HENDERSON LAND DEVELOPMENT COMPANY LIMITED
恒 基 兆 業 地 產 有 限 公 司
Incorporated in Hong Kong with limited liability
(Stock Code : 12)

2022 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 2022 amounted to HK$9,629 million, representing a decrease of HK$3,995 million or 29% from that of HK$13,624 million for the previous year. The decrease in underlying profit was partly due to an attributable gain of HK$1,889 million which was recognised in the previous year 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. Underlying earnings per share were HK$1.99 (2021: HK$2.81).

During the year, an attributable share of fair value loss of HK$390 million (2021: HK$429 million) (which included the adjustments of cumulative fair value change of investment properties disposed of) 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$9,239 million, representing a decrease of HK$3,956 million or 30% from that of HK$13,195 million for the previous year. Reported earnings per share were HK$1.91 (2021: HK$2.73).

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 Tuesday, 13 June 2023, 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 2022 will amount to HK$1.80 per share (2021: HK$1.80 per share).

The proposed final dividend is expected to be distributed to shareholders on Friday, 23 June 2023.

BUSINESS REVIEW

Hong Kong

Property Sales

Since 2022, the US Federal Reserve has raised the interest rate eight times. Hong Kong did not fully follow due to its ample liquidity, resulting in the prevailing mortgage interest rates staying at an affordable level. However, the uncertain outlook of the global economy weighed on the sentiment of homebuyers, hence the slowdown in the local property market towards the year end.

The attributable revenue from the Group's property development in Hong Kong amounted to HK$15,536 million for the year under review, representing an increase of HK$3,340 million compared with the previous year. The corresponding pre-tax profit contribution amounted to HK$3,355 million, representing a decrease of HK$1,403 millon compared with the previous year. The decrease in profit was mainly due to the lower profit margins of certain projects recognised during the year.

During the year, the Group launched an array of urban projects for sale, including "Baker Circle • Dover (Phase 1 of Baker Circle One)"and "Baker Circle • Euston (Phase 2 of Baker Circle One)" in Hung Hom, "Phase 2 of The Henley" and "Miami Quay I" in Kai Tak, "The Quinn • Square Mile" in Mong Kok and "The Harmonie" in Cheung Sha Wan. "One Innovale" at Fanling, the first residential development in the "North East New Territories New Development Areas", was also released in this financial year. All these developments sold well. Together with the sales of the previously launched projects and some other properties (including car parks), the Group achieved attributable contracted sales of approximately HK$13,743 million in Hong Kong for the year ended 31 December 2022.

At the end of December 2022, attributable contracted sales of Hong Kong properties, which are yet to be recognised in the accounts, amounted to approximately HK$12,072 million, of which approximately HK$7,191 million is expected to be recognised in 2023 upon completion of development and handover to buyers.

Property Development

As regards the Group's urban redevelopment projects (including the projects awarded by the Urban Renewal Authority), those with 80% to 100% ownership secured amounted to 3.3 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 2023.

The Group has made use of a multi-faceted approach to replenish its development land bank in Hong Kong. Except for those earmarked for rental purposes, there will be an ample supply of saleable areas 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 2023**			
1.	Unsold units from the major development projects offered for sale	(Table 1)	1.3	
2.	Projects pending sale in 2023	(Table 2)	1.7	
		Sub-total:	**3.0**	
(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)	2.6	Most of them are expected to be available for sale or lease in 2024-2025
	4.2 with 80% or above ownership secured	(Table 4)	0.7	Most of them are expected to be available for sale or lease in 2025-2027
	4.3 with over 20% but less than 80% ownership secured	(Table 5)	0.7	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:	**7.0**	
		Total for the above categories (A) and (B) development projects:	**10.0**	

(C) Major development projects in the New Territories

– Fanling North	4.3	*(Note 2)*
– Fanling Sheung Shui Town Lot No. 263	0.3	*(Note 3)*
Kwu Tung		
– Others	0.4	*(Note 2)*
Sub-total:	**5.0**	
Total for categories (A) to (C):	**15.0**	

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 this land lot in 2017.

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

There are 26 major development projects available for sale:

	Project name and location	Gross floor area (sq. ft.)	Type of development	At 31 December 2022 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- 3 of The Henley) 7 Muk Tai Street Kai Tak	654,602	Commercial/ Residential	629	327,872	100.00	327,872
2.	One Innovale (Phases 1-3 of One Innovale) 8 Ma Sik Road, Fanling (formerly known as project at Fanling Sheung Shui Town Lot No. 262, Fanling North)	612,685	Residential	515	187,750	100.00	187,750
3.	Eden Manor 88 Castle Peak Road Kwu Tung	555,399	Residential	112	123,646	100.00	123,646
4.	The Quinn•Square Mile 5 Sham Mong Road Mong Kok	242,518	Commercial/ Residential	363	104,330	100.00	104,330
5.	The Holborn 1 Shau Kei Wan Road Quarry Bay	132,363	Residential	310	81,029	100.00	81,029
6.	Baker Circle•Euston (Phase 2 of Baker Circle One) 33 Whampoa Street Hung Hom	110,352	Commercial/ Residential	277	78,244	100.00	78,244
7.	Miami Quay I 23 Shing Fung Road Kai Tak (formerly known as phase 1 of the project at New Kowloon Inland Lot No. 6574, Kai Tak)	574,614 *(Note 1)*	Residential	602	260,109	29.30	76,212
8.	Baker Circle•Dover (Phase 1 of Baker Circle One) 38 Gillies Avenue South Hung Hom	120,769	Commercial/ Residential	184	47,769	100.00	47,769

9.	Wellesley 23 Robinson Road Mid-Levels West	156,900 *(Note 2)*	Residential	28	47,203	50.00 *(Note 2)*	23,602
10.	The Harmonie 233 Castle Peak Road Cheung Sha Wan	159,748	Commercial/ Residential	62 *(Note 3)*	21,522 *(Note 3)*	100.00	21,522 *(Note 3)*
11.	Caine Hill 73 Caine Road Mid-Levels	64,116	Commercial/ Residential	73	17,781	100.00	17,781
12.	Cetus•Square Mile 18 Ka Shin Street Mong Kok	176,256	Commercial/ Residential	48	14,261	100.00	14,261
13.	Aquila•Square Mile 38 Fuk Chak Street Mong Kok	180,427	Commercial/ Residential	42	12,964	100.00	12,964
14.	The Upper South 71 Main Street Ap Lei Chau	40,318	Commercial/ Residential	48	9,773	100.00	9,773
15.	Arbour 2 Tak Shing Street Tsim Sha Tsui	89,527	Commercial/ Residential	14	7,784	100.00	7,784
16.	The Royale – Phases 1-3 8 Castle Peak Road - Castle Peak Bay Tuen Mun	663,062	Residential	41	28,054	16.705	4,686
17.	The Hampstead Reach 8 Ping Kin Lane Yuen Long	27,868	Residential	2	3,602	100.00	3,602
18.	South Walk•Aura 12 Tin Wan Street Aberdeen	37,550	Commercial/ Residential	14	3,443	100.00	3,443
19.	The Addition 350 Un Chau Street Cheung Sha Wan	79,903	Commercial/ Residential	7	2,536	100.00	2,536
20.	The Richmond 62C Robinson Road Mid-Levels West	33,678	Commercial/ Residential	5	2,328	100.00	2,328
21.	Two•Artlane 1 Chung Ching Street Sai Ying Pun	90,102	Commercial/ Residential	8	1,676	100.00	1,676
22.	The Vantage 63 Ma Tau Wai Road Hung Hom	207,254	Commercial/ Residential	3	1,275	100.00	1,275
23.	PARKER33 33 Shing On Street Shau Kei Wan	80,090	Commercial/ Residential	2	1,134	100.00	1,134

24.	Global Gateway Tower 61A-61E and 63 Wing Hong Street Cheung Sha Wan	336,052	Industrial	Not applicable	75,693 *(Note 4)*	100.00	75,693 *(Note 4)*
25.	E-Trade Plaza 24 Lee Chung Street Chai Wan	173,850	Office	Not applicable	60,359 *(Note 4)*	100.00	60,359 *(Note 4)*
26.	Mega Cube 8 Wang Kwong Road Kowloon Bay	171,194	Office	Not applicable	48,622 *(Note 4)*	100.00	48,622 *(Note 4)*
			Total:	**3,389**	**1,570,759**		**1,339,893**

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 Group's entitlement for this Urban Renewal Authority project.

Note 4: Representing the office, industrial or shop area.

(Table 2) Projects pending sale in 2023

In the absence of disruption caused by the pandemic or any other unforeseen delays, the following projects will be available for sale in 2023:

	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 Symphonie 280 Tung Chau Street Cheung Sha Wan	144,345	Commercial/ Residential	262	86,472 *(Note 1)*	33.41	28,890 *(Note 1)*
2.	Henley Park 8 Muk Tai Street Kai Tak (formerly known as project at New Kowloon Inland Lot No. 6562, Kai Tak)	397,967	Residential	740	397,967	100.00	397,967
3.	New Kowloon Inland Lot No. 6554, Kai Tak *(Note 2)*	1,205,061	Commercial/ Residential/ Government accommodation	2,060	1,074,563	30.00	322,369
4.	Phase 1, 1-27 Berwick Street, 202-220 Nam Cheong street and 1-14 Yiu Tung Street	286,015	Commercial/ Residential	738	242,982	100.00	242,982
5.	New Kowloon Inland Lot No. 6576, Kai Tak	722,059	Residential	1,590	722,059	30.00	216,618
6.	456-466 Sai Yeung Choi Street North	171,659	Residential	537	171,659	100.00	171,659
7.	New Kowloon Inland Lot No. 6552, Kai Tak *(Note 2)*	641,165	Commercial/ Residential	566	619,383	18.00	111,489
8.	18 Bulkeley Street Hung Hom	108,801	Commercial/ Residential	278	91,005	100.00	91,005

9.	4-24 Nam Kok Road Kowloon City	118,009	Commercial/ Residential	313	98,341	76.468	75,199
10.	Phase 2 of the project at 23 Shing Fung Road Kai Tak (formerly known as phase 2 of the project at New Kowloon Inland Lot No. 6574, Kai Tak)	574,614 *(Note 3)*	Residential	571	256,036	29.30	75,019
			Total:	**7,655**	**3,760,467**		**1,733,197**

Note 1: Representing the residential saleable area.

Note 2: Pending the issue of pre-sale consent.

Note 3: 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	11,709	100.00	11,709
	Total:	**832,051**	**3,993,421**		**919,539**

Note: The Government's provisional basic terms were accepted in April 2022. 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 24 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:

	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.)
	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	60,783			60,783
4.	105 Robinson Road Mid-Levels	27,530	137,638			137,638
5.	33-39 Elgin Street Mid-Levels	4,944	43,682			43,682
6.	41-47A Elgin Street Mid-Levels	7,457	65,571			65,571
7.	1-4 Ladder Street Terrace Mid-Levels	2,859	13,907			13,907
8.	63 Macdonnell Road Mid-Levels	3,155	13,251			13,251
9.	13-21 Wood Road and 22-30 Wing Cheung Street Wanchai	8,600	76,798			76,798
10.	9-13 Sun Chun Street Tai Hang			2,019	18,171	18,171
11.	17-25 Sun Chun Street Tai Hang	4,497	40,473			40,473
12.	83-95 Shek Pai Wan Road and 2 Tin Wan Street Aberdeen	4,950	42,075	1,128	10,716	52,791
13.	4-6 Tin Wan Street Aberdeen			1,740	14,790	14,790
14.	983-987A King's Road and 16-22 and 24-94 Pan Hoi Street, Quarry Bay (50% stake held by the Group)			42,018	220,345	220,345
	Sub-total:	**138,966**	**852,833**	**46,905**	**264,022**	**1,116,855**

	Project name and location	With 100% ownership secured		With over 80% but less than 100% ownership secured*		
		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.)**
	Kowloon and New Territories					
15.	16 Kimberley Road Tsim Sha Tsui (Block B, Champagne Court)			12,283	147,396	147,396
16.	Various projects spanning Ka Shin Street, Pok Man Street, Man On Street and Tai Kok Tsui Road Tai Kok Tsui	16,061	145,732	15,745	141,705	287,437 *(Note 1)*
17.	Phase 2, 1-27 Berwick Street, 202-220 Nam Cheong Street and 1-14 Yiu Tung Street, Shek Kip Mei	9,289	115,130			115,130
18.	Various projects spanning Gillies Avenue South, Baker Street and Whampoa Street, Hung Hom	75,337	693,913			693,913 *(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	32,219	281,772	10,287	92,583	374,355
20.	Bailey Street/Wing Kwong Street Development Project, To Kwa Wan (This project was awarded by the Urban Renewal Authority with a 50% stake held by the Group)	79,718	358,732			358,732

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.	3 Mei Sun Lane Tai Po	7,976	49,009			49,009
	Sub-total:	**238,064**	**1,795,013**	**43,197**	**421,617**	**2,216,630**
	Total:	**377,030**	**2,647,846**	**90,102**	**685,639**	**3,333,485**

* *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: Part of a cluster of over 1 million square feet of gross floor area, of which projects (namely, "Eltanin•Square Mile", "Cetus•Square Mile", "Aquila•Square Mile" and "The Quinn•Square Mile") totalling a gross floor area of about 770,000 square feet have been offered for sale.

Note 2: Part of a cluster of over 1 million square feet of gross floor area, of which projects (namely, "Baker Circle•Dover", "Baker Circle•Euston" and the project at 18 Bulkeley Street) totalling a gross floor area of about 340,000 square feet have been offered for sales or are in the sales pipeline in 2023.

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 30 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 1,880,000 square feet against their total attributable land areas of about 210,000 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 670,000 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

The Group currently has a land bank in Hong Kong comprising a total attributable gross floor area of approximately 25.2 million square feet, made up as follows:

		Attributable gross floor area (million sq. ft.)
Properties held for/under development *(Note)*		13.7
Unsold units from major launched projects		1.3
	Sub-total:	**15.0**
Completed properties (including hotels) for rental		10.2
	Total:	**25.2**

Note: Including the total attributable developable area of about 4.7 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 3.3 million square feet, which are expected to be available for sale or lease in 2024 and beyond.

During the year, the Group completed the acquisition of the entire interests in certain development projects. As for the Site 3 of New Central Harbourfront (Inland Lot No. 9088), which was acquired by the Group in 2021, foundation works have commenced. 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. The Outline Development Plan for this project was approved by the Town Planning Board. With the scheduled completion in the fourth quarter of 2026 and the fourth quarter of 2032 respectively for its two-phased development, this project is poised to feature as another landmark in the Central Business District of Hong Kong. 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 to the Group.

New Territories Land

During the year, the Group acquired further New Territories land lots of about 320,000 square feet. However, the Government reclaimed a total land area of about 240,000 square feet in Yuen Long South and Fanling for public use by payment of cash compensation for an aggregate amount of about HK$422 million. After taking into account the land resumption and land bank adjustment, the Group's New Territories land reserves amounted to approximately 45.0 million square feet at the end of December 2022, representing the largest holding among all property developers in Hong Kong:

By District	**Attributable land area (million sq. ft.)**
Yuen Long District	25.8
North District	12.2
Tuen Mun District	3.6
Tai Po District and others	3.4
Total:	**45.0**

The Group holds a total land area of 1.38 million square feet in Fanling North and Kwu Tung North New Development Areas, both in North District. 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 are in the process of finalising the land premium with the Government. 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 have respective site areas of 234,000 square feet, 238,000 square feet and 257,000 square feet (including stakes owned by the Government and joint venture companies). Benefiting from the Government's proposed relaxation of plot ratio at these Development Areas, they are expected to provide an aggregate residential gross floor area of approximately 3,732,000 square feet and a commercial gross floor area of approximately 545,000 square feet. Developable areas for these three sites are subject to finalisation of land premium and all of them were offered the provisional basic terms. Having regard to the latest market situation, the amount of land premium would be finalised based on the prevailing market price despite the fact that standardisation of land premium assessment, which was applicable to those applications in Fanling North New Development Area, was introduced by the Government during the year.

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 implementation of 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 in Yuen Long District. 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 2024. 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 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, 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 sale. In November 2022, the project was supported by the advisory group and agreed in principle by the Executive Council. Planning and land exchanges will commence in 2023, whilst the project is expected to 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 on Hong Kong as a whole. The Group will follow up closely and work in line with this development plan.

Investment Properties

Despite the outbreak of the fifth wave of the COVID-19 pandemic in early 2022, the subsequent relaxation of social distancing measures when the local situation stabilised and the distribution of the Government's consumption vouchers provided support to Hong Kong's economy. During the year, 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 1% year-on-year to HK$6,457 million. The attributable share of pre-tax net rental income (including the attributable contributions from subsidiaries, associates and joint ventures) increased by 1% year-on-year to HK$4,609 million. Included therein is attributable gross rental income of HK$1,696 million contributed from the Group's attributable 40.77% interest in The International Finance Centre ("ifc") project (representing a year-on-year decrease of 7%). The decrease in gross rental income was mainly due to lower rents for new lettings and lease renewals amid the lingering pandemic.

At 31 December 2022, the average leasing rate for the Group's major rental properties was 93%.

At the end of December 2022, the Group held a total attributable gross floor area of approximately 9.7 million square feet of completed investment properties in Hong Kong, 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 8,400 car parking spaces attributable to the Group, providing another rental income stream.

Retail portfolio

The Group's retail portfolio achieved high occupancy at the end of December 2022, caused by the gradual relaxation of social distancing measures since April 2022. Shoppers' traffic nearly returned to pre-pandemic levels, whilst the overall tenant sales also resumed positive growth.

During the pandemic, inbound tourism stalled and local residents became the main driver supporting domestic spending. Thus, the Group enriched the tenant mix at its malls to suit local consumption patterns. More fitness centres, massage parlours and pet shops were brought in to attract customers to come with their families. Besides, in addition to holding regular experiential promotional activities, a number of unique lifestyle concept stores, as well as debut thematic restaurants and cafes, offering customers an unprecedented experience, were also introduced. All these initiatives proved effective, with the Group's malls becoming the preferred locations for both shoppers and retail tenants.

Office portfolio

The economic downturn and large supply pipeline in Hong Kong posed challenges to the office leasing market. However, business opportunities in the Greater Bay Area attracted the interests of certain multinational corporations. Net absorption of office spaces has increased since the third quarter of 2022.

The Group's premium office buildings continued to exhibit resilience during the year. The International Finance Centre ("ifc") in Central, the core business district, was almost fully let as many securities firms and investment banks took up new spaces due to business expansion or relocation. The Group's other Grade-A office buildings on Hong Kong Island, such as "AIA Tower" in North Point and "FWD Financial Centre" in Sheung Wan, also recorded high occupancy during the year. The recently-built office developments, namely "Harbour East" in North Point and "208 JOHNSTON" in Wanchai, recorded improved occupancy as they displayed merits like premium building quality, high specifications and excellent accessibility that various tenants were looking for.

Benefiting from the Group's sustained efforts in cementing relationships with quality tenants, its office and industrial/office portfolio in Kowloon East, including "Manulife Financial Centre", "AIA Financial Centre", "78 Hung To Road" and "52 Hung To Road", also maintained satisfactory occupancy in a slow market.

Construction of The Henderson, the highly anticipated landmark development in Central, is progressing smoothly. In addition to Platinum Pre-certification in both WELL Building Standard (WELL) and Leadership in Energy and Environmental Design (LEED), The Henderson has recently secured both WiredScore and Smartscore Platinum certifications in recognition of its outstanding digital connectivity and advanced smart technology. This 465,000-square-foot super Grade-A office development is scheduled for completion in late 2023. In order to further promote ESG (namely, Environmental, Social and Governance) development, the Group launched the industry’s first ever Landlord-Individual-Tenant (LIT) ESG Partnership Programme for The Henderson during the year. Both corporate tenants and their individual employees will be encouraged to achieve sustainability goals and they will be rewarded through the “Smart Office” mobile app upon reaching certain milestones on four key drivers, namely Carbon Neutrality, Health and Wellbeing, Partnership for Good, and Integrated Culture.

The Henderson is highly sought-after by businesses that share the Group’s vision of enhancing sustainability and its leasing campaign has been progressing well. “Christie’s”, the world-leading auction house, signed as The Henderson’s first anchor tenant, occupying about 50,000 square feet as a centre for live auctions, private sales, art gallery and education programmes in Hong Kong. Thereafter, “Carlyle”, a US private equity giant, also signed up, occupying about 20,000 square feet to consolidate its Asia Pacific headquarters, whilst a sizeable asset management company, namely “Canada Pension Plan Investment Board”, committed to lease another 28,000 square feet. This city landmark provides an excellent choice for high-end tenants looking for commercial buildings of excellent quality.

Construction

Under its "Realising Your Imagination" brand manifesto, Innovation, Sustainability and People-centricity are always upheld in the Group's property developments. During the year, the Group obtained the top honour of the "Pioneer Award of Green Building Leadership (Developer)" at the biennial "Green Building Award 2021", which was jointly organised by the Hong Kong Green Building Council and the Professional Green Building Council. In addition, the Group's residential and commercial development projects also received many accolades. The Henderson, in particular, was accredited as winner for the "Grand Award - New Buildings Category (Projects Under Construction and/or Design – Commercial)". The Group was subsequently nominated as Hong Kong's representative for World Green Building Council's "Asia Pacific Leadership in Green Building Awards 2022" and emerged as the winner of the prestigious "Business Leadership in Sustainability Award". Recently, the Group won both Global and Hong Kong Most Innovative Knowledge Enterprise (MIKE) Award for the second consecutive year and was named as one of the three Most Outstanding Winners of the Global MIKE Award. These international awards are recognition of the Group's leadership in driving innovation and promoting green building.

The Group will continue to apply the latest technology and devices to building community and elevating people's quality of life. For instance, in addition to its ongoing application of prefabricated structural modules under "Design for Manufacture and Assembly" (DfMA), the Multi-trade Integrated Mechanical, Electrical and Plumbing (MiMEP) approach was also adopted during the year which involves certain mechanical, electrical and plumbing installations being pre-assembled so as to expedite the in-situ integration process. Given the prevailing inflationary environment, shortage of workers and exodus of professionals, the above initiatives help reduce on-site manpower needs and construction waste, thereby enhancing quality and cost efficiency. Besides, following the proven success of the Solar Responsive Ventilator (the award-winning patented design developed for The Henderson), the Group will continue to develop and expand the use of innovative building products so as to ensure that a quality and eco-conscious approach is adopted in every part of the construction process.

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

	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.	One Innovale (Phases 1-3 of One Innovale) 8 Ma Sik Road, Fanling	174,236	612,685	Residential	100.00	612,685
2.	Henley Park 8 Muk Tai Street, Kai Tak	94,755	397,967	Residential	100.00	397,967
3.	The Harmonie 233 Castle Peak Road Cheung Sha Wan	17,750	159,748	Commercial/ Residential	100.00	159,748
4.	The Royale – Phases 1-3 8 Castle Peak Road - Castle Peak Bay Tuen Mun	165,765	663,062	Residential	16.705	110,765
5.	The Upper South 71 Main Street Ap Lei Chau	4,800	40,318	Commercial/ Residential	100.00	40,318
					Total:	**1,321,483**

Property Management

The Group's property management companies consist of Hang Yick Properties Management Limited, Well Born Real Estate Management Limited, H-Privilege Limited (which provides services to the Group's urban boutique residences under "The H Collection" brand) and Goodwill Management Limited. By managing about 83,000 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.

In order to ensure that quality service is provided to all the properties under their management, these property management companies implement 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). During the year, they won numerous performance-related accolades and these included "Best Customer Experience Management of the Year 2022", as well as "Customer Satisfaction Quality System of the Year 2022" and "Corporate Environmental Leadership of the Year 2022" in International Customer Relationship Excellence Awards. Their unflagging efforts in promoting sustainability have also paid off with many properties under their management being praised for their excellence in environmental protection and indoor air quality. Meanwhile, they also received "Grand Prize Award" in the Manpower Developer Award Scheme organised by the Employees Retraining Board ("ERB") for their commitment to nurturing talent, in addition to the honours of "ERB Excellence Award for Employer".

In respect of community services, the property management companies also stayed at the forefront of the industry. As well as distributing anti-epidemic packs to low-income groups during the pandemic, their volunteer teams also actively participated in various charitable activities. As a result, over the years they won the Honour Award of the "Highest Service Hour Award" for the 15th time from the Government's Social Welfare Department, as well as "Excellence Gold Award" and "Corporate (Volunteer Hours) Top Ten Highest Hours" Award in the "Hong Kong Volunteer Award 2022", which was jointly organised by the Government's Home and Youth Affairs Bureau and the Agency for Volunteer Service.

Mainland China

During the year, existing measures in place to control the property market were continuously relaxed. Under the directive that "housing is for living in, not for speculation", a number of favourable policies targeted at “ensuring delivery of homes and safeguarding people's livelihood" were launched to restore homebuyers’ confidence in the property market. Meanwhile, local governments intensified their efforts to implement differentiated policies in accordance with their own circumstances. Restrictions on purchasing and lending, as well as down payment requirements, were optimised so as to boost demand from first-time homebuyers and upgraders. However, housing prices continued on a downward trend, whilst transaction volumes of residential properties also continued to decrease, with a milder drop in the first-tier cities. As for the land market, land bidding activities became subdued given the financial pressure faced by certain real estate developers and sluggish market sentiment.

The following development projects were completed during the year:

	Project name	Usage	Group’s interest (%)	Attributable gross floor area (million sq. ft.)
1.	Phase 1, Lumina Shanghai, Shanghai	Office and Commercial	100	2.00
2.	Phase 2, Lumina Shanghai, Shanghai	Office and Commercial	100	0.96
3.	Shopping podium of Lumina Guangzhou, Guangzhou	Commercial	100	0.82
4.	Phase 2, Rueyue Huayuan, Guangzhou	Residential	10	0.14
5.	Phases 1B and 2-5 (second batch), The Landscape, Changsha	Residential and Commercial	50	0.58
6.	Phase 1, Xindu Project, Chengdu	Residential	50	0.59
7.	Phases 1-2, Jianyang Project, Chengdu	Residential	50	0.43
8.	Tower 2, Site B, Chengdu ICC, Chengdu	Office and Commercial	30	0.32
9.	Phase 2, Xuheng Huayuan, Hefei	Residential	50	0.24
10.	Phases 1-2, Changan Project, Shijiazhuang	Residential	50	0.83
11.	Phase 6, Tower 4, Riverside Park, Suzhou	Residential	70	0.38
12.	Phase 1R1 (C1-C4 sections), La Botanica, Xian	Residential	50	1.94
13.	Phases 4A and 4B, Grand Paradise, Xuzhou	Commercial	100	0.56
14.	Phase 2B at Site F, Grand Lakeview, Yixing	Commercial	50	0.04
			Total:	**9.83**

The Group’s mainland China strategy is as follows:

Property Investment: The Group focuses on the development of Grade-A office buildings. In Shanghai, “Lumina Shanghai” at the Xuhui Riverside Development Area, which was developed in two phases, was completed in its entirety during the year. Leasing activities for this 3,000,000-square-foot development have commenced and the market response is encouraging. In regard to the “Lumina Guangzhou” in Yuexiu District, the remaining 900,000-square-foot commercial portion (including basement areas) was also completed during the year. Negotiation with tenants and signing of tenancies are now under way. Its 970,000-square-foot Grade-A office twin towers, which were completed in 2020, were nearly 80% let. With the successive completion and opening of these new projects, the Group’s recurring rental income is set to further increase and serve as a key growth driver. The Group will continue to look for quality property investments in the core areas of major cities.

Property Development: The Group focuses on 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 Group’s joint venture projects achieved the expected returns.

During the year, the Group entered into a co-operative agreement with the respective subsidiaries of Shenzhen New Nanshan Holding (Group) Co., Ltd. (a property developer listed in mainland China), China Jinmao Holdings Group Ltd. (a mainland property developer listed in Hong Kong), China Merchants Skekou Industrial Zone Holdings Co. Ltd. (a property developer listed in mainland China), Nanjing Anju Construction Group Co. Ltd. and CIFI Holdings (Group) Co. Limited (a mainland property developer listed in Hong Kong), to jointly develop a commercial-cum-residential site in Xiangcheng District, Suzhou. The land lot with a site area of approximately 1,750,000 square feet, which was acquired at a consideration of about RMB4,821 million, will provide a total gross floor area of about 3,170,000 square feet. The Group holds an 11% equity interest in this project.

At 31 December 2022, in addition to its holding of approximately 0.8 million square feet in attributable gross floor area of completed property stock, the Group held a development land bank in 17 cities with a total attributable gross floor area of about 21.8 million square feet. Around 78% 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		0.42
Guangzhou		2.62
Shenzhen		0.21
	Sub-total:	**4.06**
Second-tier cities		
Changsha		0.89
Chengdu		6.48
Chongqing		0.83
Dongguan		0.43
Foshan		0.71
Nanjing		0.02
Shijiazhuang		1.80
Suzhou		1.80
Tianjin		0.95
Wuhan		0.70
Xiamen		0.34
Xian		2.71
Xuzhou		0.06
	Sub-total:	**17.72**
	Total:	**21.78**

* *Excluding basement areas and car parks.*

Usage of development land bank

		Estimated developable gross floor area (million sq. ft.)	Percentage (%)
Residential		17.08	78
Office		2.14	10
Commercial		1.98	9
Others (including clubhouses, schools and community facilities)		0.58	3
	Total:	**21.78**	**100**

Property Sales

During the year, more pre-sold residential units were completed and delivered to buyers compared with the previous year. 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$7,799 million and HK$2,197 million respectively, representing year-on-year increases of 15% and 37% over the previous year respectively.

Due to the lingering pandemic, sales schedules and construction progress of the development projects were delayed to varying extents during the year. The Group recorded attributable contracted sales of approximately HK$6,917 million in value and approximately 3.5 million square feet in attributable gross floor area, representing year-on-year decreases of 30% and 29% respectively. Major sales projects included "La Botanica" in Xian, "The Landscape" in Changsha, the Panyu project in Guangzhou, the Changan project in Shijiazhuang, as well as "CIFI Centre", Xindu project and "Chengdu ICC" in Chengdu.

At the end of December 2022, attributable contracted sales of approximately HK$11,551 million are yet to be recognised in the accounts, of which approximately HK$8,549 million is expected to be recognised in 2023 upon completion of development and handover to buyers.

Investment Properties

The remaining 900,000-square-foot commercial portion (including basement areas) of "Lumina Guangzhou" was completed in 2022 following the completion of its 970,000-square-foot office towers in 2020. The entire 3,000,000-square-foot "Lumina Shanghai" was also completed during the year. Together with the joint venture project of Chengdu ICC commercial-cum-office development, which was also completed during the year with an attributable gross floor area of over 300,000 square feet, the Group's completed investment property portfolio in mainland China increased to about 12.5 million square feet in attributable terms at the end of December 2022 with its breakdown as follows:

By type		**Attributable gross floor area* (million sq. ft.)**	**Percentage (%)**
Commercial		3.8	30
Office		8.7	70
	Total:	**12.5**	**100**

By geographical area		**Attributable gross floor area* (million sq. ft.)**	**Percentage (%)**
Beijing		2.2	18
Shanghai		6.8	54
Guangzhou		2.5	20
Other		1.0	8
	Total:	**12.5**	**100**

* *Including lettable areas at basement.*

During the year, the Group's leasing business in mainland China continued to perform well with rental growth in Renminbi terms despite the adversities posed by the pandemic containment measures and lockdowns. The rental growth was mainly contributed by the recently completed investment properties (including both "Lumina Guangzhou" and "Lumina Shanghai"), which started to bring in certain rental incomes. However, after taking into account the depreciation of Renminbi against the Hong Kong Dollar by approximately 3% year-on-year, the Group's attributable gross rental income decreased by 1% year-on-year to HK$2,071 million, whilst its attributable pre-tax net rental income also decreased by 1% year-on-year to HK$1,603 million during the year.

In Beijing, "World Financial Centre" in the Chaoyang Central Business District was awarded "Sustainability Achievement of the Year 2022, Excellence" by the Royal Institution of Chartered Surveyors during the year. The leasing rate for this International Grade-A office complex remained high at 91% by the end of December 2022, supported by its prime location, unrivalled building quality and green features, although local business activities were adversely affected by the pandemic containment measures.

In Shanghai, "Henderson 688" at Nanjing Road West, 95% let by the end of December 2022, was awarded "Sustainability Achievement of the Year 2022, Finalist" as well by the Royal Institution of Chartered Surveyors during the year. "Grand Gateway II" atop the Xujiahui subway station recorded an improved leasing rate of 97% at the end of December 2022 upon completion of its renovation which rendered an upgraded building quality. "Henderson Metropolitan" near the Bund, as well as "Greentech Tower" adjacent to the Shanghai Railway Station, achieved leasing rates of 96% and 91% respectively for their office spaces. In addition, the leasing response for the newly-completed "Lumina Shanghai" in the Xuhui Riverside Development Area was encouraging. The 61-storey iconic office tower of its Phase 1 development, which boasts direct access to Longyao Subway Station, provides approximately 1,800,000 square feet of Grade-A office space. Various multinational corporations have already moved in progressively. Meanwhile, many specialty restaurants were added to its 200,000-square-foot shopping mall so as to give customers a diversified dining experience. The neighbouring Phase 2 development, namely, "Lumina Shanghai II", boasts an additional office and retail space of about 1,000,000 square feet. "Zeekr", a premium electric vehicle brand under the Geely Group, has already signed up to lease over 200,000 square feet of its office space.

In Guangzhou, "Lumina Guangzhou" is an integrated development in Yuexiu District, sitting on the bank of the Pearl River with a direct connection to two subway lines. Its twin Grade-A office towers, which were completed in June 2020 with a total gross floor area of about 970,000 square feet, are housing many leading multinational corporations and local enterprises. At the end of December 2022, the overall leasing rate was close to 80%. Its shopping podium and underground commercial area, covering a total gross floor area of about 900,000 square feet, were completed during the year. This mall is set to become a one-stop shopping, entertainment and leisure destination, featuring a wide variety of renowned eateries, retail brands and leisure attractions.

Property Management

During the year, the Group's mainland property management arm (namely, Shanghai Starplus Property Management Co., Ltd., "Starplus") took over the management of "Lumina Shanghai II" and "Centro" in Shanghai. It also provided property pre-management consultancy services to the Nanshan joint-venture development project in Shenzhen. Together with its existing management portfolio (including "Henderson 688", "Henderson Metropolitan" and "Greentech Tower", all in Shanghai, as well as World Financial Centre" in Beijing), Starplus collectively manages about 7,850,000 square feet of office and commercial space, in addition to 3,300 car parking spaces in mainland China. Starplus adopted management practices and professional accreditation principles complying with the requirements of ISO 9001 (Quality Management System), ISO 14001 (Environmental Management System), ISO 45001 (Occupational Health and Safety Management System), ISO 50001 (Energy Management System) and ISO 10002 (Complaints Handling Management System). Therefore, quality, health and safety, as well as environmental considerations are consistently embedded in all aspects of its services and daily operations.

In Shanghai, "Henderson Metropolitan" during the year was awarded the "TRUE Zero Waste – Platinum Certification" by Green Business Certification Inc. and "Facility Management Team of the Year 2022, Finalist" by the Royal Institution of Chartered Surveyors. Both "Henderson 688" and "Greentech Tower" won the "Shanghai Excellent Property Management Showcase (non-residential property)" awards, whilst "Greentech Tower" was further validated by International WELL Building Institute to achieve the "WELL Health-Safety Rating". In Beijing, "World Financial Centre" achieved the "Parksmart Rating" of Green Business Certification Inc., in addition to its "WELL Health-Safety Rating". 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 recognised both locally and internationally.

Henderson Investment Limited ("HIL")

HIL's profit attributable to equity shareholders for the year ended 31 December 2022 amounted to HK$5 million, representing a decrease of 85% from the previous year. The decrease in profit was mainly attributable to (i) the adverse effect of the COVID-19 pandemic on HIL's operations; (ii) the lower sales from APITA at Taikoo Shing due to its phased renovations; and (iii) the operating loss of UNY Tseung Kwan O opened in November 2021 due to the re-alignment of sales mix in its first year of operations.

HIL's business activities are principally carried out by two wholly-owned subsidiaries: (i) Citistore (Hong Kong) Limited (hereinafter collectively referred to as "Citistore"); and (ii) Unicorn Stores (HK) Limited (hereinafter collectively referred to as "Unicorn").

(I) Citistore

During the year, Citistore adjusted its store network and closed down a Citilife store in Shatin, whilst a new counter of Citilife was opened in UNY Lok Fu store. In addition, an array of new food counters and kids' amusement zones was brought in at certain stores so as to meet customers' diverse needs. Citistore also enriched its product portfolio by adding new proprietary brands to its merchandise mix.

With the decrease in gross profit of HK$9 million from the sales of own goods, as well as the decrease in commission income from consignment and concessionaire counters in the aggregate amount of HK$10 million, Citistore's profit after taxation for the year under review still increased by 11% to HK$81 million. The main reasons are Citistore's receipt of wage subsidies of HK$12 million during the year from the Government's "Employment Support Scheme", as well as the net decrease in its total operating expenses of HK$15 million (which included the rent concessions of HK$4 million granted by certain landlords).

(II) Unicorn

APITA at Taikoo Shing commenced its phased renovations during the year. Renovation of its ground floor was completed in June 2022, whilst a new cosy and Japanese-style basement food court (namely, "APITA Eatery") was launched in November 2022, offering a wide range of Japanese culinary delicacies. Together with two restaurants (namely, "Shiawase Yakitori" and "Sensu") newly introduced in mid-2022, APITA brought an enriched dining experience to the residents and office workers of the neighbourhood.

Due to (i) the adverse effect of the COVID-19 pandemic; (ii) the lower sales from APITA at Taikoo Shing due to its phased renovations; and (iii) the operating loss of UNY Tseung Kwan O opened in November 2021 as a result of the re-alignment of sales mix in its first year of operations, Unicorn recorded a loss after taxation of HK$63 million for the year ended 31 December 2022.

With almost all social distancing measures and travel restrictions being removed, HIL will seize business opportunities and roll out various initiatives to offer a better shopping experience to customers. Citistore will launch a new "mobile POS" system so as to further streamline customers' payment process, whilst Unicorn will continue the phased renovations for APITA and revamp its supermarket.

Over the years, efforts have been made to integrate the businesses of Citistore and Unicorn. The centralised distribution centre has become fully operational, expanding the operational capabilities of HIL's supply chain. HIL will continue to pursue centralised procurement to save costs and increase the proportion of proprietary brands, as well as fresh food products from Japan, so as to achieve brand differentiation. In addition, leveraging the strengths of the integrated membership programme (namely, "CU APP"), HIL will strengthen the cross promotions between Citistore and Unicorn and upgrade their online shopping platforms, with the goal of achieving full integration of both online and offline operations.

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

For the year ended 31 December 2022, Miramar's revenue amounted to HK$1,382 million, an increase of 10.8% against last year. Profit attributable to shareholders for the year was HK$480 million with a year-on-year increase of 45.5%. 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 revenue from its three business segments (including hotel & serviced apartments, food and beverage and travel business) compared with last year. The underlying profit attributable to shareholders (excluding the net decrease in the fair value of investment properties by HK$23 million (2021: net decrease of HK$112 million) and no other extraordinary gain (2021: the net gain on disposal of non-core properties of HK$19 million)) increased by 23.6% to HK$523 million, year-on-year.

Hotel and Serviced Apartments Business

Miramar continued last year's flexible and multi-pronged business strategies to strengthen the long-stay and staycation businesses by launching a number of long-stay programs, themed suitecation, as well as a number of staycation experiences and catering activities in collaboration with different national tourism bureaus and brands to attract local visitors, resulting in a 28% increase in occupancy rate of The Mira Hong Kong during the year. During the year, hotel room revenue in hotels and serviced apartments segment amounted to HK$160 million, representing a significant increase of 35% over last year. In addition, Mira Moon Hotel was well received following an asset enhancement project, with occupancy rates often exceeding 90%.

Property Rental Business

In the past year, Miramar continued to enhance customer shopping experience and shopping mall facilities, and launched a number of activities, including large-scale festival themed decorations and promotions, inviting various brands to set up pop-up stores in the malls and organising special weekend markets, in order to broaden the target customer base of the shopping malls, and in turn improve service standards and enhance competitiveness. During the year, its revenue from rental business amounted to HK$800 million and EBITDA of HK$677 million, representing a decrease of 1.8% and 2.9% respectively over last year. As at 31 December 2022, the book value of the overall investment properties was HK$15,200 million.

Food and Beverage Business

Miramar enhanced dine-in offers and takeaway and actively developed its e-shop and its marketing promotions. In addition, in the first half of 2022, Miramar launched two new brands of restaurant concepts, the "Chinesology" (唐述) offering modernized Chinese cuisine and the "JAJA" offering new vegetarian propositions, to further expand its restaurant market. Thanks to sound business, sales and marketing strategies, Miramar was able to seize the opportunities after the fifth wave of the pandemic and stepped up promotions in the second half of the year, successfully capturing the rebounding consumer power. Revenue from its food and beverage business rebounded significantly in the second half of the year, increased by 66% compared to the first half of the year, while revenue in the third and fourth quarters increased by 8% and 42% respectively compared to the previous quarter. During the year, Miramar recorded revenue from food and beverage business of HK$173 million and an EBITDA loss of HK$1.9 million, compared to revenue of HK$133 million and EBITDA loss of HK$10.8 million in the same period last year.

Travel Business

Travel business recorded revenue of HK$91 million and an EBITDA loss of HK$13 million respectively for the year, representing an increase of 572.2% and a decrease of 42.7% respectively over the same period last year, in which revenue and EBITDA were HK$13.5 million and loss of HK$23.3 million respectively.

Associated Companies

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

Profit after taxation attributable to shareholders of HKCG for the year amounted to HK$5,248 million, an increase of HK$231 million, up by approximately 5%, compared to 2021. During the year, HKCG invested HK$8,321 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 2022 was approximately 27,398 million MJ, a decrease of 1%, in contrast to an approximately 4% increase in the number of appliances sold, both compared to 2021. As at 31st December 2022, the number of customers was 1,995,082, an increase of 30,145, representing an increase of approximately 2% compared to the number at the end of 2021.

UTILITY BUSINESSES IN MAINLAND CHINA

Towngas Smart Energy Company Limited ("Towngas Smart Energy"; stock code: 1083) recorded a profit after taxation attributable to its shareholders amounted to HK$965 million, a decrease of approximately 23% compared to 2021. As at the end of 2022, HKCG held approximately 66.36% of Towngas Smart Energy's total issued shares.

Towngas Smart Energy added 119 new projects to its portfolio during 2022, comprising 111 renewable energy projects, 7 piped-gas projects and one other project. The total number of projects held by Towngas Smart Energy was 363 as at the end of 2022. A Towngas Smart Energy ecological platform, Tera Planet, was jointly developed with Tencent Cloud in April 2022. Based on the IoT capabilities, the platform helps customers realise intelligent management, analysis, prediction and optimisation of energy data. At present, the Towngas Smart Energy ecological platform has been put into commercial application for the first time in Hailing district, Taizhou, Jiangsu province. It established Towngas Energy Academy in August 2022 and invited fellows, outstanding young persons and other experts to set up an expert committee to conduct specific research in five major fields encompassing energy storage, hydrogen energy, energy digital intelligence, renewable energy, and low-carbon energy saving.

As at the end of 2022, inclusive of Towngas Smart Energy, HKCG had a total of 315 city-gas projects in mainland China (inclusive of city-gas projects re-invested by its companies) (2021 year end: 303 projects). The total volume of gas sales for these projects for 2022 was approximately 32,100 million cubic metres, an increase of approximately 3% compared to 2021. HKCG's mainland gas customers stood at approximately 37.29 million, an increase of approximately 6% compared to 2021.

HKCG established a gas source operation centre during the year to enhance the flexibility of gas sources through its projects, including the liquefied natural gas ("LNG") receiving terminal in Dapeng, Shenzhen, coalbed methane liquefaction project in Shanxi, LNG project in Ningxia, gas storage facility in Jintan, storage tank project in Caofeidian, and shale gas liquefaction plant in Sichuan. Along with the strategic cooperation with PipeChina to promote the interconnection of provincial pipelines, as well as coordinate and make good use of gas source procurement, HKCG can increase its capability of owning independent gas sources and reduce costs, thereby improving the gross profit of its gas business.

During the year, two new gas wells invested in and developed by HKCG were commissioned in the underground gas storage facility in Jintan district, Changzhou, Jiangsu province. Following the connection with the national pipeline network and then the implementation of interconnection with the pipeline network in Jiangsu province, the gas operating capacity increased to 277 million cubic metres, thus further expanding the peak-shaving capability and commercial coverage in eastern China. Furthermore, HKCG invested in an LNG receiving terminal project at Caofeidian, Tangshan, Hebei province, which comprises 20 storage tanks of 200,000 cubic metres each and two berths for LNG carriers for the whole project. The unloading capacity of the project will eventually reach 20 million tonnes per annum, and it is expected to be commissioned in 2023. Besides, part of the production capacity of the shale gas liquefaction plant in Weiyuan county, Sichuan province, will also be completed and commissioned in 2023.

HKCG's water business recorded stable growth during the year, with the volume of water sales increasing by approximately 3%, and the volume of sewage treatment increasing by approximately 10%, both compared to 2021. HKCG's urban organic waste utilisation project in Suzhou Industrial Park, Jiangsu province, has cumulatively processed approximately 500,000 tonnes of organic waste and produced 22 million cubic metres of bio-natural gas for the park's use. Environmental and sanitary integration in Wujin district, Changzhou, Jiangsu province, is progressing. The sewage treatment project in Wujin High-Tech Industry Development Zone will be commissioned in the third quarter of 2023. Besides, preliminary work for the construction of a domestic waste incineration project in Jiashan and a domestic waste transfer station in Wujin district have also commenced.

Overall, including the projects of Towngas Smart Energy; HKCG had 624 projects (inclusive of city-gas projects re-invested by its companies) (2021 year end: 514 projects) in mainland China as at the end of 2022, spread across 28 provincial regions.

RENEWABLE ENERGY BUSINESS

As at the end of 2022, HKCG had 183 renewable energy projects spread across 24 provincial regions. These projects encompass multi-energy supply (cooling, heating, electricity), photovoltaics, energy storage, charging and swapping power stations, and integrated energy services for industrial and commercial customers.

During the year, HKCG and IDG Capital launched a zero-carbon technology investment fund with a total scale of RMB10,000 million to provide financial support to innovative and start-up firms in the field of zero-carbon technology. HKCG also deploys its great number of application scenarios to accelerate the implementation of innovative products and technologies.

The TERA-Award smart energy innovation competition, jointly launched by HKCG and State Power Investment Corporation Limited, was held for the second time in 2022, anticipating to find excellent innovative technologies and solutions in the smart energy field and help implement start-up projects, and accelerate the application of smart energy innovative technologies into practical use.

EXTENDED BUSINESSES

During the year, HKCG reorganised and upgraded its extended businesses, with “Towngas Lifestyle” as the main brand, and provided one-stop services for more than 37 million household users via the “Smart Kitchen”. Its Internet service platform, Towngas Lifestyle Cloud (TLC), has approximately 15 million members.

During the year, HKCG established strategic partnerships with a number of renowned brands in the industry, including the cooperation with Vaillant, a German brand, on promoting “comfortable living” and launching products such as floor heating and ventilation system to meet customers’ diverse needs. Besides, through the cooperation with Accenture, Towngas Lifestyle’s digital capabilities and talent development were enhanced, thus promoting the development of its business to meticulousness and high quality.

The security chip “TGSE CHIP”, jointly developed by Towngas Lifestyle, StarFive and ChinaFive, was officially launched during the year. It is the first RISC-V IoT security chip in the industry to strengthen data security of the “Smart Kitchen” related equipment; its cost is expected to be further reduced.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

During the year, HKCG was listed in the Dow Jones Sustainability Asia Pacific Index for the first time, and its ESG ratings were improved by several international rating agencies – including the MSCI ESG Rating, by which the Company and Towngas Smart Energy were both upgraded to “A”. At the local level, HKCG was included in the Hang Seng Corporate Sustainability Index for the 12th consecutive year. This company placed first again and was designated “Exemplar” in the Greater China Business Sustainability Index (“BSI”), Greater Bay Area BSI and Hong Kong BSI.

HKCG is also the first Hong Kong company to publish the Climate-related and Nature-related Directive Guide (“Guide”) in response to the Taskforce on Nature-related Financial Disclosures (TNFD) framework to review and disclose the ecological and biodiversity impacts, as well as the risks and opportunities arising from its operations, and develop actions to reduce its impacts on the environment. The Guide also further aligned with the Recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”) by disclosing financial information related to the potential opportunities and risks led by climate change. HKCG became a supporter of TCFD, signatories of the Methane Guiding Principles partnership, China Oil and Gas Methane Alliance, and joined Climate Governance Initiatives in Hong Kong as the founding member.

HKCG issued its inaugural green bond in 2017, and the proceeds from the bond were invested in its waste-to-energy projects. In 2022, Towngas Smart Energy issued its inaugural Sustainability-Linked Bond with a total of US$200 million.

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

Hong Kong Ferry's consolidated profit after taxation for the year ended 31 December 2022 increased by approximately 999% to approximately HK$1,299 million as compared with the same period of 2021. The significant increase in profit was mainly attributable to the recognition of its share of revenue from the sale of the residential units under the joint venture development project known as "The Royale" (in which Hong Kong Ferry has a 50% equity interest) during the year after the delivery of the residential units to the buyers.

Property Development and Investment Operations

In 2022, the gross rental income arising from its commercial arcades amounted to approximately HK$113 million. As at 31 December 2022, the commercial arcades of Shining Heights and Metro6 were fully let. The occupancy rate of the commercial arcade of The Spectacle was 89%. The occupancy rate of commercial arcades of Metro Harbour View and Green Code Plaza were 93% and 98% respectively.

After The Royale obtained the Certificate of Compliance in August 2022, the 1,738 residential units sold had been delivered to buyers and revenue from such property sales was recognised in the accounts.

The development project "The Symphonie" in Cheung Sha Wan will provide Hong Kong Ferry with residential gross floor area of about 100,698 square feet after the redevelopment. The superstructure works were completed and interior fitting-out works were in progress. The project is expected to be completed in early 2024.

Ferry, Shipyard and Related Operations

During the year, the Ferry, Shipyard and Related Operations recorded a deficit of HK$5.4 million as compared with the profit of HK$8.6 million in 2021. The decrease in business results was mainly attributable to the absence of the repair and maintenance subsidy from the Government for ferry operation during the year.

Securities Investment

During the year, a deficit of HK$16.9 million in Securities Investment was recorded due to the fair value change of certain financial assets upon the decline in stock market.

Healthcare, Medical Aesthetic and Beauty Services

During the year, Hong Kong Ferry embarked on healthcare related businesses to provide various high quality medical services to customers. It also embarked on medical aesthetic business, and further provided customers with medical specialist, healthcare and beauty services. AMOUR medical aesthetic clinic and premium beauty service centre, located in Mira Place, Tsim Sha Tsui, and with a gross floor area of about 12,000 square feet, were officially opened in August last year. Hong Kong Ferry cooperated with ICON, an international cancer care medical group, to set up a cancer centre at H Zentre in Tsim Sha Tsui in October 2022, with experienced doctors and medical professionals offering safe, comprehensive and professional treatment for patients with different types of cancer. Hong Kong Ferry is now expanding into the area of medical specialties with establishment of the Total HealthCare Specialists Centre, set up at the end of 2022. The centre is also located in H Zentre, Tsim Sha Tsui, to leverage on the other medical disciplines being offered by other medical institutions within its ecosystem to offer professional medical services in accordance with the customers' needs.

Following the recognition of the revenue from the sale of the residential units of "The Royale" in 2022, the rental income from shops and commercial arcades will be the major source of revenue of Hong Kong Ferry in 2023.

CORPORATE FINANCE

The Group has always adhered to prudent financial management principles. At 31 December 2022, net debt amounted to HK$79,086 million (2021: HK$91,968 million) giving rise to a financial gearing ratio of 24.1% (2021: 27.5%).

As regards environmental and sustainability progress, the Group is committed to environmental protection in its property developments and has received wide recognition. Numerous world-class sustainability awards, certifications and professional accreditations were bestowed by an array of international and local professional rating agencies. Since 2020, green credit and sustainability loan facilities exceeding HK$47,000 million have been secured from the financial community with favourable terms. Among them was a HK$100 million Social Loan, which required the Company to fulfill its social responsibility. The loan was the first of its kind ever concluded by a property developer in Hong Kong, recognising the Group's realisation of its broader 2030 Sustainability Vision. In addition, the Group has recently signed a Green and Sustainability Strategic Co-operative Agreement in the amount of RMB30,000 million with a bank. The aforesaid demonstrates that the Group's prime credit standing and environmental contributions are well received by the international financial community.

The Group also fully supports financial innovation in Hong Kong, and has entered into a three-year HK$-HONIA based interest rate swap contract 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. Besides, in recent years, the Group has continuously issued medium term notes, seven-year Japanese Yen loans and six-year Renminbi loans with a total amount of HK$41,932 million to diversify its sources of funding and extend its debt maturity profile.

At 31 December 2022, shareholder's loans to the Group amounted to HK$56,007 million (2021: HK$53,710 million).

SUSTAINABILITY

During 2022, the Group continued to embed its G.I.V.E. strategies, namely Green for Planet, Innovation for Future, Value for People and Endeavour for Community, in its daily operations, taking a step forward towards its 2030 Sustainability Vision. As always, the Group hopes to play a part in advancing a more sustainable and inclusive world.

Innovation is an important driving force within the Group for enhancing sustainability and business growth. The Group continues to go all out for a greener and more sustainable future for all. It earned the prestigious Business Leadership in Sustainability Award at the Asia Pacific Leadership in Green Building Awards 2022, organised by the World Green Building Council, which serves as a testimony of the Group's leading position in sustainable development, and its longstanding efforts in innovation and green building.

During the year, the Group launched its industry's first ever Landlord-Individual-Tenant (LIT) ESG Partnership Programme at its flagship commercial development "The Henderson". Through the dedicated digital tenant platform, Integrated Tenant Experience Analytic Platform (ITEAP), the Group seeks to establish a tri-party collaboration with its tenants and their employees to provide a tenant-centric smart building experience while striving towards sustainability goals and tackling climate change collectively. Designed as a smart and sustainable workplace of the future, The Henderson is well-recognised through the multiple accolades and certifications received from world-leading green building organisations. In particular, The Henderson secured both WiredScore and SmartScore Platinum certifications in 2022, making it among the first commercial projects in Hong Kong to have obtained such certifications, for its outstanding digital connectivity and advanced smart technology.

Understanding that climate change is an urgent global challenge, the Group is dedicated to putting in its best effort in addressing the issue, and is actively taking different steps necessary to integrate sustainability into its operations. The Group has committed to the Science Based Targets initiative (SBTi) by setting emissions reduction targets grounded in climate science, echoing the call for swift climate action at the 27th United Nations Climate Change Conference of Parties. Meanwhile, the Group is actively integrating climate-related strategies into its decision-making processes through formulating new policies to address emerging topics whilst refreshing existing policies in line with the latest changes in the local and international business and regulatory environment. The Group continues to be a pioneer in the sustainable development of Hong Kong and mainland China.

PROSPECTS

The global economy is fraught with many uncertainties, such as geopolitical tensions and inflation. The US Federal Reserve has consecutively raised the interest rate by 4.25% in the past 12 months and has indicated that these rate hikes have not yet reached a peak. However, the recent collapse of the insolvent Silicon Valley Bank in California and its subsequent possession by the US Government may affect the pace of interest rate hikes by the Federal Reserve. In Hong Kong, benefitting from the worldwide relaxation of anti-pandemic measures and re-opening of borders, recovery to normality has been expedited. There was a marked improvement in market sentiment in recent months. In addition, the Hong Kong Government rolled out various initiatives targeted at attracting enterprises, investment and talent from overseas so as to enhance the city's competitiveness. The 2023-24 Budget also proposed to distribute another round of consumption vouchers and adjust the value bands of the ad valorem stamp duty (Rates at Scale 2), as well as introduce a new Capital Investment Entrant Scheme. All these measures should benefit Hong Kong's overall economic development and the local property market in the long term.

The Group has built up a sizeable land bank to support its property development for the years to come. In Fanling North New Development Area, the Group has three separate land lots which are eligible for in-situ land exchange. Benefiting from the Government's proposed relaxation of plot ratio at the New Development Areas, these three land lots are expected to provide an enlarged attributable gross floor area of about 4.3 million square feet in aggregate upon finalisation of the terms for land exchange. Besides, the Group holds New Territories land reserves amounting to about 45.0 million square feet, which continues to be the largest holding among all property developers in Hong Kong. As regards newly acquired urban redevelopment projects with 80% to 100% of their ownership acquired, the Group has a total attributable gross floor area of about 3.3 million square feet covering a total of 24 projects.

As regards "**property sales**", the Group plans to launch ten development projects in 2023, all of which are located in urban areas. Together with the unsold stock, a total of 2,890,000 square feet of residential gross floor area or about 6,900 residential units in attributable terms is expected to be available for sale in Hong Kong in 2023. In addition, about 180,000 square feet of office/industrial space is also available for sale. At the end of December 2022, attributable contracted sales of Hong Kong and mainland properties, which are yet to be recognised in the accounts, amounted to approximately HK$23,623 million in aggregate, of which approximately HK$15,740 million is expected to be recognised in 2023 upon completion of development and handover to buyers.

As regards "**rental business**", the 465,000-square-foot super Grade-A office development in Central, namely "The Henderson", is scheduled for completion in 2023. At the end of 2023, the Group's portfolio of completed investment properties is expected to comprise an attributable gross floor area of 10.2 million square feet in Hong Kong and 12.5 million square feet in mainland China. Another landmark development in Hong Kong's Central Business District, namely the 1,600,000-square-foot project at Site 3 of the New Central Harbourfront, is under construction and progressing well. In mainland China, the recently completed "Lumina Guangzhou" and "Lumina Shanghai" have successfully secured tenancies with many branded stores and sizeable corporations. With the continuous rise in their leasing rates, both are expected to bring in more rental contributions. Following the continually expanding rental portfolio with a more optimal composition, the Group's recurrent rental income is poised to rise further and serve as a key growth driver.

The “**listed subsidiaries and associates**”, namely, HKCG, Miramar, Hong Kong Ferry and HIL, provide the Group with another source of recurrent income. In particular, HKCG was established in 1862 and its business in Hong Kong has been very stable. After over 20 years of development of the city-gas business in mainland China, HKCG has also established a solid foundation, with businesses now spread across 28 provincial areas. HKCG will promote the collaborative development of its city-gas and renewable energy businesses, actively seek environmental protection projects and invest in innovative technology and product development. HKCG is poised to provide continuous contributions to the Group.

With the support of its seasoned and professional leadership and ample financial resources, the Group's three core businesses (namely, “**property sales**”, “**rental business**” and “**listed subsidiaries and associates**”) are poised to grow from strength to strength, delivering long-term value to its stakeholders. During the year, the Group released its new brand manifesto "Realising Your Imagination" which is anchored by three intertwining brand promises — "Innovation", "Sustainability" and "People". The Group’s vision is to build a smart and sustainable city and to elevate everyday lives. By leveraging its diverse expertise, pioneering spirit and business agility, the Group is committed to cultivating a future cityscape of smart architecture with the goal of enhancing liveability and fulfilling its people-centric values.

APPRECIATION

Mr Lee Tat Man stepped down from his position of Non-executive Director of the Company 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
Chairman

Dr Lee Ka Shing
Chairman

Hong Kong, 21 March 2023

BUSINESS RESULTS

Consolidated Statement of Profit or Loss

for the year ended 31 December 2022

	Note	***2022*** **HK$ million**	*2021* HK$ million
Revenue	3	**25,551**	23,527
Direct costs		**(15,179)**	(11,445)
		10,372	12,082
Other net income	4	**572**	3,127
Selling and marketing expenses		**(1,409)**	(1,038)
Administrative expenses		**(2,328)**	(2,181)
Profit from operations before changes in fair value of investment properties and investment properties under development		**7,207**	11,990
(Decrease)/increase in fair value of investment properties and investment properties under development	5	**(12)**	59
Profit from operations after changes in fair value of investment properties and investment properties under development		**7,195**	12,049
Finance costs	6(a)	**(1,237)**	(600)
Bank interest income		**204**	109
Net finance costs		**(1,033)**	(491)
Share of profits less losses of associates		**2,662**	2,193
Share of profits less losses of joint ventures		**1,956**	1,627
Profit before taxation	6	**10,780**	15,378
Income tax	7	**(1,277)**	(2,018)
Profit for the year		**9,503**	13,360

Consolidated Statement of Profit or Loss
for the year ended 31 December 2022 (continued)

	Note	***2022*** **HK$ million**	*2021* HK$ million
Attributable to:			
Equity shareholders of the Company		**9,239**	13,195
Non-controlling interests		**264**	165
Profit for the year		**9,503**	13,360
Earnings per share based on profit attributable to equity shareholders of the Company (reported earnings per share)			
Basic and diluted	*9(a)*	***HK$1.91***	*HK$2.73*
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	*9(b)*	***HK$1.99***	*HK$2.81*

Details of dividends payable to equity shareholders of the Company are set out in note 8.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2022

	2022	*2021*
	HK$ million	HK$ million
Profit for the year	**9,503**	13,360
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 (non-recycling)	**(31)**	(7)
- Share of other comprehensive income of associates and joint ventures	**(70)**	(49)
Items that may be reclassified subsequently to profit or loss:		
- Exchange differences	**(4,307)**	1,569
- Cash flow hedges	**656**	103
- Share of other comprehensive income of associates and joint ventures	**(3,908)**	1,149
Other comprehensive income for the year	**(7,660)**	2,765
Total comprehensive income for the year	**1,843**	16,125
Attributable to:		
Equity shareholders of the Company	**1,642**	15,937
Non-controlling interests	**201**	188
Total comprehensive income for the year	**1,843**	16,125

Consolidated Statement of Financial Position

at 31 December 2022

	Note	***At 31 December 2022*** **HK$ million**	*At 31 December 2021* HK$ million
Non-current assets			
Investment properties		**260,124**	260,241
Other property, plant and equipment		**4,580**	4,599
Right-of-use assets		**775**	507
Goodwill		**262**	262
Trademarks		**102**	106
Interest in associates		**50,013**	53,955
Interest in joint ventures		**79,911**	80,887
Derivative financial instruments		**1,215**	769
Other financial assets		**7,312**	9,103
Deferred tax assets		**730**	698
		405,024	411,127
Current assets			
Deposits for acquisition of properties	11	**401**	801
Inventories	12	**97,258**	109,180
Trade and other receivables	13	**13,668**	16,844
Cash held by stakeholders		**2,144**	1,405
Cash and bank balances		**11,295**	10,947
		124,766	139,177
Current liabilities			
Trade and other payables	14	**26,273**	28,480
Amounts due to related companies		**2,427**	111
Lease liabilities		**252**	290
Bank loans		**21,737**	30,207
Guaranteed notes		**8,916**	1,577
Tax payable		**869**	2,582
		60,474	63,247
Net current assets		**64,292**	75,930
Total assets less current liabilities		**469,316**	487,057

Consolidated Statement of Financial Position

at 31 December 2022 (continued)

	Note	***At 31 December 2022*** **HK$ million**	*At 31 December 2021* HK$ million
Non-current liabilities			
Bank loans		**38,227**	44,151
Guaranteed notes		**18,647**	23,804
Amount due to a fellow subsidiary		**56,007**	53,710
Amounts due to related companies		**427**	3,065
Derivative financial instruments		**1,153**	720
Lease liabilities		**557**	251
Provision for reinstatement costs		**19**	5
Deferred tax liabilities		**9,127**	9,172
		124,164	134,878
NET ASSETS		**345,152**	352,179
CAPITAL AND RESERVES			
Share capital		**52,345**	52,345
Other reserves		**275,603**	282,675
Total equity attributable to equity shareholders of the Company		**327,948**	335,020
Non-controlling interests		**17,204**	17,159
TOTAL EQUITY		**345,152**	352,179

Notes:

1 Basis of preparation

The financial information relating to the years ended 31 December 2022 and 31 December 2021 included in this preliminary announcement of annual results 2022 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 2021 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 2022 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 outbreak of Omicron variant have caused and may 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 and HKASs that are first effective for the current accounting period of the Group and the Company, and which are relevant to the Group's consolidated financial statements for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*

  The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment ("PPE") the proceeds generated from selling items produced ("products"), before such item of PPE is available for use. Instead, in such circumstances, the related sales proceeds of the products, together with the costs of producing these products as determined by HKAS 2, *Inventories*, shall be included in profit or loss.

  The amendments do not have a material impact on the consolidated financial statements as the Group does not sell products produced before an item of property, plant and equipment is available for use.

- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – costs of fulfilling a contract*

  The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract.

  Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 January 2022, and has concluded that none of them is onerous.

- Amendments to HKFRS 3 (Revised), *Business combinations: Reference to the Conceptual Framework*

  The amendments update the reference to the latest version of the Conceptual Framework issued in March 2018, and add an exception to the requirement for an entity to refer to the Conceptual Framework in determining what constitutes an asset or a liability. The exception relates to liabilities and contingent liabilities that would have been within the scope of HKAS 37, *Provisions, contingent liabilities and contingent assets* or HK(IFRIC)-Int 21, *Levies* if they were incurred by an entity separately, rather than being assumed by an entity in a business combination. Under the exception, when applying HKFRS 3 (Revised), an entity should apply the more specific criteria in HKAS 37 or HK(IFRIC)-Int 21 respectively (instead of the Conceptual Framework) to determine whether a present obligation exists at the date on which the liability or contingent liability has been incurred by the entity.

2 Changes in accounting policies (continued)

- Annual Improvements to HKFRSs 2018-2020 Cycle

  This package of annual improvements contains, inter alia, amendment to HKFRS 9, *Financial instruments* and amendment to an illustrative example accompanying HKFRS 16, *Leases*. The amendment to HKFRS 9 clarifies that only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf, are included when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. The amendment to illustrative example 13 accompanying HKFRS 16 removes reference to a reimbursement relating to leasehold improvements, as the illustrative example had not explained clearly whether the reimbursement would meet the definition of a lease incentive under HKFRS 16.

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 2022 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 and interpretation to HKFRSs and HKASs which are not yet effective for the financial year ended 31 December 2022 and which have not been adopted in the consolidated financial statements. These include the following which may be relevant to the Group:

	Effective for annual periods beginning on or after
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
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*	1 January 2024
Hong Kong Interpretation 5 (Revised), *Presentation of financial statements-classification by the borrower of a term loan that contains a repayment on demand clause*	1 January 2024
Amendments to HKFRS 10 and HKAS 28, *Sales or contribution of assets between an investor and its associate or joint venture*	A date to be determined

The Group is in the process of making an assessment of what the impact of these amendments and interpretation are 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 Revenue

Revenue of the Group represents revenue from the property development (including sales of properties), rental income, operation and management of department stores and supermarket-cum-stores, hotel room operation and other businesses mainly including income from hotel management (other than hotel room operation), 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.

The major items are analysed as follows:

	2022	*2021*
	HK$ million	HK$ million
Property development (including sales of properties) *(2021: reclassified) (note (i))*	**14,635**	13,255
Rental income *(note (ii))*	**6,731**	6,505
Department stores and supermarket-cum-stores operations *(note (iii))*	**1,805**	1,791
Hotel room operation	**160**	95
Other businesses *(2021: reclassified) (note (i))*	**2,220**	1,881
Total (note 10(b))	**25,551**	23,527

Notes:

(i) *For the purpose of facilitating management's assessment of the Group's real estate-related financial performance, for the year ended 31 December 2022, the revenue related to the sale of leasehold land and interest income from mortgage loans advanced by the Group to the property buyers as well as interest income from property development joint ventures have been reclassified from the "Other businesses" segment to the "Property development" segment. The comparative figures for the corresponding year ended 31 December 2021 have been reclassified accordingly.*

(ii) *Cumulative up to 31 December 2022, the Group has granted approved rent concessions in the aggregate amount of HK$407 million (cumulative up to 31 December 2021: HK$338 million) to certain tenants of the Group's investment properties in Hong Kong and mainland China due to the impact of COVID-19 pandemic and the subsequent outbreak of Omicron variant 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 2022 has been arrived at after deducting the rent concessions which were amortised for the year ended 31 December 2022 in the amount of HK$73 million (2021: HK$124 million).

(iii) *Including commission income earned from consignment and concessionaire 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$415 million for the year ended 31 December 2022 (2021: HK$424 million).*

In accordance with HKFRS 15, *Revenue from contracts with customers*, (i) revenue from sales of properties and department stores and supermarket-cum stores operations are recognised at a point in time; and (ii) revenue from hotel room operation is recognised over time. Rental income recognised from HKFRS 16, *Leases* is categorically classified as revenue from other sources. Revenue from other businesses of HK$1,609 million (2021: HK$1,393 million) is recognised over time while the remaining is recognised at a point in time.

3 Revenue (continued)

At 31 December 2022, 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$12,210 million (2021: HK$12,777 million) and which will be recognised when the pre-sold properties are assigned to the customers.

4 Other net income

	2022 **HK$ million**	*2021* HK$ million
Net gain on disposal of investment properties	**52**	162
Net gain on disposal of other land and buildings	**4**	-
Aggregate net gain on sales of property interests (note 10(a))	**56**	162
Net fair value (loss)/gain on investments measured as financial assets at FVPL	**(253)**	174
Net fair value gain 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)	**306**	259
Impairment loss on trade debtors (note 10(c))	**(2)**	(1)
Reversal of provision on inventories, net (note 10(a))	**50**	77
Exchange gain, net (note 6(d))	**54**	85
Government grants *(note)*	**68**	-
Gain on re-measurement of previously held interest in a former associate upon obtaining of control (note 10(a))	**-**	1,889
Others	**293**	482
	572	3,127

Note: Government grants recognised for the year ended 31 December 2022 related to the subsidy received from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme promulgated by the HKSAR Government during the year (2021: Nil).

5 (Decrease)/increase 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 2022 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 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$64 million (2021: 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) has been recognised in the consolidated statement of profit or loss for the year (see note 9(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 2022 amounted to HK$237 million (2021: HK$119 million).

5 (Decrease)/increase 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 2022

	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)	**(198)**	**186**	**(12)**
Less :			
Deferred tax	**-**	**(67)**	**(67)**
Non-controlling interests' attributable share of the fair value loss (net of deferred tax)	**5**	**10**	**15**
(after deducting non-controlling interests' attributable share and deferred tax) (note 9(b))	**(193)**	**129**	**(64)**
- associates (Group's attributable share) (notes 9(b) and 10(a)(iii))	**23**	**-**	**23**
- joint ventures (Group's attributable share) (notes 9(b) and 10(a)(iv))	**(165)**	**(31)**	**(196)**
	(335)	**98**	**(237)**

5 (Decrease)/increase in fair value of investment properties and investment properties under development (continued)

A reconciliation of the abovementioned figures is as follows: (continued)

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 9(b))	(115)	141	26
- associates (Group's attributable share) (notes 9(b) and 10(a)(iii))	(16)	-	(16)
- joint ventures (Group's attributable share) (notes 9(b) and 10(a)(iv))	(105)	(24)	(129)
	(236)	117	(119)

6 Profit before taxation

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

		2022	*2021*
		HK$ million	HK$ million
(a)	**Finance costs:**		
	Bank loans interest	**1,303**	875
	Interest on other loans	**1,434**	438
	Interest on guaranteed notes	**746**	655
	Finance cost on lease liabilities	**36**	20
	Other borrowing costs	**131**	105
		3,650	2,093
	Less: Amount capitalised *(note)*	**(2,413)**	(1,493)
	Finance costs (note 10(a))	**1,237**	600

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 was applicable, ranging from 1.40% to 4.22% (2021: ranging from 1.67% to 3.83%) per annum.

(b)	**Directors' emoluments**	**209**	209
(c)	**Staff costs (other than directors' emoluments):**		
	Salaries, wages and other benefits	**2,916**	2,716
	Contributions to defined contribution retirement plans	**158**	108
		3,074	2,824

6 Profit before taxation (continued)

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

	2022	*2021*
	HK$ million	*HK$ million*
(d) Other items:		
Net foreign exchange gain	**(1,455)**	(727)
Cash flow hedges: net foreign exchange loss reclassified from equity	**1,401**	642
Exchange gain, net (note 4)	**(54)**	(85)
Amortisation of trademarks	**4**	3
Depreciation		
- on other property, plant and equipment	**185**	146
- on right-of-use assets	**351**	356
	540	505
	(note 10(c))	(note 10(c))
Cost of sales		
- properties for sale	**10,080**	6,595
- trading stocks and consumable stores	**1,096**	1,032
Auditors' remuneration		
- audit services	**23**	22
- non-audit services	**10**	7
Expense relating to short-term leases	**20**	18
Rentals receivable from investment properties less direct outgoings of HK$1,902 million (2021: HK$1,979 million) *(note (i))*	**(4,628)**	(4,326)
Dividend income from investments designated as financial assets at FVOCI (non-recycling) and measured as financial assets at FVPL *(note (ii))*		
- listed	**(84)**	(84)
- unlisted	**(7)**	(32)

Notes:

(i) The rental income from investment properties included contingent rental income of HK$43 million (2021: HK$41 million).

(ii) During the year ended 31 December 2022, dividend income of HK$9 million related to investments designated as financial assets at FVOCI (non-recycling) held at 31 December 2022 (2021: dividend income of HK$35 million related to investments designated as financial assets at FVOCI (non-recycling) held at 31 December 2021).

7 Income tax

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

	2022	*2021*
	HK$ million	HK$ million
Current tax – Provision for Hong Kong Profits Tax		
Provision for the year	**538**	867
(Over)/under-provision in respect of prior years	**(11)**	2
	527	869
Current tax – Provision for taxation outside Hong Kong		
Provision for the year	**352**	599
Under-provision in respect of prior years	**85**	106
	437	705
Current tax – Provision for Land Appreciation Tax		
Provision for the year	**37**	263
	37	263
Deferred tax		
Origination and reversal of temporary differences	**276**	181
	276	181
	1,277	2,018

Provision for Hong Kong Profits Tax has been made at 16.5% (2021: 16.5%) on the estimated assessable profits for the year, taking into account a one-off reduction of 100% (2021: 100%) of the tax payable for the year of assessment 2021/22 subject to a ceiling of HK$10,000 (2020/21: HK$10,000) for each business allowed by the Inland Revenue Department of 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% (2021: 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.

8 Dividends

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

	2022	*2021*
	HK$ million	HK$ million
Interim dividend declared and paid of HK$0.50 (2021: HK$0.50) per share	**2,421**	2,421
Final dividend proposed after the end of the reporting period of HK$1.30 (2021: 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

	2022	*2021*
	HK$ million	HK$ million
Final dividend in respect of the previous financial year, approved and paid during the year of HK$1.30 (2021: HK$1.30) per share	**6,294**	6,294

9 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$9,239 million (2021: HK$13,195 million) and the weighted average number of 4,841 million ordinary shares (2021: 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 2021 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$9,629 million (2021: HK$13,624 million). A reconciliation of profit is as follows:

	2022	*2021*
	HK$ million	HK$ million
Profit attributable to equity shareholders of the Company	**9,239**	13,195
Fair value loss/(gain) of investment properties and investment properties under development during the year (after deducting non-controlling interests' attributable share and deferred tax) (note 5)	**64**	(26)
Share of fair value (gain)/loss of investment properties (net of deferred tax) during the year:		
– associates (note 5)	**(23)**	16
– joint ventures (note 5)	**196**	129
The Group's attributable share of the cumulative fair value gain of investment properties disposed of during the year, net of tax:		
– subsidiaries	**151**	310
– associates and joint ventures	**2**	-
Underlying Profit	**9,629**	13,624
Underlying earnings per share, based on the weighted average number of ordinary shares in issue during the year (note 9(a))	**HK$1.99**	HK$2.81

10 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 assessment of segment performance, 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
Hotel room operation	:	The operation of hotel properties generating room revenue
Other businesses	:	Hotel management (other than hotel room operation), construction, provision of finance (other than mortgage loans advanced by the Group to the property buyers as well as interest income from property development joint ventures which are classified under the *"Property development"* segment), 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
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.

10 Segment reporting (continued)

(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 assessment of segment performance for the years ended 31 December 2022 and 31 December 2021 is set out below. To facilitate management's assessment of the Group's real estate-related financial performance, for the year ended 31 December 2022:

(i) the revenue and segment results related to the sale of leasehold land and interest income from mortgage loans advanced by the Group to the property buyers as well as interest income from property development joint ventures have been reclassified from "*Other businesses*" segment to the "*Property development*" segment;

(ii) a new segment "*Hotel room operation*" has been identified in relation to the operation of hotel properties generating room revenue, and which figures have been reclassified from "*Other businesses*" segment to the "*Hotel room operation*" segment; and

(iii) the revenue and segment results under the "*Department stores and supermarket-cum-stores operations*" segment have been separately delineated to disclose the figures related to the sale of own goods and rental of consignment and concessionaire counters.

The comparative figures for the corresponding year ended 31 December 2021 have been reclassified accordingly.

10 Segment reporting (continued)

(a) Results of reportable segments (continued)

For the year ended 31 December 2022	Company and its subsidiaries (before deducting non-controlling interests) Revenue *(note (i))* HK$ million	Segment results HK$ million	Associates and joint ventures Share of revenue HK$ million	Share of segment results HK$ million	Combined revenue HK$ million	Consolidated segment results HK$ million	Attributable to non-controlling interests Revenue HK$ million	Segment results HK$ million	Attributable to equity shareholders of the Company Combined revenue HK$ million	Consolidated segment results HK$ million
Property development										
Hong Kong	14,119	2,894	1,494	523	15,613	3,417	(77)	(62)	15,536	3,355
Mainland China	516	34	7,283	2,171	7,799	2,205	-	(8)	7,799	2,197
	14,635	2,928	8,777	2,694	23,412	5,622	(77)	(70)	23,335	5,552
Property leasing										
Hong Kong	4,710	3,284	2,125	1,648	6,835	4,932	(378)	(323)	6,457	4,609
Mainland China	2,021	1,550	79	72	2,100	1,622	(29)	(19)	2,071	1,603
(note (ii))	6,731	4,834	2,204	1,720	8,935	6,554	(407)	(342)	8,528	6,212
Department stores and supermarket-cum stores operations										
-sale of own goods	1,453	(7)	-	-	1,453	(7)	(441)	11	1,012	4
-rental of consignment and concessionaire counters	352	179	-	-	352	179	(108)	(29)	244	150
	1,805	172	-	-	1,805	172	(549)	(18)	1,256	154
Hotel room operation	160	(44)	103	(21)	263	(65)	(80)	19	183	(46)
Other businesses	2,220	(168)	226	(33)	2,446	(201)	(265)	97	2,181	(104)
	25,551	7,722	11,310	4,360	36,861	12,082	(1,378)	(314)	35,483	11,768
Utility and energy	-	-	36,218	3,414	36,218	3,414	-	-	36,218	3,414
	25,551	7,722	47,528	7,774	73,079	15,496	(1,378)	(314)	71,701	15,182

10 Segment reporting (continued)

(a) Results of reportable segments (continued)

For the year ended 31 December 2022 (continued)		Company and its subsidiaries (before deducting non-controlling interests) Revenue *(note (i))* HK$ million	Segment results HK$ million	Associates and joint ventures Share of revenue HK$ million	Share of segment results HK$ million	Combined revenue HK$ million	Consolidated segment results HK$ million	Attributable to non-controlling interests Revenue HK$ million	Segment results HK$ million	Attributable to equity shareholders of the Company Combined revenue HK$ million	Consolidated segment results HK$ million
Reversal of provision on inventories, net		**(note 4)**	**50**		**-**		**50**		**-**		**50**
Sales of property interests *(note)*		**(note 4)**	**56**		**-**		**56**		**(1)**		**55**
Unallocated head office and corporate expenses, net			**(621)**		**(207)**		**(828)**		**(7)**		**(835)**
Profit from operations			**7,207**		**7,567**		**14,774**		**(322)**		**14,452**
Decrease in fair value of investment properties and investment properties under development			**(12)**		**(183)**		**(195)**		**6**		**(189)**
Finance costs	**(note 6(a))**		**(1,237)**		**(867)**		**(2,104)**		**52**		**(2,052)**
Bank interest income			**204**		**202**		**406**		**(49)**		**357**
Net finance costs			**(1,033)**		**(665)**		**(1,698)**		**3**		**(1,695)**
Profit before taxation			**6,162**		**6,719**		**12,881**		**(313)**		**12,568**
Income tax			**(1,277)**		**(2,101)**		**(3,378)**		**49**		**(3,329)**
Profit for the year			**4,885**		**4,618**		**9,503**		**(264)**		**9,239**

Note:

The Group's attributable share of the realised cumulative fair value gain (before tax) of investment properties disposed of during the year ended 31 December 2022 amounted to HK$154 million. Adding to it the reported attributable share of net gain on disposals of investment properties and other land and buildings of HK$55 million (see above) for the year ended 31 December 2022, the Group's attributable share of the realised gain (before tax) from the sales of property interests attributable to underlying profit amounted to HK$209 million during the year ended 31 December 2022.

10 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	Hotel room operation HK$ million	Other businesses HK$ million	Sub-total HK$ million	Utility and energy HK$ million	Total HK$ million
For the year ended 31 December 2022							
Share of profits less losses of associates *(note (iii))*							
- Listed associates							
The Hong Kong and China Gas Company Limited	**-**	**211**	**(6)**	**(534)**	**(329)**	**2,509**	**2,180**
Hong Kong Ferry (Holdings) Company Limited	**397**	**29**	**-**	**8**	**434**	**-**	**434**
- Unlisted associates	**(2)**	**41**	**-**	**9**	**48**	**-**	**48**
	395	**281**	**(6)**	**(517)**	**153**	**2,509**	**2,662**
Share of profits less losses of joint ventures *(note (iv))*	**1,075**	**834**	**(36)**	**83**	**1,956**	**-**	**1,956**
	1,470	**1,115**	**(42)**	**(434)**	**2,109**	**2,509**	**4,618**

10 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) Revenue *(note (i))* HK$ million	Company and its subsidiaries (before deducting non-controlling interests) Segment results HK$ million	Associates and joint ventures Share of revenue HK$ million	Associates and joint ventures Share of segment results HK$ million	Combined revenue HK$ million	Consolidated segment results HK$ million	Attributable to non-controlling interests Revenue HK$ million	Attributable to non-controlling interests Segment results HK$ million	Attributable to equity shareholders of the Company Combined revenue HK$ million	Attributable to equity shareholders of the Company Consolidated segment results HK$ million
Property development										
Hong Kong	11,430	4,532	902	322	12,332	4,854	(136)	(96)	12,196	4,758
Mainland China	1,825	759	4,984	844	6,809	1,603	-	-	6,809	1,603
	13,255	5,291	5,886	1,166	19,141	6,457	(136)	(96)	19,005	6,361
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										
-sale of own goods	1,434	36	-	-	1,434	36	(434)	(2)	1,000	34
-rental of consignment and concessionaire counters	357	164	-	-	357	164	(110)	(19)	247	145
	1,791	200	-	-	1,791	200	(544)	(21)	1,247	179
Hotel room operation	95	(58)	67	(35)	162	(93)	(48)	30	114	(63)
Other businesses	1,881	441	250	(812)	2,131	(371)	(187)	48	1,944	(323)
	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

10 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 2021 (continued)		HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Reversal of provision/(provision) on inventories, net (note 4)			77		(18)		59		(4)		55
Sales of property interests *(note 1)*	(note 4)		162		-		162		-		162
Gain on re-measurement of previously held interest in a former associate upon obtaining of control	(note 4)		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	(note 6(a))		(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

Note 1:
The Group's attributable share of the realised cumulative fair value gain (before tax) of investment properties disposed of during the corresponding year ended 31 December 2021 amounted to HK$324 million. Adding to it the reported attributable share of net gain on disposal of investment properties of HK$162 million (see above and in note 4) for the corresponding year ended 31 December 2021, the Group's attributable share of the realised gain (before tax) from the sales of property interests attributable to underlying profit amounted to HK$486 million during the corresponding year ended 31 December 2021.

10 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	Hotel room operation 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	(7)	(1,091)	(895)	2,976	2,081
Miramar Hotel and Investment Company, Limited ("Miramar") *(note 2)*	-	61	(5)	(11)	45	-	45
Hong Kong Ferry (Holdings) Company Limited	(10)	45	-	4	39	-	39
- Unlisted associates	38	37	-	(47)	28	-	28
	28	346	(12)	(1,145)	(783)	2,976	2,193
Share of profits less losses of joint ventures *(note (iv))*	683	1,010	(36)	(30)	1,627	-	1,627
	711	1,356	(48)	(1,175)	844	2,976	3,820

Note 2:
For the period from 14 April 2021 to 31 December 2021 (both dates inclusive), the Company had accounted for Miramar as an indirect non-wholly owned subsidiary and consolidated Miramar's financial results into the Group's consolidated financial statements for the corresponding 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.

10 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$445 million (2021: HK$356 million) and HK$1,117 million (2021: HK$1,458 million) in relation to the reportable segments under property leasing and others, respectively.*

(ii) *Revenue for the property leasing segment comprised rental income of HK$5,876 million (2021: HK$5,732 million) and rental-related income of HK$855 million (2021: HK$773 million), which in aggregate amounted to HK$6,731 million for the year (2021: HK$6,505 million)(see note 3).*

(iii) *The Group's share of profits less losses of associates contributed from the property leasing segment during the year of HK$281 million (2021: HK$346 million) included the Group's attributable share of net increase in fair value of investment properties (net of deferred tax) during the year of HK$23 million (2021: net decrease in fair value of investment properties (net of deferred tax) of HK$16 million)(see note 5).*

The Group's share of losses less profits of associates contributed from other businesses segment during the year of HK$517 million (2021: HK$1,145 million) included the Group's share of loss after tax from hotel management (other than hotel room operation) during the year of HK$1 million (2021: HK$7 million).

(iv) *The Group's share of profits less losses of joint ventures contributed from the property leasing segment during the year of HK$834 million (2021: HK$1,010 million) included the Group's attributable share of net decrease in fair value of investment properties (net of deferred tax) during the year of HK$196 million (2021: HK$129 million) (see note 5).*

The Group's share of profits less losses of joint ventures contributed from other businesses segment during the year of HK$83 million (2021: share of losses less profits of HK$30 million) included the Group's share of loss after tax contributed from hotel management (other than hotel room operation) during the year of HK$11 million (2021: HK$27 million).

10 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**	
	2022	*2021*	***2022***	*2021*
	HK$ million	HK$ million	**HK$ million**	HK$ million
Hong Kong	**22,757**	19,455	**319,254**	315,198
Mainland China	**2,794**	4,072	**76,480**	85,322
The United Kingdom	**-**	-	**33**	37
	25,551	23,527	**395,767**	400,557
	(note 3)	(note 3)		

(c) Other segment information

	Depreciation and amortisation		**Impairment loss on trade debtors**	
	For the year ended 31 December		**For the year ended 31 December**	
	2022	*2021*	***2022***	*2021*
	HK$ million	HK$ million	**HK$ million**	HK$ million
Property development	**80**	83	**-**	-
Property leasing	**47**	52	**2**	1
Department stores and supermarket-cum-stores operations				
-sale of own goods	**140**	132	**-**	-
-rental of consignment and concessionaire counters	**9**	12	**-**	-
Hotel room operation	**74**	53	**-**	-
Other businesses	**190**	173	**-**	-
	540	505	**2**	1
	(note 6(d))	(note 6(d))	**(note 4)**	(note 4)

11 Deposits for acquisition of properties

At 31 December 2021, the Group's deposits for acquisition of properties mainly included HK$339 million paid relating to the acquisition of certain pieces of land/properties located in mainland China. During the year ended 31 December 2022, the Group recovered its land deposits paid in prior years in the aggregate amount of HK$335 million in respect of certain property development projects in mainland China.

During the corresponding year ended 31 December 2021, the Group recovered an amount of HK$261 million, being the remaining balance of the deposit which had been made by the Group in 2005 regarding the land concession received by a non-wholly owned subsidiary of the Group relating to a development site situated in Macau Special Administrative Region, but for which the conditions precedent for such subsidiary's acquisition of the land had not been fulfilled and the acquisition could not proceed.

12 Inventories

	2022	*2021*
	HK$ million	HK$ million
Property development		
Leasehold land held for development for sale	**11,040**	10,851
Properties held for/under development for sale	**56,390**	75,739
Completed properties for sale	**29,642**	22,434
	97,072	109,024
Other operations		
Trading stocks and consumable stores	**186**	156
	97,258	109,180

13 Trade and other receivables

		2022 HK$ million	2021 HK$ million
(i)	**Debtors and current receivables**		
	Trade receivables	**366**	310
	Instalments receivable	**280**	194
	Sub-total : Trade debtors	**646**	504
	Other debtors	**4,318**	6,777
	Prepayments and deposits	**4,396**	5,043
	Gross amount due from customers for contract work (^)	**105**	82
	Amounts due from associates	**109**	5
	Amounts due from joint ventures	**290**	148
		9,864	12,559
(ii)	**Other current financial assets**		
	Loans receivable	**3,301**	3,714
	Financial assets measured at FVPL	**450**	388
	Derivative financial instruments	**53**	183
		3,804	4,285
		13,668	16,844

(^) *This balance represented the excess of cumulative revenue recognised in profit or loss over the cumulative payments made by customers at the end of the reporting period, and was recognised as contract asset.*

Included in other debtors is an amount receivable of HK$1,867 million which was overdue at 31 December 2022 and 31 December 2021, but which are pledged against certain collaterals provided by the debtor.

Loans receivable, of which HK$69 million (2021: HK$63 million) are secured and HK$3,232 million (2021: HK$3,651 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 2022, the Group had one construction contract for agreed retention period of twelve months for 10% of the contract value (2021: the Group had two construction contracts for agreed retention period of twelve months for 5% to 10% of the contract value), which amounts are included in contract assets until the end of the retention period as the Group's entitlements to these final payments are conditional on the Group's construction works satisfactorily passing inspection.

13 Trade and other receivables (continued)

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$4,590 million (2021: HK$3,499 million) which are expected to be recovered after more than one year from the end of the reporting period.

The amounts due from associates and joint ventures at 31 December 2022 and 31 December 2021 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:

	2022	*2021*
	HK$ million	HK$ million
Current or up to 1 month	**505**	405
More than 1 month and up to 3 months	**58**	44
More than 3 months and up to 6 months	**27**	18
More than 6 months	**56**	37
	646	504

14 Trade and other payables

	2022	*2021*
	HK$ million	HK$ million
Creditors and accrued expenses	**8,581**	8,582
Gross amount due to customers for contract work[(#)]	**5**	4
Rental and other deposits received	**1,905**	1,966
Forward sales deposits received and other contract liabilities[(#)]	**3,909**	6,136
Derivative financial instruments	**205**	36
Provision for reinstatement costs	**-**	12
Amounts due to associates	**1,759**	1,321
Amounts due to joint ventures	**9,909**	10,423
	26,273	28,480

[(#)] *These balances represented the excess of cumulative payments made by customers over the cumulative revenue recognised in profit or loss at the end of the reporting period, and were recognised as contract liabilities.*

Provision for long service payment

The Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 was enacted in June 2022 which abolishes the use of the accrued benefits of employers' mandatory contributions under the Mandatory Provident Fund Schemes Ordinance and/or Occupational Retirement Schemes Ordinance to offset severance payment and long service payment (the "Offsetting Arrangement"). The abolishment of the Offsetting Arrangement would increase the state benefits that affect the long service payment payable by the employer. In accordance with the requirement of HKAS 19, *Employee benefits*, management has re-measured the provision for long service payment to reflect the financial impact of the abolishment of the Offsetting Arrangement. As a result, a provision for long service payment in the amount of HK$42 million has been recognised at 31 December 2022 (2021: HK$2 million) which is included in "Creditors and accrued expenses" above.

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.

14 Trade and other payables (continued)

Movements in contract liabilities

	Forward sales deposits received and other contract liabilities	
	2022	*2021*
	HK$ million	HK$ million
At 1 January	**6,136**	8,587
Addition due to the Group's obtaining of control in Miramar	**-**	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	**(5,796)**	(3,440)
Increase in contract liabilities as a result of forward sales deposits and other contract liabilities 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	**3,569**	918
At 31 December	**3,909**	6,136

(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$1,086 million (2021: HK$1,150 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:

	2022	*2021*
	HK$ million	HK$ million
Due within 1 month or on demand	**1,983**	2,927
Due after 1 month but within 3 months	**375**	398
Due after 3 months but within 6 months	**326**	326
Due after 6 months	**1,573**	1,306
	4,257	4,957

(c) The amounts due to associates and joint ventures at 31 December 2022 and 31 December 2021 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$2,894 million (2021: HK$2,426 million) which are unsecured, interest-bearing at interest rates ranging from 3.65% to 3.85% (2021: ranging from 3.80% to 3.85%) per annum and wholly repayable between 20 January 2023 and 8 December 2023 (2021: between 24 January 2022 and 29 November 2022).

15 Non-adjusting event after the reporting period

After the end of the reporting period, the Directors proposed a final dividend. Further details are disclosed in note 8.

16 Review of results

The financial results for the year ended 31 December 2022 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 2022 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 2022.

Revenue and profit

	Revenue			*Profit/(loss) contribution from operations*		
	Year ended 31 December			*Year ended 31 December*		
	2022	2021	*Increase*	**2022**	2021	*Increase/ (Decrease)*
	HK$ million	HK$ million	*%*	**HK$ million**	HK$ million	*%*
Reportable segments						
- Property development *(2021 : reclassified)*	**14,635**	13,255	*+10%*	**2,928**	5,291	*-45%*
- Property leasing	**6,731**	6,505	*+3%*	**4,834**	4,507	*+7%*
- Department stores and supermarket-cum-stores operations	**1,805**	1,791	*+1%*	**172**	200	*-14%*
- Hotel room operation	**160**	95	*+68%*	**(44)**	(58)	*-24%*
- Other businesses *(2021 : reclassified)*	**2,220**	1,881	*+18%*	**(168)**	441	*-138%*
	25,551	23,527	*+9%*	**7,722**	10,381	*-26%*

For the purpose of facilitating management's assessment of the Group's real estate-related financial performance, for the year ended 31 December 2022, the revenue and segment results related to the sale of leasehold land and interest income from mortgage loans advanced by the Group to the property buyers as well as interest income from property development joint ventures have been reclassified from the "Other businesses" segment to the "Property development" segment. The comparative figures for the corresponding year ended 31 December 2021 have been reclassified accordingly.

	Year ended 31 December		
	2022	2021	*Decrease*
	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	**9,239**	13,195	*-30%*
- 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)*	**9,629**	13,624	*-29%*

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$153 million (2021: HK$310 million) was added back in arriving at the Underlying Profit.

Below is the comparison of the Underlying Profits for the years ended 31 December 2022 and 31 December 2021 by excluding certain fair value adjustments for both years, the one-off subsidy received by the Group during the year ended 31 December 2022 and the gain on re-measurement of the Group's previously held interest in a former associate during the corresponding year ended 31 December 2021:

		Year ended 31 December			
		2022	2021	*Increase /(Decrease)*	
		HK$ million	HK$ million	*HK$ million*	*%*
Underlying Profit		**9,629**	13,624	*(3,995)*	*-29%*
(Less)/Add :					
(i)	Net fair value gain on derivative financial instruments measured at fair value through profit or loss relating to certain interest rate swap contracts, cross currency swap contracts, cross currency interest rate swap contracts and forward exchange forward contracts (net of tax) for which no hedge accounting was applied during the year	**(256)**	(216)	*(40)*	
(ii)	Aggregate fair value loss/(gain) on the Group's investments measured as financial assets at fair value through profit or loss, namely, in the listed units of Sunlight Real Estate Investment Trust ("Sunlight REIT") and certain listed securities held by Henderson Investment Limited ("HIL"), a listed subsidiary of the Company	**319**	(173)	*492*	
(iii)	One-off subsidy received by the Group from HKSAR Government's COVID-19 Anti-epidemic Fund under the Employment Support Scheme in 2022	**(68)**	-	*(68)*	
(iv)	Gain on re-measurement of the Group's previously held interest in Miramar Hotel and Investment Company, Limited ("Miramar") upon obtaining of control on 14 April 2021	**-**	(1,889)	*1,889*	
		9,624	11,346	*(1,722)*	*-15%*

Discussions on the major reportable segments are set out below.

Property development

Gross revenue - subsidiaries and by geographical contribution

The gross revenue from property sales during the years ended 31 December 2022 and 31 December 2021 generated by the Group's subsidiaries, and by geographical contribution, were as follows:

	Year ended 31 December			
	2022	2021	*Increase/(Decrease)*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong *(2021: reclassified)*	**14,119**	11,430	*2,689*	*+24%*
Mainland China	**516**	1,825	*(1,309)*	*-72%*
	14,635	13,255	*1,380*	*+10%*

The gross revenue from property sales in Hong Kong of HK$14,119 million during the year ended 31 December 2022 was mainly contributed from the following residential development projects completed in 2021 and 2022 and the sold units of which were delivered to the buyers during the year ended 31 December 2022:

(i) HK$5,364 million from "The Henley" in Kai Tak Development Area, Kowloon;

(ii) HK$2,622 million from "Aquila·Square Mile" in Mong Kok, Kowloon;

(iii) HK$2,531 million from "One Innovale·Archway" in Fanling North, the New Territories; and

(iv) HK$473 million from "The Upper South" in Ap Lei Chau, Hong Kong Island.

Although the residential projects "The Harmonie", "One Innovale·Bellevue" and "One Innovale·Cabanna" were also completed in November 2022, the sold units of these projects are scheduled for delivery to the buyers in the first half of 2023 and therefore no revenue and profit contributions have been recognised from these projects for the year ended 31 December 2022.

The gross revenue from property sales in mainland China of HK$516 million during the year ended 31 December 2022 was mainly contributed as to HK$414 million from "Riverside Park" in Suzhou, in relation to which the project's Phase 6, Tower 4 was completed and the sold units of which were delivered to the buyers during the year. By comparison, for the corresponding year ended 31 December 2021, gross revenue from property sales of HK$1,825 million was mainly contributed as to 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 corresponding year ended 31 December 2021 and the sold units of which were also delivered to the buyers during that year.

Pre-tax profits – by geographical distribution and from 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 2022 and 31 December 2021, were as follows:

	Year ended 31 December			
	2022	2021	*Increase/(Decrease)*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong *(2021: reclassified)*	**3,355**	4,758	*(1,403)*	*-29%*
Mainland China	**2,197**	1,603	*594*	*+37%*
	5,552	6,361	*(809)*	*-13%*

The decrease in the Group's attributable share of pre-tax profits from property sales in Hong Kong during the year ended 31 December 2022 of HK$1,403 million (or 29%) was mainly due to the lower pre-tax profit margin recognised during the year.

The increase in the Group's attributable share of pre-tax profits from property sales in mainland China during the year ended 31 December 2022 of HK$594 million (or 37%) was mainly due to the increase in the Group's attributable share of pre-tax profit contributions from "The Landscape" in Changsha, "La Botanica" in Xian, "Xuheng Huayuan" in Hefei and "Chengdu ICC" in Chengdu (all being projects held by the Group's joint ventures) in the aggregate amount of HK$1,379 million, which was partially offset by the decrease in pre-tax profit contribution from "Grand Lakeview" in Yixing (being a project held by a subsidiary of the Group) in the amount of HK$697 million.

	Year ended 31 December			
	2022	2021	*Increase/(Decrease)*	
	HK$ million	HK$ million	*HK$ million*	*%*
By contribution from subsidiaries (after deducting non-controlling interests), associates and joint ventures:				
Subsidiaries *(2021: reclassified)*	**2,858**	5,195	*(2,337)*	*-45%*
Associates	**505**	(96)	*601*	*+626%*
Joint ventures	**2,189**	1,262	*927*	*+73%*
	5,552	6,361	*(809)*	*-13%*

The decrease of HK$2,337 million (or 45%) in the Group's attributable share of pre-tax profits from property sales of the Group's subsidiaries during the year ended 31 December 2022 comprised (i) the year-on-year decrease of HK$1,604 million in relation to property sales of the Group's subsidiaries in Hong Kong, mainly due to the lower pre-tax profit contribution recognised during the year; and (ii) the year-on-year decrease of HK$733 million in relation to property sales of the Group's subsidiaries in mainland China, mainly due to the decrease in pre-tax profit contribution from "Grand Lakeview" in Yixing in the amount of HK$697 million as referred to above.

The increase of HK$601 million (or 626%) in the Group's attributable share of pre-tax profits from property sales of the Group's associates during the year ended 31 December 2022 was mainly due to the Group's attributable share of pre-tax profit contribution of HK$488 million from the project completion of "The Royale Phases 1 to 3" (being a joint venture development project of Hong Kong Ferry (Holdings) Company Limited ("HK Ferry", a listed associate of the Group)) in January 2022.

The increase of HK$927 million (or 73%) 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 2022 comprised (i) the year-on-year increase of HK$1,234 million in relation to property sales of the Group's joint ventures in mainland China, mainly due to the increase in the Group's attributable share of pre-tax profit contributions from "The Landscape" in Changsha, "La Botanica" in Xian, "Xuheng Huayuan" in Hefei and "Chengdu ICC" in Chengdu in the aggregate amount of HK$1,379 million as referred to above, and which was partially offset by (ii) the year-on-year decrease of HK$307 million in relation to property sales of the Group's joint ventures in Hong Kong, mainly due to the decrease in the Group's attributable share of pre-tax profit contribution from "Timber House" in the amount of HK$325 million.

Property leasing

Gross revenue – subsidiaries and by geographical contribution

The gross revenue from property leasing during the years ended 31 December 2022 and 31 December 2021 generated by the Group's subsidiaries, and by geographical contribution, were as follows:

	Year ended 31 December			
	2022	2021	*Increase/(Decrease)*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong	**4,710**	4,462	*248*	*+6%*
Mainland China	**2,021**	2,043	*(22)*	*-1%*
	6,731	6,505	*226*	*+3%*

Pre-tax net rental income – by geographical distribution and from 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 2022 and 31 December 2021, were as follows:

	Year ended 31 December			
	2022	2021	*Increase/(Decrease)*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong	**4,609**	4,556	*53*	*+1%*
Mainland China	**1,603**	1,626	*(23)*	*-1%*
	6,212	6,182	*30*	*+0.5%*
By contribution from subsidiaries (after deducting non-controlling interests), associates and joint ventures:				
Subsidiaries	**4,492**	4,264	*228*	*+5%*
Associates	**356**	472	*(116)*	*-25%*
Joint ventures	**1,364**	1,446	*(82)*	*-6%*
	6,212	6,182	*30*	*+0.5%*

For Hong Kong, on an overall portfolio basis, there was a year-on-year increase of HK$248 million (or 6%) in rental revenue contribution and a year-on-year increase of HK$53 million (or 1%) in the Group's attributable share of pre-tax net rental income contribution for the year ended 31 December 2022. The increase by 6% in revenue contribution was mainly due to the contribution from Miramar's property leasing revenue for the full year ended 31 December 2022 compared with that during the corresponding year ended 31 December 2021 which only recognised the property leasing revenue contribution during the period from 14 April 2021 (commencing from which date Miramar became an indirect non-wholly owned subsidiary of the Company) to 31 December 2021 (both dates inclusive).

For mainland China, on an overall portfolio basis, there was a year-on-year decrease of HK$22 million (or 1%) in rental revenue contribution and a year-on-year decrease of HK$23 million (or 1%) in the Group's attributable share of pre-tax net rental income contribution for the year ended 31 December 2022. Based on the average exchange rates between the Renminbi ("RMB") and Hong Kong dollars ("HKD") for the two financial years ended 31 December 2022 and 31 December 2021, there was a year-on-year depreciation of RMB against HKD by approximately 2.8% during the year ended 31 December 2022, and excluding the effect of foreign currency translation, there was in RMB terms:

(a) a year-on-year increase in rental revenue by 2% which was mainly attributable to (i) the increased leasing revenue contributions from the twin office towers of “Lumina Guangzhou” in Guangzhou following the increased occupancy during the year; and (ii) the additional leasing revenue contributions from “Lumina Shanghai” Phases 1 and 2 in Shanghai’s Xuhui Riverside Development Area which were completed in the first half of 2022;

and

(b) a year-on-year increase in the Group’s attributable share of pre-tax net rental income contributions of 1% which was also mainly attributable to the increased contributions from the twin office towers of “Lumina Guangzhou” in Guangzhou as well as “Lumina Shanghai” Phase 2 and “The Roof” in Shanghai.

Furthermore, on the Group’s overall portfolio basis covering the pre-tax net rental income contributions from subsidiaries, associates and joint ventures, the year-on-year increase in the contribution from subsidiaries and the year-on-year decrease in the contribution from associates both largely reflected the effect of Miramar which was an associate of the Group during the period from 1 January 2021 to 13 April 2021 (both dates inclusive) but became an indirect non-wholly owned subsidiary of the Company commencing from 14 April 2021. The year-on-year decrease in the contribution from joint ventures is mainly related to the ifc complex due to lower rents for new lettings and lease renewals amid the COVID-19 pandemic during the year ended 31 December 2022.

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 HIL. For the year ended 31 December 2022, revenue contribution amounted to HK$1,805 million (2021: HK$1,791 million) which represented a year-on-year increase of HK$14 million, or 1%, over that for the corresponding year ended 31 December 2021. The increase in revenue during the year ended 31 December 2022 was mainly attributable to the additional revenue contribution from the UNY supermarket at Tseung Kwan O operating under Unicorn which commenced business operation in November 2021.

Profit contribution (after the elimination of rental expenditure payable by Citistore and Unicorn to the Group, in respect of certain store premises leased by Citistore and Unicorn from the Group for business operation) for the year ended 31 December 2022 decreased by HK$28 million, or 14%, to HK$172 million (2021: HK$200 million). The decrease in profit contribution was mainly attributable to (i) the adverse effect of the COVID-19 pandemic on the operations of HIL (including its subsidiaries, Citistore and Unicorn); (ii) the lower sales from the APITA supermarket-cum-store at Taikoo Shing (operating under Unicorn) due to its phased renovations; and (iii) the operating loss of the UNY supermarket at Tseung Kwan O (operating under Unicorn) which was opened in November 2021 due to the re-alignment of sales mix in its first year of operations.

Hotel room operation

This mainly relates to the sales of hotel rooms by Miramar (a non-wholly owned listed subsidiary of the Group) in respect of The Mira Hong Kong Hotel and Mira Moon Hotel, being the two hotels operated by Miramar in Hong Kong.

During the year ended 31 December 2022, revenue and pre-tax loss amounted to HK$160 million and HK$44 million respectively, representing a year-on-year increase in revenue of HK$65 million (or 68%) and a year-on-year decrease in pre-tax loss of HK$14 million (or 24%) when compared with the revenue of HK$95 million and pre-tax loss of HK$58 million for the corresponding year ended 31 December 2021. The improvement in the revenue and pre-tax results performances during the year ended 31 December 2022 were mainly attributable to (i) the increased patronage from hotel guests for staycation activities; (ii) the increased room sales and guests' long staying as a result of the promotion campaigns launched; and (iii) the increased patronage from foreign travellers following the release of border quarantine measures in September 2022 by the HKSAR Government, as well as the fact that the full year's results were recognised during the year when compared with the corresponding year ended 31 December 2021 during which Miramar's revenue contribution was only recognised for the period from 14 April 2021 to 31 December 2021 (both dates inclusive).

Other businesses

Other businesses mainly comprise hotel management (other than hotel room operation), construction, provision of finance (other than mortgage loans advanced by the Group to the property buyers as well as interest income from property development joint ventures which are classified under the "Property development" segment), investment holding, project management, property management, agency services, cleaning and security guard services, as well as travel and food and beverage operations.

Revenue and pre-tax loss from other businesses for the year ended 31 December 2022 amounted to HK$2,220 million and HK$168 million respectively, representing:

(a) an increase of HK$339 million (or 18%) over the revenue contribution of HK$1,881 million for the corresponding year ended 31 December 2021 (which has been restated due to the reclassification of certain figures from the "Other businesses" segment to the "Property development" segment, as referred to in the section "Revenue and profit" above), which was mainly attributable to the following:

    (i) the increase in revenue contribution of HK$176 million during the year from Miramar's hotel management, travel and food and beverage operations, for the reason that the full year's results were recognised during the year ended 31 December 2022 when compared with that for the corresponding year ended 31 December 2021 during which Miramar's revenue contribution was only recognised for the period from 14 April 2021 to 31 December 2021 (both dates inclusive); and

    (ii) the increase in project management revenue of HK$102 million during the year which was mainly contributed from the Group's project management services for the "The Royale Phases 1 to 3" project (held by HK Ferry) and the Group's joint venture projects engaged in the development of residential properties at Kai Tak Development Area;

    and

(b) a decrease of HK$609 million (or 138%) from the pre-tax profit contribution of HK$441 million for the corresponding year ended 31 December 2021 (which has been restated due to the reclassification of certain figures from the "Other businesses" segment to the "Property development" segment, as referred to in the section "Revenue and profit" above), which was mainly attributable to the fact that for the year ended 31 December 2022, aggregate fair value loss of HK$319 million was recognised in relation to the Group's investments measured as financial asset at fair value through profit or loss when compared with a fair value gain of HK$173 million for the corresponding year ended 31 December 2021, and which therefore generated a resultant year-on-year increase in fair value loss of HK$492 million to the Group for the year ended 31 December 2022.

Associates

The Group's attributable share of post-tax profits less losses of associates during the year ended 31 December 2022 amounted to HK$2,662 million (2021: HK$2,193 million), representing an increase of HK$469 million, or 21%, over that for the corresponding year ended 31 December 2021. 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 2022 amounted to HK$2,641 million (2021: HK$2,209 million), representing an increase of HK$432 million, or 20%, over that for the corresponding year ended 31 December 2021. Such year-on-year increase in the underlying post-tax profits during the year ended 31 December 2022 was mainly attributable to the increase of HK$415 million in the Group's attributable share of post-tax underlying profit contribution from HK Ferry, mainly due to the increase in the Group's attributable share of post-tax profit contribution from "The Royale Phases 1 to 3" of HK$402 million following the completion of the project in January 2022 and the delivery of the sold units to the buyers during the year.

Joint ventures

The Group's attributable share of post-tax profits less losses of joint ventures during the year ended 31 December 2022 amounted to HK$1,956 million (2021: HK$1,627 million), representing an increase of HK$329 million, or 20%, over that for the corresponding year ended 31 December 2021. 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 2022 amounted to HK$2,152 million (2021: HK$1,756 million), representing an increase of HK$396 million, or 23%, over that for the corresponding year ended 31 December 2021. Such year-on-year increase in the underlying post-tax profits during the year ended 31 December 2022 was mainly due to the aggregate increase of HK$633 million in the Group's attributable share of post-tax profit contributions from the property sales of "La Botanica" in Xian, "Xuheng Huayuan" in Hefei and "The Landscape" in Changsha in mainland China, which was partially offset by the decrease of HK$255 million in the Group's attributable share of post-tax profit contribution from the property sales of "Timber House" in Hong Kong.

Finance costs

Finance costs (comprising interest expense and other borrowing costs) before interest capitalisation for the year ended 31 December 2022 amounted to HK$3,650 million (2021: HK$2,093 million). Finance costs after interest capitalisation for the year ended 31 December 2022 amounted to HK$1,237 million (2021: HK$600 million), and after set-off against the Group's bank interest income of HK$204 million for the year ended 31 December 2022 (2021: HK$109 million), the Group recognised net finance costs in the Group's consolidated statement of profit or loss for the year ended 31 December 2022 in the amount of HK$1,033 million (2021: HK$491 million).

Overall, as referred to in the paragraph headed "Maturity profile and interest cover" below, the Group's total debt amounted to HK$90,381 million at 31 December 2022 (2021: HK$102,915 million) which comprised (i) the Group's bank and other borrowings in Hong Kong in the aggregate amount of HK$87,527 million at 31 December 2022 (2021: HK$99,739 million); and (ii) amounts due from the Group to related companies of HK$2,854 million at 31 December 2022 (2021: HK$3,176 million).

During the year ended 31 December 2022, the Group's overall effective borrowing rate in relation to the bank and other borrowings in Hong Kong was approximately 2.15% per annum (2021: approximately 1.67% per annum).

Revaluation of investment properties and investment properties under development

The Group recognised a decrease in fair value on its investment properties and investment properties under development (before deferred taxation and non-controlling interests) of HK$12 million in the consolidated statement of profit or loss for the year ended 31 December 2022 (2021: an increase in fair value of HK$59 million).

Financial resources and liquidity

Medium Term Note Programme

At 31 December 2022, 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 6 May 2022 increased the maximum aggregate principal amount of notes outstanding at any one time from US$5,000 million to US$7,000 million, was HK$27,563 million (2021: HK$25,225 million) with tenures of between two years and twenty years (2021: between nineteen months and twenty years).

During the year ended 31 December 2022, 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$4,269 million (2021: HK$9,589 million) with tenures of two years (2021: 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 2022 and 31 December 2021 as referred to in the paragraph headed "Maturity profile and interest cover" below. During the year ended 31 December 2022, the Group has repaid certain guaranteed notes in the aggregate principal amount of HK$1,422 million (2021: HK$3,074 million) under the MTN Programme.

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 2022	At 31 December 2021
	HK$ million	HK$ million
Bank and other borrowings repayable:		
- Within 1 year	**30,653**	31,784
- After 1 year but within 2 years	**23,568**	21,240
- After 2 years but within 5 years	**19,998**	20,736
- After 5 years	**13,308**	25,979
Amounts due to related companies	**2,854**	3,176
Total debt	**90,381**	102,915
Less:		
Cash and bank balances	**(11,295)**	(10,947)
Net debt	**79,086**	91,968
Shareholders' funds	**327,948**	335,020
Gearing ratio (%)	**24.1%**	27.5%

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

At 31 December 2022, the Group's total debt comprised (i) bank and other borrowings in Hong Kong, being bank loans of HK$59,964 million (2021: HK$74,358 million) and guaranteed notes of HK$27,563 million (2021: HK$25,381 million); and (ii) amounts due to related companies of HK$2,854 million (2021 : HK$3,176 million), which in aggregate amounted to HK$90,381 million (2021: HK$102,915 million). The bank and other borrowings in Hong Kong are unsecured and have a weighted average debt maturity profile of approximately 2.68 years (2021: approximately 3.24 years). The amounts due to related companies are unsecured and have a weighted average debt maturity profile of approximately three years (2021: approximately three years).

In addition, at 31 December 2022, there was an amount due from the Group to a fellow subsidiary (being a wholly-owned subsidiary of the ultimate controlling party of the Group) of HK$56,007 million (2021: HK$53,710 million) which is unsecured, interest-bearing and had no fixed repayment terms. The funds advanced from such fellow subsidiary to the Group were used to replace bank loans which arose from the Group's land acquisitions during the previous year ended 31 December 2021.

At 31 December 2022, after taking into account the effect of swap contracts, 50% (2021: 50%) of the Group's total debt carried fixed interest rates.

The interest cover of the Group is calculated as follows:

	Year ended 31 December	
	2022	2021
	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	**12,355**	16,374
Interest expense (before interest capitalisation)	**3,483**	1,968
Interest cover (times)	**4**	8

The decrease in the Group's interest cover for the year ended 31 December 2022 was due to the following:

(a) the decrease in the Group's profit from operations of HK$4,019 million (referred to above), which in turn was mainly attributable to the decrease in profit recognition from property development during the year, as well as (i) the aggregate fair value loss of HK$319 million on the Group's investments measured as financial assets at fair value through profit or loss during the year (2021: net fair value gain of HK$173 million); and (ii) the non-recurrence during the year of the one-off gain on re-measurement of the Group's previously held interest in Miramar upon obtaining of control in the amount of HK$1,889 million which was recognised during the corresponding year ended 31 December 2021, in which case both the aforementioned items (i) and (ii) above have the effect of a year-on-year reduction in the Group's profit from operations by an aggregate amount of HK$2,381 million for the year ended 31 December 2022; and

(b) the interest rate hike during the year ended 31 December 2022, with the Group's overall effective borrowing rate in relation to the bank and other borrowings in Hong Kong having increased from approximately 1.67% per annum during the corresponding year ended 31 December 2021 to approximately 2.15% per annum during the year ended 31 December 2022 (as referred to in the paragraph headed "Finance costs" above), which therefore increased the amount of interest expense (before interest capitalisation) for the year ended 31 December 2022.

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 at 31 December 2022 arose from its property developments and investments in mainland China which were denominated in RMB, the guaranteed notes ("Notes") which were denominated in USD, RMB and Japanese Yen ("¥") and the bank borrowings which were denominated in ¥ and RMB at 31 December 2022.

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 at each of 31 December 2022 and 31 December 2021, hedging arrangements had been made by the Group with certain counterparty banks which comprised (i) interest rate swap contracts; (ii) a cross currency swap contract (2021: Nil); (iii) cross currency interest rate swap contracts; and (iv) foreign exchange forward contracts to hedge against interest rate risk and foreign currency risk during their tenure. Based on the abovementioned swap contracts, the aggregate amount of the Notes and bank borrowings which were hedged against the interest rate risk only, the foreign currency risk only and both the interest rate risk and foreign currency risk, was HK$29,242 million at 31 December 2022 (2021: HK$34,031 million) which represented 32% of the Group's total debt at 31 December 2022 (2021: 33%).

Material acquisitions and disposals

Material acquisitions

The Group did not undertake any significant acquisitions of subsidiaries or assets during the year ended 31 December 2022.

Material disposals

Hong Kong

On 7 February 2022, the Group entered into a shareholders' agreement with Brilliant Choice Group Limited ("Brilliant Choice", a wholly-owned subsidiary of Empire Development Hong Kong (BVI) Limited) and Lucida Enterprises Limited ("Lucida", a wholly-owned subsidiary of Hysan Development Company Limited), pursuant to which each of Brilliant Choice and Lucida (i) subscribed for one share in the capital of a wholly-owned subsidiary of the Company ("the Developer") which is engaged in the development of a site owned by the Urban Renewal Authority at Bailey Street/Wing Kwong Street, To Kwa Wan, Kowloon, Hong Kong, representing 25% of the Developer's enlarged issued share capital after the share subscription; and (ii) acquired 25% of the shareholders' loans owing by the Developer to the Group. The aforementioned transactions were completed on 24 February 2022, as a result of which (i) the Group received net cash proceeds from Brilliant Choice and Lucida in the aggregate amount of HK$4,126 million; and (ii) the Developer became a joint venture of the Group and in which the Group has a 50% equity interest.

Save as aforementioned, the Group did not undertake any other significant disposals of assets or subsidiaries during the year ended 31 December 2022.

Charge on assets

The assets of the Group's subsidiaries were not charged to any other parties at 31 December 2022 and 31 December 2021.

Capital commitments

At 31 December 2022, capital commitments of the Group amounted to HK$17,942 million (2021: HK$28,133 million). In addition, the Group's attributable share of capital commitments undertaken by joint ventures and certain associates at 31 December 2022 amounted to HK$11,291 million (2021: HK$12,965 million).

The Group plans to finance its capital expenditure requirements for the year ending 31 December 2023 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 2022, the Group's contingent liabilities amounted to HK$13,987 million (2021: HK$11,187 million) which mainly included:

(i) an aggregate attributable amount of HK$2,277 million (2021: HK$1,164 million) relating to performance bonds, guarantees and undertakings for the due and proper performance of the obligations of the Group's projects held by subsidiaries and joint ventures, the increase of which was mainly attributable to the Group's guarantees to certain banks in relation to the finance undertakings by such banks in favour of the HKSAR Government for the completion of the Group's residential development projects at Kai Tak Development Area and Fanling North, both in Hong Kong, under the terms and conditions of the relevant land grants;

(ii) an amount of HK$1,604 million (2021: HK$1,558 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 2022 (and such guarantees will be released upon the issuance of the Building Ownership Certificate);

(iii) amounts of HK$1,670 million (2021: HK$1,670 million), HK$2,100 million (2021: HK$2,100 million), HK$1,314 million (2021: HK$1,314 million) and HK$2,940 million (2021: 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 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 given by the Group 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; and

(iv) an amount of up to HK$1,638 million (2021: Nil) relating to the Group's attributable and proportional share (in accordance with the Group's attributable interest in the Developer as defined in and referred to in the paragraph "Material disposals" above and in which the Group has 50% equity interest) of contingent liabilities in respect of an irrevocable, unconditional and several guarantee given by the Group to the lending bank in relation to 50% of the maximum amount which may be drawn down by the Developer on a loan facility of up to HK$3,276 million which was entered into on 25 July 2022 between such lending bank and the Developer and which partially refinanced the previous shareholders' loans of the Developer.

Employees and remuneration policy

At 31 December 2022, the Group had 9,950 (2021: 10,059) full-time employees. 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 2022 amounted to HK$3,254 million (2021: HK$3,003 million), representing a year-on-year increase of HK$251 million, or 8%, which was mainly due to (i) the increase of Miramar's staff costs in the amount of HK$150 million for the reason that the full year's staff costs of Miramar have been included when compared with that for the period from 14 April 2021 to 31 December 2021 (both dates inclusive) during the corresponding year ended 31 December 2021; (ii) the inclusion of a provision on long service payment liabilities to the Group's qualifying employees in the amount of HK$42 million following the enactment of the Employment and Retirement Schemes Legislation (Offsetting Arrangement)(Amendment) Ordinance 2022 in June 2022; and (iii) general staff salary increment in 2022 and staff bonuses awarded in 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 Wednesday, 31 May 2023 to Monday, 5 June 2023, 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 Tuesday, 30 May 2023.

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

   The Register of Members of the Company will be closed from Friday, 9 June 2023 to Tuesday, 13 June 2023, 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 above address not later than 4:30 p.m. on Thursday, 8 June 2023.

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 2023 and reviewed the risk management and internal control systems, and the annual report for the year ended 31 December 2022.

Corporate Governance

During the year ended 31 December 2022, 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 as well as appropriate Board committees and senior management, who possess the relevant knowledge and expertise. 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, 21 March 2023

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 director: 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.