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嘉里建設有限公司*

KERRY PROPERTIES LIMITED

(Incorporated in Bermuda with limited liability)

website: www.kerryprops.com

(Stock Code: 683)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The Board (the “**Board**”) of Directors (the “**Directors**”) of Kerry Properties Limited (the “**Company**”) and, together with its subsidiaries, the “**Group**”) is pleased to announce the consolidated final results of the Group for the year ended 31 December 2022. The Audit and Corporate Governance Committee of the Company has met to review the audited consolidated results and the financial statements of the Group for the year ended 31 December 2022 prior to recommending them to the Board for approval.

Results Highlights for the Year Ended 31 December 2022:

- The Group recorded **consolidated revenue** of HK\$14,590 million, down 4.8% year-on-year (2021: HK\$15,327 million).
- The Group achieved **total property sales** of HK\$9,974 million which included contracted sales of HK\$5,354 million for Hong Kong and the Mainland, and the sale of two warehouses in Hong Kong for a consideration of HK\$4,620 million.
- **Property rental revenue** for the Group was HK\$4,991 million, declining 6.6% compared to the same period last year (2021: HK\$5,344 million). Investment properties in Hong Kong achieved HK\$1,199 million (2021: HK\$1,291 million), down 7.1% year-on-year. Excluding one-off rental relief offered to tenants in the first half of 2022 and the rental income received on the two disposed warehouses in Hong Kong, revenue from investment properties was HK\$1,142 million (2021: HK\$1,172 million), declining 2.6%. The Mainland’s investment properties achieved revenue of HK\$3,792 million (2021: HK\$4,053 million), declining 6.4% compared to 2021. In local currency terms, the performance of the investment property portfolio from the Mainland Property Division was largely in line with 2021.

* For identification purpose only

- **Gross profit margin** for the Group was 48% (2021: 57%). The gross profit margin recorded from the sales of development properties was 37% (2021: 51%), which was less than last year due to a different product mix in 2022. The gross profit margin generated from rental income from investment properties was recorded at 74% (2021: 75%), remaining stable when compared to last year despite the rental relief provided to our tenants during the pandemic period.
- The Group measured its **investment properties portfolio on a fair value basis** and recorded a decrease in attributable fair value of investment properties (net of deferred taxation) of HK\$1,765 million (2021: an increase of HK\$1,998 million) to reflect the fair market value for the investment properties in Hong Kong and the Mainland.
- **Profit attributable to shareholders**, after taking into account the change in fair value of investment properties and the one-off gain of HK\$2,094 million in 2021 from the disposal of shares in Kerry Logistics Network Limited, was HK\$2,755 million (2021: HK\$10,358 million). Excluding the above two items, **underlying profit** for 2022 was HK\$4,520 million (2021: HK\$6,266 million), a decline of 28%. This was mainly due to the depreciation of the Renminbi against the Hong Kong dollar, a different mix of development properties sold, and moderated property rental and hotel revenue curtailed by the pandemic in 2022.
- **Earnings per share** was HK\$1.90 (2021: HK\$7.11), decreasing 73% compared to 2021.
- **Gearing ratio, representing net debt to total equity ratio**, was 33.6% as at 31 December 2022 (31 December 2021: 15.1%). The change reflected the increase in net debt by HK\$21,125 million to HK\$41,169 million, following the settlement of the land premium for newly acquired sites in Shanghai and Hong Kong in 2022.
- The Board has recommended the payment of a **final dividend** of HK\$0.95 per share for the year ended 31 December 2022. Together with the interim dividend of HK\$0.40 per share, the total cash dividend for the year ended 31 December 2022 will be HK\$1.35 per share (2021: HK\$1.35 per share, and special dividend was HK\$2.30 per share).

CHAIRMAN'S STATEMENT

I am pleased to report the 2022 final results on behalf of Kerry Properties Limited. 2022 was an eventful year that saw many new challenges emerge – massive disruption of trade and travel brought about by strict Covid-19 related restrictions on the Chinese Mainland, a depressed property market in Hong Kong and on the Mainland, sharply higher U.S., and therefore Hong Kong, interest rates, and geopolitical tensions from the ongoing Russia-Ukraine war coupled with a strained Sino-U.S. relationship.

Under this backdrop we selectively added to our landbank with important land acquisitions and embarked on asset enhancement initiatives to improve a few of our investment properties in Shanghai, Beijing, and Hangzhou. We strengthened our management team with a few new appointments and continued to recycle capital resources through non-core asset sales.

I am encouraged that we were able to deliver steady financial results despite the difficult business environment, while positioning ourselves to capture future opportunities in Hong Kong and the Mainland.

Financial Performance and Dividend

The Group recorded profit attributable to shareholders, before taking into account the change in fair value of investment properties, of HK\$4,520 million (2021: HK\$8,360 million). Excluding the one-off gain of HK\$2,094 million in 2021 from the disposal of shares in Kerry Logistics Network Limited, underlying profit for 2022 was HK\$4,520 million (2021: HK\$6,266 million), declining 28%. The decrease was mainly due to the depreciation of the Renminbi against the Hong Kong dollar, comparatively lower gross profits from the different product-mix of our development properties sales, and lower property rental and hotel revenue caused by Covid-19 related headwinds, particularly on the Mainland. Earnings per share for the year was HK\$1.90 (2021: HK\$7.11).

The Board of Directors recommends the payment of a final dividend of HK\$0.95 per share for the year. Together with the interim dividend of HK\$0.40 per share, the total cash dividend for the year ended 31 December 2022 will amount to HK\$1.35 per share (2021: HK\$1.35 per share, and a special dividend of HK\$2.30 per share). The Board expects to maintain stable dividends, with the aim of delivering sustainable growth in the long term.

Resilient Business Performance

We achieved HK\$14,590 million in revenue (2021: HK\$15,327 million). Revenue from the sales of our development properties contributed a 2.1% year-on-year growth at HK\$8,543 million (2021: HK\$8,371 million). Contracted sales for 2022 accounted for HK\$5,354 million. The contracted sales result was contributed mainly from the sales of our luxury project Mont Rouge and 10 LaSalle in Hong Kong in the first half of 2022, and the successful launch of Mont Verra in the latter part of the year. On the Mainland, our contracted sales results were mostly achieved earlier in the year prior to the national Covid-19 restrictions that constrained commercial activities for much of 2022. The contracted sales together with the sales proceeds of two warehouses in Hong Kong achieved a total of HK\$9,974 million in 2022.

Our Group's investment property portfolio, excluding hotels, delivered gross profits of HK\$3,687 million (2021: HK\$3,994 million). The 7.7% decrease from 2021 was mostly due to HK\$150 million in rental relief offered in 2022 to support our tenants in Hong Kong and the Mainland. The occupancy rate of our investment properties was at a similar level to 2021.

We currently have 24.23 million square feet gross floor area ("GFA") of landbank that will allow the Group to grow its future rental income and development profits.

Sustainable Development

As a Group we are committed to developing and operating environmentally sensitive and sustainable assets that improve the communities where we are based. To this end we have established Science-Based Targets to help us drive initiatives and engage with our various stakeholders to move ourselves closer in the direction of carbon neutrality. We also setup our own sustainable building guidelines to ensure that our buildings are designed and managed to be climate-resilient and resource-efficient. All of our major mixed-use developments in Hong Kong and the Mainland have achieved green accreditations, while every project under development will pursue sustainability certifications. In particular I am pleased to note that we are the first developer in China to receive a LEED Community Platinum certification for an existing commercial building for our Kerry Everbright City Phase III development, which was built in 2015. This follows on from the same development achieving a Platinum certification for LEED O+M and LEED Zero Waste (first in Asia) in prior years. In striving to achieve best practice in Environmental Social Governance ("ESG") reporting, we are pleased to have been named Regional Sector Leader of the "Asia Diversified Listed Category" (Standing Investments Benchmark) for the Global Real Estate Sustainability Benchmark, while also being included in the Hang Seng ESG 50 Index and the FTSE4Good Index among other ESG indices.

Outlook

As we enter into the early months of 2023, we are encouraged by the lifting of Covid-19 restrictions and the reopening of borders in Hong Kong and on the Mainland. We are also hopeful that the Mainland Government's clear message of focusing on economic growth in 2023 and beyond will allow business and investment sentiment to gradually improve. On the Mainland, we are seeing a rebound in retail and hotel business to pre-Covid-19 levels, while interest and transactions in residential projects are showing early signs of warming up. We also expect Hong Kong to benefit as its borders open fully with the Mainland and to the rest of the world. Our teams remain focused on capturing opportunities as they arise, and we will be managing our capital, revenue, and assets with innovation and financial prudence to achieve our growth strategy.

Last but not least, on behalf of the Board, I wish to extend my gratitude to our colleagues for their tireless contributions to the Group. Over the course of the past three years, that were marked by the Covid-19 pandemic, they rose up time and again to overcome the various challenges. Their steadfast commitment to serving, supporting and protecting our tenants and communities in those most challenging of periods have further enhanced our reputation and brand for which I am immensely thankful for.

Kuok Khoon Hua

Chairman

Hong Kong, 29 March 2023

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

PRESENCE IN THE MAINLAND AND HONG KONG

Landbanking Strategy

The Group maintains a strong presence in Hong Kong and key cities in the Mainland. In 2022, the Group had twelve development properties projects for sale in eight cities including Hong Kong, Fuzhou, Hangzhou, Kunming, Qianhai, Qinhuangdao, Shenyang and Zhengzhou. It also operated nine major mixed-use projects in Hong Kong, Beijing, Hangzhou, Qianhai, Shanghai, Shenzhen and Shenyang.

The business development focus for the Group is to build a portfolio of premium investment properties consisting of office, retail, hotel, and apartments for lease primarily in the Mainland; and to manage a robust and balanced pipeline of development properties in the Mainland and Hong Kong.

In the Mainland, the Group will focus on deep rooting and investing in well located mixed-use developments in core and major cities in the Yangtze River Delta and the Greater Bay Area. In Hong Kong, the Group will continue to invest in high quality, urban gentrification development property project opportunities. The Group aims to maintain its disciplined landbank acquisition strategy to support long-term sustainable growth and with the aim of the acquisitions being accretive to shareholders' value.

Property Portfolio Composition

The Group's property portfolio is comprised of the Group's share of GFA of 48.49 million square feet as of 31 December 2022 (2021: 49.83 million square feet), which covers the Mainland, Hong Kong and Overseas. During 2022, the Group added approximately 1.96 million square feet GFA to its landbank from the strategic acquisition of a project in Shanghai's Huangpu district along Jinling Road.

As of 31 December 2022:	The Group's attributable GFA				2021 Total
	Mainland	Hong Kong	Overseas	2022 Total	
	<i>('000 square feet)</i>				
Properties Under Development	18,524	1,697	4,012	24,233	27,250
Investment Properties	10,812	3,073	1,867	15,752	15,909
Hotel Properties	4,467	38	504	5,009	4,889
Properties Held for Sale	2,983	512	3	3,498	1,783
Total GFA	36,786	5,320	6,386	48,492	49,831

Development Properties Pipeline

Based on the Group's current landbank and its portfolio of properties under development, the Group has a steady pipeline of contracted sales from its upcoming development properties that will be sufficient for the next five years and beyond. As of 31 December 2022, the total attributable GFA of for-sale development properties is 11.29 million square feet.

On the Mainland, the Group has a strong pipeline of development properties that will yield 9.59 million square feet of attributable GFA. The projects are all part of a larger mixed-use development located in key areas of their respective cities that offer the convenience of nearby major metro stations, bus lines, and expressways. They will be positioned as high-quality homes whose residents will be able to enjoy the facilities and amenities of the projects' commercial portion such as shopping malls and well-designed public areas.

The Hong Kong Property Division has a robust pipeline of high-quality projects currently under development, and a landbank of future developments with good potential that amounts to approximately 1.70 million square feet of attributable GFA to the Group. In Hong Kong, the Group aims to build a development properties pipeline that balances good margins with shorter capital recycle periods. The result is a diverse product mix that includes premium luxury residences, middle-market designer homes, and family homes with mass appeal.

The Group's attributable development properties completion pipeline

Target Completion	Mainland Projects	Equity Stake	Attributable GFA ('000 square feet)	Hong Kong Projects	Equity Stake	Attributable GFA ('000 square feet)
2023 2023 onwards	Zhengzhou	55%	580	La Marina	50%	246
2024	Kunming	55%	124			
2024	Qianhai	70%	41			
2024 onwards	Qinhuangdao	60%	1,895			
2024 onwards	Shenyang	60%	1,666			
2024 onwards	Hangzhou	100%	1,006			
2025	Tianjin	49%	147	THE SOUTHSIDE Package 4	50%	319
				Yuen Long	90%	254
2025 onwards	Wuhan	100%	2,613			
2025 onwards	Shanghai Pudong	40%	205			
2026				LOHAS Park Package 13	25%	387
2027	Shanghai Huangpu	100%	1,316	To Kwa Wan	100%	444
	Total		9,593	Total		1,650

Note: The attributable development property pipeline excludes approximately 47,000 square feet GFA of landbank from Hong Kong.

Investment Properties Pipeline

The Group has 16.31 million square feet of GFA under management in its major investment properties portfolio, which is comprised of office, retail, apartment, hotel and warehouse. Hong Kong accounts for 19% and the Mainland accounts for 81% of the total major investment properties portfolio, or 3.11 million square feet and 13.20 million square feet of the Group's total attributable GFA respectively. The portfolio's composition follows:

The Group's Investment Properties and Hotels Portfolio in Major Cities (Attributable GFA)

As of 31 December 2022:	Hong Kong	Beijing	Shanghai	Shenzhen	Hangzhou	Shenyang	Tianjin	Fuzhou	2022 Total	2021 Total
<i>('000 square feet)</i>										
Office	778	711	1,381	3,004	102	354	-	-	6,330	6,172
Retail	1,197	98	1,095	347	798	486	435	720	5,176	4,453
Hotel	38	500	759	121	461	395	382	-	2,656	2,535
Apartment	799	277	774	-	-	-	-	-	1,850	1,922
Warehouse	299	-	-	-	-	-	-	-	299	1,266
TOTAL	3,111	1,586	4,009	3,472	1,361	1,235	817	720	16,311	16,348

In the next five years and onwards, the Group is expected to add another 8.93 million square feet GFA to its investment properties portfolio from its pipeline of major mixed-use projects, including hotels, under development in the Mainland. This is mainly comprised of approximately 4.30 million square feet GFA of office, approximately 3.48 million square feet GFA of retail, and approximately 0.77 million square feet GFA of hotel properties. The top contributing cities to this pipeline are Shanghai with projects in Pudong and Huangpu districts, Wuhan, Hangzhou, and other cities.

The Group's Major Mixed-Use Projects and Hotels Under Development on the Mainland (Attributable GFA)

Target Completion	City	Apartment	Office	Retail	Hotel	Total
<i>('000 square feet)</i>						
2023	Nanchang	-	496	18	-	514
From 2023	Zhengzhou	-	349	-	226	575
2024	Qianhai	187	502	76	-	765
2024	Kunming	-	-	-	258	258
From 2024	Hangzhou	196	243	1,078	175	1,692
From 2024	Shenyang	-	593	452	-	1,045
2025	Tianjin	-	489	92	-	581
From 2025	Wuhan	-	1,318	451	-	1,769
From 2025	Shanghai Pudong	-	110	981	-	1,091
2027	Shanghai Huangpu	-	197	331	112	640
	Total	383	4,297	3,479	771	8,930

Upon completion, the Group's investment properties and hotel portfolio will increase by 43%, or a total combined footprint of 29.69 million square feet GFA from 2027 onwards. This will give the Group a strong platform to progressively increase its recurrent revenue with new assets being introduced on a steady schedule, and the opportunity to continue optimizing our rental reversion and existing assets.

MAINLAND PROPERTY DIVISION

Overview

The Mainland Property Division recorded total revenue of HK\$9,245 million (2021: HK\$10,250 million) and gross profit of HK\$4,887 million (2021: HK\$6,334 million) for the year ended 31 December 2022.

Despite the positive sales momentum from 2021 being carried over to the first month of 2022, the Covid-19 containment measures ramped up in late February 2022 as the pandemic widened. This led to a slowdown in property sales activities across the nation as travel restrictions and business activities were limited, and the overall commercial environment was weakened by poor consumer sentiment. With this, the Group recorded development properties sales revenue of HK\$4,397 million (2021: HK\$4,585 million) and corresponding gross profit of HK\$1,954 million (2021: HK\$2,831 million). The gross profit margin was 44% (2021: 62%). The lower gross margin was mainly due to a different mix of products being sold in different cities.

In terms of the rental income from investment properties in the Mainland, the Covid-19 containment measures that were implemented from late February 2022 reduced foot traffic. This slowed down retail and commercial activities for much of the year. To support the retail tenants that were affected by the containment measures, especially those in Shanghai, the Group provided one-off rental relief in the first half of 2022. The Mainland Property Division recorded HK\$3,792 million (2021: HK\$4,053 million) in revenue after taking into account rental relief and the depreciation of the Renminbi against the Hong Kong dollar at the time of reporting. Gross profit for the rental income from investment properties excluding hotels was HK\$2,760 million (2021: HK\$2,999 million) on gross profit margins of 73% (2021: 74%), demonstrating the resilience of our leasing portfolio.

(i) Development Property Portfolio Performance

The Mainland market in 2022 was met with unprecedented headwinds including pandemic restrictions that held back property sales, and weak buyer sentiment from a depressed market. This combination stagnated the property sales market for most of the year and impeded most of the market from building sales momentum. For the year ended 31 December 2022, the Mainland Property Division achieved HK\$1,681 million in contracted sales; most of which was achieved earlier in the year prior to the Covid-19 containment measures that held back many commercial activities. The results were contributed mainly by major projects in Fuzhou, Qinhuangdao, Shenyang, and Zhengzhou.

As at 31 December 2022, the Group has a total of HK\$3,803 million worth of contracted sales yet to be recognised. It is expected that HK\$3,040 million will be booked in 2023, and approximately HK\$763 million will be booked in 2024 and subsequent years.

A summary of the Mainland's contracted sales achieved as of 31 December 2022 follows:

Project Name	Group's attributable interest	Location	Approximate total saleable area (Square feet)	Total Contracted Sales in 2022 (HK\$ Million)
Fuzhou Rivercity	100%	Fuzhou	2,544,000	381
Lake Grandeur	75%	Hangzhou	333,000	94
Habitat Phase II	60%	Qinhuangdao	1,965,000	174
Habitat Phase I	60%	Qinhuangdao	1,576,000	62
The Arcadia	60%	Shenyang	3,338,000	276
Arcadia Height	60%	Shenyang	1,177,000	135
Qianhai Kerry Centre Phase I	100%	Shenzhen	459,000	12
Arcadia Court	49%	Tianjin	299,000	44
Arcadia Court	55%	Zhengzhou	1,012,000	456
Others	-	-	-	47
TOTAL				1,681

Note: Others include non-core asset sales in Hangzhou, Putian and Tianjin.

(ii) Investment Property Portfolio Performance

For the year ended 31 December 2022, the Group's rental income received from investment properties under the Mainland Property Division excluding hotel revenue was HK\$3,792 million (2021: HK\$4,053 million). The Group's gross profit was HK\$2,760 million (2021: HK\$2,999 million). The combined rental income from investment properties including contributions from associates and joint ventures was HK\$4,092 million (2021: HK\$4,392 million). The decline in rental income was mainly attributed to one-off rental relief to tenants that were affected by the pandemic restrictions, and the depreciation of the Renminbi against the Hong Kong dollar. In local currency terms, the performance of the investment property portfolio from the Mainland Property Division had a year-on-year increase of 1% when excluding the one-off rental relief provided to tenants. A summary of the Mainland Property Division's combined rental income follows:

Combined Rental Income of the Mainland Property Division (excluding hotel revenue)			
	2022	2021	Change
Investment Properties	HK\$ Million	HK\$ Million	
The Company and its subsidiaries	3,792	4,053	-6.4%
Share of associates and joint ventures	300	339	-11.5%
Total	4,092	<u>4,392</u>	-6.8%

The Group's retail portfolio saw stable occupancy levels with the overall occupancy for the segment at 83% (2021: 88%). The Group's newest retail mall in Qianhai Kerry Centre Phase I recorded occupancy levels at 73%. The office portfolio demonstrated its resilience by recording overall occupancy of 88% (2021: 86%), and occupancy for the apartment-for-lease portfolio maintained pace similar to last year.

A summary of the occupancy level for the Group's major investment properties in the Mainland follows:

Property Name	Occupancy rate as of 31 December 2022	Occupancy rate as of 31 December 2021
Jing An Kerry Centre, Shanghai *	96%	98%
Pudong Kerry Parkside, Shanghai *	96%	98%
Beijing Kerry Centre *	96%	95%
Hangzhou Kerry Centre *	86%	92%
Shenzhen Kerry Plaza	91%	95%
Shenyang Kerry Centre *	82%	87%
Tianjin Kerry Centre *	83%	86%
Qianhai Kerry Centre Phase I	70%	45%
Qianhai Kerry Centre Phase II	41%	-

Note: * Excludes the hotel portion.

As of 31 December 2022, the Group's aggregate attributable GFA of its major completed investment property portfolio in the Mainland was 10.58 million square feet; covering office, retail and apartment-for-lease. Their respective GFA and occupancy rate by asset type follows:

The Group's Attributable GFA for Major Completed Investment Properties in the Mainland

As of 31 December 2022:	Beijing	Shanghai	Shenzhen	Hangzhou	Shenyang	Fuzhou	Tianjin	Total	Occupancy Rate
	('000 square feet)								
Office	711	1,381	3,004	102	354	-	-	5,552	88%
Retail	98	1,095	347	798	486	720	435	3,979	83%[#]
Apartment	277	774	-	-	-	-	-	1,051	86%
	1,086	3,250	3,351	900	840	720	435	10,582	

The Group's Attributable GFA for Major Completed Investment Properties in the Mainland

As of 31 December 2021:	Beijing	Shanghai	Shenzhen	Hangzhou	Shenyang	Tianjin	Total	Occupancy Rate
	('000 square feet)							
Office	711	1,388	2,839	102	354	-	5,394	86%
Retail	98	1,096	327	798	486	435	3,240	88%
Apartment	277	774	-	-	-	-	1,051	90%
	1,086	3,258	3,166	900	840	435	9,685	

Note #: 2022 Occupancy Rates exclude the retail space of Fuzhou Rivercity Commercial Centre with leasing commencing in the second quarter of 2023.

Hotel operations on the Mainland were muted by national restrictions on travel and MICE activities (meetings, incentives, conventions and exhibitions). This limited the hotel operations substantially and reduced revenue from accommodation as well as food and beverages for most of 2022. As a result, the segment recorded revenues of HK\$1,056 million (2021: HK\$1,612 million). As sporadic outbreaks gradually eased in the latter part of the year, the hotel business at-large saw positive signs of recovery momentum with occupancy rates improving. The Group's hotel occupancy performance is as follows:

Property name	Group's attributable interest	Average occupancy rate for the year ended 31 December 2022	Average occupancy rate for the year ended 31 December 2021	Year-on-year variance
Jing An Shangri-La Hotel	51%	35%	66%	-31%
Kerry Hotel Beijing	71.25%	31%	55%	-24%
Kerry Hotel Pudong, Shanghai	40.80%	44%	54%	-10%
Midtown Shangri-La Hotel, Hangzhou	75%	57%	63%	-6%
Shangri-La Hotel, Shenyang	60%	30%	39%	-9%
Shangri-La Hotel, Nanchang	80%	46%	63%	-17%
Shangri-La Hotel, Jinan	55%	53%	69%	-16%
Shangri-La Hotel, Putian	60%	33%	29%	+4%
Shangri-La Hotel, Tianjin	49%	31%	56%	-25%
Shangri-La Hotel, Nanjing	45%	54%	59%	-5%
Shangri-La Hotel, Tangshan	40%	43%	51%	-8%

HONG KONG PROPERTY DIVISION

Overview

The Hong Kong Property Division reported revenue of HK\$5,345 million (2021: HK\$5,077 million) and gross profit of HK\$2,098 million (2021: HK\$2,409 million) in the dampened economic environment.

The Group reported revenue from the sale of development properties of HK\$4,146 million (2021: HK\$3,786 million), and gross profit of HK\$1,171 million (2021: HK\$1,414 million). The gross profit margin of Hong Kong's development properties was 28% (2021: 37%), with the change due to a different product mix. Revenue from investment properties was HK\$1,199 million (2021: HK\$1,291 million), and gross profit was HK\$927 million (2021: HK\$995 million). The gross profit margin of Hong Kong's investment properties was 77% (2021: 77%), remaining unchanged and demonstrating its resilience against a difficult 2022.

(i) Development Property Portfolio Performance

Leveraging its experience of operating through a pandemic over the previous three years, the Hong Kong Property Division recorded total contracted sales of HK\$3,673 million in 2022. This includes contracted sales from two high-end luxury projects Mont Rouge and Mont Verra of HK\$2,112 million, as well as HK\$801 million in contracted sales from 10 LaSalle, a development property project that was successfully converted from an investment property asset. At the same time, La Marina, the Group's Island South MTR-linked project, recorded HK\$543 million in attributable contracted sales.

The Group regularly reviews its portfolio of assets and the prevailing market landscape. In the first half of 2022, the Hong Kong Property Division saw an opportunity to sell two warehouses for HK\$4,620 million. Together with the contracted sales recorded in 2022, the Hong Kong Property Division achieved HK\$8,293 million in total property sales.

As at 31 December 2022, there was approximately HK\$9,331 million in contracted sales yet to be recognised in the 2022 financials, of which HK\$8,636 million is expected to be booked in 2023, and approximately HK\$695 million will be booked in 2024 and subsequent years.

A summary of Hong Kong's contracted sales achieved during the reporting period follows:

Project Name	Group's attributable interest	Location	Approximate total saleable area (square feet)	Total Contracted Sales in 2022 (HK\$ Million)
Mont Rouge	100%	Beacon Hill	115,000	1,613
10 LaSalle	100%	Ho Man Tin	36,000	801
La Marina	50%	Wong Chuk Hang	425,800	543
Mont Verra	100%	Beacon Hill	325,000	499
Mantin Heights	100%	Ho Man Tin	992,000	108
The Bloomsway	100%	So Kwun Wat	838,000	98
Others	-	-	-	11
TOTAL				3,673

(ii) Investment Property Portfolio Performance

The Group's completed investment properties portfolio in Hong Kong consists of office, retail and apartments-for-lease mainly from its mixed-use development MegaBox/Enterprise Square Five, Kerry Centre, and its Mid-Levels residential portfolio. For the year ended 31 December 2022, the Group's rental income received from investment properties amounted to HK\$1,199 million (2021: HK\$1,291 million). The Group's gross profit was HK\$927 million (2021: HK\$995 million). The combined rental income from investment properties including contributions from associates and joint ventures was HK\$1,352 million (2021: HK\$1,455 million). A summary of the Hong Kong Property Division's combined rental income follows:

Combined Rental Income of the Hong Kong Property Division

	2022	2021	Change
	HK\$ Million	HK\$ Million	
Investment Properties			
The Company and its subsidiaries	1,199	1,291	-7.1%
Share of associates and joint ventures	153	164	-6.7%
Total	1,352	1,455	-7.1%

During this difficult year, the Group's retail tenants saw sales and foot traffic decline from pandemic-related restrictions and weak consumer sentiment. To support its tenants that were impacted by Covid-19, the Group provided rental relief to those tenants. Excluding the one-off rental relief offered to tenants in the first half of 2022 and the rental income received on the two disposed warehouses, revenue from investment properties was HK\$1,142 million (2021: HK\$1,172 million), providing stable income on a slight year-on-year decline of 2.6%.

Following the disposal of two warehouses, the aggregate GFA of completed investment properties in Hong Kong as of 31 December 2022 was 3.07 million square feet GFA. A summary of the Group's Hong Kong investment property portfolio breakdown of GFA and their respective occupancy rates follows:

	As of 31 December 2022		As of 31 December 2021	
	Group's attributable GFA (^{'000} square feet)	Occupancy rate	Group's attributable GFA (^{'000} square feet)	Occupancy rate
Retail	1,197	92%	1,213	95%
Apartment	799	90%	871	95%
Office	778	86%	778	83%
Warehouse	299	78%	1,266	86%
	3,073		4,128	

During a slow retail market that was hampered by Covid-19 restrictions, occupancy at Hong Kong's retail mall MegaBox declined slightly to 92% (2021: 95%) from the departure of Covid-19-impacted tenants. To take advantage of a growing residential cluster in the Kai Tak catchment area, MegaBox will optimise the vacated space with an asset enhancement initiative to uplift future unit rent.

The office portfolio of Enterprise Square Five and Kerry Centre faced increased pressure from new supply in Kowloon East and Island East to record occupancy levels at 85% (2021: 80%) and 89% (2021: 94%) respectively. To maintain our competitiveness, more focus was put on health and well-being amenities and services to meet our customers preferences.

During the year, as part of the capital recycling strategy, the Group decided to convert Resiglow – Happy Valley into a development property project for sale under the brand name of The Aster. The Group will continue to review the performance of its assets under management together with the prevailing market conditions to determine the best return scenario for the Group.

A summary of the occupancy level for the Group's major investment properties in Hong Kong follows:

Property Name	Group's attributable interest	Group's attributable approximate GFA (square feet)	Occupancy rate as of 31 December 2022	Occupancy rate as of 31 December 2021
MegaBox/ Enterprise Square Five	100%	1,146,000	92%	95%
	100%	519,000	85%	80%
Kerry Centre	40%	204,000	89%	94%
Mid-Levels Portfolio	100%	722,000	89%	96%
Resiglow – Bonham	100%	67,600	91%	90%
Cheung Sha Wan Warehouse	50%	299,000	78%	74%

OVERSEAS PROPERTY PORTFOLIO

As part of its diverse investment holdings, the Group maintains a portfolio of high-quality properties in overseas markets such as Singapore and the Philippines. The total attributable GFA of this overseas property portfolio is 6.39 million square feet, of which approximately 1.87 million square feet are investment properties for hold, 0.51 million square feet are hotel properties, and approximately 4.01 million square feet are properties under development. This portfolio is maintained to achieve long-term investment gain.

CAPITAL RESOURCES AND LIQUIDITY

Treasury Policies

The Group adopts prudent policies on liquidity and debt management. The Group's treasury policies, approved by the Finance Committee of the Company and subject to periodic review by the Group's internal audit function, are designed to mitigate the liquidity, foreign exchange, interest rate and credit risks in the normal course of business. The entire Group's liquidity management and financing activities are centrally coordinated and controlled at the corporate level. It achieves better control of the Group's treasury operations and lowers the average cost of funds.

Foreign Exchange Management

The Group closely reviews and monitors its foreign exchange exposure, and conducts its businesses primarily in Hong Kong with the related cash flows, assets and liabilities being denominated mainly in Hong Kong dollar. The Group's primary foreign exchange exposure arises from its property developments and investments in the Mainland which are denominated in Renminbi ("RMB") and the bank loans which are denominated in RMB, Australian dollar and Japanese yen.

As at 31 December 2022, total foreign currency borrowings (excluding RMB bank loans) amounted to the equivalent of HK\$3,221 million and RMB bank loans amounted to the equivalent of HK\$7,331 million. As such, non-RMB total foreign currency borrowings and RMB bank loans represented approximately 6% and 14% respectively, of the Group's total borrowings of HK\$52,870 million as at 31 December 2022.

The total foreign currency borrowings of HK\$10,552 million include approximately RMB6,498 million (equivalent to HK\$7,331 million) bank loans, JPY8,000 million (equivalent to HK\$477 million) bank loan and approximately AUD516 million (equivalent to HK\$2,744 million) bank loan. To hedge the exchange rate exposure of the foreign currency borrowings, the Group has arranged cross currency swap contracts amounting to RMB2,290 million, JPY8,000 million, and approximately AUD516 million for bank loans drawn in Hong Kong. The remaining RMB4,208 million bank loans are project bank loans in the Mainland which are not hedged as the Group endeavours to establish a natural hedge by maintaining an appropriate level of external borrowings in RMB.

Interest Rate Management

The Group actively monitors the cash flow forecasts of its subsidiaries and arranged to transfer surplus cash to the corporate level to reduce its gross debt. To effectively utilise surplus cash and minimise overall interest costs, the Group has arranged intra-group loans from cash-rich group companies to meet funding needs of other group companies. The Group regularly reviews the intra-group financing arrangements in response to changes in foreign exchange rates and interest rates.

In addition to raising funds directly on a fixed rate basis, the Group endeavours to hedge its interest rate risks arising from its floating rate loans by entering floating-to-fixed interest-rate swap contracts. As at 31 December 2022, the Group had outstanding interest rate swap contracts, which amounted to HK\$19,300 million in total, enabling the Group to hedge its interest rate exposure and to have a more stable interest rate profile. Compared to the total of outstanding interest rate swap contracts of HK\$6,200 million as at 31 December 2021, the entering into more interest rate swap contracts in 2022 was in response to hedging a portion of our borrowing against the anticipated rising interest rate environment. As at 31 December 2022, the Group's fixed rate debt ratio (after swap contracts and fixed rate loan) was 37% and 48% on gross debt level and net debt level respectively. All these interest-rate swap contracts qualify for hedge accounting.

Liquidity and Financing Management

Total borrowings of HK\$52,870 million (2021: HK\$37,479 million), of which included HK\$42,318 million of Hong Kong dollar borrowings, HK\$7,331 million RMB borrowings, HK\$2,744 million Australian dollar borrowings and HK\$477 million Japanese yen borrowings. The total cash and bank deposit balances of HK\$11,701 million as at 31 December 2022, is lower than that of HK\$17,435 million in 2021, and the net debt balance is HK\$41,169 million (2021: HK\$20,044 million). The increase in the net debt balance was mainly due to the settlement of land costs for the projects in Shanghai and Hong Kong.

The Group uses a proactive approach to manage the Group's liquidity to ensure ample headroom for capital resources to meet its financing needs, to pursue disciplined investment opportunities and to protect against unexpected external economic shocks. Funding needs are closely monitored and regularly reviewed to allow a fair degree of financial flexibility and liquidity while optimizing the costs of funds. As at 31 December 2022, the Group maintained all of its borrowings on both an unsecured and guaranteed basis, and no assets were pledged. The Group will continue to obtain financing on an unsecured basis whenever possible and supplement such borrowings with secured project financing as and when the need arises.

In terms of the Group's available financial resources as at 31 December 2022, the Group had total undrawn bank loan facilities of HK\$28,875 million and cash and bank deposits of HK\$11,701 million, decreasing by 17% and 33% respectively when compared to 31 December 2021. The reduction was mainly attributed to the utilisation of capital resources on the settlement of land cost as mentioned above.

Sustainable Finance Initiatives

The Group recognises sustainable finance as a key course to facilitate long-term investments in sustainable economic activities and projects. In June 2022, the Group established a sustainable finance framework to further set out how the utilisation of sustainable finance instruments would contribute to the Group's sustainability strategy and vision.

During 2022, the Group entered into various sustainability-linked bank loan agreements with approximately HK\$17,035 million loan facilities. These loan agreements are linked to the Group's annual and cumulative sustainability performance to reinforce our commitment to improve sustainability performance and demonstrate our desire to support the development of sustainable loan market in the region. Proceeds will fund measures to drive long-term sustainability targets, and enhance the climate resilience of our property portfolio, as well as general corporate financing. The Group will benefit from discounted interest rates when pre-determined sustainability milestones are achieved, including the Group's environmental impact reduction targets which form part of the Group-wide Sustainability Vision 2030 targets, as well as key performance indicators ranked annually by Global Real Estate Sustainability Benchmark ("GRESB"). With more sustainability-linked bank loans in the pipeline, the Group will benefit more from discounted interest rates. We aim to gradually increase the sustainable finance portion of the Group's overall debt portfolio.

Debt Maturity Profile and Gearing Ratio

The Group's total borrowings as at 31 December 2022 were HK\$52,870 million (2021: HK\$37,479 million). The majority of the loans will be repayable within 5 years. The maturity profile is set out below:

Repayable:	2022		2021	
	HK\$ Million		HK\$ Million	
Within 1 year	5,997	11%	5,268	14%
In the second year	12,851	24%	4,413	12%
In the third to fifth year	33,022	63%	25,507	68%
Over 5 years	1,000	2%	2,291	6%
Total	52,870	100%	37,479	100%

As at 31 December 2022, the Group's gearing ratio, representing net debt to total equity, is 33.6% (31 December 2021: 15.1%), calculated based on net debt of HK\$41,169 million and total equity of HK\$122,482 million.

The Group provided guarantees for (i) banking facilities of certain associates and joint ventures, and (ii) mortgage facilities provided by banks to first-hand buyers of certain properties developed by the Group in the Mainland. Details are set out in note 10 to the financial statements of the Group included in this announcement.

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2022	2021
		HK\$'000	HK\$'000
	Note		
Revenue	2	14,590,475	15,326,764
Cost of sales and direct expenses		<u>(7,605,791)</u>	<u>(6,583,757)</u>
Gross profit	2	6,984,684	8,743,007
Other income and net gains	3	915,526	2,992,814
Selling, administrative and other operating expenses		(1,720,023)	(2,003,343)
(Decrease)/increase in fair value of investment properties		<u>(2,040,840)</u>	<u>1,666,422</u>
Operating profit before finance costs		4,139,347	11,398,900
Finance costs	3	<u>(317,225)</u>	<u>(575,135)</u>
Operating profit	3	3,822,122	10,823,765
Share of results of associates and joint ventures		<u>1,345,947</u>	<u>3,402,332</u>
Profit before taxation		5,168,069	14,226,097
Taxation	4	<u>(1,693,183)</u>	<u>(2,936,131)</u>
Profit for the year		<u>3,474,886</u>	<u>11,289,966</u>
Profit attributable to:			
Company's shareholders		2,754,780	10,358,011
Non-controlling interests		<u>720,106</u>	<u>931,955</u>
		<u>3,474,886</u>	<u>11,289,966</u>
Earnings per share			
	5		
- Basic		<u>HK\$1.90</u>	<u>HK\$7.11</u>
- Diluted		<u>HK\$1.90</u>	<u>HK\$7.11</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Profit for the year	3,474,886	11,289,966
Other comprehensive income		
Items that may be reclassified to profit or loss		
Cash flow hedges	948,801	120,346
Share of other comprehensive income of associates and joint ventures	(223,494)	(258,068)
Net translation differences on foreign operations	(9,088,008)	2,356,147
Items that will not be reclassified to profit or loss		
Fair value losses on financial assets at fair value through other comprehensive income	(1,032,970)	(22,826)
Release of exchange fluctuation reserve upon disposal of subsidiaries	26,179	-
Release of exchange fluctuation reserve upon disposal of partial interest in an associate	-	168,949
Other comprehensive income for the year, net of tax	(9,369,492)	2,364,548
Total comprehensive income for the year	<u>(5,894,606)</u>	<u>13,654,514</u>
Total comprehensive income attributable to:		
Company's shareholders	(5,218,204)	12,312,984
Non-controlling interests	(676,402)	1,341,530
	<u>(5,894,606)</u>	<u>13,654,514</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2022	2021
		HK\$'000	HK\$'000
	Note		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		4,617,237	5,406,884
Investment properties		77,063,008	87,201,879
Right-of-use assets		1,830,251	1,965,609
Properties under development and land deposits		31,515,644	21,410,388
Associates and joint ventures		25,802,012	28,326,935
Derivative financial instruments		954,781	186,310
Financial assets at fair value through other comprehensive income		522,122	1,555,092
Financial assets at fair value through profit or loss		674,057	679,056
Mortgage loans receivable		1,079,619	1,181,321
Intangible assets		122,504	122,504
		144,181,235	148,035,978
Current assets			
Properties under development		22,982,883	13,056,483
Completed properties held for sale		20,162,050	18,112,492
Accounts receivable, prepayments and deposits	6	1,676,993	2,305,111
Current portion of mortgage loans receivable		255,463	386,924
Tax recoverable		325,421	466,309
Tax reserve certificates		189,255	189,255
Derivative financial instruments		-	68,457
Restricted bank deposits		354,814	920,902
Cash and bank balances		11,346,645	16,513,645
		57,293,524	52,019,578
Current liabilities			
Accounts payable, deposits received and accrued charges	7	6,783,829	6,978,489
Contract liabilities		4,372,308	8,040,581
Current portion of lease liabilities		41,284	48,012
Taxation		2,198,798	2,107,384
Short-term bank loans and current portion of long-term bank loans	8	5,997,133	5,268,298
Derivative financial instruments		103,846	-
		19,497,198	22,442,764
Net current assets		37,796,326	29,576,814
Total assets less current liabilities		181,977,561	177,612,792
Non-current liabilities			
Long-term bank loans	8	46,873,144	32,210,214
Amounts due to non-controlling interests		2,495,861	2,299,732
Lease liabilities		84,206	381
Derivative financial instruments		347,584	166,083
Deferred taxation		9,694,605	10,623,256
		59,495,400	45,299,666
ASSETS LESS LIABILITIES		122,482,161	132,313,126
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		1,451,306	1,454,472
Shares held for share award scheme		(18,097)	-
Share premium		13,102,767	13,027,720
Other reserves		6,834,882	15,534,100
Retained profits		87,415,992	86,812,603
		108,786,850	116,828,895
Non-controlling interests		13,695,311	15,484,231
TOTAL EQUITY		122,482,161	132,313,126

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants. In addition, these financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The accounting policies are consistent with those as described in the Group’s financial statements for the year ended 31 December 2021.

The following amendments to existing standards and accounting guideline have been published that are effective for the accounting period of the Group beginning on 1 January 2022:

Amendments to HKFRS 16, ‘Covid-19-related rent concessions beyond 2021’
Amendments to HKFRS 3, HKAS 16 and HKAS 37, ‘Narrow-scope amendments’
Annual improvements to HKFRSs 2018-2020 cycle
Revised Accounting Guideline 5, ‘Merger accounting for common control combinations’

The adoption of the above amendments to existing standards and accounting guideline had no material impact on the consolidated financial statements of the Group.

The following standard, amendments to existing standards and interpretation which are relevant to the operations of the Group, have been published and are mandatory for the Group’s accounting periods beginning on or after 1 January 2023; but the Group has not early adopted them:

	Applicable for accounting periods beginning on/after
HKFRS 17, ‘Insurance contracts’	1 January 2023
Amendments to HKFRS 17, ‘Insurance contracts’	1 January 2023
Amendments to HKFRS 17, ‘Initial application of HKFRS 17 and HKFRS 9 - comparative information’	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, ‘Disclosure of accounting policies’	1 January 2023
Amendments to HKAS 8, ‘Definition of accounting estimates’	1 January 2023
Amendments to HKAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	1 January 2023
Amendments to HKFRS 16, ‘Lease liability in a sale and leaseback’	1 January 2024
Amendments to HKAS 1, ‘Classification of liabilities as current or non-current’	1 January 2024
Amendments to HKAS 1, ‘Non-current liabilities with covenants’	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, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined

The Group will adopt the above standard, amendments to existing standards and interpretation as and when they become effective. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

2. Principal activities and segmental analysis of operations

An analysis of the Group's revenue and gross profit for the year by principal activity and market is as follows:

Year ended 31 December 2022

	Revenue			Gross profit
	The Company and its subsidiaries	Share of associates and joint ventures	Combined	The Company and its subsidiaries
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property rental and others				
– Mainland property	3,791,358	300,035	4,091,393	2,759,678
– Hong Kong property	1,199,307	152,773	1,352,080	926,988
	4,990,665	452,808	5,443,473	3,686,666
Property sales				
– Mainland property	4,397,247	18,395	4,415,642	1,953,737
– Hong Kong property	4,146,183	-	4,146,183	1,170,719
	8,543,430	18,395	8,561,825	3,124,456
Hotel operations				
– Mainland property	1,056,380	261,660	1,318,040	173,562
– Hong Kong property	-	27,595	27,595	-
	1,056,380	289,255	1,345,635	173,562
	<u>14,590,475</u>	<u>760,458</u>	<u>15,350,933</u>	<u>6,984,684</u>

Year ended 31 December 2021

	Revenue			Gross profit
	The Company and its subsidiaries	Share of associates and joint ventures	Combined	The Company and its subsidiaries
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property rental and others				
– Mainland property	4,053,111	339,256	4,392,367	2,998,954
– Hong Kong property	1,291,010	163,750	1,454,760	995,479
	5,344,121	503,006	5,847,127	3,994,433
Property sales				
– Mainland property	4,584,914	48,497	4,633,411	2,830,331
– Hong Kong property	3,786,145	67,664	3,853,809	1,414,109
	8,371,059	116,161	8,487,220	4,244,440
Hotel operations				
– Mainland property	1,611,584	366,352	1,977,936	504,134
– Hong Kong property	-	18,274	18,274	-
	1,611,584	384,626	1,996,210	504,134
	<u>15,326,764</u>	<u>1,003,793</u>	<u>16,330,557</u>	<u>8,743,007</u>

2. Principal activities and segmental analysis of operations (continued)

An analysis of the Group's financial results by operating segment is as follows:

	Year ended 31 December 2022				
	Mainland Property HK\$'000	Hong Kong Property HK\$'000	Total		Total HK\$'000
			Operating	Others	
			Segments	HK\$'000	
Revenue	9,244,985	5,345,490	14,590,475	-	14,590,475
Results					
Segment results - gross profit	4,886,977	2,097,707	6,984,684	-	6,984,684
Other income and net gains					915,526
Selling, administrative and other operating expenses					(1,720,023)
Decrease in fair value of investment properties					(2,040,840)
Operating profit before finance costs					4,139,347
Finance costs					(317,225)
Operating profit					3,822,122
Share of results of associates and joint ventures					1,345,947
Profit before taxation					5,168,069
Taxation					(1,693,183)
Profit for the year					3,474,886
Profit attributable to:					
Company's shareholders					2,754,780
Non-controlling interests					720,106
					3,474,886
Depreciation	413,172	68,037	481,209	1,703	482,912

2. Principal activities and segmental analysis of operations (continued)

	Year ended 31 December 2021				
	Mainland Property HK\$'000	Hong Kong Property HK\$'000	Total		Total HK\$'000
			Operating	Others	
			Segments	HK\$'000	
Revenue	<u>10,249,609</u>	<u>5,077,155</u>	<u>15,326,764</u>	<u>-</u>	<u>15,326,764</u>
Results					
Segment results - gross profit	6,333,419	2,409,588	8,743,007	-	8,743,007
Other income and net gains					2,992,814
Selling, administrative and other operating expenses					(2,003,343)
Increase in fair value of investment properties					1,666,422
Operating profit before finance costs					<u>11,398,900</u>
Finance costs					(575,135)
Operating profit					<u>10,823,765</u>
Share of results of associates and joint ventures					<u>3,402,332</u>
Profit before taxation					<u>14,226,097</u>
Taxation					(2,936,131)
Profit for the year					<u>11,289,966</u>
Profit attributable to:					
Company's shareholders					10,358,011
Non-controlling interests					931,955
					<u>11,289,966</u>
Depreciation	<u>449,381</u>	<u>69,499</u>	<u>518,880</u>	<u>1,457</u>	<u>520,337</u>

3. Operating profit

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Operating profit is stated after crediting/charging the following:		
<i>Crediting</i>		
Dividend income	52,552	48,729
Interest income	593,892	561,714
Gain on sale of investment properties, net	71,726	1,240
Gain on disposal of subsidiaries	897,490	117,838
Gain on disposal of partial interest in an associate, Kerry Logistics Network Limited, net of transaction costs	-	2,093,943
<i>Charging</i>		
Depreciation of property, plant and equipment and right-of-use assets	482,912	520,337
Provision for properties under development	520,667	-
Total finance costs incurred	1,434,863	769,740
Less: amount capitalised in properties under development and investment properties under development	(1,117,638)	(194,605)
	317,225	575,135

4. Taxation

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
The taxation (charge)/credit comprises:		
Mainland taxation		
Current	(1,395,338)	(2,023,716)
(Under)/over-provision in prior years	(257)	23,921
Deferred	18,311	(571,180)
	(1,377,284)	(2,570,975)
Hong Kong profits tax		
Current	(270,954)	(340,539)
Over/(under)-provision in prior years	204	(382)
Deferred	(23,714)	(10,397)
	(294,464)	(351,318)
Overseas taxation		
Current	(7,439)	(6,092)
Deferred	(13,996)	(7,746)
	(21,435)	(13,838)
	<u>(1,693,183)</u>	<u>(2,936,131)</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the year. Income tax on the Mainland and overseas profits has been calculated on the estimated assessable profit for the year at the respective rates of taxation prevailing in the Mainland and the overseas countries in which the Group operates.

Land appreciation tax in the Mainland is levied on properties developed and sold by the Group, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including land costs, borrowing costs and all property development expenditures.

The Group recorded land appreciation tax of HK\$606,828,000 (2021: HK\$1,114,877,000) for the year ended 31 December 2022 on sale of properties in the Mainland.

The Group's share of taxation of associates and joint ventures for the year of HK\$411,102,000 (2021: HK\$545,189,000) is included in the share of results of associates and joint ventures in the consolidated income statement.

5. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2022	2021
Weighted average number of ordinary shares in issue	<u>1,453,224,214</u>	<u>1,456,307,188</u>
	HK\$'000	HK\$'000
Profit attributable to shareholders	<u>2,754,780</u>	<u>10,358,011</u>
Basic earnings per share	<u>HK\$1.90</u>	<u>HK\$7.11</u>

Diluted

Diluted earnings per share is calculated by adjusting the profit attributable to shareholders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

	Year ended 31 December	
	2022	2021
Weighted average number of ordinary shares in issue	1,453,224,214	1,456,307,188
Adjustment for share options (note)	<u>-</u>	<u>-</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>1,453,224,214</u>	<u>1,456,307,188</u>
	HK\$'000	HK\$'000
Profit attributable to shareholders	<u>2,754,780</u>	<u>10,358,011</u>
Diluted earnings per share	<u>HK\$1.90</u>	<u>HK\$7.11</u>

Note: The share options outstanding during the year ended 31 December 2022 had an anti-dilutive effect.

6. Accounts receivable, prepayments and deposits

Included in accounts receivable, prepayments and deposits are trade receivables. The Group maintains defined credit policies and applies those appropriate to the particular business circumstances of the Group. The ageing analysis of trade receivables as at 31 December 2022 is as follows:

	As at 31 December 2022 HK\$'000	As at 31 December 2021 HK\$'000
Below 1 month	85,199	92,870
Between 1 month and 3 months	17,638	23,762
Over 3 months	14,417	44,877
	<u>117,254</u>	<u>161,509</u>

7. Accounts payable, deposits received and accrued charges

Included in accounts payable, deposits received and accrued charges are trade payables. The ageing analysis of trade payables as at 31 December 2022 is as follows:

	As at 31 December 2022 HK\$'000	As at 31 December 2021 HK\$'000
Below 1 month	305,169	310,547
Between 1 month and 3 months	24,145	49,327
Over 3 months	6,458	5,461
	<u>335,772</u>	<u>365,335</u>

8. Bank loans

	As at 31 December 2022 HK\$'000	As at 31 December 2021 HK\$'000
Bank loans - unsecured		
Non-current	46,873,144	32,210,214
Current	5,997,133	5,268,298
Total bank loans (note (i))	<u>52,870,277</u>	<u>37,478,512</u>

8. Bank loans (continued)

(i) As at 31 December 2022, the Group's bank loans were repayable as follows:

	As at 31 December 2022 HK\$'000	As at 31 December 2021 HK\$'000
Within one year	5,997,133	5,268,298
In the second to fifth year		
- In the second year	12,850,954	4,412,469
- In the third year	18,024,497	11,721,511
- In the fourth year	7,031,832	8,564,409
- In the fifth year	7,965,861	5,220,789
	45,873,144	29,919,178
Repayable within five years	51,870,277	35,187,476
Over five years	1,000,000	2,291,036
	52,870,277	37,478,512

9. Commitments

At 31 December 2022, the Group had capital and other commitments in respect of property, plant and equipment, investment properties, land costs and properties under development contracted for at the end of the year but not provided for in these financial statements as follows:

	As at 31 December 2022 HK\$'000	As at 31 December 2021 HK\$'000
Property, plant and equipment	13,650	-
Investment properties	139,016	39,715
Land costs	342,636	8,205,255
Properties under development	9,163,004	10,250,897
	9,658,306	18,495,867

10. Contingent liabilities

Guarantees for banking facilities

	As at 31 December 2022 HK\$'000	As at 31 December 2021 HK\$'000
- Guarantees for banking facilities of certain associates and joint ventures (note (i))	4,018,472	4,791,647
- Guarantees to certain banks for mortgage facilities granted to first hand buyers of certain properties in the Mainland (note (ii))	<u>2,028,943</u>	<u>2,312,364</u>
	<u>6,047,415</u>	<u>7,104,011</u>

- (i) The Group has executed guarantees for banking facilities granted to certain associates and joint ventures. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2022 amounted to approximately HK\$4,018,472,000 (2021: HK\$4,791,647,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2022 amounted to approximately HK\$5,239,444,000 (2021: HK\$5,082,268,000).
- (ii) The Group has executed guarantees to certain banks for mortgage facilities granted to first hand buyers of certain properties developed by the Group in the Mainland. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2022 amounted to approximately HK\$2,028,943,000 (2021: HK\$2,312,364,000).

Apart from the above, there are no material changes in contingent liabilities of the Group since 31 December 2021.

REVIEW OF FINAL RESULTS

The financial information and the related notes in respect of this results announcement of the Group's results for the year ended 31 December 2022 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor on this results announcement.

PAST PERFORMANCE & FORWARD-LOOKING STATEMENTS

The performance and results of the operations of the Group within this announcement are historical in nature, and past performance is no guarantee for the future results of the Group. This announcement may contain forward-looking statements and opinions, and all forward-looking statements while based on reasonable and best-effort estimates and projections involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, its employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this announcement; and (b) no liability arising from any forward-looking statements or opinions that do not materialise or prove to be incorrect.

STAFF

As at 31 December 2022, the Group had approximately 7,700 employees. Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis. The Group's emolument policy is formulated based on the performance, contribution and responsibilities of individual employees together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions within the general framework of the Group's salary and bonus system. Other employee benefits include provident fund, insurance, medical cover, subsidised educational and training programmes as well as share option schemes and share award scheme.

SHARE OPTION SCHEMES

On 20 May 2020, the shareholders of the Company (the "**Shareholders**") approved the adoption of a new share option scheme (the "**2020 Share Option Scheme**") and the termination of the share option scheme adopted by the Company on 5 May 2011 (the "**2011 Share Option Scheme**"). Accordingly, with effect from 20 May 2020, the 2020 Share Option Scheme has taken effect whereas the 2011 Share Option Scheme has been terminated such that no further share options of the Company (the "**Share Option(s)**") shall be offered or granted under the 2011 Share Option Scheme, but the outstanding Share Options which have been granted during the life of the 2011 Share Option Scheme should continue to be valid and exercisable in accordance with the terms thereof.

Both of the 2020 Share Option Scheme and the 2011 Share Option Scheme fall within the ambit of, and are subject to the regulations under Chapter 17 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The purposes of the said two schemes are to motivate Directors, executives and key employees of the Group and other participants as defined in these schemes (collectively referred to as the “**Eligible Participants**”) to optimise their future contributions to the Group and/or to reward them for their past contributions, and also to attract, retain or otherwise maintain ongoing relationships with Eligible Participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth and success of the Group.

The 2020 Share Option Scheme will expire on 19 May 2030. No Share Option has been granted under the 2020 Share Option Scheme since its adoption on 20 May 2020. As at 31 December 2022, 145,650,122 shares of the Company (the “**Shares**”) were available for grant under the 2020 Share Option Scheme.

As at 31 December 2022, a total of 5,473,000 Share Options granted under the 2011 Share Option Scheme were outstanding.

SHARE AWARD SCHEME

A share award scheme of the Company (the “**Share Award Scheme**”) was adopted by the Board on 25 November 2022 (the “**Adoption Date**”) and shall be valid for a term of 10 years.

The Share Award Scheme falls within the ambit of, and is subject to the regulations under Chapter 17 of the Listing Rules. The purposes of the Share Award Scheme are to support the long-term growth of the Group, to attract and incentivise suitable personnel for the further development of the Group, to recognise contributions by Directors, executives and key employees of the Group and other participants as defined in the Share Award Scheme, to retain talent, and to help align the interests of Directors and senior management of the Group with the Group’s long-term performance.

No new Shares will be issued under the Share Award Scheme. The share awards will be satisfied by existing Shares to be acquired through on-market transactions by a trustee on the instruction of the Company.

Since the Adoption Date and up to 31 December 2022, no awarded Shares have been granted.

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

During the year ended 31 December 2022, the Company repurchased a total of 3,166,000 Shares on the Stock Exchange at an aggregate consideration of HK\$59,383,490 (the “**Repurchase**”). The Repurchase was made for the enhancement of the Shareholders’ value. Details of the Repurchase are as follows:

Month	Number of ordinary shares repurchased	Price paid per share		Aggregate consideration HK\$
		Highest HK\$	Lowest HK\$	
May 2022	204,000	19.98	19.84	4,064,780
June 2022	461,000	19.98	19.90	9,206,160
July 2022	251,000	19.98	19.68	4,987,800
August 2022	1,700,000	19.00	17.74	31,226,610
September 2022	550,000	18.48	17.64	9,898,140
Total	3,166,000			59,383,490

All 3,166,000 Shares repurchased were cancelled during the year ended 31 December 2022. Apart from the above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2022.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules sets out (a) the mandatory requirements for disclosure in Corporate Governance Report; and (b) the principles of good corporate governance, the code provisions on a “comply or explain” basis and certain recommended best practices.

The Company complied with all the code provisions set out in the CG Code throughout 2022, except C.2.1 of the code provisions that Mr. Kuok Khoon Hua (“**Mr. Kuok**”) serving as both the Chairman and the Chief Executive Officer of the Company (“**CEO**”).

As Mr. Kuok has extensive experience in the business of the Group, the Company is of the view that it is in the best interest and is more efficient for Mr. Kuok to perform the role of Chairman as well as CEO. It is also more favourable to the development and management of the business of the Group. Moreover, the powers and authorities have not been concentrated as all major decisions are made in consultation with the Board and appropriate Board Committees and Mr. Au Hing Lun, Dennis, the Deputy CEO of the Company, who is responsible for the day-to-day management of the business of the Group. The Board believes that the balance of power and authority is adequately ensured by the operations and governance of the Board which comprises experienced and high calibre individuals, with more than half of them being Independent Non-executive Directors.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as the code for securities transactions by the Directors. A copy of the Model Code has been sent to all Directors. In addition, regular reminders are sent to the Directors regarding restrictions on dealings in the securities and derivatives of the Company during the black-out period before the interim and final results of the Company have been published.

Under the Model Code, the Directors are required to notify the Chairman and receive a dated written acknowledgement before dealing in the securities and derivatives of the Company and, in case of the Chairman himself, he must notify a Director designated by the Board and receive a dated written acknowledgement before any dealing.

The Company made specific enquiries with all Directors and they have confirmed compliance with the required standards set out in the Model Code throughout 2022. The Company’s employees, who are likely to be in possession of unpublished inside information, have been requested to comply with provisions similar to those terms in the Model Code.

The Company is not aware of any non-compliance with the Model Code throughout 2022.

FINAL DIVIDEND AND CLOSURE OF REGISTERS OF MEMBERS

The Board has recommended the payment of a final dividend of HK\$0.95 per Share for the year ended 31 December 2022 (the “**Final Dividend**”), amounting to approximately HK\$1,379 million in aggregate based on 1,451,305,728 ordinary Shares in issue as at 31 December 2022 and payable on Friday, 16 June 2023 to the Shareholders whose names appear on the registers of members of the Company on Tuesday, 6 June 2023. The registers of members will be closed on Tuesday, 6 June 2023, on which date no transfer of Shares will be registered. The ex-dividend date will be Friday, 2 June 2023. The actual amount of Final Dividend payable will be subject to the actual number of ordinary Shares in issue on Tuesday, 6 June 2023.

For the purpose of determining the eligible Shareholders’ entitlement to the Final Dividend, all transfers accompanied by the relevant share certificates must be lodged for registration with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Abacus Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 5 June 2023.

Together with the interim dividend of HK\$0.40 per Share, the total cash dividend for the year ended 31 December 2022 will be HK\$1.35 per Share (2021: HK\$1.35 per Share, and the special dividend was HK\$2.30 per Share).

Final Dividend warrants will be despatched to the eligible Shareholders on or about Friday, 16 June 2023.

2023 ANNUAL GENERAL MEETING AND CLOSURE OF REGISTERS OF MEMBERS

The annual general meeting of the Company for the year ended 31 December 2022 will be held on Wednesday, 31 May 2023 at 2:30 p.m. (the “**2023 AGM**”). A notice convening the 2023 AGM will be issued and despatched to the Shareholders in due course.

The registers of members will be closed from Thursday, 25 May 2023 to Wednesday, 31 May 2023, both days inclusive, on which period no transfer of Shares will be registered. For the purpose of determining the eligible Shareholders’ entitlement to attend and vote at the 2023 AGM, all transfers accompanied by the relevant share certificates must be lodged for registration with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Wednesday, 24 May 2023.

PUBLICATION OF 2022 FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the HKEXnews website at www.hkexnews.hk and the Company’s website at www.kerryprops.com/en/news/announcements/2023. The Annual Report 2022 will be available on the HKEXnews and the Company’s website and despatched to the Shareholders on or about Thursday, 27 April 2023.

By Order of the Board
Kerry Properties Limited
Kuok Khoon Hua
Chairman and Chief Executive Officer

Hong Kong, 29 March 2023

As at the date of this announcement, the Directors of the Company are:

Executive Directors: *Mr. Kuok Khoon Hua, Mr. Au Hing Lun, Dennis and Mr. Bryan Pallop Gaw*

Independent Non-executive Directors: *Ms. Wong Yu Pok, Marina, JP, Mr. Hui Chun Yue, David, Mr. Cheung Leong and Mr. Chum Kwan Lock, Grant*