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恒基兆業地產有限公司
HENDERSON LAND DEVELOPMENT COMPANY LIMITED
Incorporated in Hong Kong with limited liability
(Stock Code : 12)

2021 FINAL RESULTS ANNOUNCEMENT

CHAIRMEN'S STATEMENT

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The Group's underlying profit attributable to equity shareholders for the year ended 31 December 2021 was HK$13,624 million, representing a decrease of HK$1,275 million or 9% from HK$14,899 million for the previous year. During the year under review, an attributable gain of HK$1,889 million was recorded as a result of the consolidation of assets and liabilities of Miramar Hotel and Investment Company, Limited ("Miramar") re-measured at fair value on 14 April 2021 upon becoming a subsidiary of the Group. The decrease in underlying profit was mainly due to an underlying profit contribution of about HK$3,629 million was recognised in the previous year arising from the transfer of the Group's equity interest in the company owning certain land lots in Wo Shang Wai, the New Territories. Underlying earnings per share were HK$2.81 (2020: HK$3.08).

During the year under review, an attributable share of fair value loss of HK$429 million (2020: HK$4,707 million) (which included the adjustments of cumulative fair value change of investment properties disposed of during the year) was recorded after revaluation of the Group's completed investment properties and investment properties under development. Including such fair value loss, the Group's reported profit attributable to equity shareholders for the year under review amounted to HK$13,195 million, representing an increase of HK$3,003 million or 29% over that of HK$10,192 million for the previous year. Reported earnings per share were HK$2.73 (2020: HK$2.11).

DIVIDENDS

The Board recommends the payment of a final dividend of HK$1.30 per share to shareholders whose names appear on the Register of Members of the Company on Friday, 10 June 2022, and such final dividend will not be subject to any withholding tax in Hong Kong. Including the interim dividend of HK$0.50 per share already paid, the total dividend for the year ended 31 December 2021 will amount to HK$1.80 per share (2020: HK$1.80 per share).

The proposed final dividend is expected to be distributed to shareholders on Tuesday, 21 June 2022.

BUSINESS REVIEW

Hong Kong

Property Sales

In 2021, the Government rolled out a mass vaccination programme. Following a short-term stabilisation of the epidemic situation in Hong Kong, certain social distancing measures were relaxed and various sectors resumed their normal activities once again. Despite ongoing cross-border travel restrictions, the low interest-rate environment and local housing demand continued to bode well for the housing market in Hong Kong.

During the year under review, the attributable revenue and pre-tax profit contribution from the Group's property sales in Hong Kong amounted to approximately HK$11,618 million and HK$4,193 million respectively, representing year-on-year decreases of 17% and 46% respectively. The decreases were mainly due to the revenue of about HK$4,700 million, as well as its related profit contribution of about HK$3,629 million, being recognised in the previous year arising from the transfer of the Group's equity interest in the company holding the Wo Shang Wai project.

During the year, the Group launched an array of urban projects for sale, including "The Henley (Phase 1 and Phase 3)" in Kai Tak, "The Upper South" in Ap Lei Chau, "The Holborn" in Quarry Bay and "Caine Hill" in Mid-Levels. "Caine Hill" was well received by the market and over 84% of the launched residential units were sold at the end of this financial year. "The Hampstead Reach" in Yuen Long and "Skypoint Royale" ("The Royale" – Phase 3) in Tuen Mun which was developed by the Group's associate – Hong Kong Ferry (Holdings) Company Limited, both in the New Territories, were also released in this financial year. All these developments sold well. Together with the sales of the current launched projects and some other properties (including car parks), the Group achieved attributable contracted sales of approximately HK$14,191 million in Hong Kong for the year ended 31 December 2021, representing a year-on-year increase of 77%.

At the end of December 2021, attributable contracted sales of approximately HK$13,414 million are yet to be recognised in the accounts, of which approximately HK$10,872 million is scheduled for recognition in 2022 upon completion of development and handover to buyers.

After the end of this financial year, the Group released "The Harmonie" in Cheung Sha Wan for sale in January 2022. The market response was encouraging, even amid the latest wave of local epidemic. Almost all the launched residential units were sold.

Property Development

During the year under review, the Group acquired the prestigious commercial Site 3 of New Central Harbourfront (Inland Lot No. 9088) at a consideration of HK$50,800 million. The site will be developed in two phases into a 1,600,000-square-foot mixed-use development. In addition, over 300,000 square feet of landscaped open space will be created for public use. With the scheduled completion in 2027 and 2032 respectively for its two-phased development, this project is poised to feature as another iconic world-class landmark in the Central Business District of Hong Kong akin to the "International Finance Centre" and "The Henderson".

Meanwhile, the Group was also awarded the tender for Bailey Street / Wing Kwong Street Development Project in To Kwa Wan by the Urban Renewal Authority with a tender amount at HK$8,189 million. Pursuant to the shareholders' agreement subsequently entered into in February 2022, this project will be jointly developed with Empire Development Hong Kong (BVI) Limited and Hysan Development Company Limited into a development with residential units, commercial properties and public car parks, providing a total gross floor area of over 700,000 square feet upon completion. This joint venture project is 50% owned by the Group.

As regards urban redevelopment projects (including the projects awarded by the Urban Renewal Authority), projects with 80% to 100% ownership secured amounted to 3.85 million square feet in total attributable gross floor area, in addition to a total of approximately 0.6 million square feet in attributable gross floor area that has been earmarked for sales launch in 2022.

The Group has made use of a multi-faceted approach to replenish its development land bank in Hong Kong. Except for certain projects earmarked for rental purposes, there will be an ample supply of saleable areas for the Group's property sales in the coming years as referred to in the following tables:

Below is a summary of properties held for/under development and major completed stock:

			Attributable saleable/gross floor area (million sq. ft.) *(Note 1)*	**Remarks**
(A)	**Area available for sale in 2022**			
1.	Unsold units from the major development projects offered for sale	(Table 1)	0.9	
2.	Projects pending sale in 2022	(Table 2)	2.3	
		Sub-total:	**3.2**	
(B)	**Projects in Urban Areas**			
3.	Existing Urban Redevelopment Projects	(Table 3)	0.9	Dates of sales launch are not yet fixed and one of them is pending finalisation of the amount of land premium with the Government
4.	Newly-acquired Urban Redevelopment Projects			
	4.1 with ownership fully consolidated	(Table 4)	2.9	Most of them are expected to be available for sale or lease in 2023-2024
	4.2 with 80% or above ownership secured	(Table 4)	0.9	Most of them are expected to be available for sale in 2024-2026
	4.3 with over 20% but less than 80% ownership secured	(Table 5)	0.6	Redevelopments of these projects are subject to acquisition of full ownerships

5.	The Henderson Murray Road, Central	0.5	To be held for rental purposes upon completion of development
6.	Site 3 of New Central Harbourfront (Inland Lot No. 9088)	1.6	To be held for rental purposes upon completion of development
	Sub-total:	**7.4**	
	Total for the above categories (A) and (B) development projects:	**10.6**	

(C) Major development projects in the New Territories

– Fanling North	3.5	*(Note 2)*
– Fanling Sheung Shui Town Lot No. 262 Fanling North (Phases 2 and 3)	0.4	*(Note 3)*
– Fanling Sheung Shui Town Lot No. 263 Kwu Tung	0.3	*(Note 3)*
– Others	0.4	*(Note 2)*
Sub-total:	**4.6**	
Total for categories (A) to (C):	**15.2**	

Note 1: Gross floor area is calculated on the basis of the Buildings Department's approved plans or the Government's latest town planning parameters, as well as the Company's development plans. For certain projects, these details may be subject to change depending on the actual needs in future.

Note 2: Developable area is subject to finalisation of land premium.

Note 3: The Group finalised in-situ land exchange with land premium settled for these land lots in 2017.

(Table 1) Unsold units from the major development projects offered for sale

There are 23 major development projects available for sale:

	Project name and location	Gross floor area (sq. ft.)	Type of development	At 31 December 2021 No. of residential units remaining unsold	Saleable area remaining unsold (sq. ft.)	Group's interest (%)	Attributable saleable area remained unsold (sq. ft.)
1.	The Henley (Phases 1 and 3 of the Henley) 7 Muk Tai Street, Kai Tak (formerly known as project at New Kowloon Inland Lot No. 6565, Kai Tak)	654,602 *(Note 1)*	Commercial/ Residential	437	221,767	100.00	221,767
2.	Eden Manor 88 Castle Peak Road Kwu Tung	555,399	Residential	147	161,629	100.00	161,629
3.	The Holborn 1 Shau Kei Wan Road Quarry Bay	132,363	Residential	343	90,287	100.00	90,287
4.	Aquila • Square Mile 38 Fuk Chak Street Mong Kok	180,427	Commercial/ Residential	86	26,435	100.00	26,435
5.	Caine Hill 73 Caine Road Mid-Levels	64,116	Commercial/ Residential	108	26,137	100.00	26,137
6.	Wellesley 23 Robinson Road Mid-Levels West	156,900 *(Note 2)*	Residential	28	47,203	50.00 *(Note 2)*	23,602
7.	Cetus • Square Mile 18 Ka Shin Street Mong Kok	176,256	Commercial/ Residential	57	17,179	100.00	17,179
8.	Double Cove – Phases 1-5 8 Wu Kai Sha Road Ma On Shan	2,950,640	Commercial/ Residential	7	20,148	59.00	11,887
9.	Arbour 2 Tak Shing Street Tsim Sha Tsui	89,527	Commercial/ Residential	24	11,685	100.00	11,685
10.	The Upper South 71 Main Street Ap Lei Chau	40,318	Commercial/ Residential	52	10,573	100.00	10,573
11.	The Royale – Phases 1-3 8 Castle Peak Road - Castle Peak Bay Tuen Mun	663,062	Residential	40	29,114	16.71	4,865

12.	The Hampstead Reach 8 Ping Kin Lane Yuen Long	27,868	Residential	2	3,602	100.00	3,602
13.	South Walk・Aura 12 Tin Wan Street Aberdeen	37,550	Commercial/ Residential	14	3,443	100.00	3,443
14.	The Addition 342-356 Un Chau Street Cheung Sha Wan	79,903	Commercial/ Residential	9	3,253	100.00	3,253
15.	Two・Artlane 1 Chung Ching Street Sai Ying Pun	90,102	Commercial/ Residential	13	2,877	100.00	2,877
16.	The Richmond 62C Robinson Road Mid-Levels West	33,678	Commercial/ Residential	5	2,328	100.00	2,328
17.	NOVUM EAST 856 King's Road Quarry Bay	177,814	Commercial/ Residential	8	2,282	100.00	2,282
18.	The Vantage 63 Ma Tau Wai Road Hung Hom	207,254	Commercial/ Residential	5	2,125	100.00	2,125
19.	PARKER33 33 Shing On Street Shau Kei Wan	80,090	Commercial/ Residential	2	1,134	100.00	1,134
20.	Global Gateway Tower 61A-61E and 63 Wing Hong Street Cheung Sha Wan	336,052	Industrial	Not applicable	75,693 *(Note 3)*	100.00	75,693 *(Note 3)*
21.	E-Trade Plaza 24 Lee Chung Street Chai Wan	173,850	Office	Not applicable	60,359 *(Note 3)*	100.00	60,359 *(Note 3)*
22.	Mega Cube 8 Wang Kwong Road Kowloon Bay	171,194	Office	Not applicable	48,622 *(Note 3)*	100.00	48,622 *(Note 3)*
23.	The Globe 79 Wing Hong Street Cheung Sha Wan	172,113	Office	Not applicable	50,623 *(Note 3)*	100.00	50,623 *(Note 3)*
			Total:	**1,387** *(Note 4)*	**918,498**		**862,387**

Note 1: Representing the total gross floor area for the whole project.

Note 2: The Group's interest represents 25.07% of the development. After the allocation of the residential units, the Group holds jointly with one developer a 50/50 interest in the residential units so allocated.

Note 3: Representing the office, industrial or shop area.

Note 4: Out of the above 1,387 unsold residential units, 844 units were completed with occupation permits at 31 December 2021.

(Table 2) Projects pending sale in 2022

In the absence of disruption caused by the pandemic or any other unforeseen delays, the following projects will be available for sale in 2022:

	Project name and location	Gross floor area (sq. ft.)	Type of development	No. of residential units	Residential gross floor area (sq. ft.)	Group's interest (%)	Attributable residential gross floor area (sq. ft.)
1.	The Harmonie 233 Castle Peak Road Cheung Sha Wan (launched for sale in January 2022)	159,748	Commercial/ Residential	318 *(Note 1)*	105,659 *(Notes 1 and 2)*	100.00	105,659 *(Notes 1 and 2)*
2.	New Kowloon Inland Lot No. 6562, Kai Tak *(Note 3)*	397,967	Residential	740	397,967	100.00	397,967
3.	New Kowloon Inland Lot No. 6554, Kai Tak *(Note 3)*	1,205,015	Commercial/ Residential	2,062	1,094,825	30.00	323,020
4.	Fanling Sheung Shui Town Lot No. 262, Fanling North (Phase 1) *(Note 3)*	612,477 *(Note 4)*	Residential	603	235,783	100.00	235,783
5.	New Kowloon Inland Lot No. 6576, Kai Tak *(Note 3)*	722,054	Residential	1,590	722,054	30.00	216,616
6.	5 Sham Mong Road Mong Kok (formerly known as project at 25-29 Kok Cheung Street Mong Kok)	242,518	Commercial/ Residential	614	202,147	100.00	202,147
7.	The Henley (Phase 2 of the Henley) 7 Muk Tai Street, Kai Tak (formerly known as project at New Kowloon Inland Lot No. 6565, Kai Tak)	654,602 *(Note 4)*	Commercial/ Residential	301	179,559	100.00	179,559
8.	New Kowloon Inland Lot No. 6574, Kai Tak *(Note 3)*	574,587	Residential	1,219	574,587	29.30	168,354
9.	New Kowloon Inland Lot No. 6552, Kai Tak *(Note 3)*	641,160	Commercial/ Residential	566	619,330	18.00	111,479
10.	30-44 Gillies Avenue South/75-77 Baker Street Hung Hom	120,752	Commercial/ Residential	324	101,019	100.00	101,019
11.	23-27 Whampoa Street/ 79-81 Baker Street Hung Hom	108,817	Commercial/ Residential	280	91,427	100.00	91,427

12. 46-50 Gillies Avenue South/39-41 Whampoa Street/12A-22A Baker Street Hung Hom	107,973	Commercial/ Residential	278	90,142	100.00	90,142
13. 280 Tung Chau Street Sham Shui Po *(Note 3)*	144,345	Commercial/ Residential	262 *(Note 1)*	97,845 *(Note 1)*	33.41	32,690 *(Note 1)*
		Total:	**9,157**	**4,512,344**		**2,255,862**

Note 1: Representing the Group's entitlement for this Urban Renewal Authority project.

Note 2: Representing the residential saleable area.

Note 3: Pending the issue of pre-sale consent.

Note 4: Representing the total gross floor area for the whole project.

(Table 3) Existing Urban Redevelopment Projects

The Group has two existing projects under redevelopment or land-use conversion and the dates of their sales launch are not yet fixed. As outlined below, they are expected to provide about 0.9 million square feet in attributable gross floor area in the urban areas based on the Buildings Department's approved plans or the Government's latest town planning:

	Project name and location	**Site area (sq. ft.)**	**Expected gross floor area upon redevelopment (sq. ft.)**	**Group's interest (%)**	**Expected attributable gross floor area upon redevelopment (sq. ft.)**
1.	Yau Tong Bay Kowloon *(Note)*	808,398	3,981,712	22.80	907,830
2.	29A Lugard Road The Peak Hong Kong	23,653	11,703	100.00	11,703
	Total:	**832,051**	**3,993,415**		**919,533**

Note: The general building plan (after adjustment of site boundary) was approved in July 2017. The Government's provisional basic terms were accepted in July 2020. The amount of land premium is under appeal and it is pending the review by the Government.

(Table 4) Newly-acquired Urban Redevelopment Projects – with 80% to 100% ownership secured

The Group has 25 newly-acquired urban redevelopment projects with 80% to 100% ownership secured. Their expected attributable gross floor areas, based on the Buildings Department's approved plans or the Government's latest town planning, are as follows:

		With 100% ownership secured		With over 80% but less than 100% ownership secured*		
	Project name and location	**Site area (sq. ft.)**	**Expected attributable gross floor area upon redevelopment (sq. ft.)**	**Site area (sq. ft.)**	**Expected attributable gross floor area upon redevelopment (sq. ft.)**	**Total attributable gross floor area (sq. ft.)**
	Hong Kong					
1.	4A-4P Seymour Road Mid-Levels (65% stake held by the Group)	52,453	306,850			306,850
2.	88 Robinson Road Mid-Levels	10,361	51,805			51,805
3.	94-100 Robinson Road Mid-Levels	12,160	60,800			60,800
4.	105 Robinson Road Mid-Levels	27,530	126,638			126,638
5.	33-47A Elgin Street Mid-Levels	13,252	105,332			105,332
6.	1-4 Ladder Street Terrace Mid-Levels	2,859	13,907			13,907
7.	63 Macdonnell Road Mid-Levels			3,155	13,251	13,251
8.	13-21 Wood Road and 22-30 Wing Cheung Street Wanchai	6,392	51,068	2,208	19,722	70,790
9.	9-13 Sun Chun Street Tai Hang			2,019	18,171	18,171
10.	17-25 Sun Chun Street Tai Hang			4,497	40,473	40,473
11.	83-95 Shek Pai Wan Road and 2 Tin Wan Street Aberdeen	4,950	42,075	1,128	10,716	52,791
12.	4-6 Tin Wan Street Aberdeen			1,740	14,790	14,790
13.	983-987A King's Road and 16-22 and 24-94 Pan Hoi Street Quarry Bay (50% stake held by the Group)			43,882	176,760	176,760
	Sub-total:	**129,957**	**758,475**	**58,629**	**293,883**	**1,052,358**

	Project name and location	With 100% ownership secured: Site area (sq. ft.)	With 100% ownership secured: Expected attributable gross floor area upon redevelopment (sq. ft.)	With over 80% but less than 100% ownership secured*: Site area (sq. ft.)	With over 80% but less than 100% ownership secured*: Expected attributable gross floor area upon redevelopment (sq. ft.)	Total attributable gross floor area (sq. ft.)
	Kowloon and New Territories					
14.	16 Kimberley Road Tsim Sha Tsui (Block B, Champagne Court)			12,283	147,396	147,396
15.	Various projects spanning Ka Shin Street, Pok Man Street, Man On Street and Tai Kok Tsui Road, Tai Kok Tsui	16,060	144,410	15,745	141,705	286,115 *(Note 1)*
16.	456-466 Sai Yeung Choi Street North and 50-56A Wong Chuk Street, Sham Shui Po	22,889	205,890			205,890
17.	1-27 Berwick Street 202-220 Nam Cheong Street and 1-14 Yiu Tung Street Shek Kip Mei	45,525	409,725			409,725
18.	Various projects spanning Gillies Avenue South Baker Street and Whampoa Street, Hung Hom	75,339	688,034			688,034 *(Note 2)*
19.	68A-76B To Kwa Wan Road 58-76 Lok Shan Road 14-20 Ha Heung Road 1-7 Lai Wa Street and 1-9 and 2-8 Mei Wa Street To Kwa Wan	10,196	91,764	32,310	282,591	374,355
20.	Bailey Street/Wing Kwong Street Development Project, To Kwa Wan (This project was awarded by the Urban Renewal Authority with 50% stake held by the Group)	79,718	358,731			358,731
21.	4 Liberty Avenue Ho Man Tin			4,882	39,933	39,933
22.	11-19 Wing Lung Street Cheung Sha Wan *(Note 3)*	6,510	58,300			58,300
23.	67-83 Fuk Lo Tsun Road Kowloon City *(Note 3)*	10,954	92,425			92,425
24.	4-24 Nam Kok Road Kowloon City (76.468% stake held by the Group)	13,113	89,559			89,559
25.	3 Mei Sun Lane Tai Po	7,976	43,220			43,220
	Sub-total:	**288,280**	**2,182,058**	**65,220**	**611,625**	**2,793,683**
	Total:	**418,237**	**2,940,533**	**123,849**	**905,508**	**3,846,041**

* *Their ownerships will be consolidated by proceeding to court for compulsory sale under the "Land (Compulsory Sale for Redevelopment) Ordinance". In the event that no court order is granted, the Group may not be able to complete the consolidation of the ownership for development.*

Note 1: Excluding those projects already offered for sale (namely, "Eltanin • Square Mile", "Cetus • Square Mile" and "Aquila • Square Mile") in this cluster, as well as the Sham Mong Road project in the sales pipeline in 2022, which boast collectively a total gross floor area of about 770,000 square feet.

Note 2: Excluding three projects in this cluster, which are in the sales pipeline in 2022 and boast a total gross floor area of about 340,000 square feet.

Note 3: Developable area may be subject to finalisation of land premium.

(Table 5) Newly-acquired Urban Redevelopment Projects – with over 20% but less than 80% ownership secured

The Group has other acquisitions in progress, comprising 27 projects located in various urban districts. Currently, ownership ranging from over 20% to below 80% of each project has been achieved. If and when their ownerships are successfully consolidated, based on the Government's latest town planning, the total estimated attributable gross floor area would be about 1,700,000 square feet against their total attributable land areas of about 190,000 square feet upon completion of redevelopment. Based on the respective ownership currently secured by the Group for each project, the total pro-rata attributable gross floor area is about 630,000 square feet. Successful acquisitions of the above projects bear uncertainty. The Group may not be able to consolidate ownerships of all projects. Redevelopment can only be implemented upon acquisition of the full ownerships of the relevant projects.

Land Bank

During the year under review, the commercial Site 3 of the New Central Harbourfront (Inland Lot No. 9088) adjacent to the Group's "International Finance Centre" was acquired at a consideration of HK$50,800 million. In assessing the tenders, apart from the land premium, the Government placed an equal emphasis on the design proposals. Based on the concept of "the Bridge", the Group's proposed design for the site is a world-class iconic landmark that enhances the connectivity between the hinterland and harbourfront in Central, and creates a vast amount of green and public spaces. This design proposal, which is expected to achieve good integration with the surrounding environment and vitalise the harbourfront area, received the highest marks from the tender assessment panel. The 1,600,000-square-foot project will be developed in two phases, with the first phase due to be completed by 2027. Phase 1 will comprise about 270,000 square feet of office space, 340,000 square feet of multi-functional space and 900 parking spaces. Phase 2 will be completed by 2032, with an addition of about 390,000 square feet of office space, 600,000 square feet of retail space and an underground connection to the Central MTR Station. In addition, over 300,000 square feet of landscaped public open space will be created, connecting the hinterland with the waterfront promenade in Central. Together with other distinctive features such as an indoor 6-story aquarium and a piazza space with the reinstatement of the former Star Ferry Clock Tower, upon completion this project is poised to be a social destination dedicated to public enjoyment. This iconic landmark will be held for rental and long-term investment purposes. Together with its neighbouring "International Finance Centre", as well as "The Henderson" which is scheduled for completion in 2023, Henderson Land's rental portfolio in Central will expand to about 3.3 million square feet in attributable gross floor area, elevating the Group's presence in the Central Business District of Hong Kong.

The Group was also awarded the tender for Bailey Street / Wing Kwong Street Development Project in To Kwa Wan by the Urban Renewal Authority with a tender amount at HK$8,189 million. Pursuant to the shareholders' agreement subsequently entered into in February 2022, this project will be jointly developed with Empire Development Hong Kong (BVI) Limited and Hysan Development Company Limited into a development with residential units, commercial properties and public vehicle parks, providing a total gross floor area of over 700,000 square feet upon completion. This joint venture project, which is 50% owned by the Group, is expected to create synergy with the Group's several other redevelopment projects in the area and enhance the overall liveability of the Kowloon East district, while contributing to sustainable development.

Details of the additions are summarised as follows:

	Location	Lease Expiry	Site area (sq. ft.)	Group's interest (%)	Estimated attributable gross floor area (sq. ft.)	Attributable consideration (HK$ million)
1.	Site 3 of the New Central Harbourfront (Inland Lot No. 9088)	2071	516,312	100.00	1,614,585	50,800.0
2.	Bailey Street/Wing Kwong Street Development Project To Kwa Wan	2071	79,718	50.00	358,731	4,094.5
				Total:	**1,973,316**	**54,894.5**

The Group currently has a land bank in Hong Kong comprising a total attributable gross floor area of approximately 25.4 million square feet, made up as follows:

		Attributable gross floor area (million sq. ft.)
Properties held for/under development *(Note)*		14.3
Unsold units from major launched projects		0.9
	Sub-total:	**15.2**
Completed properties (including hotels) for rental		10.2
	Total:	**25.4**

Note: Including the total attributable developable area of about 3.9 million square feet from Fanling North and other projects, which are subject to finalisation of land premium.

Land in Urban Areas

In addition to those already in the sales pipeline as mentioned above, the Group has urban redevelopment projects of old tenement buildings with entire or over 80% ownership acquired, representing a total attributable gross floor area of about 3.85 million square feet, which are expected to be available for sale or lease in 2023 and beyond.

During the year under review, the Group completed the acquisition of the entire interests in certain development projects. In collaboration with the adjacent building, the site of the existing project at Nam Kok Road, Kowloon City was also enlarged. In addition, the Group's 22.8% owned residential-cum-commercial project at Yau Tong Bay is pending the Government's review of the amount of land premium. This harbourfront development is expected to provide a total attributable gross floor area of about 900,000 square feet.

New Territories land

During the year under review, the Group acquired further New Territories land lots of about 450,000 square feet. However, the Government reclaimed a total land area of about 140,000 square feet in Kam Tin, Tong Yan San Tsuen and Lam Tei for public use by payment of cash compensation for an aggregate amount of about HK$114 million. After taking into account the land resumption and land bank adjustment, the Group's New Territories land reserves were expanded to approximately 44.9 million square feet at the end of December 2021, representing the largest holding among all property developers in Hong Kong:

By District		**Attributable land area (million sq. ft.)**
Yuen Long District		25.6
North District		12.3
Tuen Mun District		3.6
Tai Po District and others		3.4
	Total:	**44.9**

The Group holds a total land area of 1.38 million square feet in Fanling North and Kwu Tung North New Development Areas. Of this, three separate lots with a combined total land area of roughly over 600,000 square feet in Fanling North are assessed to be eligible for in-situ land exchange and the Government may resume the rest for public use by payment of cash compensation. The Group has applied for in-situ land exchange for these three separate land lots and they have been accepted by the Government for further processing. According to the Government's latest Practice Note No.1/2022, all applications for in-situ land exchanges have to be concluded on or before 30 June 2023. These three lots, having respective site areas of 228,000 square feet, 240,000 square feet and 241,000 square feet (including stakes owned by the Government and joint venture companies), are expected to provide an aggregate residential gross floor area of approximately 3.03 million square feet and a commercial gross floor area of approximately 440,000 square feet. Developable areas for these sites are subject to finalisation of land premium. In the 2021 Policy Address, the Government announced that standardisation of land premium assessment would be implemented so as to speed up the conversion of farmland for residential land use. This scheme, which was targeted for launch in the first half of 2022, would first be applicable to those applications in Fanling North New Development Area.

In January 2014, the Government commenced its "Preliminary Feasibility Study on Developing the New Territories North" on an area of about 5,300 hectares. In September 2014, the Government announced the "Railway Development Strategy", including its long-term plan to further extend the railway line to Kwu Tung and Ping Che. In order to increase land supply for housing, the Government announced to implement the "Yuen Long South Development Project" and "Kam Tin South Development Project". The Group holds certain pieces of land in these areas.

As for the "Hung Shui Kiu New Development Area Planning and Engineering Study", the area concerned comprises about 714 hectares. The Group holds a total land area of approximately 6.4 million square feet in this location. Under the draft Hung Shui Kiu and Ha Tsuen Outline Zoning Plan, a new town with a population of about 215,000 people and 60,000 additional flats is proposed, of which about 50% are currently designated for private developments. The Government will study the potential increase in the ratio of public housing. Impacts on the Group arising from these proposals are to be assessed. The Group will continue to work in line with the Government's development policies and will follow up closely on its development plans.

The Pilot Scheme for Arbitration on Land Premium, which was introduced by the Government in October 2014, was extended to October 2022. This Pilot Scheme aims to facilitate the early conclusion of land premium negotiations and expedite land supply for housing and other uses. The Group will thus consider requesting arbitration on its land exchange or lease modification cases when necessary.

In order to increase and expedite land supply, the Lands Department has already established a centralised Land Supply Section for accelerating "big ticket" lease modification and land exchange cases and further centralisation of premium assessments, so as to streamline and expedite the development process. The Group's Yau Tong Bay project is now handled by this section. In addition, the Development Projects Facilitation Office was set up under the Development Bureau to facilitate the processing of development approval applications for larger-scale private residential sites leading up to the commencement of works.

The Government announced that it had fully accepted the recommendations tendered by the Task Force on Land Supply regarding land supply strategy and eight land supply options worthy of priority studies and implementation, which included “Tapping into Private Agricultural Land Reserve in the New Territories”. The Government has already announced specific criteria in respect of the implementation framework for its “Land Sharing Pilot Scheme” in 2020. To work in line with the Government’s policy aimed at alleviating the keen housing demand, the Group submitted an application to the relevant authority under this scheme in conjunction with another developer earlier this month, after reviewing the Group’s land holding in the New Territories. The area concerned in this application is located in Lam Tsuen, Tai Po, covering a site area of about 2 million square feet or 19.3 hectares, which is slightly larger than Victoria Park in Hong Kong. It is proposed to be built into a total of 12,120 housing units, of which 70% (8,484 units) will be developed for the Government’s public housing, whilst the remaining 30% (3,636 units) will be designated as private housing development for sales. If the application is successfully approved, it is expected that the project will be completed in or before 2031. The Group hopes that by participating in this scheme, the relevant land resources can be used more efficiently with their development potential to be unleashed earlier.

In the 2021 Policy Address, the Government proposed a large-scale development plan of “The Northern Metropolis”, which might have enormous impacts on the future outlook of the areas concerned and to Hong Kong as a whole. The Group will follow up closely and work in line with this development plan.

Investment Properties

Along with the short-term stable epidemic situation in the latter half of 2021, Hong Kong's GDP for 2021 as a whole increased by 6.4% in real terms compared with a year earlier, reversing the declines in the previous two years. In addition, the Government rolled out mass vaccination in early 2021, relaxed certain social distancing measures and subsequently launched the Consumption Voucher Scheme. Local consumption activities recovered again, despite stalled inbound tourism. As a result, the value of total retail sales in Hong Kong increased by 8.1% compared with a year earlier.

During the year under review, the Group's attributable share of gross rental income in Hong Kong (including the attributable share of contributions from subsidiaries, associates and joint ventures) decreased by 4% year-on-year to HK$6,534 million. The attributable share of pre-tax net rental income (including the attributable contributions from subsidiaries, associates and joint ventures) also decreased by 9% year-on-year to HK$4,556 million. Included therein is attributable gross rental income of HK$1,818 million contributed from the Group's attributable 40.77% interest in The International Finance Centre ("ifc") project (representing a decrease of 8% from HK$1,967 million in 2020). The decrease in rental income was mainly due to the amortisation effect of the rental concessions, which were offered to certain distressed tenants due to the outbreak of the pandemic in 2020, as well as the negative rental reversions upon tenancy renewals.

As at 31 December 2021, the average leasing rate for the Group's major rental properties was 95%.

During the year under review, the podium malls of "The Henley" in Kai Tak, as well as various developments within "The H Collection" (including "The Vantage", "Aquila・Square Mile", "Two・Artlane", "Arbour", "The Addition" and "The Richmond"), were completed for leasing. At the end of December 2021, the Group's completed investment property portfolio in Hong Kong was enlarged to about 9.7 million square feet in attributable terms with its breakdown as follows:

By type		Attributable gross floor area (million sq. ft.)	Percentage (%)
Shopping arcade or retail		5.4	56
Office		3.5	36
Industrial		0.4	4
Residential and hotel apartment		0.4	4
	Total:	**9.7**	**100**

By geographical area		Attributable gross floor area (million sq. ft.)	Percentage (%)
Hong Kong Island		2.5	26
Kowloon		3.3	34
New Territories		3.9	40
	Total:	**9.7**	**100**

Besides, there were about 8,300 car parking spaces attributable to the Group, providing another rental income stream.

Retail portfolio

During the year under review, the overall occupancy of the Group's major shopping malls (except those under renovation or undergoing a tenant mix realignment) recorded an uptick.

In addition to the regular facility upgrades of its shopping malls to maintain their competitive edge, the Group also closely monitored the market trends and rolled out many in-mall marketing initiatives so as to bring a more refreshing shopping experience to customers. For instance, the Olympic Games have always been one of the most spectacular events and the best ever results achieved by Hong Kong's athletes at the Tokyo Olympic Games have further aroused the public's interest in sports. In order to foster local sports development, the Group joined hands with the Hong Kong Sports Institute in organising a series of sports-related events at MCP Central and MCP Discovery at Tseung Kwan O. Various events were held where the Olympics medalists and elite athletes shared their experiences. Four different sports training zones (namely, cycling, fencing, windsurfing and rowing) were also set up in the malls for shoppers to experience the athletes' cutting-edge, professional training equipment. These events were well-received and aroused extensive publicity in the media, with shoppers' traffic for these malls thus enhanced. Meanwhile, the Group continued to leverage its offline and online platforms to launch marketing campaigns. During the year under review, tens of thousands of new members were recruited for its integrated customer loyalty programme (namely, "H • COINS") and over two million transactions were recorded for its sales promotion activities.

"H Zentre", a healthcare hub complemented by dining and retail facilities, also performed well. Despite the challenging external environment, a number of high-end eateries established their presence in this prestigious development. With more spaces taken up by its existing medical tenant, namely "Union Hospital", a higher occupancy rate was recorded. Various prominent restaurants and medical service providers are scheduled to open in 2022, further reinforcing its distinctive position in the Tsim Sha Tsui commercial district.

Office portfolio

Hong Kong's office rental decline was moderated. Besides, the Group implemented timely mitigating measures against the pandemic. Its premium office buildings on Hong Kong Island, such as "ifc" in Central — the core business district — as well as "AIA Tower" in North Point, therefore recorded consistently high occupancy and satisfactory rental levels during the year under review. The newly-built office developments, namely "Harbour East" in North Point and "208 JOHNSTON" in Wanchai, attracted strong interests from discerning corporates looking for quality buildings, and achieved higher occupancies compared to a year earlier. The Group's office and industrial/office premises in Kowloon East, including "Manulife Financial Centre", "AIA Financial Centre", "78 Hung To Road" and "52 Hung To Road", also maintained high occupancy.

The Group's prestigious commercial site at Murray Road, Central is being developed into a 465,000-square-foot super Grade-A office tower, named "The Henderson". The building is designed as a bauhinia bud by the world-renowned architectural firm Zaha Hadid Architects, incorporating state-of-the-art building technology and advanced specifications. This landmark development is scheduled for completion in 2023. "The Henderson" has received the highest category of Platinum pre-certifications from various professional organisations, including Hong Kong Green Building Council, WELL Building Standard (WELL) and Leadership in Energy and Environment Design (LEED). After signing "Christie's", the world-leading auction house, as its first anchor tenant, occupying about 50,000 square feet as its new headquarters in Asia Pacific, many top-tier financial institutions and corporations have also shown their leasing interest. Leasing campaigns of "The Henderson" will be launched in full swing in 2022.

Construction

During the year under review, the shortage of skilled workers and escalating material costs continued to weigh on the construction sector in Hong Kong. To tackle these challenges, the Group's Construction Department has recently adopted the Multi-trade Integrated Mechanical, Electrical and Plumbing (MiMEP) approach, in addition to its ongoing application of prefabricated structural modules under "Design for Manufacture and Assembly" (DfMA). Certain mechanical, electrical and plumbing installations will thus be pre-assembled so as to expedite the in-situ integration process. These measures will also help improve quality and cost efficiency by reducing wastage and on-site manpower. In addition, the self-developed and patented "*self-foaming peelable protective coating and its fabrication and application thereof*" was successfully applied for the protection of curtain walls. The Group will continue to develop innovative materials and construction methods so as to further enhance building quality.

A talented workforce is key to the success of every property development, and site safety is the Group's top priority. During the year under review, the Group won the "Proactive Safety Contractor Award" from the Hong Kong Construction Association as the accident rate of the Group's construction activities was well below the industry average.

The following development projects in Hong Kong were completed during the year under review:

	Project name and location	Site area (sq. ft.)	Gross floor area (sq. ft.)	Type of development	Group's interest (%)	Attributable gross floor area (sq. ft.)
1.	The Henley (Phases 1-3 of the Henley) 7 Muk Tai Street, Kai Tak (formerly known as project at New Kowloon Inland Lot No. 6565, Kai Tak)	121,224	654,602	Commercial/ Residential	100.00	654,602
2.	The Vantage 63 Ma Tau Wai Road Hung Hom	23,031	207,254	Commercial/ Residential	100.00	207,254
3.	Aquila • Square Mile 38 Fuk Chak Street Mong Kok	20,114	180,427	Commercial/ Residential	100.00	180,427
4.	Two • Artlane 1 Chung Ching Street Sai Ying Pun	7,858	90,102	Commercial/ Residential	100.00	90,102
5.	Arbour 2 Tak Shing Street Tsim Sha Tsui	10,614	89,527	Commercial/ Residential	100.00	89,527
6.	The Addition 342-356 Un Chau Street Cheung Sha Wan	9,157	79,903	Commercial/ Residential	100.00	79,903
7.	The Richmond 62C Robinson Road Mid-Levels West	3,855	33,678	Commercial/ Residential	100.00	33,678
					Total:	**1,335,493**

Property Management

The Group's property management companies consist of Hang Yick Properties Management Limited ("Hang Yick") , Well Born Real Estate Management Limited ("Well Born"), H-Privilege Limited (which provides services for the Group's urban boutique residences under "The H Collection" brand) and Goodwill Management Limited. By managing about 79,000 apartments and industrial/commercial units, 10 million square feet of shopping and office space, as well as 20,000 car parking spaces collectively in Hong Kong, these companies hold leading positions in the industry.

Amid the pandemic, these property management subsidiaries continued to raise their service standards through cultivation of more talent and strengthening their management. For instance, these companies recruited former flight attendants who were retrenched due to the pandemic and offered them appropriate job positions and continuous professional training. An Integrated Management System complying with the requirements of ISO 9001 (Quality Management System), ISO 10002 (Complaints Handling Management System), ISO 14001 (Environmental Management System) and ISO 45001 (Occupational Health and Safety Management System) has also been implemented. Quality, health and safety, as well as environmental considerations are thus ensured to be consistently embedded in all aspects of their services and daily operations.

In respect of social responsibility, the property management subsidiaries continued to promote transformation and innovation during this "Year of Reforms". Amid the pandemic, various supporting measures were rolled out such as the distribution of anti-epidemic packs to low-income groups. In recognition of the Group's care for the public at large, a multitude of commendations was received including being named by The Hong Kong Council of Social Service as a "15 Years Plus Caring Company", in addition to receiving "Sing Tao Service Awards – Honourable Anti-Pandemic Service Award". Their volunteer team also received the Honour Award of the "Highest Service Hour Award" for the 15th time from the Government's Social Welfare Department.

Mainland China

During the year under review, the Central Government upheld its directive that “housing is for living in, not for speculation”. Individual cities also continued to implement differentiated policies in accordance with local conditions along with other controlling measures so as to ensure steady housing prices. Nevertheless, the “Three Thresholds” and the regulation of the financial leverage prompted some mainland property developers to “deleverage”. Consequently, market confidence was affected and the upsurge in transaction volume was subdued. Citywide differentiation further intensified with housing prices having varying extents of adjustment. Notwithstanding the weakened housing market, strong demand from first-time homebuyers and upgraders still prevailed. As for the land market, it remained active in the first half of the year and record deals were repeatedly noticed in certain prime cities. However, with the strengthening of controlling measures and tightening of credit in the latter half of the year, land bidders have become more cautious. Incidents of land unsold or sold at reserve price were repeatedly recorded.

The following development projects were completed during the year under review:

	Project name	**Usage**	**Group’s interest (%)**	**Attributable gross floor area (million sq. ft.)**
1.	Lakeside Mansion, Beijing	Residential	24.5	0.26
2.	Phase 2, Central Manor, Guangzhou	Residential	18	0.16
3.	Runyue Huayuan, Guangzhou	Residential and commercial	10	0.11
4.	Phases 1-5, The Landscape, Changsha	Residential, commercial and school	50	1.92
5.	Shopping mall (Phase 1), Chengdu ICC, Chengdu	Commercial	30	0.07
6.	Phase 1, Xuheng Huayuan, Hefei	Residential	50	0.46
7.	Phase 3, Emerald Valley, Nanjing	Residential and commercial	50	0.17
8.	Phases 2P2, 2R3, 3K2 and 3R4, La Botanica, Xian	Residential, commercial and school	50	1.21
9.	Phases 2B and 3 at Site F, Grand Lakeview, Yixing	Residential and school	50	0.79
			Total:	**5.15**

The Group's mainland China strategy is as follows:

Property Investment: The Group focused on the development of Grade-A office buildings. In Guangzhou, the twin Grade-A office towers at "Lumina Guangzhou" in Yuexiu District were completed in 2020 with a total gross floor area of about 970,000 square feet. They became new landmarks in the district and tenants have moved in progressively. The 800,000-square-foot shopping podium was recently completed in January 2022. Negotiation with tenants and signing of tenancies are now under way. In Shanghai, the 3,000,000-square-foot "Lumina Shanghai" at the Xuhui Riverside Development Area is also scheduled for completion in the first half of 2022. Pre-leasing marketing has commenced and the leasing response is encouraging. Following the successive completion of these new developments, the Group's rental income will maintain its accelerated growth. The Group will continue to look for quality property investments in the core areas of major cities.

Property Development: The Group focused on the residential and composite development projects in major and leading second-tier cities, as well as new development opportunities offered by the Greater Bay Area strategic plan. Capitalising on the Group's reputation, management expertise and financial strength, coupled with local developers' market intelligence, construction efficiency and cost advantages, the return of the Group's joint venture projects was better than expected. During the year, the Group entered into more residential joint venture development projects with mainland property developers.

The Group added the following development projects to its land bank during the year under review:

(1) The Group partnered with the subsidiaries of CIFI Holdings (Group) Co. Limited ("CIFI", a mainland property developer listed in Hong Kong) to jointly develop the following projects on a 50/50 ownership basis:

   (i) A commercial-cum-residential site in Wenjiang District, Chengdu: The land lot with a site area of approximately 2,020,000 square feet, which was acquired at a consideration of about RMB2,811 million, will provide a total gross floor area of about 5,600,000 square feet.

   (ii) A commercial-cum-residential site in Chancheng District, Foshan: The land lot with a site area of approximately 508,000 square feet, which was acquired at a consideration of about RMB1,439 million, will provide a total gross floor area of about 1,410,000 square feet.

   (iii) A residential-cum-municipal site in Dongli District, Tianjin: The land lot with a site area of approximately 1,060,000 square feet, which was acquired at a consideration of about RMB2,194 million, will provide a total gross floor area of about 1,890,000 square feet.

   (iv) A residential site in Yubei District, Chongqing: The land lot with a site area of approximately 1,110,000 square feet, which was acquired at a consideration of about RMB1,900 million, will provide a total gross floor area of about 1,660,000 square feet.

   (v) A residential site in Xinjin District, Chengdu: The land lot with a site area of approximately 684,000 square feet, which was acquired at a consideration of about RMB629 million, will provide a total gross floor area of about 1,030,000 square feet.

   (vi) A residential site in Dongxiwu District, Wuhan: The land lot with a site area of approximately 480,000 square feet, which was acquired at a consideration of about RMB1,777 million, will provide a total gross floor area of about 1,400,000 square feet.

   (vii) A commercial-cum-residential site in Shijie District, Dongguan: The land lot with a site area of approximately 280,000 square feet, which was acquired at a consideration of about RMB935 million, will provide a total gross floor area of about 860,000 square feet.

   (viii) A project in the core urban area, Shijiazhuang: The Group acquired a 50% stake from an independent third party at a consideration of RMB1,400 million. This project will provide a total gross floor area of about 5,250,000 square feet on a site of about 2,230,000 square feet.

(2) The Group also partnered with the subsidiaries of CIFI and Nanshan Holdings Co., Ltd. ("Nanshan") to jointly develop a residential site in Xiangcheng District, Suzhou whereby the Group holds a 34.5% equity interest in this project. The land lot with a site area of approximately 490,000 square feet, which was acquired at a consideration of about RMB547 million, will provide a total gross floor area of about 516,000 square feet.

(3) At a consideration of RMB1,000 million, the Group acquired a 25% stake in a commercial-cum-residential project in Nansha District, Guangzhou, from CIFI and other shareholders. This project will provide a total gross floor area of about 3,780,000 square feet on a site of about 580,000 square feet.

At 31 December 2021, in addition to its holding of approximately 1.2 million square feet in attributable gross floor area of completed property stock, the Group held a development land bank in 20 cities with a total attributable gross floor area of about 35.7 million square feet. Around 73% of the land bank is planned for residential development:

Land bank under development or held for future development

	Group's share of developable gross floor area* (million sq. ft.)
Prime cities	
Beijing	0.81
Shanghai	3.39
Guangzhou	3.58
Shenzhen	0.21
Sub-total:	**7.99**
Second-tier cities	
Changsha	1.45
Chengdu	7.79
Chongqing	0.83
Dongguan	0.43
Foshan	0.71
Hefei	0.23
Nanjing	0.02
Shenyang	4.45
Shijiazhuang	2.63
Suzhou	1.84
Tianjin	0.95
Wuhan	0.70
Xiamen	0.34
Xian	4.65
Xuzhou	0.62
Yixing	0.04
Sub-total:	**27.68**
Total:	**35.67**

* *Excluding basement areas and car parks.*

Usage of development land bank

	Estimated developable gross floor area (million sq. ft.)	Percentage (%)
Residential	25.88	73
Office	5.10	14
Commercial	3.83	11
Others (including clubhouses, schools and community facilities)	0.86	2
Total:	**35.67**	**100**

Property Sales

Compared with the previous year, fewer pre-sold properties were completed and delivered to buyers during the year under review. The attributable revenue and pre-tax profit contribution from the Group's property sales in mainland China as recognised in the financial statements for the year under review amounted to HK$6,809 million and HK$1,603 million respectively, representing year-on-year decreases of 4% and 16% from the previous year respectively.

During the year under review, the Group recorded attributable contracted sales of approximately HK$9,949 million in value and approximately 4.9 million square feet in attributable gross floor area, representing year-on-year increases of 56% and 23% respectively. Major sales projects included Wuyuanwan project in Xiamen, "La Botanica" in Xian, "The Landscape" in Changsha, Xindu District project in Chengdu, "Riverside Park" and Wujiang Development Zone project in Suzhou.

At the end of December 2021, attributable contracted sales of approximately HK$14,030 million are yet to be recognised in the accounts, of which approximately HK$11,937 million is scheduled for recognition in 2022 upon completion of development and handover to buyers.

Investment Properties

During the year under review, the joint venture project of Chengdu ICC shopping mall (Phase 1) was completed. At the end of December 2021, the Group's completed investment property portfolio in mainland China was thus increased to about 8.1 million square feet in attributable terms with its breakdown as follows:

By type	**Attributable gross floor area (million sq. ft.)**	**Percentage (%)**
Commercial	2.4	30
Office	5.7	70
Total:	**8.1**	**100**

By geographical area	**Attributable gross floor area (million sq. ft.)**	**Percentage (%)**
Beijing	2.2	27
Shanghai	3.7	46
Guangzhou	1.6	20
Other	0.6	7
Total:	**8.1**	**100**

During the year under review, the Group's attributable gross rental income increased by 15% year-on-year to HK$2,097 million, whilst its attributable pre-tax net rental income also increased by 11% year-on-year to HK$1,626 million. The increase in rental income was mainly due to the 7% appreciation of the Renminbi against the Hong Kong Dollar, as well as additional contributions from the recently completed investment properties (including the office towers at "Lumina Guangzhou", which were completed in June 2020).

In Beijing, “World Financial Centre”, an International Grade-A office complex in the Chaoyang Central Business District, was over 97% let at the end of December 2021. During the year under review, it was awarded “Sustainability Achievement of the Year 2021, Excellence” by the Royal Institution of Chartered Surveyors and “Certificate of 2-Star Green Building Design Label” by the Centre of Science and Technology and Industrialisation Development, Ministry of Housing and Urban-Rural Development. These are testimonies to the Group’s commitment to excellence in both building quality and property management. In light of the 10^{th} anniversary of this development, a series of innovative events were hosted during the year under review, including a digital concert co-organised with “Modern Sky”, a leading music entertainment company in mainland China.

In Shanghai, “Henderson 688” at Nanjing Road West achieved “Sustainability Achievement of the Year 2021, Finalist” as well by the Royal Institution of Chartered Surveyors during the year under review and its leasing rate by the end of December 2021 was over 97%. “Grand Gateway II” atop the Xujiahui subway station recorded a higher leasing rate of 96% at the end of December 2021 as its facility upgrades were in the process of completion with an enhanced building quality. “Henderson Metropolitan” near the Bund was 93% let at the end of December 2021. During the year under review, the lease with “Apple store” was successfully renewed and is expected to bring in more customer flow and rental income to the mall. The leasing response for “Lumina Shanghai” in the Xuhui Riverside Development Area, currently under construction, was also encouraging. The 61-storey iconic office tower of its Phase 1 Development, which has direct access to Longyao Subway Station, will provide approximately 1,800,000 square feet of Grade-A office space. Various multinational corporations such as “Rockwell”, “Fedex”, “LendLease” and “Gopay” have already committed to be tenants. An array of specialty restaurants have also been introduced to its 200,000-square-foot shopping mall to facilitate the dining experience for customers. Phase 2 development will provide an additional office and retail space of about 1,000,000 square feet. Two world-renowned automotive corporations, namely, “BMW” and “Polestar”, have committed to lease its office space. The entire “Lumina Shanghai” is planned for completion in the first half of 2022.

In Guangzhou, “Lumina Guangzhou” in Yuexiu District is an integrated development, sitting on the bank of the Pearl River with a direct connection to two subway lines. The leasing response for its twin Grade-A office towers, which were completed in June 2020 with a total gross floor area of about 970,000 square feet, has been encouraging. Numerous leading multinational corporations and local enterprises have already moved in, whilst “the Consulate General of Hungary, Guangzhou”, “DHL” and “Bank of Communication” have also committed to leases recently. Meanwhile, its 800,000-square-foot shopping podium is designed to become a one-stop landmark destination, combining retail, dining and entertainment. An array of international retail brands and specialty restaurants will be brought in so as to provide customers with a multifarious shopping and leisure experience. This shopping podium was just completed in January 2022, giving a further impetus to the Group’s rental growth. “Hengbao Plaza” atop the Changshou Road subway station was temporarily adversely affected by a new wave of local epidemic in the second quarter of 2021. As the Group took positive measures in a timely manner, both shoppers’ traffic and tenants’ businesses have revived progressively since the second half of 2021.

Property Management

Shanghai Starplus Property Management Co., Ltd ("Starplus") was established in Shanghai in September 2018, to provide top quality commercial property management services. Starplus has taken over the management of "Henderson 688", "Henderson Metropolitan" and "Greentech Tower", all in Shanghai, as well as "World Financial Centre" in Beijing. Starplus's portfolio of shopping and office space by the end of 2021 was expanded to about 5,400,000 square feet, in addition to 2,000 car parking spaces. In order to ensure that the best service is provided to all the commercial properties under its management, Starplus implements an Integrated Management System complying with the requirements of ISO 9001 (Quality Management System), ISO 14001 (Environmental Management System) and OHSAS 18001 (Occupational Health and Safety Management System) for "Henderson 688" and "Henderson Metropolitan", as well as its newly added property of "Greentech Tower". Among all Shanghai properties under its management, HCMS (Health Control Management System) was set up for "Henderson Metropolitan", whilst "Henderson 688" was validated by International WELL Building Institute (IWBI) to achieve the "WELL Health-Safety Rating". Starplus will continue to adopt various professional accreditation principles so as to ensure that quality, health and safety, as well as environmental considerations are consistently embedded in its operations. Meanwhile, Starplus is aiming to extend its services to the Group's other commercial developments in mainland China, so as to provide the Group with standardised, professional, smart and efficient property management services, thereby enhancing its asset value and service quality.

During the year under review, "World Financial Centre" in Beijing was awarded "Certificate of 2-Star Green Building Design Label" by the Centre of Science and Technology and Industrialisation Development, Ministry of Housing and Urban-Rural Development and "Sustainability Achievement of the Year, Excellence" by the Royal Institution of Chartered Surveyors. "Henderson 688" in Shanghai also achieved "Sustainability Achievement of the Year, Finalist". All these demonstrated that the Group's promotion of sustainable development and management for its mainland properties, as well as their green, low-carbon and environmental contributions, were well received both locally and globally.

Henderson Investment Limited ("HIL")

HIL's profit attributable to equity shareholders for the year ended 31 December 2021 amounted to HK$34 million, representing a decrease of HK$93 million, or 73% from the previous year. The decrease in profit was mainly attributable to the non-occurrence of wage subsidies from the Hong Kong Government's "Employment Support Scheme" and rental concessions from landlords in an aggregate amount of about HK$74 million, as well as the decrease in customers' demand for food and daily necessities at HIL's supermarkets due to the easing of social distancing measures during the year under review.

HIL's business activities are principally carried out by two wholly-owned subsidiaries: (i) Citistore (Hong Kong) Limited, which operates five department stores under the name of "Citistore" and five household specialty stores under the name of "Citilife" (hereinafter collectively referred to as "Citistore"); and (ii) Unicorn Stores (HK) Limited, which operates two department stores-cum-supermarkets under the name of "APITA" or "UNY" and two supermarkets under the name of "UNY" (hereinafter collectively referred to as "Unicorn").

(I) Citistore

During the year under review, Citistore strategically adjusted its store network and closed down its Tai Kok Tsui store at the end of June 2021. Meanwhile, five stand-alone household specialty stores under the name of "Citilife" were opened successively, whereas a counter of "Citilife" was also set up in each Citistore's department store.

Despite the increase in gross profit of HK$2 million from the sales of own goods, as well as the increase in commission income from concessionaire and consignment counters in the aggregate amount of HK$8 million, Citistore's profit after taxation for the year under review decreased by HK$21 million or 22% year-on-year to HK$73 million. The decrease in profit was mainly attributable to the non-occurrence of wage subsidies from the Government's "Employment Support Scheme" and rental concessions (net of taxation) from landlords in an aggregate amount of about HK$51 million as recorded in the previous year.

(II) Unicorn

In November 2021, a new "UNY" Japanese supermarket was opened in MCP Central, Tseung Kwan O. A new online shop, as well as a new customer relationship management programme (namely, "CU APP"), were launched for Unicorn in the same month of November 2021.

Due to the drop in demand for supermarket products, and the increase in operating costs caused by the opening of UNY Yuen Long and UNY Tseung Kwan O, Unicorn recorded a loss after taxation of HK$34 million for the year ended 31 December 2021. Whereas, a profit after taxation of HK$33 million was recorded for the previous year and included therein was Unicorn's receipt of wage subsidies of HK$22 million from the Government's "Employment Support Scheme".

Over the years, efforts have been made to integrate the businesses of Citistore and Unicorn, so as to enhance their operational synergies and efficiency. For instance, following the success of the launch of "CU APP" by Unicorn, Citistore's membership loyalty programme (namely, "Citi-Fun") was migrated to "CU APP" recently. With this unified membership loyalty programme, HIL can enhance the interaction with customers and promote business growth through cross promotions between different brands. Besides, a new centralised distribution centre will become fully operational in the first half of 2022. This 58,500-square-foot centre will integrate the warehouse and logistic functions for both Citistore and Unicorn. With its strengthened sourcing collaboration, HIL's overall competitiveness and cost efficiency is set to be further improved.

Miramar Hotel and Investment Company, Limited ("Miramar")

Miramar's revenue for the year ended 31 December 2021 amounted to HK$1,247 million (2020: HK$1,315 million), a decrease of 5.1% against last year. Profit attributable to shareholders for the year was HK$330 million (2020: HK$302 million) with a year-on-year increase of 9.3%. The aforesaid outcome is mainly caused by the decrease in revaluation loss on fair value of investment properties compared with last year, and the increase in income attributable to its hotel & serviced apartments business and food & beverage business compared with last year. The underlying profit attributable to shareholders (excluding the net decrease in the fair value of investment properties by HK$112 million (2020: net decrease of HK$152 million) and the net gain on disposal of non-core properties of HK$19 million (2020: Nil)) dropped by 6.8% to HK$423 million, year-on-year (2020: HK$454 million).

Hotel and Serviced Apartments Business

During the year, the hotel and serviced apartments business recorded a revenue of HK$286 million, up by 41.8% from last year. The earnings before interest, taxes, depreciation and amortization ("EBITDA") was HK$4.6 million, a reversal from last year's loss of HK$5.3 million.

Miramar launched themed staycation packages one after another, including an Australian-themed experience ''Wanderful Australia'' in collaboration with the Australian government, and ''The Aurora Of Festive MIRAcles'' with the Finnish Tourist Board and Finnair. The aforesaid promotional efforts successfully improved the occupancy rate of The Mira Hong Kong Hotel. Meanwhile, against the background of immense demand for quarantine hotels, Mira Moon Hotel continued to be commissioned as a designated quarantine hotel by the government, with an average occupancy rate of more than 70%.

Property Rental Business

The revenue of its property rental business decreased to HK$814 million, with EBITDA at HK$697 million, down by 0.6% and 2.2% respectively, compared with last year. As at 31 December 2021, the book value of the overall investment properties was HK$15,200 million. During the year, Miramar continued to provide targeted relief to certain tenants impacted by the pandemic in order to lessen pressures on their operations. At the same time, Miramar launched various promotional activities to encourage customer consumption, increase footfall and boost sales, including consumption rebates, themed weekend pop-up markets and various festive events.

Food and Beverage Business

Miramar's food and beverage business recorded revenue of HK$133 million, up by 11.0%, compared with last year; EBITDA recorded loss of HK$10.8 million for the year, which loss was reduced as compared with last year. In view of the potential of the local catering market, Miramar closed two restaurants during the year, and actively preparing to introduce brand-new dining concepts to extend new markets and demographics.

Travel Business

Due to the resurgence in covid-19 cases, cross-border reopening was delayed indefinitely and there was yet no sign of the international tourism market recovering. Just like any other peers in the industry, Miramar's travel business stayed in a standstill. Miramar's travel business recorded revenue of HK$13.5 million, down by 92.2% compared with HK$173.7 million last year, and EBITDA recorded a loss of HK$23.3 million, similar to that of last year.

Associated Companies

The Hong Kong and China Gas Company Limited ("HKCG")

HKCG's principal businesses' operating profit after taxation for the year amounted to HK$6,821 million, a decrease of HK$413 million, down by 5.7%, compared to 2020. During the year, as HKCG wrote off and impaired some of the production facilities of a chemical plant and telecommunications network facilities in mainland China, and made asset provision for certain gas refilling stations which had ceased operation, a provision of approximately HK$1,500 million in total was made. Inclusive of this one-off provision, profit after taxation attributable to shareholders of HKCG for the year amounted to HK$5,017 million, a decrease of HK$990 million, down by 16.5%, compared to 2020. During the year under review, HKCG invested HK$8,387 million in production facilities, pipelines, plants and other fixed assets for the sustainable development of its various existing and new businesses in Hong Kong and mainland China.

TOWN GAS BUSINESS IN HONG KONG

The total volume of gas sales in Hong Kong for 2021 was approximately 27,677 million MJ, a slight decrease of 1%, in contrast to an 8.8% increase in the number of appliances sold resulting from a rise in new property move-ins due to a slowdown of the epidemic, both compared to 2020. At 31 December 2021, the number of its customers was 1,964,937, an increase of 21,160, representing a slight increase of 1.1% compared to the number at the end of 2020.

UTILITY BUSINESSES IN MAINLAND CHINA

Towngas Smart Energy Company Limited ("Towngas Smart Energy", formerly known as Towngas China Company Limited; stock code: 1083), a subsidiary of HKCG, recorded a profit after taxation attributable to its shareholders, excluding change in fair value of derivative component of convertible bonds, amounting to HK$1,612 million for the year, an increase of approximately 11% compared to 2020. Including change in fair value of derivative component of convertible bonds, profit after taxation attributable to its shareholders amounted to HK$1,253 million for the year, a decrease of approximately 13% compared to 2020. In November 2021, Affinity Equity Partners, a well-known private equity fund, invested HK$2,800 million in Towngas Smart Energy through subscription of new shares and convertible bonds. At the end of 2021, HKCG held approximately 65.98% of Towngas Smart Energy's total issued shares.

Construction of Towngas Smart Energy's shale gas liquefaction plant in Weiyuan county, Sichuan province is expected to be completed in early 2023, which will become its gas storage and peak-shaving base in southwestern China. Acquisition of 25% equity interest in Shanghai Gas Co., Ltd. ("Shanghai Gas") has been completed during the year. The two liquefied natural gas ("LNG") terminals operated by Shanghai Gas can be used to further secure the supply of gas sources for companies under HKCG. Towngas Smart Energy added 40 new projects to its portfolio during 2021, comprising 35 renewable energy projects and five piped-gas projects. The total number of projects held by Towngas Smart Energy was 244 as at the end of 2021.

At the end of 2021, inclusive of Towngas Smart Energy, HKCG had a total of 303 city-gas projects on the mainland (inclusive of city-gas projects re-invested by HKCG's companies) (2020 year end: 282 projects). The total volume of gas sales for these projects for 2021 was approximately 31,080 million cubic metres, an increase of 16% compared to 2020. At the end of December 2021, HKCG's mainland gas customers stood at approximately 35.03 million, an increase of 10% over 2020.

HKCG's smart energy business development progressed well in 2021, with more than 110 renewable energy projects planned across 21 provincial regions and 32 zero-carbon smart industrial parks negotiated for development. These projects encompass multi-energy supply (cooling, heat and electricity), photovoltaics, energy storage, charging and swapping power stations, comprehensive energy services for industrial and commercial customers, with related project companies subsequently formed.

HKCG's natural gas storage facility in underground salt caverns in Jintan district, Changzhou city, Jiangsu province has achieved notable economic benefits since its commissioning and is successfully interconnected with the West-to-East Gas Pipeline and the Sichuan-to-East Gas Pipeline, two large-scale national-level natural gas transmission pipelines. The total planned storage capacity of the facility is 1,100 million cubic metres. This storage facility was the first of its kind built by a city-gas enterprise.

HKCG's storage tank project at the LNG receiving terminal in Caofeidian district, Tangshan city, Hebei province is progressing well. The project includes the right to use two storage tanks of 400,000 cubic metres in total alongside a jetty for importing 1 million tonnes of LNG per annum for a contract term of 50 years. This project will be gradually commissioned starting from the end of 2022.

Leveraging the rich experience in sewage treatment gained from its Hua Yan Water business, HKCG successfully developed an urban organic waste resource utilisation project in Suzhou Industrial Park, Jiangsu province in 2019. With a daily processing capacity of 800 tonnes, this project has cumulatively processed more than 300,000 tonnes of organic waste and produced nearly 13 million cubic metres of bio-natural gas for the park's use.

In 2020, HKCG's Hua Yan Environmental in Changzhou city, Jiangsu province joined with the municipal government to proactively develop businesses encompassing waste incineration for power generation, sewage treatment, food waste treatment and urban sanitation. A food waste utilisation project in Tongling city, Anhui province acquired in 2020, and a municipal sewage treatment project in Wujin district, Changzhou city, Jiangsu province acquired in 2021 have cumulatively processed more than 70,000 tonnes of organic waste and 80 million tonnes of sewage. The waste transfer business and waste sorting collection business in Wujin district, Changzhou city also started operations in November 2021.

Overall, including the projects of Towngas Smart Energy, HKCG had 514 projects (inclusive of city-gas projects re-invested by HKCG's companies) (2020 year end: 436 projects) in mainland China as at the end of 2021, spread across 28 provincial regions. These projects encompass upstream, midstream and downstream natural gas sectors, environmentally-friendly energy, smart energy, water sectors and urban waste treatment.

In January this year, HKCG and IDG Capital announced the launch of China's first Zero-carbon Technology Investment Fund focusing on technology investment and business applications, with a total scale of RMB10,000 million, initially raising RMB5,000 million in the first phase. The fund will focus on investing in innovation fields relating to zero-carbon technologies, including renewable energy, energy storage, smart energy grid, hydrogen energy, carbon trading and management projects.

EMERGING ENVIRONMENTALLY-FRIENDLY ENERGY BUSINESSES

The research and development team of ECO Environmental Investments Limited ("ECO") under HKCG has been committed to developing biomass utilisation for many years. Several patented technologies that target the utilisation of inedible bio-grease and agricultural waste as two major feedstocks have been developed and achieved scientific breakthroughs.

The first project, located in Jiangsu province, which converts inedible bio-grease feedstock into hydro-treated vegetable oil ("HVO") using ECO's proprietary technology, has gained the accreditation under the International Sustainability and Carbon Certification Scheme (ISCC). Being qualified as an advanced biofuel defined by the European Union, ECO's HVO is mainly for the European markets. Following the successful implementation of this project and expansion of the European markets, ECO is taking steps to further enhance the HVO production capacity and to implement the technology it has successfully developed for the production of sustainable aviation fuel (SAF).

Besides, the two pilot projects located in Tangshan city and Cangzhou city, Hebei province, are using another set of proprietary technologies to refine agricultural waste through hydrolysis into a product scope encompassing biofuels, bio-chemicals and bio-materials. Cellulosic ethanol, being the main product, is yet another highly demanded advanced biofuel as defined by the European Union.

HKCG established a new business platform, EcoCeres, Inc., at the end of 2021, which integrates the talents, patented technologies, production facilities, scientific research facilities and other assets related to biomass utilisation business, and introduces new investors to this platform to jointly develop a green and sustainable biomass business. EcoCeres, Inc. successfully raised a total of US$108 million in funding in December 2021 and February 2022 from an investor, Kerogen Capital, a private equity fund having a focus on energy transition.

ECO's clean coal chemical business in Inner Mongolia Autonomous Region has achieved certain results after years of equipment renovation to reduce carbon emissions. A new phase of the production plan to introduce waste resources to replace raw coal has made good progress, expecting to produce high value-added low-carbon products for domestic and foreign markets in 2023. In addition, the LNG business has gained momentum with the commissioning of a new plant located in the Ningxia Hui Autonomous Region after a successful trial operation. The plant uses local coke oven gas as the feedstock to produce LNG, thus reducing carbon emissions of the coking plant and also providing the market nearby with clean vehicular energy and supplementing gas sources for downstream natural gas customers.

FINANCING PROGRAMMES

HKCG established a medium term note programme in 2009. Medium term notes totalling HK$1,339 million, with a tenor of 3 years, were issued in 2021. At 31 December 2021, the total nominal amount of medium term notes issued has reached HK$21,000 million with tenors ranging from 3 to 40 years, mainly at fixed interest rates with an average of 2.9% per annum and an average tenor of 15 years. HKCG updated the programme during the year and increased the maximum issue size from US$3,000 million to US$5,000 million. Meanwhile, Towngas Smart Energy established a new medium term note programme through a subsidiary with a maximum issue size of US$2,000 million in June 2021. A medium term note of RMB750 million with a tenor of 3 years and a coupon rate at 3.4% per annum was firstly issued in November 2021. Furthermore, at 31 December 2021, HKCG had Perpetual Subordinated Capital Securities of US$300 million, issued in February 2019, with a coupon rate at 4.75% per annum. The Perpetual Securities are redeemable at the option of HKCG in February 2024 or thereafter every six months on the coupon payment date.

Hong Kong Ferry (Holdings) Company Limited ("Hong Kong Ferry")

During the year under review, the profit for Hong Kong Ferry was mainly derived from rental income from shops and commercial arcades. After taking into account the valuation gains on its investment properties of HK$76 million, Hong Kong Ferry's consolidated profit after taxation for the year ended 31 December 2021 increased by 345% to approximately HK$118 million as compared with the same period of 2020.

Property Development and Investment Operations
During 2021, the gross rental income arising from the commercial arcades of Hong Kong Ferry amounted to approximately HK$106 million. The commercial arcade of Metro6 was fully let as at 31 December 2021. The occupancy rate of the commercial arcades of Shining Heights and The Spectacle were 97% and 89% respectively. The occupancy rate of commercial arcades of Metro Harbour View and Green Code were 84% and 99% respectively.

The Royale (8 Castle Peak Road - Castle Peak Bay, Tuen Mun) Development Project
Hong Kong Ferry's 50%/50% development joint venture with the Empire Group at The Royale, 8 Castle Peak Road, Castle Peak Bay, Tuen Mun (formerly known as Tuen Mun Town Lot No. 547), since the commencement of the sale of Phase 1 - "Seacoast Royale", Phase 2 - "Starfront Royale" and Phase 3 - "Skypoint Royale", 1,745 residential units had been sold, amounting to approximately 98% of the total units. The total sales considerations are approximately HK$8,600 million with an average selling price of saleable floor area in excess of HK$15,400 per square foot. The gross floor area of the site area is approximately 663,000 square feet. The occupation permit has been obtained in January 2022 and the project is expected to be delivered to the buyers by phases in mid-2022 and revenue from property sales will be recognised accordingly.

Kweilin Street/Tung Chau Street, Sham Shui Po Redevelopment Project
In June 2018, Hong Kong Ferry was awarded the redevelopment contract for the Kweilin Street/Tung Chau Street project in Sham Shui Po by the Urban Renewal Authority. Upon development, Hong Kong Ferry will be entitled to the residential gross floor area of about 97,845 square feet. The superstructure works were in progress and the project is expected to be completed in the first quarter of 2024.

Ferry, Shipyard and Related Operations
During the year under review, the Ferry, Shipyard and Related Operations recorded a profit of HK$8.6 million as compared with the loss of HK$17.9 million in 2020. The improvement of business results was mainly attributable to the increase in revenue from shipyard operation and the subsidy of repair and maintenance costs received from the Government for ferry operation.

Securities Investment
During the year under review, a deficit of HK$0.8 million in Securities Investment was recorded mainly due to the fair value change of certain financial assets during the year under review.

Hong Kong Ferry has planned to establish a medical aesthetic clinic and premium beauty service centre with over 10,000 square feet of floor area at Tsim Sha Tsui in mid-2022. Hong Kong Ferry expects to invest HK$40 million in 2022 and will further invest in multiple sums in the coming years. The Kweilin Street/Tung Chau Street project is expected to be completed in first quarter of 2024. The revenue from property sales of the development project "The Royale" will be booked upon the delivery of possessions to buyers. Barring any unforeseen circumstances, Hong Kong Ferry is expected to achieve a favorable result for the year of 2022.

CORPORATE FINANCE

The Group has always adhered to prudent financial management principles. At 31 December 2021, net debt amounted to HK$91,968 million (2020: HK$83,749 million) giving rise to a financial gearing ratio of 27.5% (2020: 25.6%). In addition, at 31 December 2021, shareholder's loans to the Group totaled HK$53,710 million (2020: HK$4,389 million).

During the year under review, the total land premium of HK$58,989 million for two precious development projects were settled in full before the end of financial year under review. In relation to the To Kwa Wan development project, the Group entered into shareholders' agreement with joint venture partners in February 2022 and the aggregate subscription amount of about HK$4,126 million was received in full after conclusion of the shareholders' agreement. Notwithstanding that the Group possesses sufficient internal resources and credit facilities to fund the mentioned land premium, loans with a total amount of HK$20,300 million were granted by many local and international banks which show their support towards the Group. With abundant funding, the Group made early prepayment of HK$12,300 million of these loans in the first two months of 2022. The Group plans to fully prepay the remaining loan amounts prior to their respective maturities.

As regards environmental and sustainability progress, the Group is committed to environmental protection in its property developments and has received numerous related green awards. Since 2020, green loans, green undertakings and sustainability loan facilities exceeding HK$28,000 million have been secured from the financial community with beneficial terms. Besides, the Group has issued medium term notes for a total amount of HK$28,645 million since 2018 so as to diversify its sources of funding and extend its debt maturity profile. In addition, the Group obtained seven-year Japanese Yen term loans for a total amount of JPY58,000 million and a six-year Renminbi term loan for a total amount of RMB1,000 million. The aforesaid demonstrated that the Group's prime credit standing and environmental contributions are well received by the international financial community.

Also, the Group utilised the window of the low interest rate levels to enter into certain medium and long-term interest rate swap contracts, for the purpose of converting part of the Group's borrowings from floating interest rates into fixed interest rates. These include a 3-year HK$-HONIA based interest rate swap of HK$1,000 million so as to hedge a HK$-HONIA based bank loan of the same amount. Both were pioneering deals executed between financial institutions and corporate clients in Hong Kong. They fully demonstrated the Group's commitment to support financial innovation in Hong Kong, which will benefit the Group in the long term.

Sustainability Report

Sustainability is at the heart of Henderson Land’s business and the Group’s focus on innovation and green building featured prominently in 2021. Two new projects, in particular, are notable for the important role they play in delivering a sustainable future for Hong Kong. The first, the Group’s flagship commercial development, The Henderson, is designed with the concept of a Bauhinia bud about to blossom. Encompassing a variety of environmentally friendly designs, wellness features, and intelligent building innovations, it adheres to the Group’s G.I.V.E. sustainability strategy, namely Green for Planet, Innovation for Future, Value for People and Endeavour for Community. The second is the successful bid to acquire Site 3 of the New Central Harbourfront, which will see the Group curating a world-class iconic hub that embodies people-oriented and low carbon design concepts, and demonstrates support for global climate actions and the Hong Kong Green Building Council’s Advancing Net Zero initiative.

As a leading property developer in Hong Kong and mainland China, one of the Group’s longstanding pledges is to improve the well-being of communities. To help alleviate housing pressure in Hong Kong, the transitional housing projects with land provided by the Group have continued to apply Modular Integrated Construction (“MiC”) technology to support the Government in providing transitional housing to underprivileged families. The first phase of the Kong Ha Wai project, which is the largest transitional housing project in Hong Kong, was completed in early 2022, while two more transitional housing projects at Kam Tin and Ngau Tam Mei South are under way.

Echoing the climate action urged at COP26 in 2021, the Group is integrating climate-related strategies into its decision-making process and have disclosed its mitigation measures on significant climate-related risks according to the framework from the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). The Group remains committed to innovating for a sustainable future.

The Fifth Wave COVID-19 Relief Initiatives

In the last two months, the emergence of the Omicron variant has brought about a fifth wave of the COVID-19 pandemic in Hong Kong. Due to the high transmissibility of Omicron, stringent social-distancing measures have been imposed again and various business sectors have been hard-hit. Amid such challenging conditions, Henderson Land has fulfilled its social responsibilities by offering an array of anti-epidemic assistance to the public. The Group has lent four pieces of land, with a combined land area of 1,250,000 square feet, for free to the Government for building provisional community isolation and treatment facilities, as well as cargo transfer yards. The Lee Shau Kee Foundation, in the name of the Company, funded the establishment of the "Henderson Development Anti-Epidemic Fund", which has donated about HK$20 million worth of anti-epidemic supplies to frontline healthcare workers, elderly homes and low-income families, in addition to gold and other prizes with a total value of over HK$6.3 million that were offered previously under the "Early Vaccination Incentive Scheme". Details of these relief initiatives are summarised as follows:

By Henderson Land Group in collaboration with Lee Shau Kee Foundation:	
Sites loaned	
Sites in Yuen Long and San Tin for the construction of temporary cargo transfer yards	Offering the sites at Kam Pok Road, Yuen Long and at Tun Yu Road, San Tin, which occupy 400,000 square feet and 300,000 square feet respectively, for the construction of temporary cargo transfer yards to support the establishment of centralised cargo transfer points for non-fresh food items and other goods in Hong Kong
Kong Ha Wai Transitional Housing Project site for the use of community isolation facilities	Offering the site of the Kong Ha Wai Transitional Housing Project (Phase 1), which occupies 150,000 square feet and houses a total of 781 units, for the use of community isolation facilities
Site in San Tin for the construction of community isolation and treatment facilities	Offering a 400,000-square-foot land plot in San Tin, which was the former site of San Tin Shopping City and jointly owned by Henderson Land and Sun Hung Kai Properties, for the construction of community isolation and treatment facilities
Anti-epidemic supplies and assistance	
Henderson Development Anti-Epidemic Fund x Lok Sin Tong Home Assistance Scheme	Contributing HK$7.8 million for the distribution of anti-epidemic supplies to 150 elderly homes, as well as to 5,000 low-income households whose members have tested positive for COVID-19 and are awaiting assistance at home, or whose members are currently undergoing home isolation
UNICEF HK's "for every child, care & relief" campaign	Sponsoring HK$5.4 million for the launch of the "for every child, care & relief" campaign with UNICEF HK, distributing COVID-19 relief items, such as rapid antigen test kits, food, sanitisation supplies and learning materials, to 7,400 underprivileged families with children and/or pregnant women
Support for the provision of temporary accommodation for healthcare workers of Queen Elizabeth Hospital	Contributing HK$2 million to the Hospital Authority (HA) to support the provision of hotel accommodation for healthcare workers of Queen Elizabeth Hospital (QEH) at the nearby Eaton Hotel Hong Kong, in support of HA's contingency measure of converting QEH into a designated hospital for COVID-19 patients

Support for Pok Oi Hospital's distribution of anti-epidemic supplies	Contributing HK$1 million to Pok Oi Hospital for the distribution of anti-epidemic supplies to frontline medical workers, COVID-19 patients and elderly home caretakers in New Territories West healthcare facilities
Support for DAB's distribution of anti-epidemic packages	Contributing HK$1 million to DAB for the distribution of some 5,000 packages of anti-epidemic supplies to low-income families
Support for Tung Wah Group of Hospitals' distribution of anti-epidemic supplies to elderly homes	Contributing HK$1 million to the Tung Wah Group of Hospitals for the distribution of anti-epidemic supplies to its 25 elderly homes
Distribution of 100,000+ N95 respirator masks to elderly homes	Funding the purchase of over 100,000 highly protective N95 respirator masks for staff and residents at elderly homes, with distribution help from HKCSS
Hong Kong Sheng Kung Hui Welfare Council "Keep it up! Fighting Against the Epidemic" Donation Programme	Contributing HK$100,000 to the Hong Kong Sheng Kung Hui Welfare Council to support its 9 elderly homes and 3 rehabilitation homes in fighting the epidemic
Other initiatives by the Group	
Anti-epidemic soup packets and supermarket shopping coupons by HKCG	HKCG, an associate of the Group, has given away HK$3 million worth of anti-epidemic soup packets and supermarket shopping coupons.
"Credit Period Extension Scheme for the Catering Industry" by HKCG	From March, all catering operators in Hong Kong can apply for deferred gas bill payments for a period of three months.
Construction of new gas pipelines for the Lok Ma Chau Loop "mobile cabin hospitals" by HKCG	HKCG has constructed new gas pipelines with a total length of 1.5 km to supply gas to the Lok Ma Chau Loop "mobile cabin hospitals". The new pipelines will be able to provide a stable and safe gas supply to around 10,000 patients and 4,000 people working at the hospitals.
Miramar Group's "Mira Care" initiatives	Miramar Group has distributed over 100,000 sets of rapid antigen test kits to its staff, tenants and customers, as well as the wider community with the help of its NGO partners.
By Dr Lee Shau Kee's Family:	
COVID-19 relief measures by Union Hospital	Providing 24-hour outpatient service to COVID-19 patients with mild symptoms, dedicating an additional 80 hospital beds to treating non-COVID-19 patients referred by public hospitals for the purpose of easing the strain on the public healthcare system, as well as setting up a service hotline to offer free professional medical consultations to COVID-19 patients in home isolation
10% discount at all Home Market branches	Home Market, a chain of not-for-profit convenience stores established by the Lee Shau Kee Foundation, has offered a 10% discount at all of its branches.

PROSPECTS

In addition to the negative impacts caused by the fifth wave of the pandemic on public health and the economy, the military conflict in Europe, as well as sanctions imposed by the US and Europe against Russia, have adversely affected global trade, commodity prices and oil supply. Coupled with the geopolitical tensions between China and the US, as well as a potential US dollar interest rate hike resulting from inflationary pressure in the US, Hong Kong's economic recovery is restrained.

As a result of the tightening of social distancing measures, the retail and F&B sectors are expected to remain challenging for some time and some businesses may discontinue their operations. The Group has once again offered rent concessions to distressed tenants so as to help them ride out the difficult times. A new round of electronic consumption vouchers introduced by the Financial Secretary in the 2022/23 Budget, together with the Anti-epidemic Fund's relief measures, will help to revive local economy. In addition, HKMC Insurance Limited raised the maximum property value eligible for mortgage loans to 80% loan-to-value ratio to HK$12 million (if the loan-to-value ratio is progressively adjusted to 50%, the maximum eligible property value is up to HK$19.2 million). The property market in Hong Kong will benefit accordingly.

The family of Dr Lee Shau Kee has always had the well-being of the younger generation at heart and Lee Shau Kee Foundation, in the name of the Company, also funded the establishment of the "Henderson Land Commendation Scheme for Elite Athletes". In recognition of Hong Kong athletes' admirable accomplishments at the Tokyo 2020 Olympic Games, the Tokyo 2020 Paralympic Games and the 14th National Games of the People's Republic of China, a total of HK$23,720,000 has been awarded under the Scheme during the year under review. It is hoped that, as inspired by the new Olympic motto "Faster, Higher, Stronger – Together", everyone will stand together in solidarity to support HKSAR Government's anti-pandemic efforts. Together with the staunch national support, it is expected that Hong Kong will soon resume its quarantine-free travel with the rest of the world and return to normality.

The Group continues to replenish its development land bank through multiple channels in Hong Kong. Encouraging progress was achieved: (1) A commercial Site 3 of the New Central Harbourfront was acquired through public tender, adding a total gross floor area of over 1.6 million square feet to its land bank; (2) A development project in To Kwa Wan was awarded by the Urban Renewal Authority, expanding the Group's portfolio of urban redevelopment projects with 80% to 100% ownership secured to 3.85 million square feet in total attributable gross floor area, excluding a total of approximately 0.6 million square feet in attributable gross floor area which has been earmarked for sales launch in 2022. After years of active acquisition, the Group has assembled projects in Mong Kok West and Hung Hom for large-scale redevelopment and their successive sales launches will generate satisfactory returns to the Group; and (3) The Group acquired further New Territories land lots of about 450,000 square feet, increasing its land reserves in the New Territories to approximately 44.9 million square feet, which represents the largest holding among all property developers in Hong Kong. In mainland China, ten joint-venture development projects were secured, adding an aggregate attributable gross floor area of about 10.7 million square feet to its land bank. The Group has built up an extensive land bank in both Hong Kong and mainland China to support its property development for the years to come.

As regards "**property sales**", following the launch of "The Harmonie" in Cheung Sha Wan, the Group plans to launch twelve other development projects in 2022, most of them are located in urban areas. Together with unsold stock, a total of about 10,500 residential units or 2,880,000 square feet in attributable residential gross floor area will be available for sale in Hong Kong in 2022 and they stand to benefit from the Government's further relaxation of the eligibility for mortgage insurance. In addition, 240,000 square feet of office/industrial space is also available for sale. In mainland China, the Group will continue to look for investment opportunities in the first-tier cities and major second-tier cities. Furthermore, the Group will strengthen co-operation with local property developers. At the end of December 2021, attributable contracted sales of Hong Kong and mainland properties, which are yet to be recognised in the accounts, amounted to approximately HK$27,444 million in aggregate, of which approximately HK$22,809 million is scheduled for recognition in 2022 upon completion of development and handover to buyers.

As regards "**rental business**", the Group's portfolio of completed investment properties at the end of 2022 is expected to comprise an attributable gross floor area of 9.7 million square feet in Hong Kong and 11.9 million square feet in mainland China. Included therein are the 800,000-square-foot shopping podium of "Lumina Guangzhou", which was newly completed in January 2022 following the completion of its 970,000-square-foot office towers, as well as the 3,000,000-square-foot "Lumina Shanghai", which is scheduled for completion in the first half of 2022. Both will give a further impetus to the Group's rental growth. Together with two landmark developments in Hong Kong's Central Business District (including "The Henderson", the super Grade-A office tower, as well as the commercial project at Site 3 of the New Central Harbourfront) in the pipeline, the Group's rental portfolio is poised to grow further with a more optimal composition.

The "**listed subsidiaries and associates**", namely, HKCG, Miramar, Hong Kong Ferry and HIL, provide recurrent income to the Group. In particular, HKCG had 514 projects on the mainland at the end of December 2021, spread across 28 provincial regions. With a total of about 37 million piped-gas customers in Hong Kong and mainland China, as well as its development of various extended businesses, it is poised to provide returns to the Group.

Founded in 1976, the Group's businesses have grown rapidly over the past 45 years. The dedication and professionalism of every staff member serve as a solid base for the Group's sustainable growth. Together with the support of its ample financial resources and three major business pillars (namely, "**property sales**", "**rental business**" and "**listed subsidiaries and associates**"), Henderson Land is well-placed to carry on the Group's legacy into the future for a new chapter filled with pages of sustainable success.

APPRECIATION

Mr Lee Tat Man will step down from his position of Non-executive Director of the Company at the conclusion of the Annual General Meeting to be held on 1 June 2022. The Board would like to express its sincere gratitude to Mr Lee Tat Man for his invaluable contribution to the Company over the past 46 years.

We would also like to take this opportunity to extend our appreciation to our fellow directors for their wise counsel, and to thank all our staff for their commitment and hard work amid the pandemic.

Dr Lee Ka Kit	**Dr Lee Ka Shing**
Chairman	*Chairman*

Hong Kong, 22 March 2022

BUSINESS RESULTS

Consolidated Statement of Profit or Loss

for the year ended 31 December 2021

	Note	***2021*** **HK$ million**	*2020* HK$ million
Revenue	4	**23,527**	25,020
Direct costs		**(11,445)**	(9,717)
		12,082	15,303
Other net income/(loss)	5	**3,127**	(98)
Selling and marketing expenses		**(1,038)**	(1,053)
Administrative expenses		**(2,181)**	(1,981)
Profit from operations before changes in fair value of investment properties and investment properties under development		**11,990**	12,171
Increase/(decrease) in fair value of investment properties and investment properties under development	6	**59**	(2,413)
Profit from operations after changes in fair value of investment properties and investment properties under development		**12,049**	9,758
Finance costs	7(a)	**(600)**	(558)
Bank interest income		**109**	354
Net finance costs		**(491)**	(204)
Share of profits less losses of associates		**2,193**	2,524
Share of profits less losses of joint ventures		**1,627**	636
Profit before taxation	7	**15,378**	12,714
Income tax	8	**(2,018)**	(2,431)
Profit for the year		**13,360**	10,283

Consolidated Statement of Profit or Loss

for the year ended 31 December 2021 (continued)

	Note	***2021*** **HK$ million**	*2020* HK$ million
Attributable to:			
Equity shareholders of the Company		**13,195**	10,192
Non-controlling interests		**165**	91
Profit for the year		**13,360**	10,283
Earnings per share based on profit attributable to equity shareholders of the Company (reported earnings per share)			
Basic and diluted	*10(a)*	***HK$2.73***	*HK$2.11*
Earnings per share excluding the effects of the Group's aggregate attributable share of changes in fair value of investment properties and investment properties under development (net of deferred tax) (underlying earnings per share)			
Basic and diluted	*10(b)*	***HK$2.81***	*HK$3.08*

Details of dividends payable to equity shareholders of the Company are set out in note 9.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2021

	2021 **HK$ million**	*2020* HK$ million
Profit for the year	**13,360**	10,283
Other comprehensive income for the year-net, after tax and reclassification adjustments:		
Items that will not be reclassified to profit or loss:		
- Investments in equity securities designated as financial assets at fair value through other comprehensive income	**(7)**	(29)
- Share of other comprehensive income of associates and joint ventures	**(49)**	(172)
Items that may be reclassified subsequently to profit or loss:		
- Exchange differences	**1,569**	3,484
- Cash flow hedges	**103**	(156)
- Share of other comprehensive income of associates and joint ventures	**1,149**	2,144
Other comprehensive income for the year	**2,765**	5,271
Total comprehensive income for the year	**16,125**	15,554
Attributable to:		
Equity shareholders of the Company	**15,937**	15,454
Non-controlling interests	**188**	100
Total comprehensive income for the year	**16,125**	15,554

Consolidated Statement of Financial Position

at 31 December 2021

	Note	*At 31 December 2021* HK$ million	*At 31 December 2020* HK$ million
Non-current assets			
Investment properties		**260,241**	186,593
Other property, plant and equipment		**4,599**	400
Right-of-use assets		**507**	750
Goodwill		**262**	262
Trademarks		**106**	-
Interest in associates		**53,955**	64,838
Interest in joint ventures		**80,887**	70,043
Derivative financial instruments		**769**	1,319
Other financial assets		**9,103**	11,186
Deferred tax assets		**698**	633
		411,127	336,024
Current assets			
Deposits for acquisition of properties	12	**801**	1,052
Inventories	13	**109,180**	101,059
Trade and other receivables	14	**16,844**	15,864
Cash held by stakeholders		**1,405**	1,281
Cash and bank balances		**10,947**	5,807
		139,177	125,063
Current liabilities			
Trade and other payables	15	**28,480**	22,304
Amounts due to related companies		**111**	-
Lease liabilities		**290**	338
Bank loans		**30,207**	26,254
Guaranteed notes		**1,577**	3,078
Tax payable		**2,582**	2,762
		63,247	54,736
Net current assets		**75,930**	70,327
Total assets less current liabilities		**487,057**	406,351

Consolidated Statement of Financial Position

at 31 December 2021 (continued)

	Note	***At 31 December 2021*** **HK$ million**	*At 31 December 2020* HK$ million
Non-current liabilities			
Bank loans		**44,151**	42,412
Guaranteed notes		**23,804**	15,675
Amount due to a fellow subsidiary		**53,710**	4,389
Amounts due to related companies		**3,065**	2,137
Derivative financial instruments		**720**	1,190
Lease liabilities		**251**	435
Provisions for reinstatement costs		**5**	17
Deferred tax liabilities		**9,172**	7,904
		134,878	74,159
NET ASSETS		**352,179**	332,192
CAPITAL AND RESERVES			
Share capital		**52,345**	52,345
Other reserves		**282,675**	275,262
Total equity attributable to equity shareholders of the Company		**335,020**	327,607
Non-controlling interests		**17,159**	4,585
TOTAL EQUITY		**352,179**	332,192

Notes:

1 Basis of preparation

The financial information relating to the years ended 31 December 2021 and 31 December 2020 included in this preliminary announcement of annual results 2021 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622) and will deliver the financial statements for the year ended 31 December 2021 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include reference to any matters to which the auditor drew attention by way of emphasis of matter without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

The statutory financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong. The statutory financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance (Cap. 622) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The measurement basis used in the preparation of the statutory financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value:

- investments designated as financial assets at fair value through other comprehensive income ("FVOCI");
- investments measured as financial assets at fair value through profit or loss ("FVPL");
- derivative financial instruments; and
- investment properties and certain investment properties under development.

The preparation of the statutory consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Given that the COVID-19 pandemic and the subsequent Omicron pandemic have caused and will likely continue to cause disruptions to economic activities, the uncertainties associated with accounting estimates and assumptions may also be increased accordingly.

2 Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company, which are relevant to the Group's consolidated financial statements for the current accounting period:

- Amendment to HKFRS 16, *COVID-19-related rent concessions beyond 30 June 2021*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

Amendment to HKFRS 16, *COVID-19-related rent concessions beyond 30 June 2021* ("2021 amendment")

The Group previously applied the practical expedient under HKFRS 16, *Leases* such that the Group or any of its subsidiaries, as lessee, was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before 30 June 2021.

Under the 2021 amendment, such time limit is extended to 30 June 2022. With the extended time limit, certain rent concessions that were previously ineligible for the practical expedient because of the original time limit has now become eligible. These rent concessions are recognised in profit or loss in the period during which the event or condition which triggers the lease payments has occurred.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications; and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("IBOR") ("IBOR reform").

During the year ended 31 December 2021, the Group had certain outstanding bank loans advanced from a bank and which are hedged against interest rate risk and foreign currency risk by way of cross currency interest rate swap contracts. Prior to 13 December 2021, 22 December 2021 and 30 December 2021 (as the case may be) (the "Relevant Dates"), the Group paid interest expenses to such bank on those bank loans, and the Group received interest payments from such bank on the swap contracts, on the basis of the same IBOR and in equal amounts. On the Relevant Dates, the Group and such bank had both selected Tokyo Overnight Average Rate ("TONA") as the alternative benchmark rate ("Benchmark Rate") under the IBOR reform. As a result, commencing from the Relevant Dates, the Group paid interest expenses to such bank on those bank loans, and the Group received interest payments from such bank on the swap contracts, on the basis of the same Benchmark Rate and in equal amounts. The directors of the Company ("Directors") have assessed and considered that under the adoption of IBOR or the Benchmark Rate in respect of those bank loans, there is minimal mismatch risk.

2 Changes in accounting policies (continued)

The details of the accounting policies and related disclosures about risks, financial instruments indexed to interbank offered rates and hedge accounting will be disclosed in the Group's consolidated financial statements for the year ended 31 December 2021.

The Directors have assessed and considered that none of the abovementioned amendments has any material impact on the Group's financial position at 31 December 2021 or the Group's financial performance for the year then ended.

Up to the date of issue of the consolidated financial statements, the HKICPA has issued a number of amendments to HKFRSs which are not yet effective for the financial year ended 31 December 2021 and which have not been adopted in the consolidated financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*	1 January 2022
Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts - costs of fulfilling a contract*	1 January 2022
Amendments to HKFRS 3, *Business combinations: Reference to the Conceptual Framework*	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*	1 January 2023
Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that, the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements.

3 Business combination

On 14 April 2021, the Company announced that upon completion of the settlement process of the Group's acquisition of 103,000 shares in the issued share capital of Miramar Hotel and Investment Company, Limited ("Miramar") ("Miramar Shares") on the open market on 14 April 2021 for an aggregate consideration of HK$1,574,040 (exclusive of transaction costs) (the "Acquisition"), the Company indirectly held 345,494,980 Miramar Shares in aggregate which represented approximately 50.002% of the total number of issued Miramar Shares. During the period from 15 April 2021 to 31 December 2021, the Group further acquired an aggregate of 505,000 Miramar Shares on the open market. At 31 December 2021, the Group indirectly held 345,999,980 Miramar Shares in aggregate which represents approximately 50.075% of the total number of issued Miramar Shares. Prior to the Acquisition, the Company indirectly held 345,391,980 Miramar Shares in aggregate which represented approximately 49.987% of the total number of issued Miramar Shares.

As a result of the Acquisition and during the year ended 31 December 2021, (i) Miramar was an associate of the Group for the period from 1 January 2021 to 13 April 2021 (both dates inclusive), and the financial results of Miramar for such period were accounted for in the Group's consolidated financial statements for the same period under the equity method of accounting; and (ii) Miramar became an indirect non-wholly-owned subsidiary of the Company commencing from 14 April 2021, and the financial results of Miramar for the period from 14 April 2021 to 31 December 2021 (both dates inclusive) were consolidated into the Group's consolidated financial statements for the year ended 31 December 2021. During the corresponding year ended 31 December 2020, Miramar was an associate of the Group and the financial results of Miramar for that year were accounted for in the Group's consolidated financial statements for the same year under the equity method of accounting.

Miramar holds a diversified service-oriented business portfolio comprising stylish hotels and serviced apartments, property rental, food and beverage and travel services in Hong Kong and mainland China. The Directors believe that the financial position of the Group will be enhanced by consolidating the financial results of Miramar into the consolidated financial statements of the Group. The Company's interest in the Miramar Shares is for long-term investment purpose. The Group has adopted the purchase price allocation method of acquisition accounting under HKFRS 3 (Revised), *Business combinations* under which the assets acquired and the liabilities assumed in relation to Miramar have been fair valued as at the date of the Acquisition upon consolidation by the Group. The Group's attributable share of the book net asset value of Miramar prior to the Acquisition amounted to HK$10,410 million at 14 April 2021. Therefore, for the year ended 31 December 2021, the Group recognised as "other income" a gain on re-measurement of previously held interest in Miramar upon obtaining of control in the aggregate amount of HK$1,889 million (see note 5), which comprises (i) a gain of HK$1,887 million on the re-measurement of the Group's 49.987% equity interest previously held in Miramar prior to the Acquisition; and (ii) a gain on bargain purchase of HK$2 million upon completion of the settlement process of the Acquisition.

The fair value of the assets acquired and the liabilities assumed in relation to Miramar as at the date of the Acquisition, which resulted in the Group's recognition of a gain on bargain purchase of HK$2 million as referred to above, were as follows:

3 Business combination (continued)

	HK$ million
Investment properties	**17,029**
Other property, plant and equipment	**3,474**
Right-of-use assets	**55**
Interest in associates	**1**
Trademarks *(note)*	**109**
Equity securities designated at fair value through other comprehensive income	**71**
Financial assets measured at fair value through profit or loss	**62**
Deferred tax assets	**13**
Inventories	**144**
Trade and other receivables	**191**
Cash and bank balances	**5,178**
Trade and other payables	**(297)**
Bank loan	**(3)**
Rental deposits received	**(257)**
Contract liabilities	**(71)**
Lease liabilities	**(70)**
Tax payable	**(20)**
Deferred tax liabilities	**(858)**
Non-controlling interests	**(150)**
Fair value of identifiable net assets	**24,601**
Gain on bargain purchase	**(2)**
	24,599

Represented by :

	HK$ million
Fair value of the consideration transferred for the Company to gain control over Miramar on the date of the Acquisition	**2**
Re-measured consolidated net assets of Miramar attributable to the non-controlling interests as at the date of the Acquisition (net of deferred tax)	**12,300**
Fair value of the Group's previously held interest in Miramar prior to the Acquisition (net of deferred tax)	**12,297**
	24,599

Note:

At 31 December 2021, the Group recognised trademarks at cost less amortisation during the period from 14 April 2021 to 31 December 2021, in the net carrying amount of HK$106 million at 31 December 2021.

The re-measurement gain of the Group's previously held interest in Miramar prior to the Acquisition is determined as follows:

	HK$ million
Fair value of the Group's previously held interest in Miramar prior to the Acquisition (net of deferred tax)	**12,297**
Less:	
The Group's attributable share of the book net asset value of Miramar prior to the Acquisition at 14 April 2021 (see above)	**(10,410)**
Re-measurement gain of the Group's 49.987% equity interest previously held in Miramar prior to the Acquisition	**1,887**

3 Business combination (continued)

	At 14 April 2021 HK$ million
Outflow of cash in the Group's obtaining of control in Miramar, net of cash acquired	
- cash consideration	**(2)**
- cash and bank balances of Miramar acquired	**5,178**
Net cash inflow from the Group's obtaining of control in Miramar	**5,176**

The Group has chosen to recognise the non-controlling interests at their proportionate share of the fair value of Miramar's identifiable net assets as at the date of the Acquisition.

The transaction costs related to the Acquisition in the amount of HK$551,000 were recognised in the Group's consolidated statement of profit or loss for the year ended 31 December 2021.

During the period from 14 April 2021 to 31 December 2021 (both dates inclusive), Miramar contributed consolidated revenue from external customers of HK$895 million and consolidated net profit after tax attributable to the Group's interest in Miramar during the period from 14 April 2021 to 31 December 2021 of HK$75 million to the Group. If the Acquisition had occurred on 1 January 2021, Miramar's contribution to the Group of consolidated revenue from external customers and consolidated net profit after tax attributable to the Group's interest in Miramar during the period from 1 January 2021 to 13 April 2021 would be HK$320 million and HK$38 million respectively.

4 Revenue

Revenue of the Group represents revenue from the sale of properties, rental income, operation and management of department stores and supermarket-cum-stores, and other businesses mainly including income from hotel operation and management, construction, provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, food and beverage operation, travel operation, as well as the trading of building materials and disposal of leasehold land.

The major items are analysed as follows:

	2021	*2020*
	HK$ million	HK$ million
Sale of properties	**12,630**	16,009
Rental income (note (i))	**6,505**	5,777
Department stores and supermarket-cum-stores operations (note (ii))	**1,791**	1,837
Other businesses	**2,601**	1,397
Total (note 11(b))	**23,527**	25,020

Notes:

(i) *Cumulative up to 31 December 2021, the Group has granted approved rent concessions in the aggregate amount of HK$338 million (Cumulative up to 31 December 2020: HK$302 million) to certain tenants of the Group's investment properties in Hong Kong and mainland China due to the impact of COVID-19 pandemic on the economic outlook, and hence the adverse effect on such tenants' business operations, business viabilities and abilities to meet rental obligations.*

Therefore, the Group's rental income for the year ended 31 December 2021 has been arrived at after deducting the rent concessions which were amortised for the year ended 31 December 2021 in the amount of HK$124 million (2020: HK$183 million).

(ii) *Including commission income earned from consignment and concessionary counters of the department stores operation, and the commission income earned from consignment counters of the supermarket-cum-stores operation, in the aggregate amount of HK$424 million for the year ended 31 December 2021 (2020: HK$412 million).*

In accordance with HKFRS 15, *Revenue from contracts with customers*, revenue from sale of properties and department stores and supermarket-cum stores operations are recognised at a point in time. Rental income recognised from HKFRS 16 is categorically classified as revenue from other sources. Revenue from other businesses of HK$1,393 million (2020: HK$773 million) is recognised over time while the remaining is recognised at a point in time.

At 31 December 2021, the cumulative aggregate amount of revenue expected to be recognised in the consolidated statement of profit or loss in the future from pre-completion sales contracts entered into in relation to the Group's properties held for/under development for sale and completed properties for sale held by the Group's subsidiaries, which are pending assignment in Hong Kong and mainland China, amounted to HK$12,777 million (2020: HK$11,298 million), which will be recognised when the pre-sold properties are assigned to the customers.

5 Other net income/(loss)

	2021 **HK$ million**	*2020* HK$ million
Net gain on disposal of investment properties (note 11(a))	**162**	229
Net fair value gain/(loss) on investments measured as financial assets at FVPL	**174**	(366)
Net fair value gain/(loss) on derivative financial instruments at FVPL:		
- Interest rate swap contracts, cross currency interest rate swap contracts, cross currency swap contracts and foreign exchange forward contracts (for which no hedge accounting was applied during the year)	**259**	(507)
Cash flow hedges: reclassified from hedging reserve to profit or loss	**-**	(5)
Impairment loss on trade debtors (note 11(c))	**(1)**	(6)
Reversal of provision/(provision) on inventories, net (note 11(a))	**77**	(4)
Exchange gain/(loss), net (note 7(d))	**85**	(100)
Government grants (note (i))	**-**	264
Gain on re-measurement of previously held interest in a former associate upon obtaining of control (notes 3 and 11(a))	**1,889**	-
Others	**482**	397
	3,127	(98)

Note:

(i) Government grants recognised for the corresponding year ended 31 December 2020 related to the subsidy received from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme as promulgated by the HKSAR Government.

6 Increase/(decrease) in fair value of investment properties and investment properties under development

The Group's investment properties and investment properties under development were revalued at 31 December 2021 by Cushman & Wakefield Limited, a firm of professional surveyors who have among their staff Members of The Hong Kong Institute of Surveyors with recent experience in the location and category of the properties being valued, on a market value basis.

The Group's management has reviewed the valuation results performed by the surveyors for financial reporting purposes by verifying all major inputs and assumptions, and assessing the reasonableness of property valuation. Such valuation is performed at each interim and annual reporting date and is reviewed and approved by senior management.

The valuations of completed investment properties in Hong Kong and mainland China were based on income capitalisation approach which capitalised the net income of the properties and taking into account the reversionary potential of the properties after expiry of the current lease.

For certain investment properties in Hong Kong and mainland China which are still under development, the valuations were determined on redevelopment basis and by taking into account the fair value of the completed investment property and then deducting from that amount the estimated costs to complete the construction, financing costs and a reasonable profit margin.

As a result, a net fair value gain on investment properties and investment properties under development in Hong Kong and mainland China (after deducting non-controlling interests' attributable share and deferred tax) in the aggregate amount of HK$26 million (2020: a net fair value loss on investment properties and investment properties under development in Hong Kong and mainland China (after deducting non-controlling interests' attributable share and deferred tax) in the aggregate amount of HK$2,964 million) has been recognised in the consolidated statement of profit or loss for the year (see note 10(b)).

In aggregate, the Group's attributable share of the net fair value losses (net of deferred tax) on investment properties and investment properties under development held by subsidiaries, associates and joint ventures for the year ended 31 December 2021 amounted to HK$119 million (2020: HK$4,568 million).

6 Increase/(decrease) in fair value of investment properties and investment properties under development (continued)

A reconciliation of the abovementioned figures is as follows:-

For the year ended 31 December 2021

	Hong Kong	Mainland China	Total
	HK$ million	HK$ million	HK$ million
Fair value (loss)/gain on investment properties and investment properties under development held by			
- subsidiaries (before deducting non-controlling interests' attributable share and deferred tax)	**(149)**	**208**	**59**
Less :			
Deferred tax	**-**	**(66)**	**(66)**
Non-controlling interests' attributable share of the fair value loss/(gain) (net of deferred tax)	**34**	**(1)**	**33**
(after deducting non-controlling interests' attributable share and deferred tax) (note 10(b))	**(115)**	**141**	**26**
- associates (Group's attributable share) (notes 10(b) and 11(a)(iii))	**(16)**	**-**	**(16)**
- joint ventures (Group's attributable share) (notes 10(b) and 11(a)(iv))	**(105)**	**(24)**	**(129)**
	(236)	**117**	**(119)**

6 Increase/(decrease) in fair value of investment properties and investment properties under development (continued)

For the year ended 31 December 2020

	Hong Kong HK$ million	Mainland China HK$ million	Total HK$ million
Fair value (loss)/gain on investment properties and investment properties under development held by			
- subsidiaries (before deducting non-controlling interests' attributable share and deferred tax)	(4,487)	2,074	(2,413)
Less :			
Deferred tax	-	(549)	(549)
Non-controlling interests' attributable share of the fair value gain (net of deferred tax)	(2)	-	(2)
(after deducting non-controlling interests' attributable share and deferred tax) (note 10(b))	(4,489)	1,525	(2,964)
- associates (Group's attributable share) (notes 10(b) and 11(a)(iii))	(445)	-	(445)
- joint ventures (Group's attributable share) (notes 10(b) and 11(a)(iv))	(1,244)	85	(1,159)
	(6,178)	1,610	(4,568)

7 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

		2021	*2020*
		HK$ million	HK$ million
(a)	**Finance costs:**		
	Bank loans interest	**875**	1,351
	Interest on loans	**1,093**	716
	Finance cost on lease liabilities	**20**	22
	Other borrowing costs	**105**	91
		2,093	2,180
	Less: Amount capitalised (note)	**(1,493)**	(1,622)
	Finance costs	**600**	558

Note: The borrowing costs have been capitalised at weighted average interest rates (based on the principal amounts of the Group's bank loans, guaranteed notes, amount due to a fellow subsidiary and amounts due to related companies during the period under which interest capitalisation is applicable) ranging from 1.67% to 3.83% (2020: 2.11% to 3.86%) per annum.

(b)	**Directors' emoluments**	**209**	204
(c)	**Staff costs (other than directors' emoluments):**		
	Salaries, wages and other benefits	**2,716**	2,384
	Contributions to defined contribution retirement plans	**108**	88
		2,824	2,472

7 Profit before taxation (continued)

Profit before taxation is arrived at after charging/(crediting): (continued)

	2021	*2020*
	HK$ million	*HK$ million*
(d) Other items:		
Net foreign exchange (gain)/loss	**(727)**	1,025
Cash flow hedges: net foreign exchange loss/ (gain) reclassified from equity	**642**	(925)
Exchange (gain)/loss, net (note 5)	**(85)**	100
Amortisation of trademarks	**3**	-
Depreciation		
- on other property, plant and equipment	**146**	77
- on right-of-use assets	**356**	351
	505	428
	(note 11(c))	(note 11(c))
Cost of sales		
- properties for sale	**6,595**	5,925
- trading stocks and consumable stores	**1,032**	982
Auditors' remuneration		
- audit services	**22**	20
- non-audit services	**7**	6
Expense relating to short-term leases	**18**	47
Rentals receivable from investment properties less direct outgoings of HK$1,979 million (2020: HK$1,640 million) (note (i))	**(4,326)**	(3,977)
Dividend income from investments designated as financial assets at FVOCI and investments measured as financial assets at FVPL (note (ii))		
- listed	**(84)**	(79)
- unlisted	**(32)**	(9)

Notes:

(i) The rental income from investment properties included contingent rental income of HK$41 million (2020: HK$17 million).

(ii) During the year ended 31 December 2021, dividend income of HK$35 million related to investments designated as financial assets at FVOCI held at 31 December 2021 (2020: dividend income of HK$10 million related to investments designated as financial assets at FVOCI held at 31 December 2020).

8 Income tax

Income tax in the consolidated statement of profit or loss represents:

	2021	*2020*
	HK$ million	HK$ million
Current tax – Provision for Hong Kong Profits Tax		
Provision for the year	**867**	978
Under-provision in respect of prior years	**2**	12
	869	990
Current tax – Provision for taxation outside Hong Kong		
Provision for the year	**599**	598
Under-provision in respect of prior years	**106**	50
	705	648
Current tax – Provision for Land Appreciation Tax		
Provision for the year	**263**	296
	263	296
Deferred tax		
Origination and reversal of temporary differences	**181**	497
	181	497
	2,018	2,431

Provision for Hong Kong Profits Tax has been made at 16.5% (2020: 16.5%) on the estimated assessable profits for the year, taking into account a one-off reduction of 100% (2020: 100%) of the tax payable for the year of assessment 2020/21 subject to a ceiling of HK$10,000 (2019/20: HK$20,000) for each business allowed by the HKSAR Government.

Provision for taxation outside Hong Kong is provided for at the applicable rates of taxation for the year on the estimated assessable profits arising in the relevant foreign tax jurisdictions during the year.

Land Appreciation Tax is levied on properties in mainland China developed by the Group for sale, at progressive rates ranging from 30% to 60% (2020: 30% to 60%) on the appreciation of land value, which under the applicable regulations is calculated based on the revenue from sale of properties less deductible expenditure including lease charges of land use rights, borrowing costs and property development expenditure.

9 Dividends

(a) Dividends payable to equity shareholders of the Company attributable to profit for the year

	2021	*2020*
	HK$ million	HK$ million
Interim dividend declared and paid of HK$0.50 (2020: HK$0.50) per share	**2,421**	2,421
Final dividend proposed after the end of the reporting period of HK$1.30 (2020: HK$1.30) per share	**6,294**	6,294
	8,715	8,715

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to profit for the previous financial year, approved and paid during the year

	2021	*2020*
	HK$ million	HK$ million
Final dividend in respect of the previous financial year, approved and paid during the year of HK$1.30 (2020: HK$1.30) per share	**6,294**	6,294

10 Earnings per share

(a) Reported earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of HK$13,195 million (2020: HK$10,192 million) and the weighted average number of 4,841 million ordinary shares (2020: 4,841 million ordinary shares) in issue during the year.

Diluted earnings per share were the same as the basic earnings per share for the year and the corresponding year ended 31 December 2020 as there were no dilutive potential ordinary shares in existence during both years.

(b) Underlying earnings per share

For the purpose of assessing the underlying performance of the Group, basic and diluted earnings per share are additionally calculated based on the profit attributable to equity shareholders of the Company after excluding the effects of changes in fair value of investment properties and investment properties under development ("Underlying Profit") of HK$13,624 million (2020: HK$14,899 million). A reconciliation of profit is as follows:

	2021	*2020*
	HK$ million	HK$ million
Profit attributable to equity shareholders of the Company	**13,195**	10,192
Fair value (gain)/loss of investment properties and investment properties under development during the year (after deducting non-controlling interests' attributable share and deferred tax) (note 6)	**(26)**	2,964
Share of fair value loss of investment properties (net of deferred tax) during the year:		
– associates (note 6)	**16**	445
– joint ventures (note 6)	**129**	1,159
The Group's attributable share of the cumulative fair value gain of investment properties disposed of during the year, net of tax:		
– subsidiaries	**310**	139
Underlying Profit	**13,624**	14,899
Underlying earnings per share, based on the weighted average number of ordinary shares in issue during the year (note 10(a))	**HK$2.81**	HK$3.08

11 Segment reporting

The Group manages its businesses by a mixture of business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

Property development	:	Development and sale of properties
Property leasing	:	Leasing of properties
Department stores and supermarket-cum-stores operations	:	Operation and management of department stores and supermarket-cum-stores
Other businesses	:	Hotel operation and management, construction, provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, food and beverage operation, travel operation, as well as the trading of building materials and disposal of leasehold land
Utility and energy	:	Production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases.

Revenue and expenses are allocated to the reportable segments with reference to revenues generated by those segments and the expenses incurred by those segments. Segment results form the basis of measurement used for assessing segment performance and represent profit or loss before reversal of provision/(provision) on inventories, net, sales of property interests, gain on re-measurement of previously held interest in a former associate upon obtaining of control, fair value change on investment properties and investment properties under development, net finance costs, income tax and items not specifically attributed to individual reportable segments, such as unallocated head office and corporate expenses, net.

(a) Results of reportable segments

Information regarding the Group's and its share of associates and joint ventures on reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and performance assessment for the years ended 31 December 2021 and 31 December 2020 is set out below:

11 Segment reporting (continued)

(a) Results of reportable segments (continued)

For the year ended 31 December 2021	Company and its subsidiaries (before deducting non-controlling interests)		Associates and joint ventures				Attributable to non-controlling interests		Attributable to equity shareholders of the Company	
	Revenue (note (i)) HK$ million	Segment results HK$ million	Share of revenue HK$ million	Share of segment results HK$ million	Combined revenue HK$ million	Consolidated segment results HK$ million	Revenue HK$ million	Segment results HK$ million	Combined revenue HK$ million	Consolidated segment results HK$ million
Property development										
Hong Kong	10,805	3,920	902	322	11,707	4,242	(89)	(49)	11,618	4,193
Mainland China	1,825	759	4,984	844	6,809	1,603	-	-	6,809	1,603
	12,630	4,679	5,886	1,166	18,516	5,845	(89)	(49)	18,427	5,796
Property leasing										
Hong Kong	4,462	2,928	2,349	1,859	6,811	4,787	(277)	(231)	6,534	4,556
Mainland China	2,043	1,579	73	59	2,116	1,638	(19)	(12)	2,097	1,626
(note (ii))	6,505	4,507	2,422	1,918	8,927	6,425	(296)	(243)	8,631	6,182
Department stores and supermarket-cum stores operations	1,791	200	-	-	1,791	200	(544)	(21)	1,247	179
Other businesses	2,601	995	317	(847)	2,918	148	(282)	31	2,636	179
	23,527	10,381	8,625	2,237	32,152	12,618	(1,211)	(282)	30,941	12,336
Utility and energy	-	-	32,139	4,085	32,139	4,085	-	-	32,139	4,085
	23,527	10,381	40,764	6,322	64,291	16,703	(1,211)	(282)	63,080	16,421
Reversal of provision/(provision) on inventories, net	(note 5)	77		(18)		59		(4)		55
Sales of property interests	(note 5)	162		-		162		-		162
Gain on re-measurement of previously held interest in a former associate upon obtaining of control	(note 5)	1,889		-		1,889		-		1,889
Unallocated head office and corporate expenses, net		(519)		(295)		(814)		6		(808)
Profit from operations		11,990		6,009		17,999		(280)		17,719
Increase/(decrease) in fair value of investment properties and investment properties under development		59		(152)		(93)		33		(60)
Finance costs		(600)		(756)		(1,356)		50		(1,306)
Bank interest income		109		170		279		(8)		271
Net finance costs		(491)		(586)		(1,077)		42		(1,035)
Profit before taxation		11,558		5,271		16,829		(205)		16,624
Income tax		(2,018)		(1,451)		(3,469)		40		(3,429)
Profit for the year		9,540		3,820		13,360		(165)		13,195

11 Segment reporting (continued)

(a) Results of reportable segments (continued)

In relation to the share of profits less losses of associates and joint ventures:

	Property development HK$ million	Property leasing HK$ million	Other businesses HK$ million	Sub-total HK$ million	Utility and energy HK$ million	Total HK$ million
For the year ended 31 December 2021						
Share of profits less losses of associates (note (iii))						
- Listed associates						
The Hong Kong and China Gas Company Limited	**-**	**203**	**(955)**	**(752)**	**2,833**	**2,081**
Miramar *(note)*	**-**	**61**	**(16)**	**45**	**-**	**45**
Hong Kong Ferry (Holdings) Company Limited	**(10)**	**45**	**4**	**39**	**-**	**39**
- Unlisted associates	**38**	**37**	**(47)**	**28**	**-**	**28**
	28	**346**	**(1,014)**	**(640)**	**2,833**	**2,193**
Share of profits less losses of joint ventures (note (iv))	**683**	**1,010**	**(66)**	**1,627**	**-**	**1,627**
	711	**1,356**	**(1,080)**	**987**	**2,833**	**3,820**

Note:

As referred to in note 3, the Group has accounted for Miramar as an indirect non-wholly-owned subsidiary and consolidated Miramar's financial results for the period from 14 April 2021 to 31 December 2021 (both dates inclusive) into the Group's consolidated financial statements for the year ended 31 December 2021. For the period from 1 January 2021 to 13 April 2021 (both dates inclusive), Miramar was an associate of the Group and the financial results of Miramar for such period were accounted for in the Group's consolidated financial statements for the same period under the equity method of accounting.

11 Segment reporting (continued)

(a) Results of reportable segments (continued)

	Company and its subsidiaries (before deducting non-controlling interests)		Associates and joint ventures				Attributable to non-controlling interests		Attributable to equity shareholders of the Company	
	Revenue (note (i))	Segment results	Share of revenue	Share of segment results	Combined revenue	Consolidated segment results	Revenue	Segment results	Combined revenue	Consolidated segment results
For the year ended 31 December 2020	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Property development										
Hong Kong	14,147	7,784	-	(6)	14,147	7,778	(105)	(48)	14,042	7,730
Mainland China	1,862	864	5,204	1,059	7,066	1,923	-	(4)	7,066	1,919
	16,009	8,648	5,204	1,053	21,213	9,701	(105)	(52)	21,108	9,649
Property leasing										
Hong Kong	3,985	2,697	2,797	2,307	6,782	5,004	(8)	(4)	6,774	5,000
Mainland China	1,792	1,442	37	25	1,829	1,467	-	-	1,829	1,467
(note (ii))	5,777	4,139	2,834	2,332	8,611	6,471	(8)	(4)	8,603	6,467
Department stores and supermarket-cum stores operations	1,837	241	-	-	1,837	241	(562)	(55)	1,275	186
Other businesses	1,397	492	402	(379)	1,799	113	(111)	(25)	1,688	88
	25,020	13,520	8,440	3,006	33,460	16,526	(786)	(136)	32,674	16,390
Utility and energy	-	-	24,252	4,061	24,252	4,061	-	-	24,252	4,061
	25,020	13,520	32,692	7,067	57,712	20,587	(786)	(136)	56,926	20,451
(Provision)/reversal of provision on inventories, net (note 5)		(4)		2		(2)		-		(2)
Sales of property interests (note 5)		229		-		229		(1)		228
Unallocated head office and corporate expenses, net		(1,574)		(374)		(1,948)		3		(1,945)
Profit from operations		12,171		6,695		18,866		(134)		18,732
Decrease in fair value of investment properties and investment properties under development		(2,413)		(1,576)		(3,989)		(2)		(3,991)
Finance costs		(558)		(685)		(1,243)		33		(1,210)
Bank interest income		354		181		535		(3)		532
Net finance costs		(204)		(504)		(708)		30		(678)
Profit before taxation		9,554		4,615		14,169		(106)		14,063
Income tax		(2,431)		(1,455)		(3,886)		15		(3,871)
Profit for the year		7,123		3,160		10,283		(91)		10,192

11 Segment reporting (continued)

(a) Results of reportable segments (continued)

In relation to the share of profits less losses of associates and joint ventures:

	Property development HK$ million	Property leasing HK$ million	Other businesses HK$ million	Sub-total HK$ million	Utility and energy HK$ million	Total HK$ million
For the year ended 31 December 2020						
Share of profits less losses of associates (note (iii))						
- Listed associates						
The Hong Kong and China Gas Company Limited	-	14	(532)	(518)	3,013	2,495
Miramar	-	217	25	242	-	242
Hong Kong Ferry (Holdings) Company Limited	(6)	12	3	9	-	9
- Unlisted associates	(110)	(99)	(13)	(222)	-	(222)
	(116)	144	(517)	(489)	3,013	2,524
Share of profits less losses of joint ventures (note (iv))	639	44	(47)	636	-	636
	523	188	(564)	147	3,013	3,160

11 Segment reporting (continued)

(a) Results of reportable segments (continued)

Notes:

(i) The revenue figures above are arrived at after the elimination of inter-segment revenues, in the amounts of HK$356 million (2020: HK$335 million) and HK$1,458 million (2020: HK$1,079 million) in relation to the reportable segments under property leasing and others, respectively.

(ii) Revenue for the property leasing segment comprises rental income of HK$5,732 million (2020: HK$5,167 million) and rental-related income of HK$773 million (2020: HK$610 million), which in aggregate amounted to HK$6,505 million for the year (2020: HK$5,777 million)(see note 4).

(iii) The Group's share of profits less losses of associates contributed from the property leasing segment during the year of HK$346 million (2020: HK$144 million) includes the net decrease in fair value of investment properties (net of deferred tax) during the year of HK$16 million (2020: HK$445 million)(see note 6).

The Group's share of losses less profits of associates contributed from other businesses segment during the year of HK$1,014 million (2020: HK$517 million) includes the Group's share of loss after tax from hotel operation and management during the year of HK$19 million (2020: HK$31 million).

(iv) The Group's share of profits less losses of joint ventures contributed from the property leasing segment during the year of HK$1,010 million (2020: HK$44 million) includes the net decrease in fair value of investment properties (net of deferred tax) during the year of HK$129 million (2020: HK$1,159 million) (see note 6).

The Group's share of losses less profits of joint ventures contributed from other businesses segment during the year of HK$66 million (2020: HK$47 million) includes the Group's share of loss after tax contributed from hotel operation and management during the year of HK$63 million (2020: HK$67 million).

11 Segment reporting (continued)

(b) Geographical information

The following table sets out information about the geographical segment location of (i) the Group's revenue from external customers; and (ii) the Group's investment properties, other property, plant and equipment, right-of-use assets, goodwill, trademarks, interests in associates and joint ventures (together, the "Specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the Specified non-current assets is based on the physical location of the asset in the case of investment properties, other property, plant and equipment and right-of-use assets, the location of the operation to which the cash-generating unit(s) is(are) allocated in the case of goodwill and trademarks, and the location of operations in the case of interests in associates and joint ventures.

	Revenue from external customers		**Specified non-current assets**	
	For the year ended 31 December		**At 31 December**	
	2021	*2020*	***2021***	*2020*
	HK$ million	HK$ million	**HK$ million**	HK$ million
Hong Kong	**19,455**	21,336	**315,198**	249,825
Mainland China	**4,072**	3,684	**85,322**	73,061
The United Kingdom	**-**	-	**37**	-
	23,527	25,020	**400,557**	322,886
	(note 4)	(note 4)		

(c) Other segment information

	Depreciation and amortisation		**Impairment loss on trade debtors**	
	For the year ended 31 December		**For the year ended 31 December**	
	2021	*2020*	***2021***	*2020*
	HK$ million	HK$ million	**HK$ million**	HK$ million
Property development	**83**	92	**-**	-
Property leasing	**52**	34	**1**	5
Department stores and supermarket-cum-stores operations	**144**	144	**-**	-
Other businesses	**226**	158	**-**	1
	505	428	**1**	6
	(note 7(d))	(note 7(d))	**(note 5)**	(note 5)

12 Deposits for acquisition of properties

The Group's deposits for acquisition of properties mainly include HK$339 million (2020: HK$329 million) and HK$Nil (2020: HK$261 million) paid relating to the acquisition of certain pieces of land/properties located in mainland China and Macau Special Administrative Region of the People's Republic of China ("Macau"), respectively.

On 27 April 2005, the Group entered into a shareholders' agreement with an independent third party for acquiring 51% beneficial interest in a company incorporated in Macau which had received a land concession relating to a development site situated in Macau. A deposit of HK$561 million was made by the Group in 2005 (the "Deposit") and the Group's recoverability of the Deposit was guaranteed by a registered bank in Macau. For the reason that the conditions precedent for acquisition of the land have not been fulfilled and the acquisition cannot proceed, pursuant to the shareholders' agreement, the Group had recovered part of the Deposit in the amount of HK$300 million in September 2020 and the remaining balance of the Deposit in the amount of HK$261 million in June 2021. As a result, the entire amount of the Deposit was fully recovered by the Group at 31 December 2021.

13 Inventories

	2021 **HK$ million**	*2020* HK$ million
Property development		
Leasehold land held for development for sale	**10,851**	10,358
Properties held for/under development for sale	**75,739**	82,792
Completed properties for sale	**22,434**	7,774
	109,024	100,924
Other operations		
Trading stocks and consumable stores	**156**	135
	109,180	101,059

14 Trade and other receivables

		2021 HK$ million	2020 HK$ million
(i)	Trade receivables		
	Debtors	**7,060**	8,329
	Prepayments and deposits	**5,043**	3,464
	Gross amount due from customers for contract work [^]	**82**	83
	Amounts due from associates	**5**	44
	Amounts due from joint ventures	**148**	31
		12,338	11,951
(ii)	Other current financial assets		
	Instalments receivable	**221**	266
	Loans receivable	**3,714**	3,054
	Financial assets measured at FVPL	**388**	326
	Derivative financial instruments	**183**	267
		4,506	3,913
		16,844	15,864

[^] *These balances represent the excess of cumulative revenue recognised in profit or loss over the cumulative payments made by customers at the end of the reporting periods, and are recognised as contract assets.*

Loans receivable, of which HK$63 million (2020: HK$779 million) are secured and HK$3,651 million (2020: HK$2,275 million) are unsecured, are expected to be recovered within one year from the end of the reporting period, and are not past due.

Typical payment terms which impact on the amount of contract assets recognised are as follows:

Gross amount due from customers for contract work

The Group's construction contracts include payment schedules which require staged payments over the construction period once certain milestones are reached as certified by architects' certificates. At 31 December 2021, the Group had two construction contracts for agreed retention period of twelve months for 5% to 10% of the contract value (2020: the Group had two construction contracts for agreed retention periods of twelve months and twenty-four months respectively for 10% of the contract value), which amounts are included in contract assets until the end of the retention periods as the Group's entitlements to these final payments are conditional on the Group's construction works satisfactorily passing inspection.

All of the trade and other receivables are expected to be recovered or recognised as expense within one year except for various deposits, prepayments and other receivables of HK$3,499 million (2020: HK$3,667 million) which are expected to be recovered after more than one year from the end of the reporting period.

14 Trade and other receivables (continued)

The amounts due from associates and joint ventures are unsecured, interest-free, have no fixed terms of repayment and are not past due.

At the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the dates of invoices or demand notes and net of loss allowance, is as follows:

	2021	*2020*
	HK$ million	HK$ million
Current or up to 1 month	**405**	405
More than 1 month and up to 3 months	**44**	83
More than 3 months and up to 6 months	**18**	31
More than 6 months	**37**	33
	504	552

15 Trade and other payables

	2021	*2020*
	HK$ million	HK$ million
Creditors and accrued expenses	**8,582**	6,182
Gross amount due to customers for contract work *(#)*	**4**	2
Rental and other deposits received	**1,966**	1,620
Forward sales deposits received and other contract liabilities*(#)*	**6,136**	8,587
Derivative financial instruments	**36**	59
Provision for reinstatement costs	**12**	-
Amounts due to associates	**1,321**	1,105
Amounts due to joint ventures	**10,423**	4,749
	28,480	22,304

(#) These balances represent the excess of cumulative payments made by customers over the cumulative revenue recognised in profit or loss at the end of the reporting periods, and are recognised as contract liabilities.

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Forward sales deposits received

The Group receives 5% to 15% of the amount of sale consideration as deposits from customers when they sign the sale and purchase agreements relating to property sales. Such deposit is recognised as a contract liability until the property is completed and legally assigned to the customer. The rest of the sale consideration is typically paid when legal assignment is completed.

However, depending on market conditions, the Group may offer to customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the sale consideration early while construction is still ongoing, rather than upon legal assignment. Such advance payment schemes result in contract liabilities being recognised throughout the remaining property construction period for the full amount of the sale consideration.

15 Trade and other payables (continued)

Movements in contract liabilities

	Forward sales deposits received and other contract liabilities	
	2021	*2020*
	HK$ million	HK$ million
At 1 January	**8,587**	14,897
Exchange differences	**-**	42
Addition due to the Group's obtaining of control in Miramar (note 3)	**71**	-
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(3,440)**	(9,491)
Increase in contract liabilities as a result of forward sales deposits received from customers during the year in relation to property projects held for/under development and completed property projects pending assignment/completion, and in relation to provision of services at the end of the year	**918**	3,139
At 31 December	**6,136**	8,587

(a) All of the Group's trade and other payables are expected to be settled within one year or are repayable on demand except for an amount of HK$1,150 million (2020: HK$922 million) which is expected to be settled after more than one year from the end of the reporting period.

(b) At the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the due dates for settlement, is as follows:

	2021	*2020*
	HK$ million	HK$ million
Due within 1 month or on demand	**2,927**	2,107
Due after 1 month but within 3 months	**398**	358
Due after 3 months but within 6 months	**326**	187
Due after 6 months	**1,306**	1,467
	4,957	4,119

(c) The amounts due to associates and joint ventures at 31 December 2021 and 31 December 2020 are unsecured, interest-free and have no fixed terms of repayment except for aggregate amounts due to certain associates and certain joint ventures of HK$2,426 million (2020: HK$1,569 million) which are unsecured, interest-bearing at interest rates ranging from 3.80% to 3.85% (2020: 3.80% to 3.85%) per annum and wholly repayable between 24 January 2022 and 29 November 2022 (2020: between 15 January 2021 and 10 December 2021).

16 Non-adjusting events after the reporting period

(a) After the end of the reporting period, the Directors proposed a final dividend. Further details are disclosed in note 9.

(b) On 7 February 2022, Glodtex Enterprises Limited (a wholly-owned subsidiary of the Company) entered into a shareholders' agreement relating to another wholly-owned subsidiary of the Company ("Developer") ("Shareholders' Agreement") after Urban Renewal Authority ("URA") granted its conditional consent to the change in the shareholding structure of the Developer from being an indirect wholly-owned subsidiary of the Company (before completion of the transactions contemplated under the Shareholders' Agreement ("Completion")) to a joint venture to be indirectly held as to 50% by the Company and 25% by each of Empire Development Hong Kong (BVI) Limited ("Empire") and Hysan Development Company Limited ("Hysan") respectively.

The Developer is engaged in the development of a site owned by URA at Bailey Street/Wing Kwong Street, To Kwa Wan, Kowloon, Hong Kong.

Pursuant to the Shareholders' Agreement, each of Brilliant Choice Group Limited (a wholly-owned subsidiary of Empire) and Lucida Enterprises Limited (a wholly-owned subsidiary of Hysan) (i) subscribed for one share in the Developer, representing 25% of the enlarged issued share capital of the Developer; and (ii) acquired 25% of the shareholders' loans owing by the Developer to the Group. Following the Completion, the Developer became a joint venture in which the Group has 50% beneficial interest, and the Group shall adopt equity accounting for the results of the Developer.

17 Review of results

The financial results for the year ended 31 December 2021 have been reviewed with no disagreement by the Audit Committee of the Company.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2021 have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by KPMG on this announcement.

FINANCIAL REVIEW

Results of operations

The following discussions should be read in conjunction with the Company's audited consolidated financial statements for the year ended 31 December 2021.

Revenue and profit

	Revenue			***Profit contribution from operations***		
	Year ended 31 December			***Year ended 31 December***		
	2021	2020	*Increase / (Decrease)*	**2021**	2020	*Increase/ (Decrease)*
	HK$ million	HK$ million	*%*	**HK$ million**	HK$ million	*%*
Reportable segments						
- Property development	**12,630**	16,009	*-21%*	**4,679**	8,648	*-46%*
- Property leasing	**6,505**	5,777	*+13%*	**4,507**	4,139	*+9%*
- Department stores and supermarket-cum-stores operations	**1,791**	1,837	*-3%*	**200**	241	*-17%*
- Other businesses	**2,601**	1,397	*+86%*	**995**	492	*+102%*
	23,527	25,020	*-6%*	**10,381**	13,520	*-23%*

	Year ended 31 December		*Increase / (Decrease)*
	2021	2020	
	HK$ million	HK$ million	*%*
Profit attributable to equity shareholders of the Company			
- including the Group's attributable share of changes in fair value of investment properties and investment properties under development (net of deferred taxation) held by the Group's subsidiaries, associates and joint ventures	**13,195**	10,192	*+29%*
- excluding the Group's attributable share of changes in fair value of investment properties and investment properties under development (net of deferred taxation) held by the Group's subsidiaries, associates and joint ventures ("Underlying Profit") *(Note)*	**13,624**	14,899	*-9%*

Note :

Underlying profit attributable to equity shareholders of the Company ("Underlying Profit") excludes the Group's attributable share of fair value change (net of deferred tax) of the investment properties and investment properties under development held by subsidiaries, associates and joint ventures. In order to fully exclude the aforesaid effects of changes in fair value from the Underlying Profit, the Group's attributable share of the cumulative fair value gain (net of tax) of investment properties disposed of during the year (which has been included in calculating the net gain on disposal of investment properties and hence the profit attributable to equity shareholders of the Company during the year) of HK$310 million (2020: HK$139 million) was added back in arriving at the Underlying Profit.

Below is the comparison of the Underlying Profits for the years ended 31 December 2021 and 31 December 2020 by excluding certain fair value adjustments for both years, the gain on transfer of interest in a company holding an en-bloc property in 2020 and the one-off subsidy received by the Group in 2020 :-

	Year ended 31 December			
	2021	2020	*Increase /(Decrease)*	
	HK$ million	HK$ million	*HK$ million*	*%*
Underlying Profit	**13,624**	14,899	*(1,275)*	*-9%*
Add/(Less) :				
(i) Net fair value (gain)/loss on derivative financial instruments relating to certain interest rate swap contracts, cross currency swap contracts, cross currency interest rate swap contracts and foreign exchange forward contracts (net of tax) for which no hedge accounting was applied during the year	**(216)**	423	*(639)*	
(ii) Net fair value (gain)/loss on the Group's investment measured as financial asset at fair value through profit or loss, namely, in the listed units of Sunlight Real Estate Investment Trust ("Sunlight REIT")	**(173)**	366	*(539)*	
(iii) Gain on re-measurement of the Group's previously held interest in Miramar Hotel and Investment Company, Limited ("Miramar") upon obtaining of control (as referred to in the paragraph headed "Increase in the Group's interest in Miramar" below) in 2021	**(1,889)**	-	*(1,889)*	
(iv) Gain attributable to the Underlying Profit from the Group's transfer of its entire interest in the company holding an en-bloc property which comprised certain land lots in Wo Shang Wai, the New Territories, Hong Kong in 2020	-	(3,629)	*3,629*	
(v) One-off subsidy received by the Group from HKSAR Government's COVID-19 Anti-epidemic Fund under the Employment Support Scheme in 2020	-	(264)	*264*	
	11,346	11,795	*(449)*	*-4%*

Discussions on the major reportable segments are set out below.

Property development

Gross revenue - subsidiaries

The gross revenue from property sales during the years ended 31 December 2021 and 31 December 2020 generated by the Group's subsidiaries, and by geographical contribution, are as follows:-

	Year ended 31 December			
	2021	2020	*Decrease*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong	**10,805**	14,147	*(3,342)*	*-24%*
Mainland China	**1,825**	1,862	*(37)*	*-2%*
	12,630	16,009	*(3,379)*	*-21%*

The gross revenue from property sales in Hong Kong during the year ended 31 December 2021 was contributed as to (i) HK$8,227 million from the aggregate sales revenue of "Arbour", "The Addition", "The Vantage", "Two • Artlane" and "The Richmond", being residential projects which were completed during the year ended 31 December 2021 and the sold units of which were also delivered to the buyers before the end of 2021; and (ii) HK$2,578 million from the sales revenue of other projects which were completed prior to 1 January 2021. The residential projects "The Henley" and "Aquila • Square Mile" were also completed in November 2021 and December 2021 respectively but the sold units of which are scheduled to be delivered to the buyers after 31 December 2021, and therefore no revenue and profit contributions have been recognised from these two projects for the year ended 31 December 2021.

The gross revenue from property sales in mainland China during the year ended 31 December 2021 was contributed as to (i) HK$491 million from "Emerald Valley" in Nanjing and HK$1,259 million from "Grand Lakeview" in Yixing, both being residential projects of which certain phases were completed during the year ended 31 December 2021 and the sold units of which were also delivered to the buyers before the end of 2021; and (ii) HK$75 million in relation to the other projects which were completed prior to 1 January 2021.

Pre-tax profits – subsidiaries, associates and joint ventures

The Group's attributable share of pre-tax profits from property sales, by geographical contribution and from subsidiaries (after deducting non-controlling interests), associates and joint ventures during the years ended 31 December 2021 and 31 December 2020, are as follows:-

	Year ended 31 December			
	2021	2020	*Decrease*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong	**4,193**	7,730	*(3,537)*	*-46%*
Mainland China	**1,603**	1,919	*(316)*	*-16%*
	5,796	9,649	*(3,853)*	*-40%*

The decrease in the Group's attributable share of pre-tax profits from property sales in Hong Kong during the year ended 31 December 2021 of HK$3,537 million (or 46%) is mainly due to the pre-tax underlying profit contribution of HK$3,629 million recognised in the corresponding year ended 31 December 2020 as explained in the excluded profit item (iv) in the paragraph "Revenue and profit" above.

The decrease in the Group's attributable share of pre-tax profits from property sales in mainland China during the year ended 31 December 2021 of HK$316 million (or 16%) is mainly due to the decrease in the Group's attributable share of pre-tax profit contributions in the aggregate amount of HK$453 million from "Emerald Valley" in Nanjing (being a project held by a subsidiary of the Group) and "The Landscape" in Changsha and "Xukou Project" in Suzhou (both being projects held by the Group's joint ventures), which is partially offset by the increase in the Group's attributable share of pre-tax profit contribution in the amount of HK$154 million from "La Botanica" in Xian.

	Year ended 31 December			
	2021	2020	*Increase /(Decrease)*	
	HK$ million	HK$ million	*HK$ million*	*%*
By contribution from subsidiaries (after deducting non-controlling interests), associates and joint ventures:				
Subsidiaries	**4,630**	8,596	*(3,966)*	*-46%*
Associates	**(96)**	(47)	*(49)*	*-104%*
Joint ventures	**1,262**	1,100	*162*	*+15%*
	5,796	9,649	*(3,853)*	*-40%*

The decrease of HK$3,966 million (or 46%) in the Group's attributable share of pre-tax profits from property sales of the Group's subsidiaries during the year ended 31 December 2021 is mainly due to the pre-tax underlying profit contribution of HK$3,629 million recognised in the corresponding year ended 31 December 2020 as explained in the excluded profit item (iv) in the paragraph "Revenue and profit" above.

The increase of HK$162 million (or 15%) in the Group's attributable share of pre-tax profits from property sales of the Group's joint ventures during the year ended 31 December 2021 is mainly due to the Group's attributable share of pre-tax profit contribution of HK$331 million from "Timber House", a joint venture project in Hong Kong and in which the Group has 49% equity interest (2020: Nil), which is partially offset by the decrease of the Group's attributable share of pre-tax profit contribution of HK$176 million from "The Landscape", a joint venture project in Changsha, mainland China and in which the Group has 50% equity interest.

Property leasing

Gross revenue - subsidiaries

The gross revenue from property leasing during the years ended 31 December 2021 and 31 December 2020 generated by the Group's subsidiaries, and by geographical contribution, are as follows:-

	Year ended 31 December			
	2021	2020	*Increase*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong	**4,462**	3,985	*477*	*+12%*
Mainland China	**2,043**	1,792	*251*	*+14%*
	6,505	5,777	*728*	*+13%*

Pre-tax net rental income – subsidiaries, associates and joint ventures

The Group's attributable share of pre-tax net rental income, by geographical contribution and from subsidiaries (after deducting non-controlling interests), associates and joint ventures during the years ended 31 December 2021 and 31 December 2020, are as follows:-

	Year ended 31 December			
	2021	2020	*Increase / (Decrease)*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong	**4,556**	5,000	*(444)*	*-9%*
Mainland China	**1,626**	1,467	*159*	*+11%*
	6,182	6,467	*(285)*	*-4%*
By contribution from subsidiaries (after deducting non-controlling interests), associates and joint ventures:				
Subsidiaries	**4,264**	4,135	*129*	*+3%*
Associates	**472**	768	*(296)*	*-39%*
Joint ventures	**1,446**	1,564	*(118)*	*-8%*
	6,182	6,467	*(285)*	*-4%*

For Hong Kong, on an overall portfolio basis, there was a year-on-year increase of HK$477 million (or 12%) in rental revenue contribution and a year-on-year decrease of HK$444 million (or 9%) in the Group's attributable share of pre-tax net rental income contribution for the year ended 31 December 2021. The increase in rental revenue contribution is mainly due to the additional contribution from Miramar's property leasing revenue of HK$514 million during the period from 14 April 2021 (commencing from which date Miramar became an indirect non-wholly-owned subsidiary of the Company, as referred to in the paragraph headed "Increase in the Group's interest in Miramar" below) to 31 December 2021 (2020: Nil)**,** but which is partially offset by the year-on-year decrease in rental revenue contribution of HK$37 million from the Group's investment properties portfolio in Hong Kong. The decrease in the Group's attributable share of pre-tax net rental income contribution is mainly due to the increased level of rental outgoings and expenditures incurred during the year ended 31 December 2021 which included rental commission expenses, promotion expenses for "The Henderson" (being the Group's investment property which is scheduled for project completion in 2023) and management expenses for the Group's shopping malls in the light of the prevailing COVID-19 pandemic. Cumulative up to 31 December 2021, the Group had granted rent concessions in the aggregate attributable amount of HK$522 million (cumulative up to 31 December 2020: HK$458 million), in relation to which the Group's attributable share of the rent concessions amortised for the year ended 31 December 2021 amounted in aggregate to HK$186 million (2020: HK$259 million).

For mainland China, on an overall portfolio basis, there was a year-on-year increase of HK$251 million (or 14%) in rental revenue contribution and a year-on-year increase of HK$159 million (or 11%) in the Group's attributable share of pre-tax net rental income contribution for the year ended 31 December 2021. Based on the average exchange rates between the Renminbi ("RMB") and Hong Kong dollars ("HKD") for the two financial years ended 31 December 2021 and 31 December 2020, there was a year-on-year appreciation of RMB against HKD by approximately 7% during the year ended 31 December 2021, and excluding the effect of foreign currency translation, there was in RMB terms (i) a year-on-year increase in rental revenue by 6% which was mainly attributable to the contribution from the twin office towers of "Lumina Guangzhou" in Guangzhou (which were completed in June 2020); and (ii) a year-on-year increase in the Group's attributable share of pre-tax net rental income of 3% which was also mainly attributable to the same aforementioned reasons underlying the increase in rental revenue contributions for the year.

Department stores and supermarket-cum-stores operations

Department stores and supermarket-cum-stores operations are carried out by Citistore (Hong Kong) Limited ("Citistore") and Unicorn Stores (HK) Limited ("Unicorn") respectively, both being wholly-owned subsidiaries of Henderson Investment Limited ("HIL"), a listed subsidiary of the Company. For the year ended 31 December 2021, revenue contribution amounted to HK$1,791 million (2020: HK$1,837 million) which represents a year-on-year decrease of HK$46 million, or 3%, from that for the corresponding year ended 31 December 2020. The decrease in revenue during the year ended 31 December 2021 is mainly attributable to the decrease in customers' demand for food and daily necessities at the supermarkets operating under Unicorn during the year because of the easing of social distancing measures under the COVID-19 pandemic when compared with the corresponding year ended 31 December 2020.

Profit contribution (after the elimination of rental expenditure in respect of the stores which were payable to the Group by Citistore and Unicorn) for the year ended 31 December 2021 decreased by HK$41 million, or 17%, to HK$200 million (2020: HK$241 million). The decrease in profit contribution is mainly attributable to the fact that for the corresponding year ended 31 December 2020, HIL had received the aggregate subsidy of HK$55 million from HKSAR Government's COVID-19 Anti-epidemic Fund under the Employment Support Scheme and other COVID-19 related subsidy income for Citistore and Unicorn as well as the rent concessions granted to Citistore by the landlords of the store outlets in the amount of HK$19 million (after tax), but the aforementioned one-off income did not recur for the year ended 31 December 2021.

Other businesses

Other businesses mainly comprise hotel operation and management, construction, provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, as well as travel and food and beverage operations and the trading of building materials and disposal of leasehold land.

Revenue and pre-tax profit contributions from other businesses for the year ended 31 December 2021 amounted to HK$2,601 million and HK$995 million respectively, representing:

(a) an increase of HK$1,204 million (or 86%) over the revenue contribution of HK$1,397 million for the corresponding year ended 31 December 2020, which is mainly attributable to the following:
   (i) the increase in interest income of HK$212 million during the year, mainly generated from the Group's advances of interest-bearing shareholder's loans to certain joint ventures;
   (ii) the increase in revenue contribution of HK$470 million during the year, mainly generated from the Group's undertaking of the construction works of three joint venture projects at The Kai Tak Development Area, Hong Kong;
   (iii) the revenue contribution of HK$340 million from Miramar's hotel, travel and food and beverage operations during the period from 14 April 2021 to 31 December 2021 (2020: Nil); and
   (iv) the increase in revenue contribution of HK$163 million from the Group's property management business operation in Shanghai and Beijing, mainland China, which commenced in 2020;

   and

(b) an increase of HK$503 million (or 102%) over the pre-tax profit contribution of HK$492 million for the corresponding year ended 31 December 2020, which is mainly due to the fact that for the year ended 31 December 2021, a fair value gain of HK$173 million was recognised in relation to the Group's investment in the listed units of Sunlight REIT (being classified as the Group's investment measured as financial asset at fair value through profit or loss) when compared with a fair value loss of HK$366 million for the corresponding year ended 31 December 2020, and which therefore generated a resultant year-on-year gain of HK$539 million to the Group for the year ended 31 December 2021.

Associates

The Group's attributable share of post-tax profits less losses of associates during the year ended 31 December 2021 amounted to HK$2,193 million (2020: HK$2,524 million), representing a decrease of HK$331 million, or 13%, from that for the corresponding year ended 31 December 2020. Excluding the Group's attributable share of changes in fair value of investment properties held by the associates (net of deferred taxation) during the year, the Group's attributable share of the underlying post-tax profits less losses of associates for the year ended 31 December 2021 amounted to HK$2,209 million (2020: HK$2,969 million), representing a decrease of HK$760 million, or 26%, from that for the corresponding year ended 31 December 2020. Such year-on-year decrease in the underlying post-tax profits during the year ended 31 December 2021 was mainly due to:

(i) the decrease of HK$620 million in the Group's attributable share of post-tax underlying profit contribution from The Hong Kong and China Gas Company Limited ("HKCG", a listed associate of the Group), mainly because of the increase in the Group's attributable share of HKCG's provision on assets in the amount of HK$490 million during the year; and

(ii) the decrease of HK$247 million in the Group's attributable share of post-tax underlying profit contribution from Miramar during the period from 1 January 2021 to 13 April 2021 (both dates inclusive) when it was a listed associate of the Group (as referred to in the paragraph headed "Increase in the Group's interest in Miramar" below), relative to the full year's profit contribution from Miramar for the corresponding year ended 31 December 2020,

and which aggregate effect is partially offset by the increase of HK$148 million in the Group's attributable share of post-tax underlying profit contribution from property development of the Group's associates in mainland China.

Joint ventures

The Group's attributable share of post-tax profits less losses of joint ventures during the year ended 31 December 2021 amounted to HK$1,627 million (2020: HK$636 million), representing an increase of HK$991 million, or 156%, over that for the corresponding year ended 31 December 2020. Excluding the Group's attributable share of changes in fair value of investment properties held by the joint ventures (net of deferred taxation) during the year, the Group's attributable share of the underlying post-tax profits less losses of joint ventures for the year ended 31 December 2021 amounted to HK$1,756 million (2020: HK$1,795 million), representing a decrease of HK$39 million, or 2%, from that for the corresponding year ended 31 December 2020.

Finance costs

Finance costs (comprising interest expense and other borrowing costs) before interest capitalisation for the year ended 31 December 2021 amounted to HK$2,093 million (2020: HK$2,180 million). Finance costs after interest capitalisation for the year ended 31 December 2021 amounted to HK$600 million (2020: HK$558 million), and after set-off against the Group's bank interest income of HK$109 million for the year ended 31 December 2021 (2020: HK$354 million), the Group recognised net finance costs in the Group's consolidated statement of profit or loss for the year ended 31 December 2021 in the amount of HK$491 million (2020: HK$204 million).

Overall, as referred to in the paragraph headed "Maturity profile and interest cover" below, the Group's total debt amounted to HK$102,915 million at 31 December 2021 (2020: HK$89,556 million) which comprised (i) the Group's bank and other borrowings in Hong Kong in the aggregate amount of HK$99,739 million at 31 December 2021 (2020: HK$87,419 million); and (ii) amounts due from the Group to related companies of HK$3,176 million at 31 December 2021 (2020: HK$2,137 million).

During the year ended 31 December 2021, the Group's overall effective borrowing rate in relation to the Group's bank and other borrowings in Hong Kong was approximately 1.67% per annum (2020: approximately 2.10% per annum, other than certain bank loans denominated in RMB raised in Hong Kong in the second half of 2019 and which was fully repaid at 31 December 2020 and carried an effective borrowing rate of 3.07% per annum).

Furthermore, as referred to in the paragraph headed "Maturity profile and interest cover" below, in relation to the amount due from the Group to a fellow subsidiary, the Group's effective borrowing rate during the year ended 31 December 2021 was approximately 0.85% per annum (2020: approximately 1.60% per annum).

Revaluation of investment properties and investment properties under development

The Group recognised an increase in fair value on its investment properties and investment properties under development (before deferred taxation and non-controlling interests) of HK$59 million in the consolidated statement of profit or loss for the year ended 31 December 2021 (2020: a decrease in fair value of HK$2,413 million).

Financial resources and liquidity

Medium Term Note Programme

At 31 December 2021, the aggregate carrying amount of notes guaranteed by the Company and issued under the Group's Medium Term Note Programme established on 30 August 2011 ("MTN Programme") and under which the Company had on 15 October 2018 increased the maximum aggregate principal amount of notes outstanding at any one time from US$3,000 million to US$5,000 million, was HK$25,225 million (2020: HK$18,598 million) with tenures of between 19 months and twenty years (2020: between 19 months and twenty years).

During the year ended 31 December 2021, the Group issued guaranteed notes under the MTN Programme denominated in RMB, United States dollars ("USD") and HKD in the aggregate equivalent amount of HK$9,589 million (2020: HK$8,487 million) with tenures of between two years and six years. Such guaranteed notes issued by the Group serves to finance the Group's capital expenditure requirements as referred to in the paragraph headed "Capital commitments" below. These notes are included in the Group's bank and other borrowings at 31 December 2021 and 31 December 2020 as referred to in the paragraph headed "Maturity profile and interest cover" below. The Group has repaid certain guaranteed notes in the aggregate principal amount of HK$3,074 million under the MTN Programme during the year ended 31 December 2021 (2020: HK$1,484 million).

Maturity profile and interest cover

The maturity profile of the total debt, the cash and bank balances, the net debt and the gearing ratio of the Group were as follows:

	At 31 December 2021 HK$ million	At 31 December 2020 HK$ million
Bank and other borrowings repayable:		
- Within 1 year	**31,784**	29,332
- After 1 year but within 2 years	**21,240**	15,834
- After 2 years but within 5 years	**20,736**	20,716
- After 5 years	**25,979**	21,537
Amounts due to related companies	**3,176**	2,137
Total debt	**102,915**	89,556
Less:		
Cash and bank balances	**(10,947)**	(5,807)
Net debt	**91,968**	83,749
Shareholders' funds	**335,020**	327,607
Gearing ratio (%)	**27.5%**	25.6%

At 31 December 2021, the Group's total debt comprised (i) bank and other borrowings in Hong Kong, being bank loans of HK$74,358 million (2020: HK$68,666 million) and guaranteed notes of HK$25,381 million (2020: HK$18,753 million); and (ii) amounts due to related companies of HK$3,176 million (2020 : HK$2,137 million), which in aggregate amounted to HK$102,915 million (2020: HK$89,556 million). The bank and other borrowings in Hong Kong were unsecured and have a weighted average debt maturity profile of approximately 3.24 years (2020: approximately 3.40 years). The amounts due to related companies were unsecured and have a weighted average debt maturity profile of approximately three years (2020: approximately three years).

In addition, at 31 December 2021, there was an amount due from the Group to a fellow subsidiary of HK$53,710 million (2020: HK$4,389 million) which was unsecured, interest-bearing and had no fixed repayment terms. The significant increase of HK$49,321 million in the amount due from the Group to a fellow subsidiary, which is a wholly-owned subsidiary of the ultimate controlling party of the Group, was to replace bank loans which arose from the Group's land acquisitions during the year.

At 31 December 2021, after taking into account the effect of swap contracts, 50% (2020: 52%) of the Group's total debt carried fixed interest rates.

Gearing ratio is calculated based on the net debt and shareholders' funds of the Group at the end of the reporting period.

The interest cover of the Group is calculated as follows:

	Year ended 31 December	
	2021	2020
	HK$ million	HK$ million
Profit from operations (including bank interest income and the cumulative fair value change (net of tax) of investment properties disposed of during the year, but before changes in fair value of investment properties and investment properties under development for the year) plus the Group's share of the underlying profits less losses of associates and joint ventures	**16,374**	17,428
Interest expense (before interest capitalisation)	**1,968**	2,067
Interest cover (times)	**8**	8

With abundant banking facilities in place and the recurrent income generated from its operations, the Group has adequate financial resources in meeting the funding requirements for its ongoing operations as well as its future expansion.

Treasury and financial management

The Group is exposed to interest rate and foreign exchange risks. To efficiently and effectively manage these risks, the Group's financing and treasury activities are centrally co-ordinated at the corporate level. As a matter of policy, all transactions in derivative financial instruments are undertaken solely for risk management purposes and no derivative financial instruments were held by the Group at the end of the reporting period for speculative purposes.

The Group conducts its business primarily in Hong Kong with the related cash flows, assets and liabilities being denominated mainly in Hong Kong dollars. The Group's primary foreign exchange exposure arises from its property developments and investments in mainland China which are denominated in RMB, the guaranteed notes ("Notes") which are denominated in USD, RMB and Japanese Yen ("¥") at 31 December 2021 and the bank borrowings which are denominated in ¥, RMB and Australian dollars ("AUD") at 31 December 2021.

In respect of the Group's operations in mainland China, apart from its capital contributions and, in some cases, loan contributions to projects which are denominated in RMB and are not hedged, the Group endeavours to establish a natural hedge by maintaining an appropriate level of external borrowings in RMB. In respect of the Notes and bank borrowings in the aggregate principal amount of HK$32,743 million at 31 December 2021 (2020: HK$36,955 million), hedging arrangements had been made by the Group, comprising (i) cross currency interest rate swap contracts which were entered into between the Group and certain counterparty banks for the purpose of hedging against interest rate risk and foreign currency risk during their tenure; (ii) cross currency swap contracts which were entered into between the Group and certain counterparty banks for the purpose of hedging against foreign currency risk during their tenure; and (iii) interest rate swap contracts which were entered into between the Group and certain counterparty banks for the purpose of hedging against interest rate risk during their tenure.

Based on the abovementioned swap contracts which were executed by the Group in relation to the Notes and bank borrowings, the aggregate amount of the Notes and bank borrowings which are hedged against the interest rate risk only, the foreign currency risk only and both the interest rate risk and foreign currency risk, was HK$32,666 million at 31 December 2021 (2020: HK$36,854 million) which represented 32% of the Group's total debt at 31 December 2021 (2020: 41%).

Material acquisitions and disposals

Material acquisitions

Hong Kong

On 9 September 2021, a wholly-owned subsidiary of the Group was awarded from the Urban Renewal Authority ("URA") the redevelopment project of a land site at Bailey Street / Wing Kwong Street, To Kwa Wan, Kowloon, Hong Kong, by way of a public tender at a land premium of HK$8,189 million and which amount was fully settled by the Group to URA on 11 October 2021.

On 3 November 2021, a wholly-owned subsidiary of the Group received a letter from the Lands Department of the HKSAR Government, confirming its acceptance of such subsidiary's tender for a piece of land located at Man Yiu Street, New Central Harbourfront, Hong Kong (registered in the Land Registry as Inland Lot No. 9088) at the land premium of HK$50,800 million. It is expected to create one of Hong Kong's most iconic landmarks as well as a social destination dedicated to public enjoyment along the harbourfront promenade.

Mainland China

During the year ended 31 December 2021, the Group entered into co-operative agreements and arrangement with CIFI Holdings (Group) Co., Limited ("CIFI") and certain property developers and enterprises in mainland China in respect of a total of 12 property development projects in mainland China, covering the cities of Changsha, Chengdu, Chongqing, Dongguan, Foshan, Guangzhou, Shijiazhuang, Suzhou, Tianjin and Wuhan. The Group's aggregate attributable share of land costs in these projects amounted to RMB9,015 million (equivalent to HK$10,852 million).

Save as aforementioned, the Group did not undertake any other significant acquisitions of subsidiaries or assets during the year ended 31 December 2021.

Material disposals

The Group did not undertake any significant disposals of assets or subsidiaries during the year ended 31 December 2021.

Increase in the Group's interest in Miramar

On 14 April 2021, the Company announced that upon completion of the settlement process of the Group's acquisition of 103,000 shares in the issued share capital of Miramar ("Miramar Shares") on the open market on 14 April 2021 for an aggregate consideration of HK$1,574,040 (exclusive of transaction costs) (the "Acquisition"), the Company indirectly held 345,494,980 Miramar Shares in aggregate which represented approximately 50.002% of the total number of issued Miramar Shares. Prior to the Acquisition, the Company indirectly held approximately 49.987% of the total number of issued Miramar Shares.

As a result of the Acquisition and during the year ended 31 December 2021, (i) Miramar was an associate of the Group for the period from 1 January 2021 to 13 April 2021 (both dates inclusive), and the financial results of Miramar for such period were accounted for in the Group's consolidated financial statements for the same period under the equity method of accounting; and (ii) Miramar became an indirect non-wholly-owned subsidiary of the Company commencing from 14 April 2021, and the financial results of Miramar for the period from 14 April 2021 to 31 December 2021 (both dates inclusive) were consolidated into the Group's consolidated financial statements for the year ended 31 December 2021.

The Company's interest in the Miramar Shares is for long-term investment purpose. The Group has adopted the purchase price allocation method of acquisition accounting under HKFRS 3 (Revised) *Business combinations* under which the assets acquired and the liabilities assumed in relation to Miramar have been fair valued as at the date of the Acquisition upon consolidation by the Group. Therefore, for the year ended 31 December 2021, the Group recognised as "other income" a gain on re-measurement of previously held interest in Miramar upon obtaining of control in the aggregate amount of HK$1,889 million, which comprises (i) a gain of HK$1,887 million on the re-measurement of the Group's 49.987% equity interest in Miramar prior to the Acquisition; and (ii) a gain on bargain purchase of HK$2 million upon completion of the settlement process of the Acquisition.

During the period from 15 April 2021 to 31 December 2021, the Group further acquired an aggregate of 505,000 Miramar Shares on the open market. At 31 December 2021, the Group indirectly held 345,999,980 Miramar Shares in aggregate which represents approximately 50.075% of the total number of issued Miramar Shares.

During the corresponding year ended 31 December 2020, Miramar was an associate of the Group and the financial results of Miramar for that year were accounted for in the Group's consolidated financial statements for the same year under the equity method of accounting.

Charge on assets

The assets of the Group's subsidiaries were not charged to any other parties at 31 December 2021 and 31 December 2020.

Capital commitments

At 31 December 2021, capital commitments of the Group amounted to HK$28,133 million (2020: HK$30,672 million). In addition, the Group's attributable share of capital commitments undertaken by joint ventures and certain associates at 31 December 2021 amounted to HK$12,965 million (2020: HK$7,034 million).

The Group plans to finance its capital expenditure requirements for the year ending 31 December 2022 by way of the Group's own internally generated cash flow, bank deposits, banking facilities and funds raised and to be raised from the capital market.

Contingent liabilities

At 31 December 2021, the Group's contingent liabilities amounted to HK$11,187 million (2020: HK$10,442 million), which mainly include:-

(i) an amount of HK$1,164 million (2020: HK$399 million) relating to performance bonds, guarantees and undertakings for the due and proper performance of the obligations of the Group's subsidiaries and projects, the increase of which is mainly attributable to the Group's guarantees to a bank in relation to the finance undertakings by such bank in favour of the HKSAR Government for the completion of the Group's two residential development projects at The Kai Tak Development Area and Un Chau Street, Kowloon, Hong Kong under the terms and conditions of the relevant land grants;

(ii) an amount of HK$1,558 million (2020: HK$1,578 million) relating to guarantees given by the Group to financial institutions on behalf of purchasers of property units of the Group's development projects in mainland China in relation to which the related Building Ownership Certificate (房產證) had not yet been issued at 31 December 2021 (and such guarantees will be released upon the issuance of the Building Ownership Certificate); and

(iii) amounts of HK$1,670 million (2020: HK$1,670 million), HK$2,100 million (2020: HK$2,100 million), HK$1,314 million (2020: HK$1,314 million) and HK$2,940 million (2020: HK$2,940 million) relating to the Group's attributable and proportional shares (in accordance with the Group's attributable interests in four joint ventures engaged in the development of residential properties at The Kai Tak Development Area, and in which the Group has 29.3% interest, 30% interest, 18% interest and 30% interest respectively) of contingent liabilities in respect of irrevocable, unconditional and several guarantees to certain lending banks in relation to the maximum amounts which may be drawn down on certain loan facilities which were entered into on 8 July 2019, 4 December 2019, 1 June 2020 and 30 October 2020 respectively between such lending banks and the four joint ventures.

Employees and remuneration policy

At 31 December 2021, the Group had 10,059 (2020: 9,065) full-time employees. The increase in the Group's full-time headcount of 994 employees during the year ended 31 December 2021 is mainly attributable to the full-time headcount contribution of 1,138 employees from Miramar since it became an indirect non-wholly-owned subsidiary of the Company commencing from 14 April 2021.

The remuneration of the employees is in line with the market and commensurate with the level of pay in the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees include medical insurance, retirement scheme, training programmes and education subsidies.

Total staff costs for the year ended 31 December 2021 amounted to HK$3,003 million (2020: HK$2,645 million), representing a year-on-year increase of HK$358 million, or 14%, which is mainly due to the inclusion of Miramar's staff costs in the amount of HK$262 million during the period from 14 April 2021 to 31 December 2021 (2020: Nil). Excluding this factor and on a like-for-like basis, the Group's total staff costs for the year ended 31 December 2021 amounted to HK$2,741 million (2020: HK$2,645 million) which comprised (i) staff costs included under directors' remuneration of HK$179 million (2020: HK$173 million); and (ii) staff costs (other than directors' remuneration) of HK$2,562 million (2020: HK$2,472 million) which had increased by 4% year-on-year.

During the corresponding year ended 31 December 2020, the Group received the one-off subsidy in the aggregate amount of HK$264 million from HKSAR Government's COVID-19 Anti-epidemic Fund under the Employment Support Scheme, and which was recognised by the Group as "other income" for that year. Such subsidy income did not recur to the Group for the year ended 31 December 2021.

OTHER INFORMATION

Closure of Register of Members

1. Book Close for determining the entitlement to attend and vote at the annual general meeting

   The Register of Members of the Company will be closed from Friday, 27 May 2022 to Wednesday, 1 June 2022, both days inclusive, during which period no transfer of shares will be registered, for the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting. In order to be entitled for attending and voting at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 26 May 2022.

2. Book Close for determining the qualification for the proposed final dividend

   The Register of Members of the Company will be closed from Wednesday, 8 June 2022 to Friday, 10 June 2022, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s share registrar, Computershare Hong Kong Investor Services Limited at the aforementioned address not later than 4:30 p.m. on Tuesday, 7 June 2022.

Purchase, Sale or Redemption of the Company’s Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

Audit Committee

The Audit Committee met in March 2022 and reviewed the risk management and internal control systems, and the annual report for the year ended 31 December 2021.

Corporate Governance

During the year ended 31 December 2021, the Company complied with the applicable code provisions set out in the Corporate Governance Code (the “CG Code”) as stated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), with the exception that the roles of the chairman and the chief executive officer of the Company have not been segregated as required by the CG Code. The Company is of the view that it is in the best interest of the Company that each of Dr Lee Ka Kit and Dr Lee Ka Shing, with his relevant in-depth expertise and knowledge in the Group’s business, acts in the dual capacity as Chairman and Managing Director of the Company. Although the roles of the chairman and the chief executive officer of the Company have not been segregated, powers and authorities have not been over-concentrated as all major decisions are made in consultation with Board members and senior management who possess the relevant knowledge and expertise, as well as appropriate Board committees. Hence, the current arrangements are subject to adequate checks and balances notwithstanding such deviation.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). Having made specific enquiries, the Company confirmed that all Directors have complied with the required standards as set out in the Model Code.

Forward-Looking Statements

This announcement contains certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board of Directors of the Company regarding the industry and markets in which it operates. These forward-looking statements are subject to risks, uncertainties and other factors beyond the Company's control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements.

On behalf of the Board

Dr Lee Ka Kit	**Dr Lee Ka Shing**
Chairman	*Chairman*

Hong Kong, 22 March 2022

As at the date of this announcement, the Board comprises: (1) executive directors: Lee Ka Kit (Chairman and Managing Director), Lee Ka Shing (Chairman and Managing Director), Lam Ko Yin, Colin, Lee Shau Kee, Yip Ying Chee, John, Fung Lee Woon King, Kwok Ping Ho, Suen Kwok Lam, Wong Ho Ming, Augustine and Fung Hau Chung, Andrew; (2) non-executive directors: Lee Tat Man and Lee Pui Ling, Angelina; and (3) independent non-executive directors: Kwong Che Keung, Gordon, Ko Ping Keung, Wu King Cheong, Woo Ka Biu, Jackson, Poon Chung Kwong and Au Siu Kee, Alexander.