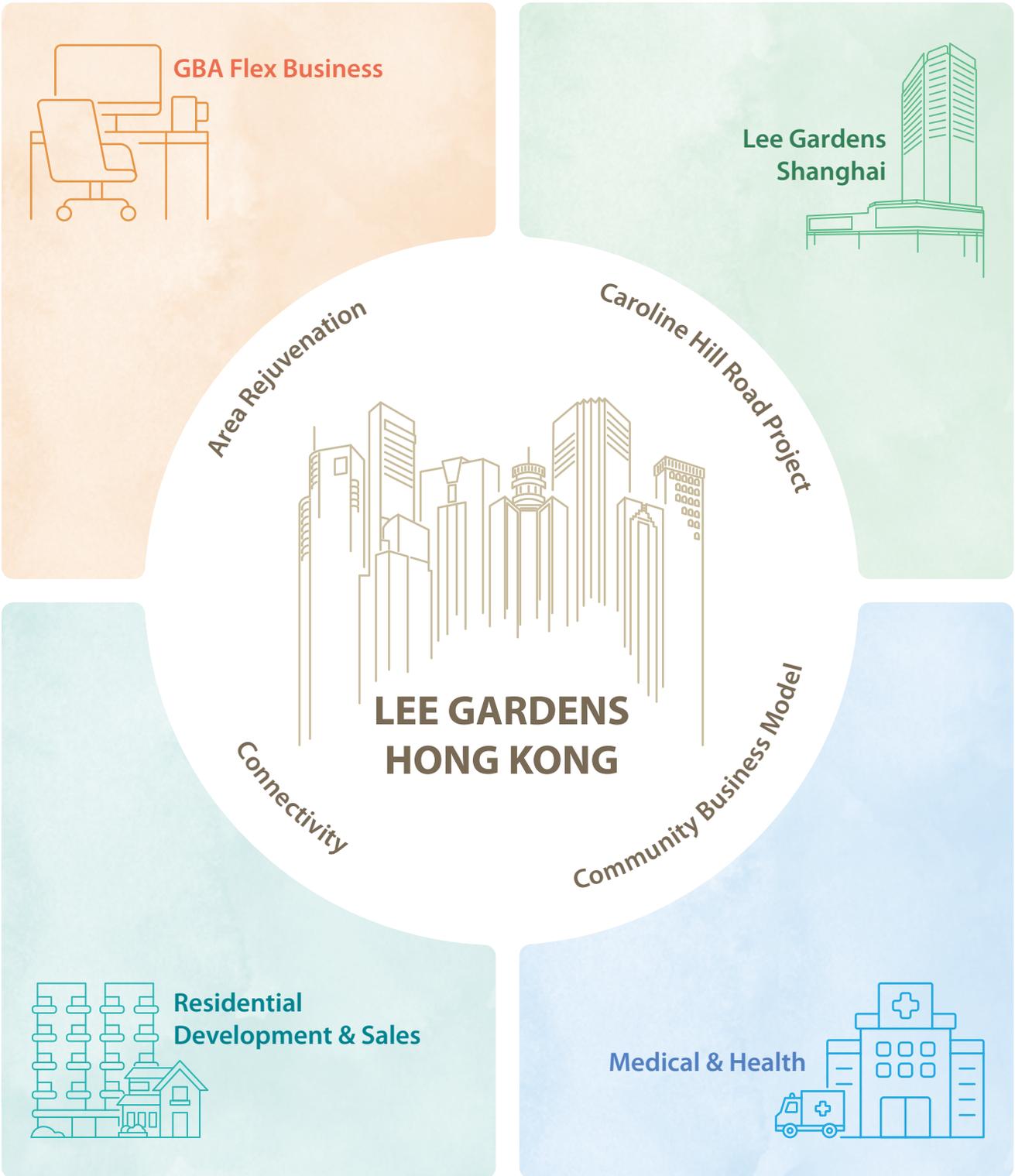
MISSION

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 G I
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 STRATEGY



Key Facts

Our Properties Portfolio

HYSAN PLACE OFFICE AND RETAIL

Greenest commercial building and trendiest shopping centre in town

Completed in 2012

Approx. Gross Floor Area	Number of Floors	Parking Spaces
716,000 ft²	40	60

LEE THEATRE PLAZA RETAIL ONLY

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

Completed in 1994 | Lower zone renovated in 2013

Approx. Gross Floor Area	Number of Floors
314,000 ft²	26

LEIGHTON CENTRE OFFICE AND RETAIL

Popular office complex amongst sports and lifestyle shops

Completed in 1977 | Renovated in 2011

Approx. Gross Floor Area	Number of Floors	Parking Spaces
430,000 ft²	28	321

ONE HYSAN AVENUE OFFICE AND RETAIL

Efficient office and retail complex in prime site

Completed in 1976 | Renovated in 2011

Approx. Gross Floor Area	Number of Floors
169,000 ft²	26

SHANGHAI

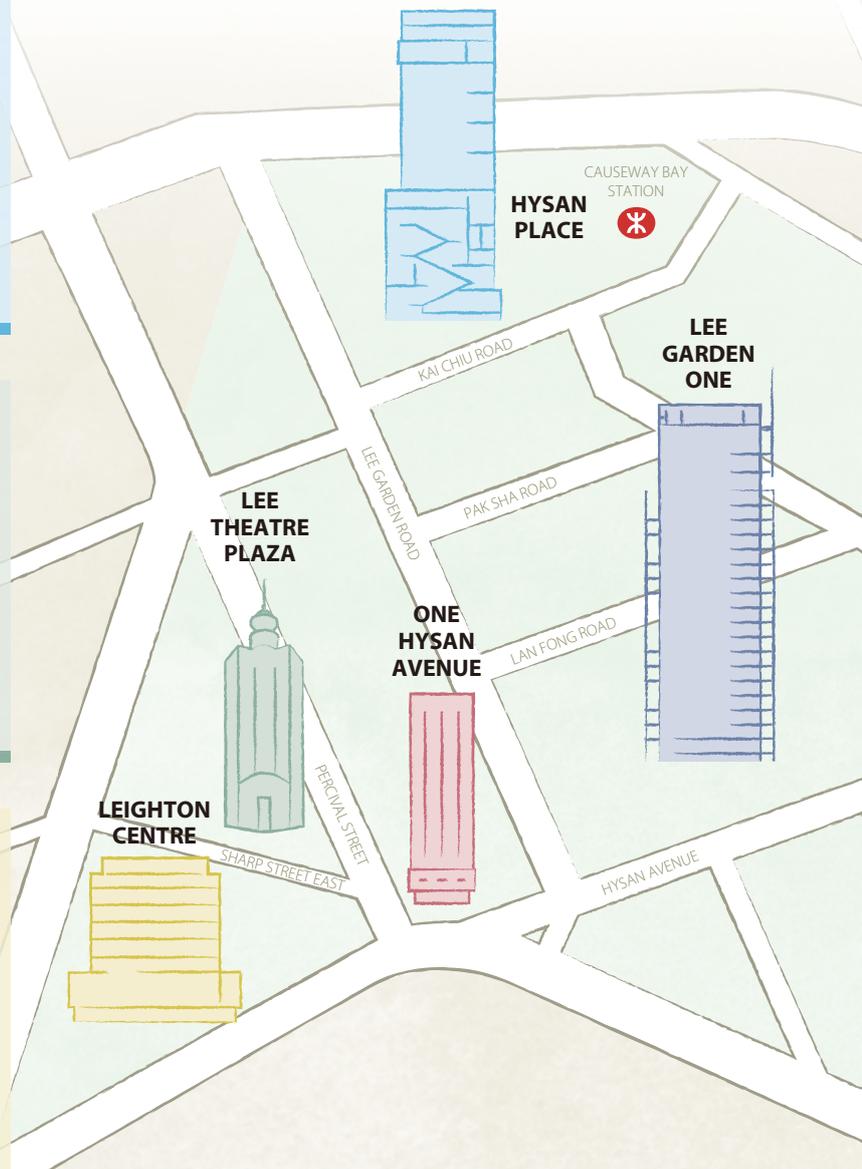
LEE GARDENS SHANGHAI

OFFICE AND RETAIL

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

Acquired in 2022

Approx. Gross Floor Area	Number of Floors
736,000 ft²	24



LEE GARDEN ONE OFFICE AND RETAIL

Home to international corporations and premium brands

Completed in 1997 | Retail podium renovated in 2023

Approx. Gross Floor Area	Number of Floors	Parking Spaces
902,000 ft²	53	200

LEE GARDEN TWO OFFICE AND RETAIL

Spacious offices and home to children's concept floors

Completed in 1992 | Retail podium renovated in 2019

Approx. Gross Floor Area	Number of Floors	Parking Spaces
621,000 ft²	34	167

LEE GARDEN THREE OFFICE AND RETAIL

Newest commercial address in Lee Gardens

Completed in 2017

Approx. Gross Floor Area	Number of Floors	Parking Spaces
467,000 ft²	32	201

LEE GARDEN FIVE OFFICE AND RETAIL

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

Completed in 1989 | Renovated in 2009

Approx. Gross Floor Area	Number of Floors
132,000 ft²	25

LEE GARDEN SIX OFFICE AND RETAIL

Convenient office and retail location

Completed in 1988 | Renovated in 2004

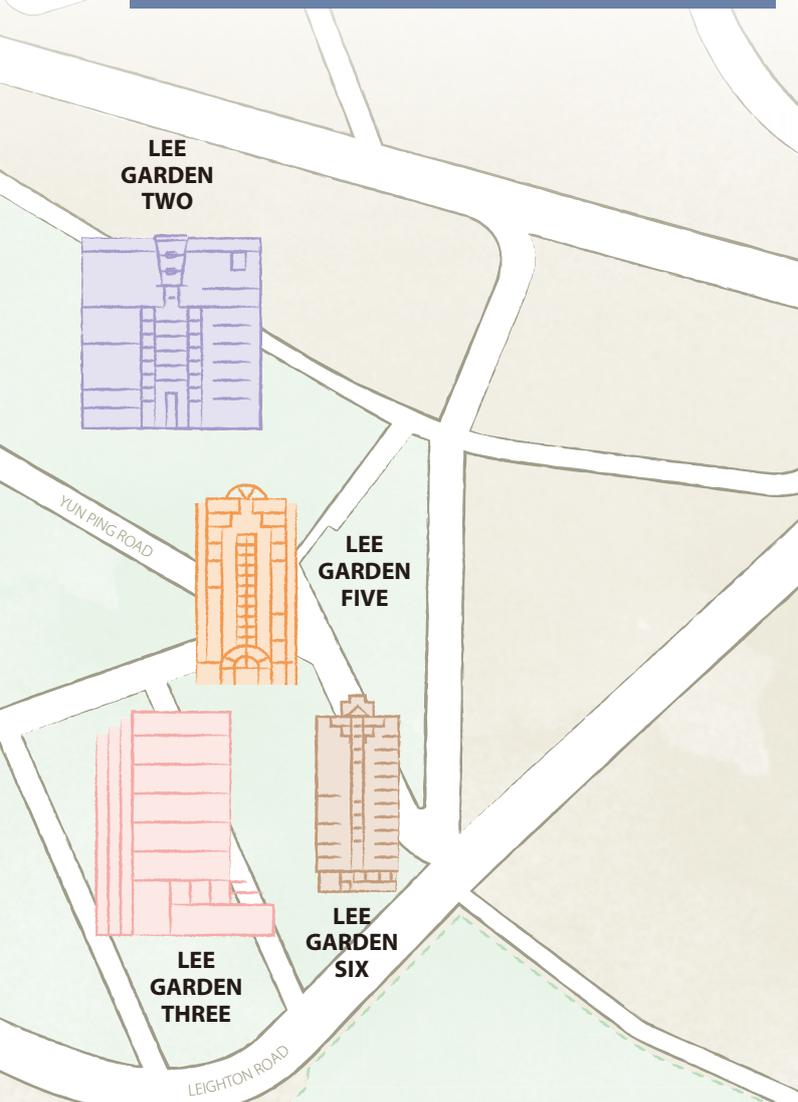
Approx. Gross Floor Area	Number of Floors
80,000 ft²	24

BAMBOO GROVE RESIDENTIAL

Quality international living in Mid-Levels

Completed in 1985 | Renovated in 2019

Approx. Gross Floor Area	Number of Floors	Parking Spaces
691,000 ft²	345	436



2023 Performance at a Glance

Environmental, Social and Governance Recognitions

Hong Kong Investor Relations Association's 9th Investor Relations Awards 2023

- Best IR Company (Mid Cap)
- Best Investor Presentation Material (Mid Cap)
- Best Annual Report (Mid Cap)
- Best ESG (S) (Mid Cap)
- Best ESG (G) (Mid Cap)

Hong Kong Green Building Council's Zero-Carbon-Ready Building Certification Scheme – Existing Building – EUI Pathway

- Hysan Place and Lee Garden One

Hong Kong Institute of Certified Public Accountants' Best Corporate Governance and ESG Awards 2023

- Corporate Governance Awards (Non-Hang Seng Index (Medium Market Capitalization) Category)

Hong Kong Management Association's Hong Kong Sustainability Award 2023

- Distinction Award (Large Organizations)

The Hong Kong Institution of Engineers' The Excellence Building Award 2023

- Grand Award - (Existing Building) Revitalization project for Hysan Office Headquarter at Lee Garden One

Hong Kong Awards for Environmental Excellence – Certificate of Merit – Property Management (Commercial & Industrial)

- Hysan Property Management Limited - Hysan Place



Remained 4-star



Hang Seng Corporate Sustainability Index Series Member 2023-2024

Remained AA



Remained A



Remained as Low Risk
2024 ESG Top-Rated Companies List



FTSE4Good

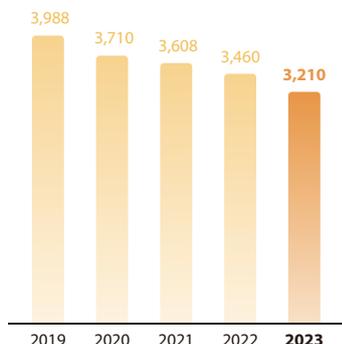
Improved to 3.5 / 5

Financial Performance

Turnover

HK \$3,210 m

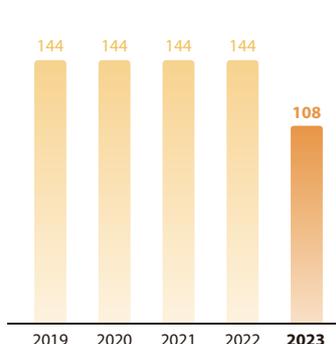
↓ 7.2%



Dividends per Share

HK 108 cents

↓ 25%



Net Interest Coverage

(After Interest Capitalization) ^(Note 1)

9.6 times

(2022: 13.1 times)

Net Interest Coverage

(Before Interest Capitalization) ^(Note 2)

2.4 times

(2022: 3.9 times)

Net Debt to Equity ^(Note 3)

27.2 %

(2022: 23.4%)

Effective Interest Rate

4.2 %

(2022: 2.8%)

Average Debt Maturity

4.5 years

(2022: 4.8 years)

Fixed Rate Debt

62 %

(2022: 61%)

Capital Market Issuances

61 %

(2022: 61%)

Credit Ratings

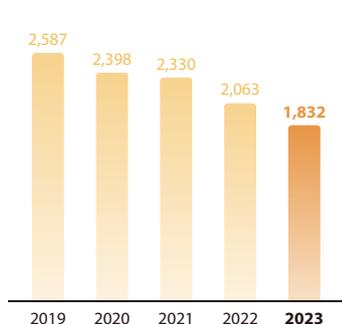
Moody's: Baa1

Fitch: BBB+

Recurring Underlying Profit

HK \$1,832m

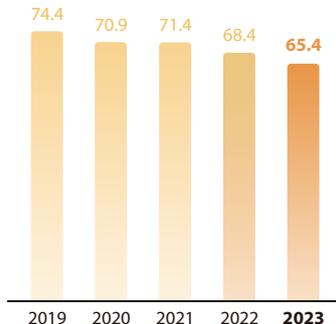
↓ 11.2%



Net Asset Value per Share

HK \$65.4

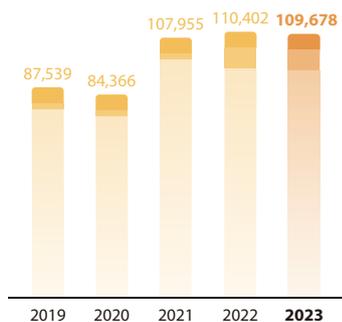
↓ 4.4%



Total asset (exclude cash and debt securities)

HK \$109,678m

↓ 0.7%

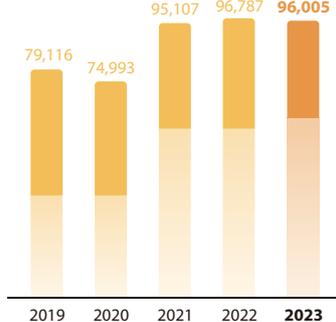


● Core ● Pillars ● Other*

Property Value

HK \$96,005m

↓ 0.8%



● Cost ● Revaluation

* Others mainly represent investment in Shanghai Grand Gateway 66

Notes:

1. Net Interest Coverage (after interest capitalization) is defined as: "Gross profit less administrative expenses before depreciation" divided by "net interest expenses charged to profit or loss"
2. Net Interest Coverage (before interest capitalization) is defined as: "Gross profit less administrative expenses before depreciation" divided by "net interest expenses charged to profit or loss plus interest expenses capitalized"
3. Net Debt to Equity is defined as borrowings less time deposits, cash and cash equivalents divided by total equity

Financial Review Summary

1. Turnover

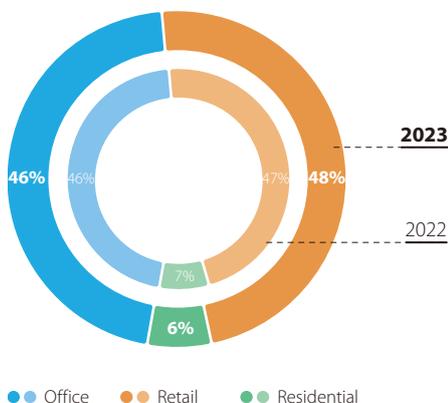
HK\$ million	2023	2022	Change
Office	1,472	1,578	-6.7%
Retail	1,533	1,643	-6.7%
Residential	205	239	-14.2%
	3,210	3,460	-7.2%

- Office: Due to global economic uncertainties, elevated interest rates, geopolitical tensions and a slower-than-anticipated economic recovery, Hong Kong's office market remained subdued. City-wide Grade A office vacancy reached 13% by the end of 2023. The rental reversion rate remained negative as competition among landlords intensified. Nevertheless, Lee Gardens, with its top-quality office spaces and vibrant community, continued to attract new tenants from finance, wealth management, high-end retail and medical and health services sectors, and office occupancy remained stable.
- Retail: Hong Kong's retail sales improved owing to a confluence of factors, including revival of inbound tourism, improved household income and promotional campaigns and activities organized by the Hong Kong Government. However, the recovery was impeded by a challenging external economic environment and a strong Hong Kong dollar. Additionally, the inclination of residents to travel and spend in nearby cities in the Greater Bay Area and abroad has led to imbalanced tourist flows. Rental reversion rate was predominantly positive in 2023. Approximately 10% of our retail area was closed for the rejuvenation project, which impacted rental income during the year.
- Residential: The influx of young professionals through various talent schemes had a positive impact on Hong Kong's mass residential leasing market; however, the luxury residential leasing market remained sluggish, and demand from expatriates continued to be weak.

Details of the operating performances of the group's individual operations are set out on pages 26 to 28 of the Review of Operations.

Occupancy	2023	2022
Office	89%	90%
Retail	97%	99%
Residential	60%	61%

Revenue by sector



Consolidated Statement of profit or loss for the year ended 31.12.2023

	HK\$ million
① Turnover	3,210
Operating cost	(928)
Net margin	2,282
Investment income	261
Other gains and losses	1
Finance costs	(478)
② Change in fair value of investment properties	(2,763)
Change in fair value of other financial investments	(267)
③ Share of results of associates	270
③ Share of results of joint ventures	(37)
Loss before taxation	(731)
Taxation	(295)
Loss for the year	(1,026)
Attributable to perpetual capital securities holders and other non-controlling interests	154
Loss attributable to shareholders	(872)

Recurring underlying profit attributable to shareholders for the year ended 31.12.2023

	HK\$ million
Loss attributable to shareholders	(872)
Non-operating items	2,704
④ Recurring Underlying profit	1,832

Consolidated Statement of Cash Flows for the year ended 31.12.2023

	HK\$ million
Net margin	2,282
Changes in other working capital	116
Depreciation of property, plant and equipment	33
Cash generated from operations	2,431
Net investment and advance to joint ventures and other financial investments	(531)
Net repayments of bank loans, fixed rate notes and balance with non-controlling interest	(1,334)
Issuance of perpetual capital securities, net of distribution and transaction costs	(442)
Movements in time deposits, other receivables and payables	4,166
Interest and taxation	(1,014)
Dividends paid	(1,585)
Considerations for share repurchase	(1)
Acquisition of investment properties and other capital expenditure	(1,669)
Net cash inflow	21
Time deposits, cash and cash equivalents	7,771
Less: Time deposits maturing more than 3 months	(5,211)
Cash and cash equivalents at 1.1.2023	2,560
Effect of foreign exchange rate changes	2
Cash and cash equivalents at 31.12.2023*	2,583
*Representing:	
Time deposits, cash and cash equivalents	3,854
Time deposits maturing more than 3 months	(1,271)
	2,583

Consolidated Statement of Financial Position at 31.12.2023

	HK\$ million
Net Assets	
② Investment properties	96,005
Other long-term investments	11,527
Time deposits, cash and cash equivalents	3,854
Other assets	3,140
Total assets	114,526
Borrowings	(25,564)
Taxation	(1,272)
Other liabilities	(7,999)
	79,691
Capital and reserves	
Share capital	7,723
Retained Profits	59,747
Other reserves	12,221
	79,691

Consolidated Statement of Financial Position at 1.1.2023

	HK\$ million
Net Assets	
② Investment properties	96,787
Other long-term investments	11,494
Time deposits, cash and cash equivalents	7,771
Other assets	3,113
Total assets	119,165
Borrowings	(27,277)
Taxation	(1,203)
Other liabilities	(7,274)
	83,411
Capital and reserves	
Share capital	7,723
Retained Profits	62,097
Other reserves	13,591
	83,411

Consolidated Retained Profits for the year ended 31.12.2023

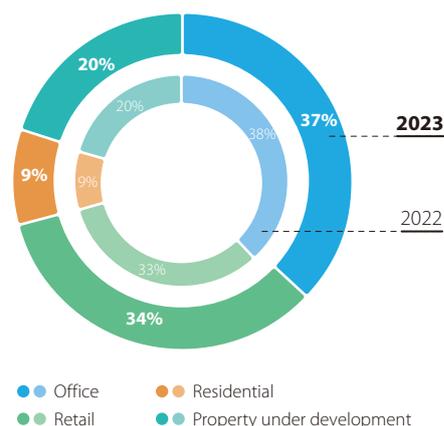
	HK\$ million
Retained profits at 1.1.2023	62,097
Loss attributable to shareholders	(872)
Repurchase of own shares	(1)
Dividends paid during the year	(1,479)
Other reserve movement	2
Retained profits at 31.12.2023	59,747

2. Investment properties

HK\$ million	2023	2022	Change
Office	35,688	36,906	-3.3%
Retail	32,480	31,517	3.1%
Residential	8,647	8,724	-0.9%
Property under development	19,190	19,640	-2.3%
	96,005	96,787	-0.8%

The valuation of investment properties reported in the consolidated statement of financial position represents the market value at each year-end date, as estimated by Knight Frank Petty Limited, an independent valuer. A fair value loss of HK\$2,763 million (2022: HK\$3,213 million) was recognized in the consolidated statement of profit or loss for the year, mainly attributable to the change in valuation of our office portfolio under development. This fair value loss is non-cash in nature and does not affect the operating cash flow of the Group.

Investment properties by portfolio



3. 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 remained stable (2023: HK\$270 million, 2022: HK\$274 million).

The Group's investment in joint ventures comprises interests in residential development projects and the IWG Flex business.

4. Recurring underlying profit

Recurring Underlying Profit decreased year-on-year by 11.2%. Details of the reconciliation from reported loss to recurring underlying profit are set out on page 24 to 25 of the Review of Results.

2

Business Performance

24	Management's Discussion and Analysis
24	Strategy
24	Review of Results
26	Review of Operations
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31	Financial Review
34	Treasury Policy

Management's Discussion and Analysis

Strategy

Hysan continues to curate and expand its investment portfolio, which is predominantly located in Causeway Bay, one of Hong Kong's prime commercial districts. We also seek to complement our core business by investing in several strategic growth "pillars", with the aim of delivering a more balanced and diversified portfolio.

Review of Results

In HK\$ million	2023	2022	Change
Turnover	3,210	3,460	-7.2%
– Office	1,472	1,578	-6.7%
– Retail	1,533	1,643	-6.7%
– Residential	205	239	-14.2%
Recurring Underlying Profit	1,832	2,063	-11.2%
Underlying Profit	1,832	2,129	-14.0%

Hysan's Hong Kong investment property portfolio comprises three sectors – office, retail and residential – covering a floor area of approximately 4.5 million square feet. As at 31 December 2023, office properties accounted for around 55% of the Group's investment portfolio by gross floor area, while retail properties made up around 30%. Our office and retail properties are located in Causeway Bay's Lee Gardens precinct. Approximately 15% of the Group's investment portfolio by gross floor area is residential, mainly comprising its Bamboo Grove apartments in Hong Kong's Mid-Levels.

Turnover and Recurring Underlying Profit saw year-on-year declines of 7.2% and 11.2% respectively. Structural changes continued to put pressure on the office and residential sector. On average approximately 10% of our retail area were closed for the major enhancement works of Lee Gardens rejuvenation project. The corresponding impact has been reflected in our retail turnover.

The Board of Directors has declared a second interim dividend of HK81 cents per share (2022: HK117 cents) which will be payable in cash.

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

	2023 HK\$ million	2022 HK\$ million
Reported loss	(872)	(1,157)
Change in fair value of properties	2,020	2,858
Investment properties	2,763	3,213
Less: Effect of other non-controlling interests	(732)	(344)
Share of associates (net of tax)	(11)	(11)
Change in fair value of other financial investments	267	1
Imputed interest income on interest-free loan to a joint venture	(24)	(24)
Other gains and losses	(1)	1
Profit attributable to perpetual capital securities holders	442	450
Underlying Profit	1,832	2,129
One-off exchange gain	-	(66)
Recurring Underlying Profit	1,832	2,063

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	Sector	Business Performance	
			2023	2022
Turnover Growth	Rental revenue in current year vs that in last year	Office	-6.7%	-8.7%
		Retail	-6.7%	+1.4%
		Residential	-14.2%	-8.1%
Occupancy Rate	Percentage of total lettable area leased / total lettable area of each portfolio at year-end	Office	89%	90%
		Retail	97%	99%
		Residential	60%	61%
Property Expenses Ratio	Property expenses divided by turnover	N/A	19.3%	16.4%

Management's Discussion and Analysis

Review of Operations

OFFICE

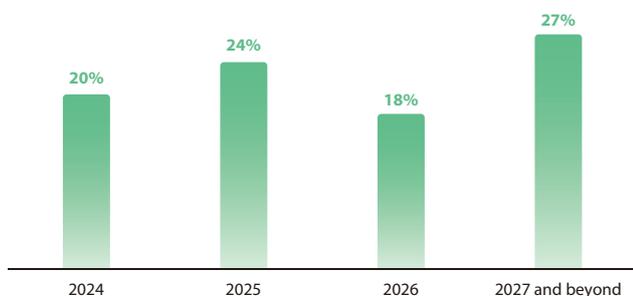
Turnover of the Group's office portfolio saw a decline of 6.7% to HK\$1,472 million (2022: HK\$1,578 million), including turnover rent of HK\$5 million (2022: HK\$11 million).

Due to global economic uncertainties, high interest rates, geopolitical tensions and financial stress among corporates on the Mainland, Hong Kong's office market remained weak. Coupled with a slower-than-expected economic recovery, the demand for Grade A offices softened, resulting in a city-wide Grade A office vacancy rate of 13% as of the end of 2023. Furthermore, the increasing number of landlords willing to offer more flexible lease terms, enhanced rental incentives, and higher agency fees has contributed to the challenging environment for Hong Kong's office market. Looking ahead, the office market in Hong Kong is expected to continue facing downward pressure due to a substantial increase in the supply of new projects in 2023 and 2024.

The average rental reversion rate on renewals, rent review and new lettings for Hysan's Lee Gardens portfolio remained negative. Occupancy was at 89% as at 31 December 2023 (2022: 90%).

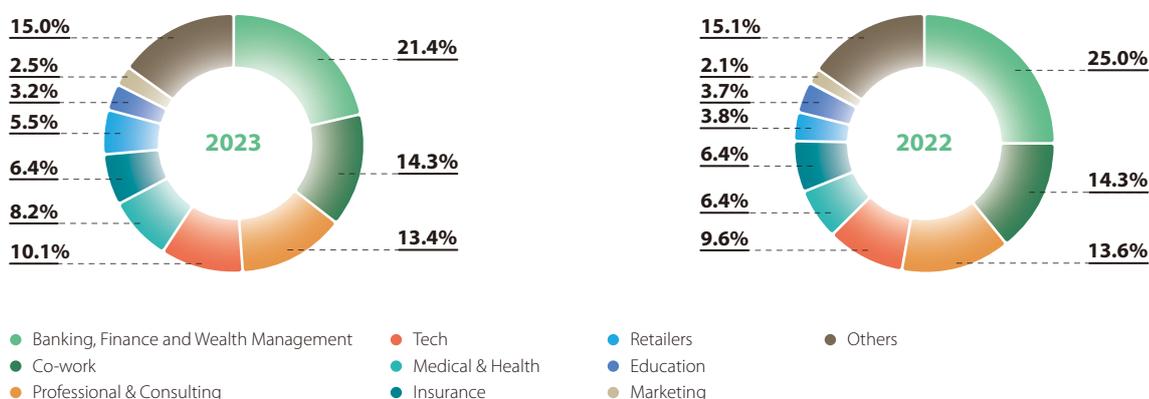
In light of lower rents and increased availability of new supply, there is a growing trend among corporates to consider relocating to better quality buildings in prime locations. The unique features of Lee Gardens, a well-connected and vibrant community that offers top-quality office facilities and an abundance of popular retail offerings, further enhance our appeal to tenants from the finance, wealth management, high-end retail, medical and health services sectors. For instance, Hermes and the medical group Adventist & Procure leased new floors in Lee Garden One and Lee Garden Two respectively. UOB and Chanel also expanded their offices in Lee Gardens. We will capitalise on this opportunity and attract more new tenants from these sectors.

Office Lease Expiry Profile by Area Occupied (As at 31 December 2023)



As at the end of 2023, the Banking, Finance and Wealth Management sector continued to occupy the largest share 21.4% (2022: 25.0%) of our tenant portfolio by floor area. The Co-work sector and Professional and Consulting sectors were second and third. Office demand from the medical and health sector has risen due to the uptick in business performance following the resumption of normal travel with the Mainland.

Office Tenant Profile by Area Occupied as at Year-end



RETAIL

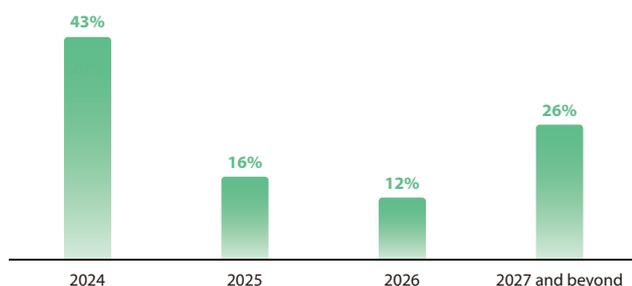
The Group's retail portfolio turnover decreased by 6.7% to HK\$1,533 million (2022: HK\$1,643 million). This included turnover rent of HK\$154 million (2022: HK\$106 million). Retail occupancy stood at a robust 97% as at 31 December 2023 (2022: 99%). The rental reversion rate on renewals, rent review and new lettings was predominantly positive during 2023.

During the year, Hong Kong's retail sales showed signs of improvement, thanks to the revival of inbound tourism, the continued improvement in household income, and the implementation of various promotional campaigns and activities by the Hong Kong Government. However, the recovery was impeded by a challenging external environment and a strong Hong Kong dollar. Additionally, the strong inclination of residents to travel and spend in nearby cities in the Greater Bay Area and overseas resulted in an imbalance in tourist flows, further impacting Hong Kong's retail sector. As a result, only a moderate increase in sales was observed from the second quarter of the year, and Hong Kong's retail industry has yet to return to pre-pandemic level.

The retail sector in Hong Kong is undergoing a transformation driven by changes in consumer behaviour, particularly a shift in tourist focus from extravagant shopping to experience-based tourism. In view of this, Hysan Place unveiled a brand-new lifestyle hub on the basement floors. This hub showcases nearly 40 lifestyle, entertainment, and food and beverage brands from various Asian cities, including some making their debut in Hong Kong. This transformation was inspired by the concept of #URBANHOOD, which aims to engage a creative and lifestyle focused generation, connecting them with popular culture. Together with #UrbanSky, #UrbanPark, and over a hundred local and international brands and dining outlets in Hysan Place and the nearby area, #URBANHOOD offers an engaging experience that caters for all generations.

The rejuvenation of Lee Gardens also made significant progress throughout the year. Major enhancement works at Lee Garden One were completed with the arcade area reopened in late 2023. The flagship stores of our key luxury anchor tenants are undergoing renovation and will be completed in stages by 2024 and 2025. The reopening of these flagship stores will reinforce Lee Gardens as the premier destination for top luxury brands in Hong Kong.

Retail Lease Expiry Profile by Area Occupied (As at 31 December 2023)



Management's Discussion and Analysis

MARKETING INITIATIVES AND LOYALTY PROGRAMMES

In 2023, we implemented a range of diversified marketing programmes to enhance our core business and promote inclusivity in Lee Gardens.

Despite the global economic uncertainties, we implemented various initiatives to sustain members' traffic and sales. These included refining the lounge service, providing personalised services for top-tier members, and launching sales boosting programmes targeting different transaction levels. As a result, the retention rate of top-tier members returned to pre-covid levels, and Club Avenue achieved a modest increment in total member sales.

The introduction of #UrbanPark and Playdot at Lee Gardens brought novelty and unique experiences to cater to the diverse interests and needs of our customers. At the beginning of the year, we unveiled #UrbanPark, the first-ever covered skatepark in Hong Kong, at Hysan Place with an exciting opening party featuring a world-renowned skateboarder. This campaign received support from international luxury and skateboarding brands through sponsorships and a premium crossover pop-up shop. Throughout the year, we also hosted collaborative skateboarding events with I.T. and Chivas to further engage trendsetters. In August, we launched Playdot, an exclusive indoor play space in Lee Garden Two. This introduction extended the range of activities available for our members and their children, providing them a unique and immersive experience. Parent-child activities and learning workshops were also regularly held at Playdot to create enjoyable moments for our members and their children while allowing the children to learn through play.

Throughout the year, we organised thematic campaigns, incorporating installations and sales promotions, to attract more visitors and boost sales during festive seasons. In January, we held the "Unfold Your Aesthetic Stories" Chinese New Year campaign, which combined traditional paper art with immersive experiences and digital interactions, creating a memorable and festive atmosphere for our members during the holidays. In March, we organised the Kids Carnival, which garnered support from 30 children's and homeware brands, reinforcing the position of Lee Garden Two and Three as destinations for families and children. In December, we collaborated with renowned visual artist and illustrator, Jirayu Koo, for the "Glom Glom All The Way" Christmas campaign. This campaign offered a captivating visual experience with art, lifestyle and fashion. A series of engagement programmes, including family portraits with Santa Claus and enchanting performance, were also held to enhance the overall Christmas shopping experience in Lee Gardens.

Furthermore, we implemented a diverse range of rewards programmes to enhance awareness and sales on our e-Commerce hy! Platform. The iconic Power Up campaign offered discounts on e-vouchers from over 100 participating tenants this year, and we once again, partnered with Hang Seng Bank to provide additional rewards. This campaign returned with great success, generating promising sales and reactivating inactive members.

RESIDENTIAL

In 2023, the increased demand from an influx of young professionals and graduates through various talent schemes had a positive impact on Hong Kong's mass residential leasing market. However, the luxury residential leasing market continued to face challenges and remained sluggish. Despite some sporadic big-ticket lease transactions, overall demand, particularly for older developments, remained low primarily due to the lack of demand from expatriates. As a result, Hysan's residential leasing portfolio turnover saw a decline of 14.2% to HK\$205 million (2022: HK\$239 million). Occupancy was at 60% as at 31 December 2023 (2022: 61%). The average rental reversion in the sector was negative for renewals, rent reviews and new lettings.

Core Expansion and Strategic Pillars

COMMERCIAL PROPERTY DEVELOPMENT – CAROLINE HILL ROAD PROJECT

The construction works for the Caroline Hill Road project, our strategic joint venture development with Chinachem Group, are on track. The entire project is progressing on schedule for opening in late 2026. This is an important milestone in our long-term growth plans and will reinforce the Lee Gardens precinct as one of Hong Kong's most unique destinations.

The Caroline Hill Road Project is included under "investment properties" in our consolidated statement of financial position.

RESIDENTIAL PROPERTY DEVELOPMENT – VILLA LUCCA IN TAI PO AND TO KWA WAN RESIDENTIAL PROJECT

Our joint-venture luxury residential project, VILLA LUCCA, was granted a Certificate of Compliance in the first quarter of 2023. This development of 262 garden houses and apartments is the first residential project on Tai Po's prestigious Lo Fai Road in recent years. It was honoured with a Merit Award at the Hong Kong Institute of Architects Annual Awards 2022-23, recognising its exceptional craftsmanship and visionary design.

Hong Kong's luxury residential sales market cooled down for most of 2023 due to interest rate hikes and stresses in the global financial sector. Despite the poor market sentiment, we adopted a price adjustment strategy in Q4 2023 to boost transactions. As a result, over 60 houses and apartments were sold or leased during the year, with over half of the transactions completed in the last quarter of 2023. Looking ahead, we will prepare more show flats to attract potential buyers who are seeking a "ready" home in Hong Kong.

Hysan owns 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 district. The development plan was approved during the year and is targeted for completion in 2027. Hysan will apply our expertise by overseeing the design and operation of the retail portion of the project.

The VILLA LUCCA Project and To Kwa Wan Residential Project are included under "investments in joint ventures" in our consolidated statement of financial position.

SHANGHAI INVESTMENT PROPERTY – LEE GARDENS SHANGHAI

Lee Gardens Shanghai features approximately 0.7 million square feet of gross floor area for commercial activities, with 375 parking spaces available. Enhancement work on the office tower was completed in 2023, and tenants began moving in during the first quarter of 2023. Enhancement of the retail space started in 2023 and is expected to be completed in 2024. Pre-leasing activities for the retail space began in 2023, and the first tenant is expected to move in during the first half of 2024.

The investment is included under "investment properties" in our consolidated statement of financial position.

Management's Discussion and Analysis

SHANGHAI INVESTMENT PROPERTY – GRAND GATEWAY 66

This investment property, in which Hysan owns a 26% stake, demonstrated resilient performance despite the impact of COVID measures in Shanghai. The investment is included under "investments in associates" under our consolidated statement of financial position.

GREATER BAY AREA FLEX – JOINT VENTURE WITH IWG PLC

All of IWG's flexible workspace brands in Hong Kong and the Greater Bay Area are exclusively operated by a Hysan-IWG joint venture.

Following the easing of COVID-19 restrictions, the performance of our flexible workspace business has further improved. Despite the overall challenges in the office market, occupancy has grown. This growth can be attributed to the increasing demand for flexible workspaces as "hybrid working" continues to proliferate. Through our partnership with one of the world's largest flexible workspace platforms, we are confident and optimistic about our Greater Bay Area Flex business.

With the addition of five new centres in Hong Kong and Shenzhen during the year, the joint venture now operates 39 centres across the Greater Bay Area as of the end of 2023. We will continue to expand IWG's brand within the region's growing flexible workspace market.

The investment is included under "investments in joint ventures" in our consolidated statement of financial position.

MEDICAL AND HEALTH – NEW FRONTIER GROUP

New Frontier Group is a leading private healthcare services provider based in the Mainland that operates a system of acute hospitals, an online hospital, rehabilitation and geriatric hospitals, oncology centres, ambulatory centres, outpatient clinics, a home health network, doctor groups, training centres and health insurance services across the country. Its growth momentum continued in 2023.

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

The investment is included as part of the "other financial investments" in our consolidated statement of financial position.

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).

In response to the economic situation, the Group adopted rigorous cost control measures and kept our operating cost down during the year. However, the significant increase in electricity tariff and the turnover impact of the Lee Gardens rejuvenation project drove up our operating costs to turnover ratio to 29% (2022: 26%). Excluding the negative turnover impact of Lee Gardens rejuvenation project, the Group's operating costs to turnover ratio would be approximately 27.3% on a like-for-like basis.

FINANCE COSTS

Finance costs increased to HK\$478 million, as compared with HK\$423 million in 2022, contributed by the interest rate hike during the year. The effective interest rate for the year was 4.2%, as compared with 2.8% in 2022.

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 2023, the Group's investment real estate portfolio was valued at HK\$96,005 million, a decrease of 0.8% from the HK\$96,787 million recorded at the prior year-end.

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\$2,763 million (2022: HK\$3,213 million) was recognized in the Group's consolidated statement of profit or loss for the year. The loss mainly reflects heightened market risk in the office sector weakened by continued global economic uncertainties.

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

	2023 HK\$ million	2022 HK\$ million	Change
Office	35,688	36,906	-3.3%
Retail	32,480	31,517	+3.1%
Residential	8,647	8,724	-0.9%
Property under development	19,190	19,640	-2.3%
	96,005	96,787	-0.8%

Management's Discussion and Analysis

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 decreased to HK\$270 million (2022: HK\$274 million). The Group's share of the revaluation gain (net of deferred tax) amounting to HK\$11 million (2022: revaluation gain of HK\$11 million). The properties at Grand Gateway 66 were revalued at fair value by an independent professional valuer for both years ended 31 December 2022 and 2023.

The Group's investment in joint ventures comprises interests in a Tai Po residential project, To Kwa Wan residential project and the IWG Flex business.

OTHER FINANCIAL 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. As at 31 December 2023, other financial investments totalled HK\$1,557 million (2022: HK\$2,035 million). The decrease was mainly due to the fair value loss of HK\$525 million (2022: fair value loss of HK\$43 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 of HK\$24 million (2022: HK\$24 million) recognized on an interest-free loan to a joint venture company for a residential site development in Tai Po, like-for-like interest income increased to HK\$198 million (2022: HK\$121 million) resulting from higher deposit rate on the bank deposits placed.

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.

	2023 HK\$ million	2022 HK\$ million
Cash generated from operations	2,431	2,591
Net investment and advance to joint ventures and other financial investments	(531)	(2,530)
Net (repayments) borrowings	(1,334)	5,516
Repurchase and distribution of perpetual capital securities	(442)	(857)
Movements in time deposits, other receivables and payables	4,166	(3,100)
Interest and taxation	(1,014)	(833)
Dividends paid	(1,585)	(1,593)
Considerations for share repurchase	(1)	(162)
Capital expenditure	(1,669)	(3,081)
Net cash inflow (outflow)	21	(4,049)

The Group's cash generated from operations was HK\$2,431 million (2022: HK\$2,591 million), HK\$160 million lower than that in 2022, reflecting lower Recurring Underlying Profit from our core leasing business.

Net investment and advance to joint ventures and other financial investments, amounted to HK\$531 million (2022: HK\$2,530 million) related to advance to the residential site development in Tai Po.

Net repayments amounted to HK\$1,334 million in 2023, reflecting issuance and repayment of fixed rate notes, drawdown and repayment of bank loans and drawdown of loan from non-controlling interest. In 2022, total net borrowings were HK\$5,516 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 2023, the distribution paid to perpetual capital securities holders amounted to HK\$442 million (2022: HK\$458 million).

In 2022, the Group repurchased perpetual capital securities with principal amount of HK\$425 million with cash consideration at HK\$399 million.

Cash from bank deposits was HK\$4,166 million (2022: cash placed in bank deposits: HK\$3,100 million), which was mainly attributable to reduction in deposits with longer tenor.

The Group paid dividends of HK\$1,479 million (2022: HK\$1,486 million), via a 2022 second interim dividend of HK117 cents per share (2022: HK117 cents) and a 2023 first interim dividend of HK27 cents per share (2022: HK27 cents).

During the year, the Group purchased a total of 48,400 ordinary shares for a total of consideration of approximately HK\$1 million on the Stock Exchange for a one-off share award plan adopted by the Company on 15 October 2023 in commemoration of the momentous occasion of the 100th anniversary of the establishment of the Group in Hong Kong. In 2022, the Group repurchased 7.3 million of its own shares as part of its capital management programme for an aggregate consideration of approximately HK\$162 million.

CAPITAL EXPENDITURE AND MANAGEMENT

Total cash outlay of capital expenditure decreased to HK\$1,669 million during the year (2022: HK\$3,081 million). The capital expenditure during the year was mainly related to Caroline Hill Road project and enhancement works in Lee Gardens area. The Group is committed to enhancing the asset value of its investment property portfolio through selective enhancement and redevelopment.

Management's Discussion and Analysis

Treasury Policy

CAPITAL STRUCTURE MANAGEMENT

To ensure a healthy financial position and a suitable capital structure servicing its financing needs and sustainable growth, the Group always strives to diversify its funding sources, and to maintain an appropriate debt maturity profile relative to the overall use of funds. The Group 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 Debt¹ level as at 31 December 2023 decreased to HK\$25,717 million (31 December 2022: HK\$27,487 million), mainly resulting from the debts repayment during the year.

As at 31 December 2023, bank loans accounted for approximately 39% of the Group's total Gross Debt with the remaining 61% from capital market financing (31 December 2022: 39% : 61%).

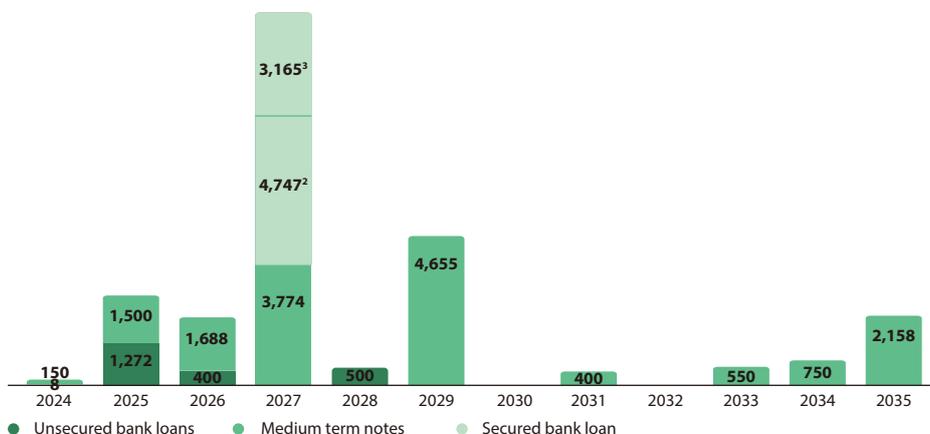
The following table shows the Group's sources of debt financing as at 31 December 2023 (in HK\$ million):

	Available	Drawn	Undrawn
Secured term loans	12,951	7,912	5,039
Unsecured term loans	2,150	2,150	–
Committed revolving loans	6,369	–	6,369
Capital market issuances	15,625	15,625	–
Total committed facilities	37,095	25,687	11,408
Uncommitted loans	2,500	30	2,470
Total source of debts financing	39,595	25,717	13,878

Maturity Profile

The Group maintains a well-staggered debts maturity profile in the coming 12 years to match with the nature of our assets and operations. As at 31 December 2023, the average maturity of debt portfolio was about 4.5 years (2022: 4.8 years) and have approximately HK\$158 million debts maturing in 2024.

The following shows the debts maturity profile of the Group at 2023 year-end (in HK\$ million):



1 The Gross Debt represents the contractual principal payment obligations as at 31 December 2023. 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 2023, the book value of the outstanding debt of the Group was HK\$25,564 million (31 December 2022: HK\$27,277 million).

2 60% secured term loans of Caroline Hill Road project (guaranteed by Hysan).

3 40% secured term loans of Caroline Hill Road project (guaranteed by Chinachem Group).

Gearing ratio and net interest coverage

The Group's gearing ratio, as measured by Net Debt to Equity ratio⁴, was 27.2% at year-end 2023 (31 December 2022: 23.4%). The Group's Net Interest Coverage⁵ decreased to 9.6 times for 2023 (2022: 13.1 times).

Credit Rating

The Group keeps an active dialogue with credit rating agencies and aims at maintaining investment-grade credit ratings. As at 31 December 2023, the Group's credit ratings were maintained at Baa1 from Moody's and BBB+ from Fitch, reflecting the Group's strong financial position and prudent capital management strategy.

LIQUIDITY MANAGEMENT

As at 31 December 2023, the Group has cash and bank deposits totalling about HK\$3,854 million (31 December 2022: HK\$7,771 million). In order to preserve liquidity and for yields enhancement, the Group invested HK\$994 million (2022: HK\$992 million) in investment-grade debts securities.

Further liquidity, if needed, is available from the undrawn committed facilities offered by the Group's relationship banks. These facilities amounted to HK\$6,369 million at the year-end of 2023 (31 December 2022: HK\$4,900 million).

INTEREST RATE MANAGEMENT

Interest expenses represent one of the key cost drivers 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 2023 was 62% (31 December 2022: 61%). The effective interest rate increased to 4.2% at year-end 2023 from 2.8% at year-end 2022.

FOREIGN EXCHANGE MANAGEMENT

The Group aims to achieve minimal currency exposure and does not speculate in currency movements for asset and liability management. The Group monitors and manages its foreign currency exposure, including USD and RMB, where appropriate, by applying systematic measures to mitigate foreign currency risks.

All USD fixed rate notes were hedged via cross-currency swaps to effectively convert the debts into HKD. A USD bank loan has also been drawn down as a natural hedge against the Group's outstanding foreign currency balances in the investment in debts securities.

USE OF DERIVATIVES

As at 31 December 2023, outstanding derivatives were all related to the hedging of foreign exchange exposures and interest rates. Strict internal guidelines have been established to ensure derivatives are used to manage volatility or to adjust the appropriate risk profile of the Group's treasury assets and liabilities.

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 will ensure that its counterparty possesses strong investment-grade ratings 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 sustainable finance transactions at year-end were approximately HK\$19,300 million, representing around 49% of the Group's total debts and facilities. We aim to increase gradually the sustainable finance portion of the Group's total indebtedness.

⁴ Net Debt to Equity is defined as borrowings less time deposits, cash and cash equivalents divided by total equity.

⁵ Net Interest Coverage is defined as gross profit less administrative expenses before depreciation divided by net interest expenses after interest capitalization.

3

Corporate Governance

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Corporate Governance Report

Our Corporate Culture Framework

Hysan’s corporate culture is the way we express and implement our values. As a business rooted in Hong Kong for a hundred years, we strive to achieve the highest standards in Citizenship, Leadership, Sustainability and Accountability through strong teamwork and effective governance. We excel in the areas where we operate and create unique values that mutually benefit the Company and our stakeholders (“Stakeholders”), including the communities we serve.

Our Roles

The Board

Provides stewardship of the Group. Defines our Vision, Mission, Values (“VMVs”) and strategy and ensures their alignment with our corporate culture. Sets the tone from the top, leads by example and influences change. Ensures the effectiveness and adequacy of the corporate governance system.

Management

Convey the Board’s messages to all levels of staff and fosters the desired culture through effective engagement and clear communication of the Group’s strategy, business developments and expected behaviours.

All Staff

Work together to build the Group’s culture. Act with integrity, be responsible and honest. Be open in giving feedback and contribute to the continual refinement of the Group’s culture.

Defining Our Purpose

Vision

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

Mission

To provide our Stakeholders with sustainable and outstanding returns from a property portfolio that is strategically planned and managed by passionate, responsible and forward-looking professionals.

Values

L eadership	<ul style="list-style-type: none"> Take Initiative, Challenge Conventional Wisdom, Think Independently.
E xcellence	<ul style="list-style-type: none"> Aim to be the Best, Excel in What We Do.
E mpowerment	<ul style="list-style-type: none"> To Empower & Be Empowered.
G ood Citizenship	<ul style="list-style-type: none"> High Integrity, Be Honest and Open, Give Back to the Community.
A ccountability	<ul style="list-style-type: none"> Understand Roles and Responsibilities, Keep Promises and Deliver, Be Responsible for your Actions and Inactions, Transparency.
R espect	<ul style="list-style-type: none"> Show Respect, Earn Respect.
D iving / Driven	<ul style="list-style-type: none"> Be a High Achiever, Do Not Accept Complacency, Meet and Exceed Expectations.
E ntrepreneurship	<ul style="list-style-type: none"> Seek New Opportunities, Take Action.
N etworking	<ul style="list-style-type: none"> Break Silos, Help Each Other, Share Information, Knowledge and Time, Build Internal and External Networks.
S ustainability	<ul style="list-style-type: none"> Think Long-Term. Preserve and Reuse Resources, Continuous Delivery of High Quality Services.

Formulating Our Business Model and Strategy

Our Community Business Model is grounded in our VMVs, which guide the ongoing curation of the vibrant and inclusive communities within our core Lee Gardens. Through strategic growth pillars, we spread the positive impacts of the Lee Gardens experience to more people in new geographics over time.

Community Business Model

Through curating sustainable communities that are agile and resilient in the face of change, we strive to make positive impacts on inclusivity, the economy, social well-being, climate change preparedness, and livability within the communities we serve. Further details are set out in the Group's 2023 Sustainability Report.

Core and Pillar Strategy

Hysan strives to create value for our shareholders through our core investment portfolio, which is predominantly located in Hong Kong's prime Causeway Bay district. Our Strategic Pillars complement and reinforce our core business, providing geographic and business diversification.

Core: Lee Gardens, our centre of excellence and a tangible brand

- **Caroline Hill Road Project** – Strategic expansion of our core footprint for up to 30%, adding lifestyle elements & 60,000 sq.ft. of green community space.
- **Lee Gardens Rejuvenation** – Full-scale revamp of Lee Gardens to solidify our position as the home of luxury and Hysan Place as a trend-setter, ensuring our continued leadership in the industry.
- **Connectivity** – Area connectivity scheme to offer a pleasant, weatherproof walking journey connecting Causeway Bay MTR station and the Lee Gardens area.

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Pillars: Building a balanced, diversified and complementary portfolio

- **Shanghai Investment Property – Lee Gardens Shanghai**
Bringing our Lee Gardens business philosophy and unique smart community business model to one of China's most populous cities.
- **Residential Developments & Sales – VILLA LUCCA & To Kwa Wan Residential Project**
Establishing vintages of quality residential development projects to broaden our income sources.
- **Greater Bay Area Flex – Joint Venture with IWG**
Keeping abreast of the fast-evolving workspace ecosystem. Tapping into the economic growth potential of the Greater Bay Area.
- **Medical & Health – New Frontier Group**
Providing strategic exposure for the Group in Mainland China's fast – growing healthcare sector and meeting the demand for premium healthcare services.

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Aligning Our Culture

Tone from the Top

The Board has adopted a Corporate Culture Statement that codifies Hysan's culture developed over the years for better alignment with our VMVs and strategy. The Board reviews the Corporate Culture Statement regularly to ensure its continued relevance as the Group's strategy and business model evolve. The Board considered, and was satisfied, that Hysan's VMVs and strategy remained in alignment with its corporate culture.

The Board will continue to promote the desired corporate culture, maintain visibility and insight into culture initiatives and instil Hysan's core values across all levels of the Group.

Governance

Hysan believes that embracing strong governance is the foundation for delivering its strategic objective of consistent and sustainable performance over the long term. At the heart of Hysan's governance structure is an effective Board and management team who are committed to reinforcing Hysan's well-established VMVs and deeply engrained corporate governance tradition. We are committed to building risk management and internal control into our corporate culture.

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We exercise ethics beyond the narrow sense of legal compliance. Our Code of Ethics covers a wide range of areas, including conflicts of interest, anti-bribery, competition and antitrust, privacy compliance, and equal opportunities. The Code sets out our values and standards as well as the procedures and measures to maintain a high standard of accountability and integrity.

The Code of Ethics, together with the Anti-Bribery and Corruption Policy, Anti-fraud Policy, our long-maintained Whistleblowing Policy and our Policy of Compliance (which sets out clear procedures for ensuring compliance and reporting of non-compliance), provides a comprehensive compliance framework. No regulatory breaches or confirmed cases of misconduct, malpractice or irregularity were reported in 2023.

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Aligning Our Culture (continued)

Effective Communication

New joiners to the Company are introduced to Hysan's traditions, corporate culture and VMVs during the on-board orientation on their first day with Hysan. With the aim of instilling essential skills and embedding our core values across our business, our staff also receive regular training in topics that range from leadership, personal capabilities and industry knowledge to compliance via our e-learning platform. Hysan Forum is also held regularly to share Hysan's strategy, business development and initiatives.

Promoting a culture of open communication and proactive engagement among Hysan staff, Hysan Pulse, our staff engagement platform, is an interactive platform where corporate policies, company news, promotions and staff events are disseminated. It serves as the key day-to-day channel through which our core values are communicated, understood and embraced. The "likes" and "comments" from our employees help the Company understand their views and concerns. Further details on talent development and training are set out in our 2023 Sustainability Report.

Employee feedback is collected regularly from formal and informal channels, including performance review meetings, exit interviews and day-to-day conversations, with a view to developing initiatives and programmes that enrich our working environment and fuel the Company's growth.

In 2023, we produced a new animated video on our VMVs together with a series of training videos demonstrating behaviours that exemplify Hysan's core values.

Hysan's 100th Anniversary Share Award

To foster a sense of belonging and engagement, all employees were awarded with 100 shares of the Company as part of our commemoration of Hysan's 100th anniversary. The share award plan is a gesture of appreciation for the valuable contributions made by our employees towards Hysan's success.

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Incentives

Performance management is an important process that allows management to share the Group's VMVs and strategy with employees on a regular basis and promote our desired culture, values and behaviours.

Cultural elements have long been a component of Hysan's performance measurement with substantial weight given to behavioural performance, such as, Leadership, Professionalism, Teamwork and Resourcefulness.

Hysan's remuneration policy incentivizes a proper balance between business performance and long-term sustainable growth. It takes into account both quantitative and qualitative assessments of performance in the forms of financial and operational targets and behavioural competence that align with the Group's long-term strategy, culture and core values.

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Measuring Our Success

Financial & Non-Financial KPIs Driving Long-Term Value Creation

Financial Achievements:	HK\$3,210 million
	Turnover
	HK\$1,832 million
	Recurring Underlying Profit
	HK108 cents
	Dividend per Share

Strong Underlying Non-Financial Achievements:

Category	2023 Non-financial Achievements
Governance	<ul style="list-style-type: none"> Diversity and inclusion at Board Level: 36% female directors Exceeded gender diversity target of 33% female directors Zero cases of data privacy incidents and regulatory breaches No confirmed cases of misconduct, malpractice or irregularity were reported in 2023.
Environment	<ul style="list-style-type: none"> Reduced carbon intensity by 38% from baseline year 2005 Reduced purchased electricity intensity use by 19% from baseline year 2005 Completed energy audits of 100% of our portfolio More than 40% of debt is sustainable finance
Community	<ul style="list-style-type: none"> 20 impact partners (NGOs) engaged 16,856 beneficiaries supported
People	<ul style="list-style-type: none"> Workplace injury rate at 0.97% Zero work-related fatalities recorded Increased number of training hours by 87% from baseline year 2020

Environmental, Social and Governance Recognitions

Attained recognitions from key relevant ESG benchmarks and indices.

- Corporate Governance Award by the Hong Kong Institute of Certified Public Accountants (HKICPA) for the 20th consecutive year.
- The Gold Award in the "Privacy-Friendly Awards 2023" organized by the Office of the Privacy Commissioner for Personal Data.



Remained 4-star



Hong Kong Institute of Certified Public Accountants
香港會計師公會

Corporate Governance Award



Hang Seng Corporate Sustainability Index Series Member 2023-2024

Remained AA



2023 GOLD 金獎
Privacy-Friendly Awards
私隱之友嘉許獎
Awarded by PCPD, Hong Kong
由香港個人資料私隱專員公署頒發

Gold Award



Remained A



FTSE4Good
Improved to 3.5 / 5



Remained as Low Risk 2024
ESG Top-Rated Companies List

Culture Assessment and Monitoring

Measures are in place to ensure desired culture and expected behaviours are communicated to all employees. Specific indicators, both quantitative and qualitative, have also been used for assessing and monitoring corporate culture:

Staff turnover rate

Whistleblowing data

Board evaluation

Breaches of code of conduct

Regulatory breaches

Evaluate and Refine

The 2023 Board Evaluation received a 100% response rate.

Summary:

- The overall response is positive, and there were no material issues to report.
- The Board and its Board Committees continued to operate effectively and to a high standard.
- Recognized that Hysan's culture and VMVs are clear from the top.
- The Board was recognized for its culture of accountability, integrity, openness and transparency.

Key Actions:

- **The Board continues to foster and shape the desired culture, monitor, and evaluate its continued relevance and alignment with the Company's VMVs and strategy.**
- **To devote more resources to nurture and communicate its corporate culture and values.**
- **Continue to evaluate the design, implementation and effectiveness of the Group's culture and ethics-related programmes, activities and policies.**
- **Continue to focus on "S", the social element in ESG while heightening our attention to "E", the environmental element of ESG in our Sustainability framework and strategies.**

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Corporate Governance Highlights

Hysan Development Company Limited (the “Company”) and its subsidiaries (the “Group” or “Hysan”) believe that strong governance is the foundation for delivering its strategic objective of consistent and sustainable performance over the long term.

We are committed to achieving best practices in all aspects of corporate governance, going above and beyond regulatory compliance with the Rules Governing the Listing of Securities (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or (“HKEx”).

Throughout 2023, Hysan continued to implement and uphold the principles of good corporate governance as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix C1 of the Listing Rules. Hysan has fully complied with the code provisions of the CG Code, as well as all applicable requirements and provisions of the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 of the Listing Rules.

HIGHLIGHTS OF THE YEAR

Board Diversity

Gender

- Female board representation increased from 27.3% to 36.4% in 2023, exceeding the average ratio of 17.4%* for Hong Kong listed companies.
- Having exceeded our gender diversity target of 33% female board representation, we are committed to continuing our diversity journey towards achieving the ultimate goal of gender parity.

* Source: HKEx Board Diversity Repository as at the date of this report

INED ratio and tenure

- INED ratio increased from 46% to 54.5% in 2023.
- The appointment of a new independent non-executive director of the Company (“INED”) in May 2023 refreshed the average tenure of directors of the Company (“Directors”) and broadened the breadth of experience of our board of directors (“Board”) by including fresh perspectives from a diversified business and professional background.

Board and Board Committees Refreshment

- Pursuant to the long-term succession plan of the Board to balance experiences, expertise, diversity and tenure, the Board has been orderly and gradually refreshed in the past few years, to bring new skills and perspectives that support the Group’s strategy and growth while ensuring smooth transitions and continuity.
- The Board considered and approved the reshuffling of the composition of the Board’s committees (“Board Committees”) in March 2023 to bring in fresh perspectives while maintaining continuity. After the reshuffling, the remuneration committee of the Company (“Remuneration Committee”) consists of 100% INEDs.

Hysan has evolved a culture over 100 years that is unique in the HK context, as a caring and responsible part of the community that holds social values alongside financial values.

Directors’ comments received in Board Evaluation 2023

HIGHLIGHTS OF THE YEAR (Continue)

Corporate Culture

- Set tone from the top and lead by example.
- Articulate how our “LEE GARDENS” values shape our business model and guide us towards achieving our Vision and Mission.
- A new animated video on our VMVs was launched in Q2/2023. This initiative aims to encourage staff to actively participate in shaping the Company’s corporate culture. Another series of training videos were produced to demonstrate behaviours that exemplify Hysan’s core values.

Hysan’s 100th Anniversary Share Award

- To foster a sense of belonging and engagement, all employees were awarded with 100 shares of the Company as part of our commemoration of Hysan’s 100th anniversary. The share award plan is a gesture of appreciation for the valuable contributions made by our employees towards Hysan’s success.

Measure and enhance

- We implemented financial & non-financial incentives to promote desired behaviours in line with our corporate culture.
- Indicators such as staff turnover rate, whistleblowing data, policy and regulatory breaches and Board evaluation have been used to help assess our corporate culture on a continual basis.

Data Privacy

- We enhanced the Group’s data privacy management procedures, setting out clear guidelines on data collection, access, data inventory maintenance, internal and external communication, and incident response protocols in order to build awareness of handling personal information and ensure that data privacy management procedures are followed in all functional areas.

As we navigate through a period marked by significant challenges and opportunities, our Board has identified several key areas of focus for the year to ensure the long-term growth and resilience of our organization.

BOARD FOCUSES OF THE YEAR

- Monitored and guided the execution of the Group’s “Core and Pillar Strategy”. Rejuvenated and enhanced the competitiveness of our core portfolio in response to structural changes in Retail and Office sectors. Built diversified and complementary pillars for long-term growth.
- Board refreshment introduced new members with fresh insight and expertise.
- Continuously assesses business and operational risks and implements mitigations in light of the economic uncertainties, geopolitical tensions, inflation, interest rate fluctuations, acute weather events and cybersecurity threats.
- Refined capital management strategy. Optimized funding structure, debt maturity profile and finance costs as well as maintaining rigorous control over operational and capital expenditures.
- Integrated sustainability practices into our long-term strategy, with a particular focus on “Environment” aspect.



Hysan is probably at the top end of the league of HK listed companies on the corporate governance front.

Directors' comments received in Board Evaluation 2023



LONG-ESTABLISHED CORPORATE GOVERNANCE TRADITION

This section highlights the corporate governance practices Hysan has adopted over the years, which remain best practices exceeding the relevant CG Code and/or the Listing Rules requirements.

<p>GOVERNANCE STRUCTURE</p>	<ul style="list-style-type: none"> • Our Board comprises 11 Directors, of which six are INEDs, exceeding the independence requirements under the Listing Rules. • The Remuneration Committee consists of 100% INEDs. • An effective and thorough evaluation of the Board and the Board Committees is conducted digitally on an annual basis, followed by timely and meaningful analysis and discussion of Directors' feedback and action plans. • Directors are appointed through formal letters of appointment setting out formal criteria and requirements (including expected time commitments) for their appointment. • A Board of Directors Mandate* and a detailed Schedule of Corporate Matters Reserved for the Board* have been adopted to provide a clear division of roles between the Board and the Company's management. • Comprehensive Onboarding Guidelines for Directors* have been established to familiarize new Directors with Hysan's business, strategy, VMVs, culture and governance. • The terms of reference of the nomination committee of the Company ("Nomination Committee") require that the majority of members be INEDs, exceeding the Listing Rules requirements.
<p>STAKEHOLDER ENGAGEMENT</p>	<ul style="list-style-type: none"> • Limits have been placed on the issuance of additional shares under a general mandate since 2018; such issuances 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%. • More than 20 business days' notice is given for the annual general meetings of the Company ("AGM"). • Early announcements of audited financial results and publication of Annual Reports (within two months and three months after the financial year-end respectively).

INTERNAL CONTROL AND COMPLIANCE

- A Risk Appetite Statement* adopted in 2021 articulates Hysan's principle towards 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 become exposed to, taking the varying levels of exposure into consideration.
- A Tax Governance Policy* adopted in 2021, along with a supporting tax compliance policy and procedures, provides a tax governance framework on compliance and risk management.
- An Anti-Fraud Policy* adopted in 2021 and updated in 2023, along with a supporting fraud handling procedures and controls, is in place to govern the prevention, detection and reporting of fraud.
- A Human Rights Policy* was adopted in 2020 and updated in February 2024, and a Code of Ethics* applicable to all staff and Directors was adopted in 2005 and updated in January 2024. The policy and the code are designed to promote a healthy corporate culture of accountability, transparency, integrity and ethical behaviour.
- A separate Whistleblowing Policy* was established in 2016 to allow reporting to be made in confidence to an independent third party, which reports directly to the audit and risk management committee of the Company ("Audit and Risk Management Committee"). The Whistleblowing Policy, together with the Anti-Bribery and Corruption Policy* adopted in 2022, reinforce and expand Hysan's existing anti-corruption system and procedures.
- Corporate Governance Guidelines* formulated in 2004 are reviewed regularly and were updated in February 2023 to provide guidelines on important governance issues.
- An Auditor Services Policy* was adopted in 2012 to set the parameters within which auditors may be engaged for audit, non-audit or tax work that is consistent with applicable laws and Hysan's corporate governance principles.
- A formal Code for Securities Dealing by Restricted Employees, which sets out clearance and approval procedures for securities dealings, has been adopted and updated in 2023 to extend the relevant Listing Rules requirements to employees who, because of their office, are likely to have access to confidential or inside information of the Group.
- Connected transactions and continuing connected transactions are approved by the full Board, with a requirement that transactions exempt under the Listing Rules be reported to and confirmed by the full Board after obtaining the approval of the executive committee of the Company ("Executive Committee").
- Additional assurance with regard to the review of continuing connected transactions is provided by Internal Audit.
- Confirmation from senior management to the Audit and Risk Management Committee and the Board to verify the effectiveness and adequacy of the Group's risk management and internal control system.
- All corporate policies and procedures (including policies on financial reporting, procurement and privacy compliance) are required to be reviewed annually to ensure their continual effectiveness and relevancy.

Corporate Governance Report

SUSTAINABILITY	<ul style="list-style-type: none">• A Sustainability Committee was established in 2020 with a clear governance structure and terms of reference to support the Board in overseeing and providing direction on the Group’s sustainability development and management of ESG-related risks and issues.• In support of Hysan’s sustainability strategy and vision, a sustainable Finance Framework* was adopted in 2021. This framework expands the scope of the Company’s existing Green Finance Framework* to include not only green projects but also social projects and initiatives that have a positive impact on society and our Stakeholders.• Financing transactions conducted under the Green Finance Framework and Sustainable Finance Framework include the first green bond in 2019, the first sustainability-linked loan in 2021, and a new ESG-linked loan facility in 2022.• A Sustainable Procurement Policy* adopted in 2021 and updated in February 2024 provides guidelines for making sustainable procurement decisions with the lowest environmental impact and most positive social results.• A Suppliers’ Code of Conduct adopted in February 2024 states our commitment to conducting business ethically, sustainably and with respect for human rights. Our service providers and contractors are expected to adhere to the Suppliers’ Code of Conduct.
DISCLOSURE AND OTHERS	<ul style="list-style-type: none">• Individual reports for each Board Committee are published in the Annual Report to enhance transparency.• Hysan’s risk management and internal control framework, along with details on how Hysan manages the Group’s significant risks, was disclosed in the Risk Management and Internal Control Report.• A Corporate Culture Statement* was adopted in 2022 to codify Hysan’s culture for better alignment with Hysan’s well-established VMVs and strategy.• A Corporate Disclosure Policy* formulated in 2013 promotes disclosure of information in a timely, accurate and broadly disseminated manner.• The disclosure committee of the Company (“Disclosure Committee”) conducts regular assessments of potential inside information and communications.

* Detailed policies and terms of reference are available on the Company’s website: www.hysan.com.hk/governance.

Our Leadership Team

Executive Directors



Lee Irene Yun-Lien

Chairman of the Board



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 70.

Competencies and Experience Ms. Lee leads the Group in her executive Chairman role. She is the independent non-executive chairman and the chairman of the nomination committee of Hang Seng Bank Limited and is an independent non-executive director and the chairman of the remuneration committee of The Hongkong and Shanghai Banking Corporation Limited. She is also an independent director of Alibaba Group Holding Limited, the chair of its nominating and corporate governance committee and the chair of its compliance and risk committee. She is a member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority.

Previously, Ms. Lee held senior positions in investment banking and funds management in a number of international financial institutions, including Citibank in New York, London and Sydney, and was the global head of corporate finance at Commonwealth Bank of Australia. She was also on the boards of many listed and unlisted companies, including ING Bank (Australia) Limited and QBE Insurance Group Limited. She was also an independent non-executive director of CLP Holdings Limited, Cathay Pacific Airways Limited, Noble Group Limited and HSBC Holdings plc, and a member of the Advisory Council of JP Morgan Australia. She was formerly a member of the Australian Government Takeovers Panel.

Ms. Lee is a member of the founding Lee family, sister of Mr. Lee Anthony Hsien Pin (a 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. She was awarded the degree of Doctor of Social Science, *honoris causa* from The Chinese University of Hong Kong in November 2022.

Committee Ms. Lee is the chairman of the Nomination Committee.

Corporate Governance Report

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 58.

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 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 from the University of Warwick, the United Kingdom. He is also a Fellow of the Royal Institution of Chartered Surveyors.

Independent Non-Executive Directors



Chung Cordelia

Independent Non-Executive Director



Board Appointment Ms. Chung was appointed as an Independent Non-Executive Director in May 2023 and is aged 64.

Competencies and Experience Ms. Chung has extensive multinational experience specializing in information technology, with knowledge in the building industry. She was trained and practices as a lawyer. Ms. Chung spent over 20 years with IBM China/Hong Kong Limited (“IBM”). She was the first Asian female executive to serve on the IBM chairman and chief executive officer’s strategy team, responsible for setting global directions for the company. She held senior leadership positions at IBM, including regional general manager for Southeast Asian countries, general manager for Hong Kong and Macau and general counsel for Asia Pacific.

Ms. Chung currently serves as an independent non-executive director and the chairman of the remuneration committee of Hang Seng Bank Limited, an independent non-executive director of HKBN Ltd. and a non-executive director of Arup Group Limited. She is the chairperson of Maryknoll Convent School Foundation Limited and a consultant at Raymond T.Y. Chan, Victoria Chan & Co. Ms. Chung also serves as a member of the Court of City University of Hong Kong and a member of the Human Resources Planning Commission of the HKSAR Government. Ms. Chung received the Directors of the Year Award 2022 for “Statutory/Non-profit-distributing Organisations Non-Executive Directors” by The Hong Kong Institute of Directors.

Ms. Chung was previously a non-executive director of Hong Kong Science and Technology Parks Corporation and Grosvenor Asia Pacific Limited, a member of the Research Grants Council of the HKSAR Government, Dalian Committee of the Chinese People’s Political Consultative Conference and the Personal Data (Privacy) Advisory Committee of the Office of the Privacy Commissioner for Personal Data, Hong Kong. Ms. Chung was also a trustee of the board, the chairman of the promotion and development committee and a member of the audit and risk committee of the Singapore University of Technology and Design.

Qualifications Ms. Chung holds a Bachelor of Laws (Hons) from the University of Hong Kong.

Committees Ms. Chung is a member of the Remuneration Committee and the Nomination Committee.



Independent Non-Executive Directors (continued)



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 74.

Competencies and Experience Mr. Churchouse has been involved in Asian securities and property investment markets for more than 30 years. Currently, he is a private investor and has 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 the 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, the Remuneration 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 74.

Competencies and Experience Mr. Fan is an independent non-executive director and chairman of the risk management committee of China Everbright Environment Group Limited, an independent non-executive director and chairman of the nomination committee and ad hoc selection committee of First Pacific Company Limited as well as an external director of Sumida Corporation (listed on the Tokyo Stock Exchange). He was previously an independent non-executive director of China Aircraft Leasing Group Holdings Limited, PFC Device Inc. and 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.



Independent Non-Executive Directors (continued)



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 69.

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, and managing director and deputy chief executive of Hang Seng Bank Limited, and also held senior management posts with HSBC Group and a number of internationally-renowned financial institutions. Mr. Poon was the former chairman of the 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, Hong Kong.

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 Nomination Committee.



Wong Ching Ying Belinda

Independent Non-Executive Director



Board Appointment Ms. Wong was appointed as an Independent Non-Executive Director in December 2018 and is aged 52.

Competencies and Experience Ms. Wong is currently the chairman and Chief Executive Officer 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. She has extensive experience in retail, food and beverage, people, brand development and growth strategy across the Greater China and Asia Pacific regions. Prior to joining the Starbucks group in 2000, Ms. Wong was the marketing manager of McDonald's China Development Company. She is currently an independent director of Canada Goose Holdings Inc. (listed on the New York Stock Exchange and Toronto Stock Exchange) and serves as a member of the Faculty Advisory Board for the University of British Columbia's Sauder School of Business. Ms. Wong was an independent non-executive director of Television Broadcasts Limited.

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

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

Corporate Governance Report

Independent Non-Executive Directors (continued)



Young Elaine Carole

Independent Non-Executive Director



Board Appointment Ms. Young was appointed as an Independent Non-Executive Director in March 2022. She is aged 59.

Competencies and Experience Ms. Young has extensive experience in both real estate and hospitality across Asia. She is the co-founder of the boutique serviced apartment brand, Shama. After Shama was acquired by ONYX Hospitality Group in 2010, Ms. Young founded her own real estate and hospitality consultancy firm. In 2017, Ms. Young co-founded TULU, a Shanghai based Co-Living brand. Ms. Young is a special advisor to one of Warburg Pincus' joint ventures in China, NOVA Property Investment Co. Ltd., and sits on its board. Ms. Young is also the co-chair of The Mekong Club, a non-profit organization that fights modern day slavery. She was named "Entrepreneur of the Year" at the prestigious RBS Coutts/Financial Times Woman in Asia Awards in 2009. Ms. Young served as an independent non-executive director of Link Asset Management Limited (as manager of Link Real Estate Investment Trust) for nine years until 31 January 2022 and was a member of its finance and investment committee and remuneration committee. She was an independent non-executive director of Ascott Residence Trust Management Limited, the manager of Ascott Residence Trust listed on The Singapore Exchange Securities Trading Limited, and a member of its audit committee.

Committee Ms. Young is the chairman of the Sustainability Committee.

Non-Executive Directors



Lee Anthony Hsien Pin

Non-Executive Director



Board Appointment Mr. Lee was appointed as a Non-Executive Director in 1994 and is aged 66.

Competencies and Experience Mr. Lee is a non-executive director and the chairman of the investment committee of Television Broadcasts Limited, as well as a member of the Board of Trustees of Princeton University. He was previously 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. 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, the executive 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.

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

Non-Executive Directors (continued)



Lee Chien

Non-Executive Director



Board Appointment Mr. Lee was appointed as a Non-Executive Director in 1988 and is aged 70.

Competencies and Experience Mr. Lee 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 the chairman of the CUHK Medical Centre and was a member of the Council of The Chinese University of Hong Kong. He is also the Supervisor of St. Paul's Co-educational College and its Primary School, a Trustee Emeritus of Stanford University and past director of Stanford Healthcare. Mr. Lee was an independent non-executive director of Swire Pacific Limited.

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.

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



Lee Tze Hau Michael

Non-Executive Director



Board Appointment Mr. Lee joined the Board in January 2010, having previously served as a Director from 1990 to 2007. He is aged 62.

Competencies and Experience Mr. Lee is currently a director of Oxer Limited, a private investment company. He is also an independent non-executive director and the chairman of the corporate governance committee of Chen Hsong Holdings Limited, as well as the 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.

Committee Mr. Lee is a member of the Sustainability Committee.



Audit and Risk Management Committee



Remuneration Committee



Nominations Committee



Sustainability Committee



Committee Chairman

Corporate Governance Report

Senior Management



Hao Shu Yan Roger

BBA (Hons), CPA, ACA, ACCA
Chief Financial Officer

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 58.

Mr. Hao stepped down from the position of the Group's Company Secretary on 1 December 2023 and continues to serve the Company as the Chief Financial Officer.



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. Prior to joining the Group in 2000, Ms. Choy held a supervisory position at a major property development company. She is aged 51.



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 47.

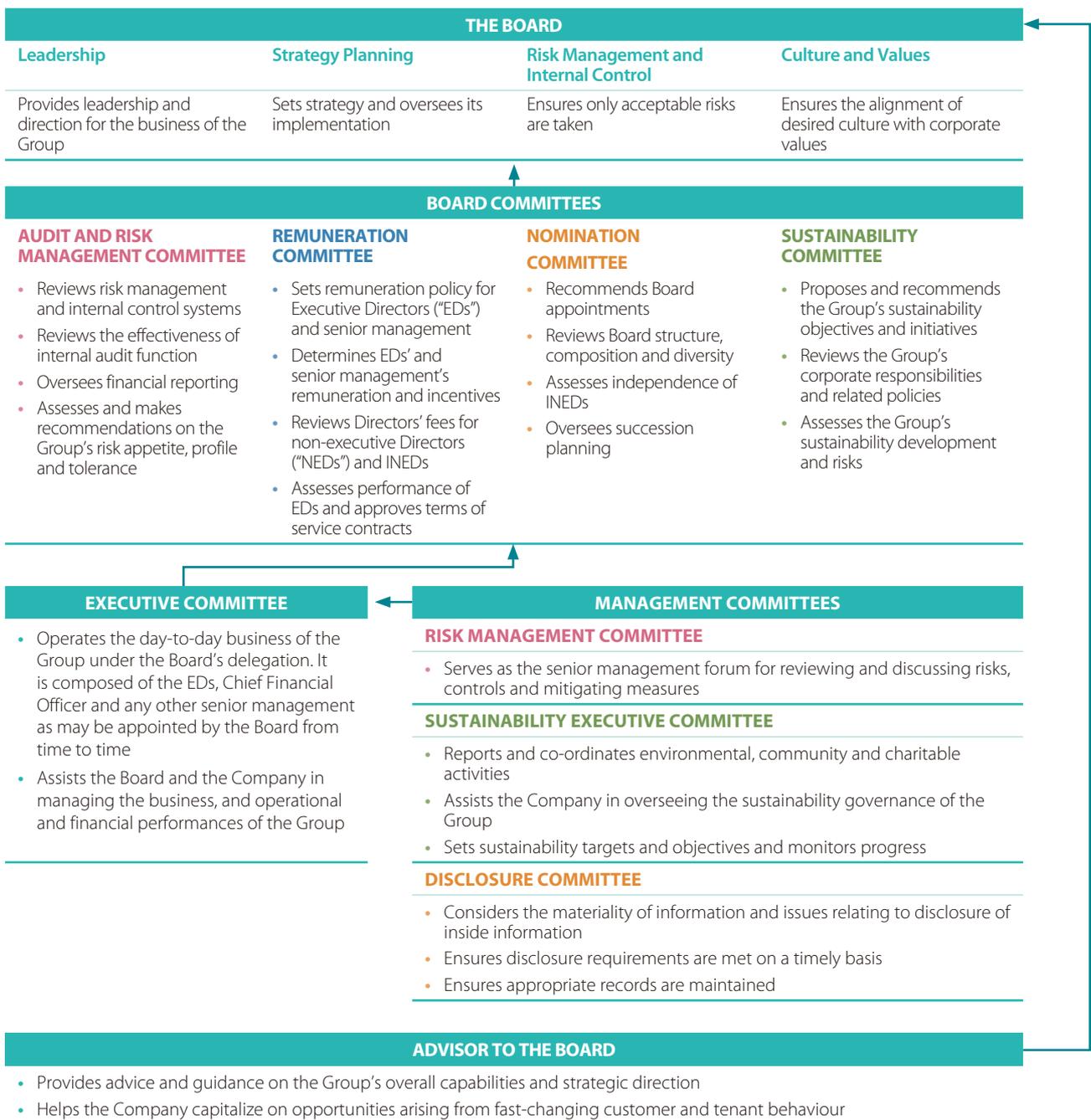
Our Governance Framework

We embrace good corporate governance as one of our core values and as the foundation for achieving consistent and sustainable performance. We operate within a strong, clear and effective governance framework that allows the Group to enhance business efficacy with precision and, in turn, support Hysan's strategic objective of optimizing sustainable financial returns for its shareholders ("Shareholders"). The governance framework comprises, inter alia, the **Corporate Governance Framework** and the **Risk Management and Internal Control Framework**.

OUR CORPORATE GOVERNANCE FRAMEWORK

Corporate Governance Structure

Our Group's business operations and affairs are effectively managed and carried out through a chain of delegated authority, with defined limits and effective internal controls, under the corporate governance structure.



Corporate Governance Report

Corporate Governance Policies and Guidelines

Our corporate governance framework is underpinned by a wide range of corporate policies and guidelines that embed our corporate culture, core values, and our long-established corporate governance tradition in key aspects of our operations. Such policies and guidelines are subject to regular review by the Board and/or the relevant Board Committees, and are updated from time to time in accordance with applicable legal and regulatory requirements, and market and/or international best practices.

We recognize the importance of good corporate governance, not only at Board level but throughout the Group. The Corporate Governance Guidelines (subject to regular review by the Board and last reviewed in November 2023) serves 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. Directors and employees are expected to strictly follow these corporate governance policies and guidelines of the Company:

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

Requirements of certain committees change due to regulatory changes and changes in common practice. It is important that we keep on top of these changes - management does a good job of keeping directors informed.

Directors' comments received in Board Evaluation 2023

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

OUR CORPORATE GOVERNANCE PRINCIPLES

Our corporate governance framework is tailored in accordance with, and regularly assessed against, legal and regulatory developments, market and international best practices and the Company's needs. It aims to ensure that Directors, management and employees act within a robust chain of delegated authority and powers in accordance with our corporate governance principles.

Our Corporate Governance Principles



LEADERSHIP

BOARD GOVERNANCE

Main Roles and Responsibilities of the Board

The Board is responsible for the stewardship of the Group and ensuring the effectiveness and adequacy of the Group's governance framework. The Board is committed to high standards of integrity and ethics and is governed by a formal **Board of Directors Mandate**. The main roles and responsibilities of the Board are as follows:

- Setting business goals and strategies in the best interests of the Group and overseeing their implementation;
- Determining the Group's risk appetite and evaluating the risks that the Group is willing to take in pursuit of its strategic missions and business objectives;
- Overseeing and ensuring the adequacy and effectiveness of the Group's risk management and internal controls system;
- Supervising the corporate governance and financial performance of the Group;
- Defining, evaluating and refining the Group's VMVs and strategies and ensuring their alignment with the corporate culture; and
- Fostering the desired corporate culture and core values.

To retain control of key decisions and ensure a clear division of responsibilities between the Board and management regarding the daily operations of the Group, the Board has identified specific matters reserved for the Board's consideration and approval. The **Schedule of Corporate Matters Reserved for the Board** which sets out the Board's reserved matters in detail, is subject to annual review by the Board.

Corporate Governance Report

Delegation Between the Board and the Board Committees

The Board is the governing body of the Group and has the responsibility of shaping business goals and strategies in the best interests of the Company and its Shareholders as a whole. In carrying out its duties, the Board may, within defined limits and authority, delegate tasks to its Board Committees from time to time.

The Board has four Board Committees, namely the Audit and Risk Management Committee, the Remuneration Committee, the Nomination Committee and the Sustainability Committee. Each Board Committee operates under specific written terms of reference and reports to the Board on their decisions and recommendations on a regular basis.

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

Each Board Committee has access to independent professional advice as and when required and is supported by the company secretary of the Company ("Company Secretary"). The procedures for seeking independent professional advice have also been enhanced to facilitate Board access to such advice.

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

- "Audit and Risk Management Committee Report" on pages 98 to 104
- "Remuneration Committee Report" on pages 105 to 113
- "Nomination Committee Report" on pages 114 to 117
- "Sustainability Committee Report" on pages 118 to 120

The terms of reference for each Board Committee were reviewed and updated in February 2024 and shall take effect on 1 March 2024. The latest versions of the terms of references are available on the Company's website (www.hysan.com.hk/governance) and/or the Stock Exchange's website (www.hkexnews.hk).

Division of Duties between the Board and the Management

The Board and the Management

The day-to-day operation of the Group's business is delegated to the management, which is led by the Executive Committee.

The Executive Committee is entrusted with the task of implementing and executing business goals and strategies as determined by the Board.

Executive Committee members include the executive Chairman ("Chairman"), the Executive Director and Chief Operating Officer ("ED & COO"), the Chief Financial Officer ("CFO") and any other senior management of the Company as may be appointed by the Board from time to time. The terms of reference for the Executive Committee were reviewed in 2023.

To support Hysan's strong governance framework and the business and operational needs of the Group, three governance-related management level committees have been established:

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



There has long been diversity in business operations, now more so at board level also.

Directors' comments received in Board Evaluation 2023



BOARD SIZE, COMPOSITION AND APPOINTMENT

As at 31 December 2023, there were 11 Directors on the Board: the Chairman, the ED & COO, six INEDs and three NEDs. The Board considers that this composition is well balanced in terms of experience, competencies, expertise, diversity and skills, with a strong independent element ensuring the impartiality of the Board's decision-making process and oversight of the management. Such balanced composition also provides the checks and balances necessary to safeguard the interests of the Shareholders.

Biographies of the Directors, including relationships among them, are set out from pages 47 to 53, and are also available on the Company's website: www.hysan.com.hk/about/leadership.

Chung Cordelia was appointed as an INED, a member of the Remuneration Committee and a member of the Nomination Committee with effect from the conclusion of the AGM held on 16 May 2023 ("2023 AGM"). In accordance with Article 97 of the articles of association of the Company (the "Articles"), Chung Cordelia, as an addition to the Board, will retire and, being eligible, offer herself for re-election at the AGM to be held on 5 June 2024 ("2024 AGM"), being the first AGM following her appointment.

Lui Kon Wai, Fan Yan Hok Philip, Poon Chung Yin Joseph and Wong Ching Ying Belinda will retire by rotation at the forthcoming 2024 AGM. Fan Yan Hok Philip has informed the Board that he will not stand for re-election and accordingly will retire as an INED after the conclusion of the forthcoming 2024 AGM. The other retiring Directors, being eligible for re-election, will offer themselves for re-election at the 2024 AGM in accordance with Article 114 of the Articles. Details of the candidates standing for re-election are set out in the AGM circular to the 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). Their proposed re-election will be considered by separate resolutions.

The Board, in accordance with the recommendation of the Nomination Committee, has determined that the size of the Board is adequate and effective for discharging its duties and responsibilities, and recommends the re-election of Lui Kon Wai, Chung Cordelia, Poon Chung Yin Joseph and Wong Ching Ying Belinda, as Directors at the forthcoming 2024 AGM.

DIVERSITY

Board Diversity

Hysan recognizes the importance of diversity as a contributor to Board effectiveness and the long-term success of the Group. Diversity and inclusiveness provide the Board with a wider knowledge base and bring in new insights and perspectives, which improve decision-making and the ability to adapt to new business challenges. In accordance with the Diversity Policy, which sets out our approach to achieving diversity at Board level and across the senior management team, the Nomination Committee annually reviews and reports to the Board on the following:

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

The Nomination Committee will also consider Board diversity as part of its annual evaluation of the structure and composition of the Board.

During the year, the Diversity Policy was reviewed to assess the implementation of the policy and progress on achieving measurable objectives (in particular, gender diversity at Board level and across the workforce), as set forth in the CG Code.

In considering the appointment of Chung Cordelia as an INED in May 2023, the Nomination Committee and the Board had, in accordance with the Nomination Policy, considered a variety of factors including diversity pursuant to the Diversity Policy and the expertise and experience relevant to the Group considering in particular the increasing concern on information security and data privacy. The Nomination Committee and the Board formed the view that, with Chung Cordelia's extensive multinational experience specialising in information technology and knowledge of the building industry, she would bring valuable expertise to the Board and further enrich the spectrum of skills, experience and diversity of perspectives of the Board.

Corporate Governance Report

Gender Diversity at Board Level

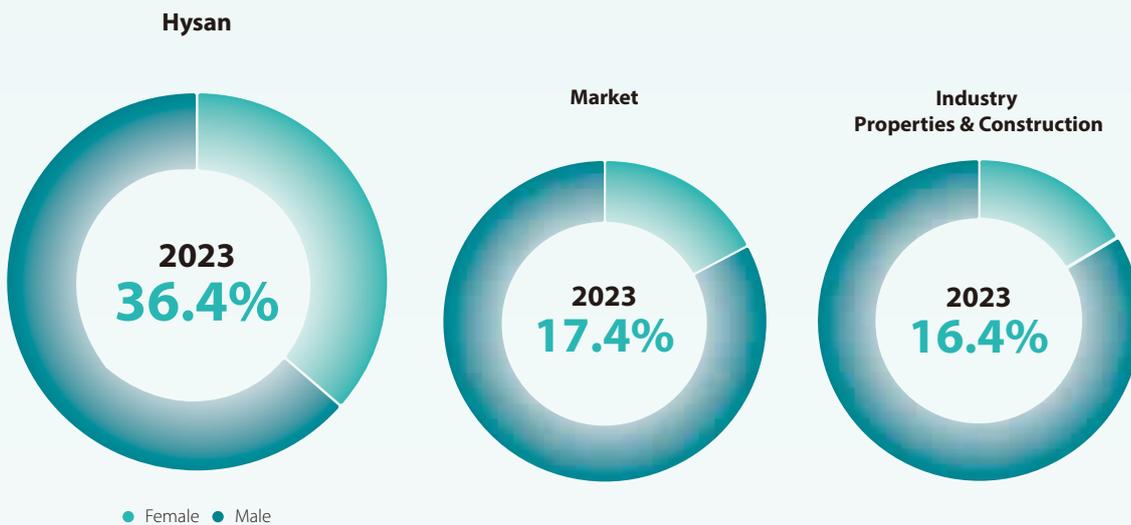
The Board recognizes that gender-diverse leadership encourages better governance, provides broader range of perspectives to the decision-making process and ultimately increases corporate performance and competitiveness. To reinforce our commitment to gender diversity, Hysan in 2022 pledged to increase the percentage of female representation at Board level to 33% by the end of 2025, with the ultimate goal of achieving gender parity at Board level.

Gender Diversity Target

The gender diversity target has been made a formal factor to consider in our Board refreshment and succession planning. The Nomination Committee and the Board have considered the ability of each potential candidate to contribute towards the Board’s responsibilities and, in particular, Hysan’s diversity agenda, in order to develop a pipeline of potential successors for achieving the aforesaid target. The Nomination Committee also regularly reviews Hysan’s progress on gender diversity and its inclusion goal on an annual basis, as well as the opportunity to make further improvements or accelerate progress.

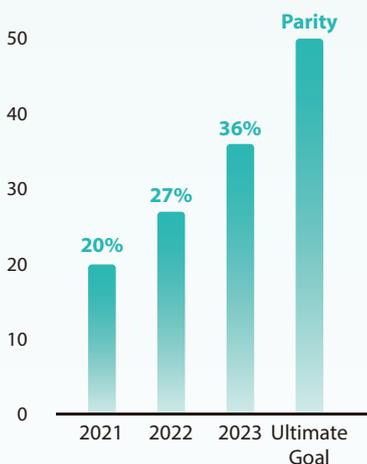
Following the appointment of Chung Cordelia as an INED in May 2023, the percentage of female representation at Board level increased from 27.3% to 36.4%, maintaining a high level of female board representation among Hong Kong listed companies. Having exceeded our gender diversity target of 33% female Directors, we are committed to continuing our diversity journey towards achieving the ultimate goal of gender parity.

Female Directorship across HKEx Issuers



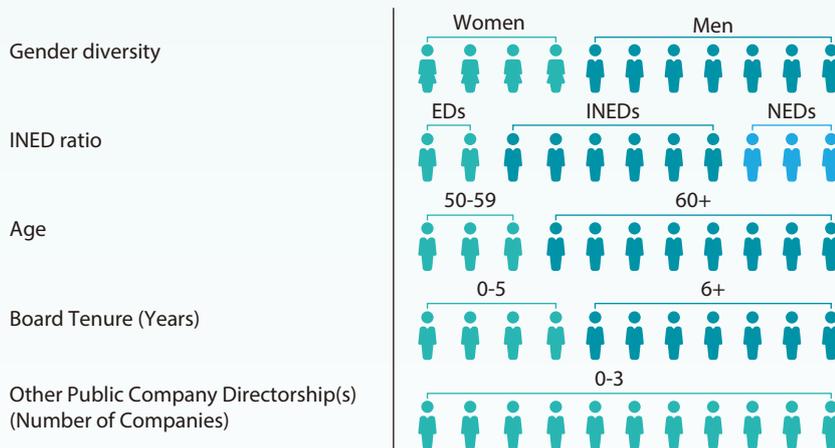
Source: HKEx Board Diversity Repository as at the date of this report (<https://www.hkex.com.hk/eng/BoardDiversity/index.htm>)

Gender Diversity Progress



Board composition and diversity:

Key highlights: Female representation of 36% / INED representation of 55%



Board Expertise

To ensure the Board continues to possess the necessary diversity of skills and attributes required in a dynamic operating environment, an analysis of the skill set mix is considered by the Nomination Committee annually.

The Board has a good mix of expertise combined with a forward looking and transparent leadership with a strong focus on risks and long term growth.

Directors' comments received in Board Evaluation 2023

Our Directors are from diverse and complementary backgrounds. The table below highlights the skill set mix of our Directors and the valuable experience and expertise they bring to our business for the sustainable growth of the Group.

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

● Extensive ● Moderate

To enhance the Group's strategy and overall capabilities in addressing new business trends and emerging generational shifts, the Board has also invited Li Xinzhe Jennifer to sit as an advisor on the Board since 2018.

Workforce Diversity

Hysan believes that a diverse workforce and an inclusive culture support Hysan in creating dynamic environment that leads to higher performance and improved well-being.

We are committed to upholding diversity of gender, background, skills and experience across our workforce, maintaining an appropriate level of female staff and ensuring strong female representation at the management level. As at 31 December 2023, (i) 44% of management positions were held by women, and (ii) we had a 39:61 female-to-male ratio in the workforce (including senior management), which was largely in line with the industry norm. The Company will strive to maintain its current level of female management and female employees. In order to attract and retain candidates from the widest possible pool of available talent, the Diversity Policy will be applied in the recruitment and promotion processes of the Group. The Group has also implemented programmes that assist employees in their personal growth and skills to prepare them for potential promotions to senior management positions.

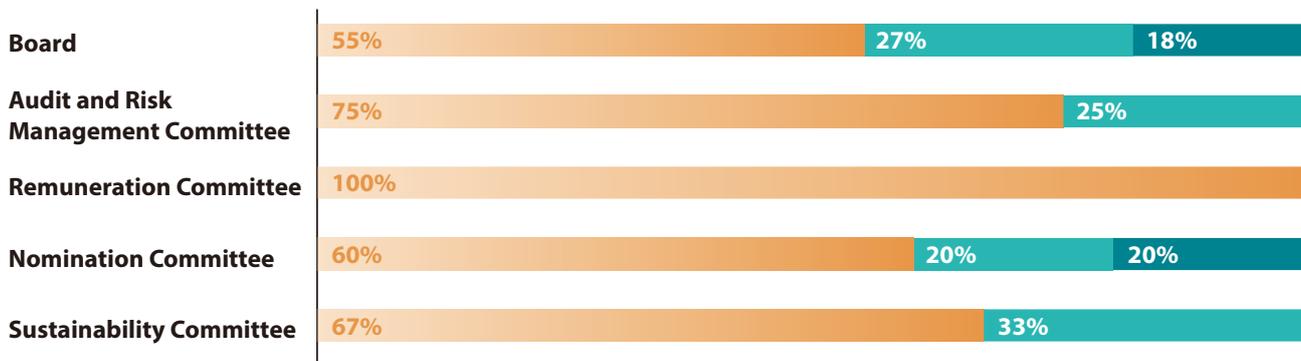
Please refer to our Sustainability Report 2023 for further details on Diversity and Inclusion.

Corporate Governance Report

BOARD INDEPENDENCE

As at 31 December 2023, six out of our 11 Directors were INEDs, exceeding the Listing Rules requirement that at least one-third of the Board (and not less than three Directors) shall be INEDs.

Independence Weighting



● INED(s) ● NED(s) ● ED(s)

Independence

As required under the Listing Rules, the Company received written confirmations from all INEDs regarding their independence and that of their immediate family members for the year ended 31 December 2023. The Nomination Committee has carried out a detailed review of the Directors' independence on a case-by-case basis and considers each of the six INEDs to have been independent throughout the year under review:

Name	Management	Independent	Not Independent	Reason for Independence Status
Chung Cordelia		✓		<ul style="list-style-type: none"> No business relationships, family ties, past employment or other relationships with the Group or management that will affect independence No significant shareholding
Churchouse Frederick Peter		✓		
Fan Yan Hok Philip		✓		
Poon Chung Yin Joseph		✓		
Wong Ching Ying Belinda		✓		
Young Elaine Carole		✓		

- The Nomination Committee considered the INEDs' tenure, noting that Churchouse Frederick Peter and Poon Chung Yin Joseph have served as INEDs for more than nine years and their re-appointments are subject to a separate resolution to be approved by the Shareholders at the AGM.
- With a career spanning more than 30 years in Asian and global securities markets, Frederick Peter Churchouse brings expertise and hands-on experience in property investment, asset management, research and valuation, offering exceptional value to the Board. His strategic insights and deep market understanding are instrumental in guiding the Group through periods of economic uncertainty, underpinning critical financial and risk management decisions, particularly in the realms of investment and capital allocation. Mr. Churchouse's profound knowledge of asset valuation and financial analysis plays a central role within the Audit and Risk Management Committee in advising the Board on risk management strategies and ensuring the integrity of the Group's fair value assessment and financial reporting, a cornerstone for maintaining trust with Shareholders and the broader investment community.

- As an INED meeting the professional qualifications required by Rule 3.10(2) of the Listing Rules, Poon Chung Yin Joseph brings a wealth of specialized accounting and financial knowledge to the Board. Mr. Poon has extensive banking and financial market experience as the senior management of various internationally renowned financial institutions. His expertise in accounting, financial reporting, auditing, and risk management is a tremendous asset to the Board's decision-making, especially concerning capital and financial management. Mr. Poon's expertise in financial reporting and risk management underpins his ability to scrutinize the fiscal aspects of potential ventures, reinforce risk strategies, and uphold the integrity of financial reporting. He meticulously challenges investment assumptions, ensuring decisions are made with integrity and empirical support. This discipline strengthens the Company's strategic direction and upholds rigorous governance standards, fostering trust and long-term growth.
- The unique expertise of Churchouse Frederick Peter and Poon Chung Yin Joseph in asset valuation, capital management, risk management, finance, financial reporting and internal control, as well as people and culture, together with their comprehensive understanding of the operations of the Company, enables them to provide valuable and objective guidance for the Group's business particularly given the ongoing uncertainties in the macro-environment.
- The Board and the Nomination Committee are also of the view that Churchouse Frederick Peter and Poon Chung Yin Joseph have exercised independent judgement and consistently demonstrated a healthy level of professional scepticism, where appropriate, and have not refrained from asking probing questions and challenging management's views and recommendations. There is no evidence to suggest that their tenure has had any impact on their independence.
- After considering the above reasons and the relevant independence assessment requirements set out in Rule 3.13 of the Listing Rules, the Nomination Committee formed the view that, notwithstanding that they have served on the Board for over nine years, they remain independent, taking into account their impartial views and comments expressed during the Board and Board Committee meetings, their positive and significant contributions, deep insights and guidance in the Company's strategies and business development.
- Chung Cordelia is currently an independent non-executive director of Hang Seng Bank Limited ("Hang Seng") (a substantial shareholder of a subsidiary of the Company and thus a connected person of the Company). Under Rule 3.13 of the Listing Rules on independence assessment, an independent non-executive director of a core connected person is specifically excluded from the factors that would affect independence. It is considered that Chung Cordelia's directorship with Hang Seng in her capacity as an independent non-executive director would not affect her independence. Ms. Chung would be able to fulfil the relevant independence requirements of the Listing Rules and she is accordingly entitled to vote and be counted in the quorum for any transactions with the HSBC group (including the Hang Seng group). In addition, the unique expertise of Ms. Chung in information technology and the building industry, both of which are relevant to the Group's business, enable her to provide valuable and independent guidance for the Group's business.
- Chung Cordelia also holds a cross-directorship with Lee Irene Yun-Lien, since they both serve on the boards of the Company and Hang Seng. Considering that Chung Cordelia plays an independent non-executive role and does not hold any shares in the two companies, the cross-directorship would not undermine the independence of Chung Cordelia with respect to her directorship in the Company.
- Wong Ching Ying Belinda held a cross-directorship with Lee Anthony Hsien Pin, as they both serve on the boards of the Company and Television Broadcasts Limited ("TVB") until her retirement as an independent non-executive director of TVB on 31 May 2023. However, given that Wong Ching Ying Belinda played an independent non-executive role and did not hold any shares in the two companies, the Company believes that this cross-directorship would not undermine the independence of Wong Ching Ying Belinda with respect to her directorship in the Company.

Corporate Governance Report

- Wong Ching Ying Belinda is currently the chairman and chief executive officer of Starbucks China. The Board and the Nomination Committee have assessed her independence in the light of these circumstances, including (i) her background, experience, achievements and character, and (ii) the nature of the Company's relationship with the Starbucks group^{notes} and her roles, as well as the respective mitigating actions, 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 outweigh any risk of conflict. In addition, the mitigation principles and actions are adequate and appropriate to deal with any such issues.

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, the 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 2023) to the Group.
2. During her term as INED, Wong Ching Ying Belinda will abstain from voting on any Board resolution in relation to any business dealings with 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.
3. Wong Ching Ying Belinda ceased to be a director of certain entities of Starbucks Coffee Company (including Shanghai Starbucks Coffee Enterprise Co., Ltd.) in 2022.

Independence Assessment

Criteria of Independence

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

The Independence assessment of each of the INEDs is based on the independence criteria set out in the independence guidelines of the Listing Rules and our Corporate Governance Guidelines. We also consider and reference major proxy advisors' voting recommendations and guidelines in approaching the issue of INED independence. The assessments are carried out in advance of their appointment, annually, and at any time when necessary or appropriate, including through the following:

- INED nominations and the appointment process;
- Annual review of the structure, composition and balance of the Board in terms of its independence ratio;
- Disclosure of the number and nature of offices held in listed public companies and organizations, along with any other significant commitments;
- Annual independence confirmation from each INED as required by the Listing Rules;
- Full disclosure in annual reports of cross-directorships or other business relationships that may interfere with Directors' independence;
- Potential conflicts of interest reviewed by the Nomination Committee annually with recommendations on appropriate actions to take; and
- Confirmation by each Director and alternate Director on his/her other directorships, major appointments, and interests to the Company, twice a year.

Mechanisms to Ensure Independence

Conflict Management

Apart from the aforementioned independence assessment, the following measures have also been taken to ensure all decisions and actions are in the best interests of the Company and its Shareholders as a whole:

- Strict compliance with our Code of Ethics, which aims to avoid conflicts of interest;
- Declaration of potential conflicts of interest;
- Voluntary abstention by Directors from discussions and voting on matters related to them (regardless of the absence of any potential conflicts on appropriate assessment) after due declaration of interest in accordance with the Companies Ordinance;
- Separate meetings among INEDs, without the presence of EDs or Board members related to the founding Lee family;
- Full Board approval of connected transactions, with transactions exempt under the Listing Rules required to be reported to and confirmed by the full Board each quarter after obtaining the Executive Committee's approval;
- Reminders to the Directors from the Company Secretary twice a year on compliance with the relevant Listing Rules requirements on connected transactions; and
- Independent professional advice, as and when required by individual Directors.

Please also refer to the "Directors' Disclosure on Conflicts of Interest" section below for further details.

Independent Views and Input Available to the Board

Apart from the INED nomination and appointment process as well as the independence assessments mentioned above, the Company has established mechanisms to ensure that Directors will be given adequate opportunities and channels (formal or informal) to communicate their independent views and inputs in an open and candid manner and, where necessary, in a confidential manner. Such mechanisms have been incorporated in the following aspects of our corporate governance framework and are subject to regular review by the Board:

- Proper meeting arrangements and procedures to facilitate open and constructive discussions as well as informed and thorough consideration of relevant issues;
- A Board culture that encourages Directors with different views to raise their concerns and to exercise independent judgement;
- Board's full access to senior management, management's updates, and availability of all material information on performance and key activities and projects;
- Communication outside of the boardroom, including separate meetings with Chairman and/or senior management, and interactions with management and other Board members;
- Utilization of the digital board portal to foster timely communication among Directors and senior management;
- Board evaluation on an annual basis; and
- Board access to independent professional advice.

Corporate Governance Report

BOARD REFRESHMENT

The Board has been refreshed in an orderly manner during the last two years to bring new skills and perspectives to support the Group's strategy and governance. As part of our ongoing efforts to gradually refresh the Board, with the aim of striking a balance between fresh ideas and perspectives and a deep understanding of the Company's history, culture and long-term strategies, the Board endorsed and approved the new appointment of an INED and the retirement of a NED during the year.

Nomination

Hysan believes that a proper and detailed nomination process ensures the nomination of Directors who are well-suited to advance the best interests of the Group, facilitates smooth transition, and ensures continual refreshment of the Board, whereas the reshuffling of Board Committees provides a balance between continuity and fresh perspectives.

We have established 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, among others, the following:

- Reputation for integrity;
- Accomplishments, experience and reputation in the real estate industry and other relevant sectors;
- Commitment and attention to the Company's business, including devoting adequate time for preparation and participation in meetings, trainings and other Board or Company associated activities;
- Diversity in all aspects including, but not limited to, gender, age, cultural and educational background, ethnicity, 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 INEDs); and
- Any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

During the year, the Nomination Committee, after taking into consideration the gender diversity agenda of the Company and against the criteria above, identified and interviewed a pool of shortlisted candidates. Following this process, the Nomination Committee recommended, for the Board's consideration and approval, the appointment of Chung Cordelia as an INED, a member of the Remuneration Committee and a member of the Nomination Committee.

Appointment and Induction

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 order to ensure that the Directors are committed to allocating sufficient time and attention to the affairs of the Group, all Directors are engaged by formal letters of appointment, which set out clearly the terms and conditions of their appointments. Directors (including all NEDs and INEDs) serve for a term of three years and are subject to rotation under the Articles.

The Board has adopted comprehensive Onboarding Guidelines for Directors, which set out a tailored induction programme that gives new Directors an understanding of the Group, its businesses and operations, risks and challenges, corporate culture and Board governance, 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 Chairman, chairmen of the Board Committees, Directors and senior management, portfolio visits, and meetings with the Company's external advisors. Individual briefings are also arranged on specific topics such as Directors' responsibilities and the Group's business.

The Company has provided Chung Cordelia, the INED appointed during the year, with a full and comprehensive induction upon her appointment.

Priorities of our induction programme

To provide an overview of

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

To familiarize new Directors with the Board and senior management

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

With new(er) board colleagues, we have even more interactive and dynamic sessions.

Directors' comments received in Board Evaluation 2023

Re-election

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 and the Diversity 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 the AGM.

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 Articles. Retiring Directors are eligible for re-election at the AGM in which they retire. There is no cumulative voting in Directors' elections. Each Director shall be elected by separate resolution.

Ongoing Review by the Nomination Committee

The Nomination Committee reviews the Board's structure, size, composition, commitment, independence and diversity from time to time, and undertakes a comprehensive review of the gender, age, tenure, cultural, educational and professional background, skills, knowledge and experience of each Director. The last review was conducted in November 2023.

The Nomination Committee was satisfied with the structure, size, composition, commitment, independence and diversity of the Board and the Board Committees.

While diversity in terms of length of service with the Board would in fact provide a proper balance between an understanding of the Group's practices and fresh perspectives, and despite the conclusion of the Nomination Committee that tenure would not affect our INEDs' independence, the Nomination Committee noted that INEDs' tenure is an increasing regulatory and governance concern to be addressed and considered the pathway for succession planning.

The Nomination Committee concluded that, for succession planning and long-term growth, the Board would require expertise in finance and accounting, risk management, real estate, ESG matters and technology. It also recommended that Board refreshment should take into account diversity of perspectives and Hysan's ultimate goal of gender parity at Board level.

Corporate Governance Report

Board Committees Refreshment

To maintain a balance between continuity and fresh perspectives while considering the evolving demands of the Board Committees, the Nomination Committee and the Board also considered and approved, the following changes to the composition of certain Board Committees:

With effect from 1 March 2023:

- Churchouse Frederick Peter was appointed as a member of the Remuneration Committee.
- Fan Yan Hok Philip ceased to be a member of the Sustainability Committee.
- Lee Tze Hau Michael was appointed as a member of the Sustainability Committee and ceased to be a member of the Remuneration Committee.

With effect from the conclusion of the 2023 AGM:

- Chung Cordelia was appointed as a member of the Remuneration Committee and a member of the Nomination Committee.
- Jebesen Hans Michael ceased to be the chairman of the Sustainability Committee following his retirement as a Non-Executive Director on the same day.
- Young Elaine Carole was appointed as the chairman of the Sustainability Committee.
- Fan Yan Hok Philip ceased to be a member of the Nomination Committee.
- Poon Chung Yin Joseph ceased to be a member of the Remuneration Committee.

All members of the Remuneration Committee are INEDs, following the above-mentioned changes.

Effectiveness

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

BOARD COMMITMENT

Board effectiveness is attained through the significant commitment and contributions of each Director.

Time Engagement

Our Directors, in particular our INEDs, demonstrated strong engagement and sufficient time commitment to the Company's affairs throughout the year.

Other Offices and Commitments

Directors disclose to the Company the number and nature of offices held in listed public companies and organizations and other significant commitments, together with the respective time engagement involved, twice a year. They also inform the Company promptly whenever there are changes regarding their other offices and commitments.

Other Directorships

None of our Directors, individually, held directorships in more than three public companies (excluding Hysan) as of 31 December 2023, and all of them have confirmed that he/she has given sufficient time to the affairs of the Company.

BOARD PROCESSES

Meetings of the Board and Board Committees

The Board held five meetings in 2023, exceeding the minimum number of board meetings required under the CG Code.

The Board Committees also met regularly during the year under review.

- To facilitate Directors' participation and engagement, we typically schedule our Board and Board Committee meetings six months before commencement of the calendar year, allowing Directors to plan their schedule ahead of time.
- Notice of at least 14 days is given to all Directors for the regular Board and Board Committee meetings.
- Draft agendas for the Board and Board Committee meetings are circulated to all Directors at least three weeks before each meeting to provide an opportunity for the Directors to include any other matters in the agenda.
- Agendas and meeting papers are uploaded to a private and secure digital board portal five days in advance of the intended date for regular meetings and reasonably in advance of any ad hoc meetings for sufficient preparation.
- Draft minutes of meetings of the Board and Board Committees are circulated for comment as soon as practicable after meetings.
- All signed Board and Board Committee minutes and resolutions are uploaded to the digital board portal for easy reference thereafter.
- Management and other department heads are invited to make presentations to the Board on operational topics during the year and to engage in open and in-depth discussions with the Board.
- Senior representatives from the valuer and the external auditor are invited to attend the Audit and Risk Management Committee meetings for approval of the portfolio valuation and the interim and final results.
- The Audit and Risk Management Committee also holds a closed session with the external auditor and internal auditor, in the absence of the senior management, twice a year.

During the year, the Directors also participated in the consideration and approval of matters of the Company by way of written resolutions circulated to them. A thorough analysis and supporting materials were posted on the digital board portal, followed by management's elaborations and discussions, also mainly via the digital board portal.

Efficient hybrid (physical and virtual) Board and Board Committee meetings were arranged by telephone and/or video conference to facilitate full participation in 2023. This technological connectivity continues to promote a high level of involvement and engagement at different levels of the business.



Paper received by the Board are in-depth, excellent, well formulated, clear.

Directors' comments received in Board Evaluation 2023



Corporate Governance Report

The use of the digital board portal also enables timely and secure distribution of information to Directors and facilitates communication and interactions among Directors and senior management in a sustainable manner.



Board and Board Committee meetings in 2023



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

Directors' Attendance at Meetings

As reflected in their high attendance in the Board and Board Committee meetings during the year, the Directors continued to participate extensively in the Board's discussions and decisions and Company affairs in 2023. The INEDs also held separate meetings with the Chairman to discuss Board and relevant matters.

The following table shows Directors' attendance at meetings.

Directors	Board ¹	Audit and Risk Management Committee	Remuneration Committee	Nomination Committee	Sustainability Committee	2023 AGM
Lee Irene Yun-Lien	5/5	4/4 ²	1/1 ²	1/1	–	1/1
Lui Kon Wai	5/5	4/4 ²	–	–	1/1 ²	1/1
Chung Cordelia ³	3/3	–	–	1/1	–	–
Churchouse Frederick Peter	5/5	4/4	–	1/1	–	1/1
Fan Yan Hok Philip	5/5	4/4	1/1	1/1	1/1	1/1
Poon Chung Yin Joseph	5/5	4/4	1/1	1/1	–	1/1
Wong Ching Ying Belinda	5/5	–	–	–	1/1	1/1
Young Elaine Carole	5/5	–	–	–	1/1	1/1
Jebsen Hans Michael ⁴	1/2	–	–	–	1/1	0/1
Lee Anthony Hsien Pin	5/5	4/4	–	–	–	1/1
Lee Chien	5/5	–	–	1/1	–	1/1
Lee Tze Hau Michael	5/5	–	1/1	–	–	1/1

Notes:

1. Included a dedicated half-day Board meeting held in November 2023 to discuss the Group's business plans and long-term directional strategy.
2. EDs are invited to present updates and/or answer relevant questions in order to facilitate the decision-making process. EDs are expressly excused from the sections of Remuneration Committee meetings when their own compensation packages are discussed.
3. Chung Cordelia was appointed as an INED with effect from the conclusion of the 2023 AGM.
4. Jebsen Hans Michael retired as a NED with effect from the conclusion of the 2023 AGM.

A great deal of time and effort is spent on discussing strategic matters of the Company, and big picture factors that will/may influence the company's interests and activities going forward.

Directors' comments received in Board Evaluation 2023

Corporate Governance Report

CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors undertake continuous professional development and training programmes to keep abreast of the latest industry trends, knowledge and skills concerning their respective areas of expertise and professions.

During the year, all Directors received regular legal and regulatory updates to the Listing Rules and applicable laws and regulations, and had access to a comprehensive online board portal containing memoranda on Directors' Duties and Responsibilities and other training materials to discharge their duties. Directors also attended various seminars/talks organized by professional bodies and industry associations and presentations by distinguished speakers to develop and refresh their skills and knowledge on industry-related updates including, but not limited to, anti-corruption, risk management, ESG, finance and taxation. The training records, with details undertaken by the Directors maintained by the Company during the year, are as follows:

Directors	Attending seminars/training courses/talks/other professional development	Perusing regulatory and compliance updates/updates given at Board meetings
Lee Irene Yun-Lien	✓	✓
Lui Kon Wai	✓	✓
Chung Cordelia ¹	✓	✓
Churhouse Frederick Peter	✓	✓
Fan Yan Hok Philip	✓	✓
Poon Chung Yin Joseph	✓	✓
Wong Ching Ying Belinda	✓	✓
Young Elaine Carole	✓	✓
Jebsen Hans Michael ²	✓	✓
Lee Anthony Hsien Pin	✓	✓
Lee Chien	✓	✓
Lee Tze Hau Michael	✓	✓

Notes:

1. Chung Cordelia was appointed as an INED with effect from the conclusion of the 2023 AGM.
2. Jebsen Hans Michael retired as a NED with effect from the conclusion of the 2023 AGM.

While there are no prescribed training hours as such under the Listing Rules, considering the scope and scale of the Company's business, Directors are expected to undertake no less than eight hours of relevant training in each financial year. All Directors have fulfilled the recommended training hours for the year ended 31 December 2023.

In 2023, comprehensive training activities, including seminars, workshops and conferences, as well as regulatory updates relevant to the Company's business and their duties, were also provided to the senior management and the Company Secretary. During the year, the Company Secretary took no less than 15 hours of relevant professional training. Such internal and external trainings have equipped them with the skill and knowledge necessary for fulfilling their roles and supporting the sustainable growth of the Company, as well as an understanding of their duties and responsibilities when acting as directors of subsidiaries.

BOARD EVALUATION

Hysan's Board evaluation is an ongoing and continual process and is regarded as an important component of the mechanism to ensure independent views and inputs are available to the Board. In line with the best practice of the CG Code, Board evaluation in the form of a questionnaire are conducted on annual basis. In addition to the ongoing review by the Nomination Committee, the Directors play an important role in evaluating the performance of the Board and its four Board Committees (namely, the Audit and Risk Management Committee, the Nomination Committee, the Remuneration Committee, and the Sustainability Committee) to ensure the effectiveness of the Board.

Board Evaluation Process

Our Board evaluation process consists of an anonymous online questionnaire covering a broad range of topics, including performance, dynamics and processes, proceedings of meetings, composition and diversity of the Board and Board Committees, risk management, cybersecurity and ESG, for completion by each Director. Being anonymous, Directors are encouraged to share comments, provide suggestions and raise any concerns.

2023 Board Evaluation

Consisting of both rating and open-ended questions, the Board evaluation for the year ended 31 December 2023 ("2023 Board Evaluation") was structured to solicit Director's views on

- the effectiveness and performance of the Board;
- areas for improvement; and
- future challenges and priorities of the Group.

The 2023 Board Evaluation focused on, inter alia, the following areas:

- **Leadership:** the roles of Directors, functions and effectiveness of the Board and Board Committees.
- **Composition:** Board structure, size, composition, commitment, independence and diversity.
- **Meetings and Processes:** proceedings of meetings, the integrity of financial statements and accounts, the corporate governance framework, the ESG governance framework and risk management process.
- **Decision Making and Accountability – The Board in Action:** performance effectiveness, supply of and access to information, the appropriateness of strategy, and levels of remuneration.
- **Training:** the quality of training, recommendations for future training events.

The 2023 Board Evaluation received a 100% response rate. The Directors perceived the Board and the Board Committees as highly effective, with positive and significant contributions by each Director. A detailed report for the 2023 Board Evaluation ("Evaluation Report") was prepared based on the collective comments of all Directors, which was further submitted to, considered and discussed by the Board with constructive feedback received.

The overall response was positive, and there were no material issues to report. Constructive qualitative feedback was received, particularly on open-ended questions. All Directors are of the view that this evaluation process is a timely opportunity to identify ways to improve performance.



Corporate Governance Report

The Evaluation Report concluded that the Board and its Board Committees continued to operate effectively with well-defined roles and responsibilities. The Board Committees are highly effective in assisting the Board with the management and governance of the Company.

The Directors were generally satisfied with the size, structure, composition, and diversity of the Board, noting the positive efforts made in achieving the gender diversity target, with a high female board representation, and the gradual refreshment of the Board and the Board Committees in the past 2 years.

A diverse board with balanced composition, the leadership of committed and highly engaged chairs of the Board and the Board Committees and productive Board and Board Committee meetings were widely cited as positive achievements of the Board. Directors also indicated that they were satisfied with the independent views and input available to the Board. There was sufficient access to all necessary resources and information, and adequate explanations were provided by the management to facilitate the Board's decision making. The Board's culture of transparency and accountability also encourages an open environment for the candid and constructive exchange of opinions and the exercise of independent judgement.

Directors further agreed that the Company should (i) remain vigilant for systemic risks to the financial system and effectively manage liquidity and leverage; (ii) continue to evaluate the risks and challenges in shaping the Company's strategies and business plans, considering the structural changes; and (iii) continue to heighten attention to the "E" (Environmental) aspect of ESG in our Sustainability framework and strategies.

Based on the findings of the 2023 Board Evaluation, and coupled with ongoing reviews by the Nomination Committee, the Board considered that Board effectiveness was ensured and maintained at all times during the year. The Board will continue to enhance its effectiveness in line with international best practices and in its sustained pursuit of excellent corporate governance.

Accountability

DEFINING CLEAR LINES OF ACCOUNTABILITY

Our corporate governance structure provides clear lines of accountability.

The Board has the responsibility to ensure that the Group is managed in a way that safeguards the interests of the Shareholders. Governed by the **Board of Directors Mandate**, Directors are required to act within their defined and clear authorities and powers. The **Schedule of Corporate Matters Reserved for the Board** further specifies the matters that would affect the Company's overall strategy, corporate governance, finances and Shareholders interest, which are reserved for decision and approval by the Board, whereas the roles and responsibilities of each Board Committees are set out under their respective written **Terms of Reference**. Authority for managing the Group's daily operations and other decisions is delegated to the Executive Committee and supported by various Management Committees. Management of the Group is accountable for ensuring that a similar process of delegation is in place within his/her department or area of responsibility.

The Board is regularly kept up to date on the key events, material transactions, business outlook and financials of the Group through management reports and monthly financial reports. Offering comprehensive and balanced interim assessments between Board meetings, 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 Board Committee meetings to make presentations and answer any questions the Board and Board Committee members may have.

Board Accountability

The Board and 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 disclosure of their cross-directorships and other commitments in the Company's annual reports;
- All Directors are required to make full disclosure of their associates and any potential connected transactions;
- Significant connected transactions must be approved by Shareholders in accordance with the Listing Rules and/or the full Board in accordance with Hysan's compliance policy, with connected transactions exempt under the Listing Rules requiring to be reported to and confirmed by the full Board after obtaining the Executive Committee's approval;
- All Directors are required to act within their defined 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, Schedule of Corporate Matters Reserved for the Board and the terms of reference of each Board Committee;
- NEDs and INEDs are additionally subject to the relevant corporate governance policy on the "Roles and Requirements of Non-Executive Directors";
- 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 Code of Ethics, Anti-Fraud Policy, Anti-Bribery and Corruption Policy and Whistleblowing Policy (which allows an individual to report any irregularity directly to an independent third party, in confidence);
- All Directors are required to review the annual reports, interim reports, announcements and circulars for publication in a timely manner and in accordance with applicable laws and regulations, e.g. the Companies Ordinance and the Listing Rules; and
- Financial statements of the Group are verified and audited by an independent external auditor.

Executives Accountability

The Executive Committee, Management Committees, and senior management of the Company (collectively the "Executives") are held accountable and responsible to the Board by various means:

- Executives are required to make full disclosure of their other commitments;
- Executives are required to make full disclosure of their associates and any potential connected transactions, which may require full Board approval and/or the full Board's review in accordance with Hysan's compliance policy;
- Executives 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 so that sufficient transparency is provided about the Company's operations;
- Executives are required to attend relevant sections of Board and Board Committees meetings to answer any questions that the Board and Board Committee members may have;
- Because of their office and duties, Executives are deemed to potentially have access to inside information and are thus subject to the Code for Securities Dealing by Restricted Employees, which governs dealings in the Company's securities; and
- Each Executive is required to declare semi-annually that they have complied with the Code for Securities Dealing by Restricted Employees throughout the relevant period. Each Executive has made such declarations for the year ended 31 December 2023.

Corporate Governance Report

2023 BOARD ACTIVITIES

An outline of the key areas of Board activities during the year is provided below.

Strategy

- Discussed the Group's strategic objectives, reaffirming Hysan's strong commitment to Hong Kong and the continual execution of the strategic plan at the core of Lee Gardens Hong Kong while continuing to build the complementary pillars.
- Discussed business strategy and opportunities for the sustainable growth of the Group in response to structural changes in the industry.
- Reviewed the upcoming challenges faced by the Group and discussed the mitigations, including the strategic move of rejuvenating our core portfolio, sustainability strategy and process, climate change-related compliance as well as cybersecurity.
- Considered and approved the Group's investment and development strategy, including rejuvenation and curation of the Lee Gardens area.
- Reviewed recent business developments, industry trends and market outlook.

Board Composition

- Approved the appointment of Chung Cordelia as an INED, a member of the Remuneration Committee and a member of the Nomination Committee.
- Reviewed the Board's structure, size, composition, diversity, Directors' time commitment, and the independence of the INEDs.
- Considered and approved the Board's refreshment to address regulatory concerns on INEDs' tenure.
- Considered and approved the reshuffling of Board Committees' composition for fresh perspectives while maintaining continuity.
- Reviewed and monitored the training and continuous professional development of Directors and senior management.

Governance and Accountability

- Reviewed, updated and approved key governance-related reports and policies to enhance our corporate governance practices and to align them with the latest developments and changes to the Listing Rules, the CG code and other relevant regulatory requirements. This included:
 - Schedule of Corporate Matters Reserved for the Board
 - Anti-fraud Policy
 - Board of Directors Mandate
 - Corporate Governance Guidelines
 - Shareholder Communication Policy
- Reviewed operational compliance of legal and regulatory requirements and related policies.
- Reviewed and updated the terms of reference of Board Committees.
- Considered and discussed feedback on the 2023 Board Evaluation, the evaluation process and the constructive insights and action plans, as appropriate.
- Received the reports from the chairs of all Board Committees, including updates on the proceedings of their meetings, key discussion points and areas of concern.
- Reviewed and approved connected transactions.
- Approved proposed resolutions to put forward to the AGM and the publication of related circular.

Financial, Operational and Business Performances

- Considered the financial performance of the business.
- Considered and approved the annual budget and treasury policy.
- Reviewed the interim and annual results, and approved the interim and annual reports.
- Approved and declared the payment of the first and second interim dividend.
- Reviewed and discussed financial forecasts and capital structure management.
- Reviewed operating results and regular updates of the Group's core businesses (i.e. office, retail, residential and property development segments) and pillars.
- Regular review of the Dividend Policy.

Risk Management and Internal Controls

- Reviewed the Group's risk appetite and assessed external and internal risk level movements and mitigating actions.
- 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 faces including, but not limited to, the risks related to climate change, and cybersecurity threats.
- Reviewed and considered the Group's cybersecurity framework.

Remuneration and Incentives

- Reviewed and evaluated Directors' fees.
- Reviewed compensation for the senior management.
- Reviewed staff development plans and approved the adoption of a new long-term incentive scheme to retain and motivate high-performing individuals.

Sustainability

- Reviewed and considered the quarterly sustainability progress of the Group.
- Considered and approved the Sustainability Report.
- Considered and adopted the Sustainability Procurement Policy and Suppliers' Code of Conduct.
- Reviewed the management's ongoing monitoring of ESG-related risk.
- Reviewed the adequacy of resources of the Group's ESG functions.

Corporate Governance Report

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2023, 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)
	Personal interests	Family interests	Corporate interests	Other interests		
Lee Irene Yun-Lien	479,100	–	–	–	479,100	0.046
Lui Kon Wai	100	–	–	–	100	0.000010
Lee Chien	970,000	98,000	–	–	1,068,000	0.103

Note:

The percentages were computed based on the total number of issued shares of the Company as at 31 December 2023 (i.e. 1,027,008,223 ordinary shares).

EDs have been granted share options under the Company's share option scheme adopted on 10 May 2005 (the "2005 Scheme") and/or the scheme that was adopted on 15 May 2015 (the "2015 Scheme"), details of which are set out in the section "Long-term Incentives: Share Option Schemes" on page 110. These constitute interests in underlying shares of equity derivatives of the Company under the SFO.

Apart from the above, as at 31 December 2023, no other interest or short position in the shares, underlying shares or debentures of the Company or any associated corporations as defined in the SFO 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 C3 of the Listing Rules as its own code of conduct regarding the securities transactions of the Directors. 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 ended 31 December 2023.

DIRECTORS' DISCLOSURE ON CONFLICTS OF INTEREST

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

To ensure compliance with disclosure requirements on potential conflicts of interests, all Directors are required to disclose to the Board the following information in relation to their interests upon appointment and on an annual basis:

- The number and nature of offices they hold in public companies or organisations and other significant commitments (if any) and their time engagements (and immediately if there is any change);
- Their interests in contracts with the Group; and
- Whether he or she has an interest in any business that competes with the Group.

In addition, all Directors are required to declare the nature and extent of their interests, if any, in any transaction, arrangement or other proposal to be considered by the Board.

In 2023, all Directors fulfilled the above disclosure requirements. No potential conflict of interest was determined by the Board to be material, except for the continuing connected transactions and connected transaction as disclosed in the Directors' Report on pages 128 to 130, which were reviewed in the Board meeting in February 2024.

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, continuing connected transactions, connected transactions or contracts of significance under applicable accounting or regulatory rules (details are disclosed in the "Directors' Report").

Directors' Interests in a 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 INEDs in accordance with Listing Rules disclosure requirements) were 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:

- Jebsen Hans Michael and his alternate, Yang Chi Hsin Trevor, are directors of Jebsen and Company and certain of its subsidiaries (the "Jebsen Group"). Business activities of the Jebsen Group include investment holding and property investment in both Hong Kong and the People's Republic of China. Jebsen Hans Michael is also a substantial shareholder of the Jebsen Group.

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 Hong Kong and the People's Republic of China.

Jebsen Hans Michael retired as a Non-executive Director and Yang Chi Hsin Trevor ceased to be his alternate with effect from 16 May 2023.

- Lee Chien was an independent non-executive director of Swire Pacific Limited whose business includes, inter alia, property investment and trading in Hong Kong, the People's Republic of China and the United States of America. He retired as an independent non-executive director of Swire Pacific Limited with effect from the conclusion of its annual general meeting held on 11 May 2023.

The Company's management team is separate and independent from that of the companies identified above. In addition, the relevant former Director/former alternate Director/Director hold 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 INEDs 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.

Corporate Governance Report

OUR RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Risk Management and Internal Control

Our risk management and internal control framework forms an essential part of our Governance Framework.

The Board has the overall responsibility of maintaining an effective and robust risk management and internal control system, determining the Group's risk appetite, and putting controls in place to mitigate risks in line with our long-term and strategic goals and targets.

With the support of the Audit and Risk Management Committee and the internal audit function, the Board oversees and reviews the Group's risk management and internal control system on an on-going basis, adopts appropriate policies and reviews the effectiveness of the systems at least annually in respect of the relevant financial year. The roles and responsibilities of each function/business unit are underpinned by the "Three Lines of Defence" model, with the first line to identify and manage risks, second line to oversee the management of risks, and third line to assess and advise on risk controls.

Details of our Risk Management and Internal Control Framework and activities during the year are set out in the "Risk Management and Internal Control Report" on pages 89 to 97.

Internal Audit

The internal audit function is carried out by the Group Internal Audit Department ("GIA"), which serves as the third line of defence independent of management and directly reports to the Audit and Risk Management Committee.

The GIA plays a major role in providing independent and objective assurance on risk management and internal controls as well as practices and procedures of the Group in conducting business, including the leasing business, accounting and financial reporting, and corporate communications processes, from time to time. The GIA is responsible for ensuring that our business affairs are conducted in full compliance with our corporate policies and guidelines. The GIA also examines and suggests areas of improvement for our corporate policies and guidelines.

Details of our internal audit activities during the year are set out in the "Risk Management and Internal Control Report" on page 97.

Operation Control

Our business is operated through a clear chain of delegation of authority and responsibility, from the Board to the Executive Committee and from the Executive Committee to the responsible business units.

To set out clear lines of accountability and maintain effective control, the Group has adopted comprehensive corporate policies and guidelines detailing our practices and procedures in carrying out our business. Key policies, guidelines and procedures are reviewed annually to ensure they are up to date and able to address the latest business developments and risks that the Group's operation faces.



The risk framework adopted provides a very good checklist to characterise risk components, size and pace of risk, and therefore how to respond.

Directors' comments received in Board Evaluation 2023



The Committee is highly skilled and knowledgeable in monitoring and mitigating both existing and emerging risks.

Directors' comments received in Board Evaluation 2023

Heads of business and supporting units are the risk managers and first line of defence to ensure full compliance with all applicable corporate policies and guidelines in their day-to-day operations. Heads of control functions, as the second line of defence, are responsible for enforcing and monitoring the effectiveness of internal controls and ensuring risks are effectively managed in accordance with the risk monitoring and assessment process.

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 risks and potential loss. Each business unit, support unit and control function are required to report any irregularity or non-compliance immediately to the compliance team and submit a full compliance report twice a year, which will then be reported to the Audit and Risk Management Committee for confirmation.

The Group's reporting process and financial management are also 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-year 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.

In addition, our Legal and Secretarial Department issues quarterly legal and regulatory updates to the Board and reviews and updates our corporate policies and guidelines regularly to ensure compliance with the latest legal and regulatory requirements and international best practices, incorporating any suggestions from the GIA.

Through these means, we are able to effectively monitor compliance, prioritize each case identified, and ensure accurate reporting and timely follow-up.

Financial Reporting

The Board acknowledges its responsibilities for:

- preparing financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and that of the Group as at the end of the financial year and of their respective profit or loss for the year then ended, in accordance with Hong Kong Financial Reporting Standards, the Listing Rules and the Hong Kong Companies Ordinance;
- selecting suitable accounting policies and applying them on a consistent basis, making judgments and estimates that are prudent, fair and reasonable;
- stating the reasons for any significant departure from accounting standards;
- preparing the financial statements on a going concern basis, unless it is not appropriate to presume the Company and the Group will continue in business for the foreseeable future; and
- 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.

Corporate Governance Report

Inside Information

The Group has adopted the Corporate Disclosure Policy, which sets out the procedures and controls for the handling and dissemination of inside information, with a particular focus on the disclosure of material information to investors, analysts and media. This policy also 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.

Hysan has also established the Disclosure Committee, which promotes consistent disclosure practices with the aim of ensuring the timely, accurate, complete and fair dissemination and disclosure of inside information of the Group in accordance with applicable laws, regulatory requirements and the Corporate Disclosure Policy.

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 will assess the materiality and nature of the information and advise the Board promptly whether such information constitutes inside information and the necessary disclosures and/or appropriate follow-up actions. All discussions are recorded in the formal meeting minutes of the Disclosure Committee for the Board's inspection upon request.

Whistleblowing, Anti-Bribery and Corruption, and Other Key Group Policies

Hysan is committed to high standards of integrity, ethics, openness, accountability and good corporate governance. Our internal control framework requires that we operate in compliance with all applicable laws and regulations, and we have in place policies and procedures that embed our values and commitments in key aspects of our operation, including anti-fraud, taxation and human rights. Details of our policies are available on the Company's website: www.hysan.com.hk/governance.

Hysan has put in place a Whistle-blowing Policy to provide a clear procedure for the reporting and handling of whistleblowing cases, which enables anyone (employees or third parties) who becomes aware of any existing or potential misconduct, malpractice or irregularities related to the Group to directly report to the Group's designated independent third party in confidence and with anonymity. The cases will be reported to the Audit and Risk Management Committee and be investigated in a confidential and timely manner. Results of the investigations will be reported to the Audit and Risk Management Committee, copying the GIA.

To promote a culture of integrity and honesty within the Group, the Anti-bribery and Corruption Policy was also adopted by the Board in 2022 to reinforce our existing anti-corruption system and practices embedded in our Code of Ethics.

We consider that our Code of Ethics, Anti-Fraud Policy and Anti-bribery and Corruption Policy, together with our Whistle-blowing Policy, form key elements of our internal control framework. To ensure integrity in our business practices and promote Hysan's core values and desired culture, all staff receive regular trainings on our Code of Ethics.

No regulatory breaches or confirmed cases of misconduct, malpractice or irregularity were reported in 2023.

SUSTAINABILITY

Sustainability Governance

A governance framework is crucial for the successful delivery of our sustainability strategy. The Board has the overall responsibilities for sustainability matters and established the Sustainability Committee in 2020 to support the Board in overseeing the Group’s corporate responsibility, sustainable development and climate change positions.



The Sustainability Committee is primarily responsible for overseeing, assessing, and managing any ESG related risks and issues, as well as bringing any such risks to the attention of the Board and the Audit and Risk Management Committee. As part of the Group’s overall risk management framework, any ESG related risks identified by the Sustainability Committee would be integrated into our overall enterprise risk management process, adopting the same set of risk assessment criteria.

The management level Sustainability Executive Committee and the operational level Sustainability Task Force ensure that the sustainability strategies and practices are integrated into the Group’s operations. They are also responsible for assisting the Board and the Sustainability Committee with identifying targets, exploring new initiatives, and identifying and managing any ESG related risks.

Corporate Governance Report

Sustainability Performance

During the year, the Board continued to further our sustainability strategy with a Community Business Model, 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.

Details of Hysan's sustainability framework and activities during the year are set out in:

- Sustainability Report 2023 available on Hysan's website: www.hysan.com.hk.
- The "Sustainability Committee Report" on pages 118 to 120.
- A summary of the Sustainability Report on pages 121 to 123.

The Sustainability Report is distributed electronically to reduce resource consumed for printing and distribution of hard copies. It is available for public viewing on Hysan's website (www.hysan.com.hk) and the Stock Exchange's website (www.hkexnews.hk). Limited copies are printed and distributed primarily to our Shareholders.

Engagement

Hysan believes that continued engagement and communication are keys to building trust and understanding between the Company and its Stakeholders. We attach great importance on engaging our Stakeholders, including Shareholders, employees, investors, and the wider community. Through various effective communication channels, we articulate our VMVs, keep our Stakeholders informed about our business strategies and outlook, understand their views and address their concerns.

SHAREHOLDERS ENGAGEMENT

Hysan maintains an open and constructive dialogue with its Shareholders and provides them with the information necessary to make sound investment decisions.

The importance of communication with Shareholders and investors of the Company has been recognized with the adoption of 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 2023 to emphasize our commitment to enhancing communication with Stakeholders sustainably in accordance with the expanded paperless regime under the Listing Rules.

With the following measures in place, the Shareholder Communication Policy is considered to have been effectively implemented throughout the year ended 31 December 2023:

- Interim and annual results, the interim and annual reports and other corporate communications of the Company ("Corporate Communications")^{Note} are published in a timely manner on the Stock Exchange and Company's websites in accordance with the Listing Rules;
- The 2023 AGM was held in a hybrid format, which broadened the reach of the AGM to Shareholders who do not wish to attend in person or for oversea Shareholders who are not able to attend in person. Shareholders were given the opportunity to meet the Directors and senior management and to raise questions in person or via a real-time online portal. Please refer to the "General Meetings" section below for further details;
- On-going engagement has been maintained with the media, analysts and institutional investors through various communication channels, e.g. news conferences and analyst briefings held following the announcement of the 2022 final results and the 2023 interim results through live webcasts, press conferences, and face-to-face meetings. Questions were raised to the senior management through both the online portal and during the press conferences;

- Press releases and presentation materials were posted on the Company's website to facilitate Stakeholders' understanding of the Group's latest developments and to promote transparency;
- Shareholders with at least 5% of the total voting rights of all Shareholders can convene extraordinary general meetings;
- Shareholders' enquiries are promptly addressed by the appropriate Board Committees or the Board, if necessary;
- For the purpose of enhancing communication, all Shareholders are welcome to provide their feedback and views on various matters affecting the Company to the Directors or senior management through the Company Secretary;
- Shareholders are encouraged to access our Corporate Communications electronically via the Company's website as an effective and sustainable communication channel;
- Major nominee companies are invited to forward communication materials to Shareholders at our expense; and
- Proxy advisors are proactively engaged on the latest corporate governance trends.

Note:

"Corporate Communications" refers to any document issued or to be issued by Hysan for the information or action of holders of Hysan's securities including without limitation, interim/annual reports, notices, circulars, and proxy form of the Company and all other "corporate communications" as defined in the Listing Rules.

REPORTING AND TRANSPARENCY

Hysan commits to maintaining a high standard of transparency and keeps Shareholders and other Stakeholders abreast of the Company's financial and non-financial performances as well as strategy and outlook. The Group ensures these reporting and communication are provided in a timely, transparent and accessible manner by publishing:

- its interim and annual reports within three months of the financial period/year end;
- announcements (and circulars, where required) on material information or developments as required by the Listing Rules and/or the SFC, or voluntarily as the Board considers appropriate;
- in accordance with the requirements of the Listing Rules, all Corporate Communications on the Company's website, biographies of the Directors and the senior management, business and sustainability developments, the governance structure, financial calendar, and other news and developments at Hysan; and
- press releases, presentation materials and webcasts on the Company's website, in conjunction with the Company's AGM and results announcement.

Corporate Communications will be provided to Shareholders in plain language and in both English and Chinese for Shareholders' ease of understanding. Shareholders have the right to choose their preferred language (English or Chinese) and/or means of receipt (print or electronic) free of charge, at any time, with reasonable notice in writing, to the Company or the Company's Registrar or by e-mail to hysan14-ecom@hk.tricorglobal.com or cosec@hysan.com.hk, respectively.

DIVIDEND POLICY

The Company is committed to providing our Shareholders with sustainable and outstanding returns. 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.

The financial calendar and dividend-related dates for the year ended 31 December 2023 are set out in "Shareholder Information" on page 214.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

The Board is committed to treating all Shareholders equitably and fairly. The rights of our Shareholders are well recognised and effectively protected by

- the right to receive declared dividends and to vote and attend general meetings; and
- the right to convene general meetings and to put forward proposals for consideration at general meetings.

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. The Group's Procedures for Shareholders to Convene General Meetings/Put Forward Proposals are available on the Company's website.

GENERAL MEETINGS

Hysan's AGMs are usually held in the month of May each year. Serving as a key channel of communication with our Shareholders, AGM provides Shareholders with the opportunity to understand the business performance of the Company. Our Board members, in particular, the INEDs and the chairmen of Board Committees (or their delegates), senior management and external auditors, attend AGMs and engage with our Shareholders to understand their feedback and answer their questions.

To ensure our Shareholders have sufficient time to consider the proposed resolutions, AGM notices, circular and other documents, are dispatched to Shareholders more than 30 days prior to the AGMs. Comprehensive information is also given on each resolution to be proposed.

Since 2004, all votes at AGMs have been taken by poll. The poll is conducted and scrutinized by the Company's Registrar. Procedures for conducting the poll are explained at the AGMs prior to the taking of the poll. Poll results and Directors' attendance at the AGM are announced and posted on the websites of both the Stock Exchange and the Company.

2023 Hybrid AGM

The 2023 AGM was held in a hybrid format on 16 May 2023 with online attendance and physical attendance at the Principal Meeting Place at The Community Lab, 24/F, Lee Garden Five, 18 Hysan Avenue, Hong Kong.

Apart from attending and voting at the AGM in person at the Principal Meeting Place, Shareholders were given the option of attending and voting at the AGM through the live online webcast system ("e-Meeting System").

Shareholders attending the AGM via the e-Meeting System were also counted towards the quorum.

The e-Meeting System, which allows Shareholders to view the live meeting proceedings, submit questions by text to the interactive platform for Q&A, call to raise questions and vote online in real-time, offers Shareholders with the same participation and voting rights as those attending in person. Shareholders are encouraged to make use of the e-Meeting System to view the live meeting proceedings and participate in voting.

Holding hybrid AGMs promotes inclusivity, engagement and transparency, facilitates Shareholders' participation by providing convenient access and overcoming geographical constraints and space limitations, protects Shareholders' right to attend general meetings. The Online AGM enabled our Shareholders to participate in the 2023 AGM from anywhere with an internet connection and to meet with our Board members, senior management and auditors as if they were attending in person. This arrangement has also broadened the reach of the AGM and provided flexibility to our Shareholders who do not wish to attend in person or for other overseas Shareholders who are unable to attend in person.

Key matters resolved at the 2023 AGM included

- Receipt of the Statement of Accounts for the year ended 31 December 2022 and the Reports of the Directors and Auditor thereon;
- Re-election of Lee Irene Yun-Lien as Director;
- Re-election of Churchouse Frederick Peter as Director;
- Re-election of Lee Chien as Director;
- Re-election of Lee Tze Hau Michael 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%); and
- Granting of a general mandate to repurchase shares in the Company (not exceeding 10% of the number of its issued shares). All resolutions proposed at the 2023 AGM were passed by the Shareholders.

2024 AGM

The 2024 AGM will be held on 5 June 2024. Details of the meeting are set out in the notice of the 2024 AGM, which constitutes part of the circular to Shareholders sent together with this Annual Report. Notice of the 2024 AGM and the proxy form are also available on the websites of both the Stock Exchange and the Company.

Corporate Governance Report

INVESTOR RELATIONS

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

We provide regular updates on Hysan's operating and financial performances through a variety of channels to keep our Stakeholders informed about the business environment and how the Company responded to risks and challenges. Regular virtual and face-to-face meetings and conference calls with institutional investors as well as live webcasts and press conference for our post-results briefing were hosted by our senior management.

A dedicated Investor section that provides timely updates on the Company's business performance and key developments is also available on the Company's website: www.hysan.com.hk/investor.

Calendar of our Main Investor Relations Events

2023 1st Half	2023 2nd Half
<ul style="list-style-type: none">• Annual results announcement<ul style="list-style-type: none">– Press conference– Analyst briefing (live webcasts were also available)• Post-results roadshows• Annual General Meeting• Investor conferences	<ul style="list-style-type: none">• Interim results announcement<ul style="list-style-type: none">– Press conference– Analyst briefing (live webcasts were also available)• Post-results roadshows

CONSTITUTIONAL DOCUMENTS

The Company did not make any changes to its constitutional documents during the year ended 31 December 2023. The up-to-date consolidated version of the Company's constitutional documents is available on the websites of both the Stock Exchange and the Company.

By Order of the Board

Lee Irene Yun-Lien

Chairman

Hong Kong, 22 February 2024

Risk Management and Internal Control Report

RESPONSIBILITY

Responsibility for risk management is shared between the Board and the management of the Group. The Board has overall responsibility for reviewing and maintaining sound and effective risk management and internal control systems, while 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 crucial for achieving the Group’s business objectives.

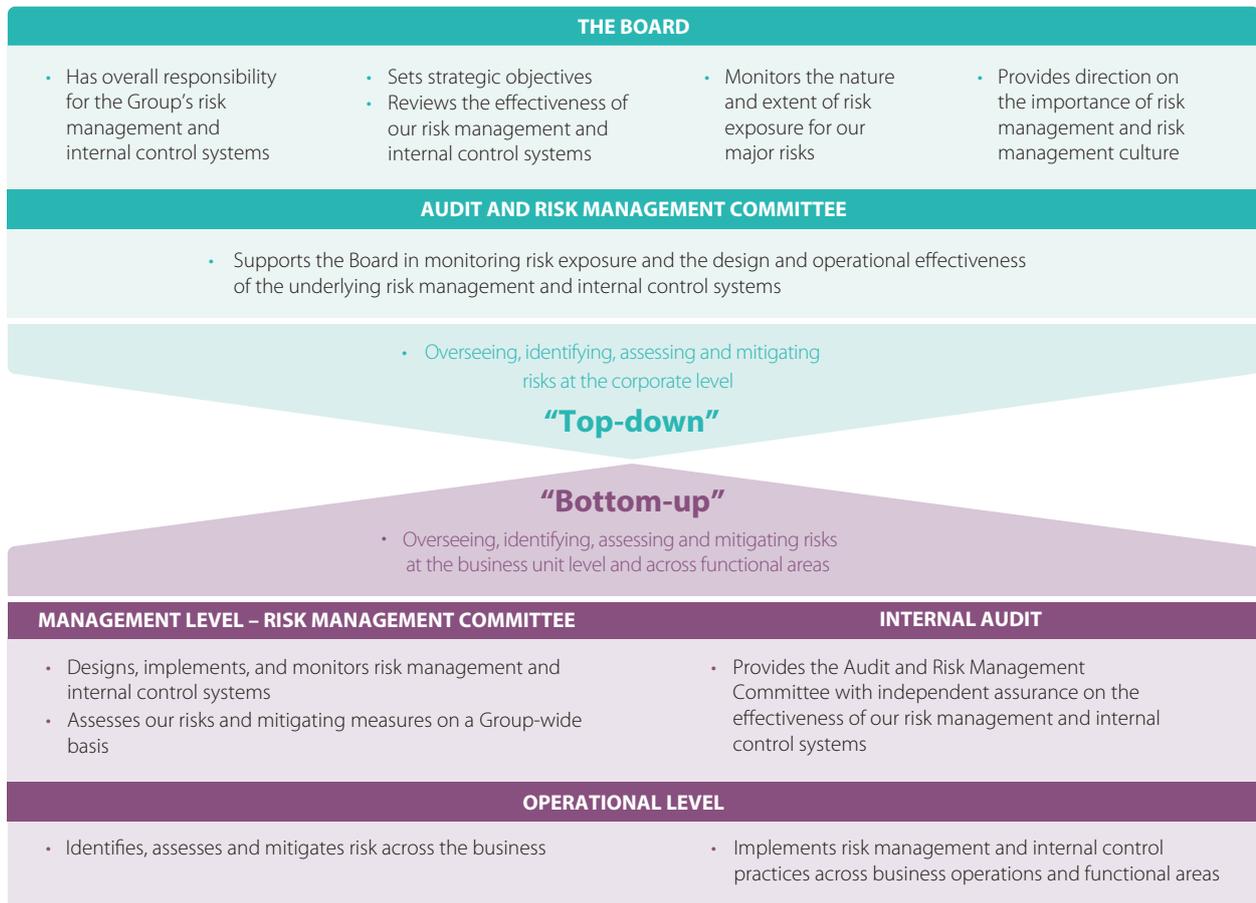
OUR RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

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 Audit and Risk Management 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 the GIA 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



Risk Management and Internal Control Report

2023 REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL EFFECTIVENESS

In respect of the year ended 31 December 2023, the Board, with confirmation from the ED&COO, CFO, Head of Internal Audit and General Counsel & Company Secretary, 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 and November 2022, we adopted a separate Anti-Fraud Policy and an Anti-Bribery and Corruption Policy respectively to promote an ethical corporate culture and emphasize our "zero tolerance" attitude to fraud, bribery and corruption. In November 2023, we updated the Anti-Fraud Policy to further reinforce a healthy and desired corporate culture and high standards of integrity and ethics. 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.

- **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 strategic development) and functional areas (including finance, human resources and administration, business technology, legal and secretarial, corporate communications and sustainability departments).

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

At the management level, the Risk Management Committee, comprising the Chairman, ED&COO, CFO, 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, is combined 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 prevailing economic conditions 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, ED&COO, CFO, 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, sensitivity analysis and life cycle 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 updated reports to the Audit and Risk Management Committee on major risks and appropriate mitigating measures on a regular basis. In 2023, the Audit and Risk Management Committee held four meetings (2022: 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

Risk Management and Internal Control Report

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 the "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 Hysan's risk management capabilities and compliance culture throughout the Group. The responsibilities of each of the defence lines are as follows:



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 this Annual Report as indicated below.

Risk area	Risk level changes during 2023	Description of risk change	Our mitigating measures
Overall business environment	▲	<ul style="list-style-type: none"> Uncertainties arising from geopolitical tensions, US elections and trade flow disruptions continue to loom over global trade, the economy, and financial markets. Continuation of high interest rate environment and tightening by central banks in the US and in Europe risk economic recession. Economic recovery lacks strength. 	<ul style="list-style-type: none"> Fine-tune our strategy execution programme with a focus on financial discipline; preserve liquidity in order to navigate the short-term shocks. Continue to improve operation efficiency and productivity and prioritize resources to capture and support business recovery. Focus on core portfolio curation to defend asset value and tap into new growth pillars for new sources of growth.
Office sector	▲	<ul style="list-style-type: none"> Local leasing demand remained weak. Average rents for Grade A offices in Hong Kong decreased in 2023 and may continue to decline with overhang vacancy and new upcoming supply. Co-working and work-from-home models continued to disrupt the traditional office leasing business. 	<ul style="list-style-type: none"> Diverse and flexible leasing efforts and maintaining a diversified tenant mix to ensure a more resilient tenant portfolio. Offer tailored solutions to increase marketability of office units. Embrace the co-working trend by collaborating with strong and leading co-working brands. Aim for mutual empowerment with our Retail portfolio.
Retail sector	▲	<ul style="list-style-type: none"> Decrease in consumer spending due to higher interest rates and downturn in the local property and stock markets. Competition due to new supply of malls. Changes in tourist and consumer behaviour from merchandise to experiential trades. Competition from Shenzhen, Hainan and other major cities. 	<ul style="list-style-type: none"> Enhancing the trade mix and shopping experience via our rejuvenation projects in the Lee Gardens portfolio to reinforce our position as the home of luxury flagships and as a trendsetter. Diverse and flexible leasing efforts as well as active curation of tenant mix to ensure a more resilient and sustainable tenant portfolio. Strengthen our long-term partnerships with strategic tenants. Achieve appropriate and balanced customer profile for the local resident and tourist market segments. Use mobile and business technology to drive loyalty programmes as well as shopping experiences that distinguish our offerings. Focus on marketing efforts to target relevant existing and potential new shoppers.
Residential sector	▲	<ul style="list-style-type: none"> Uncertainties in the economy affected demand for luxury residential units from expatriates. 	<ul style="list-style-type: none"> Flexible leasing offers to meet customer needs. Continue to invest in the enhancement of services and spaces of residential units and common areas to attract new tenants and improve rents.

Risk Management and Internal Control Report

Risk area	Risk level changes during 2023	Description of risk change	Our mitigating measures
Tai Po Residential Development Project	▲	<ul style="list-style-type: none"> Slower sales progress due to inactive residential sales market and higher interest rates, resulting in higher holding costs. 	<ul style="list-style-type: none"> Fine-tune our sales programme and incentives to capture market demand at the right moment.
Caroline Hill Road Commercial Development Project	—	<ul style="list-style-type: none"> Clouded outlook for commercial properties as uncertainties in local and global economies remained. Global inflation and supply chain disruption may lead to uncertainties in construction costs and progress delay. Foundation works completed in 2023 and superstructure works commenced. Project progress was satisfactory. 	<ul style="list-style-type: none"> Ensure the project is carefully and professionally designed to fit up-and-coming market demand and be competitive. Develop the project with best-in-class green building standards and impactful yet practical sustainability features. Management committee closely monitors the tender process and construction programme to manage construction costs and progress.
To Kwa Wan Residential Development Project	—	<ul style="list-style-type: none"> Clouded outlook for residential development properties as uncertainties in local and global economies remained. Global inflation and supply chain disruption may lead to uncertainties in construction costs and delay progress. Project progress was satisfactory. 	<ul style="list-style-type: none"> Ensure the project is carefully and professionally designed to fit up-and-coming market demand and be competitive. Approach the market at the right moment. Management committee closely monitors the tender process and construction programme to manage construction costs and progress.
Shanghai Investment Property – Lee Gardens Shanghai	—	<ul style="list-style-type: none"> Enhancement of Office area was completed, and leasing commenced in first quarter of 2023. Enhancement of Retail area continued with satisfactory progress. Recovery of local economic activities lacked strength; office demand and rental remained suppressed. 	<ul style="list-style-type: none"> Asset management plan, financial and operation controls and compliance procedures are clearly formulated and implemented according to local operation needs. Strong and experienced local team is formed with support from Hong Kong Head Office.
Human Resources	—	<ul style="list-style-type: none"> Competition for skilled personnel to support our growth strategy, including both frontline operations and management positions remained fierce. 	<ul style="list-style-type: none"> Improve working environment and benefits with an emphasis on wellbeing, to help recruit new employees and retain talented people more effectively. Enhance staff productivity with technology and process automation. Grow and develop talent via Mobile Learning, Hysan Forum and our Leadership Programme. Attract or retain talent via Management Trainee Program, Agile Leader Program and so on. Strengthen our employer brand.

Risk area	Risk level changes during 2023	Description of risk change	Our mitigating measures
Cybersecurity	▲	<ul style="list-style-type: none"> Increased risk of cybersecurity attacks on corporations can lead to operational hazard, reputational damage and claims from third parties. 	<ul style="list-style-type: none"> Regular cybersecurity reviews and upgrades to mitigate risks. Release a new security awareness programme to all company staff to raise awareness of cybersecurity. Engage external professionals to perform a technical review of corporate infrastructure. Put in place cybersecurity policies and procedures, as well as insurance for cyber risk. Information on cybersecurity risk and protection guidelines are available to all staff. Ongoing monitoring of key risk indicators.
ESG (including climate change)	—	<ul style="list-style-type: none"> Increasing attention from investors and the general public on public companies' ESG performance, including their management of climate risks. New requirements on compliance. 	<ul style="list-style-type: none"> Review continuously the requirements of ESG compliance and the expectations on sustainability performance from internal and external Stakeholders. Establish Climate Change Policy and update other sustainability-related policies, such as the Environmental Policy and Health & Safety Policy. Engage professional independent consultant(s) to conduct gap assessment towards the objective of net zero carbon. Devise a climate action roadmap, including both short and long-term initiatives. Plan for scenario analyses on physical and transition risk assessment, as per recommendations of TCFD. Adopt further technology and innovative solutions in support of Hysan's decarbonization journey. Increase use of sustainable financing for green and social initiatives.

Risk Management and Internal Control Report

Risk area	Risk level changes during 2023	Description of risk change	Our mitigating measures
Environmental Management regarding Climate Change	▲	<ul style="list-style-type: none"> Increasing frequency of extreme weather events. Climate change impacts Hysan's strategies and investments as society shifts to a low-carbon future. Climate change impacts the operations and management of buildings in our portfolio. 	<ul style="list-style-type: none"> Regular risk assessments and enhancement of preventive measures (such as water diversion and drainage maintenance) for extreme weather conditions. Regularly review transitional risks and physical risks in relation to climate change. Regularly update contingency plans. Monitor emissions from existing buildings and new development projects. Put in place ISO 14001 Environmental Management System, ISO 50001 Energy Management System and building analytics systems for daily operational risk management. Invest in renewable energy. Apply new technologies to mitigate operational risk. Assess and enhance indoor air quality.
Customer Data Protection and Privacy Protection	—	<ul style="list-style-type: none"> Given rapid developments in business technology, personal data might be collected through digital platforms and other channels. 	<ul style="list-style-type: none"> Continuously build a holistic approach to managing and protecting data and privacy through the implementation of a variety of processes, roles and controls. Established Data Privacy Management Group to oversee the privacy risks and control system and introduced new measures for personal information management. Conducted comprehensive privacy compliance review. Adopted stringent privacy policies and procedures, with strict compliance by all employees and service providers. A centralized data privacy inventory is in place to track the risks and controls of personal data privacy. No material customer data loss cases or customer privacy breaches reported in the last three years.
Anti-Fraud and Anti-Corruption	▲	<ul style="list-style-type: none"> External service providers and third parties are often engaged to provide business and technological solutions. Hysan continues to plan for business diversification across the Group. 	<ul style="list-style-type: none"> Adopted an Anti-Fraud Policy as a framework, supported by comprehensive anti-fraud procedures and guidelines. Adopted a separate Anti-Bribery and Corruption Policy to promote a healthy corporate culture and high standards of integrity and ethics. Put in place and regularly review our Code of Ethics and Whistleblowing Policy. Established an independent whistleblowing channel. Identified potential fraud risks across the Group; no material related cases reported in the last three years.

Notes:



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



where "inherent risks" have decreased



where "inherent risks" have remained broadly the same

OUR EFFORTS TO ENHANCE THE INTERNAL CONTROL ENVIRONMENT AND ACTIVITIES IN 2023

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

Control Environment – Compliance policies	<ul style="list-style-type: none"> We have established clear guidelines for policy owners regarding the establishment and ongoing review of corporate policies and procedures. This ensures that these policies and procedures adequately address the business and strategic developments and mitigate the relevant emerging risks. We conduct annual review of the Anti-Fraud Policy, the Anti-Bribery and Corruption Policy, and Group's Whistleblowing Policy to ensure there are adequate guidelines for our fraud risk management, as well as for the prevention and detection of misappropriation. 	<ul style="list-style-type: none"> Ongoing review process in place to ensure compliance
Control Environment – Risk Assessment and Control Self-Assessment Questionnaire	<ul style="list-style-type: none"> We developed an online system to facilitate our risk owners' annual risk assessments as well as a self-control questionnaire. 	<ul style="list-style-type: none"> Systematic and efficient control assessment
Control Environment – Ethics of the Group	<ul style="list-style-type: none"> Our audits continue to evaluate the design, implementation and effectiveness of the Group's ethics-related objectives, programmes and activities from various perspectives. These include tone at the top, reporting structures, communications, and so forth. Below are some examples of past audits that have included ethical elements: <ul style="list-style-type: none"> Finance and Treasury review in 2023 Fraud risk management in Marketing Operation in 2022 Corporate Communications Review, in which sustainability governance was covered, in 2022 Cultural audit in 2021 Data privacy audits in 2023 and 2020 Fraud risk management in Residential Operation in 2021 Human Resource audit in 2018 	<ul style="list-style-type: none"> Maintain high level of ethical standards for the employees of the Group
Monitoring Activities – Cost review of development projects	<ul style="list-style-type: none"> We conduct ongoing and periodic reviews of the costs and controls of development projects as the Group continues to execute several strategic developments, including the Caroline Hill Road Site Project and major asset enhancement projects. These reviews aim to ensure proper cost management and control of development projects. 	<ul style="list-style-type: none"> Ongoing review process in place to ensure proper development cost control

The Risk Management Committee
Hong Kong, 22 February 2024

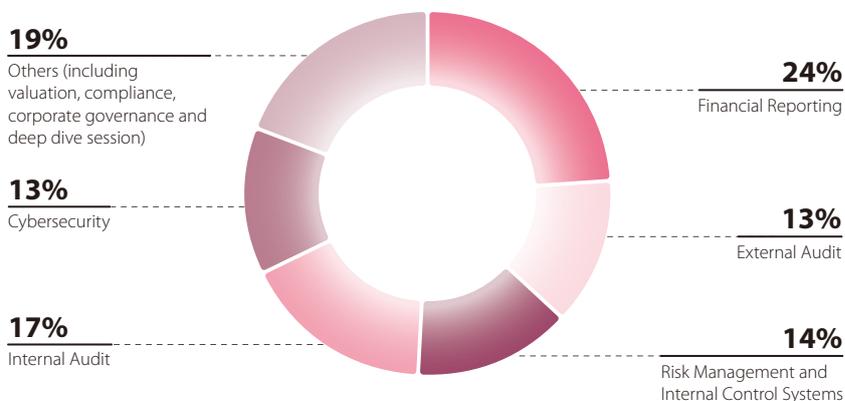
Audit and Risk Management Committee Report

Dear Shareholders,

We are pleased to present the report of the Audit and Risk Management Committee for 2023, which provides an overview of the works undertaken by the Committee during the year.

In 2023, 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 Committee further provided independent and impartial oversight in relation to the overall risk approach of the Group. Recommendations were also made on the Group's risk appetite, profile and tolerance.

Committee activities and agenda time during the year



Composition in 2023	<p>Poon Chung Yin Joseph* (Chairman) Churchouse Frederick Peter* Fan Yan Hok Philip* Lee Anthony Hsien Pin</p> <p>* INED</p>
Independence Weighting	75%
Meeting Schedule	<ul style="list-style-type: none"> Four meetings were held during the year, with two of those meetings specifically focused on addressing dynamic risks (including cybersecurity) and enhancing the risk management oversight function. Two pre-meeting sessions were held with external and internal auditors, without the presence of the management, to further facilitate open dialogue and assurance.
Highlights in 2023 and 2024	<ul style="list-style-type: none"> Strengthened corporate policies and procedures for risk management. Conducted a procurement control review on development projects and major asset enhancement projects. Enhanced the Group's data privacy management. Ongoing monitoring and enhancement of risk management and internal control systems in accordance with the Listing Rules requirements. Strengthened governance and monitoring of capital and financial management. Reviewed and updated Anti-Fraud Policy. Reviewed and updated its terms of reference.

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;
- Review and assess the Company’s risk management and internal control systems;
- Assess and review the risk appetite of the Group;
- Review reports on major risks faced by the Group;
- Review resource adequacy and staff qualifications, skillsets and experience in the Group’s internal audit, accounting, and financial reporting functions, as well as their training programmes and budget;
- Review and ensure adequacy of corporate policies and procedures and effectiveness of the Group’s compliance framework;
- Review the effectiveness of the Company’s internal audit function; and
- Oversee the Company’s relationship with the external auditor and provision of non-audit services.

ACTIVITIES

Details of the meeting held in February 2023 were set out in the 2022 Annual Report.

From March 2023 to February 2024, the Audit and Risk Management Committee held four meetings. The Board Chairman and senior management (including the ED & COO, CFO and Group Financial Controller), internal auditor, external auditor and independent professional valuer presented updates and answered relevant questions to facilitate the Committee’s decision-making process. Details of matters discussed in the meetings are given below.

Meeting of the Audit and Risk Management Committee Over the Past 12 Months

May 2023	August 2023	November 2023	February 2024
<ul style="list-style-type: none"> • Internal Audit Report • Cybersecurity • Deep-dive on business risks and challenges • Legal and Regulatory Update 	<ul style="list-style-type: none"> • Interim Results • Internal Audit Report • External Auditor Report • Legal and Regulatory Update 	<ul style="list-style-type: none"> • External Audit Progress Report • Property Valuations • Internal Audit Report • Annual Review of Risk Assessment and Results • Cybersecurity • Annual Review of Adequacy of Resources • Review and update of Anti-Fraud Policy • Legal and Regulatory Update 	<ul style="list-style-type: none"> • Annual Results • Internal Audit Report • Property Valuations • Annual Review of Risk Management and Internal Control Effectiveness • Effectiveness and Independence of External Auditor • External Audit Completion Report • External Audit Plan For 2024 • Annual Review of Continuing Connected Transactions • Review and update of its terms of reference • Legal and Regulatory Update

Audit and Risk Management Committee Report

FINANCIAL REPORTING

The Audit and Risk Management Committee reviewed and discussed with management and the external auditor, and recommended to the Board for approval, the unaudited financial statements for the first six months ended 30 June 2023, the audited financial statements for the year ended 31 December 2023, and the Independent Auditor's Report for the year ended 31 December 2023, prior to their publication.

Within this process, management is responsible for the preparation of the Group's financial statements, including the selection and application of appropriate 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 "Corporate Governance Report" of this Annual Report.

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 2023 and 31 December 2023 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 2023.

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:

Corporate Policies and Procedures

We strengthened and set out clear guidelines for policy owners regarding the establishment and ongoing review of corporate policies and procedures. This ensures these policies and procedures adequately address the business and strategic developments and mitigate the relevant emerging risks.

The Anti-Fraud Policy, as a separate policy designed to further promote an ethical culture and emphasize Hysan's "zero tolerance" attitude towards fraud, has been reviewed and updated in 2023. The Anti-Bribery and Corruption Policy, adopted in 2022, is another distinct policy that reinforces and expands our existing anti-corruption systems and practices.

We also conducted an annual review of 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 appropriately.

Procurement Control Review

We strengthened the risk management approach to the procurement process of development projects as the Group continues to execute several strategic developments, such as the Caroline Hill Road Site Project and major asset enhancement initiatives.

Reviews were conducted to strengthen the procurement control process of selected functions. Procurement policies were updated to address specific functional needs and with a fraud prevention focus.

Data Privacy

We established a Data Privacy Management Group to oversee the data privacy risks and control system of the Group. We also enhanced the Group's data privacy management procedures, setting out clear guidelines on data collection, access, data inventory maintenance, internal and external communication, and incident response protocols in order to build awareness of handling personal information and ensure data privacy management procedures are followed in all functional areas.

The Company also conducted a comprehensive data privacy compliance review across major business and supporting units (including the newly established Shanghai operation) on their compliance with the applicable privacy laws as well as our relevant corporate policies and statements in the collection, use, storage and retention of personal data. All employees were also required to complete mandatory annual training in data privacy to refresh their knowledge and understanding of data privacy practices and regulations. The Company's unwavering commitment and efforts in data privacy protection were honoured with a Gold Award at the "Privacy-Friendly Awards 2023" organized by the Office of the Privacy Commissioner for Personal Data.

Internal Controls

With the acquisition of Lee Gardens Shanghai, the Group extended and implemented our corporate policies, as well as financial and operational controls in our Shanghai office to ensure compliance with the Group's policies on corporate governance, risk management and internal controls, while also addressing risks specific to the local operations in Shanghai.

We continued our ongoing monitoring and enhancement of internal controls in accordance with Listing Rules' requirements.

Capital and Financial Management

To address the heightened risks associated with a weak economic environment, the Group's capital commitment to major construction projects and the elevated interest rate environment, we enhanced our monitoring and control process for managing our capital and financing structures. The management (i) continuously monitors the Company's credit metrics, cash deployment, funding plan, liquidity buffers, and funding costs, (ii) takes appropriate action in view of the market environment and outlook, and (iii) provides quarterly and ad hoc reports to the Board.

Media Policy and Practices

We regularly reviewed the Group's Corporate Communications operation, strengthening awareness and practices with regard to dissemination of information to the public via traditional and social media.

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 and ESG risks and compliance, with the overall approach 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 valuer;
- 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

Audit and Risk Management Committee Report

- Reviewed the annual risk management and internal control systems performance for 2023, based on the following:
 - Reports from the GIA on the review of the Company's continuing connected transactions for the year ended 31 December 2023, as well as the adequacy and effectiveness of the related internal control procedures;
 - Regular reports from management regarding major risks, movements in risk levels and mitigating actions, as well as special reports on major risk items identified (as detailed above);
 - Regular reports from the GIA, 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.

INFORMATION SECURITY

The Audit and Risk Management Committee places great emphasis on information security and has a primary oversight responsibility for cybersecurity risks. The topic of information security has been a regular item on the Committee's meeting agenda in the May and November Committee meetings. During the meetings, senior management provided regular updates on matters relating to information security of the Group, including regular reviews and assurance on the security of the infrastructure and updates on system enhancements. The Committee dedicated substantial time in numerous discussions on this issue.

Technical Infrastructure Security Review

We engaged a professional service provider to conduct an in-depth security review and penetration tests of the Group's technical infrastructure to identify and mitigate cybersecurity risks. Potential vulnerability issues were highlighted to guide the strengthening of network protections.

During the year, the Committee also undertook ongoing review of the information system to ensure that the current cybersecurity system meets the necessary standards and requirements to effectively safeguard the Group against cyber threats. After considering the update from management, the Committee was satisfied that the current information security system is adequate and fit for purpose as assessed by external professional experts.

To enhance understanding of the importance of cybersecurity and strengthen the Company's overall security posture, all employees were mandated to attend "Cybersecurity Awareness Training" on an annual basis. A tailored Cybersecurity Awareness Training Program consisting of a series of courses covering a wide range of related topics was also provided to all employees in 2023.

Third-Party Information Security

The Group has implemented a security policy to govern third-party suppliers who support and maintain our systems. These suppliers undergo an evaluation process and where necessary, additional security controls are implemented to safeguard our systems and user data. Furthermore, the Group conducts regular reviews to ensure that suppliers consistently adhere to our security standards. Various controls have been enforced to authorize login access during specific time slots and for legitimate reasons. Each support request is meticulously recorded to prevent any unauthorized actions during support sessions. All control processes are periodically reviewed and updated for ongoing effectiveness.

The Audit and Risk Management Committee was satisfied with 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, cybersecurity, internal audit, risk management or internal control were identified.

THE FOLLOWING MEASURES ARE IN PLACE TO ENSURE THE INDEPENDENCE OF EXTERNAL AUDITORS:

- Detailed assessment of the external auditor's independence, service quality and remuneration level;
- Annual confirmation of the auditor's independence issued by the external auditor;
- A rotation arrangement for the lead audit partner was established and implemented by the external auditor;
- The lead audit partner is required to comply with professional ethical standards and independence policies and requirements applicable to the work performed;
- The award of any non-audit services provided by the Group's external auditors (and their affiliates) is subject to the Group's procurement policy which is consistent with all other third-party vendor relationships;
- All non-audit services were pre-approved by the Audit and Risk Management Committee; and
- 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. The external auditor confirmed its independence with regard to the non-audit services provided.

A summary of external auditor's services and fees for the years ended 31 December 2023 and 2022 is as follows:

	2023 HK\$ million	2022 HK\$ million
Audit services	3.5	3.5
Non-audit services		
– Recurring (Note a)	0.6	0.6
– One-time transactional		
• Technology services (Note b)	7.0	6.2
• Other services (Note c)	–	0.4
Total	11.1	10.7

Notes:

- Recurring services include statutory compliance and regulatory or government procedures required to comply with financial, accounting or regulatory report matters.
- Deloitte Advisory (Hong Kong) Limited ("Deloitte Consulting") was appointed to provide technology services, system integration and application management for our customer relationship management ("CRM") platforms based on their demonstrated subject matter expertise in implementing similar CRM solutions, proven track record from past projects and competitive pricing presented through a rigorous tender process. To maintain Auditor's independence, the External Auditor confirmed that such technology services are provided by professionals from Deloitte Consulting who are not audit engagement team members and Deloitte Consulting did not assume any management responsibility during the provision of such services.
- Other services include assurance services required for transaction compliance (e.g. major transactions as defined by the Listing Rules and offering of guaranteed notes). Leveraging the external auditors ensures efficiency and consistent quality of the assurance exercises. It also reduces onboarding costs by utilizing the external auditors' existing institutional knowledge of the Company.

Audit and Risk Management Committee Report

EXTERNAL AUDITOR

The Group engaged Deloitte Touche Tohmatsu as the external auditor of the Company and regards their independence as crucial to the effectiveness of our corporate governance. In overseeing the Group's relationship with the external auditor and ensuring its independence, the Audit and Risk Management Committee:

- Reviewed and considered the terms of engagement of the external auditor in respect of the Group's 2023 results (including the 2023 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;
- Reviewed the annual assessment of the auditor's independence, qualifications, expertise and services, and remained satisfied with the same;
- Reviewed and considered the 2023 audit service plan of the external auditor and the terms of its engagement in respect of the 2023 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 2023.

The Audit and Risk Management Committee and the Group were satisfied that the auditor's independence and objectivity were not in any way impaired by the provision of non-audit services.

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 their implementation status. Following the Group's three-year audit plan, Internal Audit continually conducted projects that highlighted control gaps for management rectification. Audit findings were presented via audit reports, including management responses regarding the status of subsequent follow-up and implementation.

EVALUATION

The Board and Board Committee evaluation process, which took place during the year, concluded that the Audit and Risk Management Committee was effective in fulfilling its roles in 2023. For details, please refer to the "Board Evaluation" section of the Corporate Governance Report (pages 73 to 74).

Members' attendance records are disclosed in the table on page 71.

Members of the Audit and Risk Management Committee

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

Hong Kong, 22 February 2024



"Led by experienced, diligent, probing chair; members are engaged."

Directors' comments received in Board Evaluation 2023

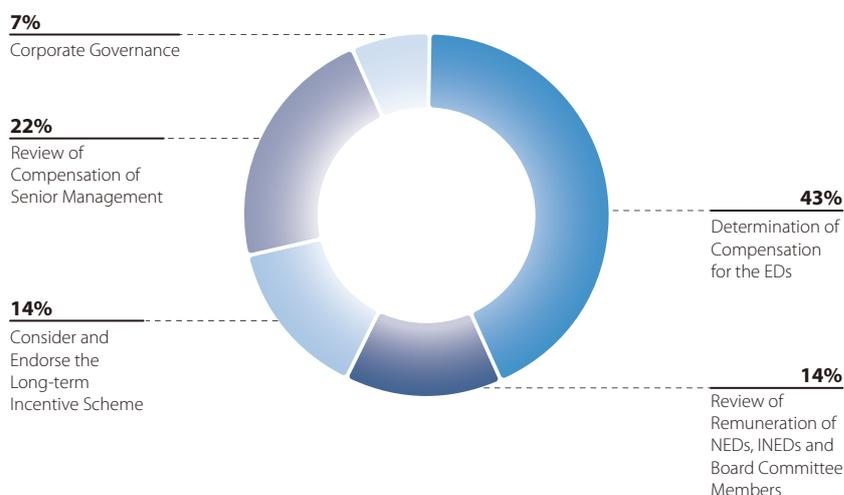


Remuneration Committee Report

Dear Shareholders,

We are pleased to present the Remuneration Committee Report for 2023. The primary roles of the Remuneration Committee are to advise the Board on the formulation of remuneration policy, 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 in the best interests of the Company and its Shareholders.

Committee activities and agenda time during the year



Composition in 2023	<p>Fan Yan Hok Philip* (Chairman)</p> <p>Chung Cordelia* (appointed on 16 May 2023)</p> <p>Churchouse Frederick Peter* (appointed on 1 March 2023)</p> <p>Poon Chung Yin Joseph* (ceased to be a member on 16 May 2023)</p> <p>Lee Tze Hau Michael (ceased to be a member on 1 March 2023)</p> <p>* INED</p>
Independence Weighting	100%
Meeting Schedule	<ul style="list-style-type: none"> At least one meeting every year One meeting in 2023
Highlights in 2023	<ul style="list-style-type: none"> Considered remuneration for Directors and senior management Considered the Company's compensation structure Considered and endorsed the adoption of a long-term incentive scheme Reviewed and updated its terms of reference

Remuneration Committee Report

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 EDs and members of senior management and make recommendations to the Board;
- Review and determine the remuneration of EDs and senior management as recommended by management;
- Review and make recommendations to the Board on the fees of NEDs, INEDs and Board Committee members prior to Shareholders' approval at the general meetings; and
- Review matters related to share incentive plans (including matters related to share schemes under Chapter 17 of the Listing Rules), 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.

ACTIVITIES

The EDs 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.

Details of the meeting held in February 2023 were set out in the 2022 Annual Report.

In February 2024, the Remuneration Committee held a meeting to:

- Approve the EDs' 2024 compensation packages and 2023 performance-based bonuses;
- Review the fees for NEDs, INEDs and Board Committee members;
- Review and determine the compensation packages of senior management; and
- Review and update the terms of reference of the Remuneration Committee.

Members' attendance records are disclosed in the table on page 71.

During the year, the Remuneration Committee also, by written resolutions, endorsed, approved and recommended the adoption of a new long-term incentive scheme.

REMUNERATION POLICY

We recognize the importance of a transparent remuneration policy and practice, which are underpinned by three cornerstones:

1. Effective Corporate Governance
 - No Director is involved in deciding their own remuneration;
 - Compensation packages of EDs are reviewed and approved by the Remuneration Committee;
 - Remuneration of NEDs and INEDs are approved by the Board upon the recommendation of the Remuneration Committee and subject to Shareholders' approval;
 - Compensation packages of senior management and department heads are reviewed and approved by the Remuneration Committee; and
 - Independent professional advice is to be sought where appropriate.

2. Market Benchmarking

- Hong Kong property developers and companies listed on the main board of the Stock Exchange with property-related businesses were selected as comparators for benchmarking Director's fees and remuneration of EDs and senior management.

3. Performance-linked

- Remuneration packages and structures for EDs and senior management shall reflect a fair reward system for all participants, taking into account both quantitative and qualitative assessments of performance in the forms of financial and operational targets and behavioural competencies that align with the Group's long-term strategy, corporate culture and core values.
- Aiming to incentivize a proper balance between business performance and long-term sustainable growth, long-term contribution shall be reviewed and evaluated based on, among others, the pre-determined long-term objectives and development plan, considering also the alignment with the Group's long-term strategy, culture and core values, etc.

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS AND SENIOR MANAGEMENT

The Group's approach is to provide a fair market level of remuneration to attract, retain and motivate high-quality EDs, senior management and employees. At the same time, rewards must be aligned with the Company's strategy, corporate culture, core values, performance and Shareholders' interests.

The following principles of remuneration for EDs and senior management have been established:

- 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 and behavioural competencies that align with the Group's long-term strategy, corporate culture and core values;
- Remuneration policy and practices shall be as transparent as possible and reviewed regularly, independent of executive management;
- Grantees of the share schemes shall develop significant personal shareholdings through executive share incentive schemes, in order to align their interests with those of the Shareholders;
- 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; and
- Pay and employment conditions elsewhere in the Group shall be taken into account.

Remuneration Committee Report

In reviewing and determining remuneration for EDs and senior management, the Remuneration Committee will take into account their overall achievements with respect to the following determining factors, each with a series of measures:

Components	Determining Factors
Fixed compensation	
Base salary and allowances	<ul style="list-style-type: none"> Market trends: increments in line with general and real estate industry norms Market benchmarks relevant to role and job scope Company performance (with reference to the Group's turnover growth, occupancy rate, property expenses ratio, underlying profit, etc.) Individual performance and contribution^{Note 1}, measured against annual financial and operational targets (turnover, expense ratio, earnings per share ("EPS"), portfolio year-end occupancy, achievement of key strategic initiatives, etc.)
Variable compensation	
Performance bonus	<ul style="list-style-type: none"> Company performance (with reference to the Group's turnover growth, occupancy rate, property expenses ratio, underlying profit, etc.) Individual performance and contribution^{Note 1}, measured against annual financial and operational targets (turnover, expense ratio, EPS, portfolio year-end occupancy, achievement of key strategic initiatives, etc.) Actual bonus payout ranges from 0–200% of target bonus, which is set as a percentage of annual base salary
Share incentives	<ul style="list-style-type: none"> Company performance (with reference to the Group's turnover growth, occupancy rate, property expenses ratio, underlying profit, etc.) Individual performance and potential, as well as long-term contribution^{Note 2} to the Company Level of share options and/or share awards granted is based on a prescribed grant multiple of annual base salary

Notes:

- Employees undergo mid-year and annual performance appraisals, during which individual performance targets (financial and operational) are set. Performance is continually monitored throughout the year and evaluated against these performance targets semi-annually. Performance assessment on the achievement of performance targets and behavioural competencies that align with the Group's long-term strategy, corporate culture and core values culminates in an individual performance rating which will determine the fixed and variable compensation outcomes.
- Aiming to incentivize a proper balance between business performance and long-term sustainable growth, long-term contribution is reviewed and evaluated based on, among others, the pre-determined long-term objectives and development plan, considering also the alignment with the Group's long-term strategy, culture and core values, etc.

In February 2024, 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 2024 annual fixed base salaries are HK\$8,240,000 and HK\$5,953,000 respectively, and their 2023 performance-based bonus amounts to HK\$12,360,000 and HK\$6,048,000, respectively.

Details of Directors' remuneration, including individual EDs and senior management's emoluments for 2023, as well as changes in share options for EDs during the year, are set out in notes 10, 11 and 36, respectively, to the consolidated financial statements.

Remuneration Policy for NEDs and INEDs

These are the key guiding principles of the remuneration for our NEDs and INEDs:

- Remuneration shall be set at an appropriate level to attract and retain first-class non-executive talent;
- Remuneration of NEDs and INEDs shall be set by the Board and subject to Shareholders' approval at the general meetings and should be proportional to their commitment and contribution to the Company;
- Remuneration practices shall be consistent with recognized best practices and standards for the remuneration of the NEDs and INEDs;
- Remuneration shall be in the form of cash, payable semi-annually; and
- NEDs and INEDs shall not receive share options and/or share awards from the Company.

In 2023, NEDs and INEDs received no compensation from the Group other than the Directors fees disclosed below. None of the NEDs and INEDs received any pension benefits from the Company, nor did they participate in any bonus or incentive schemes.

NEDs and INEDs received fees totalling HK\$3,432,000 during 2023.

Director Fee Levels

Director fees are subject to Shareholders' approval at general meetings. In February 2024, 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 Director fees shall be maintained at the same level.

The current fees for the NEDs, INEDs and Board Committee members are set out below. EDs do not receive any Director fees.

	Per annum HK\$	
Board		
NED and INED	280,000	(Note 1)
Audit and Risk Management Committee		
Chairman	180,000	(Note 1)
Member	108,000	(Note 1)
Remuneration Committee		
Chairman	75,000	(Note 1)
Member	45,000	(Note 1)
Nomination Committee		
Chairman	50,000	(Note 1)
Member	30,000	(Note 1)
Sustainability Committee		
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.

Remuneration Committee Report

Human Resources Practices

The Group aims to attract, retain and develop high-calibre individuals who are committed to attaining our objectives and adhering to Hysan's corporate culture and core values. The total number of employees as at 31 December 2023 was 516 (2022: 486). The Group's human resources practices are aligned with our corporate objectives in order to maximize Shareholder value and achieve sustainable growth. Details of our human resources programmes, training and development are set out in our 2023 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 EDs is vested in the Remuneration Committee, with endorsement by all INEDs being required under the Listing Rules. The Chairman may grant options to management staff below the ED 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 EDs), 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, representing approximately 10% of the total number of issued shares of the Company as at the date of this Annual 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 higher 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 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 "2015 Scheme")

The Company adopted the 2015 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 2015 Scheme are substantially the same as those of the 2005 Scheme.

Under the 2015 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 EDs), 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 2015 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, being 10% of the total number of shares in issue as at the date of the 2015 AGM (being 106,389,669 shares, representing approximately 10% of the total number of issued shares of the Company as at the date of this Annual Report). Under the Listing Rules, a listed issuer may seek approval from its shareholders in a general meeting to “refresh” the 10% limit under the 2015 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 2015 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 2015 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 higher 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 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

Since the 2005 Scheme had expired on 9 May 2015, no option was available for grant under the 2005 Scheme as at 1 January 2023 and 31 December 2023 respectively. No option was granted under the 2005 Scheme during the year.

The number of options available for grant under the scheme mandate limit of the 2015 Scheme as at 1 January 2023 and 31 December 2023 were 98,048,673 and 98,579,673 respectively. During the year, no share options were granted under the 2015 Scheme.

As at 31 December 2023:

- share options exercisable into a total of 708,000 ordinary shares of the Company granted and fully-vested under the 2005 Scheme remained outstanding, representing approximately 0.07% of the total number of issued shares of the Company;
- share options exercisable into a total of 7,386,067 ordinary shares of the Company (including fully-vested share options exercisable into 5,633,720 ordinary shares of the Company) granted under the 2015 Scheme remained outstanding, representing approximately 0.72% of the total number of issued shares of the Company; and
- 98,579,673 shares remained issuable under the 2015 Scheme, representing approximately 9.60% of the total number of issued shares of the Company.

Remuneration Committee Report

Details of options granted, exercised, cancelled/lapsed and outstanding under the 2005 Scheme and the 2015 Scheme (the "Schemes") during the year are as follows:

Name	Date of grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2023	Changes during the Review Year			Balance as at 31.12.2023
					Granted	Exercised	Cancelled/ lapsed (Note b)	
2005 Scheme								
Executive Director								
Lee Irene Yun-Lien	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
Other employee participants	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	–	–	(10,000)	36,000
	31.3.2015	34.00	31.3.2016 – 30.3.2025	61,000	–	–	(14,000)	47,000
				1,082,000	–	–	(374,000)	708,000

Name	Date of grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2023	Changes during the Review Year			Balance as at 31.12.2023
					Granted	Exercised	Cancelled/ lapsed (Note b)	
2015 Scheme								
Executive Directors								
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	26.2.2022 – 25.2.2031	664,000	–	–	–	664,000
	28.2.2022	23.25	28.2.2023 – 27.2.2032	819,000	–	–	–	819,000
Lui Kon Wai	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	31.3.2022 – 30.3.2031	267,000	–	–	–	267,000
	28.2.2022	23.25	28.2.2023 – 27.2.2032	400,000	–	–	–	400,000
Other employee participants	31.3.2016	33.05	31.3.2017 – 30.3.2026	106,000	–	–	(21,000)	85,000
	31.3.2017	35.33	31.3.2018 – 30.3.2027	208,667	–	–	(30,000)	178,667
	29.3.2018	41.50	29.3.2019 – 28.3.2028	260,000	–	–	(46,000)	214,000
	29.3.2019	42.05	29.3.2020 – 28.3.2029	393,000	–	–	(63,000)	330,000
	31.3.2020	25.20	31.3.2021 – 30.3.2030	498,000	–	–	(95,000)	403,000
	31.3.2021	30.40	31.3.2022 – 30.3.2031	605,000	–	–	(115,000)	490,000
	31.3.2022	23.36	31.3.2023 – 30.3.2032	860,000	–	–	(161,000)	699,000
				7,917,067	–	–	(531,000)	7,386,067

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. "Exercise period" accordingly begins with the first anniversary of the date of grant.
- (b) Options lapsed during the year in accordance with the rules of the Schemes.

Save as disclosed above, there is no further information which is required to be disclosed under Rule 17.07 of the Listing Rules.

One-off Share Award Plan

In commemoration of the momentous occasion of the 100th anniversary of the establishment of Hysan in Hong Kong, the Company adopted a one-off share award plan ("100A Share Award Plan") on 15 October 2023 (the "Adoption Date") to signify and reaffirm the Group's commitment and optimism to the continued success of Hysan for the next one hundred years and beyond. The 100A Share Award Plan also serves as a gesture of appreciation and recognition for the dedication and valuable contributions of the Group's employees to Hysan's success.

The 100A Share Award Plan is a one-off plan and is funded solely by existing shares of the Company ("Shares") purchased from the market. Subject to the provisions of the 100A Share Award Plan, the Executive Committee may within the term of the 100A Share Award Plan and at its absolute discretion select any employee of the Group for participation in the 100A Share Award Plan ("Selected Employees"), and grant 100 fully-vested Shares to each of the Selected Employees at no consideration ("Awarded Shares"). The Selected Employees are not required to pay any amount on application or acceptance of the Awarded Shares. The maximum number of Awarded Shares which may be awarded under the 100A Share Award Plan shall not exceed 50,000 Shares, representing approximately 0.0049% of the issued share capital of the Company as at the Adoption Date and the date of this Annual Report. As at the date of this Annual Report, the total number of Shares available for issue in respect of awards which may be granted under the 100A Share Award Plan is zero.

All Awarded Shares granted during the year were granted and vested on 27 November 2023 and the 100A Share Award Plan was terminated on the same date upon the vesting of all Awarded Shares to the Selected Employees. No further Awarded Shares will be granted under the 100A Share Award Plan.

Movement of Awarded Shares

During the year, an aggregate of 47,800 fully-vested Shares (representing approximately 0.0047% of the issued Shares as at the date of the Annual Report) have been granted to 478 Selected Employees under the 100A Share Award Plan.

Details of Awarded Shares granted, vested, cancelled/lapsed and outstanding under the 100A Share Award Plan during the year are as follows:

Name	Date of grant	Purchase price HK\$	Vesting date (Note a)	Balance as at 1.1.2023	Changes during the Review Year			
					Granted	Vested	Cancelled/ lapsed (Note b)	Balance as at 31.12.2023
Executive Directors								
Lee Irene Yun-Lien	27.11.2023	-	27.11.2023	-	100	(100)	-	-
Lui Kon Wai	27.11.2023	-	27.11.2023	-	100	(100)	-	-
The five highest paid individuals (excluding the EDs)	27.11.2023	-	27.11.2023	-	500	(500)	-	-
Other employee participants	27.11.2023	-	27.11.2023	-	47,100	(47,100)	-	-
				-	47,800	(47,800)	-	-

Notes:

- All Awarded Shares granted have vested on 27 November 2023, i.e. date of grant.
- None of the Awarded Shares granted have performance targets.
- The closing prices of the Shares immediately before the date of grant (i.e. 24 November 2023) was HK\$15.22.
- The weighted average closing price of the Shares immediately before the date of vesting (i.e. 24 November 2023) was HK\$15.22.
- The fair value of the Awarded Shares at the date of grant was HK\$15.04 per share. The Group has applied HKFRS 2 to account for the Awarded Shares.
- During the year, 200 Awarded Shares, with a total fair value of HK\$3,008, were granted to the EDs, a total of 500 Awarded Shares, with a total fair value of HK\$7,520, were granted to the five top-paid employees (excluding the EDs), and a total of 47,100 Awarded Shares, with a total fair value of HK\$708,384 were granted to other employee participants.

COMMITTEE EFFECTIVENESS

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

Members of the Remuneration Committee

Fan Yan Hok Philip (Chairman)
Chung Cordelia
Churchouse Frederick Peter

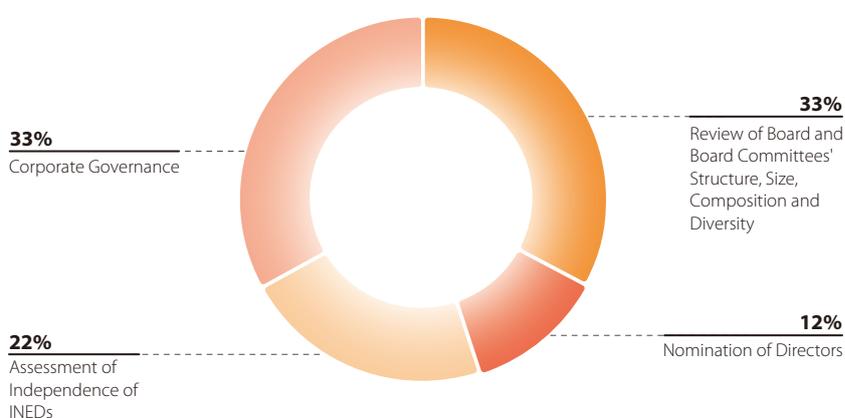
Hong Kong, 22 February 2024

Nomination Committee Report

Dear Shareholders,

We are pleased to present the Nomination Committee Report for 2023. The primary roles of the Nomination Committee are to review the Board's structure, size, composition and diversity, and to recommend Board appointments. The roles of the 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 Directors have the skills and experience required to drive the highest standards of performance. During the year, we were pleased to welcome Chung Cordelia to the Board.

Committee activities and agenda time during the year



Composition in 2023	<p>Lee Irene Yun-Lien (Chairman)</p> <p>Chung Cordelia* (appointed on 16 May 2023)</p> <p>Churchouse Frederick Peter*</p> <p>Poon Chung Yin Joseph*</p> <p>Lee Chien</p> <p>Fan Yan Hok Philip* (ceased to be a member on 16 May 2023)</p> <p>* INED</p>
Independence Weighting	60%
Meeting Schedule	<ul style="list-style-type: none"> At least one meeting every year One meeting in 2023
Highlights in 2023	<ul style="list-style-type: none"> Nominated Chung Cordelia as an INED and a member of the Remuneration Committee and the Nomination Committee Considered Hysan's diversity agenda and reviewed the progress on achieving the gender diversity target at Board level Considered Board refreshment and the reshuffling of Board Committee's composition for fresh perspectives while maintaining continuity Considered the re-appointment of Directors and independence of INEDs Reviewed and updated its terms of reference

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 our corporate strategies;
- Review the Diversity Policy;
- Review the independence of INEDs pursuant to the Listing Rules' requirements;
- Oversee the general succession planning of the Board and that for the senior management team;
- Oversee the human capital of the Group, including the diversity and gender ratio of the workforce;
- 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) and our diversity agenda with due regard to the benefits of diversity, as set out under the Diversity Policy.

Director Recruitment Process



Nomination Committee Report

ACTIVITIES

During 2023, the Nomination Committee held one meeting. Details of matters discussed in the Committee meeting are given below.

Composition of the Board and Board Committees

Regarding the composition of the Board and the Board Committees, the Committee:

- Considered and endorsed the nomination of Chung Cordelia as an INED and a member of the Remuneration Committee and the Nomination Committee and recommended her appointment for the Board's approval. The recommendation was made on the basis of Chung Cordelia's extensive multinational experience specialising in information technology and knowledge of the building industry, in accordance with the Company's Nomination Policy and Diversity Policy. The appointment of Chung Cordelia reflects the Group's commitment to refresh the average tenure of Directors and expand the Board's breadth of experience by including fresh perspectives from a diversified business and professional background;
- Considered and endorsed proposed changes to the Board Committees' compositions to take effect during the year, for fresh perspectives while maintaining continuity;
- Reviewed Hysan's diversity agenda and progress on achieving the gender diversity target. Having exceeded the gender diversity target of 33% female Directors by appointment of new female INED during the year, the Committee reviewed and affirmed the ultimate goal of achieving gender parity at Board level;
- Considered Board refreshment and succession planning taking into account Hysan's diversity agenda and increasing regulatory and governance concerns regarding long serving INEDs;
- The Board continued to engage Li Xinzhe Jennifer as an advisor to the Board to enrich the Board's skills and diversity and support its strategic decision making;
- Assessed the structure, size, composition and diversity of the Board and Board Committees, 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;
- The Nomination Committee was satisfied that the current composition and size of the Board is appropriate for the time being;
- Reviewed the time commitment of Directors. As reflected in Directors' high rates of attendance, 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 (please also refer to the table on page 71 for Directors' attendance record);
- Reviewed the contributions of those Directors who are due to retire and are subject to re-election at the forthcoming 2024 AGM with the support of the Board;
- Recommended the re-appointment of Directors to the Board; and
- Reviewed the training of the Directors and senior management.

Independence of INEDs

The Committee assessed the independence and commitment of each of the INEDs during the year. Details of Board Independence, including the Process of Independence Assessment, are set out on pages 62 to 65.

The Committee and the Board were thus satisfied that, notwithstanding the length of service of each INED, as well as the number and nature of offices they hold in other public companies and/or their other commitments, they remained highly committed, 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 Nomination Policy and Diversity Policy during the year (available on the Company's website) on the nomination procedures and the progress on achieving the measurable objectives set in accordance with the CG Code, respectively.

COMMITTEE EFFECTIVENESS

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

Members of the Nomination Committee

Lee Irene Yun-Lien (Chairman)
Chung Cordelia
Churchouse Frederick Peter
Poon Chung Yin Joseph
Lee Chien

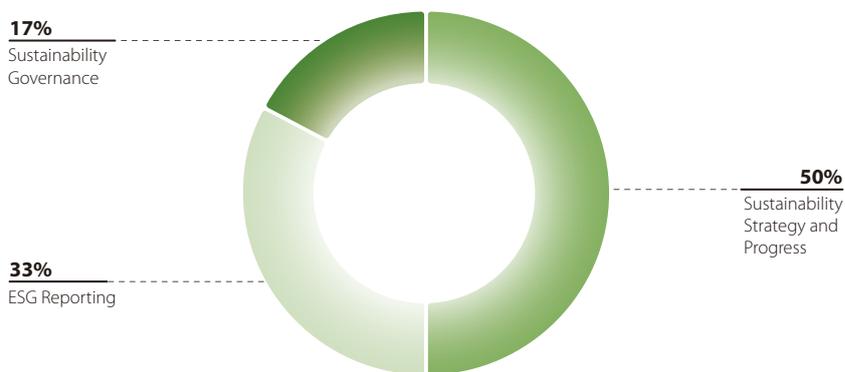
Hong Kong, 22 February 2024

Sustainability Committee Report

Dear Shareholders,

We are pleased to present the Sustainability Committee Report for 2023. The primary roles of the Sustainability Committee are to review and oversee the Group's overall vision and action plans for corporate responsibility, sustainability development and related policies. The Committee is tasked with bringing any ESG related risks and 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 year



Composition in 2023	<p>Young Elaine Carole* (Chairman) (redesignated as the chairman on 16 May 2023)</p> <p>Wong Ching Ying Belinda*</p> <p>Lee Tze Hau Michael (appointed on 1 March 2023)</p> <p>Fan Yan Hok Philip* (ceased to be a member on 1 March 2023)</p> <p>Jebsen Hans Michael B.B.S. (ceased to be a member on 16 May 2023)</p> <p>* INED</p>
Independence Weighting	66.7%
Meeting Schedule	<ul style="list-style-type: none"> At least one meeting every year One meeting in 2023
Highlights in 2023 and 2024	<ul style="list-style-type: none"> Reviewed and endorsed the Group's sustainability strategy Reviewed the progress of ESG initiatives on a quarterly basis and the status of climate actions Reviewed sustainability finance framework and initiatives Assessed sustainability risks and issues Reviewed the sustainability report Adoption of sustainability related policies Reviewed and updated its terms of reference

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 and 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, assess and bring any ESG related risks and issues to the attention of the Board and the Audit and Risk Management Committee as part of its oversight of the Group's overall risk management process;
- Monitor and review existing and/or emerging issues, trends and investments related to the corporate responsibility and sustainability priorities of the Group;
- 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 Environmental, Social and Governance Reporting Guide issued by the Stock Exchange 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 for approval.

ACTIVITIES

Details of the meeting held in February 2023 were set out in the 2022 Annual Report.

From March 2023 to February 2024, the Sustainability Committee held one meeting and received quarterly updates on the sustainability progress of the Group from the management. Management attended the meeting to present updates and answer questions and facilitate the Committee's decision-making process. Details of matters discussed and/or considered during the year are given below.

The Activities and Agenda of the Sustainability Committee Over the Past 12 Months

May Quarterly Update	August Quarterly Update	November Quarterly Update	February 2024 Meeting
<ul style="list-style-type: none"> • Sustainability Progress Update 2022 • Regulatory update on HKEx consultation paper on proposed changes to ESG disclosure • Status update on the Community Lab • Update on status of climate actions 	<ul style="list-style-type: none"> • Sustainability Progress Update – Q2 2023 • Policy and relevant regulatory update, e.g. ISSB introduction • Awareness training to staff <ul style="list-style-type: none"> • Climate Change • Human Trafficking • Cybersecurity • Wellness, Arts and Culture Programs to Stakeholders • The Community Lab: Last mile testing programme update 	<ul style="list-style-type: none"> • Sustainability Progress Update – Q3 2023 • Policy and relevant regulatory update, e.g., HKEx adoption of ISSB, relevant update as per 2023 Policy Address • GRESB benchmarking results highlights • Green building certification for existing buildings LG1 and LG2 • Awards & recognitions: <ul style="list-style-type: none"> • Zero Carbon Ready Building (ZCRB) Certification for LG1 and Hysan Place • HKMA 2023 HK Sustainability Award – Distinction 	<ul style="list-style-type: none"> • Sustainability Progress Update – Q4 2023 • Sustainability Report 2023 • Annual review of adequacy of resources for ESG functions • Annual review of ESG risks • Update on status of climate actions • Adoption of sustainability related policies • Reviewed and updated the terms of reference

Sustainability Committee Report

Review of 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.

Discussion of 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, highlighting our initiatives to ensure the safety and well-being of our employees and the 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

With regard to sustainability governance, the Committee:

- Reviewed, endorsed and reported to the Board and the Audit and Risk Management Committee (as part of its oversight of the Group's overall risk management process) on the major ESG risks that are integrated into the Group's risk assessment process, including risks related to 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;
- Reviewed its terms of reference to enhance the Group's sustainability governance structure; and
- Established the Climate Change Policy to identify, assess, monitor and report on climate-related issues. More details are set out in the 2023 Sustainability Report.

COMMITTEE EFFECTIVENESS

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

Members of the Sustainability Committee

Young Elaine Carole (Chairman)

Wong Ching Ying Belinda

Lee Tze Hau Michael

Hong Kong, 22 February 2024

Sustainability Report 2023 – Summary

The following summary of Hysan’s Sustainability Report 2023 (the “Sustainability Report”) provides an overview of the sustainability approach taken by Hysan and its Environmental, Social and Governance (“ESG”) performance for the reporting period from 1 January 2023 to 31 December 2023. The Sustainability Report aligns with the ESG Reporting Guide of HKEx, based on reporting principles that include “materiality”, “quantitative”, “consistency” and “balance”. The Sustainability Report also references Global Reporting Initiative (“GRI”) Standards 2021 and focuses on sustainability issues that have been identified as material to Hysan’s business and its stakeholders.

Aligning with HKEx and its latest incorporation of the International Sustainability Standards Board (“ISSB”), we have continued to share our climate disclosures in accordance with the framework recommended by the Task Force on Climate-related Financial Disclosures (“TCFD”).

In the Sustainability Report, we highlight the progress that has been made through the implementation of Hysan’s Community Business Model and how it steers our sustainable development. This gives our stakeholders a clear understanding as to why we do and what we do in our quest to curate a portfolio not just for today, but for generations to come.

COMMUNITY BUSINESS MODEL

At Hysan, we strive to create a high-quality property portfolio and make a positive impact on the community. Our sustainability approach – as illustrated in our Community Business Model – harnesses the power of collaboration, innovation and responsible practices for a more sustainable and resilient future. Through the Community Business Model, we prioritise the wellbeing and aspirations of our communities, setting a path with focused outcomes of inclusivity, social wellbeing, liveability, environmental stewardship and positive economic impacts. Our aim is to create sustainable and vibrant neighbourhoods that adapt to change for a unique community experience that will last for generations to come.

OUR TARGETS

In 2023, we continued to build on our past accomplishments and positive performance in sustainability, which exceeded several targets ahead of schedule despite challenging economic conditions. We stayed on track with our goals for reducing purchased electricity intensity and carbon emissions intensity (Scope 1 and Scope 2). Additionally, we have made significant progress in achieving diversity and inclusion at the board level, with over one-third of directors comprising women in 2023, also surpassing our target.

COMMITMENT TO SBTi

In 2023, Hysan made a significant commitment to the Science Based Targets initiative (“SBTi”). By signing the pledge, we have dedicated ourselves to combating climate change by setting greenhouse gas emissions reduction targets in support of the Paris Agreement of holding the global average temperature rise to 1.5°C above pre-industrial levels. We are currently in the process of strategising our decarbonization roadmap, which will include setting near- and long-term decarbonization targets to achieve net-zero carbon emissions no later than 2050. Hysan is currently preparing for science-based targets (“SBT”) validation, which we expect to complete within the next two years.



In 2023, Hysan made a significant commitment by joining the SBTi as a crucial step towards achieving our climate change ambitions.

Having made this commitment to SBTi, we will (i) develop an SBT aligned with the SBTi criteria, and (ii) submit the target to the SBTi for validation in the following 24 months. Subsequently, we will set a new baseline year for our decarbonization target.

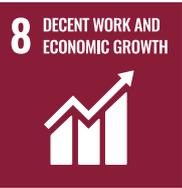
Sustainability Report 2023 – Summary

STATUS OF OUR ESG TARGETS IN 2023

Category	Targets	2023 Status
Governance	<ul style="list-style-type: none"> Diversity & Inclusion: to have one-third of the Board comprised of women directors by 2025 Zero cases of data privacy incidents and regulatory breaches 	<ul style="list-style-type: none"> Achieved Achieved
Environment	<ul style="list-style-type: none"> Achieve 20% reduction in carbon intensity by 2024 (Baseline: 2005) Achieve 20% reduction in purchased electricity intensity use by 2024 (Baseline: 2005) Complete energy audit for 75% of our portfolio by 2025 Achieve 40% debt financed by sustainable finance 	<ul style="list-style-type: none"> Achieved On track Achieved Achieved
Community	<ul style="list-style-type: none"> Number of impact partners (NGOs) engaged Number of beneficiaries 	<ul style="list-style-type: none"> 20 NGOs 16,856 beneficiaries
People	<ul style="list-style-type: none"> Reduce workplace injury rate to <0.5% by 2030 Zero work-related employee fatalities Increase number of training hours by 30% by 2030 (Baseline: 2020) 	<ul style="list-style-type: none"> On track Achieved Achieved

OUR CONTRIBUTION TO THE SDGS

We focus our sustainability efforts on the four key United Nations Sustainable Development Goals (“SDGs”) that are highly relevant to our business. These SDGs are illustrated below, highlighting our alignment with sustainable development objectives.

SDGs	Hysan’s contributions towards selected SDGs
 <p>3 GOOD HEALTH AND WELL-BEING</p>	<p>3 – Good Health and Wellbeing</p> <ul style="list-style-type: none"> Promote community wellness and resilience, health & safety via various programmes and activities to stakeholders in the community. Set out and maintain comprehensive management measures to provide a safe and healthy environment for our staff at work and in our community.
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>8 – Decent Work and Economic Growth</p> <ul style="list-style-type: none"> Promote sustainable economic growth. Drive tenants’ business growth. Nurture entrepreneurs and incubate innovative new businesses. Provide an inclusive environment of decent work.
 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	<p>11 – Sustainable Cities and Communities</p> <ul style="list-style-type: none"> Make cities and neighbourhoods inclusive, safe, resilient and sustainable. Apply climate actions and develop green and WELL buildings to optimise impacts. Conduct activities that contribute to community health and wellness, family and children, art and culture, environmental sustainability, diversity and inclusion.
 <p>17 PARTNERSHIPS FOR THE GOALS</p>	<p>17 – Partnerships for the Goals</p> <ul style="list-style-type: none"> Mobilise multiple resources, including support from project partners, non-governmental organisations (“NGOs”) and the government, to make positive social impacts, particularly in the area of our operations. Enhance the use of enabling technology.

CLIMATE RISKS ASSESSMENT

In accordance with the TCFD's guidelines for disclosing climate-related financial risks, we are conducting a thorough climate-related risk assessment that encompasses both physical and transition risks. This assessment is being carried out in phases by third party consultants. The initial phase of our study was nearing completion as of the writing of the 2023 Sustainability Report.

The study's initial phase includes a physical risk assessment, which involves computing climate hazards at asset locations in Hong Kong and Shanghai, across different timeframes, using proprietary datasets and the most up-to-date climate models with local meteorological data. We considered two climate scenarios (SSP2-4.5 and SSP5-8.5) and three time-horizons (Baseline, 2030 and 2050), based on the IPCC's Sixth Assessment Report. The assessment identified key acute risks, including tropical cyclones, extreme heat, pluvial floods, landslides and chronic risks such as water stress. The findings highlight the urgency of implementing robust adaptation strategies. In the next phase, Hysan plans to conduct a detailed asset-level assessment of selected properties with the highest iso-risk to evaluate their sensitivity and adaptive capacity. The assessment will consider factors such as building infrastructure, systems and susceptibility to extreme weather events. This in-depth evaluation will inform the measures we implement to enhance asset resilience.

Concurrently, we assessed transition risks and identified inherent risks within categories that include Policy and Legal, Technology, Market, and Reputation. We are in the process of evaluating and identifying these inherent risks at the operational level in collaboration with various business departments. The residual risks identified will be incorporated into our corporate risk management framework, in line with our proactive approach to addressing climate-related risks.

The transition risk assessment focused on risks associated with the shift towards a low-carbon economy and considered risk types such as policy and legal risks, technological risks, market risks, and reputational risks. The assessment utilised scenarios developed by the Network for Greening the Financing System (NGFS) and examined risks and opportunities based on their impact and regional specification. Key transition risks and opportunities identified include changing demands for a lower-carbon economy, the development of a carbon trading market, potential increases in insurance premiums, exposure to litigation risks, the need for technological improvement and innovation, potential financial impacts from property damage, and increased costs of raw materials. The identified inherent risks will be evaluated at the operational level in collaboration with business departments, and the residual risks will be incorporated into Hysan's corporate risk management framework to proactively address climate-related risks.

For further details on our Climate Risks Assessment, please refer to the "Environment" section of the 2023 Sustainability Report.

Directors' Report

The Directors submitted their report together with the audited consolidated financial statements for the year ended 31 December 2023, which were approved by the Board on 22 February 2024.

PRINCIPAL ACTIVITIES

The principal activities of the Group continued throughout 2023 to be property investment, management, and development. Details of the Group's principal subsidiaries, associates and joint ventures as at 31 December 2023 are set out in notes 16 to 18 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 2023 are set out in the consolidated statement of profit or loss on page 137.

The first interim dividend of HK27 cents per share, amounting to approximately HK\$277 million, was paid to Shareholders during the year.

The Board declared a second interim dividend of HK81 cents per share which will be payable in cash to the Shareholders whose names appear on the register of members on 8 March 2024, totalling approximately HK\$832 million. The dividends declared and paid for ordinary shares in respect of the full year 2023 will total approximately HK\$1,109 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 2023 – "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 2023 – 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 2023 – 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 2023 – 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 2023, which is available on the websites of both the Stock Exchange and the Company.

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 140 and 141 and note 30 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 2023 using the fair value model. Details of movements during the year in the investment properties of the Group are set out in note 14 to the consolidated financial statements.

Details of the major investment properties of the Group as at 31 December 2023 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 15 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 29 to the consolidated financial statements.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance and fully complied with the code provision of the CG Code throughout the year.

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

- (a) "Corporate Governance Report" (pages 38 to 88) – this gives detailed information on the Group's compliance with the CG 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 89 to 97) – 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 98 to 104) – 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 105 to 113) – this gives detailed information on Directors' remuneration and interests (including information on Directors' compensation);
- (e) "Nomination Committee Report" (pages 114 to 117) – this sets out the terms of reference, work performed and findings of the Nomination Committee for the year; and
- (f) "Sustainability Committee Report" (pages 118 to 120) – this sets out the terms of reference, work performed and findings of the Sustainability Committee for the year.

Further information on the Group's sustainability policies and practices is contained in the separate Sustainability Report 2023, which is available on the websites of both the Stock Exchange and the Company.

THE BOARD

As at 31 December 2023 and up to the date of this report, the composition of the Board is set out below:

Lee Irene Yun-Lien (*Chairman*)
Lui Kon Wai (*Executive Director and Chief Operating Officer*)
Chung Cordelia**
Churchouse Frederick Peter**
Fan Yan Hok Philip**
Poon Chung Yin Joseph**
Wong Ching Ying Belinda**
Young Elaine Carole**
Lee Anthony Hsien Pin*
(Lee Irene Yun-Lien as his alternate)
Lee Chien*
Lee Tze Hau Michael*

* Non-Executive Director
** Independent Non-Executive Director

Changes with effect from conclusion of the 2023 AGM:

- (a) Jebesen Hans Michael retired as a NED; and
- (b) Chung Cordelia was appointed as an INED.

On 9 May 2023, Chung Cordelia obtained legal advice from a firm of solicitors qualified to advise on Hong Kong law as regards the requirements under the Listing Rules that are applicable to her as a Director and the possible consequences of making a false declaration or giving false information to the Stock Exchange. She confirmed that she understood her obligations as a Director.

The biographical details of the Directors are set out on pages 47 to 53. Details of their remuneration are set out in Note 10 to the Financial Statements.

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 2024 AGM are set out in the related circular to Shareholders.

The Company received from each INED 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 2023 (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.

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 38 to 88.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at 31 December 2023, 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	42.17
Silchester International Investors LLP	Investment manager	83,647,000	8.14
First Eagle Investment Management, LLC	Investment manager	52,460,214	5.10
BlackRock, Inc.	Investment manager	51,720,535	5.03

Note:

The percentages were computed based on the total number of issued shares of the Company as at 31 December 2023 (i.e. 1,027,008,223 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 2023.

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 35 to the consolidated financial statements.

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

CONTINUING CONNECTED TRANSACTIONS

Certain transactions entered into by the Group constituted continuing connected transactions (the "Continuing Connected Transactions") that were subject to announcement, reporting and annual review requirements but exempt from the circular and Shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules. Details of the Continuing Connected Transactions subsisting during the year and required to be disclosed are set out as follows:

I. Lease granted by the Group

The following lease arrangement ("Hysan Place Lease Agreement") was entered into by Earn Extra Investments Limited ("Earn Extra"), a wholly-owned subsidiary of the Company and the owner of Hysan Place, 500 Hennessy Road, Hong Kong ("Hysan Place"), as landlord, with the following connected person:

Connected person	Date of agreement	Term	Premises	Annual Caps
Jebsen and Company	19 March 2021	3 years commencing from 1 November 2021 to 31 October 2024	Office units on the 20th, 21st and 22nd Floors of Hysan Place	2021: HK\$9,600,000 (on pro-rata basis) 2022: HK\$58,000,000 2023: HK\$58,500,000 2024: HK\$49,300,000 (on pro-rata basis)

Jebsen and Company is a connected person of the Company under the Listing Rules by virtue of it being (i) a substantial shareholder of Barrowgate Limited ("Barrowgate"), holding 10% legal and beneficial interest in Barrowgate; and (ii) an associate of Jebsen Hans Michael, a former NED of the Company retired on 16 May 2023. The Hysan Place Lease Agreement and the transactions contemplated thereunder hence constitute continuing connected transactions of the Company under the Listing Rules. The aggregate contract amounts for transactions contemplated under the Hysan Place Lease Agreement, calculated based on rental and operating charges at prevailing rates, for the financial year ended 31 December 2023 is HK\$52,516,511.

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

- (a) The following management agreement ("Leasing Services Agreement") was entered into between Hysan Leasing Company Limited, a wholly-owned subsidiary of the Company, and 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	Terms	Premises	Annual Caps
Barrowgate	31 March 2022	3 years commencing from 1 April 2022 to 31 March 2025	Whole premises of Lee Garden Two	HK\$45,000,000

- (b) The following management agreement ("Property Management Services Agreement") was entered into between Hysan Property Management Limited, a wholly-owned subsidiary of the Company, and 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	Terms	Premises	Annual Caps
Barrowgate	31 March 2022	3 years commencing from 1 April 2022 to 31 March 2025	Whole premises of Lee Garden Two	HK\$6,500,000

CONTINUING CONNECTED TRANSACTIONS continued

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

Barrowgate is a connected subsidiary of the Company under the Listing Rules by virtue of it (i) being a non wholly-owned subsidiary of the Company; and (ii) having a substantial shareholder, namely Jebesen and Company, which is an associate of Jebesen Hans Michael, a former NED of the Company retired on 16 May 2023. The Leasing Services Agreement, the Property Management Services Agreement and transactions thereunder hence constitute continuing connected transactions of the Company under the Listing Rules. The aggregate contract amounts for transactions entered into under the Leasing Services Agreement and Property Management Services Agreement for the financial year ended 31 December 2023 are HK\$20,189,108 and HK\$4,474,937 respectively, calculated on the basis of the fee schedules as prescribed in the respective agreements.

All the Continuing Connected Transactions have been entered into 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 Continuing Connected 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 applicable.

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 an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 128 to 129 of the Annual Report in accordance with Rule 14A.56 of the Listing Rules.

The Company's Internal Audit has reviewed the Continuing Connected Transactions and the related internal control procedures, and concluded that the internal control procedures are adequate and effective. Pursuant to Rule 14A.55 of the Listing Rules, all INEDs have reviewed the Continuing Connected Transactions and the report of the auditor and confirmed that each of the Continuing Connected 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 Shareholders as a whole.

CONNECTED TRANSACTION

The following transaction entered into by the Group during the year constituted connected transaction ("Connected Transaction") which was subject to the notification and announcement requirements but exempt from the circular and Shareholders' approval requirements under the Listing Rules. Details of the Connected Transaction are set out as follows:

I. Provision of financial assistance to the Group by a connected person

On 22 November 2023, Hysan (Shanghai) Properties Limited (希慎(上海)房地產有限公司) ("Hysan (SH) Properties"), an indirect wholly-owned subsidiary of the Company, entered into the facility agreement ("Facility Agreement") with HSBC Bank (China) Limited, Shanghai Branch ("HSBC (China)") as the lender, pursuant to which HSBC (China) agreed to grant Hysan (SH) Properties a facility in a maximum amount of RMB200 million for a term of two years (the "Facility"). The interest rate under the Facility was at the sum of one-year RMB loan prime rate and interest margin of 0.45% per annum of the relevant interest period. The Company provided a guarantee on the full amount owed by Hysan (SH) Properties under the Facility Agreement pursuant to the security documents ("Security Documents").

Hang Seng Bank Limited ("Hang Seng") is a substantial shareholder of Barrowgate. HSBC, being the holding company of Hang Seng, and HSBC (China) being its group company, are connected person of the Company at the subsidiary level under the Listing Rules. None of the Directors has a material interest in the Facility Agreement or the Security Documents. Lee Irene Yun-Lien, the executive Chairman, was also the independent non-executive chairman of Hang Seng, and had abstained voluntarily from voting on the relevant Board resolution approving the Facility Agreement and the Security Documents.

Details of the Facility was disclosed in the Company's announcement dated 22 November 2023.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Having a revenue ratio of 1.34% under the revenue test calculated by reference to the related annual consideration (the percentage ratios for assets ratio and consideration ratio are 0.04% and 0.32% respectively), the Hysan Place Lease Agreement entered into between Jebesen and Company and Earn Extra is considered contracts of significance under paragraph 15 of Appendix D2 to the Listing Rules. Details of the transaction are set out under (I) of section headed "Continuing Connected Transactions" above.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, 24.03% of the aggregate amount of purchases was attributable to the Group's five largest suppliers, with the largest supplier accounting for 7.59% 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 Shareholders (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

During the year, a subsidiary of the Company purchased a total of 48,400 ordinary shares of the Company ("Awarded Shares") for a total consideration of approximately HK\$1 million on the Stock Exchange for a one-off share award plan adopted by the Company on 15 October 2023 ("100A Share Award Plan") in commemoration of the 100th anniversary of the establishment of Hysan in Hong Kong. Details of the shares purchased are as follows:-

Month of purchase in 2023	Number of ordinary shares purchased	Consideration per share		Aggregate consideration paid HK\$ million
		Highest HK\$	Lowest HK\$	
October	48,400	14.58	14.34	1

All Awarded Shares have been granted, vested, cancelled/lapsed pursuant to the terms of the 100A Share Award Plan. Details of the 100A Share Award Plan are set out in the announcement of the Company dated 27 November 2023.

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

During the year, the Company has issued several Fixed Rate Notes (the "Fixed Rate Notes") under the Group's US\$4 billion Medium Term Note Programme ("MTN Programme"). These Fixed Rate Notes are unconditionally and irrevocably guaranteed by the Company. The list of these Fixed Rate Notes issued during the year is as below:

1. HK\$250 million 4.41% Fixed Rate Note due in April 2033
2. CNY\$200 million 3.55% Fixed Rate Note due in April 2026
3. HK\$300 million 4.3% Fixed Rate Note due in May 2033
4. CNY\$250 million 3.15% Fixed Rate Note due in June 2026
5. CNY\$450 million 3.1% Fixed Rate Note due in November 2026

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 Notes, please refer to note 26 to the consolidated financial statements. 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, none of the ordinary shares of the Company has been issued pursuant to the exercise of share options. As at 31 December 2023, share options exercisable into a total of 8,094,067 ordinary shares of the Company (including fully-vested share options exercisable into 6,341,720 shares of the Company) remained outstanding.

The Company adopted a one-off share award plan on 15 October 2023 to grant fully-vested shares to selected employees of the Group to commemorate the 100th anniversary of the establishment of Hysan in Hong Kong.

For further details of the above share option/award schemes, please refer to "Remuneration Committee Report".

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\$0.1 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 2023 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 forthcoming 2024 AGM.

By Order of the Board

Lee Irene Yun-Lien

Chairman

Hong Kong, 22 February 2024



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Independent Auditor's Report

Deloitte.

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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 137 to 207, which comprise the consolidated statement of financial position as at 31 December 2023, 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, material accounting policy information, notes to the consolidated financial statements 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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("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, and is stated at fair value of HK\$96,005 million in aggregate, accounting for approximately 84% of the Group's total assets as at 31 December 2023 with a fair value loss of HK\$2,763 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 capitalization rates, reversionary income potential and redevelopment potential of the investment properties in determining the fair values. As further disclosed in note 14 of the notes to the consolidated financial statements section of the consolidated financial statements, the valuation of investment properties under development of HK\$19,190 million as at 31 December 2023 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.

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.

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 local property markets;
- 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 and reversionary income potential by comparing fair market rents estimated by the Valuer against recent lease renewals and evaluating whether capitalization rates adopted are comparable to the market; and
- Evaluating the reasonableness of the key inputs used by the Valuer on the valuation of investment properties under development, including capitalization rate, prevailing market rent and the allowance of profit required for the development by comparing to the available market data, and comparing the estimated costs to complete the development with the Group's latest budgets.

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.

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

22 February 2024

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023

	Notes	2023 HK\$ million	2022 HK\$ million
Turnover	4	3,210	3,460
Property expenses		(621)	(567)
Gross profit		2,589	2,893
Investment income		261	248
Other gains and losses		1	(1)
Administrative expenses		(307)	(332)
Finance costs	6	(478)	(423)
Change in fair value of investment properties		(2,763)	(3,213)
Change in fair value of other financial investments		(267)	(1)
Share of results of:			
associates		270	274
joint ventures		(37)	(52)
Loss before taxation		(731)	(607)
Taxation	7	(295)	(342)
Loss for the year	8	(1,026)	(949)
(Loss) profit for the year attributable to:			
Owners of the Company		(872)	(1,157)
Perpetual capital securities holders		442	450
Other non-controlling interests		(596)	(242)
		(1,026)	(949)
Loss per share (expressed in HK cents)	13		
Basic		(85)	(112)
Diluted		(85)	(112)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	Note	2023 HK\$ million	2022 HK\$ million
Loss for the year		(1,026)	(949)
Other comprehensive (expenses) income	9		
Items that will not be reclassified subsequently to profit or loss:			
Loss on revaluation of properties held for own use (net of tax)		(5)	(6)
Change in fair value of equity instruments at fair value through other comprehensive income ("FVTOCI")		(258)	(42)
		(263)	(48)
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of subsidiaries		(104)	(311)
Net adjustments to hedging reserve		(257)	17
Share of translation reserve of an associate		(47)	(557)
		(408)	(851)
Other comprehensive expenses for the year (net of tax)		(671)	(899)
Total comprehensive expenses for the year		(1,697)	(1,848)
Total comprehensive (expenses) income attributable to:			
Owners of the Company		(1,543)	(2,056)
Perpetual capital securities holders		442	450
Other non-controlling interests		(596)	(242)
		(1,697)	(1,848)

Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 HK\$ million	2022 HK\$ million
Non-current assets			
Investment properties	14	96,005	96,787
Property, plant and equipment	15	594	623
Investments in associates	17	5,488	5,491
Loans to associates	17	8	10
Investments in joint ventures	18	445	473
Loans to joint ventures	18	4,029	3,485
Other financial investments	19	1,557	2,035
Debt securities	20	900	992
Deferred tax assets	27	96	96
Other financial assets	21	198	383
Other receivables	22	954	442
		110,274	110,817
Current assets			
Accounts and other receivables	22	304	562
Debt securities	20	94	–
Other financial assets	21	–	15
Time deposits	23	1,271	5,211
Cash and cash equivalents	23	2,583	2,560
		4,252	8,348
Current liabilities			
Accounts payable and accruals	24	1,097	1,026
Deposits from tenants		352	387
Amounts due to non-controlling interests	25	199	214
Borrowings	26	158	3,244
Taxation payable		1	32
		1,807	4,903
Net current assets			
		2,445	3,445
Total assets less current liabilities			
		112,719	114,262
Non-current liabilities			
Amounts due to non-controlling interests	25	5,264	4,635
Borrowings	26	25,406	24,033
Other financial liabilities	21	576	514
Deposits from tenants		511	498
Deferred tax liabilities	27	1,271	1,171
		33,028	30,851
Net assets			
		79,691	83,411
Capital and reserves			
Share capital	29	7,723	7,723
Reserves		59,459	62,477
Equity attributable to owners of the Company			
		67,182	70,200
Perpetual capital securities	28	10,224	10,224
Other non-controlling interests		2,285	2,987
Total equity			
		79,691	83,411

The consolidated financial statements on pages 137 to 207 were approved and authorized for issue by the Board of Directors on 22 February 2024 and are signed on its behalf by:

Lee Irene Y.L.
Director

Lui Kon Wai
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to owners of the Company			
	Share capital HK\$ million	Share options reserve HK\$ million	General reserve HK\$ million	Investments revaluation reserve HK\$ million
As at 1 January 2023	7,723	36	96	278
(Loss) profit for the year	-	-	-	-
Exchange difference on translation of subsidiaries	-	-	-	-
Net losses arising from hedging instruments	-	-	-	-
Reclassification of net losses to profit or loss	-	-	-	-
Loss on revaluation of properties held for own use (net of tax)	-	-	-	-
Change in fair value of equity instruments at FVTOCI	-	-	-	(258)
Share of translation reserve of an associate	-	-	-	-
Total comprehensive (expenses) income for the year	-	-	-	(258)
Recognition of equity-settled share-based payments	-	3	-	-
Forfeiture of unclaimed dividend	-	-	-	-
Repurchase of own shares	-	-	-	-
Dividends paid during the year (note 12)	-	-	-	-
Distribution paid to perpetual capital securities holders	-	-	-	-
As at 31 December 2023	7,723	39	96	20
As at 1 January 2022	7,723	31	96	320
(Loss) profit for the year	-	-	-	-
Exchange difference on translation of subsidiaries	-	-	-	-
Net gains arising from hedging instruments	-	-	-	-
Reclassification of net gains to profit or loss	-	-	-	-
Loss on revaluation of properties held for own use (net of tax)	-	-	-	-
Change in fair value of equity instruments at FVTOCI	-	-	-	(42)
Share of translation reserve of an associate	-	-	-	-
Total comprehensive (expenses) income for the year	-	-	-	(42)
Recognition of equity-settled share-based payments	-	7	-	-
Forfeiture of share options	-	(2)	-	-
Repurchase of own shares	-	-	-	-
Forfeiture of unclaimed dividend	-	-	-	-
Dividends paid during the year (note 12)	-	-	-	-
Distribution paid to perpetual capital securities holders	-	-	-	-
Deemed contribution from a non-controlling shareholder	-	-	-	-
Repurchase of perpetual capital securities	-	-	-	-
As at 31 December 2022	7,723	36	96	278

Attributable to owners of the Company							
Hedging reserve HK\$ million	Properties revaluation reserve HK\$ million	Translation reserve HK\$ million	Retained profits HK\$ million	Total HK\$ million	Perpetual capital securities HK\$ million	Other non-controlling interests HK\$ million	Total HK\$ million
(144)	452	(338)	62,097	70,200	10,224	2,987	83,411
-	-	-	(872)	(872)	442	(596)	(1,026)
-	-	(104)	-	(104)	-	-	(104)
(261)	-	-	-	(261)	-	-	(261)
4	-	-	-	4	-	-	4
-	(5)	-	-	(5)	-	-	(5)
-	-	-	-	(258)	-	-	(258)
-	-	(47)	-	(47)	-	-	(47)
(257)	(5)	(151)	(872)	(1,543)	442	(596)	(1,697)
-	-	-	1	4	-	-	4
-	-	-	1	1	-	-	1
-	-	-	(1)	(1)	-	-	(1)
-	-	-	(1,479)	(1,479)	-	(106)	(1,585)
-	-	-	-	-	(442)	-	(442)
(401)	447	(489)	59,747	67,182	10,224	2,285	79,691
(161)	458	530	64,873	73,870	10,657	3,358	87,885
-	-	-	(1,157)	(1,157)	450	(242)	(949)
-	-	(311)	-	(311)	-	-	(311)
51	-	-	-	51	-	-	51
(34)	-	-	-	(34)	-	-	(34)
-	(6)	-	-	(6)	-	-	(6)
-	-	-	-	(42)	-	-	(42)
-	-	(557)	-	(557)	-	-	(557)
17	(6)	(868)	(1,157)	(2,056)	450	(242)	(1,848)
-	-	-	-	7	-	-	7
-	-	-	2	-	-	-	-
-	-	-	(162)	(162)	-	-	(162)
-	-	-	1	1	-	-	1
-	-	-	(1,486)	(1,486)	-	(107)	(1,593)
-	-	-	-	-	(458)	-	(458)
-	-	-	-	-	-	(22)	(22)
-	-	-	26	26	(425)	-	(399)
(144)	452	(338)	62,097	70,200	10,224	2,987	83,411

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

Notes	2023 HK\$ million	2022 HK\$ million
Operating activities		
Loss before taxation	(731)	(607)
Adjustments for:		
Net interest income	(261)	(248)
Other gains and losses	(1)	1
Depreciation of property, plant and equipment	33	32
Share-based payment expenses	3	7
Finance costs	478	423
Change in fair value of investment properties	2,763	3,213
Change in fair value of other financial investments	267	1
Share of results of associates	(270)	(274)
Share of results of joint ventures	37	52
Operating cash flows before movements in working capital	2,318	2,600
Decrease (increase) in accounts and other receivables	102	(91)
Increase in accounts payable and accruals	33	115
Decrease in deposits from tenants	(22)	(33)
Cash generated from operations	2,431	2,591
Hong Kong Profits Tax paid	(224)	(196)
Net cash from operating activities	2,207	2,395
Investing activities		
Payments in respect of investment properties	(1,651)	(3,062)
Purchases of property, plant and equipment	(18)	(19)
Dividends received from an associate	226	221
Repayment from an associate	2	–
Repayment from joint ventures	930	819
Investments in joint ventures	–	(2)
Advance to joint ventures	(1,416)	(3,055)
Payments in respect of other financial investments	(47)	(292)
Purchases of debt securities	–	(147)
Interest received	172	95
Additions to time deposits with original maturity over three months	(6,262)	(10,272)
Proceeds upon maturity of debt securities	–	171
Proceeds upon maturity of time deposits with original maturity over three months	10,202	6,927
Net cash from (used in) investing activities	2,138	(8,616)

	Notes	2023 HK\$ million	2022 HK\$ million
Financing activities			
Payment of finance costs	31	(969)	(732)
Advance from non-controlling interest	31	416	–
New bank loans	31	1,130	9,142
Repayment of bank loans	31	(1,670)	(80)
Issuance of fixed rate notes	31	1,534	149
Repurchase of perpetual capital securities		–	(399)
Repayment of fixed rate notes	31	(2,730)	(531)
Receipt from settlement of derivative instruments	31	303	362
Payment to settlement of derivative instruments	31	(296)	(362)
Repayment to non-controlling interests of a subsidiary	31	(14)	(3,164)
Payment on repurchase of own shares		(1)	(162)
Dividends paid		(1,479)	(1,486)
Distribution paid to perpetual capital securities holders		(442)	(458)
Dividends paid to other non-controlling interests		(106)	(107)
Net cash (used in) from financing activities		(4,324)	2,172
Net increase (decrease) in cash and cash equivalents		21	(4,049)
Effect of foreign exchange rate changes		2	71
Cash and cash equivalents as at 1 January		2,560	6,538
Cash and cash equivalents as at 31 December	23	2,583	2,560

Material Accounting Policy Information

For the year ended 31 December 2023

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 material accounting policy information 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.

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.

2. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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.

3. INVESTMENT PROPERTIES

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

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.

If a property becomes an owner-occupied property because its use has been changed as evidenced by commencement of owner-occupation, the fair value of the property at the date of change in use is considered as the deemed cost for subsequent accounting.

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.

Material Accounting Policy Information continued

For the year ended 31 December 2023

4. 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 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.

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 8 of the Notes to the Consolidated Financial Statements section.

4. FINANCIAL INSTRUMENTS continued

Financial assets continued

(a) Classification of financial assets continued

(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.

Financial assets at FVTPL are measured at fair value at the end of the reporting period, with any gains or losses arising on 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.

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 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 6 of the Notes to the Consolidated Financial Statements section.

Material Accounting Policy Information continued

For the year ended 31 December 2023

4. FINANCIAL INSTRUMENTS continued

Financial liabilities and equity instruments continued

(a) Classification and measurement continued

(iii) 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.

Derivative financial instruments and hedging

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks and interest rate risks, including cross currency swaps and interest rate swaps. Further details of derivative financial instruments are disclosed in note 21 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.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

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.

4. FINANCIAL INSTRUMENTS continued

Hedge accounting continued

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 21 of the Notes to the Consolidated Financial Statements section sets out details of the fair values of the derivative instruments used for hedging purposes.

(a) Fair value hedges

The fair value change on qualifying hedging instruments is recognized in profit or loss. The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. Where hedging gains or losses are recognized in profit or loss, they are recognized in the same line as the hedged item.

(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 line item.

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.

Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

(c) Discontinuation of hedge accountings

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, 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).

Material Accounting Policy Information continued

For the year ended 31 December 2023

5. 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.

6. 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 HKFRS 16 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 a 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.

Rental income which are derived from the Group's ordinary course of business is presented as revenue.

6. LEASES continued

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.

7. RETIREMENT BENEFIT COSTS

Payments to defined construction retirement benefit plan, state-managed benefit scheme, Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

8. TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

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, while such presumption has not been rebutted.

9. 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 2023

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 50/F Lee Garden One, 33 Hysan Avenue, Hong Kong.

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")

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts

Except as described below, the application of the new and 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.

Impacts on application of amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in the "Material Accounting Policy Information" section to the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) continued

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

The Group anticipated that the application of all these amendments to HKFRSs would have 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 “Material Accounting Policy Information” 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\$96,005 million (2022: HK\$96,787 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 capitalization rates, reversionary income potential and redevelopment 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2023

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 derived from investment properties located in Hong Kong and Mainland.

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 and Mainland are consistent with the segment disclosure under note 5 of the Notes to the Consolidated Financial Statements section.

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

5. SEGMENT INFORMATION continued

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
For the year ended 31 December 2023					
Turnover					
Leasing of investment properties	1,372	1,273	181	–	2,826
Provision of property management services	161	199	24	–	384
Segment revenue	1,533	1,472	205	–	3,210
Property expenses	(302)	(258)	(61)	–	(621)
Segment gross profit	1,231	1,214	144	–	2,589
Share of results of a joint venture	–	–	–	(23)	(23)
Segment profit (loss)	1,231	1,214	144	(23)	2,566
Investment income					261
Other gains and losses					1
Administrative expenses					(307)
Finance costs					(478)
Change in fair value of investment properties					(2,763)
Change in fair value of other financial investments					(267)
Share of results of:					
associates					270
joint ventures					(14)
Loss before taxation					(731)
For the year ended 31 December 2022					
Turnover					
Leasing of investment properties	1,468	1,373	212	–	3,053
Provision of property management services	175	205	27	–	407
Segment revenue	1,643	1,578	239	–	3,460
Property expenses	(276)	(229)	(62)	–	(567)
Segment profit	1,367	1,349	177	–	2,893
Investment income					248
Other gains and losses					(1)
Administrative expenses					(332)
Finance costs					(423)
Change in fair value of investment properties					(3,213)
Change in fair value of other financial investments					(1)
Share of results of:					
associates					274
joint ventures					(52)
Loss before taxation					(607)

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2023

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 "Material Accounting Policy Information" 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, change in fair value of other financial investments and share of results of associates and joint ventures. 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
As at 31 December 2023					
Segment assets	32,520	35,695	8,658	23,336	100,209
Investments in and loans to associates					5,496
Investments in joint ventures					328
Other financial investments					1,557
Other assets					6,936
Consolidated assets					114,526
As at 31 December 2022					
Segment assets	31,549	36,919	8,725	23,264	100,457
Investments in and loans to associates					5,501
Investments in joint ventures					334
Other financial investments					2,035
Other assets					10,838
Consolidated assets					119,165

Segment assets represented the investment properties and accounts receivable of each segment and investments in and loans to joint ventures engaged in property development business.

Unallocated assets include investments in and loans to associates, investments in joint venture, other financial investments and other assets which include property, plant and equipment, debt securities, other financial assets, deferred tax assets, 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.

5. SEGMENT INFORMATION continued

Segment assets continued

Included in the property development segment is an investment property under development, which will be transferred to other segments upon completion of the development.

Included in the retail and office segment is an investment property located in Mainland amounting to HK\$602 million (2022: HK\$642 million) and HK\$2,962 million (2022: HK\$3,370 million) respectively.

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\$9,079 million (2022: HK\$9,510 million) which operate in Mainland.

Other segment information

	Retail HK\$ million	Office HK\$ million	Residential HK\$ million	Property development HK\$ million	Consolidated HK\$ million
For the year ended 31 December 2023					
Additions to non-current assets	296	148	6	1,626	2,076

For the year ended 31 December 2022

Additions to non-current assets	853	3,952	9	597	5,411
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6. FINANCE COSTS

	2023 HK\$ million	2022 HK\$ million
Finance costs comprise:		
Interest on bank loans	541	288
Interest on fixed rate notes	558	544
Imputed interest on amounts due to non-controlling interests	44	46
Total interest expenses	1,143	878
Other finance costs	42	39
Less: amounts capitalised (Note)	(713)	(470)
	472	447
Net exchange (gains) losses on borrowings	(1)	7
Reclassification of net losses (gains) from hedging reserve on financial instruments designated as cash flow hedges	4	(34)
Medium Term Note Programme expenses	3	3
	478	423

Note:

During the year, interest expenses have been capitalised to investment properties under development at an average capitalization rate of 3.6% (2022: 2.4%) per annum.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2023

7. TAXATION

	2023 HK\$ million	2022 HK\$ million
Current tax		
Hong Kong Profits Tax		
– current year	200	264
– (over) under-provision in prior years	(4)	5
Deferred tax (note 27)	99	73
	295	342

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

	2023 HK\$ million	2022 HK\$ million
Loss before taxation	(731)	(607)
Tax at Hong Kong Profits Tax rate of 16.5%	(121)	(100)
Tax effect of share of results of associates	(45)	(45)
Tax effect of share of results of joint ventures	6	9
Tax effect of expenses not deductible for tax purposes	529	569
Tax effect of income not taxable for tax purposes	(147)	(163)
Tax effect of estimated tax losses not recognized	77	73
Utilisation of estimated tax losses not previously recognized	–	(6)
(Over) under-provision in prior years	(4)	5
Taxation for the year	295	342

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 27 of the Notes to the Consolidated Financial Statements section).

8. LOSS FOR THE YEAR

	2023 HK\$ million	2022 HK\$ million
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration	4	4
Depreciation of property, plant and equipment	33	32
Gross rental income from investment properties including rentals received with reference to turnover of tenants of HK\$159 million (2022: HK\$117 million)	(2,826)	(3,053)
Less:		
– Direct operating expenses arising from leasing of investment properties	209	177
	(2,617)	(2,876)
Interest income (included in investment income)	(198)	(121)
Imputed interest income on interest-free loan to a joint venture (included in investment income)	(24)	(24)
Staff costs (including directors' emoluments)	331	310
Share of income tax of associates (included in share of results of associates)	117	123

9. OTHER COMPREHENSIVE (EXPENSES) INCOME

	2023 HK\$ million	2022 HK\$ million
Other comprehensive (expenses) income comprises:		
Items that will not be reclassified subsequently to profit or loss:		
Revaluation of properties held for own use:		
Loss on revaluation of properties held for own use (net of tax)	(5)	(6)
Change in fair value of equity instruments at fair value through other comprehensive income ("FVTOCI")	(258)	(42)
	(263)	(48)
Items that may be reclassified subsequently to profit or loss:		
Derivatives designated as cash flow hedges:		
Net (losses) gains arising during the year	(261)	51
Reclassification of net losses (gains) to profit or loss	4	(34)
	(257)	17
Exchange difference on translation of subsidiaries	(104)	(311)
Share of translation reserve of an associate	(47)	(557)
	(408)	(851)
Other comprehensive expenses for the year (net of tax)	(671)	(899)

Tax effect relating to other comprehensive (expenses) income:

	2023			2022		
	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	(6)	1	(5)	(7)	1	(6)
Change in fair value of equity instruments at FVTOCI	(258)	–	(258)	(42)	–	(42)
Net adjustments to hedging reserve	(257)	–	(257)	17	–	17
Exchange difference on translation of subsidiaries	(104)	–	(104)	(311)	–	(311)
Share of translation reserve of an associate	(47)	–	(47)	(557)	–	(557)
	(672)	1	(671)	(900)	1	(899)

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2023

10. DIRECTORS' EMOLUMENTS

	2023 HK\$ million	2022 HK\$ million
Directors' fees	3	3
Other emoluments		
Basic salaries, housing and other allowances	14	14
Bonus (Notes d & f)	19	20
Share-based payments	2	4
	38	41

The emoluments paid or payable to each of the Directors of the Company for the two years ended 31 December 2023 and 2022, 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
For the year ended 31 December 2023						
Executive Directors (Note a)						
Lee Irene Yun-Lien	–	8,243	12,360	1,464	18	22,085
Lui Kon Wai	–	5,609	6,048	660	18	12,335
Non-Executive Directors (Note b)						
Jebsen Hans Michael (Note h)	124	–	–	–	–	124
Lee Anthony Hsien Pin	388	–	–	–	–	388
Lee Chien	310	–	–	–	–	310
Lee Tze Hau Michael	312	–	–	–	–	312
Independent Non-Executive Directors (Note c)						
Churchouse Frederick Peter	456	–	–	–	–	456
Fan Yan Hok Philip	479	–	–	–	–	479
Poon Chung Yin Joseph	507	–	–	–	–	507
Wong Ching Ying Belinda	310	–	–	–	–	310
Young Elaine Carole	323	–	–	–	–	323
Chung Cordelia (Note i)	223	–	–	–	–	223
	3,432	13,852	18,408	2,124	36	37,852

10. DIRECTORS' EMOLUMENTS continued

	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
For the year ended 31 December 2022						
Executive Directors (Note a)						
Lee Irene Yun-Lien	–	8,185	14,008	2,907	18	25,118
Lui Kon Wai	–	5,602	6,048	1,254	18	12,922
Non-Executive Directors (Note b)						
Jebsen Hans Michael	330	–	–	–	–	330
Lee Anthony Hsien Pin	388	–	–	–	–	388
Lee Chien	310	–	–	–	–	310
Lee Tze Hau Michael	325	–	–	–	–	325
Independent Non-Executive Directors (Note c)						
Churchouse Frederick Peter	418	–	–	–	–	418
Fan Yan Hok Philip	523	–	–	–	–	523
Poon Chung Yin Joseph	535	–	–	–	–	535
Wong Ching Ying Belinda	310	–	–	–	–	310
Young Elaine Carole (Note j)	253	–	–	–	–	253
	3,392	13,787	20,056	4,161	36	41,432

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2023

10. 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 2023, Lee Irene Yun-Lien's base salary of HK\$8,243,000 and the performance bonus of HK\$12,360,000 were approved by the Remuneration Committee in February 2023 and February 2024 respectively.

For the year ended 31 December 2023, Lui Kon Wai's base salary of HK\$5,609,000 and the performance bonus of HK\$6,048,000 were approved by the Remuneration Committee in February 2023 and February 2024 respectively.

- (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 2023 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	2023 Total HK\$'000	2022 Total HK\$'000
Executive Directors							
Lee Irene Yun-Lien	-	-	-	-	-	-	-
Lui Kon Wai	-	-	-	-	-	-	-
Non-Executive Directors							
Jebsen Hans Michael	105	-	-	-	19	124	330
Lee Anthony Hsien Pin	280	108	-	-	-	388	388
Lee Chien	280	-	-	30	-	310	310
Lee Tze Hau Michael	280	-	7	-	25	312	325
Independent Non-Executive Directors							
Churchouse Frederick Peter	280	108	38	30	-	456	418
Fan Yan Hok Philip	280	108	75	11	5	479	523
Poon Chung Yin Joseph	280	180	17	30	-	507	535
Wong Ching Ying Belinda	280	-	-	-	30	310	310
Young Elaine Carole	280	-	-	-	43	323	253
Chung Cordelia	176	-	28	19	-	223	-
	2,521	504	165	120	122	3,432	3,392

- (f) 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 2022, Lee Irene Yun-Lien's base salary of HK\$8,185,000 and the performance bonus of HK\$14,008,000 were approved by the Remuneration Committee in January 2022 and February 2023 respectively.
For the year ended 31 December 2022, Lui Kon Wai's base salary of HK\$5,602,000 and the performance bonus of HK\$6,048,000 were approved by the Remuneration Committee in January 2022 and February 2023 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 36 of the Notes to the Consolidated Financial Statements section.
- (h) Jebsen Hans Michael retired as a Non-Executive Director and the chairman of the Sustainability Committee with effect from the conclusion of 2023 AGM on 16 May 2023.
- (i) Chung Cordelia was appointed as an Independent Non-Executive Director of the Company and a member of the Remuneration Committee and Nomination Committee with effect from the conclusion of 2023 AGM on 16 May 2023.
- (j) Young Elaine Carole was appointed as an Independent Non-Executive Director of the Company and a member of the Sustainability Committee with effect from 9 March 2022.

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.

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2022: two) were Directors of the Company, details of whose emoluments are included in note 10 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 2023 and 2022 were as follows:

	2023 HK\$ million	2022 HK\$ million
Basic salaries, housing and other allowances	24	24
Bonus	23	24
Share-based payments (Note)	3	5
	50	53

Note:

Share-based payments are the fair values of share options granted to Executive Directors 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 Directors or eligible employees exercise the share options or not during the year.

Their emoluments are within the following bands:

	Number of individuals	
	2023	2022
HK\$4,000,001 to HK\$4,500,000	1	1
HK\$4,500,001 to HK\$5,000,000	1	1
HK\$5,500,001 to HK\$6,000,000	–	1
HK\$6,000,001 to HK\$6,500,000	1	–
HK\$12,000,001 to HK\$12,500,000	1	–
HK\$12,500,001 to HK\$13,000,000	–	1
HK\$22,000,001 to HK\$22,500,000	1	–
HK\$25,000,001 to HK\$25,500,000	–	1
	5	5

Senior management 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	
	2023	2022
HK\$4,000,001 to HK\$5,000,000	2	2
HK\$5,000,001 to HK\$6,000,000	–	1
HK\$6,000,001 to HK\$7,000,000	1	–
HK\$12,000,001 to HK\$13,000,000	1	1
HK\$22,000,001 to HK\$23,000,000	1	–
HK\$25,000,001 to HK\$26,000,000	–	1
	5	5

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2023

12. DIVIDENDS

(a) Dividends recognized as distribution during the year:

	2023 HK\$ million	2022 HK\$ million
2023 first interim dividend paid – HK27 cents per share	277	–
2022 first interim dividend paid – HK27 cents per share	–	277
2022 second interim dividend paid – HK117 cents per share	1,202	–
2021 second interim dividend paid – HK117 cents per share	–	1,209
	1,479	1,486

(b) Dividends declared after the end of the reporting period:

	2023 HK\$ million	2022 HK\$ million
Second interim dividend (in lieu of a final dividend) – HK81 cents per share (2022: HK117 cents per share)	832	1,202

The second interim dividend is not recognized as a liability as at 31 December 2023 because it has been declared after the end of the reporting period. It will be payable in cash.

13. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Loss	
	2023 HK\$ million	2022 HK\$ million
Loss for the purposes of basic and diluted loss per share:		
Loss for the year attributable to owners of the Company	(872)	(1,157)
	Number of shares	
	2023	2022
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	1,027,008,223	1,029,856,659

During the years ended 31 December 2023 and 2022, the computation of diluted loss per share does not assume the exercise of all of the Company's outstanding share options as their assumed exercise would result in a decrease in loss per share.

14. INVESTMENT PROPERTIES

	2023 HK\$ million	2022 HK\$ million
Fair Value		
At 1 January	96,787	95,107
Additions	2,076	5,411
Transfer from (to) property, plant and equipment	8	(171)
Change in fair value recognized in profit or loss – unrealized	(2,763)	(3,213)
Exchange difference	(103)	(347)
As at 31 December	96,005	96,787

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.

The fair value of the Group's investment properties as at 31 December 2023 and 2022 and as at the date of transfer from/to property, plant and equipment to/from investment properties has been arrived at on the basis of a valuation carried out on the respective 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 as their current use.

Investment properties in Hong Kong

The value of the completed investment properties is derived from the basis of capitalization 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.

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.

There has been no change to the valuation technique during the year for completed properties and properties under development in Hong Kong.

As at 31 December 2023, the aggregate fair value of the investment properties under development of the Group in Hong Kong amounted to HK\$19,190 million (2022: HK\$19,640 million) have been pledged as securities for the Group's borrowings.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2023

14. INVESTMENT PROPERTIES continued

Investment properties in Mainland

During the year ended 31 December 2022, the Group acquired entire equity interests in Scorecity Investments Limited ("Scorecity"), being an indirect holder of a commercial complex located at Nos. 668 and 688 Xinzha Road, Shanghai, the People Republic of China (the "PRC"), from an independent third party for an aggregate cash consideration of approximately RMB3,500 million (equivalent to approximately HK\$4,235 million).

Income capitalization approach – discounted cash flow ("DCF") analysis was adopted for the valuation of such completed investment properties in Mainland. The DCF analysis is based on prospective periodic net cash flow to operating properties, which is typically estimated as gross income less vacancy and operating expenses and other outgoings. The series of periodic net operating cash flow, along with an estimate of the reversionary or terminal value anticipated at the end of the projection period, is then discounted at the discount rate, being the cost of capital or the rate of required return, into present value. A 10-year investment horizon has been undertaken for the DCF analysis and the net income in the year eleven is capitalised at an appropriate yield.

Fair value measurements using significant unobservable inputs (Level 3)

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.

All of the fair value measurements of the Group's investment properties were categorized into Level 3 of the fair value hierarchy. There were no transfers into or out of Level 3 during both years. Details of fair value hierarchy are set out as below.

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 2022	31,868	34,707	8,712	19,820	95,107
Additions	853	3,952	9	597	5,411
Transfer to property, plant and equipment	–	(171)	–	–	(171)
Change in fair value recognized in profit or loss – unrealized	(1,166)	(1,273)	3	(777)	(3,213)
Exchange difference	(38)	(309)	–	–	(347)
As at 31 December 2022	31,517	36,906	8,724	19,640	96,787
Additions	296	148	6	1,626	2,076
Transfer between operating and reportable segments	126	(126)	–	–	–
Transfer from property, plant and equipment	–	8	–	–	8
Change in fair value recognized in profit or loss – unrealized	558	(1,162)	(83)	(2,076)	(2,763)
Exchange difference	(17)	(86)	–	–	(103)
As at 31 December 2023	32,480	35,688	8,647	19,190	96,005

14. INVESTMENT PROPERTIES continued

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	Significant unobservable inputs	Range/weighted average of unobservable inputs
	2023 HK\$ million	2022 HK\$ million			
Hong Kong					
Retail	31,878	30,875	Income capitalization approach	(i) Capitalization rate (ii) Prevailing market rent per month	5.25% – 5.50% (2022: 5.25% – 5.50%) HK\$131 per square foot (2022: HK\$123 per square foot)
Office	32,726	33,536	Income capitalization approach	(i) Capitalization rate (ii) Prevailing market rent per month	4.25% – 5.00% (2022: 4.25% – 5.00%) HK\$56 per square foot (2022: HK\$57 per square foot)
Residential	8,647	8,724	Income capitalization approach	(i) Capitalization rate (ii) Prevailing market rent per month	3.75% (2022: 3.75%) HK\$39 per square foot (2022: HK\$39 per square foot)
Investment properties under development	19,190	19,640	Residual method	(i) Capitalization rate (ii) Prevailing market rent per month	3.50% – 5.00% (2022: 3.50% – 5.00%) HK\$98 per square foot (2022: HK\$120 per square foot)
Mainland					
Retail and Office	3,564	4,012	Discounted cash flow method	(i) Prevailing market rent per month (ii) Discount rate (iii) Stabilised growth rate	RMB20 per square foot (2022: RMB23 per square foot) 7.25% (2022: 7.25%) 4.00% (2022: 4.00%)

The higher the capitalization rate and discount rate, the lower the fair value, and vice versa.

The higher the stabilised growth rate, the higher the fair value, and vice versa.

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, and vice versa.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2023

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$ million (Note)	Furniture, fixtures and equipment HK\$ million	Computers HK\$ million	Motor vehicles HK\$ million	Total HK\$ million
COST OR VALUATION					
As at 1 January 2022	396	137	150	2	685
Additions	–	4	14	1	19
Transfer from investment properties	171	–	–	–	171
Disposals	–	(19)	–	(1)	(20)
Deficit on revaluation	(13)	–	–	–	(13)
As at 31 December 2022	554	122	164	2	842
Additions	–	9	8	1	18
Transfer to investment properties	(8)	–	–	–	(8)
Exchange difference	(1)	–	–	–	(1)
Deficit on revaluation	(13)	–	–	–	(13)
As at 31 December 2023	532	131	172	3	838
Comprising:					
At cost	–	131	172	3	306
At valuation	532	–	–	–	532
	532	131	172	3	838
ACCUMULATED DEPRECIATION					
As at 1 January 2022	–	119	94	–	213
Provided for the year	6	6	18	2	32
Disposals	–	(19)	–	(1)	(20)
Eliminated on revaluation	(6)	–	–	–	(6)
As at 31 December 2022	–	106	112	1	219
Provided for the year	8	7	18	–	33
Eliminated on revaluation	(8)	–	–	–	(8)
As at 31 December 2023	–	113	130	1	244
CARRYING AMOUNTS					
As at 31 December 2023	532	18	42	2	594
As at 31 December 2022	554	16	52	1	623

15. 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	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 as at 31 December 2023 and 2022 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 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 as their current use.

Leasehold land and buildings in Hong Kong

The value of leasehold land and building in Hong Kong was derived from the basis of capitalization 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.

Leasehold land and buildings in Mainland

DCF analysis was adopted for the valuation of leasehold land and buildings in Mainland. The DCF analysis is based on prospective periodic net cash flow to operating properties, which is typically estimated as gross income less vacancy and operating expenses and other outgoings. The series of periodic net operating cash flow, along with an estimate of the reversionary or terminal value anticipated at the end of the projection period, is then discounted at the discount rate, being the cost of capital or the rate of required return, into present value. A 10-year investment horizon has been undertaken for the DCF analysis and the net income in the year eleven is capitalised at an appropriate yield.

All of the fair value measurements of the Group's leasehold land and buildings in Hong Kong and Mainland 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 Mainland and unobservable inputs used in the valuation models.

Description	Fair value as at 31 December		Valuation techniques	Significant unobservable inputs	Range/weighted average of unobservable inputs
	2023 HK\$ million	2022 HK\$ million			
Leasehold land and buildings in Hong Kong	512	554	Income capitalization approach	(i) Capitalization rate (ii) Prevailing market rent per month	4.25% – 5.00% (2022: 4.25% – 5.00%) HK\$59 per square foot (2022: HK\$60 per square foot)
Leasehold land and buildings in Mainland	20	–	Discounted cash flow method	(i) Prevailing market rent per month (ii) Discount rate (iii) Stabilised growth rate	RMB21 per square foot 7.25% 4.00%

The higher the capitalization rate, the lower the fair value, and vice versa.

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, and vice versa.

The loss of HK\$5 million (2022: loss of HK\$6 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 and Mainland been measured at historical cost less subsequent accumulated depreciation, their carrying amounts would have been HK\$293 million (2022: HK\$332 million) and HK\$23 million respectively at the end of the reporting period.

Furniture, fixtures and equipment of the Group include assets carried at cost of HK\$61 million (2022: HK\$54 million) and accumulated depreciation of HK\$51 million (2022: HK\$46 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 (2022: HK\$6 million). There has been no disposal during both years ended 31 December 2023 and 2022.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2023

16. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The table below lists the principal subsidiaries of the Company:

Name of subsidiaries	Place of establishment/ incorporation/ operation	Issued share capital/ registered 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 (Shanghai) Properties Limited	PRC	RMB2,021,750,000	–	100% (Note)	Property investment
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%	Property investment
Patchway Holdings Limited	British Virgin Islands	US\$10	–	60%	Investment holding
Perfect Win Properties Limited	Hong Kong	HK\$2	–	100%	Property investment
Silver Nicety Company Limited	Hong Kong	HK\$20	–	100%	Property investment

Note:

The entity, a wholly foreign owned enterprise, was acquired through acquisition of Scorecity, as detailed in note 14 of the Notes to Consolidated Financial Statement section.

16. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY continued

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 26 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.

The Group's subsidiaries that have material non-controlling interests includes Barrowgate Limited ("Barrowgate"), Patchway Holdings Limited ("Patchway") and Elect Global Investments Limited ("Elect Global"). Elect Global's issued ordinary shares are fully held by the Group. As disclosed in note 28 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.

The summarized financial information in respect of Barrowgate and Patchway are set out below. The summarized financial information below represents amounts before intragroup eliminations.

	2023		2022	
	Barrowgate HK\$ million	Patchway HK\$ million	Barrowgate HK\$ million	Patchway HK\$ million
Current assets	187	12	146	8
Non-current assets	9,870	19,250	9,480	19,720
Current liabilities	(860)	(77)	(792)	(223)
Non-current liabilities	(232)	(21,072)	(236)	(19,499)
Turnover	561	–	455	–
Profit (loss) and total comprehensive income (expenses) for the year	677	(1,891)	33	(648)
Profit (loss) and total comprehensive income (expenses) attributable to other non-controlling interests	234	(830)	11	(253)
Accumulated non-controlling interests	3,106	(821)	2,978	9
Dividends paid to non-controlling interests	106	–	107	–
Net cash inflows from operating activities	494	–	298	1
Net cash outflows used in investing activities	(96)	–	(47)	–
Net cash outflows used in financing activities	(350)	–	(306)	–

17. INVESTMENTS IN ASSOCIATES AND LOANS TO ASSOCIATES

	2023 HK\$ million	2022 HK\$ million
Cost of unlisted investments	2	2
Share of post-acquisition profits and other comprehensive income, net of dividends received	5,486	5,489
	5,488	5,491
Loans to associates classified as:		
Non-current assets	8	10

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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2023

17. INVESTMENTS IN ASSOCIATES AND LOANS TO ASSOCIATES continued

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 2023 and 2022 as follows:

Name of associates	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 [#]	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 [#]	23.7%	Property management

[#] 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".

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

	2023 HK\$ million	2022 HK\$ million
Current assets	2,324	2,184
Non-current assets	27,452	27,722
Current liabilities	(1,026)	(1,092)
Non-current liabilities	(6,525)	(6,570)
Turnover	1,781	1,807
Profit for the year	1,096	1,115
Other comprehensive expenses for the year	(344)	(2,243)
Total comprehensive income (expenses) for the year	752	(1,128)
Dividends received from the associate during the year	226	221

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:

	2023 HK\$ million	2022 HK\$ million
Net assets of the associate	22,225	22,244
Non-controlling interests of the associate	(1,324)	(1,332)
Net assets of the associate after deducting non-controlling interests of the associate	20,901	20,912
Proportion of the Group's ownership interest in the associate	26.3%	26.3%
Group's share of net assets of the associate	5,497	5,500
Others	(2)	(2)
Carrying amount of the Group's interest in the associate	5,495	5,498

18. INVESTMENTS IN JOINT VENTURES AND LOANS TO JOINT VENTURES

Details of the Group's investments in and loans to joint ventures are as follows:

	2023 HK\$ million	2022 HK\$ million
Investments in joint ventures		
Unlisted shares, at cost	361	352
Deemed capital contribution in a joint venture (Note a)	173	173
Share of post-acquisition loss and other comprehensive expense, net of dividends received	(89)	(52)
	445	473
Loans to joint ventures classified as:		
Non-current assets (Note b)	4,029	3,485

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 joint ventures are unsecured and have no fixed repayment terms. As at 31 December 2023, except for the loans to joint ventures with aggregate carrying amounts of HK\$1,398 million (2022: HK\$1,376 million) which are carrying variable rates ranging from 3.1% to 7.7% (2022: 2.2% to 6.4%) per annum, the remaining loans to joint ventures 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.

Details of the Group's joint ventures as at 31 December 2023 and 2022 are as follows:

Name of joint ventures	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% (2022: 60%) (Note b)	Investment holding
Gainwick Limited (Note a)	Hong Kong	Ordinary share of HK\$1	60% (2022: 60%) (Note b)	Property development and investment
H & I GBA Investment Limited (Note c)	Hong Kong	Ordinary shares of US\$90,000,000	50% (2022: 50%)	Investment holding
Nation Star Development Limited (Note d)	Hong Kong	Ordinary shares of HK\$1	25% (2022: 25%)	Property development and investment

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.
- (d) Nation Star Development Limited ("Nation Star") principally engaged in property development business. The investment was acquired on February 2022.

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18. INVESTMENTS IN JOINT VENTURES AND LOANS TO JOINT VENTURES continued

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.

	2023		2022	
	Strongbod HK\$ million	Nation Star HK\$ million	Strongbod HK\$ million	Nation Star HK\$ million
Current assets	7,072	7,378	7,059	6,869
Non-current assets	210	1,661	–	1,610
Current liabilities	(2,940)	(21)	(3,356)	(3)
Non-current liabilities	(4,438)	(9,018)	(3,763)	(8,476)
Turnover	818	–	–	–
Losses and total comprehensive expenses for the year	(39)	–	(58)	–

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:

	2023		2022	
	Strongbod HK\$ million	Nation Star HK\$ million	Strongbod HK\$ million	Nation Star HK\$ million
Net liabilities of the joint ventures	(96)	–	(60)	–
Proportion of the Group's ownership interest in the joint ventures	60%	25%	60%	25%
Group's share of net liabilities of the joint ventures	(58)	–	(36)	–
Add: Deemed capital contribution in the joint ventures	173	–	173	–
Carrying amount of the Group's interest in the joint ventures	115	–	137	–

19. OTHER FINANCIAL INVESTMENTS

	2023 HK\$ million	2022 HK\$ million
Investment designated as at FVTOCI		
– Investments in unlisted equity securities (Note a)	1,460	1,708
Investment at FVTPL		
– Unlisted investment in a fund investment (Note b)	97	327
	1,557	2,035

Notes:

- 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 Mainland.
- 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.

20. DEBT SECURITIES

	2023 HK\$ million	2022 HK\$ million
Debt securities, at amortized cost:		
– listed in Hong Kong	800	798
– listed overseas	194	194
Total	994	992
Analysed for reporting purposes as:		
Current assets	94	–
Non-current assets	900	992
	994	992

As at 31 December 2023, the effective yield of the debt securities ranged from 1.2% to 3.3% (2022: 1.2% to 4.9%) per annum, payable quarterly, semi-annually or annually, and the securities will mature from June 2024 to January 2052 (2022: from June 2024 to January 2052). 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.

21. OTHER FINANCIAL ASSETS/LIABILITIES

	Current		Non-current	
	2023 HK\$ million	2022 HK\$ million	2023 HK\$ million	2022 HK\$ million
Other financial assets				
Financial assets measured at FVTPL:				
Club debenture	–	–	1	1
Derivatives under hedge accounting:				
Cash flow hedges				
– Cross currency swaps	–	15	187	367
– Interest rate swaps	–	–	10	15
Total	–	15	198	383
Other financial liabilities				
Derivatives under hedge accounting:				
Cash flow hedges				
– Cross currency swaps	–	–	312	117
Fair value hedges				
– Interest rate swaps	–	–	264	397
Total	–	–	576	514

(a) Cash flow hedges

(i) Foreign currency risk

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.

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21. OTHER FINANCIAL ASSETS/LIABILITIES continued

(a) Cash flow hedges continued

(i) Foreign currency risk continued

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

	2023					2022				
	Average exchange rate (Note a)	Foreign currency	Notional amount million	HK\$ million	Fair value HK\$ million	Average exchange rate (Note a)	Foreign currency	Notional amount million	HK\$ million	Fair value HK\$ million
Cross currency swaps										
Hedging of USD fixed rate notes (Note b)										
Less than 1 year	-	-	-	-	-	7.7519	USD	300	2,326	15
More than 1 year but not exceeding 5 years	7.8500	USD	400	3,140	187	7.8500	USD	400	3,140	367
More than 5 years	7.8465	USD	725	5,689	(312)	7.8465	USD	725	5,689	(117)
Total				8,829	(125)				11,155	265

Notes:

- (a) Average exchange rate represented the average exchange rate of HKD versus respective currencies weighted by the notional amounts of the contracts or the swaps.
 (b) The Group used HK\$8,829 million (2022: HK\$11,155 million) cross currency swaps to convert USD interest and principal of US\$1,125 million (2022: US\$1,425 million) fixed rate notes into HKD.

Hedged items

	Carrying amount of the hedged item				Cash flow hedge reserves	
	Assets		Liabilities		2023 HK\$ million	2022 HK\$ million
	2023 HK\$ million	2022 HK\$ million	2023 HK\$ million	2022 HK\$ million		
USD fixed rate notes	-	-	8,787	11,117	(405)	(159)

The hedging ineffectiveness for the years ended 31 December 2023 and 2022 was insignificant.

	Change in the value of the hedging instrument recognized in other comprehensive (expense) income		Amount reclassified from the cash flow hedge reserve to profit or loss		Line item affected in profit or loss because of the reclassification
	2023 HK\$ million	2022 HK\$ million	2023 HK\$ million	2022 HK\$ million	
Cross currency swaps	(250)	36	4	(34)	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.

21. OTHER FINANCIAL ASSETS/LIABILITIES continued

(a) Cash flow hedges continued

(ii) Interest rate risk

The Group used interest rate swaps to hedge its interest rate risk exposure. The terms of the swaps have been negotiated to match the major terms of the respective hedged underlying items so that the management considers that the interest rate 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:

Hedging instruments

	2023			2022		
	Average Interest rate (Note a)	Notional amount HK\$ million	Fair value HK\$ million	Average Interest rate (Note a)	Notional amount HK\$ million	Fair value HK\$ million
Interest rate swaps						
Hedging interest of HKD bank loans (Note b)						
More than 1 year not exceeding 5 years	3.54%	1,400	10	3.45%	1,000	15

Notes:

- (a) Average interest rate represented the average fixed interest rate paid by the Group against receipts of 3-month HIBOR weighted by the notional amounts of the swaps.
 (b) The Group used HK\$1,400 million (2022: HK\$1,000 million) interest rate swaps to manage its exposure to interest rate changes of the interest payments of HKD bank loans.

Hedged items

	Notional amount of the hedged item		Cash flow hedge reserves	
	Liabilities			
	2023 HK\$ million	2022 HK\$ million	2023 HK\$ million	2022 HK\$ million
HKD bank loans	1,400	1,000	4	15

The hedging ineffectiveness for the years ended 31 December 2023 and 2022 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
	2023 HK\$ million	2022 HK\$ million	2023 HK\$ million	2022 HK\$ million	
Interest rate swaps	(11)	15	–	–	Finance costs

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.

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21. OTHER FINANCIAL ASSETS/LIABILITIES continued

(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:

	2023			2022		
	Average interest rate (Note a)	Notional amount HK\$ million	Fair value HK\$ million	Average Interest rate (Note a)	Notional amount HK\$ million	Fair value HK\$ million
Interest rate swaps						
More than 1 year not exceeding 5 years	2.88%	3,140	(264)	2.88%	3,140	(397)

Notes:

- (a) 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.
- (b) As at 31 December 2023, the Group designated fixed-to-floating interest rate swaps with notional amount of HK\$3,140 million (2022: HK\$3,140 million) to hedge USD fixed rate notes with notional amount of US\$400 million (2022: US\$400 million) by converting fixed rate of 2.88% per annum (2022: 2.88% per annum) to HIBOR plus 2.02% per annum (2022: HIBOR plus 2.02% per annum).

As a result of the hedge accounting, the carrying amount of the hedged item as at 31 December 2023 was adjusted by cumulative losses of HK\$264 million (2022: HK\$397 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.

22. ACCOUNTS AND OTHER RECEIVABLES

	2023 HK\$ million	2022 HK\$ million
Accounts receivable	58	46
Interest receivable	55	66
Prepayments in respect of investment properties	721	235
Other receivables and prepayments	424	657
Total	1,258	1,004
Analysed for reporting purposes as:		
Current assets	304	562
Non-current assets	954	442
	1,258	1,004

22. ACCOUNTS AND OTHER RECEIVABLES continued

The following is an ageing analysis of accounts receivable at the end of the reporting period. Accounts receivable mainly includes rents from leasing of investment properties, which are normally received in advance.

	2023 HK\$ million	2022 HK\$ million
Less than 30 days	31	21
31-90 days	16	16
Over 90 days	11	9
	58	46

23. TIME DEPOSITS/CASH AND CASH EQUIVALENTS

Time deposits, cash and bank balances include bank deposits for the purpose of meeting the Group's short term cash commitments, carrying effective interest rates ranging from 0.01% to 5.55% (2022: 0.01% to 5.87%) per annum.

As at 31 December 2023 and 2022, 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.

24. ACCOUNTS PAYABLE AND ACCRUALS

	2023 HK\$ million	2022 HK\$ million
Accounts payable	289	295
Interest payable	80	85
Other payables	728	646
	1,097	1,026

At the end of the reporting period, accounts payable of the Group with carrying amount of HK\$168 million (2022: HK\$193 million) were aged less than 90 days based on invoice date.

25. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

	2023 HK\$ million	2022 HK\$ million
Current (Note a)	199	214
Non-current (Note b)	5,264	4,635
	5,463	4,849

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. During the year ended 31 December 2023, amounts due to non-controlling interests amounting to HK\$416 million were advanced. During the year ended 31 December 2022, amounts due to non-controlling interests amounting to HK\$3,164 million were repaid upon a bank loan being obtained.

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26. BORROWINGS

	2023 HK\$ million	2022 HK\$ million
Secured bank loans	7,852	7,833
Unsecured bank loans	2,171	2,707
Unsecured fixed rate notes	15,541	16,737
	25,564	27,277
Less: Amount due within 1 year included under current liabilities	(158)	(3,244)
	25,406	24,033

The carrying amounts of the above bank loans and fixed rate notes are repayable as follows:

	Bank loans		Fixed rate notes	
	2023 HK\$ million	2022 HK\$ million	2023 HK\$ million	2022 HK\$ million
Within one year	8	499	150	2,745
In the second year	1,270	568	1,495	149
In the third year to fifth year	8,745	9,473	5,435	5,940
After the fifth year	–	–	8,461	7,903
	10,023	10,540	15,541	16,737

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 4.2% (2022: 2.8%) 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:

	2023			2022		
	HK\$ %	US\$ %	RMB %	HK\$ %	US\$ %	RMB %
Unsecured fixed rate notes	1.50–4.50	2.82–3.55	3.10–3.55	1.50–4.50	2.82–3.55	NIL

As detailed in note 21 of the Notes to the Consolidated Financial Statements section, during the years ended 31 December 2023 and 2022, cross currency swaps and interest rate swaps were used to hedge or manage the foreign exchange rate risks and fair value interest rate risks of the Group's USD fixed rate notes and cash flow interest rate risks of the Group's HKD bank loans respectively.

As at 31 December 2023 and 2022, the Group's investment properties pledged as securities for borrowings are disclosed in note 14 of the Notes to the Consolidated Financial Statements section.

27. DEFERRED TAX ASSETS/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 2022	1,113	87	(199)	1,001
Charge (credit) to profit or loss (note 7)	80	(2)	(5)	73
Charge to other comprehensive income	–	1	–	1
As at 31 December 2022	1,193	86	(204)	1,075
Charge (credit) to profit or loss (note 7)	91	(1)	9	99
Charge to other comprehensive income	–	1	–	1
As at 31 December 2023	1,284	86	(195)	1,175

At the end of the reporting period, the Group has unused estimated tax losses of HK\$3,237 million (2022: HK\$2,780 million) available for offset against future profits. A deferred tax asset has been recognized in respect of HK\$1,183 million (2022: HK\$1,235 million) of such losses. No deferred tax asset has been recognized in respect of the remaining HK\$2,054 million (2022: HK\$1,545 million) due to the unpredictability of future profit streams and the tax losses may be carried forward indefinitely.

28. 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.

During the year ended 31 December 2022, the Group repurchased perpetual capital securities with principal amount of HK\$425 million with cash consideration at HK\$399 million.

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For the year ended 31 December 2023

29. SHARE CAPITAL

	Number of shares	Share capital HK\$ million
Ordinary shares, issued and fully paid:		
As at 1 January 2022	1,034,258,223	7,723
Cancellation upon repurchase of own shares (Note)	(7,250,000)	–
As at 31 December 2022 and 2023	1,027,008,223	7,723

During the year ended 31 December 2023, the Group purchased a total of 48,400 ordinary shares (“Awarded Shares”) for a total of consideration of approximately HK\$1 million on the Stock Exchange for a one-off share award plan adopted by the Company on 15 October 2023 (“100A Share Award Plan”) in commemoration of the momentous occasion of the 100th anniversary of the establishment of the Group in Hong Kong. Details of the shares purchased are as follows:

Month of repurchase in 2023	Number of ordinary shares repurchased (Note)	Consideration per share		Aggregate consideration paid HK\$ million
		Highest HK\$	Lowest HK\$	
October	48,400	14.58	14.34	1

During the year ended 31 December 2022, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month of repurchase in 2022	Number of ordinary shares repurchased (Note)	Consideration per share		Aggregate consideration paid HK\$ million
		Highest HK\$	Lowest HK\$	
February	1,050,000	23.40	22.80	24
March	950,000	23.45	20.15	21
April	1,500,000	23.55	23.00	36
May	500,000	23.25	22.70	11
June	1,400,000	23.95	22.45	33
July	350,000	23.75	23.25	8
August	500,000	23.30	22.20	11
September	600,000	22.20	19.36	10
October	400,000	20.25	17.06	8
	7,250,000			162

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 2022, 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. All ordinary shares repurchased in 2022 were cancelled during the year ended 31 December 2022.

30. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2023 HK\$ million	2022 HK\$ million
Non-current assets		
Investments in subsidiaries	2,242	2,238
Other financial assets	1	1
Amounts due from subsidiaries	7,120	7,045
	9,363	9,284
Current assets		
Other receivables	30	31
Amounts due from subsidiaries	3,235	3,141
Cash and cash equivalents	7	1
	3,272	3,173
Current liabilities		
Other payables and accruals	92	84
Amounts due to subsidiaries	1,512	1,454
	1,604	1,538
Net current assets	1,668	1,635
Net assets	11,031	10,919
Capital and reserves		
Share capital (note 29)	7,723	7,723
Reserves	3,308	3,196
Total equity	11,031	10,919

The Company's statement of financial position was approved and authorized for issue by the Board of Directors on 22 February 2024 and are signed on its behalf by:

Lee Irene Y.L.
Director

Lui Kon Wai
Director

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2023

30. 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 2022	31	100	4,650	4,781
Recognition of equity-settled share-based payments	7	–	–	7
Forfeiture of share options	(2)	–	–	(2)
Repurchase of own shares	–	–	(162)	(162)
Profit and total comprehensive income for the year	–	–	57	57
Forfeiture of unclaimed dividends	–	–	1	1
Dividends paid during the year (note 12)	–	–	(1,486)	(1,486)
As at 31 December 2022	36	100	3,060	3,196
Recognition of equity-settled share-based payments	3	–	1	4
Repurchase of own shares	–	–	(1)	(1)
Profit and total comprehensive income for the year	–	–	1,587	1,587
Forfeiture of unclaimed dividends	–	–	1	1
Dividends paid during the year (note 12)	–	–	(1,479)	(1,479)
As at 31 December 2023	39	100	3,169	3,308

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 2023 amounted to HK\$3,269 million (2022: HK\$3,160 million), being its general reserve and retained profits at that date.

31. 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 2022	7,853	18,844	26,697
Cash flows, net	(3,164)	7,948	4,784
Other non-cash changes			
Foreign exchange adjustments	–	(17)	(17)
Finance costs	–	423	423
Interest capitalised	138	332	470
Net gains arising from hedging instruments	–	(51)	(51)
Deemed contribution from a non-controlling shareholder	22	–	22
As at 31 December 2022	4,849	27,479	32,328
Cash flows, net	402	(2,698)	(2,296)
Other non-cash changes			
Foreign exchange adjustments	–	2	2
Finance costs	–	478	478
Interest capitalised	212	501	713
Net losses arising from hedging instruments	–	261	261
As at 31 December 2023	5,463	26,023	31,486

32. 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, subject to a monthly cap of HK\$1,500, in compliance with MPF legislation.

The employees of the Group in the Mainland are members of a state-managed retirement benefits scheme operated by the Mainland government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

Total contributions made by the Group during the year amounted to HK\$11 million (2022: HK\$10 million).

For the Group's subsidiaries operating in Hong Kong, pursuant to the Employment Ordinance, Chapter 57, the Group has the obligation to pay Long Service Payment ("LSP") to qualifying employees in Hong Kong under certain circumstances (e.g. dismissal by employers or upon retirement), subject to a minimum of 5 years employment period, based on certain formula.

Furthermore, the Mandatory Provident Fund Schemes Ordinance passed in 1995 permits the Group to utilise the Group's mandatory MPF contributions, plus/minus any positive/negative returns thereof, for the purpose of offsetting LSP payable to an employee (the "Offsetting Arrangement").

The Amendment Ordinance was gazetted on 17 June 2022, which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset the LSP. The Abolition will officially take effect on the Transition Date (i.e., 1 May 2025). Separately, the Government of the HKSAR is also expected to introduce a subsidy scheme to assist employers for a period of 25 years after the Transition Date on the LSP payable by employers up to a certain amount per employee per year. Under the Amendment Ordinance, the accrued benefits derived from the Group's Enhanced MPF Scheme, minus the mandatory contributions, made pre-, on or post-transition can continue to be used to offset pre- and post-transition LSP. The impact from the Amendment Ordinance on the Group's LSP liability is considered insignificant.

33. 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:

	2023 HK\$ million	2022 HK\$ million
(a) Capital commitment:		
Contracted but not provided for investment properties and property, plant and equipment	5,527	1,723
(b) Other commitment:		
Subscription to a fund investment as limited partner	8	45

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34. 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:

	2023 HK\$ million	2022 HK\$ million
Within one year	2,194	2,147
In the second year	1,450	1,455
In the third year	959	794
In the fourth year	648	529
In the fifth year	469	436
Over five years	257	374
	5,977	5,735

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.

35. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions and balances with related parties

During the year, the Group has transaction with related party including interest income on loans to joint ventures, 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, 8, 18 and 25 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. The interest income on loans to joint ventures during the year is amounted to HK\$38 million (2022: HK\$31 million).

At the end of the reporting period, the Group has several balances with related parties including loans to associates and loans to joint ventures as disclosed under note 17 and note 18 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.

The Group has entered into the facility agreement with HSBC Bank (China) Company Limited, Shanghai Branch ("HSBC (China)") on 22 November 2023, a fellow subsidiary of Imenson Limited ("Imenson"), pursuant to which HSBC (China) agreed to grant a facility to Hysan (Shanghai) Properties Limited ("Hysan (SH)"), an indirect wholly-owned subsidiary of the Company amounting to RMB200 million with a term of two years from first drawdown and final maturity no later than 31 December 2025. The balance of utilized amount at 31 December 2023 was RMB27 million.

35. RELATED PARTY TRANSACTIONS AND BALANCES *continued*

(a) Transactions and balances with related parties *continued*

	Gross rental income received from Year ended 31 December		Amounts due to non-controlling interests At 31 December	
	2023 HK\$ million	2022 HK\$ million	2023 HK\$ million	2022 HK\$ million
Related companies controlled by the Directors of the Company (Note a (i) & (ii))	53	56	57	61
Non-controlling shareholders of subsidiaries (Note b (i) & (ii))	21	25	5,406	4,788
Joint venture and associate (Note c)	81	61	–	–

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.
- On 16 May 2023, Jebsen Hans Michael retired from his director role of the Company and remained as a connected person of Hysan at issuer level for 12 months thereafter.
- (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.
- (c) Rental income is charged in accordance with respective tenancy agreements.

(b) Compensation of key management personnel

The remuneration of Directors and other members of senior management of the Group are as follows:

	2023 HK\$ million	2022 HK\$ million
Directors' fees, salaries and other short-term employee benefits	49	53
Share-based payments	3	5
Retirement benefits scheme contributions	1	1
	53	59

The remuneration of the Directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

36. SHARE-BASED PAYMENT TRANSACTIONS

(a) Equity-settled share option and share award 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.

The 2015 Scheme

The Company adopted the 2015 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 2015 Scheme are substantially the same as those under the 2005 Scheme.

The purpose of the 2015 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 2015 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 2015 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 2015 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 2015 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.

36. SHARE-BASED PAYMENT TRANSACTIONS continued

(a) Equity-settled share option and share award scheme continued

The 2015 Scheme continued

The maximum entitlement of each participant under the 2015 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, no share options was granted under the 2015 Scheme (2022: 2,084,000 share options). The 2005 Scheme expired on 9 May 2015 and no further option will be granted under the 2005 Scheme.

The One-off Share Award Plan

In commemoration of the momentous occasion of the 100th anniversary of the establishment of the Group in Hong Kong, the Company adopted 100A Share Award Plan on 15 October 2023 (the "Adoption Date") to signify and reaffirm the Group's commitment and optimism to the continued success of Hysan for the next one hundred years and beyond. The Share Award Plan also serves as a gesture of appreciation and recognition for the dedication and valuable contributions of the Group's employees to the Group's success.

The 100A Share Award Plan is a one-off plan and is funded solely by existing shares of the Company ("Shares") purchased from the market. Subject to the provisions of the 100A Share Award Plan, the Executive Committee may within the term of the 100A Share Award Plan and at its absolute discretion select any employee of the Group for participation in the Plan ("Selected Employees"), and grant Awarded Shares to the Selected Employees at no consideration. The Selected Employees are not required to pay any amount on application or acceptance of the Awarded Shares. The maximum number of Awarded Shares which may be awarded under the 100A Share Award Plan shall not exceed 50,000 Shares, representing approximately 0.0049% of the issued share capital of the Company as at the Adoption Date and the date of this Annual Report. As at the date of Annual Report, the total number of Shares available for issue in respect of awards which may be granted under the 100A Share Award Plan is zero.

All Awarded Shares granted during the year were granted and vested on 27 November 2023 and the 100A Share Award Plan was terminated on the same date upon the vesting of all Awarded Shares to the Selected Employees. No further Awarded Shares will be granted under the 100A Share Award Plan.

During the year, an aggregate of 47,800 fully-vested Shares (representing approximately 0.0047% of the issued Shares as at the date of the Annual Report) have been granted to 478 Selected Employees.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2023

36. SHARE-BASED PAYMENT TRANSACTIONS continued

(a) Equity-settled share option and share award scheme continued

The One-off Share Award Plan continued

The following table discloses movements of the Awarded Shares held by the Director and eligible employees during the current year:

Name	Date of grant	Purchase price HK\$	Vesting date (Note a)	Balance as at 1.1.2023	Changes during the year			Balance as at 31.12.2023
					Granted (Note c)	Vested	Cancelled/lapsed	
Executive Directors								
Lee Irene Yun-Lien	27.11.2023	–	27.11.2023	–	100	(100)	–	–
Lui Kon Wai	27.11.2023	–	27.11.2023	–	100	(100)	–	–
The Five Highest Paid Individuals (excluding the Executive Directors)								
	27.11.2023	–	27.11.2023	–	500	(500)	–	–
Other Employee Participants								
	27.11.2023	–	27.11.2023	–	47,100	(47,100)	–	–
				–	47,800	(47,800)	–	–

Notes:

- All Awarded Shares granted have vested on 27 November 2023, i.e. date of grant.
- None of the Awarded Shares granted have performance targets.
- The closing price of the Shares immediately before the date of grant and vesting (i.e. 24 November 2023) was HK\$15.22.
- The fair value of the Awarded Shares at the date of grant is HK\$15.04 per share.
- The Group has applied HKFRS 2 to account for the Awarded Shares. In the current year, the Group recognized the share award expenses of HK\$1 million in relation to Awarded Shares granted by the Company, of which HK\$3,008 related to the Directors, HK\$7,520 related to the five top-paid employees (excluding the Executive Directors) and HK\$708,384 related to other employee participants.

(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.

36. 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 1.1.2023	Changes during the year			Balance as at 31.12.2023
					Granted	Exercised	Cancelled/ lapsed (Note b)	
2005 Scheme								
Executive Director								
Lee Irene Yun-Lien	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
Other Employee Participants								
	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	-	-	(10,000)	36,000
	31.3.2015	34.00	31.3.2016-30.3.2025	61,000	-	-	(14,000)	47,000
				1,082,000	-	-	(374,000)	708,000
2015 Scheme								
Executive Directors								
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	26.2.2022-25.2.2031	664,000	-	-	-	664,000
	28.2.2022	23.25	28.2.2023-27.2.2032	819,000	-	-	-	819,000
Lui Kon Wai	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	31.3.2022-30.3.2031	267,000	-	-	-	267,000
	28.2.2022	23.25	28.2.2023-27.2.2032	400,000	-	-	-	400,000

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2023

36. 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 1.1.2023	Changes during the year			Balance as at 31.12.2023
					Granted	Exercised	Cancelled/ lapsed (Note b)	
Other Employee Participants	31.3.2016	33.05	31.3.2017-30.3.2026	106,000	–	–	(21,000)	85,000
	31.3.2017	35.33	31.3.2018-30.3.2027	208,667	–	–	(30,000)	178,667
	29.3.2018	41.50	29.3.2019-28.3.2028	260,000	–	–	(46,000)	214,000
	29.3.2019	42.05	29.3.2020-28.3.2029	393,000	–	–	(63,000)	330,000
	31.3.2020	25.20	31.3.2021-30.3.2030	498,000	–	–	(95,000)	403,000
	31.3.2021	30.40	31.3.2022-30.3.2031	605,000	–	–	(115,000)	490,000
	31.3.2022	23.36	31.3.2023-30.3.2032	860,000	–	–	(161,000)	699,000
				7,917,067	–	–	(531,000)	7,386,067
Exercisable at the end of the year								6,341,720

Notes:

- (a) All options granted have a vesting period of three years in equal proportions starting from the first anniversary of the grant and become fully vested on the third anniversary. "Exercise period" accordingly begins with the first anniversary of the date of grant.
- (b) Options lapsed during the year in accordance with the rules of the Schemes.

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 2023.

36. 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 1.1.2022	Changes during the year			Balance as at 31.12.2022
					Granted	Exercised	Cancelled/ lapsed (Note b)	
2005 Scheme								
Executive Director								
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
Other Employee Participants								
	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	61,000	–	–	–	61,000
				1,239,000	–	–	(157,000)	1,082,000
2015 Scheme								
Executive Directors								
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	26.2.2022-25.2.2031	664,000	–	–	–	664,000
	28.2.2022	23.25 (Note c)	28.2.2023-27.2.2032	–	819,000	–	–	819,000

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2023

36. 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 1.1.2022	Changes during the year			Balance as at 31.12.2022
					Granted	Exercised	Cancelled/lapsed (Note b)	
Lui Kon Wai	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	31.3.2022-30.3.2031	267,000	–	–	–	267,000
	28.2.2022	23.25 (Note c)	28.2.2023-27.2.2032	–	400,000	–	–	400,000
Other employee participants	31.3.2016	33.05	31.3.2017-30.3.2026	106,000	–	–	–	106,000
	31.3.2017	35.33	31.3.2018-30.3.2027	208,667	–	–	–	208,667
	29.3.2018	41.50	29.3.2019-28.3.2028	260,000	–	–	–	260,000
	29.3.2019	42.05	29.3.2020-28.3.2029	393,000	–	–	–	393,000
	31.3.2020	25.20	31.3.2021-30.3.2030	498,000	–	–	–	498,000
	31.3.2021	30.40	31.3.2022-30.3.2031	611,000	–	–	(6,000)	605,000
	31.3.2022	23.36 (Note d)	31.3.2023-30.3.2032	–	865,000	–	(5,000)	860,000
				5,844,067	2,084,000	–	(11,000)	7,917,067
								5,424,381

Exercisable at the end of the year

Notes:

- (a) All options granted have a vesting period of three years in equal proportions starting from the first anniversary of the grant and become fully vested on the third anniversary. "Exercise period" accordingly begins with the first anniversary of the date of grant.
- (b) Options lapsed during the year in accordance with the rules of the Schemes.
- (c) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 25 February 2022) was HK\$23.10.
- (d) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 30 March 2022) was HK\$23.30.

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 2022.

36. 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\$3 million (2022: HK\$7 million) in relation to share options granted by the Company, of which HK\$2 million (2022: HK\$4 million) related to the Directors (see note 10 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	31.3.2022	28.2.2022
Closing share price at the date of grant	HK\$22.900	HK\$23.000
Exercise price	HK\$23.360	HK\$23.250
Risk free rate (Note a)	2.010%	1.451%
Expected life of option (Note b)	5 years	5 years
Expected volatility (Note c)	27.636%	27.722%
Expected dividend per annum (Note d)	HK\$1.426	HK\$1.426
Estimated fair values per share option	HK\$3.400	HK\$3.370

Notes:

- (a) 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.
- (b) 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.
- (c) 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.
- (d) Expected dividend per annum: being the approximate average annual cash dividend over the past 5 financial years.

Financial Risk Management

For the year ended 31 December 2023

1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include loans to associates, loans to joint ventures, other financial investments, debt securities, accounts and other receivables, time deposits, cash and cash equivalents, accounts payable and accruals, deposits from tenants, 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 joint ventures, 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 joint ventures

The Group regularly monitors the business performance of the associates and joint ventures. 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 2023, these loans with gross carrying amount of HK\$4,045 million (2022: HK\$3,503 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. As at 31 December 2023, accounts and other receivables (excluding prepayments in respect of investment properties) with gross carrying amount of HK\$537 million (2022: HK\$769 million) are considered to be performing and were assessed individually based on the respective lifetime ECL and 12-month ECL.

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 2023, debt securities, time deposits and bank balances and derivative financial instruments with gross carrying amount of HK\$5,050 million (2022: HK\$9,161 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 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 joint ventures, the Group does not have any other significant concentration of credit risk.

No credit loss is provided for except for loans to joint ventures and debt securities. A reconciliation of loss allowances recognized is presented below.

	Loss allowance for	
	Loans to joint ventures HK\$ million	Debt securities HK\$ million
As at 1 January 2022	6	3
Net impairment loss under ECL model	2	–
As at 31 December 2022 and 2023	8	3

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.

Financial Risk Management continued

For the year ended 31 December 2023

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, the undiscounted amount is derived based on management's best estimates at the end of the reporting period, taking into consideration interest rate curve, if available. 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
As at 31 December 2023						
Non-derivative financial liabilities						
Accounts payable and accruals	(1,097)	(1,097)	(1,097)	–	–	–
Deposits from tenants	(863)	(863)	(352)	(189)	(265)	(57)
Amounts due to non-controlling interests	(5,463)	(5,664)	(199)	–	(5,465)	–
Secured bank loans	(7,852)	(9,371)	(476)	(476)	(8,419)	–
Unsecured bank loans	(2,171)	(2,484)	(138)	(1,350)	(996)	–
Unsecured fixed rate notes	(15,541)	(18,428)	(618)	(1,950)	(6,471)	(9,389)
	(32,987)	(37,907)	(2,880)	(3,965)	(21,616)	(9,446)
As at 31 December 2022						
Non-derivative financial liabilities						
Accounts payable and accruals	(1,026)	(1,026)	(1,026)	–	–	–
Deposits from tenants	(885)	(885)	(387)	(220)	(235)	(43)
Amounts due to non-controlling interests	(4,849)	(5,051)	(214)	–	(4,837)	–
Secured bank loans	(7,833)	(9,551)	(403)	(403)	(8,745)	–
Unsecured bank loans	(2,707)	(3,155)	(139)	(639)	(2,377)	–
Unsecured fixed rate notes	(16,737)	(19,770)	(3,214)	(562)	(7,025)	(8,969)
	(34,037)	(39,438)	(5,383)	(1,824)	(23,219)	(9,012)

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\$1,500 million and HK\$2,100 million as at 31 December 2023 and 2022 respectively, 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.

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 (outflows) inflows on those derivatives that require gross settlement, and the undiscounted contractual net cash (outflows) and inflows on derivative instruments that settle on a net basis. 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
As at 31 December 2023						
Derivative settled net						
Interest rate swaps	(254)	(105)	(41)	(29)	(35)	–
Derivative settled gross						
Cross currency swaps	(125)					
Outflow		(10,532)	(267)	(266)	(3,800)	(6,199)
Inflow		10,480	262	262	3,777	6,179
As at 31 December 2022						
Derivative settled net						
Interest rate swaps	(382)	(52)	(7)	3	(48)	–
Derivative settled gross						
Cross currency swaps	265					
Outflow		(13,146)	(2,613)	(267)	(3,893)	(6,373)
Inflow		13,111	2,643	262	3,862	6,344

Financial Risk Management continued

For the year ended 31 December 2023

1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

(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, time deposits and cash and cash equivalents (see note 20 and 23 of the Notes to Consolidated Financial Statements section).

As at 31 December 2023, about 38% (2022: 39%) 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 2022, included in the Group's borrowings is an unsecured USD bank loan amounted to HK\$468 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. The USD bank loan was fully repaid during the year ended 31 December 2023.

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 both derivative and non-derivative financial instruments that would have affected the profit or loss and equity. A change of +100 and -25 basis points ("bps") (2022: +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.

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.

	(Decrease) increase in profit or loss		Increase (decrease) in equity	
	bps increase HK\$ million	bps decrease HK\$ million	bps increase HK\$ million	bps decrease HK\$ million
As at 31 December 2023	(70)	17	390	(107)
As at 31 December 2022	(51)	13	394	(109)

1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

(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 Mainland, and denominated in HKD and RMB.

As at 31 December 2023, the Group's entities with functional currency of HKD had aggregate USD net monetary liabilities of HK\$6,575 million (2022: net monetary liabilities of HK\$8,553 million).

As at 31 December 2023, the Group's entities with functional currency of HKD had aggregate RMB net monetary liabilities of HK\$972 million (2022: net monetary assets of HK\$1 million).

Other than concentration of currency risk of the above items denominated in USD and RMB(2022: USD), the Group has no other significant currency risk.

The Group has entered into appropriate hedging instruments, mentioned in note 21 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.

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") (2022: 500 pips) was applied to the HKD:USD and HKD:RMB(2022: 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.

	(Decrease) increase in profit or loss		(Decrease) increase in other comprehensive income	
	pips increase HK\$ million	pips decrease HK\$ million	pips increase HK\$ million	pips decrease HK\$ million
As at 31 December 2023				
USD	(49)	49	(45)	45
RMB	(44)	44	-	-
As at 31 December 2022				
USD	(55)	55	(3)	3

Financial Risk Management continued

For the year ended 31 December 2023

1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

(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 securities had been 5% higher/lower, the other comprehensive income for the year ended 31 December 2023 would increase/decrease by HK\$73 million (2022: HK\$85 million) as a result of the changes in fair value of investment as at FVTOCI. The Group's exposure to price risk on investment in a fund investment was limited because the potential fluctuation was considered minimal.

2. CATEGORIES OF FINANCIAL INSTRUMENTS

	2023 HK\$ million	2022 HK\$ million
Financial assets		
FVTPL	98	328
FVTOCI	1,460	1,708
Derivative instrument under hedge accounting	197	397
Amortized cost (including cash and cash equivalents)	8,998	12,465
	10,753	14,898
Financial liabilities		
Derivative instruments under hedge accounting	576	514
Amortized cost	32,987	34,037
	33,563	34,551

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
As at 31 December 2023			
Derivatives under hedge accounting	197	–	197
As at 31 December 2022			
Derivatives under hedge accounting	397	–	397

(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
As at 31 December 2023			
Counterparty E	47	–	47
As at 31 December 2022			
Counterparty A	397	(117)	280

(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
As at 31 December 2023			
Derivatives under hedge accounting	(576)	–	(576)
As at 31 December 2022			
Derivatives under hedge accounting	(514)	–	(514)

Financial Risk Management continued

For the year ended 31 December 2023

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
As at 31 December 2023			
Counterparty A	(66)	36	(30)
Counterparty B	(161)	8	(153)
Counterparty C	(149)	23	(126)
Counterparty D	(135)	82	(53)
Counterparty F	(65)	1	(64)
	(576)	150	(426)
As at 31 December 2022			
Counterparty A	(11)	84	73
Counterparty B	(73)	13	(60)
Counterparty C	(151)	45	(106)
Counterparty D	(179)	161	(18)
Counterparty E	–	92	92
Counterparty F	(100)	2	(98)
	(514)	397	(117)

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\$15,541 million (2022: HK\$16,737 million) unsecured fixed rate notes as stated in note 26 of the Notes to the Consolidated Financial Statements section with fair value of HK\$14,081 million (2022: HK\$15,097 million).

The fair value of HK\$7,660 million (2022: HK\$9,968 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\$6,421 million (2022: HK\$5,129 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.

	2023			
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
Financial assets				
Financial assets at FVTPL				
Unlisted club debenture	-	1	-	1
Fund investment	-	-	97	97
Financial asset at FVTOCI				
Unlisted investment in equity securities	-	-	1,460	1,460
Derivatives under hedge accounting				
Cross currency swaps	-	187	-	187
Interest rate swaps	-	10	-	10
Total	-	198	1,557	1,755
Financial liabilities				
Derivatives under hedge accounting				
Cross currency swaps	-	312	-	312
Interest rate swaps	-	264	-	264
Total	-	576	-	576
2022				
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
Financial assets				
Financial assets at FVTPL				
Unlisted club debenture	-	1	-	1
Fund investment	-	-	327	327
Financial asset at FVTOCI				
Unlisted investment in equity securities	-	-	1,708	1,708
Derivatives under hedge accounting				
Cross currency swaps	-	382	-	382
Interest rate swaps	-	15	-	15
Total	-	398	2,035	2,433
Financial liabilities				
Derivatives under hedge accounting				
Cross currency swaps	-	117	-	117
Interest rate swaps	-	397	-	397
Total	-	514	-	514

Financial Risk Management continued

For the year ended 31 December 2023

4. FAIR VALUE MEASUREMENT continued

(c) Reconciliation of Level 3 fair value measurement of financial asset

	Fund investment HK\$ million	Unlisted investment in equity securities HK\$ million
As at 1 January 2022	307	1,205
Addition	21	277
Transfer into level 3	–	268
Loss recognized in profit or loss	(1)	–
Loss recognized in other comprehensive income	–	(42)
As at 31 December 2022	327	1,708
Addition	37	10
Loss recognized in profit or loss	(267)	–
Loss recognized in other comprehensive expense	–	(258)
As at 31 December 2023	97	1,460

The unrealized fair value loss of HK\$267 million (2022: unrealized fair value loss of HK\$1 million) relating to fund investment at fair value through profits or loss is included in change in fair value of other financial investments.

(d) Valuation techniques and inputs used in fair value measurements

Cross currency swaps and interest rate 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 the fair value of underlying assets and liabilities as at the end of the reporting period and/or other valuation techniques including market approach, taking into account different multiples such as price per earnings/revenue 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 repurchase of existing perpetual capital securities or debt.

The net debt to equity ratio at the year end was as follows:

	2023 HK\$ million	2022 HK\$ million
Secured bank loans	7,852	7,833
Unsecured bank loans	2,171	2,707
Unsecured fixed rate notes	15,541	16,737
Borrowings	25,564	27,277
Less: Time deposits	(1,271)	(5,211)
Cash and cash equivalents	(2,583)	(2,560)
Net debt	21,710	19,506
Total equity	79,691	83,411
Net debt to equity	27.2%	23.4%

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

	2023 HK\$ million	2022 HK\$ million	2021 HK\$ million	2020 HK\$ million	2019 HK\$ million
Results					
Turnover	3,210	3,460	3,608	3,710	3,988
Property expenses	(621)	(567)	(499)	(490)	(536)
Gross profit	2,589	2,893	3,109	3,220	3,452
Investment income	261	248	92	272	154
Other gains and losses	1	(1)	(3)	8	(2)
Administrative expenses	(307)	(332)	(274)	(268)	(269)
Finance costs	(478)	(423)	(393)	(546)	(313)
Change in fair value of investment properties	(2,763)	(3,213)	(720)	(4,903)	792
Change in fair value of other financial investments	(267)	(1)	(5)	(3)	12
Share of results of associates	270	274	458	225	1,733
Share of results of joint ventures	(37)	(52)	(3)	–	–
(Loss) profit before taxation	(731)	(607)	2,261	(1,995)	5,559
Taxation	(295)	(342)	(358)	(353)	(473)
(Loss) profit for the year	(1,026)	(949)	1,903	(2,348)	5,086
Perpetual capital securities holders	(442)	(450)	(459)	(288)	–
Other non-controlling interests	596	242	(61)	89	(241)
(Loss) profit attributable to owners of the Company	(872)	(1,157)	1,383	(2,547)	4,845
Underlying profit for the year	1,832	2,129	2,330	2,398	2,587
Recurring underlying profit for the year	1,832	2,063	2,330	2,398	2,587
Dividends					
Dividends paid	1,479	1,486	1,497	1,502	1,507
Dividends declared	832	1,202	1,210	1,216	1,221
Dividends per share (HK cents)	108	144	144	144	144
(Loss) earnings per share (HK\$), based on:					
(Loss) profit for the year					
– basic	(0.85)	(1.12)	1.33	(2.44)	4.63
– diluted	(0.85)	(1.12)	1.33	(2.44)	4.63
Performance indicators					
Net debt to equity	27.2%	23.4%	11.7%	N/A	3.9%
Net interest coverage (after interest capitalization) (times)	9.6x	13.1x	9.1x	9.8x	17.0x
Net interest coverage (before interest capitalization) (times)	2.4x	3.9x	5.3x	9.8x	17.0x
Net asset value per share (HK\$)	65.4	68.4	71.4	70.9	74.4
Net debt (cash) per share (HK\$)	21.1	19.0	9.9	(5.7)	3.1
Year-end share price (HK\$)	15.5	25.3	24.1	28.4	30.6

As at 31 December

	2023 HK\$ million	2022 HK\$ million	2021 HK\$ million	2020 HK\$ million	2019 HK\$ million
Assets and liabilities					
Investment properties	96,005	96,787	95,107	74,993	79,116
Investments in associates	5,488	5,491	5,995	5,577	5,189
Loans to associates	8	10	10	11	11
Investments in joint ventures	445	473	475	125	143
Loans to joint ventures	4,029	3,485	1,256	1,153	1,090
Other financial investments	1,557	2,035	1,780	789	601
Time deposits, cash and cash equivalents	3,854	7,771	8,404	24,935	9,332
Other assets	3,140	3,113	4,346	2,172	1,561
Total assets	114,526	119,165	117,373	109,755	97,043
Borrowings	(25,564)	(27,277)	(18,657)	(18,970)	(12,529)
Taxation	(1,272)	(1,203)	(1,091)	(1,031)	(1,341)
Other liabilities	(7,999)	(7,274)	(9,740)	(2,305)	(2,201)
Total liabilities	(34,835)	(35,754)	(29,488)	(22,306)	(16,071)
Net assets	79,691	83,411	87,885	87,449	80,972
Perpetual capital securities	(10,224)	(10,224)	(10,657)	(10,657)	–
Other non-controlling interests	(2,285)	(2,987)	(3,358)	(3,112)	(3,322)
Shareholders' funds	67,182	70,200	73,870	73,680	77,650

Definitions:

- (1) Underlying profit for the year:
a non-HKFRS measure, is arrived at by adding (i) Reported (Loss) Profit 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 (after interest capitalization):
"Gross profit less administrative expenses before depreciation" divided by "net interest expenses charged to profit or loss"
- (5) Net Interest Coverage (before interest capitalization):
"Gross profit less administrative expenses before depreciation" divided by "net interest expenses charged to profit or loss plus interest expenses capitalized"
- (6) Net asset value per share:
shareholders' funds divided by number of issued shares as at year end
- (7) Net debt (cash) per share:
borrowings less time deposits, cash and cash equivalents divided by number of issued shares at year end

Report of the Valuer

To the Board of Directors

Hysan Development Company Limited

Dear Sirs,

Annual Revaluation of Investment Properties as at 31 December 2023

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 2023 was in the approximate sum of Hong Kong Dollars Ninety-six Billion and Five Million (Hong Kong Dollars 96,005 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, 20 February 2024

Schedule of Principal Properties

As at 31 December 2023

INVESTMENT PROPERTIES

	Address	Lot No.	Use	Category of the Lease	Percentage held by the Group
Hong Kong					
1. Bamboo Grove	74-86 Kennedy Road Mid-Levels Hong Kong	IL 8624	Residential	Medium term lease	100%
2. Hysan Place	500 Hennessy Road Causeway Bay Hong Kong	IL 29 sFF ML 365 RP	Commercial	Long lease	100%
3. Lee Garden One	33 Hysan Avenue Causeway Bay Hong Kong	IL 29 sDD IL 29 sMM IL 29 sL RP IL 457 sL IL 457 RP	Commercial	Long lease	100%
4. Lee Garden Two	28 Yun Ping Road Causeway Bay Hong Kong	IL 29 sG IL 457 sA IL 457 sO IL 457 sF IL 457 sH IL 457 sC ss1 & RP IL 457 sD ss1 & RP IL 457 sE ss1 & ss2 & RP IL 457 sG ss1 & RP IL 461 sC ss1 & ss2 & ss3 & RP	Commercial	Long lease	65.36%
5. Lee Garden Three	1 Sunning Road Causeway Bay Hong Kong	IL 29 sJ ss1 RP & ss2 & RP	Commercial	Long lease	100%

Schedule of Principal Properties continued

As at 31 December 2023

INVESTMENT PROPERTIES continued

	Address	Lot No.	Use	Category of the Lease	Percentage held by the Group
Hong Kong					
6. Lee Garden Five	18 Hysan Avenue Causeway Bay Hong Kong	IL 457 sN IL 29 sLL	Commercial	Long lease	100%
7. Lee Garden Six	111 Leighton Road Causeway Bay Hong Kong	IL 29 sKK	Commercial	Long lease	100%
8. Lee Theatre Plaza	99 Percival Street Causeway Bay Hong Kong	IL 1452 IL 472 RP IL 476 RP	Commercial	Long lease	100%
9. Leighton Centre	77 Leighton Road Causeway Bay Hong Kong	IL 1451 sB IL 1451 sC IL 1451 RP	Commercial	Long lease	100%
10. One Hysan Avenue	1 Hysan Avenue Causeway Bay Hong Kong	IL 29 sGG RP	Commercial	Long lease	100%
11. Inland Lot No 8945	Inland Lot No. 8945 Caroline Hill Road Causeway Bay Hong Kong*	IL 8945	Commercial	Medium term lease	60%
	Address		Use	Category of the Lease	Percentage held by the Group
Mainland					
1. Lee Gardens Shanghai	Nos 668 & 688 Xinzha Road, Jingan District, Shanghai, the PRC		Commercial	Medium term lease	100%

* 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 2023

	HK\$	Number of Ordinary Shares
Issued and fully paid-up capital	7,723,225,778	1,027,008,223

There was one class of ordinary shares with equal voting rights

DISTRIBUTION OF SHAREHOLDINGS

(At 31 December 2023, 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	2,556	76.619	3,316,612	0.323
5,001–50,000	672	20.144	10,623,090	1.034
50,001–100,000	58	1.738	4,330,650	0.422
100,001–500,000	41	1.229	8,144,416	0.793
500,001–1,000,000	3	0.090	1,802,299	0.175
Above 1,000,000	6	0.180	998,791,156	97.253
Total	3,336	100.00	1,027,008,223	100.00

TYPES OF SHAREHOLDERS

(At 31 December 2023, as per register of members of the Company)

Type of Shareholders	Number of ordinary shares held	% of the total no. of issued shares (Note)
1. Lee Hysan Company Limited	433,130,735	42.174
2. Other corporate shareholders	567,185,730	55.227
3. Individual shareholders	26,691,758	2.599
Total	1,027,008,223	100.00

LOCATION OF SHAREHOLDERS

(At 31 December 2023, 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	1,024,856,115	99.790
United States and Canada	1,897,551	0.185
United Kingdom	17,085	0.002
Others	237,472	0.023
Total	1,027,008,223	100.00

Note:

The percentages were computed based on the total number of shares of the Company as at 31 December 2023 (i.e. 1,027,008,223 ordinary shares).

Shareholder Information

FINANCIAL CALENDAR

Full year results announced	22 February 2024
Ex-dividend date for second interim dividend	6 March 2024
Closure of register of members and record date for second interim dividend	8 March 2024
Dispatch of second interim dividend warrants	(on or about) 22 March 2024
Closure of register of members for the 2024 AGM	31 May to 5 June 2024
2024 AGM	5 June 2024
2024 interim results to be announced	20 August 2024*

* subject to change

DIVIDEND

The Board declares the payment of a second interim dividend of HK81 cents per share. The second interim dividend will be payable in cash to the Shareholders whose names appear on the register of members as at Friday, 8 March 2024.

The register of members will be closed on Friday, 8 March 2024, 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, 7 March 2024.

Dividend warrants will be despatched to the Shareholders on or about Friday, 22 March 2024.

The register of members will also be closed from Friday, 31 May 2024 to Wednesday, 5 June 2024, both dates inclusive, for the purpose of determining Shareholders' entitlement to attend and vote at the 2024 AGM to be held on Wednesday, 5 June 2024, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2024 AGM, 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, 30 May 2024.

SHAREHOLDER SERVICES

For enquiries about share transfer and registration, please contact the Company's Registrar, Tricor Standard Limited (the "Registrar"):

Tricor Standard Limited
17/F, Far East Finance Centre
16 Harcourt Road
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.

This Annual Report (English and Chinese versions) is available on our website at www.hysan.com.hk (the "Company's Website") and the Stock Exchanges website at www.hkexnews.hk (the "Stock Exchange's Website"). Shareholders and investors who would like to be notified when the Company publishes its corporate communications* on the Stock Exchange's Website can register for the News Alerts service in the Market Data section of the HKEx Market website at https://www.hkex.com.hk/eng/invest/user/login_e.aspx.

Pursuant to the Listing Rules, the Hong Kong Companies Ordinance and the Articles, the Company supplies corporate communications to Shareholders by electronic means through the Company's Website and the Stock Exchange's Website with a notification of the publication of the corporate communications to the Shareholders concerned ("Electronic Means"), provided that the relevant Shareholders have consented to receiving the corporate communications by Electronic Means.

Shareholders may at any time choose to receive this Annual Report or other corporate communications in printed form in either English or Chinese language or both or by electronic means. Shareholders who have chosen to receive this Annual Report or other corporate communications using electronic means and who for any reason have difficulty in receiving or gaining access to this Annual Report or other corporate communications will promptly upon request be sent a printed copy free of charge.

Shareholders may at any time change their choice of the language and/or means of receipt of this Annual Report or other corporate communications of the Company by notice in writing to the Company or the Registrar, or by email to hysan14-ecom@hk.tricorglobal.com or cosec@hysan.com.hk. The Change Request Form may be downloaded from the Company's Website.

* The term "corporate communications" refers to all "corporate communications" as defined in the Listing Rules, including without limitation, Interim/Annual Reports, notices, circular, proxy forms of the Company.

INVESTOR RELATIONS

For enquiries relating to investor relations, please email to 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*)
Chung Cordelia**
Churchouse Frederick Peter**
Fan Yan Hok Philip**
Poon Chung Yin Joseph**
Wong Ching Ying Belinda**
Young Elaine Carole**
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*)
Chung Cordelia**
Churchouse Frederick Peter**

NOMINATION COMMITTEE

Lee Irene Yun-Lien (*Chairman*)
Chung Cordelia**
Churchouse Frederick Peter**
Poon Chung Yin Joseph**
Lee Chien*

* Non-Executive Director

** Independent Non-Executive Director

SUSTAINABILITY COMMITTEE

Young Elaine Carole** (*Chairman*)
Wong Ching Ying Belinda**
Lee Tze Hau Michael*

COMPANY SECRETARY

Chow Lai Kwan

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.

SHARE LISTING

Hysan's shares are listed on the Stock Exchange. It has a sponsored American Depositary Receipts ("ADR") Programme in the New York market.

STOCK CODE

Stock Exchange: 00014
Bloomberg: 14HK
Reuters: 0014.HK
Ticker Symbol for ADR Code: HYSNY
CUSIP reference number: 449162304

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants and
Registered Public Interest Entity Auditors
35/F, One Pacific Place
88 Queensway
Hong Kong

The English version shall prevail in the case of any discrepancy or inconsistency between the English and Chinese versions.

Hysan Development Company Limited
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