HONG KONG FERRY (HOLDINGS) COMPANY LIMITED

香 港 小 輪（集 團）有 限 公 司

(Stock Code: 50)

ANNUAL REPORT
2022

CONTENTS

Forward-looking Statements

This annual report 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.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Lam Ko Yin, Colin *(Chairman)*
Mr. Li Ning
Mr. Lee Gabriel *(appointed on 3 January 2023)*

Non-executive Directors

Mr. Au Siu Kee, Alexander
Mr. Lau Yum Chuen, Eddie

Independent Non-executive Directors

Mr. Ho Hau Chong, Norman
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong
Mr. Chan Wai Yan, Ronald *(appointed on 20 March 2023)*

AUDIT COMMITTEE

Mr. Ho Hau Chong, Norman *(Chairman)*
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong
Mr. Chan Wai Yan, Ronald *(appointed on 20 March 2023)*

REMUNERATION COMMITTEE

Mr. Wu King Cheong *(Chairman)*
Dr. Lam Ko Yin, Colin
Mr. Li Ning
Mr. Ho Hau Chong, Norman
Ms. Wong Yu Pok, Marina

NOMINATION COMMITTEE

Dr. Lam Ko Yin, Colin *(Chairman)*
Mr. Li Ning
Mr. Ho Hau Chong, Norman
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong

GROUP GENERAL MANAGER

Mr. Lee Gabriel

COMPANY SECRETARY

Mr. Yuen Wai Kuen, Peter

AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd. Hong Kong Branch
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
OCBC Wing Hang Bank Limited
Mizuho Bank, Limited

REGISTERED OFFICE

98 Tam Kon Shan Road
TYTL 102
Ngau Kok Wan
North Tsing Yi
New Territories
Hong Kong

Telephone	:	(852) 2394 4294
Facsimile	:	(852) 2786 9001
Website	:	www.hkf.com
E-Mail	:	hkferry@hkf.com

SHARE LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 50

SHARE REGISTRAR

Tricor Standard Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

DIRECTORS' PROFILE

EXECUTIVE DIRECTORS

Dr. Lam Ko Yin, Colin
Chairman

Dr. Lam Ko Yin, Colin, *SBS, FCILT, FHKIoD, DB (Hon), DBA (Hon), DSSc (Hon)*, aged 71, was appointed on 1 July 1986, is the Chairman of the Company. He is also the Chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. Dr. Lam holds a Bachelor of Science (Honours) degree from The University of Hong Kong and has over 49 years' experience in banking and property development. He is also a Vice Chairman of Henderson Land Development Company Limited ("Henderson Land") and Henderson Investment Limited, a non-executive director of The Hong Kong and China Gas Company Limited and an executive director of Miramar Hotel and Investment Company, Limited, all of which are listed public companies. He is also a director of Wiselin Investment Limited ("Wiselin"), Henderson Development Limited ("Henderson Development"), Graf Investment Limited ("Graf"), Mount Sherpa Limited ("Mount"), Paillard Investment Limited ("Paillard"), Hopkins (Cayman) Limited ("Hopkins"), Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"). Henderson Land, Wiselin, Henderson Development, Graf, Mount, Paillard, Hopkins, Rimmer and Riddick have discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance. He was awarded the Silver Bauhinia Star (SBS) by the Government of the Hong Kong Special Administrative Region in 2017. Dr. Lam is the Deputy Chairman of The University of Hong Kong Foundation for Educational Development and Research, a Director of Fudan University Education Development Foundation, an honorary Court member of Hong Kong Baptist University, a member of the Court of The Hong Kong University of Science and Technology and a member of the Court of City University of Hong Kong. Dr. Lam was awarded an Honorary University Fellowship by The University of Hong Kong in 2008 and an Honorary Fellowship by The Chinese University of Hong Kong in 2019. He was also conferred with a degree of Doctor of Business (Honoris Causa) by Macquarie University in 2015, a degree of Doctor of Business Administration (Honoris Causa) by The Hong Kong University of Science and Technology in 2021 and a degree of Doctor of Social Sciences (Honoris Causa) by The University of Hong Kong in April 2023. Dr. Lam is a Fellow of The Chartered Institute of Logistics and Transport in Hong Kong and a Fellow of The Hong Kong Institute of Directors.

DIRECTORS' PROFILE (Continued)

EXECUTIVE DIRECTORS (Continued)

Mr. Li Ning

Mr. Li Ning, *BSc, MBA*, aged 66, was appointed on 20 October 1989, is an Executive Director of the Company. He is also a member of the Nomination Committee and the Remuneration Committee of the Company. Mr. Li is also an Executive Director of Henderson Investment Limited, a listed public company. He holds a B.Sc. degree from Babson College and an M.B.A. degree from the University of Southern California. Mr. Li is the son-in-law of Dr. Lee Shau Kee.

Mr. Lee Gabriel

Mr. Lee Gabriel, aged 44, was appointed as the Group General Manager of the Company on 4 October 2021 and an Executive Director of the Company on 3 January 2023. He has over 20 years of experience in business management. He is also the Director — Corporate Affairs and Communications of Union Medical Centre Limited, a company ultimately controlled by the private family trusts of Dr. Lee Shau Kee, a deemed substantial shareholder of the Company by virtue of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Mr. Lee served as an executive director of EC Healthcare (Stock Code: 2138), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since its listing in March 2016, and acted as its chief operating officer since April 2014, and tendered his resignation from such positions with effect from 1 October 2021. Prior to joining EC Healthcare, Mr. Lee commenced his career at Cathay Pacific Airways Limited (國泰航空有限公司) ("Cathay Pacific") (Stock Code: 293), an international airline listed on the Main Board of the Stock Exchange, and held various managerial roles in Cathay Pacific in Hong Kong, Shanghai and Beijing, including but not limited to overseeing the Hong Kong International Airport operations and the cargo operations of the airline in 14 cities in the People's Republic of China, as well as being seconded to Air China Cargo Company Limited (中國國際貨運航空有限公司) in Beijing where he served as the assistant president of its commercial (sales and marketing) division.

Mr. Lee holds a bachelor of business administration degree in accounting and finance from The University of Hong Kong and attended the SWIRE Management Programme organised by INSEAD Graduate Business School in Singapore. Mr. Lee also attended the SWIRE Accounting and Control Programme and SWIRE Advanced Management Programme organised by INSEAD Graduate Business School in Fontainebleau, France.

DIRECTORS' PROFILE (Continued)

NON-EXECUTIVE DIRECTORS

Mr. Au Siu Kee, Alexander, *OBE, FCA, FCCA, FCPA, FCIB, FHKIB*, aged 76, was appointed as an Independent Non-executive Director on 17 January 2005 and re-designated as a Non-executive Director of the Company on 7 November 2005. Mr. Au was a well-known banker in Hong Kong and had more than 32 years' experience in local and international banking business, having been the Chief Executive Officer of Hang Seng Bank Limited (from October 1993 to March 1998) and of Oversea-Chinese Banking Corporation Limited in Singapore (from September 1998 to April 2002). He was formerly a non-executive director of a number of leading companies including The Hongkong and Shanghai Banking Corporation Limited, MTR Corporation Limited and Hang Lung Group Limited. He was an executive director and the chief financial officer of Henderson Land Development Company Limited ("Henderson Land") from December 2005 to June 2011. He stepped down from the position of chief financial officer and was re-designated as a non-executive director of Henderson Land on 1 July 2011. On 18 December 2012, Mr. Au was re-designated as an independent non-executive director of Henderson Land until his retirement on 2 June 2015. In December 2018, Mr. Au rejoined Henderson Land as an independent non-executive director. Currently, he is an independent non-executive director of Henderson Investment Limited, Wharf Real Estate Investment Company Limited and Miramar Hotel and Investment Company, Limited, all of which are listed public companies. He is the chairman and a non-executive director of Henderson Sunlight Asset Management Limited, the manager of the publicly-listed Sunlight Real Estate Investment Trust. An accountant by training, Mr. Au is a Fellow of The Institute of Chartered Accountants in England and Wales, The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Henderson Land has discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance.

Mr. Au Siu Kee, Alexander

Mr. Lau Yum Chuen, Eddie, aged 76, was appointed on 5 May 1988, is a Non-executive Director of the Company. He has over 50 years of experience in banking, finance and investment. Mr. Lau is also an Executive Director of Miramar Hotel and Investment Company, Limited, a listed public company. He previously served as an Executive Director of Henderson Land Development Company Limited, a listed public company, until his retirement on 8 June 2020.

Mr. Lau Yum Chuen, Eddie

DIRECTORS' PROFILE (Continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Hau Chong, Norman

Mr. Ho Hau Chong, Norman, *BA, ACA, FCPA*, aged 67, was appointed on 28 March 1995, is an Independent Non-executive Director of the Company. He is also the Chairman of the Audit Committee, a member of the Nomination Committee and the Remuneration Committee of the Company. Mr. Ho is a member of The Institute of Chartered Accountants in England and Wales and a Fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Ho is an Executive Director of Honorway Investments Limited and Tak Hung (Holding) Company, Limited and has over 40 years of experience in management and property development. He is also a Director of Miramar Hotel and Investment Company, Limited, Vision Values Holdings Limited, Shun Tak Holdings Limited and SJM Holdings Limited, all of which are listed public companies. Mr. Ho resigned as an independent non-executive director of Lee Hing Development Limited on 19 October 2022, the shares of which were listed on The Stock Exchange of Hong Kong Limited until they were delisted on 18 October 2022.

Ms. Wong Yu Pok, Marina

Ms. Wong Yu Pok, Marina, *JP*, aged 74, was appointed on 8 May 2008, is an Independent Non-executive Director of the Company. She is also a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. Ms. Wong joined PricewaterhouseCoopers in 1968 and was responsible for the development of the firm's business in Mainland China since 1980. After her retirement as a partner from PricewaterhouseCoopers in July 2004, she joined Tricor Services Limited as a director from September 2004 to February 2006. Ms. Wong was a member of a number of Government advisory and other bodies in Hong Kong, including The Dental Council of Hong Kong up to August 2021 and was the Chairman of The Applied Research Council up to February 2017. Ms. Wong is the Vice-Chairman of the Hong Kong Federation of Women. An accountant by training, Ms. Wong is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Association of Chartered Certified Accountants. She is also an Independent Non-Executive Director of Kerry Properties Limited, Luk Fook Holdings (International) Limited, Kerry Logistics Network Limited and SJM Holdings Limited, all of which are listed public companies in Hong Kong.

DIRECTORS' PROFILE (Continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. Wu King Cheong, *BBS, JP*, aged 72, was appointed as an Independent Non-executive Director of the Company on 17 January 2005. He is also the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee of the Company. He is the Life Honorary Chairman of the Chinese General Chamber of Commerce, the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Permanent Honorary President of the Hong Kong Securities Association Limited. Mr. Wu is currently an independent non-executive director of Henderson Land Development Company Limited ("Henderson Land"), Henderson Investment Limited, Miramar Hotel and Investment Company, Limited and Yau Lee Holdings Limited, all of which are listed public companies. Henderson Land has discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance. Mr. Wu was awarded an Honorary Fellowship by Lingnan University in 2009.

Mr. Wu King Cheong

Mr. Chan Wai Yan, Ronald, aged 42, was appointed as an Independent Non-executive Director of the Company and a member of the Audit Committee of the Company on 20 March 2023. He is also an independent non-executive director of Powerlong Commercial Management Holdings Limited (Stock Code: 9909), whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), since December 2019. Mr. Chan founded Chartwell Capital Limited, an investment management company in October 2007 and is currently the chief investment officer. He has been its responsible officer for Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance since November 2008 and February 2008, respectively. From July 2016 to July 2022, he served as a member of the Listing Committee of the Main Board and GEM of the Stock Exchange. From December 2017 to December 2021, Mr. Chan was an independent non-executive director of Wine's Link International Holdings Limited (Stock Code: 8509), whose shares are listed on GEM of the Stock Exchange. Mr. Chan obtained a Bachelor of Science degree in finance and accounting from the Leonard N. Stern School of Business at New York University in the United States in May 2002.

Mr. Chan Wai Yan, Ronald

SENIOR MANAGEMENT'S PROFILE

The Senior Management of the Company is as follows:

Mr. Leung Shu Keung, Brian	Internal Audit Manager
Mr. Wong Kam Chuen, Terence	General Manager — Finance and Accounts
Mr. Yuen Wai Kuen, Peter	Company Secretary

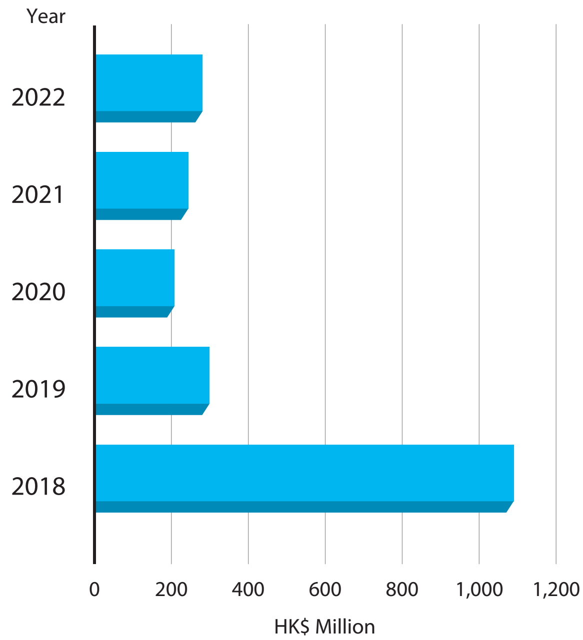
Mr. Leung Shu Keung, Brian, *BA, CIA, CRMA, CFE, PgD*, aged 61, is the Internal Audit Manager of the Company. He joined the Company in 1992 and has over 33 years of experience in accounting, auditing and management assurance.

Mr. Wong Kam Chuen, Terence, *MCF, BA(Hons), FCCA, CPA, ACG, HKACG*, aged 54, has been the General Manager of Finance and Accounts Department of the Company since 2022. He joined the Company in 1995 and has over 20 years of experience in accounting, auditing and corporate finance.

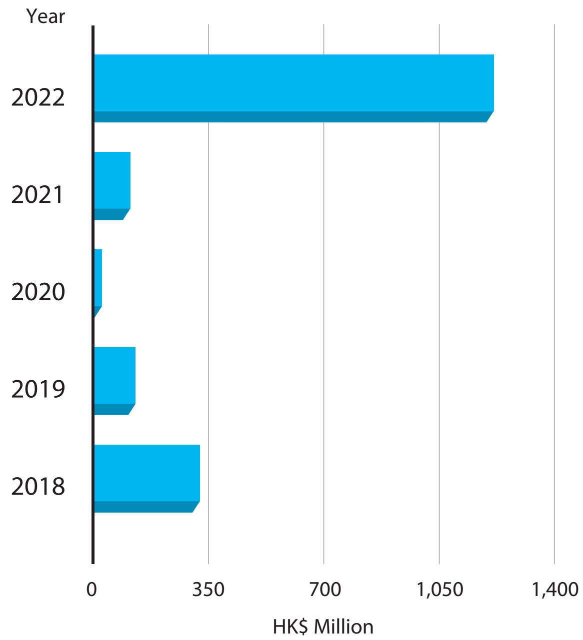
Mr. Yuen Wai Kuen, Peter, *BA(Hons), MBA, FCG, HKFCG, FIPA*, aged 64, joined the Company in January 2005 and has been appointed Company Secretary of the Company on 1 April 2005. Mr. Yuen has over 20 years of experience in company secretarial, corporate advisory and general management.

		2022	2021	Change
Revenue	*HK$M*	**281**	244	+15%
Profit attributable to shareholders	*HK$M*	**1,299**	118	+999%
Dividends	*HK$M*	**445**	89	+400%
Shareholders' funds	*HK$M*	**7,218**	6,005	+20%
Basic earnings per share	*HK$*	**3.65**	0.33	+999%
Dividend per share	*HK$*	**1.25**	0.25	+400%
Dividend cover	*Times*	**2.9**	1.3	+123%
Return on equity	*%*	**18.0**	2.0	+800%
Net assets per share	*HK$*	**20.26**	16.85	+20%

Group Revenue



Profit attributable to shareholders



THE ROYALE

(8 CASTLE PEAK ROAD – CASTLE PEAK BAY, TUEN MUN) DEVELOPMENT PROJECT

The Group's 50%/50% joint venture development project with the Empire Group at The Royale, 8 Castle Peak Road – Castle Peak Bay, Tuen Mun 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 Group's accounts.

(artist's impression)

METRO HARBOUR PLAZA

(8 FUK LEE STREET, TAI KOK TSUI)

Covering over 250,000 square feet, Metro Harbour Plaza is located in the heart of West Kowloon, the occupancy rate was 93%.

THE SYMPHONIE

(280 TUNG CHAU STREET, CHEUNG SHA WAN) (FORMERLY KNOWN AS KWEILIN STREET/TUNG CHAU STREET, SHAM SHUI PO) REDEVELOPMENT PROJECT

The Group's development project "The Symphonie" in Cheung Sha Wan will provide the Group 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.

CHAIRMAN'S STATEMENT

I am pleased to present to the shareholders on behalf of the Board my report on the business results of the Group for the year ended 31 December 2022.

Dr. Lam Ko Yin, Colin

Chairman

BUSINESS RESULTS

During the year under review, the Group'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 our share of revenue from the sale of the residential units under the joint venture development project known as "The Royale" (in which the Group has a 50% equity interest) during the year after the delivery of the residential units to the buyers. Earnings per share for the year was HK$3.65 (2021: HK$0.33).

DIVIDENDS

The Board of Directors (the "Board") has recommended the payment of a final dividend for the year ended 31 December 2022 of HK15 cents per share (2021: HK15 cents per share). In celebration of the 100th anniversary of the Company this year, the Board further recommended the payment of a special dividend for the year ended 31 December 2022 of HK$1.00 per share (2021: Nil). Subject to shareholders' approval at the annual general meeting to be held on Wednesday, 31 May 2023, the final dividend and the special dividend will be paid on Friday, 23 June 2023 to shareholders whose names appear on the register of members of the Company on Thursday, 8 June 2023. The final dividend and the special dividend, together with the interim dividend of HK10 cents per share already paid, will make a total distribution of HK$1.25 for the full year.

BUSINESS REVIEW

During the year under review, apart from the said share of profit from the joint venture development project "The Royale", the Group's operating profit was mainly derived from the rental income from shops and commercial arcades.

Property Development and Investment Operations

In 2022, the gross rental income arising from the commercial arcades of the Group 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.

BUSINESS REVIEW (Continued)

The Royale (8 Castle Peak Road - Castle Peak Bay, Tuen Mun) Development Project

After the Group's 50%/50% joint venture development project with the Empire Group at The Royale, 8 Castle Peak Road - Castle Peak Bay, Tuen Mun, 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 Group's accounts.

The Symphonie (280 Tung Chau Street, Cheung Sha Wan) (formerly known as Kweilin Street/Tung Chau Street, Sham Shui Po) Redevelopment Project

The Group's development project "The Symphonie" in Cheung Sha Wan will provide the Group 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 under review, 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 under review, 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

There is huge development potential for healthcare services in Hong Kong. Private healthcare expenditure in Hong Kong reached HK$88.1 billion in 2019/20 and was expected to increase in the future. During the year, the Group embarked

The Royale

on related businesses to provide various high quality medical services to customers. The Group 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. Staffed by registered doctors, the said clinic and centre are equipped with devices and drugs certified by the European Union and the United States Food and Drug Administration and pharmaceutical companies, offering high-quality and personalized medical aesthetic services.

The Group has captured market share through cooperation with medical groups. The Group 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. The Group 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 our ecosystem to offer professional medical services in accordance with the customers' needs.

PROSPECTS

Inflation rate in the United States stays high. The US Federal Reserve has consecutively raised the target range for federal funds rate by 4.5% to the current range of 4.5% to 4.75% in the past 12 months and indicated recently that the interest rate has not yet reached its peak. However, the collapse of the insolvent Silicon Valley Bank in California earlier this month and the possession of this bank by the US Government cast doubt over the US economic outlook, and may affect the pace of interest rate hikes by the Federal Reserve. In Hong Kong, the Hong Kong Dollar prime rate has been raised alongside the US interest rate but fortunately to a lesser extent, due to ample bank liquidity. The borrowing costs of business entities have nonetheless increased.

With the easing of the COVID-19 pandemic, the cross-border with the mainland was completely re-opened on 6 February 2023. Quarantine-free travel for inbound travellers, the gradual increase in the number of visitors from the mainland and overseas, and the lifting of mask mandate by the Government with effect from 1 March 2023 are all expected to boost the local consumption and help the economic recovery.

Hong Kong has the distinctive advantages of enjoying strong support of the Motherland and close connection to the world. The Government spares no effort in revitalizing the economy, attracting talents and promoting Hong Kong's competitive advantages, and takes measures on all fronts to "advance from stability to prosperity". Hong Kong's Chief Executive, in his 2022 Policy Address, emphasized improving Hong Kong's competitiveness and sets aside HK$30 billion to establish the "Co-Investment Fund" to attract corporate investment. Given the opportunities brought about by the Belt and Road Initiative, Hong Kong will focus on establishing governance systems, reinforcing traditional industries and developing emerging industries, and will strengthen the connection with the world and the Greater Bay Area. Special attention will be paid to foster greater flow of people, goods, capital and information in the Greater Bay Area, and to explore emerging markets such as the Association of Southeast Asian Nations, the Middle East, Central Asia and Africa. The Government aims to develop Hong Kong as the hub for innovative technology, art/culture and finance/trade. To stimulate the local consumption and to help economic recovery, the Government has announced property rates concession, profits tax reduction, the grant of electricity charges subsidy, as well as the disbursement of consumption vouchers of HK$5,000 to Hong Kong eligible residents by phases starting from April. It is expected that Hong Kong's economy will recover in 2023 and the city will speedily exercise its role as an international financial centre and gateway to Mainland China.

This year marks the 100th anniversary of the Company. In addition to the distribution of a special dividend of HK$1 per share to its shareholders, the Company will also give commemorative gold coins of half a tael each to the employees of the Group. The Group will also organize various celebration activities, including the 100th anniversary celebration ceremony in late April, an invitation for mentees and mentors of the Strive and Rise Programme to enjoy the Harbour Cruise-Bauhinia trip, and gift of souvenirs to business partners.

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 the Group in 2023. The Group will continue to look for suitable shops for investment and construction sites for development.

ACKNOWLEDGEMENT

Mr. Lee Gabriel, the Group General Manager of the Company, has been appointed as an Executive Director of the Company with effect from 3 January 2023. Mr. Ronald Chan Wai Yan, experienced investment manager, will also be appointed as an Independent Non-Executive Director of the Company and a member of the Audit Committee of the Company with effect from 20 March 2023. The Board would like to extend a warm welcome to Mr. Lee and Mr. Chan on joining the Board and is confident that Mr. Lee, with his rich experience in healthcare, medical aesthetic and customer services, and Mr. Chan, with his rich experience in investment and management, will make significant contributions to the Group.

On behalf of the shareholders and the Board, I would like to take this opportunity to express our appreciation to all our staff for their dedication and hard work during the year.

Dr. Lam Ko Yin, Colin
Chairman

Hong Kong, 17 March 2023

The following comments should be read in conjunction with the Audited Consolidated Financial Statements of the Company and the related notes to the financial statements.

REVIEW OF RESULTS

The Group's revenue for the year amounted to approximately HK$281 million, representing an increase of 15% when compared with the previous year. This was mainly attributable to the increase of revenue from property sales, leasing and interest income.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As of 31 December 2022, shareholders' funds of the Group showed an increase of around 20% as compared to the previous year and amounted to approximately HK$7,218 million. The increase was mainly due to the net effect of the profit realised from property sales and leasing, share of profits of joint ventures and the deduction of the dividend payments.

There was no change to the capital structure of the Group during the year. Funding for the Group's activities during the year under review was mainly generated from the property sales, leasing and other operations.

Current assets of the Group were recorded at approximately HK$3,907 million and the current liabilities were approximately HK$231 million as of 31 December 2022. Current ratio of the Group had been decreased to 16.9 as at 31 December 2022, mainly attributed to the increase in trade and other payables and tax payable.

GEARING RATIO AND FINANCIAL MANAGEMENT

The Group is in net cash position, therefore gearing ratio, calculated on the basis of net debt to equity attributable to the Company's shareholders, is not applicable.

The Group's financing and treasury activities were managed centrally at the corporate level. Financing facilities extended to the Group were denominated in Hong Kong dollar.

EMPLOYEES

As at 31 December 2022, the number of employees of the Group stood at about 250 (2021: about 200). Total employees' costs for the year amounted to approximately HK$99 million. The remuneration packages to employees were commensurable to the market trend and levels of pay in similar industries. A discretionary year-end bonus was paid to employees based on individual performance. Other benefits to employees included medical insurance, retirement scheme, training programmes and educational subsidies.

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their Annual Report together with the audited financial statements for the year ended 31 December 2022.

PRINCIPAL PLACE OF BUSINESS

Hong Kong Ferry (Holdings) Company Limited (the "Company") is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 98 Tam Kon Shan Road, TYTL 102, Ngau Kok Wan, North Tsing Yi, New Territories, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are property development, property investment, ferry, shipyard and related businesses and securities investment.

The analysis of the principal activities of the Company and its subsidiaries (the "Group") during the financial year are set out in note 3 to the financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year is provided in Management Discussion and Analysis on page 15 and Chairman's Statement on pages 12 to 14 of this Annual Report. A discussion on the Group's future business development is provided in the Chairman's Statement on pages 12 to 14 of this Annual Report. Description of the principal risks and uncertainties that the Group may be facing can be found in the Chairman's Statement on pages 12 to 14 and the section headed "Risk Management and Internal Control" on pages 41 to 43 of Corporate Governance Report of this Annual Report. Financial risk management of the Group can be found in note 24 to the financial statements on pages 159 to 163 of this Annual Report. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial Highlights on page 9 and Five Years' Financial Summary on pages 172 to 174 of this Annual Report respectively.

Discussions on the Group's environmental policies and performance, relationships with its key stakeholders which have a significant impact on the Group are contained in Environmental, Social and Governance Report on pages 47 to 84 of this Annual Report. These discussions form part of this Report of the Directors.

Discussion on Environmental Policies and Performance

The Group is devoted to integrating principles of sustainable development into its operations to contribute to a better future. We constantly search for opportunities to increase our resource utilisation and to responsibly manage our environmental footprint.

In response to the ever-increasing global threat posed by climate change and to demonstrate our commitment to environmental protection and well-being of the society, the Group has established the Climate Change Policy and Environmental Policy, aiming at, among others, exerting greater influence to the industry and the value chain. For example, we encourage our suppliers, consultants, contractors and business partners to reduce carbon emissions and energy consumption in their daily operations, incorporate climate change considerations in our procurement process and encourage the use of low carbon, low embodied-energy and energy efficient products and materials.

In support of the Hong Kong Government's call for decarbonisation, the Group has set an ambitious target by reducing greenhouse gas emissions by 30% by 2030 compared with the 2021 baseline through innovative solutions, technological upgrades and energy optimisation. Since 2011, our two most fuel-intensive subsidiaries have undergone annual carbon audits as part of the Energy and Carbon Management Programme. At our principal office, we have upgraded our wall-mounted solar lights to increase their sunlight exposure and energy efficiency. We also have a plan to encourage the use of more electric vehicles by our suppliers, employees and customer visitors by installing electric vehicle charging system at our premises.

BUSINESS REVIEW (Continued)

Discussion on Environmental Policies and Performance (Continued)

Our property development and investment businesses incorporate sustainability features from the beginning of our projects in the design and construction phases, and conduct energy-simulation modelling studies to identify the most optimal energy-saving approaches. Our managed properties also proactively take part in different environmental campaigns in an attempt to contribute to the collective efforts in combating climate challenges.

As part of our resource conservation efforts, the third rainwater harvesting tank has been installed to collect rainwater for vehicle washing during the year, floor cleaning and irrigation purposes. We also work hard to ensure waste materials and other useful resources are reused and recycled whenever possible before considering to dispose them in landfill. In our cruise business, apart from the provision of a green dining menu for customers, an onshore sewage system was in place to avoid the direct discharge of 1,924 litres of wastewater into the harbour in 2022. The properties developed by us, Metro Harbour Plaza and Green Code Plaza, received acknowledgement and awards in recognition of their sound waste recycling and/or energy saving practices.

Relationships with Employees, Customers and Suppliers

We would like to establish collaborative and long-term relationships with our key groups of stakeholders by behaving ethically and taking their interests into account. We frequently communicate with our employees, customers and suppliers and respond in a timely manner to address their needs and concerns.

Employees

The Group maintains its "Putting people first" value and strives to provide a supportive, inclusive, caring and safe work environment for our employees. They are remunerated with competitive salaries and benefits commensurate with work experience and job duties. We actively encourage all employees to participate in training programmes that are relevant to their work. Our motivations are derived from both non-monetary and monetary means. During the year, we have established a new policy whereby staff who have completed certain qualification or professional attainment will be considered a salary increment. During the year, our staff received approximately 4,344 hours of training in total and we have also dedicated approximately 20% of our total training hours to safety related topics, demonstrating our recognition of importance of occupational health and safety.

While the COVID-19 pandemic continued to pose challenges to the health of our employees during 2022, we have implemented various preventive measures to reduce the risk on our premises and provided staff with essential anti-epidemic supplies. At Shipyard, the Safety Committee was established to oversee occupational health and safety measures. The Safety Officer and Supervisor are responsible for the operation of the safety management system and the execution of safety inspections to ensure safe operational practices and identify areas for rectification as appropriate. At our new medical aesthetic clinic and premium beauty service centre, we strictly control and limit the use of special equipment and tools that generate high heat, laser or high energy. Only employees who have completed training and passed examinations are assigned to operate special equipment.

Customers

The Group strives to offer efficient, professional and quality services to satisfy customers' needs. To accurately capture customers' opinions and views, we conduct regular customer satisfaction surveys. Analysing customers' experience data helps the Group to improve performance and develop business strategies which align with customers' expectations. Our Ferry, Shipyard and Harbour Cruise - Bauhinia operations adopt the internationally recognised ISO 9001:2015 Quality Management System to ensure accountability for our quality standards. Our Harbour Cruise - Bauhinia operation has achieved customer satisfaction rate of over 90% for 8 consecutive years. We operate with a high level of business ethics and product responsibility, and comply with relevant intellectual property rights and customer data privacy regulations.

BUSINESS REVIEW (Continued)

Suppliers

The Group upholds high standards when it comes to supply chain management to cultivate a sense of corporate responsibility across our extensive supply chain networks. Our group policies provide guidance for fair and open procurement and tendering procedures and impartial and unbiased selection of competent suppliers and contractors. As a Hong Kong company, we have achieved an overall local procurement rate of over 80% for 7th consecutive years, which demonstrates our continuous support to the local economy. Sourcing locally also helps to reduce the carbon emission by shortening the distance for logistic management. During the reporting year, our Harbour Cruise - Bauhinia operations, new medical aesthetic clinic and premium beauty service centre and healthcare solution business sourced 100% locally from suppliers of Hong Kong. Through our Supplier Evaluation Report and Supplier Performance Review, we assess the suitability and performance of our suppliers and contractors on a regular basis. These appraisals enable us to maintain our service quality consistently. At our property development operations, we work closely with our contractors to ensure safety compliance, promote industry safety best practices and circulate occupational safety messages to all workers on our project sites. Furthermore, in response to the evolving changes in global requirements, additional supplier certifications such as carbon and energy audit as well as Global Reporting Initiative have been considered in our supplier selection since 2021.

Compliance Status with Relevant Laws and Regulations that have a Significant Impact on the Business

During the reporting year, there were no reported cases of non-compliance with applicable laws and regulations in Hong Kong on the environment, labour standards, occupational health and safety, anti-corruption, customer privacy and intellectual property that have a significant impact on the Group.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's purchases attributable to the major suppliers during the year is as follows:

	Percentage of the Group's total purchases
The largest supplier	86.0%
Five largest suppliers in aggregate	89.6%

No analysis in respect of the Group's major customers is shown as the percentage of revenue attributable to the Group's five largest customers is less than 30%.

Apart from the foregoing, at no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the number of issued shares of the Company) had any interest in these major customers and suppliers.

SUBSIDIARIES

Details of the principal subsidiaries of the Company at 31 December 2022 are set out in note 12 to the financial statements.

FINANCIAL STATEMENTS AND DIVIDENDS

The profit of the Group for the year ended 31 December 2022 and the financial position of the Group at that date are set out in the financial statements on pages 91 to 171.

An interim dividend of HK10 cents per share (2021: HK10 cents per share) was paid on 28 September 2022. The Board of Directors (the "Board") has recommended the payment of a final dividend for the year ended 31 December 2022 of HK15 cents per share (2021: HK15 cents per share). In celebration of the 100th anniversary of the

FINANCIAL STATEMENTS AND DIVIDENDS (Continued)

Company this year, the Board further recommended the payment of a special dividend for the year ended 31 December 2022 of HK$1.00 per share (2021: Nil). Subject to shareholders' approval at the annual general meeting to be held on Wednesday, 31 May 2023 (the "2023 Annual General Meeting"), the final dividend and the special dividend will be paid on Friday, 23 June 2023 to shareholders whose names appear on the register of members of the Company on Thursday, 8 June 2023. The final dividend and the special dividend, together with the interim dividend of HK10 cents per share already paid, will make a total distribution of HK$1.25 for the full year.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK$18,725 (2021: HK$14,340).

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 23 to the financial statements.

DIRECTORS

As at the date of publication of this Annual Report, the Directors of the Company are:

Executive Directors

Dr. Lam Ko Yin, Colin *(Chairman of the Board)*
Mr. Li Ning
Mr. Lee Gabriel *(Group General Manager)*

Non-executive Directors

Mr. Au Siu Kee, Alexander
Mr. Lau Yum Chuen, Eddie

Independent Non-executive Directors

Mr. Ho Hau Chong, Norman
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong
Mr. Chan Wai Yan, Ronald

During the year ended 31 December 2022 and subsequent to the year end, the following changes were made to the composition of the Board:

1. Mr. Lee Gabriel was appointed as an Executive Director of the Company with effect from 3 January 2023; and

2. Mr. Chan Wai Yan, Ronald was appointed as an Independent Non-executive Director of the Company and a member of the Audit Committee of the Company, both with effect from 20 March 2023.

The list of directors of the subsidiaries of the Company during the year and up to the date of this Annual Report is kept at the registered office of the Company and available for inspection by the shareholders during office hours.

In accordance with Article 103(A) of articles of association of the Company (the "Articles of Association") and Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Mr. Lau Yum Chuen, Eddie, Mr. Ho Hau Chong, Norman and Mr. Wu King Cheong shall retire by rotation at the 2023 Annual General Meeting, and, being eligible, offer themselves for re-election. Mr. Ho Hau Chong, Norman and Mr. Wu King Cheong, have served as Independent Non-executive Directors of the Company for more than nine years. Pursuant to the Code, their re-election shall be subject to two separate resolutions to be approved by the shareholders at the 2023 Annual General Meeting.

The Company has received from each of Mr. Ho Hau Chong, Norman, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong, Independent Non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considered that all of them are independent.

Pursuant to Article 94 of the Articles of Association, Mr. Lee Gabriel, who was appointed as a Director of the Company on 3 January 2023, shall hold office until the forthcoming annual general meeting and being eligible, offer himself for re-election as Director.

DIRECTORS (Continued)

Pursuant to Article 94 of the Articles of Association, Mr. Chan Wai Yan, Ronald, who was appointed as a Director of the Company on 20 March 2023, shall hold office until the forthcoming annual general meeting and being eligible, offer himself for re-election as Director. The Company has received from Mr. Chan Wai Yan, Ronald the written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considered that he is independent.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details, of the Directors and Senior Management are set out in the Directors' and Senior Management's Profile on pages 3 to 8 of this Annual Report.

DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of the Directors' and Chief Executive's emoluments are set out in note 7 to the financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except for the "Connected Transactions" as disclosed in this Report, no other transactions, arrangement or contracts of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the 2023 Annual General Meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment other than statutory compensation.

PERMITTED INDEMNITY PROVISION

According to the Articles of Association, every Director or other officers of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities to the fullest extent permitted by the Companies Ordinance, Chapter 622 of the Laws of Hong Kong which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Group.

DISCLOSURE OF INTERESTS

Directors' Interests in Securities

As at 31 December 2022, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Shares and underlying shares (Long positions)

	THE COMPANY				
	Interest in shares				
	Personal Interests *Number of Shares*	**Corporate Interests** *Number of Shares*	**Family Interests** *Number of Shares*	**Total Interests** *Number of Shares*	**Approximate percentage of the total number of issued shares**
Name of Director					
Dr. Lam Ko Yin, Colin	150,000	–	–	150,000	0.04%
Mr. Au Siu Kee, Alexander	–	–	–	–	0.00%
Mr. Ho Hau Chong, Norman	3,313,950	–	–	3,313,950	0.93%
Mr. Lau Yum Chuen, Eddie	–	–	–	–	0.00%
Mr. Li Ning	–	–	119,017,090 *(Note 4)*	119,017,090	33.41%
Mr. Lee Gabriel *	180,000	–	–	180,000	0.05%
Ms. Wong Yu Pok, Marina	–	–	–	–	0.00%
Mr. Wu King Cheong	–	–	–	–	0.00%

* Mr. Lee Gabriel, currently the Group General Manager, was appointed as an Executive Director with effect from 3 January 2023.

DISCLOSURE OF INTERESTS (Continued)

Directors' Interests in Securities (Continued)

Shares and underlying shares (Long positions) (Continued)

	2OK COMPANY LIMITED	
	Family Interests *Number of Shares*	**Approximate percentage of the total number of issued shares**
Name of Director		
Mr. Li Ning *(Note 6)*	5	50.00%

	WINWIDE LIMITED	
	Family Interests *Number of Shares*	**Approximate percentage of the total number of issued shares**
Name of Director		
Mr. Li Ning *(Note 7)*	70	70.00%

Other than as stated above, no directors or chief executives of the Company had any interest or short position, whether beneficial or non-beneficial, in the shares (in respect of positions held pursuant to equity derivatives), underlying shares and debentures of the Company or any of its associated corporations as at 31 December 2022.

DISCLOSURE OF INTERESTS (Continued)

Substantial Shareholders and Others

As at 31 December 2022, the interests in ordinary shares of the Company of every person as recorded in the register required to be kept under Section 336 of the SFO were as follows:

	Number of shares in which interested	Approximate percentage of the total number of issued shares
Substantial Shareholders		
Henderson Land Development Company Limited *(Note 1)*	119,017,090	33.41%
Pataca Enterprises Limited *(Note 1)*	119,017,090	33.41%
Wiselin Investment Limited *(Note 1)*	48,817,090	13.70%
Henderson Development Limited *(Note 2)*	119,017,090	33.41%
Hopkins (Cayman) Limited *(Note 3)*	119,017,090	33.41%
Rimmer (Cayman) Limited *(Note 3)*	119,017,090	33.41%
Riddick (Cayman) Limited *(Note 3)*	119,017,090	33.41%
Mr. Li Ning *(Note 4)*	119,017,090	33.41%
Dr. Lee Shau Kee *(Note 5)*	119,816,310	33.63%
Persons other than Substantial Shareholders		
Graf Investment Limited *(Note 1)*	23,400,000	6.57%
Mount Sherpa Limited *(Note 1)*	23,400,000	6.57%
Paillard Investment Limited *(Note 1)*	23,400,000	6.57%

DISCLOSURE OF INTERESTS (Continued)

Notes:

1. These 119,017,090 shares included the 48,817,090 shares, 23,400,000 shares, 23,400,000 shares and 23,400,000 shares respectively beneficially owned by Wiselin Investment Limited, Graf Investment Limited, Mount Sherpa Limited and Paillard Investment Limited, all of which were subsidiaries of Pataca Enterprises Limited which in turn was a subsidiary of Henderson Land Development Company Limited ("HLD").

2. These 119,017,090 shares are duplicated in the interests described in Note 1. Henderson Development Limited ("HD") beneficially owned more than one-third of the total number of issued shares of HLD.

3. These 119,017,090 shares are duplicated in the interests described in Notes 1 and 2. Rimmer (Cayman) Limited and Riddick (Cayman) Limited as trustees of the respective discretionary trusts held units in a unit trust (the "Unit Trust"). Hopkins (Cayman) Limited as trustee of the Unit Trust owned all the issued ordinary shares, which carry the voting rights in the share capital of HD.

4. By virtue of the SFO, Mr. Li Ning was taken to be interested in these 119,017,090 shares as Mr. Li's spouse was one of the discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust. These 119,017,090 shares are duplicated in the interests described in Notes 1, 2 and 3.

5. Dr. Lee Shau Kee beneficially owned all the issued share capital of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SFO, Dr. Lee Shau Kee was taken to be interested in 119,017,090 shares which are duplicated in the interests described in Notes 1, 2 and 3. Together with his personal shareholding of 799,220 shares, Dr. Lee Shau Kee was taken to be interested in 119,816,310 shares (approximately 33.63% of the total number of issued shares of the Company) as at 31 December 2022.

6. These 5 shares representing 50% equity interest in 2OK Company Limited (an associated company in which the Company through a subsidiary owned the remaining 50% interest) were beneficially owned by an indirect subsidiary of HLD. By virtue of the SFO, Mr. Li Ning was taken to be interested in these 5 shares in 2OK Company Limited as Mr. Li's spouse was one of the discretionary beneficiaries of the two discretionary trusts holding units in the Unit Trust.

7. These 70 shares representing 70% equity interest in Winwide Limited (an associated company in which the Company through a subsidiary owned the remaining 30% interest) were beneficially owned by a company in which HLD had a 40% interest and HD had the remaining 60% interest. By virtue of the SFO, Mr. Li Ning was taken to be interested in these 70 shares in Winwide Limited as Mr. Li's spouse was one of the discretionary beneficiaries of the two discretionary trusts holding units in the Unit Trust.

Save as disclosed, as at 31 December 2022, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company.

RESERVES

Profits attributable to shareholders, before dividend, of HK$1,299,136,000 (2021: HK$118,249,000) have been transferred to reserves. Other movements in reserves during the year are set out in note 23 to the financial statements.

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

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

ARRANGEMENT TO PURCHASE SHARES, WARRANTS, OPTIONS OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors, chief executive of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares, options, debentures or warrants of the Company or any other body corporate.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2022, the Company has not entered into any equity-linked agreements.

FINANCIAL SUMMARIES

The five years' financial summary of the Group are set out on pages 172 to 174 of this Annual Report.

GROUP PROPERTIES

A summary of the Group's properties is set out on pages 175 to 176 of this Annual Report.

RETIREMENT PLANS

The Group's Hong Kong employees participate either in a defined benefit retirement scheme or a Mandatory Provident Fund scheme. Particulars of these retirement plans are set out in note 16 to the financial statements.

DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

Pursuant to Rule 13.22 of the Listing Rules, a combined statement of financial position of the Company's affiliated companies (as defined in the Listing Rules) with financial assistance from the Group and the Group's attributable interests in those affiliated companies as at 31 December 2022 are presented as follows:

	Combined statement of financial position *HK$'000*	**Group's attributable interests** *HK$'000*
Non-current assets	9,679	4,840
Current assets	3,422,424	1,711,212
Current liabilities	(1,516,836)	(758,418)
Total assets less current liabilities	1,915,267	957,634
Non-current liabilities	(1,001,729)	(500,865)
Net assets	913,538	456,769

The combined statement of financial position of the Company's affiliated companies was prepared by combining their statements of financial position, after making adjustments to conform with the Group's significant accounting policies and re-grouping into significant classification in the statement of financial position, as at 31 December 2022.

CONNECTED TRANSACTIONS

Pursuant to the transactions and arrangements entered into by the Group with persons who are connected persons for the purposes of the Listing Rules, the Group recorded the transactions as described in note 27 to the financial statements.

Connected/Continuing Connected Transactions

For the year ended 31 December 2022 and up to the date of this Annual Report, the Company and/or its subsidiaries have been entered into certain connected/continuing connected transactions, with details below, which were subject to reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules:

Date	Connected Persons	Transactions
9 June 2022	Shahdan Limited ("Shahdan"), a wholly-owned subsidiary of Miramar Hotel and Investment Company, Limited ("Miramar") and an associate (as defined in the Listing Rules) of Henderson Land Development Company Limited ("HLD")	Shahdan as landlord and Century Time Holdings Limited, a wholly-owned subsidiary of the Company, as tenant entered into a tenancy agreement dated 9 June 2022 (the "Tenancy Agreement") in respect of the leasing of Units Nos. 901-04 & 18 on 9th Floor of Mira Place Tower A, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong for a term of three years from 10 June 2022 to 9 June 2025. Under Hong Kong Financial Reporting Standard ("HKFRS") 16, *Leases*, the Group recognised the rent payable under the Tenancy Agreement (being fixed payments) as an acquisition of right-of-use asset of capital in nature taking into account the carrying amount of such right-of-use asset, i.e. approximately HK$16,730,000 recognised by the Group during the year ended 31 December 2022, having been measured on the basis of the discounted present value of the fixed rent payable by the Group under the Tenancy Agreement. Such acquisition of right-of-use asset constituted a one-off connected transaction of the Company under Chapter 14A of the Listing Rules. The management fees and air-conditioning charges payable by the Group to Shahdan (being variable payments) are being recognised as expenses in the Group's profit and loss accounts in the periods in which they are incurred, and the payment of such expenses is regarded as continuing connected transactions of the Company under Chapter 14A.31 of the Listing Rules. The aggregate management fees and air-conditioning charges (exclusive of Government rates) payable under the Tenancy Agreement are subject to the annual cap of HK$1,000,000 for the period from 10 June 2022 to 31 December 2022. Details of the Tenancy Agreement and the annual caps were set out in the announcement of the Company dated 9 June 2022.

CONNECTED TRANSACTIONS (Continued)

Connected/Continuing Connected Transactions (Continued)

Date	Connected Persons	Transactions
10 June 2022	Henderson Property Agency Limited ("HPAL"), an indirect wholly-owned subsidiary of HLD	World Fame Shipping Limited ("World Fame"), a wholly-owned subsidiary of the Company, and HPAL entered into a sales management agreement dated 10 June 2022 (the "Sales Management Agreement") for the appointment of HPAL as the sales manager to provide project sales and marketing services in respect of the comprehensively planned development of a site at The Remaining Portion of New Kowloon Inland Lot No. 6559 held by Urban Renewal Authority as the owner and World Fame as the developer (the "Proposed Development") for a term of three years commencing from the date of the first initial sale of any residential units of the Proposed Development. HPAL shall be remunerated by receiving a sales fee equivalent to 0.5% of the gross proceeds of sale of such part(s) of the residential units and such other portions of the Proposed Development as World Fame may decide, in respect of which sale and purchase agreements (including preliminary sale and purchase agreements) have been entered into but excluding those sale and purchase agreements effected by third party sales agent(s), subject to the annual cap of HK$8,000,000 for the year ended 31 December 2022. Details of the Sales Management Agreement and the annual caps were set out in the announcement of the Company dated 10 June 2022.

CONNECTED TRANSACTIONS (Continued)

Connected/Continuing Connected Transactions (Continued)

Date	Connected Persons	Transactions
10 June 2022	HPAL	World Fame and HPAL entered into a letter agreement dated 10 June 2022 (the "Letter Agreement") pursuant to which HPAL would provide portions of Shops 501-506, 5th Floor, Mira Place 1, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (the "Premises") rented under the agreement entered into between Shahdan as landlord and HPAL as tenant in respect of the tenancy of Shops 501-506, 5th Floor, Mira Place 1, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (of which the Premises form part) dated 31 July 2020, for use as show flats and sales office for the sale of the residential units of the Proposed Development for the period from 10 June 2022 to the earlier of 4 August 2023 and the date on which the last residential unit in the Proposed Development to be sold is sold. Under HKFRS 16, *Leases*, the Group recognised the rent (being fixed payments) payable under the Letter Agreement as an acquisition of right-of-use asset of capital in nature taking into account the carrying amount of such right-of-use asset, i.e. approximately HK$2,350,000 recognised by the Group during the year ended 31 December 2022, having been measured on the basis of the discounted present value of the fixed rent payable by the Group under the Letter Agreement. Such acquisition of right-of-use asset constituted a one-off connected transaction of the Company under Chapter 14A of the Listing Rules. The management fees, air-conditioning charges and the promotion contribution payable by the Group under the Letter Agreement (being variable payments) are being recognised as expenses in the Group's profit and loss accounts in the periods in which they are incurred, and the payment of such expenses is regarded as continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The aggregate management fees, air-conditioning charges and the promotion contribution payable by World Fame to HPAL under the Letter Agreement is subject to the annual cap of HK$330,000 for the period from 10 June 2022 to 31 December 2022. Details of the Letter Agreement and the annual caps were set out in the announcement of the Company dated 10 June 2022.

Details of the above connected/continuing connected transactions are set out in note 27 to the financial statements.

CONNECTED TRANSACTIONS (Continued)

Connected/Continuing Connected Transactions (Continued)

The Independent Non-executive Directors of the Company have reviewed and confirmed that the above connected/ continuing connected transactions for the year ended 31 December 2022 have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter containing the auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 27 and 30 of this Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

The auditor of the Company have also confirmed to the Board in writing that the above connected/continuing connected transactions for the year ended 31 December 2022 (i) have received the approval of the Board; (ii) have been entered into in accordance with the relevant agreements governing the transactions; and (iii) have not exceeded the cap disclosed in the previous announcements.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standard of the corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 31 to 46 of this Annual Report.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2022 and discussed with internal audit department and independent external auditor in respect of matters on auditing, internal control and financial reports of the Group.

PUBLIC FLOAT

As at the date of this Report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

AUDITOR

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the 2023 Annual General Meeting.

On behalf of the Board

Dr. Lam Ko Yin, Colin
Chairman

Li Ning
Director

Hong Kong, 17 March 2023

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard of corporate governance. The Board of Directors (the "Board") is devoted to the ongoing enhancement of the corporate governance practices of the Company as the Board believes that good corporate governance practices are fundamental to the effective operation of a company and enhancement of shareholders' value as a whole.

In the opinion of the Board, the Company has complied with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2022. The Board shall review and update its corporate governance practices from time to time to ensure its continuous compliance with the Code.

CORPORATE CULTURE AND STRATEGY

With a commitment to maintaining rigorous standards of ethics and governance, the Board cultivates and fosters a corporate culture of integrity, growth, care and collaboration across all levels and in all aspects of operations, as befits the Group's core values.

The Board defines, promotes and oversees such culture by ensuring its alignment and consistency with the Group's business objectives, corporate strategies and future direction. The Group's corporate culture is manifested in and reflected by a broad range of Group-wide policies, practices and procedures, including those relating to governance and compliance, whistleblowing, equal opportunity and diversity, employee welfare and benefits, and corporate social responsibility. Collectively, these established processes shape, sustain and drive the Group's corporate culture.

The Company has been serving Hong Kong for a century. Whether it is the Group's ferry and shipyard businesses, its real estate development or its latest medical and aesthetic business, the Group upholds the concept of "Putting People First". The Group is committed to social development, giving back to the local community and setting sail together with the people of Hong Kong.

The three principles of "Love Hong Kong", "Love Victoria Harbour" and "Care for the Community" are embedded in the corporate culture of the Group. As a responsible corporate citizen, the Group provides a helping hand to the needy through participating in various charity events. It makes use of its unique resources to give back to the community and create long-term value for Hong Kong.

BOARD OF DIRECTORS

Responsibility and Delegation

The Board is primarily responsible for considering and deciding on matters covering overall Group strategies, business and investment plans, major acquisitions and disposals, annual financial budgets, approving annual reports and interim reports, announcement of annual results and interim results, dividend policy and payments, appointment of directors, oversight of management and oversee the effectiveness of the risk management and internal control systems of the Group including the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting functions and internal audit function, and their respective training programmes and budget, approval of major capital transactions and other significant operational and financial matters.

The functions reserved to the Board are basically provided by the articles of association of the Company (the "Articles of Association") and the Board will from time to time delegate the functions to the management whenever required. The management of the Company is responsible for the day-to-day operations of the Company and implementation of strategies adopted by the Board.

The Board focuses its attention on matters affecting the Company's long-term objectives, plans for achieving these objectives, the Group's overall business and commercial strategy as well as overall policies and guidelines.

The Board has established Board committees with written terms of references to assist in the efficient implementation of its functions, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Specific responsibilities have been delegated to the above Board Committees.

BOARD OF DIRECTORS (Continued)

Responsibility and Delegation (Continued)

Board meetings are held regularly four times a year and additional meetings will be held if necessary and when required to discuss significant matters or important issues. In order to meet tight time constraints and make timely decision for the Company's policies and businesses, Board approvals have also been sought by circulation of resolutions in writing from time to time in accordance with the Articles of Association. Directors' attendance by electronic means including telephone conferencing is counted as attendance at a physical Board meeting. The Company Secretary shall attend all regular Board meetings and additional meetings to advise on statutory compliance and corporate governance, when necessary.

In June 2022, the Board approved two announcements regarding two connected transactions and continuing connected transactions. In December 2022, the Board approved the appointment of an Executive Director. Subsequent to the year end date, the Board approved the appointment of an Independent Non-executive Director and a member of the Audit Committee of the Company in March 2023. The Board approved two announcements regarding such appointments.

According to the current Board practice, if a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter cannot be dealt with by a written resolution of the Board but will be dealt with by the Board at a duly convened Board meeting.

All Directors have been provided, on a monthly basis, with the Group's management information updates, balanced and understandable assessment of the Group's performance, position, and budget in order to keep them abreast of the Group's affairs and facilitate them to discharge their duties under the relevant requirements of the Listing Rules.

The Board has adopted effective mechanisms to ensure independent views and input are available to the Board. Subject to the approval of the Chairman of the Board, Directors may seek, at the Company's expense, independent legal, financial or other professional advices as and when necessary in appropriate circumstances to enable them to discharge their responsibilities effectively.

No equity-based remuneration with performance-related elements to Independent Non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence.

During the year, the Chairman, even though he is an Executive Director, held a meeting with all Independent Non-executive Directors without the presence of another Executive Director.

BOARD COMPOSITION

As at the date of publication of this Annual Report, the Board comprises nine Directors including three Executive Directors, two Non-executive Directors and four Independent Non-executive Directors. The names of the Directors of the Company are as follows:

Executive Directors

Dr. Lam Ko Yin, Colin *(Chairman of the Board)*
Mr. Li Ning
Mr. Lee Gabriel *(Group General Manager)*

Non-executive Directors

Mr. Au Siu Kee, Alexander
Mr. Lau Yum Chuen, Eddie

Independent Non-executive Directors

Mr. Ho Hau Chong, Norman
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong
Mr. Chan Wai Yan, Ronald

During the year ended 31 December 2022 and subsequent to the year end, the following changes were made to the composition of the Board:

1. Mr. Lee Gabriel was appointed as an Executive Director of the Company with effect from 3 January 2023; and

2. Mr. Chan Wai Yan, Ronald was appointed as an Independent Non-executive Director of the Company and a member of the Audit Committee of the Company, both with effect from 20 March 2023.

BOARD COMPOSITION (Continued)

The biographical details of the Directors are set out in the section headed "Directors' and Senior Management's Profile" on pages 3 to 7 of this Annual Report. A list of the Directors and their role and function is available on the Company's website (www.hkf.com) and HKEXnews website (www.hkexnews.hk) respectively.

Dr. Lee Shau Kee and Mr. Li Ning are deemed as having substantial interests in the total number of the issued shares of the Company under Part XV of the Securities and Futures Ordinance ("SFO"). Dr. Lee Shau Kee is the father-in-law of Mr. Li Ning. Dr. Lee Shau Kee and Dr. Lam Ko Yin, Colin are executive directors of Henderson Land Development Company Limited ("HLD"). Mr. Wu King Cheong and Mr. Au Siu Kee, Alexander are independent non-executive directors of HLD. HLD has discloseable interests under the provisions of the SFO in the Company.

Save as disclosed above, there is no financial, business, family or other material or relevant relationship among the Directors.

BOARD DIVERSITY POLICY

The Board approved and adopted the Board Diversity Policy setting out the approach to achieve diversity on the Board in August 2013 and revised the Board Diversity Policy in December 2018. The Nomination Committee of the Company has considered measurable objectives mainly on gender, age, professional experience and ethnicity to implement the Board Diversity Policy. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The selection and recommendation of candidates will be based on the nomination procedures, process and criteria adopted by the Board and a range of diversity perspectives, which would include but not be limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Board is satisfied that its composition is appropriate being considered the skills, experience and attributes of the Directors. The Nomination Committee will monitor the implementation of the Board Diversity Policy and review the Policy as appropriate. The Board Diversity Policy can be found and accessible on the website of the Company (www.hkf.com).

GENDER DIVERSITY

The Company has met gender diversity with the female representation in its Board. As at the date of this Annual Report, the Board currently have eight male Directors and one female Director, the gender diversity has been achieved in respect of the Board. The percentages of male Directors and female Director are approximately 89% and 11%, respectively.

As at 31 December 2022, as set out in the Environmental, Social and Governance Report contained in this Annual Report, among the 248 employees (including senior management) of the Group, the percentages of male employees and female employees are approximately 68% and 32%, respectively. The Board considers that the Group's workforce (including senior management) is diverse in terms of gender.

NOMINATION POLICY

The Board approved and adopted the Nomination Policy in December 2018 for identifying and evaluating candidates for nomination to the Board. The Nomination Policy aims to set out the principles which guide the Nomination Committee to identify and evaluate a candidate for nomination to (i) the Board for appointment or (ii) shareholders of the Company for election as a director of the Company. The Nomination Committee will also take into account the Board Diversity Policy and the Nomination Policy when identifying suitably qualified candidates for the Board and would review the Policies regularly to ensure their continuing effectiveness. The Nomination Policy sets out the criteria and procedures in making nominations, including but not limited to, skills, experience and professional expertise; diversity; commitment and standing. When the candidate to be nominated as an independent non-executive director, he/she must satisfy the independence criteria set out in Rule 3.13 of the Listing Rules. The existing Group General Manager of the Company was nominated as an Executive Director in 2022. The Nomination Policy can be found and accessible on the website of the Company (www.hkf.com).

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Nomination Committee is responsible to review the structure, size, diversity and composition of the Board, identify and nominate suitable candidates to the Board, and to make recommendations on any matters in relation to the appointment or re-appointment of members of the Board. Appointment of new Directors is reserved for the Board's approval.

The Nomination Committee ensures that the Board comprises members with mixed skills and experience with appropriate knowledge necessary to accomplish the Group's business development, strategies, operation, challenges and opportunities. The Nomination Committee takes into account the person's skills, qualifications and expected contributions to the Company before making any recommendations to the Board in relation to the appointment or re-appointment of members of the Board.

All Directors have formal letters of appointment setting out the key terms of their appointments. New Director appointed by the Board shall hold office until the next following annual general meeting and shall then be eligible for re-election.

The appointment of independent non-executive directors adheres to the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules.

According to the Articles of Association, any Director newly appointed by the Board shall hold office until the next following general meeting of the Company (in case of filling a casual vacancy) or until the next following annual general meeting (in case of an addition to the Board) and shall then be eligible for re-election at that general meeting/annual general meeting.

In accordance with the Articles of Association, no Director shall hold office for a continuous period in excess of three years, or past the third annual general meeting, following the Director's appointment or re-election, whichever is the longer, without submitting for re-election at an annual general meeting of the shareholders of the Company.

In addition, at each annual general meeting, one-third of the Directors for the time being or, if their number is not three or a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation at least once every three years.

The procedures for shareholders of the Company to propose a person for election as a Director are available and accessible on the website of the Company (www.hkf.com) and on the section of "Procedures for Shareholders to propose a person for election as a Director" on page 46 of this Corporate Governance Report.

CHAIRMAN AND GROUP GENERAL MANAGER

The roles of the Chairman of the Board and the Group General Manager of the Company are taken by two separate individuals who are not related to each other. The separation of the roles of the Chairman and the Group General Manager enables a clear division of responsibilities between the Chairman of the Board and the Group General Manager and also provides checks and balances.

The role of the Chairman of the Board is taken by Dr. Lam Ko Yin, Colin while the role of the Group General Manager (whose status is equivalent to chief executive officer for the purpose of the Code but not otherwise) is taken by Mr. Lee Gabriel, who was appointed as an Executive Director of the Company with effect from 3 January 2023. The key function of the Chairman is the management of the Board whereas the key function of the Group General Manager is the day-to-day management of the Company's business.

NON-EXECUTIVE DIRECTORS

The Company has complied with the requirements under Rules 3.10(1) and 3.10A of the Listing Rules of having at least three independent non-executive directors, representing one-third of the Board. One of the independent non-executive directors has the appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

Following the amendments to the Code which took effect on 1 January 2022, non-executive directors are no longer required to be appointed for a specific term. They are eligible for re-appointment and subject to re-election on retirement by rotation in accordance with the Articles of Association.

CONFIRMATION OF INDEPENDENCE

The Nomination Committee and the Board noted that Mr. Ho Hau Chong, Norman is an executive director of Miramar Hotel and Investment Company, Limited ("Miramar") and a director of Wealth Team Development Limited ("Wealth Team"), which is an indirect subsidiary of HLD. Mr. Ho also has indirect beneficial interests of 9.9% in all issued share capital of Wealth Team, but is not involved in the management and operations of Wealth Team. Miramar, Wealth Team and HLD are connected persons of the Company under the Listing Rules.

In view of the fact that Mr. Ho does not have any material interests in any principal business activities of and is not involved in any material business dealings with the Company, or any of its subsidiaries or with any connected persons of the Company, and that both the management and the operations of the Miramar Group and the Group are totally independent from each other, the Board in good faith considers that the independence of Mr. Ho as an Independent Non-executive Director of the Company is not in any way affected by his directorships in both Miramar and Wealth Team. Save as aforesaid, Mr. Ho has complied with other conditions set out in Rule 3.13 of the Listing Rules.

The Board has received an annual confirmation of independence from each of Mr. Ho Hau Chong, Norman, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong, Independent Non-executive Directors of the Company, pursuant to Rule 3.13 of the Listing Rules.

All Independent Non-executive Directors also met the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules. The Board has not been aware of the occurrence of any events which would cause it to believe that their independence has been impaired.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

On appointment to the Board, each Director receives comprehensive induction covering business operations, policies and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

Each newly appointed Director would be provided an induction package he or she would receive a briefing on his or her responsibilities under the declaration and undertaking with regard to directors from an external lawyer of the Company.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company encourages the Directors and senior management to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, the Companies Ordinance, Chapter 622 of the Laws of Hong Kong (the "Companies Ordinance") and corporate governance practices organised by professional bodies and institutions in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

From time to time, the Directors are provided with written reading materials to develop and refresh their professional skills; the Group also organises and arranges seminars on the latest development of applicable laws, rules and regulations for the Directors to assist them in discharging their duties. During the year, the Group arranged for the Directors and senior management to attend presentation of the distinguished speaker from the professional fields on topic of global political landscape.

The Company continuously updates the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT (Continued)

According to the records maintained by the Company, the Directors received the following training(s) in order to comply with the requirements of the Code regarding the training records receiving on continuous professional development for the year ended 31 December 2022:

Board of Directors	Type of trainings relevant to corporate governance, anti-corruption, regulatory updates and/or accounting, finance and tax
Executive Directors	
Dr. Lam Ko Yin, Colin *(Chairman of the Board)*	A, B
Mr. Li Ning	A, B
Non-executive Directors	
Mr. Au Siu Kee, Alexander	A, B
Mr. Lau Yum Chuen, Eddie	A, B
Independent Non-executive Directors	
Mr. Ho Hau Chong, Norman	A, B
Ms. Wong Yu Pok, Marina	A, B
Mr. Wu King Cheong	A, B

A: attending seminars and/or presentations
B: reading materials

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

BOARD COMMITTEES

The Board has established three Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee to oversee particular aspects of the Company's affairs. Each committee has been delegated with certain functions of the Board.

Audit Committee

The Audit Committee of the Company has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Audit Committee comprises four Independent Non-executive Directors, namely, Mr. Ho Hau Chong, Norman (Chairman of the Audit Committee), Ms. Wong Yu Pok, Marina, Mr. Wu King Cheong and Mr. Chan Wai Yan, Ronald (appointed on 20 March 2023).

The terms of reference of the Audit Committee is available on the Company's website (www.hkf.com) and HKEXnews website (www.hkexnews.hk) respectively.

The major duties and responsibilities of the Audit Committee are to review of the annual and interim results and oversight of the Company's financial reporting principles and practices and discuss with the external auditor on financial reporting and compliance; to recommend the appointment, re-appointment or removal of the external auditor, to determine their independence and objectivity as well as to review the scope of audit and the reporting obligation of the external auditor, to review the representation letter and engagement letter from the external auditor. The Audit Committee oversees the effectiveness of risk management and internal control systems of the Group including the adequacy of resources, staff qualifications, experience, programmes and budget of the accounting and reporting function and internal audit function of the Group. The external auditor was invited to attend the meetings of Audit Committee to present their reports and reviews for the interim and annual results of the Group. The Audit Committee has been delegated the corporate governance functions by the Board to review and monitor the corporate compliance within the Group.

During the year, two Audit Committee meetings were held. During the meetings, the Audit Committee members reviewed the annual results and the financial statements for the year ended 31 December 2021 with recommendation to the Board for approval, the Annual Internal Audit Report, the continuous professional development training records of Directors and senior management, Continuing Connected Transactions, a review of the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions and internal audit function, the interim results for the six months ended 30 June 2022 and the Interim Internal Audit Report, approved the representation letter and the terms of engagement of the external auditor, the works of the Company's internal audit department and assessed the effectiveness of the Group's systems of risk management and internal control.

BOARD COMMITTEES (Continued)

Audit Committee (Continued)

The Audit Committee performed the corporate governance duties by reviewing the compliance with the Code and disclosure requirements as set out in this Corporate Governance Report.

Remuneration Committee

The Remuneration Committee of the Company has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Remuneration Committee comprises three Independent Non-executive Directors, namely, Mr. Wu King Cheong (Chairman of the Remuneration Committee), Mr. Ho Hau Chong, Norman and Ms. Wong Yu Pok, Marina and two Executive Directors namely Dr. Lam Ko Yin, Colin and Mr. Li Ning.

The terms of reference of the Remuneration Committee is available on the Company's website (www.hkf.com) and HKEXnews website (www.hkexnews.hk) respectively.

The Remuneration Committee has adopted the operation model where it performs to make recommendations to the Board on the Company's policies and structure for all Directors' and senior management's emolument and on the establishment of a formal and transparent procedure for developing emolument policy.

The Remuneration Committee is responsible for reviewing the policies and structure for the emolument of all Directors and senior management of the Company, assessing performance of the Executive Directors and establishment of a formal and transparent procedure for developing policies on such emolument.

The emolument of the Directors and senior management are determined by reference to the skills, knowledge and the tasks assigned and also to the individual performance, the overall profitability and corporate goals and objectives of the Company as a whole. In determining the emolument package, the Committee will also obtain relevant information from external source and consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, etc.

During the year, one remuneration committee meeting was held and one resolution in writing was signed by all Remuneration Committee members. During the meeting, the Remuneration Committee members reviewed and determined the emolument package of the staff including the senior management of the Company and made recommendations on the fees of all the Directors of the Company for the year ended 31 December 2022. The Remuneration Committee members reviewed and recommended to the Board the emoluments of the new Executive Director of the Company as determined with reference to his duties and responsibilities towards the Company and the then prevailing market conditions and practice by resolutions in writing.

Particulars of the Directors' and Chief Executive's emoluments disclosed pursuant to the Companies Ordinance and Appendix 16 to the Listing Rules are set out in note 7 to the financial statements on page 129 of this Annual Report while the analysis of the senior management's emoluments by band is set out in note 8 to the financial statements on page 130 of this Annual Report.

Nomination Committee

The Nomination Committee has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Nomination Committee comprises two Executive Directors namely Dr. Lam Ko Yin, Colin (Chairman of the Nomination Committee) and Mr. Li Ning and three Independent Non-executive Directors, namely, Mr. Ho Hau Chong, Norman, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong.

The terms of reference of the Nomination Committee are available on the Company's website (www.hkf.com) and HKEXnews website (www.hkexnews.hk) respectively.

The Nomination Committee is responsible for reviewing the structure, size, diversity and composition (including the skills, knowledge, experience and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to implement the Company's corporate strategies, with due regards to the Board Diversity Policy. It also identifies individuals suitably qualified to become the Board members selects or makes recommendations to the Board on the selection of individuals to be nominated for directorships assesses the independence of independent non-executive directors, and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Group General Manager. The Nomination Committee shall consider the candidate from a wide range of backgrounds, his/her merits and against objective criteria set out by the Board and taking into consideration of his/her time devoted to the position.

BOARD COMMITTEES (Continued)

Nomination Committee (Continued)

During the year, one Nomination Committee meeting was held and one resolution in writing was signed by all Nomination Committee members. During the meeting, the Nomination Committee members reviewed the structure, size, diversity and composition (including the skills, knowledge, experience and length of service) of the Board, reviewed the Independent Non-executive Directors' annual confirmations on their independence; reviewed the time required for a Director to perform his responsibilities; assessed the independence status of current Independent Non-executive Directors who have served on the Board for more than nine years; made recommendations to the Board for re-election of the retiring Directors at the annual general meeting of the Company held on 31 May 2022. The Nomination Committee also reviewed the biographies of those retiring Directors and taking into consideration their knowledge, experience, capability and various diversity aspects as set out in the Board Diversity Policy as well as their contributions to the Company over the years. The Nomination Committee is of the view that the retiring Directors would continue to contribute to the Board with their respective perspectives, skills and experience.

The Nomination Committee members also reviewed the Board Diversity Policy and the Nomination Policy remained relevant and no revision was required and reviewed the proposed amendments to the disclosure of corporate governance of the Company, where appropriate, and recommended the same to the Board for approval.

The Nomination Committee recommended the appointment of one new Executive Director, currently the Group General Manager, to the Board for approval in December 2022 and the appointment of an additional Independent Non-executive Director and a member of the Audit Committee, to the Board for approval in March 2023 in accordance with the Nomination Policy and the Board Diversity Policy of the Company.

In addition, none of them has any financial or family relationships with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company, which could give rise to a conflict of interests situation or otherwise affect their exercise of independent judgement. The Nomination Committee believes that they remain committed to their role as Independent Non-Executive Directors of the Company and will continue to be independent.

Mr. Ho Hau Chong, Norman, who was appointed as Independent Non-executive Director of the Company since March 1995, had served as Independent Non-executive Director for more than nine years. Mr. Ho is also the Chairman of the Audit Committee, a member of the Remuneration Committee and the Nomination Committee of the Company. Despite Mr. Ho has other directorships as mentioned in the section of "Confirmation of Independence" on page 35 of this Corporate Governance Report, he does not have any management role in the Company. The Nomination Committee considered that Mr. Ho has continuously contributed to the Company and the Board with his relevant experience and knowledge throughout his years of service.

Mr. Wu King Cheong, who was appointed as Independent Non-executive Director of the Company since January 2005, had served as Independent Non-executive Director for more than nine years. Mr. Wu is also the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee of the Company. Taking into consideration of his independent scope of works in the past years, the Board considers Mr. Wu to be independent under the Listing Rules despite the fact that he had served the Company for more than nine years and served as common directors of HLD, Henderson Investment Limited and Miramar, all of which are listed public companies. Also, Mr. Wu has not engaged in any executive management of the Group.

Besides, during their tenure of office, Mr. Ho and Mr. Wu have been providing objective and independent views to the Company over the years, and they remain committed to their independent roles. Accordingly, Mr. Ho and Mr. Wu will retire by rotation in accordance with the Articles of Association at the annual general meeting to be held on Wednesday, 31 May 2023. Their further appointment should be subject to two separate resolutions to be approved by shareholders.

BOARD COMMITTEES (Continued)

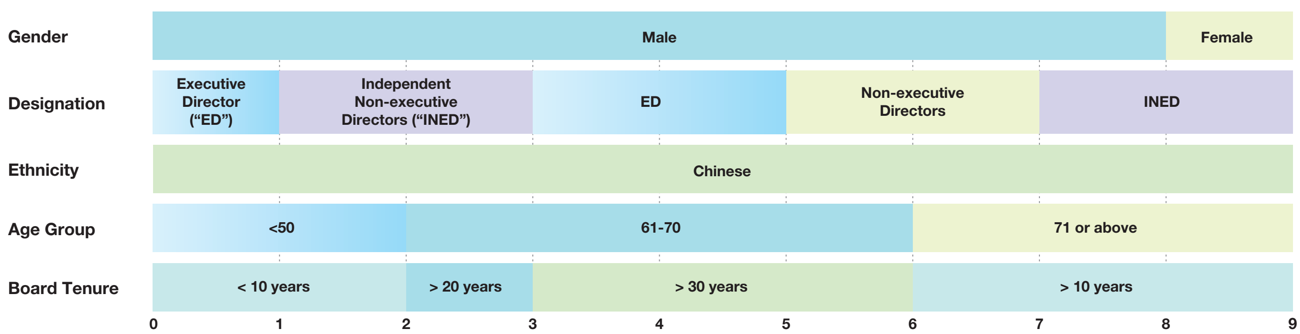
Nomination Committee (Continued)

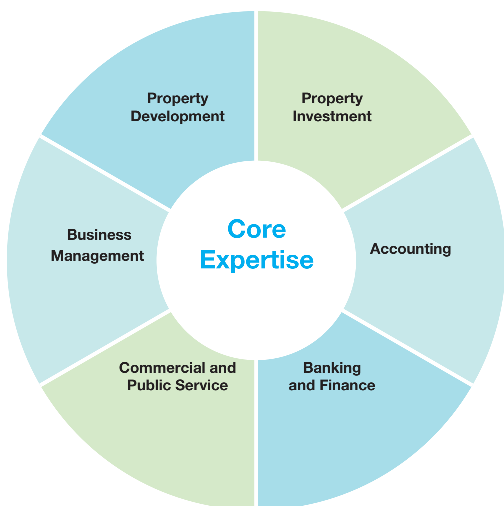
Each of Mr. Ho Hau Chong, Norman, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong has served the Company for more than nine years, during which period they have provided professional advice and insight to the Board. They have in-depth understanding of the Group's business and operation and have also demonstrated strong independence by providing impartial views and comments at Board and Board committee meetings during their tenure of office. They have not taken part in the day-to-day management of the Company. The Nomination Committee considered that the long service of the Independent Non-executive Directors will not affect their exercise of independent judgment and was satisfied that each of Mr. Ho Hau Chong, Norman, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong has the required integrity and experience to continue fulfilling the role of an Independent Non-executive Director.

The composition of the Board provides a diversity of skills, gender, experience, and knowledge to the Company. The diversity profile of the Board as at 20 March 2023 is as follows:

BOARD DIVERSITY

Number of Directors: 9





Note:

Multiple professional background and experience may apply to a Director.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors. Having made specific enquiries, the Company confirmed that all Directors of the Company have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2022.

The Company has also adopted written guidelines on no less exacting terms than the Model Code for relevant employees (including employees of the Company or Directors or employees of its subsidiaries, who, because of such office or employment, are likely to be in possession of unpublished inside information in relation to the Company or its securities), in respect of their dealings in the securities of the Company.

POLICY AND PROCEDURES ON DISCLOSURE OF INSIDE INFORMATION

The Board has adopted the Policy and Procedures on Disclosure of Inside Information which contains the guidelines to the Directors, officers and relevant employees of the Company to ensure that the inside information of the Company disseminated to public is in an equal and timely manner in accordance with the applicable laws and regulations. The Policy and Procedures on Disclosure of Inside Information is available on the Company's website (www.hkf.com).

COMPANY SECRETARY

Mr. Yuen Wai Kuen, Peter, the Company Secretary of the Company, is a full time employee of the Group and had day-to-day knowledge of the Company's affairs. During the year, the Company Secretary has complied with the relevant professional training requirements under Rule 3.29 of the Listing Rules. The biographical details of the Company Secretary is set out in the section headed "Directors' and Senior Management's Profile" on page 8 of this Annual Report.

AUDIT, RISK MANAGEMENT AND INTERNAL CONTROL

Financial Reporting

The Directors acknowledge their responsibility for preparing the financial statements of the Group for each financial period to give a true and fair view of the financial position and financial performance of the Group. In preparing the financial statements for the year ended 31 December 2022, the Directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent, fair and reasonable, and have prepared the consolidated financial statements on a going concern basis.

The statement of the Auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 85 to 90 of this Annual Report.

Auditor's Remuneration

Apart from carrying out the annual audit, KPMG, the Auditor of the Company also carried out the review on the interim report of the Company. For the year ended 31 December 2022, annual audit fee amounted to HK$1,868,000 whereas the fee for the interim review amounted to HK$366,000. Save for the interim review, KPMG did not provide any substantial non-audit services to the Company.

Policies for Whistleblowing and Anti-corruption

The Company has established a system for employees and any person to report concerns about any suspected or actual improprieties relating to the Group and the relevant details are set out in the Business Ethics and Code of Business Conduct Policy. The policy aims at encouraging and enabling any person to report violations or suspected violations and to raise serious concerns about possible improprieties in matters of financial reporting or other matters of the Group by mail to the Chairman of the Whistleblowing Committee. The Group will take appropriate actions against such improprieties and, where appropriate, report the cases to the relevant enforcement authorities.

The Whistleblowing Committee has established in 2022 consisting of three members with majority Independent Non-executive Directors and overseen a whistleblowing policy and set comprehensive procedures whereby the stakeholders including the employees can report any actual or suspected occurrence of improper conduct involving the Company, and for matters to be investigated and dealt with efficiently in an appropriate and transparent manner. The Whistleblowing Committee would oversee the investigations and could appoint the Internal Audit Manager to conduct investigation, where appropriate.

AUDIT, RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

Policies for Whistleblowing and Anti-corruption (Continued)

Moreover, the Company has adopted the Anti-Corruption and Bribery Policy which provides guidance to our employees on how to recognize and deal with bribery and corruption. Every employee has a duty to report any potential violations of the policy to the Company through the channels set out therein.

Risk Management and Internal Control

The Board acknowledges its responsibility for overseeing the risk management and internal control systems of the Group and reviewing the effectiveness at least annually through the Audit Committee. The systems and internal control can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage rather than eliminate the risk of failure to achieve business objectives.

The Internal Audit Department of the Company, which reports directly to the Audit Committee and is independent of the Company's daily operations, is responsible for conducting regular audits on the areas of financial, operational and compliance control, and risk management functions.

The Group has established an organisational structure with defined levels of responsibilities and reporting procedures. The Audit Committee supports the Board in design, implementation and monitoring of the risk management and internal control systems. The operating units of the Group are responsible for the identification, assessment and mitigation of risks at business unit level and across functional areas. The Internal Risk Management Team, composed of nominated department heads and executives, facilitates the implementation of the risk management framework. The Internal Audit Department assists the Audit Committee in review of the effectiveness of the Group's risk management and internal control systems on an ongoing basis. The Directors, through the Audit Committee, are kept regularly apprised of significant risks that may have impacts on the Group's performance.

The process of risk management involves:

- understanding the organisational objectives;
- identifying the risks associated with achieving organisational objectives and assessing the likelihood and potential impacts of particular risks;
- developing programmes to address the identified risks; and
- monitoring and evaluating the risks, internal control and the arrangements in place to address them on an ongoing basis.

The risk management of the Group combines a top-down strategic view with a complementary bottom-up operational process.

The Board, by the top-down approach, particularly focuses on determining the nature and extent of significant risks that it is willing to take in achieving the strategic objectives of the Group. The Audit Committee supports the Board to review all significant risks in order to ensure that the business activities remain within agreed risk appetite tolerances.

The operating units of the Group are responsible for identifying their own risks and designing, implementing and monitoring the relevant risk management and internal control systems. The setting of business objectives and annual budgeting is one of their key control activities, which shall be refined to take into consideration the risk factors. The operating units of the Group consult the Group General Manager on setting the business objectives which are pursuant to the Board's strategic objectives and are consistent with its risk appetite. The process involves the maintenance of risk assessment reports setting out particulars of material risks together with the control strategies as reported by the operating units of the Group. This bottom-up approach is embedded in the operations of the Group and complements the top-down strategic view by identifying the principal risks and ensuring the significant risks to be considered by the Board in determining the risk appetite.

AUDIT, RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

Risk Management and Internal Control (Continued)

The Internal Audit Department collects the risk assessment reports from the operating units of the Group and then compiles a risk register for review at the meeting of Internal Risk Management Team which are held at least 4 times a year (2 meetings are held before the holding of the Board Meeting to review the interim and annual results of the Group). The Internal Risk Management Team coordinates risk management activities and assesses the effectiveness of the related system of internal control in managing the significant risks, having regard, in particular, to any significant failings or weaknesses in internal control that have been reported.

The Internal Audit Department adopted a risk-based approach which included all significant risks in each year's annual audit plan and performed audits to evaluate the proper functioning of the risk management and internal control systems for the financial year ended 31 December 2022. It is intended to carry out this evaluation process on an ongoing basis. Key audit findings and recommendations have been shared with the Internal Risk Management Team. The Audit Committee, after reviewing and considering the risk management findings submitted by the Internal Audit Department, reported to the Board of the Company and confirmed to the Board that the risk management and internal control systems are effective and adequate.

The diagram below summarises the complementary top-down and bottom-up aspects of the integrated approach of the Group to risk management.

"Top-down" Approach

Oversight, identification, assessment and mitigation of risk at corporate level

The Board

- Has overall responsibility for the Group's risk management and internal control systems
- Sets strategic objectives
- Reviews the effectiveness of the Group's risk management and internal control systems
- Monitors the nature and extent of risk exposure for the Group's significant risks
- Provides direction on the importance of risk management and risk management culture

Internal Risk Management Team

- Supports the Audit Committee in designing, implementing, and monitoring the Group's risk management and internal control systems
- Supports the Audit Committee in assessing the Group's risks and mitigating measures Company-wide

Audit Committee

- Supports the Board in monitoring risk exposure, design and operating effectiveness of the underlying risk management and internal control systems

Internal Audit

- Supports the Audit Committee in reviewing the effectiveness of the Group's risk management and internal control systems
- Considers risk assessment results, especially for all significant risks in annual audit planning
- Designs audit program with reference to the risk assessment results
- Reports key audit findings and recommendations to the Audit Committee and Internal Risk Management Team

"Bottom-up" Approach

Identification, assessment and mitigation of risk at business unit level and across functional areas

Operational Level

- Sets business objectives
- Risk identification, assessment and mitigation performed across the business
- Risk management process and internal controls measures practised across business operations and functional areas.

AUDIT, RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

Risk Management and Internal Control (Continued)

Certain significant risks such as business risk, financial risk, regulatory and compliance risk and operational risk had been identified during the year through the process of risk identification and assessment. Relevant control strategies and mitigation on significant risks had been reported to the Audit Committee. The Audit Committee and the Board were not aware of any areas of concern that would have material impact on the financial position or results of operations of the Group and considered that the risk management and internal control systems are generally effective and adequate.

Inside Information

With regard to procedures and internal control for the handling and dissemination of inside information, the Company:

- is required to disclose inside information as soon as reasonably practicable in accordance with the Securities and Futures Ordinance and the Listing Rules.
- conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission.
- has included in its Corporate Code of Conduct a strict prohibition on the unauthorised use of confidential or inside information.
- ensures, through its own internal reporting processes and the consideration of their outcomes by senior management, the appropriate handling and dissemination of inside information.

ATTENDANCE RECORD OF DIRECTORS AND BOARD COMMITTEE MEMBERS

Details of the attendance of each Director at the Board Meetings ("BM"), Audit Committee Meetings ("ACM"), Remuneration Committee Meeting ("RCM") and Nomination Committee Meeting ("NCM") during the year ended 31 December 2022 and Annual General Meeting held on 31 May 2022 ("2022 AGM") are set out in the following table:

	Number of Meetings attended/held				
Board of Directors	**BM**	**ACM**	**RCM**	**NCM**	**2022 AGM**
Executive Directors					
Dr. Lam Ko Yin, Colin *(Note 1)*	4/4	N/A	1/1	1/1	1/1
Mr. Li Ning *(Note 2)*	4/4	N/A	1/1	1/1	1/1
Non-executive Directors					
Mr. Au Siu Kee, Alexander	4/4	N/A	N/A	N/A	1/1
Mr. Lau Yum Chuen, Eddie	4/4	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Ho Hau Chong, Norman *(Note 3)*	3/4	2/2	1/1	1/1	0/1
Ms. Wong Yu Pok, Marina *(Note 4)*	4/4	2/2	1/1	1/1	1/1
Mr. Wu King Cheong *(Note 5)*	4/4	2/2	1/1	1/1	1/1

Notes:

1. *Chairman of the Board, Member of the Remuneration Committee and Chairman of the Nomination Committee.*
2. *Member of the Remuneration Committee and the Nomination Committee.*
3. *Chairman of the Audit Committee, Member of the Remuneration Committee and the Nomination Committee. Mr. Ho Hau Chong, Norman was unable to attend a scheduled 2022 AGM due to prior commitment.*
4. *Member of the Audit Committee, the Remuneration Committee and the Nomination Committee.*
5. *Chairman of the Remuneration Committee, Member of the Audit Committee and Member of the Nomination Committee.*

DIRECTORS' TIME COMMITMENT

The Board regularly reviews the contributions required from a Director to perform his/her responsibilities to the Company, and whether he/she is spending sufficient time performing his/her role. Directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments and an indication of time involved. The Company has received confirmation from each Director that he/she has spent sufficient time during the year ended 31 December, 2022. None of the Directors held directorships in more than six listed public companies during the year.

COMMUNICATION WITH SHAREHOLDERS

The Company continues to pursue investor relations and communications with shareholders.

The Board has adopted a Shareholders Communication Policy setting out the Company's procedures in providing the shareholders with prompt and equal access to information about the Company, in order to enable the shareholders to access the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company.

The Company has established an effective communication system. The Company also maintains a website (www.hkf.com) through which the Company's updated financial information, announcements, circulars, notices of meetings, press releases and contact details can be accessed by the shareholders and investors. The Board believes that the Company's website provides an alternative mean for the public investors to obtain information of the Company in a convenient and timely manner.

The annual general meeting also provides an important opportunity for constructive communication between the Board and the shareholders. The Chairman and the chairmen of the Audit Committee, Remuneration Committee and Nomination Committee as well as the Company's external auditor maintained an on-going dialogue with the shareholders and answered questions raised by the shareholders throughout the annual general meeting.

DIVIDEND POLICY

The Board approved and adopted the Dividend Policy in December 2018 setting out the factors in determination of dividend payment of the Company according to the financial conditions in general, operating results, capital requirements, shareholders' equity, contractual restraints and other factors considered relevant by the Board. The Dividend Policy shall be reviewed periodically and submitted to the Board for approval if amendments are required. During the year, the Board reviewed the Dividend Policy and it was agreed that it remained relevant and no revision was required. The Dividend Policy is available on the website of the Company (www.hkf.com).

With respect to the Financial Statements and Dividends for the year ended 31 December 2022, please refer to the Report of the Directors set out on pages 18 and 19 of this Annual Report.

SHAREHOLDERS' RIGHTS

Set out below are procedures by which shareholders may: (1) request to call a general meeting; (2) put forward enquiries to the Board; and (3) request to circulate a resolution for an annual general meeting. These procedures are generally governed by the provisions of the Articles of Association and applicable laws, rules and regulations, which prevail over what are stated in this section in case of inconsistencies.

1. Procedures by which shareholders may request to call a general meeting

Pursuant to the Articles of Association and Section 566 of the Companies Ordinance, shareholders representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of the Company can make a request to call a general meeting.

SHAREHOLDERS' RIGHTS (Continued)

1. Procedures by which shareholders may request to call a general meeting (Continued)

The request: (a) must state the general nature of the business to be dealt with at the general meeting; (b) may include the text of a resolution that may properly be moved and is intended to be moved at the general meeting; (c) may consist of several documents in like form; (d) may be sent to the Company Secretary in hard copy form to the registered office of the Company at 98 Tam Kon Shan Road, TYTL 102, Ngau Kok Wan, North Tsing Yi, New Territories, Hong Kong or in electronic form via e-mail at hkferry@hkf.com; and (e) must be authenticated by the shareholders making it.

Pursuant to Section 567 of the Companies Ordinance, the Directors must call a general meeting within 21 days after the date on which it becomes subject to the requirement and a general meeting so called must be held on a date not more than 28 days after the date of the notice convening a general meeting. If the Directors do not do so, the shareholders, or any of them representing more than one half of the total voting rights of all of them, may themselves call a general meeting pursuant to Section 568 of the Companies Ordinance, but the meeting must be called for a date not more than 3 months after the date on which the Directors become subject to the requirement to call a general meeting. Any reasonable expenses incurred by the shareholders by reason of the Board's failure to duly call the meeting shall be reimbursed to the shareholders by the Company.

2. Procedures for putting forward enquiries to the Board

Shareholders may put forward enquiries to the Board through the Company Secretary who will direct the enquiries to the Board for handling. The contact details of the Company Secretary are as follows:

The Company Secretary
Hong Kong Ferry (Holdings) Company Limited
98 Tam Kon Shan Road
TYTL 102
Ngau Kok Wan
North Tsing Yi
New Territories
Hong Kong

E-Mail	:	hkferry@hkf.com
Telephone	:	(852) 2394 4294
Facsimile	:	(852) 2786 9001

3. Procedures to circulate a resolution for an annual general meeting

Pursuant to Section 615 of the Companies Ordinance, shareholders can make a request to circulate a proposed resolution that may properly be moved and is intended to be moved at an annual general meeting, accompanied by a statement of not more than 1,000 words with respect to the matter mentioned in the proposed resolution. The request must be made by: (i) shareholders representing at least 2.5% of the total voting rights of all the shareholders who have a relevant right to vote on the resolution at the annual general meeting to which the request relates; or (ii) at least 50 shareholders who have a relevant right to vote on the resolution at the annual general meeting to which the request relates.

The request: (a) may be sent to the Company Secretary in hard copy form to the registered office of the Company at 98 Tam Kon Shan Road, TYTL 102, Ngau Kok Wan, North Tsing Yi, New Territories, Hong Kong or in electronic form via e-mail at hkferry@hkf.com; (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the shareholders making it; and (d) must be received by the Company not later than 6 weeks before the annual general meeting to which the request relates; or if later, not later than the time at which notice is given of that annual general meeting.

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

According to the Articles of Association, a notice signed by a shareholder of his/her intention to propose a person for election and also a notice signed by the person (the "Candidate") to be proposed of his/her willingness to be elected shall be lodged at the registered office of the Company no earlier than the day after the despatch of the notice of the general meeting appointed for such election and no later than 7 days prior to the date of such general meeting.

The Candidate is required to provide his/her biographical details set out under Rule 13.51(2) of the Listing Rules.

The Nomination Committee, where applicable, will review and make recommendations to the Board on the selection of any individuals nominated for directorships in accordance with the terms of reference of the Nomination Committee.

The Company will, where appropriate, issue a supplementary circular which shall include the name of the Candidate together with his/her biographical details set out in Rule 13.51(2) of the Listing Rules, to the shareholders for them to make decision on their election at a general meeting.

INVESTOR RELATIONS

At the annual general meeting of the Company held on 31 May 2022, was being held by hybrid meeting where shareholders may participate by means of electronic facilities in addition to physical attendance, and to provide for other flexibility in relation to the conduct of general meetings.

During the year ended 31 December 2022, no amendment was made to the Articles of Association. The latest version of the Articles of Association is available on the Company's website (www.hkf.com) and HKEXnews website (www.hkexnews.hk) respectively.

The Company's information would be communicated to the shareholders mainly through the Company's corporate communications (such as interim and annual reports, announcements and circulars) and annual general meetings, as well as disclosures on the website of the Company.

Interim reports, annual reports and circulars are sent to the shareholders in a timely manner and are also available on the websites of the Company and Hong Kong Exchanges and Clearing Limited. The Company's website provides shareholders with its corporate information, such as its principal business activities, the development of corporate governance and the sustainable development of the Group. For efficient communication with shareholders and in the interest of environmental protection, arrangements are made to allow shareholders to elect to receive corporate communications of the Company by electronic means through the Company's website (www.hkf.com).

Shareholders are provided with contact details of the Company, such as telephone number, fax number, email address and postal address, in order to enable them to make any queries that they may have with respect to the Company. In addition, shareholders can contact the share registrar of the Company if they have any enquiries about their shareholdings and entitlements to dividend.

MESSAGE FROM THE CHAIRMAN

On behalf of Hong Kong Ferry (Holdings) Company Limited (the "Company") and its subsidiaries (collectively, the "Group"), I am pleased to present the Environmental, Social and Governance Report 2022 ("ESG Report"). This report outlines the Group's achievements, vision and control of environmental, social and governance ("ESG") related impacts to and from our businesses. We continue to refine our sustainability strategies and performance with stakeholders' feedback.

This year marked the 100th anniversary of the Company. We remain diligent in our priorities of contributing to the well-being of Hong Kong and "Putting people first" across our diverse businesses and stakeholders' network.

As we have been blessed to be serving the Hong Kong community for a century, we are in full support for Hong Kong's Climate Action Plan 2050 as announced by the Government of the Hong Kong Special Administrative Region ("Hong Kong Government") which outlines the strategies and targets for combating climate change and achieving carbon neutrality. Recognising the importance of combating climate change in our sustainability journey, we have formulated climate change policy and taken resource-conserving practices. We support the application of renewable energy and encourage the use of low carbon, low embodied-energy and/or energy efficient products and materials.

The Group would not have achieved our success over the last century without our employees. We nurture a people-oriented culture and strive to create an inclusive workplace, promote employees' well-being and facilitate their all-round development. Going forward, we shall continue to provide quality training with additional ESG-related focuses to employees to strengthen their understanding of good practices.

Following three years of COVID-19 outbreak in Hong Kong, Hong Kong has been striving for a return to normal social and economic activities. As we step ahead into the next century of our development, the Group will persevere to capture the post-COVID opportunities with sustainable means and practices. We consider that by integrating sustainability into our business practices, we shall be able to give back to our community, create shared value for our stakeholders and align with our principle of "Loving Hong Kong and the Harbour".

Our sustainability efforts and achievements continued to receive due recognition in various communities. I would like to thank our employees for their diligent efforts and our stakeholders for their continuous support. We shall maintain our unwavering and uncompromising commitment in our sustainability journey and play our role in building Hong Kong's sustainable future.

Dr. Lam Ko Yin, Colin
Chairman

1. 2022 PERFORMANCE HIGHLIGHTS

Core Businesses

- Property Development
- Property Investment
- Ferry, Shipyard and related operations
- Health and Wellness

Sulphur Content In Diesel

0.001%

Employees' Training Hours

4,344 Hours

Employees' Turnover Rate

Less than

13.0%

Number of Community Programmes participated

16

Total Voluntary Services Hours

426 Hours

Local Procurement Rate

84%

Achieving Overall Local Procurement Rate of Over 80% across our diverse businesses in support of local economy

7 consecutive years

Achieving Customer Satisfaction Rate of Over 90%# (Harbour Cruise - Bauhinia)

8 consecutive years

\# customer satisfaction survey conducted according to ISO 9001:2015 Quality Management System

2. AWARDS, CERTIFICATES AND MEMBERSHIPS

Environmental Leadership

Corporate Environmental Leadership Awards 2021 – EcoPartner and 5 Years+ EcoPioneer Certificate

– The Hong Kong Shipyard Limited

– The Hongkong and Yaumati Ferry Company Limited

by Bank of China (Hong Kong) Limited and Federation of Hong Kong Industries

Hong Kong Green Organisation

– Metro Harbour Plaza

– Green Code Plaza

by Environmental Campaign Committee

Hong Kong Green Organisation Certification

– Energywi$e Certificate

– Basic Level

– Metro Harbour Plaza

Hong Kong Green Organisation Certification

– Energywi$e Certificate

– Basic Level

– Green Code Plaza

Hong Kong Green Organisation Certification

– Wastewi$e Certificate

– Good Level

– Green Code Plaza

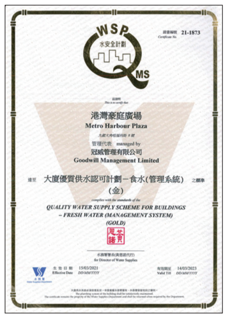
by Environmental Campaign Committee

2. AWARDS, CERTIFICATES AND MEMBERSHIPS (Continued)

Environmental Leadership (Continued)

Quality Water Supply Scheme for Buildings – Flushing Water (Gold) – Metro Harbour Plaza

Quality Water Supply Scheme for Buildings – Fresh Water (Management System) (Gold) – Metro Harbour Plaza



Quality Water Supply Scheme for Buildings – Fresh Water (Management System) (Blue) – Green Code Plaza

by Water Supplies Department

Indoor Air Quality Certificate (Good Class) (2022–2023)

– Metro Harbour Plaza

– Green Code Plaza

– Principal Office of the Company

by Environmental Protection Department

Anti-Epidemic Hygiene Measures Certification Scheme – Metro Harbour Plaza

Hygiene Measures for CoV Prevention Certification Scheme – Metro Harbour Plaza

by Hong Kong Quality Assurance Agency

2. AWARDS, CERTIFICATES AND MEMBERSHIPS (Continued)

Environmental Leadership (Continued)

Smart Energy Award 2021 – Merit Certification
- **Metro Harbour Plaza**
- **Green Code Plaza**

by CLP Power Hong Kong Limited

Umbrella Bags Reduction Accreditation Program 2022 – Gold Level
- **Metro Harbour Plaza**
- **Green Code Plaza**

by Greeners Action

Enterprises Cherish Water Charter 2022
- **Metro Harbour Plaza**
- **Green Code Plaza**

by Water Supplies Department and Green Council

Energy Saving Charter 2021
- **Green Code Plaza**

by Environment Bureau (now known as Environment and Ecology Bureau) and Electrical and Mechanical Services Department

2. AWARDS, CERTIFICATES AND MEMBERSHIPS (Continued)

Environmental Leadership (Continued)

Commendation Scheme on Source Separation of Commercial and Industrial Waste (2021/2022) – Gold Award (Shopping Mall/Arcade) – Green Code Plaza

by Environmental Protection Department

Friends of EcoPark - Certificate of Appreciation (2021) – Hong Kong Ferry (Holdings) Company Limited

by Environment Bureau (now known as Environment and Ecology Bureau)

Green Building Award 2021 – Finalist (New Buildings Category – Projects Under Construction and/or Design – Residential) – Development at 280 Tung Chau Street, Sham Shui Po, Kowloon, Hong Kong

by The Hong Kong Green Building Council and The Professional Green Building Council

Caring Company

Caring Company 20 years+ Logo (2003–2023)
by The Hong Kong Council of Social Service

Good Employer Charter (2020–2022)
by Labour Department

Good MPF Employer 5 Years+ and MPF Support Award
by Mandatory Provident Fund Schemes Authority

Partner Employer Award 5 Years (2022)
by The Hong Kong General Chamber of Small and Medium Business

Happy Company 2022 and 10 Years Certificate
by Promoting Happiness Index Foundation

ERB Manpower Developer Award Scheme – Super MD Award (2020–2025)
by Employees Retraining Board

2. AWARDS, CERTIFICATES AND MEMBERSHIPS (Continued)

Community Contributions

CSR Recognition Scheme Industry Cares 2022 – Outstanding Caring Awards (Enterprise Group)
by Federation of Hong Kong Industries

Heart To Heart Company (2005–2023)
by The Hong Kong Federation of Youth Groups

Social Capital Builder Logo Award (2020–2022)
by Labour and Welfare Bureau and Community Investment and Inclusion Fund

Social Capital Builder Logo Award (2022–2024)
by Home and Youth Affairs Bureau and Community Investment and Inclusion Fund

Outstanding Industrial Attachment Scholarships 2022
by Vocational Training Council

Quality Services

Hong Kong Q-Mark Service Scheme – Hong Kong Q-Mark Certificate for Harbour Cruise - Bauhinia
by The Hong Kong Q-Mark Council, Federation of Hong Kong Industries

ISO 9001:2015 Quality Management System Certification for Harbour Cruise - Bauhinia
by Intertek

ISO 9001:2015 Quality Management System Certification for The Hongkong and Yaumati Ferry Company Limited
by Lloyd's Register Quality Assurance Limited

ISO 9001:2015 Quality Management System Certification for The Hong Kong Shipyard Limited
by Lloyd's Register Quality Assurance Limited

Membership	Organisation
Corporate Member	Hong Kong Brand Development Council
Corporate Member	International Food Safety Association
Corporate Member	The Institute of Purchasing & Supply of Hong Kong
Green Cross Group Member	Occupational Safety & Health Council
Member	Data Protection Officers' Club
Member	Employers' Federation of Hong Kong
Member	Hong Kong Federation of Restaurants & Related Trades Limited
Organisation Member	The Chartered Institute of Logistics and Transport in Hong Kong

3. ABOUT THIS REPORT

Reporting Standard and Scope

This ESG Report covers the period from 1 January 2022 to 31 December 2022 (the "Reporting Period") and aims at providing an overview of the Group's ESG-related policies, practices, performance and outcomes during the Reporting Period.

During the Reporting Period, the Group engaged in businesses in property development, property investment, ferry and shipyard operations and related services. In view of the potential of the health and wellness business, during the Reporting Period, the Group has invested in medical and healthcare business and established a medical aesthetic clinic and premium beauty service centre in Tsim Sha Tsui. The Group's principal operations are located in Hong Kong. To demonstrate a fair and holistic representation of the Group's operations, the following companies are covered in this ESG Report:

	Business Unit	Company Name
1	Principal Office	Hong Kong Ferry (Holdings) Company Limited
2	Property Development	World Fame Shipping Limited
3		Win Standard Enterprises Limited
4	Property Investment	Well Dynamic Limited
5		World Light Limited
6		Lenfield Limited
7		HKF Property Investment Limited
8	Shipyard Operations	The Hong Kong Shipyard Limited
9	Dangerous Goods Vehicular Ferry Services	The Hongkong and Yaumati Ferry Company Limited
10	Harbour Cruise - Bauhinia	Galaxy Hotel Management Company Limited
11	Health and Wellness — Medical Aesthetic and Beauty	Century Time Holdings Limited
12	Health and Wellness — Offering of Total Healthcare Solutions to Business and Consumers	Galaxy Harbour Limited

3. ABOUT THIS REPORT (Continued)

This ESG Report is prepared in accordance with the requirements of the ESG Reporting Guide in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "ESG Reporting Guide"). It adheres to the following reporting principles.

Materiality	This ESG Report's structure follows the results of stakeholders' engagement in the form of an online survey distributed to the Group's external and internal stakeholders about materiality assessment specialised in ESG issues. Please read this ESG Report in conjunction with the sub-sections headed "B. Stakeholder Engagement" and "C. Materiality Assessment" under the section headed "4. Sustainability Governance" for detailed information.
Quantitative	The key performance indicator(s) ("KPI" or "KPIs") is/are measurable with respective calculation methodologies and thus the ESG performance of the Group can be evaluated and validated continuously.
Balance	The information provided in this ESG Report is based on the Group's policies, documents, and recorded practices. It provides an unbiased overview of the Group's ESG performance and areas of improvement.
Consistency	This ESG Report adopts methodologies that are consistent with previous years, which allows for meaningful comparisons of ESG data over time.

To help readers in navigating this ESG Report's content, a HKEX ESG Reporting Guide content index is available on pages 81 to 84.

4. SUSTAINABILITY GOVERNANCE

Board Statement

The Board holds the overall accountability for the Group's ESG management approach, strategy and performance. The Board's responsibilities include providing strategic ESG guidance, reviewing and endorsing the ESG-related policies and targets, and approving our ESG report. During the Reporting Period, the Board included ESG topics and matters in their agenda of meeting in the regular board meetings. In these meetings, the Board established and reviewed the Climate Change Policy, Environmental Policy, Anti-Corruption and Bribery Policy, Business Ethics and Code of Business Conduct Policy, and established and/or restructured the whistleblowing procedures and Whistleblowing Committee. The Board also kept across the performance of our sustainability-related programmes by reviewing and approving the continuous improvement of our solar energy system, office renovation plan and overseeing the set-up of our medical aesthetic clinic and premium beauty service centre with the inclusion of ESG considerations which align with our Group's vision and mission.

A. Sustainability Governance Structure

To support the Board's oversight and systematic management of material ESG issues, we have set up an ESG working group comprising representatives from all business units. This working group drives the Group's approach to the management of our ESG risks and opportunities. It does so by uniting the top-down strategic view with bottom-up processes in order to holistically identify and review sustainability risks across all our business units. Moreover, specific sustainability risks, such as long-term staff recruitment, occupational safety and regulatory compliance, are regularly reviewed, evaluated and monitored in accordance with our internal risk management process and control systems, which are reported to the Board. Please refer to the sub-section headed "Risk Management and Internal Control" in the "Corporate Governance Report" on pages 41 to 43 of our Annual Report 2022 for more details.

B. Stakeholder Engagement

In preparing this ESG Report, the Group actively communicated with stakeholders who are deemed to be significantly affected by the Group's operating activities and be reasonably expected to affect the effectiveness of the Group's strategies and policies related to the ESG issues. We also commissioned an independent ESG consultant to assist in conducting an ESG-specific stakeholder engagement exercise. The Group invited both external and internal stakeholders, including clients/customers, suppliers/vendors, business partners, and employees, to respond to our online survey.

Open and effective communication with our stakeholders allows us to better understand their expectations, which helps shape the Group's strategy and business development.

4. SUSTAINABILITY GOVERNANCE (Continued)

C. Materiality Assessment

The ESG-specific stakeholder engagement exercise mainly involved a materiality assessment of ESG issues that were identified to be related to the Group with reference to the prevailing Global Reporting Initiative ("GRI") and the ESG Reporting Guide. A 3-step approach has been adopted to assess the materiality of ESG issues.

1

Identification

- Identify a list of ESG issues with reference to the GRI, the ESG Reporting Guide, the Group's businesses and culture
- Identify key stakeholder groups

2

Engagement

- Engage stakeholders to collect their views on the importance and priorities of each of the ESG issues to the Group

3

Analysis and Evaluation

- Analyse the results collected from stakeholders
- Prioritise and rank ESG issues

The matrix and table below present the results of the materiality assessment. The matrix reflects the relative importance of each KPI in the ESG Reporting Guide towards the Group's strategic implementation and operation.

Importance to Employees and External Stakeholders (Low → High); Importance to management of the Company (Low → High)

Importance to Employees and External Stakeholders			
High	**A2.1** Energy consumption **A2.3** Energy use efficiency targets and measures	**B7.1** Concluded legal cases **B7.2** Anti-corruption measures **B7.3** Anti-corruption training	**B1.2** Employee turnover rate **B2.1** Work-related fatalities **B2.2** Lost days due to work injury **B2.3** Occupational health and safety measures **B3.1** Percentage and diversity of employees trained **B3.2** Average training hours **B6.1** Percentage of recalled products **B6.2** Complaints received and handling **B6.4** Quality assurance **B6.5** Consumer data protection and privacy
	A3.1 Significant impacts on the environment and natural resources **B5.3** Supply chain risk management	**A1.1** Air emissions **A1.2** Greenhouse gas emissions **A1.5** Greenhouse gas reduction targets and measures **B1.1** Total workforce **B5.1** Number of suppliers by geographical region **B5.2** Supplier management practices **B8.2** Resources contributed to the community	**A1.3** Hazardous waste produced **A1.4** Non-hazardous waste produced **A1.6** Hazardous and non-hazardous wastes reduction targets and measures **B6.3** Intellectual property rights practices
Low	**A2.2** Water consumption **A2.4** Water efficiency **A2.5** Packaging material **A4.1** Climate change **B8.1** Community focus areas	**B5.4** Green procurement promotion	**B4.1** Measures to avoid child and forced labour **B4.2** Elimination of child and forced labour
Importance to management of the Company	Low		High

57

5. OPERATING PRACTICES

Since the Company's establishment in 1923, we have always kept our promise to provide quality products and services to our customers. We cannot achieve such sustained success without our extensive supply chain network, and we understand the responsibilities which come with our power to cultivate sustainable practices in our supply chain network.

A. Supply Chain Management

In response to the ever-increasing global threat posed by climate change and to demonstrate our commitment to environmental protection and well-being of the society, the Group has established the Climate Change Policy and Environmental Policy. The former, among others, (a) encourages our suppliers, consultants, contractors and business partners to reduce carbon emissions and energy consumption in their daily operations; and (b) incorporates climate change considerations in our procurement process and encourages the use of low carbon, low embodied-energy and energy efficient products and materials. The latter, among others, cultivates environmental awareness in our decision-making and operating practices as well as gives priority to environmentally-friendly designs, materials and approach, and favours consultants, contractors and suppliers who follow environmentally-friendly practices in providing their designs, services and products. Our Code of Conduct also outlines our requirements on ethical standards, labour rights and environmental practices.

These commitments and initiatives are put into practice in our supplier engagement and tender process by setting up evaluation criteria on product and service quality, safety performance, operational needs, price and compliance to our Code of Conduct to align our suppliers' interests to our commercial, environmental and social requirements.

The Group has a stringent monitoring system in place. Our property development operations conduct safety audits annually. Our other operations also conduct supplier evaluation quarterly to identify areas of concerns and recommend remedial actions. Since 2021 and during the Reporting Period, we have incorporated ESG-related supplier certifications in our supplier review process by considering Energy Audit, Carbon Audit and GRI as factors that may affect our supplier selection.

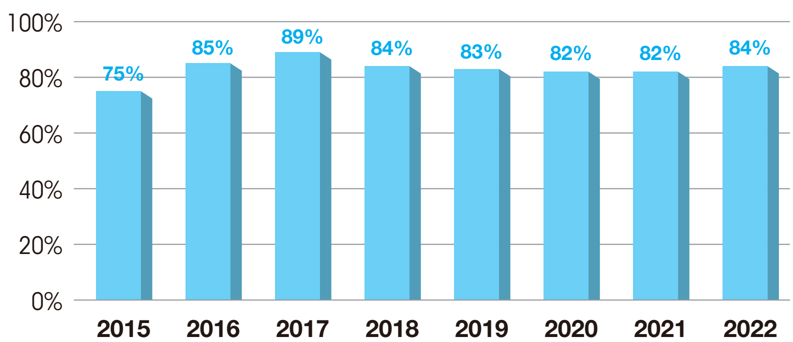
Any new supplier onboarding or Supplier Evaluation Report will be produced according to different acceptance criteria and needs to be approved by our senior management.

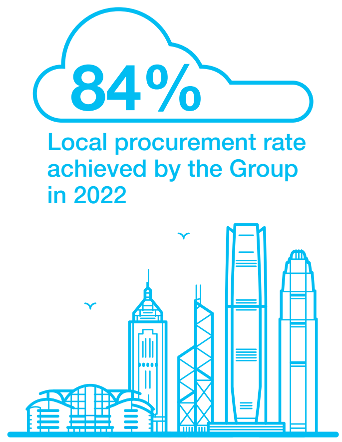
5. OPERATING PRACTICES (Continued)

A. Supply Chain Management (Continued)

As a Hong Kong company, we strive to support the local economy by sourcing and procuring locally where feasible. Sourcing locally also helps to reduce the carbon emission by shortening the distance for logistic management. During the Reporting Period, we achieved an overall local procurement rate of 84% and marked the 7th consecutive year since we have achieved local procurement rate over 80%. Our Harbour Cruise - Bauhinia operations, new medical aesthetic clinic and premium beauty service centre and healthcare solution business sourced 100% locally from suppliers of Hong Kong. In 2022, we continued to endeavor to promote environmentally preferable products and services, and keep a keen attention on the occupational health and safety measures implemented by our collaborating suppliers. We had attended "Improving the supply chain management and food hygiene and safety operations of the food business amid the pandemic" as organised by Hong Kong Quality Assurance Agency, in order to enhance cruise operations to respond to the fifth wave of COVID-19 pandemic and reduce the risk of virus transmission.

Overall local procurement rate of the Group





B. Product and Service Responsibilities

The Group has established a comprehensive policy to provide employees with relevant guidelines in relation to quality assurance, intellectual property rights and customer privacy to ensure that the Group provides quality and responsible products and services to its customers. During the Reporting Period, there were no reported cases of non-compliance with relevant laws and regulations.

We also place great importance on the confidentiality of all personal data and information collected from our customers. Our Employee Internet and Email Use Policy, covering the use and management of data and information in accordance with the relevant regulatory requirements, is easily accessible by our employees. All employees are required to adhere to these internal guidelines to handle customer data in a safe and secure manner. To address potential regulatory risks which may significantly affect our business, since 2021, Harbour Cruise - Bauhinia has changed the data collection statement on its website from passive consent to active consent according to the General Data Protection Regulation's ("GDPR") user consent requirements*.

Additionally, we are mindful of the potential concerns regarding intellectual property rights and music copyright laws at our Harbour Cruise - Bauhinia operation. Aside from using licensed computer software, we have paid all necessary music royalties under a Copyright Music Performance Licence Contract. Harbour Cruise - Bauhinia is also registered as a trademark with the Trade Marks Registry, Intellectual Property Department of the Hong Kong Government.

* According to the user consent requirements of GDPR, consent of customer means specific, informed, and unambiguous indication of the wishes by the customer, using a statement or a clear affirmative action, which signifies agreement to the processing of personal data relating to the customer.

5. OPERATING PRACTICES (Continued)

B. Product and Service Responsibilities (Continued)

Our Shipyard and Harbour Cruise - Bauhinia operations ensure the provision of quality products and services which consistently meet, if not exceed, customer expectations and relevant regulatory requirements by following the ISO 9001:2015 Quality Management System. Prioritising customers' health and comfort, we diligently monitor indoor air quality at our managed properties. In 2022, Metro Harbour Plaza enrolled in the Environmental Protection Department's Indoor Air Quality Certification Scheme for Offices and Public Places, and achieved the Good Class objectives for the fifth consecutive year.

A deeper understanding of customers' needs and expectations enables us to make informed decisions in pursuit of service excellence. Various engagement channels, including customer satisfaction surveys, are in place to gather customers' feedback in a systematic and proactive manner. We also have a comprehensive mechanism for product and service complaints including our quarterly Docking Repair Service Customer Satisfaction Survey and bi-annual On-Time Maintenance Services survey to meet our ISO 9001:2015 requirement. In our healthcare business, if we receive complaints, we shall make every effort to investigate and resolve complaints lodged by the customers. During the Reporting Period, the Group received no material complaint relating to product and service quality.

The frequency and overall results of customer satisfaction surveys

Business Unit	Frequency	Satisfaction Rate
Harbour Cruise - Bauhinia	Weekly	97%
Shipyard Operation	Quarterly	97%
Dangerous Goods Vehicular Ferry Services	Half-yearly	98%
Health and Wellness — Medical Aesthetic Clinic and Premium Beauty Service Centre	All customers	75%
Health and Wellness — Offering of Total Healthcare Solutions to Business and Consumers	Half-yearly	97%

6. PEOPLE AND COMMUNITY

Our employees are the engines driving the success of our business. We place a high value on our talented workforce to drive the long-term growth of the Group. The Group recognises the importance of providing a safe, collaborative, inclusive and positive work environment and is fully committed to providing a supportive working environment in which our employees may thrive.

Cultivating a healthy work-life balance, the Group set up new amenity area in office for staff to spend their rest periods. The Group hopes that these new amenities can boost productivity and creativity among staff.

6. PEOPLE AND COMMUNITY (Continued)

A. Preventing Occupational Hazards and Maintaining Occupational Health and Safety

The Group is committed to building a healthy and safe environment for employees, contractors and visitors, and in 2022, we had a revision and update on our Safety Policy and Safety Plan for the Group. We work diligently to maintain a safe working environment and have implemented proactive measures to minimise potential occupational hazards in our premises. We strictly prohibit all shipyard employees, contractors and suppliers from consuming alcohol and drugs in the workplace, and we have a Substance Use Policy in place to effectively meet our requirements. To ensure alignment and understanding of our policies, reminders are regularly despatched to all employees. Failure to comply with these policies is taken seriously, with violations possibly resulting in disciplinary actions up to and including termination of employment.

For additional preventive measures, the Safety Committee provides oversight of the shipyard's safety management and risk control. The Safety Officer and Supervisor are responsible for the operation of the safety management system and the execution of safety inspections to ensure that all employees are able to work safely and are provided with appropriate safety gear and personal protective equipment. The committee prepares weekly safety inspection reports to identify areas for immediate correction and potential safety hazards, and to develop best practices for future use.

We regularly provide safety-related training to our employees and safety-related training took up approximately 20% of our total approximately 4,344 training hours during the Reporting Period. For more details, please refer to below sub-section headed "D. Development and Training" under this section.

Fire safety is among our top focus areas across our operations. Apart from drills on vessels twice a month, monthly drills at piers and quarterly joint drills of Harbour Cruise - Bauhinia and our Dangerous Goods Vehicular Ferry Services, we also engaged and conducted fire drill with the presence of firemen of Tsing Yi fire station in 2022 in order to demonstrate and update our employees on the latest information regarding fire safety.

In our medical aesthetic and beauty business, some treatments offered in our medical aesthetic clinic and premium beauty service centre involve operations of special equipment and tools, such as equipment that generates high heat, laser or high energy. We strictly control and limit the use of such equipment and ensure that only employees who have completed training and passed examinations are assigned to operate special equipment.

Our new medical aesthetic clinic and premium beauty service centre in Tsim Sha Tsui

6. PEOPLE AND COMMUNITY (Continued)

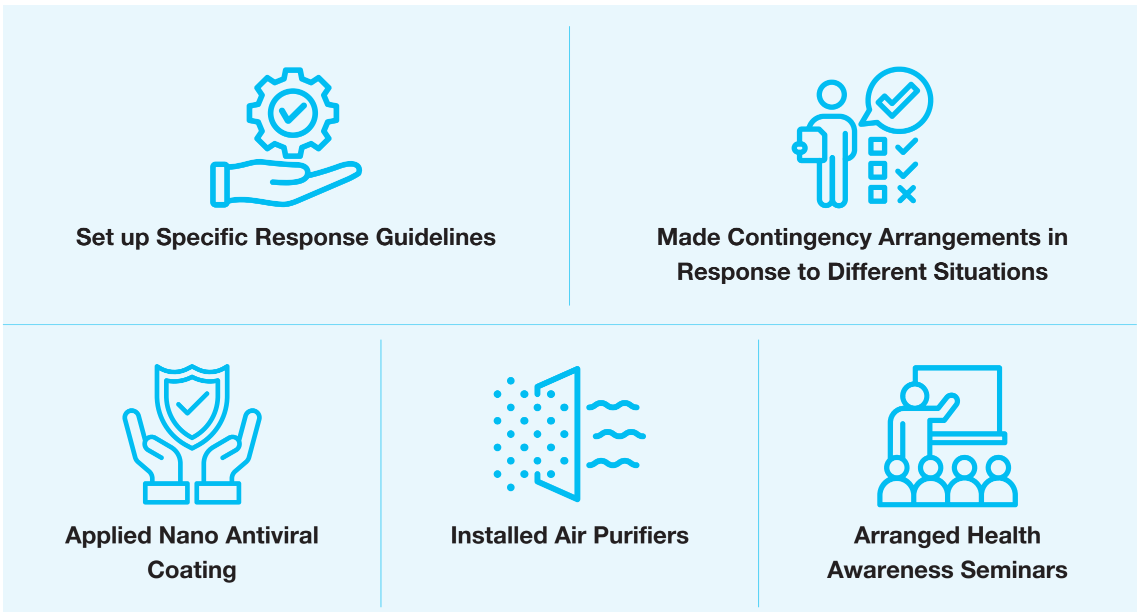
A. Preventing Occupational Hazards and Maintaining Occupational Health and Safety (Continued)

The Group places great emphasis on the health of our employees as employees are valuable asset, especially during the COVID-19 pandemic in 2022. We provide comprehensive medical insurance coverage for our employees, including outpatient and inpatient coverage for employees and their families, certain free vaccinations and regular medical check-up allowance. In addition, we also provide other voluntary insurance plans such as self-insured top-up medical and dental plans for our employees, as well as free health check-ups exclusively for frontline workers, operational ferry staff, cruise kitchen and Shipyard employees.

During the Reporting Period, there were no reported cases of non-compliance with applicable occupational health and safety laws and regulations in Hong Kong that have a significant impact on the Group.

B. Our COVID-19 Response

The Group regards health and safety of our employees, subcontractors and customers as our utmost priority. During the Reporting Period, the following measures implemented by the Group after COVID-19 emerged in Hong Kong remained:



The prolonged COVID-19 pandemic has further disrupted our daily lives during the Reporting Period. As a caring company, we are striving to support our customers, employees, communities and other stakeholders during such unprecedented period and prevailing economic situation.

6. PEOPLE AND COMMUNITY (Continued)

B. Our COVID-19 Response (Continued)

To provide our employees with clear directions, established response plans and guidance continue to reference standards including Hong Kong Government's Preparedness and Response Plan for Novel Infectious Disease of Public Health Significance. Specific preventive measures tailored to different business units are in place including but not limited to:

- Enhancement of cleaning protocols
- Implementation of flexible work practice
- Regular distribution of anti-epidemic supplies and healthcare products to employees
- Provision of paid leave for employees taking COVID-19 vaccination
- Provision of Rapid Antigen Test Kits to all staff
- Organisation of health awareness seminars for staff
- Encouragement for staff to avoid commuting during rush hour
- Daily body temperature monitoring for staff
- Virtual instead of face-to-face meetings, as far as practicable
- Cancellation of unnecessary international business travel
- Installation of office air purifiers
- Application of nano antiviral coating in our offices, cruise fleets and common areas of Metro Harbour Plaza and Green Code Plaza
- Body temperature measurement of tenants and visitors at all offices, Metro Harbour Plaza and Green Code Plaza
- Monitoring procedures for our subcontractors at construction sites
- Prevention of visitors from entering our offices without prior registration
- Sanitisation of visitors and their belongings upon entrance to our principal office and shipyard
- Deep cleaning to the office and vessels by spray disinfection

愛心物資 源源供應

今年農曆新年前後，本港爆發了兩年多以來最嚴重的第五波疫情。在那段非常時期，因為恐慌，社區竟出現了葯物及生活必需品短缺！及此，公司除適時作出多項彈性上、下班及工作安排，盡力做好辦事處清潔以保障各同事安全及健康外，母公司恒基集團、公司及集團總經理李先生亦努力搜購不同適切物品送贈同事及其家人，包括但不限各款防護口罩、不同款式自我快速測試劑、血氧計、維他命補充劑、及金花清感顆粒等等。衷心感謝母公司及李先生的關心，並祝願全球疫情早日完結。

Distribution of various anti-epidemic supplies and healthcare products to employees

6. PEOPLE AND COMMUNITY (Continued)

C. Recruitment Management and Attracting Talents

The Group fosters a diverse workplace by eliminating prejudice and discrimination in the workplace, and supports and embraces fair and impartial employment practices, regardless of nationality, race, religion, gender, age or family status. Employee remuneration and compensation packages are strictly prescribed with considerations only based on an individual's working experience, merit and responsibilities within the Group. Attractive employee welfare benefits are offered, including shopping discount offers, maternity and paternity leave as well as medical health insurance coverage which also extends to their families. Communication channels, such as our annual appraisals, are established to promote discussions between employees and managers about their past performance, future opportunities and new ideas for the Group. To support our staff in maintaining a healthy work-life balance, we provide ample rest periods and reasonable working hours to all staff, offering a five-day work week for office staff.

In 2022, we organised monthly birthday parties for our staff.

The Group also changed the food supplier in the staff canteen to upgrade the staff messing.

During the Reporting Period, there were no reported cases of non-compliance with the labour regulations of Hong Kong.

6. PEOPLE AND COMMUNITY (Continued)

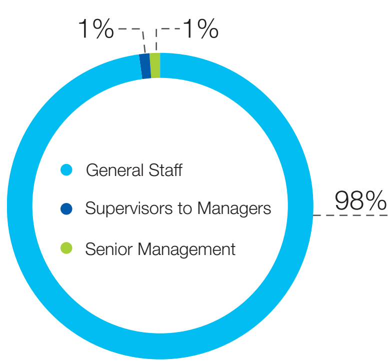
D. Development and Training

The Group attaches great significance to the development and personal growth of its employees, which is important for the Group's business continuity and resilience. We actively encourage all employees to participate in training programmes that are relevant to their work. Our motivations are derived from both non-monetary and monetary means. For the latter, during the Reporting Period, we have established a new policy whereby staff who have completed certain qualification or professional attainment will be considered a salary increment.

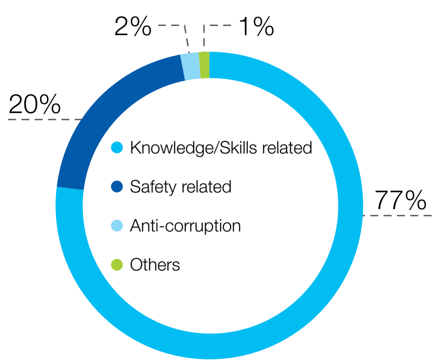
Annually, we have a training budget reserved to sponsor staff to take advantage of award-bearing courses and other external training programmes, both for personal development or job enrichment. During the Reporting Period, the sponsorship budget has been increased to demonstrate our attention to the continuous development of the Group's employees.

Due to the challenges and threats posed by the ongoing COVID-19 pandemic, types of training become more flexible with many trainings moving online, holding via ZOOM instead of face-to-face. In order to minimise social contacts and unnecessary gathering, we again leveraged digital platforms to promote online communication and e-learning.

Percentage of employees' training hours by employee category during the Reporting Period



Percentage of employees' training hours by topic during the Reporting Period



E. Anti-Corruption

Our Business Ethics and Code of Business Conduct Policy, Anti-Corruption and Bribery Policy, Code of Conduct and the guidelines and policies stipulated within, clearly state the compulsory expectations for professional, appropriate, and ethical behaviour for all employees. The Group takes a determined zero-tolerance approach for any fraud or unethical behaviour, including bribery, money laundering, extortion and fraud. We strictly prohibit our employees from accepting money or any other gifts from customers, suppliers, contractors, related authorities or other business partners. Memoranda are regularly issued to all staff to maintain awareness of anti-corruption measures and to ensure understanding of our Code of Conduct.

The Group, in order to provide employees with a more in-depth review of ethical conduct and to keep them informed of the most recent information on the subject of anti-corruption, arranges from time to time seminars for relevant staff, to which speakers from the Independent Commission Against Corruption are invited, especially for business units that may be at higher risk of corruption, such as purchasing and procurement, tendering, sales and marketing. Relevant training materials were also distributed to our Board of Directors.

6. PEOPLE AND COMMUNITY (Continued)

E. Anti-Corruption (Continued)

To prevent unethical and corrupt practices, the Group has a Business Ethics and Code of Business Conduct Policy that facilitate continuous due diligence, including provisions for confidential access to reports from all employees at all levels. The Group's stakeholders may report grievances or concerns about suspected irregularities, malpractice, or misconduct in all matters without fear of retaliation. Each report received is assessed by Whistleblowing Committee, who will decide if an investigation is required. For more information, please refer to the sub-section headed "Risk Management and Internal Control" in the "Corporate Governance Report" on pages 41 to 43 of our Annual Report 2022.

During the Reporting Period, there were no confirmed cases of non-compliance with the anti-corruption regulations of Hong Kong.

F. Contributing to the Community

Over our long history, we have been steadfast in our contribution and giving back to our stakeholders and the Hong Kong community.

a. The Group and the Hong Kong Community

Under the guidance of our Board and senior management, we continue to pursue long-term value creation for the Hong Kong community. Three principles are deeply rooted in our corporate culture: love Hong Kong, love Victoria Harbour, and care for the people.

Since our founding in 1923, the Group's core value "caring for our community" has empowered us to contribute to sustainable development in Hong Kong. For more than 60 years, our cross-harbour vehicular ferry services supported Hong Kong's economic development by providing transportation services to commuters between Hong Kong Island and the Kowloon Peninsula until its suspension in 1998. During the Reporting Period, we continued to hold our signature "Classic Vehicular Ferry Ride" to embrace the historical significance of this commute. Participants could drive their cars onto our ferry, which is an essential part of Hong Kong's collective memories. For many young generations, it was the first time to experience this unique journey. Participants enjoyed wonderful view of Victoria Harbour and local favourite snacks. Through this event, we hope to preserve collective memories and experiences of the Hong Kong community and allow the new generations to experience the ferry history in Hong Kong.

Classic Vehicular Ferry Ride

6. PEOPLE AND COMMUNITY (Continued)

F. Contributing to the Community (Continued)

b. Caring for the Community

We focus our community engagement in four areas: serving underprivileged families, children and the elderly as well as providing a platform for learning and exchanging knowledge.

Industry Knowledge and Experience Sharing

Fostering a culture that promotes knowledge sharing with professionals, academia, non-governmental organisations, students and the like will bring positive effects to the industry thus further contributing to the social and economic development of Hong Kong. We are committed to sharing our knowledge with the community by offering regular internship programmes for students from tertiary institutions, Hong Kong Sea School and secondary schools.

During the Reporting Period, we also arranged visits to our shipyard for students to inspire their nautical interest. We also organised job sharing sessions in the local shipyard industry and student-management conversations. These learning opportunities helped students gain operational insight and industry experience and prepare them for their future career.

School tour for students of Maritime Services Training Institute visiting our shipyard

6. PEOPLE AND COMMUNITY (Continued)

F. Contributing to the Community (Continued)

b. Caring for the Community (Continued)

Event: "I want to be captain"

Organised by Maritime Professional Promotion Federation and sponsored by Maritime and Aviation Training Fund, the Company assisted in organising the "I want to be captain" (「我要做船長」) event and invited more than 200 primary and secondary school students and parents onboard of Harbour Cruise - Bauhinia to cultivate interests of the younger generation in the marine and shipping industry.

「我要做船長」、「我要做機長」活動

11月26日(星期六)由【香港海事專才推廣聯盟】主辦、【海運及空運人才培訓基金】贊助、【香港小輪(集團)】協辦，讓超過200多中小學生及家長，獲得免費坐船遊維港的機會；當日航程由北角碼頭出發、經過繁忙的維多利亞港、一直駛向葵涌貨櫃碼頭，航程中除了專人講解海上航行設施、各種標示、介紹不同類型的船隻、維港兩岸的地標及景色外，透過『我要做船長』、『我要做機長』簡介活動，在問答比賽環節進一步增加小朋友及家長對航海業的認識；本集團旗下「油蔴地小輪」副總經理－張國偉先生除出席支持活動外，亦與一眾營運同事和學生及家長們參與遊戲，分享海上工作的經歷、機遇及前途等等，相信當日一眾小朋友及家長們在船上渡過了一個愉快兼充實的下午。

Case Study — Hong Kong Maritime Week Orienteering Race 2022

In order to deepen the understanding of Hong Kong's shipping industry among the community and the youth, and promote Hong Kong's shipping business, the Group sponsored the "Hong Kong Maritime Week Orienteering Race 2022" organised by Hong Kong Seamen's Union. We have also received an overwhelming support and passion from our employees, who formed 17 teams to participate in the competition.

6. PEOPLE AND COMMUNITY (Continued)

F. Contributing to the Community (Continued)

b. Caring for the Community (Continued)

Corporate Volunteer Team

We remain dedicated to protecting the environment and caring for the underprivileged groups, as caring for the community is one of the essential pillar of our core values. In 2022, our Corporate Volunteer Team supported and participated in 15 volunteer services and contributed around 426 volunteer hours to benefit around 387 people in our community.

Employees contributing, together with the Company, to the donations to the disadvantaged

7. ENVIRONMENT AND RESOURCES

A. Emissions

Our Environmental Policy outlines our principles and approaches to the sustainable management of our environmental footprint. To continuously improve our sustainability performance, the Group strives to apply innovative solutions in our operations, raise the environmental awareness of our employees through education or training, and actively support environment-friendly campaigns led by Hong Kong Government and non-governmental organisations.

During the Reporting Period, we complied with all applicable legal and regulatory requirements regarding environmental protection and there were no non-compliance cases relating to air and greenhouse gas ("GHG") emissions, discharges into water and land, and the generation of hazardous and non-hazardous wastes.

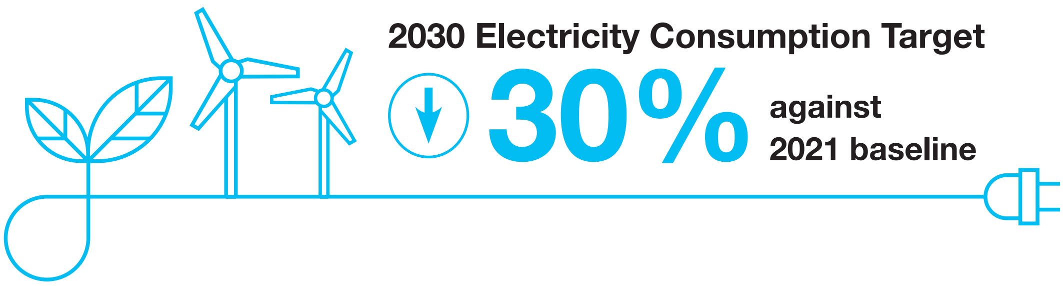
7. ENVIRONMENT AND RESOURCES (Continued)

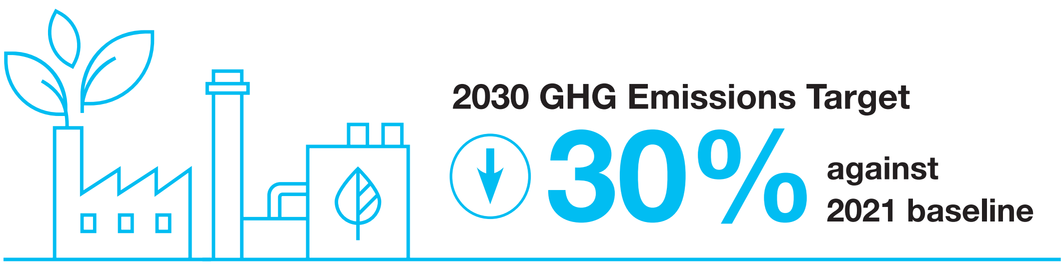
A. Emissions (Continued)

a. Energy and Climate Change Mitigation

Since 2011, the Group has implemented the Energy and Carbon Management Programme to conduct annual energy audits at our two most fuel-intensive subsidiaries, namely The Hong Kong Shipyard Limited and The Hongkong and Yaumati Ferry Company Limited. The results of the energy audit help us to monitor energy usage patterns more effectively and identify continuous improvements to our energy policy.

We shall continue to maintain our 2030 targets as set in the 2021 ESG Report.





To achieve the 2030 target, the Group has been proactive in improving our energy efficiency during the year. We not only switched to LED lights and wall-mounted solar lights in our principal office and shipyard, but also renovated our principal office last year to allow for more natural light. In 2022, we also replaced all vessels' main deck lights to LED except the Restaurant-Deck of Harbour Cruise - Bauhinia. We shall continue to explore other energy efficient alternatives for Harbour Cruise - Bauhinia, and look for more energy saving products in addition to the existing LED products used.

7. ENVIRONMENT AND RESOURCES (Continued)

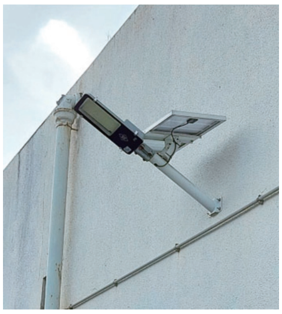
A. Emissions (Continued)

a. Energy and Climate Change Mitigation (Continued)

Case Study — System upgrade for wall-mounted solar lights

As energy consumption in our buildings and office premises represents a significant proportion of our carbon footprint, we have installed LED lights and wall-mounted solar lights since 2021 to improve building performance and energy efficiency.

During the Reporting Period, not only did the Group continue the use of this solar system, the system has been enhanced by an installation of adjustable solar receiver with turn-on sensors instead of the traditional ones. This approach can increase efficiency and sunlight exposure.



Old system

vs.

New system

Case Study — Maximising areas for solar energy collection

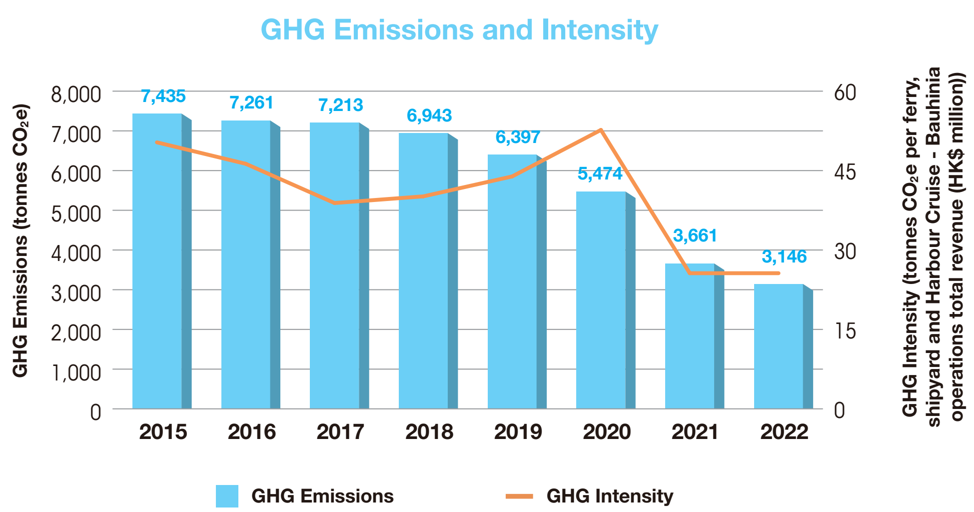
As an initiative in search of renewable energy source, during the Reporting Period, the Group continued to maximise surface areas for solar energy collection and installed small, but significant, solar systems on two floating pontoons near the waters around our shipyard.

7. ENVIRONMENT AND RESOURCES (Continued)

A. Emissions (Continued)

a. Energy and Climate Change Mitigation (Continued)

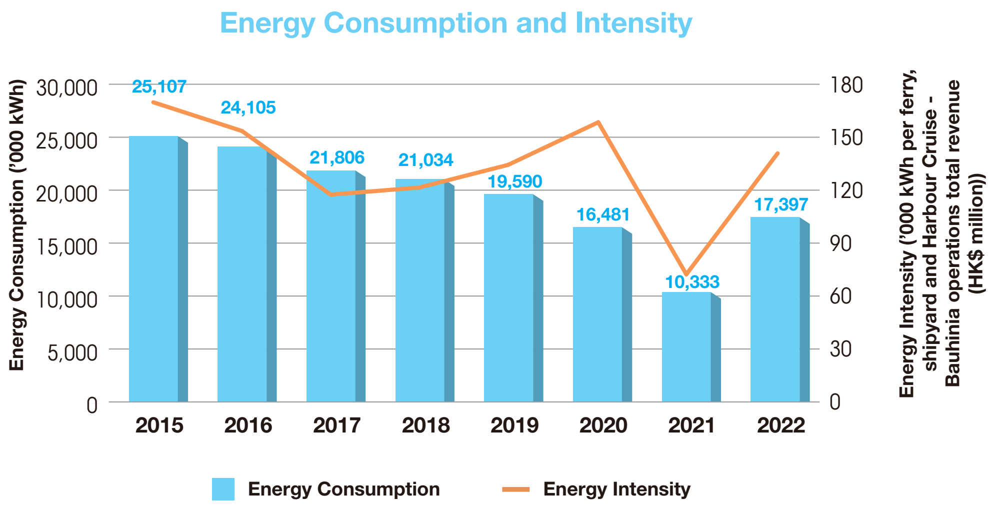
Our property development and investment operations continue to explore opportunities to enhance energy efficiency beyond the technical guidance of the Performance-based Building Energy Code published by the Electrical and Mechanical Services Department. Aside from adopting green building standards and integrating sustainability considerations into the design and construction phases of our projects, we leverage digital solutions to conduct energy-simulation modelling studies which enable us to identify the most optimal energy-saving approaches. Our managed properties also proactively take part in different environmental campaigns in an attempt to contribute to collective efforts in combating climate challenges. For instance, Metro Harbour Plaza pledged to support Hong Kong Government's Energy Saving Charter by encouraging community-wide participation in conserving energy. Green Code Plaza participated in "NO AIR CON NIGHT 2022" by switching off its air conditioners as well as having over 50% of its employees to switch off their air conditioners on the night of the event in order to promote a low carbon lifestyle. Further, Green Code Plaza also encourages community-wide participation in saving energy by supporting Hong Kong Government's Energy Saving Charter, which, among others, had the property committed to switch off electrical appliances and systems when they are not in use, procure energy efficient electrical appliances and systems from June 2021 to May 2022 and engage staff/students/tenants to adopt energy saving practices together. During the Reporting Period, we consumed more energy as there were less compulsory closure of our Harbour Cruise - Bauhinia resulting from the relaxation of certain social distancing measures by Hong Kong Government. We have provided more cruise trips compared to the number of cruise trips provided in 2021, and there were more patrons to each of our cruise trips. In addition, the demand for our dangerous goods vehicular ferry services was higher as the economic activities in 2022, especially in the second half of the year, were far more vibrant than 2021, resulting in an increase in number of vehicles we transported, increased overall loading of each ferry trip and hence increased energy consumption. Despite the increased business activities, we were able to maintain our GHG emissions through the strategy of using ultra low sulphur content diesel fuel in our ferries. Below show our GHG emissions and energy consumption over the years.



7. ENVIRONMENT AND RESOURCES (Continued)

A. Emissions (Continued)

a. Energy and Climate Change Mitigation (Continued)



For more than a decade, we have supported Hong Kong Government's efforts to enhance local air quality through the use of our fuel-efficient technologies.

Climate change has caused frequent extreme weather and often posed major impacts on a wide range of business operations. Therefore, we have formulated mechanisms and procedures to identify and mitigate climate change risks that may have significant impact on the Group. At the same time, we would adjust the use of resources and energy. In response to disasters and accidents that are easily induced by extreme weather, we enhance the capability to the disaster response.

The Group has identified rising of sea water level and increasing frequency of tropical cyclone as the key phenomena resulting from climate change that can cause physical risks and transition risks to the Group. Both of these are most likely to increase the risk of physical damages to the vessels in the Group's shipyard, risk in reputational damage, transitional risks of upgrading extreme-weather resistant properties and equipment, increased compliance costs and financial risks of reinstatement cost, repair and maintenance costs and higher insurance costs.

Based on the identified risks, the Group has developed mitigating strategies such as paying continuous attention to Hong Kong Observatory's announcements for sea water wave, sea water level and frequency and intensity of tropical cyclone, frequent monitoring and measurement of sea water level in the waters surrounding our shipyard and temporary relocation during extreme weather, etc.

We shall continue to identify climate change risks and opportunities, and understand the impacts of climate change on our business activities, building operations and the society.

7. ENVIRONMENT AND RESOURCES (Continued)

A. Emissions (Continued)

b. Air Quality Improvement

We remain loyal to our core value of "Loving Hong Kong and the Harbour" and work to maintain the air quality of the city and the shared community around it. For over a decade, we have responded to Hong Kong Government's efforts to enhance local air quality through the use of fuel-efficient technologies. To reduce our key air pollutant emissions including nitrogen oxides ("NOx"), sulphur oxides ("SOx") and particulate matter ("PM"), a replacement programme was launched to replace a total of 13 generators and 10 engines on-board with environmentally-friendly alternatives. In our journey to continuously enhance our vessels' environmental performance, we have once again gone beyond the statutory requirements by further reducing sulphur content in diesel to 0.001% for our dangerous goods vehicular ferries starting from January 2020. During the year, we have also studied using hydrogen, solar and electricity power to replace our diesel engine for further emission reduction.

Case Study — Reducing power output and emission by optimising ferry loading

Apart from sourcing and operating with cleaner fuel, during the year, we introduced the concept of non-necessary loading to our operation. We aim to reduce vessels' non-necessary loading such as fuel and water by our trips management and detailed estimation of loading, distance, transportation time and fuel consumption rate in order to reduce our vessels' weight in transit and water resistant and achieve a reduced, yet optimised, power output.

c. Water Conservation

Water has always been a scarce and precious resource. In a continuing effort to manage our water resources efficiently, we consistently provide training to shipyard staff on the use of water jets to remind them to conserve water during the cleaning process. In addition, during the Reporting Period, we installed the third rainwater harvesting tank, which enables us to reuse the collected water for vehicle washing, floor cleaning and irrigation purposes.

Case Study — Our newly installed flow controller

Our newly installed water saver (flow controller) featured an automatic open and close faucet. It enables us to achieve higher water use efficiency compared to our previous manual switch for water ejection. It reduces the water consumed for vessels' cleaning and other use of water.

In our property investment business, Metro Harbour Plaza and Green Code Plaza participated in Enterprises Cherish Water Charter 2022 organised by the Water Supplies Department and Green Council and pledged to, among others, support cherish water campaign and practices and promote and adopt efficient water-consuming devices.

7. ENVIRONMENT AND RESOURCES (Continued)

B. Use of Resources

Proper waste management is an integral part of our environmental stewardship. Over the years, we have focused our efforts on waste reduction and recycling throughout our operations. At our shipyard, we engage contractors to classify and separate scrap metals into steel, aluminium and bronze alloys which will be further processed and reused. To properly handle waste oil produced from the use of cranes, forklifts and emergency generators, we appoint licensed collectors to collect and convert it into high-quality green lubricants. In addition, our shipyard previously introduced a "Wasted Filter Pressing Treatment Plant" making use of powerful pressing equipment to reduce the volume of waste products. Waste oil generated from the process will also be collected for further processing. Below is a snapshot highlight of certain hazardous and non-hazardous wastes recycled during the Reporting Period. For more details, including other wastes recycled and other wastes produced but not recycled, please refer to the section headed "9. Performance Data Summary" on pages 77 to 80 of this ESG Report.

Recycled spent oil
4,200 litres

Recycled cooking oil for industrial use
702 litres

Recycled bronze
310 kg

Recycled aluminium
180 kg

Recycled zinc alloy
3,860 kg

Recycled steel scrap
33,000 kg

Processed oily water
10,124 litres

7. ENVIRONMENT AND RESOURCES (Continued)

B. Use of Resources (Continued)

At Harbour Cruise - Bauhinia, we have implemented a range of waste reduction measures. Apart from the provision of a green dining menu for customers, an onshore sewage system is located at the ferry pier, which avoided the direct discharge of 1,924 litres of wastewater into the harbour in 2022. For our property development and investment operations, acknowledgments were given to Metro Harbour Plaza and Green Code Plaza in recognition of their sound waste recycling practices and fulfilment of the requirements for the Programme on Source Separation of Commercial and Industrial Waste organised by the Environmental Protection Department. To reduce toxic exhaust emission/generation in our surroundings, we have a plan to encourage the use of more electric vehicles by installing electric vehicle charging system at the parking area at our premises, i.e. shipyard and principal office. We hope to promote among our employees as well as external stakeholders such as logistic suppliers and customer visitors to switch to electric vehicles, which use an alternate and cleaner fuel and produce less emission, by providing a convenient charging location at our premises.

C. Environmental Awareness

We always believe that raising awareness of environmental issues can help promote positive change in behavior. Therefore, we actively participate in a series of activities related to sustainable development to raise the environmental awareness of our colleagues and the public. For example, both Metro Harbour Plaza and Green Code Plaza participated in 2022 Peach Blossom Trees Recycling Programme organised by the Environment Bureau of the Hong Kong Government.

8. THE WAY FORWARD

It has been a great year for the Group, and a great century for us too. It is indeed a prime time for us not only to appreciate our past achievements, but also to look forward.

Following the easing of COVID-19 restrictions and the re-opening of border between Mainland China and Hong Kong, we are optimistic about the post-COVID opportunities ahead. We shall continue our successful stories, abiding by our ESG vision, in the way forward. We shall continue to integrate sustainability into our business practices, persist in our environmental stewardship with our motto of “Loving Hong Kong and the Harbour”, fulfill our social responsibility by abiding by our core value of “Putting People First” and continue to provide quality products and services to our customers.

9. PERFORMANCE DATA SUMMARY

HKEX KPI	Description	Unit	2022	2021
A. Environmental				
A1.1	**The types of emissions and respective emissions data** (Note 1)			
	NOx	Tonnes	93.10	87.01
	SOx	Tonnes	0.82	0.10
	PM	Tonnes	3.31	2.20
A1.2	**Greenhouse gas emissions in total and intensity** (Note 2)			
	— in total	Tonnes of CO_2e	3,146.18	3,661.39
	— in intensity	Tonnes of CO_2e per ferry, shipyard and Harbour Cruise - Bauhinia operations total revenue (HK$ million)	25.49	25.61
A1.3	**Total hazardous waste recycled and intensity**			
	Recycled Spent Oil (Note 4.a) — in total — in intensity	 Litres Litres/FTE (Note 3)	 4,200 17.00	 5,200 26.13
	Used Battery (Note 4.a) — in total — in intensity	 kg kg/FTE	 320 1.30	 250 1.26
A1.4	**Total non-hazardous waste produced and intensity**			
	General Waste (Note 4.a,b,c,d) — in total — in intensity	 kg kg/FTE	 8,824 35.72	 324 1.63
	Food Waste (Note 4.b) — in total — in intensity	 kg kg/FTE	 1,202 4.87	 657 3.30
	Paper Waste (Note 4.b,c,d) — in total — in intensity	 kg kg/FTE	 892 3.61	 467 2.35
	Used Cosmetic/Medical/ Healthcare Products Packaging Disposed (Note 4.d) — in total — in intensity	 kg kg/FTE	 30 0.12	 N/A

9. PERFORMANCE DATA SUMMARY (Continued)

HKEX KPI	Description	Unit	2022	2021
A. Environmental (Continued)				
A1.4 (Continued)	**Total non-hazardous waste produced and intensity** (Continued)			
	Recycled Glass Bottle (Note 4.b) — in total — in intensity	kg kg/FTE	304 1.23	173 0.87
	Recycled Paper (Note 4.c,d,e) — in total — in intensity	kg kg/FTE	3,160 12.79	6,020 30.25
	Recycled Aluminium (Note 4.a) — in total — in intensity	kg kg/FTE	180 0.73	180 0.90
	Recycled Bronze (Note 4.a,c) — in total — in intensity	kg kg/FTE	310 1.26	300 1.51
	Recycled Steel (Note 4.a,c) — in total — in intensity	kg kg/FTE	33,000 133.60	1,900 9.55
	Recycled Zinc Alloy (Note 4.a) — in total — in intensity	kg kg/FTE	3,860 15.63	860 4.32
	Recycled Used Cooking Oil (Note 4.a) — in total — in intensity	Litres Litres/FTE	702 2.84	1,200 6.03
	Recycled Oily Water (Note 4.a,b) — in total — in intensity	Litres Litres/FTE	10,124 40.99	8,031 40.36
A2.1	**Energy consumption by type and intensity** (Note 2)			
	— Fuel oil	kWh	15,806,970	8,868,111
	— Electricity	kWh	1,589,594	1,465,277
	— in total	In 1,000 kWh	17,397	10,333
	— in intensity	1,000 kWh per ferry, shipyard and Harbour Cruise - Bauhinia operations total revenue (HK$ million)	140.94	72.27
A2.2	**Water consumption in total and intensity** (Note 4.a, b, c)			
	— in total	m^3	22,649	18,508
	— in intensity	m^3/FTE	91.70	93.01
A2.5	**Total packaging material used for finished products and intensity** (Note 4.d)			
	— in total	kg	5	N/A
	— in intensity	kg/FTE	0.02	N/A

9. PERFORMANCE DATA SUMMARY (Continued)

HKEX KPI	Description	Unit	2022			2021		
B. Social								
Employment and Labour Practices								
B1.1	**Total workforce by employment type and gender (all in Hong Kong)**		Male		Female	Male		Female
	Full-time	No. of people	168		79	158		41
	Part-time	No. of people	1		0	1		1
	Total workforce by employment type and age group (all in Hong Kong)		<30	30–50	>50	<30	30–50	>50
	Full-time	No. of people	43	73	131	21	50	128
	Part-time	No. of people	0	0	1	1	0	1
B1.2	**Employee turnover rate by gender**		Male		Female	Male		Female
		%	14.3		10.1	11.9		4.0
	Employee turnover rate by age group		<30	30–50	>50	<30	30–50	>50
		%	11.6	11.0	14.5	3.5	4.5	8.0
B2.1	**Number and rate of work-related fatalities**		2022		2021		2020	
	— By number	No. of people	0		0		0	
	— By rate	%	0		0		0	
B2.2	**Lost days due to work injury** *(including sick leaves taken by employees)*							
		Days	221			263		
B3.1	**The percentage of employees trained by gender and employee category**		Total	Male	Female	Total	Male	Female
	— General	%	95.45	99.34	86.96	94.77	100	73.53
	— Supervisors to Managers	%	57.89	40.00	77.78	72.22	66.67	83.33
	— Senior Management	%	62.50	57.14	100	100	100	100
	— Overall	%	91.50	94.05	86.08	92.96	97.47	75.61
B3.2	**The average training hours completed per employee by gender and employee category**		Total	Male	Female	Total	Male	Female
	— General	Hours	19.35	19.27	19.53	19.98	23.78	4.59
	— Supervisors to Managers	Hours	2.05	0.65	3.61	20.44	27.08	7.17
	— Senior Management	Hours	5.88	6.36	2.50	24.00	25.88	9.00
	— Overall	Hours	17.59	17.63	17.50	20.21	24.13	5.07

9. PERFORMANCE DATA SUMMARY (Continued)

HKEX KPI	Description	Unit	2022	2021
B. Social (Continued)				
Employment and Labour Practices (Continued)				
B5.1	**Number of suppliers by geographical region** (Note 5)			
	— Hong Kong	No. of organisations	805	906
	— Mainland China	No. of organisations	79	75
	— Others (e.g. Asia and Europe)	No. of organisations	69	129
B6.1	**Percentage of total products sold or shipped subject to recalls for safety and health reasons**			
	No. of cases		0	0
B6.2	**Number of products and services related complaints received**			
	No. of cases		0	0
B7.1	**Number of concluded legal cases regarding corrupt practices brought against the Company or its employees during the reporting year**			
	No. of cases		0	0

Notes:

1. Emission data are confined to The Hongkong and Yaumati Ferry Company Limited. Marine air emissions data are calculated based on harbour craft emissions estimation methodology in Port of Los Angeles Inventory of Air Emissions 2005 Technical Report (https://kentico.portoflosangeles.org/getmedia/59baf614-fdfe-4cfa-9d58-3032d32583d7/2005_Air_Emissions_Inventory_Full_Doc).

2. GHG emission data and energy consumption data in 2021 and 2022 are confined to The Hong Kong Shipyard Limited, The Hongkong and Yaumati Ferry Company Limited, Harbour Cruise - Bauhinia and the Principal Office. With consideration of the scope, the intensity figures of GHG emissions and energy consumption are calculated using the total revenue generated from the ferry, shipyard and Harbour Cruise - Bauhinia operations (in HK$ million).

3. FTE: Full-time equivalent employee; excluding part-time employees.

4. The data in 2022 are confined to:

   a. The Hong Kong Shipyard Limited

   b. Harbour Cruise - Bauhinia

   c. The Hongkong and Yaumati Ferry Company Limited

   d. Century Time Holdings Limited

   e. Principal Office

5. Supplier data in 2022 are confined to The Hong Kong Shipyard Limited, The Hongkong and Yaumati Ferry Company Limited, Harbour Cruise - Bauhinia, Century Time Holdings Limited and Galaxy Harbour Limited.

10. HKEX ESG REPORTING GUIDE CONTENT INDEX

Aspects, General Disclosures and KPIs	Description	Page Number/ Remarks
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	69–76
KPI A1.1	Types of emissions and respective emissions data.	69–78
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	77–78
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	77–78
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	77–78
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	69–76
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	75–76
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	69–76
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	77–78
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	78
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	69–74
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	74
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	78

10. HKEX ESG REPORTING GUIDE CONTENT INDEX (Continued)

Aspects, General Disclosures and KPIs	Description	Page Number/ Remarks
A. Environmental (Continued)		
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	69–76
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	69–76
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	73
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	73
B. Social		
Employment and Labor Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	64–69
KPI B1.1	Total workforce by gender, employment type (e.g. full- or part-time), age group and geographical region.	79
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	79
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	60–63
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	79
KPI B2.2	Lost days due to work injury.	79
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	60–63

10. HKEX ESG REPORTING GUIDE CONTENT INDEX (Continued)

Aspects, General Disclosures and KPIs	Description	Page Number/ Remarks
B. Social (Continued)		
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	65–66
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	79
KPI B3.2	The average training hours completed per employee by gender and employee category.	79
Aspect B4: Labor Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	64
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	64
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	64
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	58–59
KPI B5.1	Number of suppliers by geographical region.	59, 80
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	58–59
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	58–59
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	58–59

10. HKEX ESG REPORTING GUIDE CONTENT INDEX (Continued)

Aspects, General Disclosures and KPIs	Description	Page Number/ Remarks
B. Social (Continued)		
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	59–60
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	59–60, 80
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	59–60, 80
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	59
KPI B6.4	Description of quality assurance process and recall procedures.	59–60
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	59–60
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	65–66
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	80
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	65–66
KPI B7.3	Description of anti-corruption training provided to directors and staff.	65
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	66–69
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	66–69
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	66–69

KPMG

Independent auditor's report to the members of
Hong Kong Ferry (Holdings) Company Limited
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Hong Kong Ferry (Holdings) Company Limited ("the Company") and its subsidiaries ("the Group") set out on pages 91 to 171, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Valuation of investment properties

Refer to note 1 (accounting policy) and note 11 to the consolidated financial statements

The Key Audit Matter	How the matter was addressed in our audit
The Group's investment properties which comprise retail properties, car parking spaces and godowns are located in Hong Kong. These investment properties were stated at their fair values of HK$2,342 million as at 31 December 2022 which accounted for 65% of the Group's non-current assets as at that date. The fair values of the Group's investment properties as at 31 December 2022 were assessed by the board of directors based on valuations prepared by a firm of qualified external property valuers. The valuation of the Group's investment properties is complex and involves a significant degree of management judgement and estimation in respect of the determination of capitalisation rates and prevailing market rents, particularly given the dissimilar nature of the investment properties held by the Group. We identified valuation of investment properties as a key audit matter because these properties represent the majority of the Group's non-current assets and because the valuations are inherently subjective and involve a significant degree of judgement and estimation by management which increases the risk of error or potential management bias.	Our audit procedures in relation to valuation of investment properties included the following: – obtaining and inspecting the valuation reports prepared by the external property valuers engaged by the Group and on which the directors' assessment of the fair values of investment properties was based; – assessing the external property valuers' qualifications, experience and expertise in the properties being valued and considering their objectivity and independence; – with the assistance of our internal property valuation specialists, discussing with the external property valuers their valuation methodology, without the presence of management, and challenging the key estimates and assumptions adopted in the valuations by comparing capitalisation rates, prevailing market rents and comparable market transactions with the market available data and government produced market statistics; – comparing tenancy information, including committed rents and occupancy rates, provided by the Group to the external property valuers with underlying contracts and related documentation, on a sample basis.

KEY AUDIT MATTERS (Continued)

Assessing the net realisable value of properties under development for sale ("PUD") owned by the Group	
Refer to note 1 (accounting policy) and note 17 to the consolidated financial statements	
The Key Audit Matter	**How the matter was addressed in our audit**
The PUD projects of the Group are located in Hong Kong, which are stated at lower of cost and net realisable value. The determination of the net realisable value of the PUD projects is performed by management. It involves significant judgement and estimation in preparing and updating project feasibility studies and estimations of the costs to complete the property development projects as well as in assessing the expected future selling prices for the properties and the expected future selling costs. Changes in government policies in relation to the stamp duty regime, restrictions on residential property mortgage loans and the impact of the global economy on local interest rates could lead to volatility in property prices in Hong Kong. We identified the assessment of net realisable value of the PUD projects owned by the Group as a key audit matter because of the inherent risks involved in estimating the costs to complete each property development project and in estimating the future selling prices for each property development project.	Our audit procedures to assess the net realisable value of the PUD projects included the following: – obtaining management's assessment of the net realisable value of each PUD project and discussing with management the development progress of each project; – conducting site visits to the PUD projects to observe the development progress and comparing the observed development progress with management's records; – discussing with management their valuation methodology and challenging the key estimates and assumptions adopted, including expected future selling prices and costs to completion, by comparison with recently transacted prices for similar properties or the prices of comparable properties located in the nearby vicinity of the PUD projects and by comparison with market statistics for estimated construction costs, signed construction contracts; – performing sensitivity analyses by making adjustments to the key estimates and assumptions adopted by management in the determination of net realisable value to assess the risk of possible management bias in the net realisable value assessment exercise.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yau Ngai Lun, Alan.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

17 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Revenue	3(a)	280,632	244,197
Direct costs		(179,774)	(164,622)
		100,858	79,575
Other revenue	3(a) & 4	150,482	82,203
Other net loss	4	(19,557)	(5,336)
Valuation gains on investment properties	3(d) & 11	20,365	75,621
Selling and marketing expenses		(7,453)	(5,004)
Administrative expenses		(62,835)	(52,405)
Other operating expenses		(5,515)	(4,709)
Profit from operations	3(b)	176,345	169,945
Interest on lease liabilities		(249)	(122)
Share of profits less losses of associates		1,119	1,184
Share of profits/(losses) of joint ventures		1,178,702	(32,404)
Profit before taxation	5	1,355,917	138,603
Taxation	6(a)	(56,781)	(20,354)
Profit attributable to equity shareholders of the Company		1,299,136	118,249
Earnings per share			
– Basic and diluted	10	$3.65	$0.33

The notes on pages 98 to 171 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 9.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 **HK$'000**	2021 HK$'000
Profit attributable to equity shareholders of the Company	**1,299,136**	118,249
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that will not be reclassified to profit or loss:		
Remeasurement of employee retirement benefits liabilities	**3,362**	2,157
Financial assets at fair value through other comprehensive income – net movement in securities revaluation reserve (non-recycling)	**309**	1,341
Item that may be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income – net movement in securities revaluation reserve (recycling)	**–**	(458)
Other comprehensive income for the year	**3,671**	3,040
Total comprehensive income attributable to equity shareholders of the Company	**1,302,807**	121,289

The notes on pages 98 to 171 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Note	2022 HK$'000	2022 HK$'000	2021 HK$'000	2021 HK$'000
Non-current assets					
Investment properties	11		2,342,305		2,258,005
Other property, plant and equipment	11		79,680		51,994
Interest in leasehold land	11		33,555		34,924
			2,455,540		2,344,923
Interest in associates	13		7,157		7,640
Interest in joint ventures	14		946,555		495,353
Other financial assets	15		112,829		135,577
Other receivables and prepayments	18(a)		98,855		104,715
Net employee retirement benefits assets	16(a)		212		–
Deferred tax assets	22(b)		6,358		3,526
			3,627,506		3,091,734
Current assets					
Inventories	17(a)	1,691,232		1,340,088	
Trade and other receivables	18(b)	242,415		131,347	
Tax recoverable	22(a)	742		23,030	
Cash and bank balances	19(a)	1,972,726		1,683,031	
		3,907,115		3,177,496	
Current liabilities					
Trade and other payables	20	183,927		163,882	
Lease liabilities	21	8,400		2,121	
Bank overdrafts	19(a)	701		–	
Tax payable	22(a)	37,905		18,909	
		230,933		184,912	
Net current assets			3,676,182		2,992,584
Total assets less current liabilities			7,303,688		6,084,318
Non-current liabilities					
Net employee retirement benefits liabilities	16(a)	–		2,720	
Lease liabilities	21	9,224		2,053	
Deferred tax liabilities	22(b)	76,207	85,431	75,027	79,800
NET ASSETS			7,218,257		6,004,518

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2022

	Note	2022 HK$'000	2022 HK$'000	2021 HK$'000	2021 HK$'000
CAPITAL AND RESERVES					
Share capital	*23(b)*		**1,754,801**		1,754,801
Reserves			**5,463,456**		4,249,717
TOTAL EQUITY			**7,218,257**		6,004,518

Approved and authorised for issue by the board of directors on 17 March 2023.

Dr. Lam Ko Yin, Colin
Chairman

Li Ning
Director

The notes on pages 98 to 171 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Note	Share Capital HK$'000 (Note 23(b))	Securities revaluation reserve (non-recycling) HK$'000 (Note 23(c))	Securities revaluation reserve (recycling) HK$'000 (Note 23(c))	Other capital reserves HK$'000 (Note 23(c))	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2021		1,754,801	(29,861)	458	605	4,246,294	5,972,297
Changes in equity for 2021:							
Profit for the year		–	–	–	–	118,249	118,249
Other comprehensive income		–	1,341	(458)	–	2,157	3,040
Total comprehensive income		–	1,341	(458)	–	120,406	121,289
Transfer to retained earnings upon disposal of financial assets	15	–	3,919	–	–	(3,919)	–
Dividends approved in respect of the previous year	9	–	–	–	–	(53,441)	(53,441)
Dividends declared in respect of the current year	9	–	–	–	–	(35,627)	(35,627)
Balance at 31 December 2021 and 1 January 2022		**1,754,801**	**(24,601)**	**–**	**605**	**4,273,713**	**6,004,518**
Changes in equity for 2022:							
Profit for the year		**–**	**–**	**–**	**–**	**1,299,136**	**1,299,136**
Other comprehensive income		**–**	**309**	**–**	**–**	**3,362**	**3,671**
Total comprehensive income		**–**	**309**	**–**	**–**	**1,302,498**	**1,302,807**
Dividends approved in respect of the previous year	9	**–**	**–**	**–**	**–**	**(53,441)**	**(53,441)**
Dividends declared in respect of the current year	9	**–**	**–**	**–**	**–**	**(35,627)**	**(35,627)**
Balance at 31 December 2022		**1,754,801**	**(24,292)**	**–**	**605**	**5,487,143**	**7,218,257**

The notes on pages 98 to 171 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2022

	Note	**2022** HK$'000	**2022** HK$'000	2021 HK$'000	2021 HK$'000
Operating activities					
Profit before taxation			**1,355,917**		138,603
Adjustments for:					
Amortisation of leasehold land premium	*5(b)*	**1,369**		1,369	
Depreciation	*5(b)*	**14,508**		7,805	
Impairment losses on trade and other receivables	*5(b)*	**–**		525	
Impairment losses on trade receivables reversed	*4*	**–**		(139)	
Change in fair value of other financial assets designated at fair value through profit or loss	*4*	**23,057**		7,632	
Net loss on disposal of other property, plant and equipment	*4*	**2**		2	
Net profit on disposal of other financial assets designated at fair value through other comprehensive income (recycling)	*4*	**–**		(446)	
Valuation gains on investment properties	*11*	**(20,365)**		(75,621)	
Interest income	*5(b)*	**(110,569)**		(18,245)	
Interest expenses		**249**		122	
Dividend income from listed investments	*5(b)*	**(6,596)**		(6,678)	
Share of profits less losses of associates		**(1,119)**		(1,184)	
Share of (profits)/losses of joint ventures		**(1,178,702)**		32,404	
			(1,278,166)		(52,454)
Operating profit before changes in working capital			**77,751**		86,149
Increase in net employee retirement benefits liabilities		**430**		754	
Increase in inventories		**(377,093)**		(112,679)	
(Increase)/decrease in trade and other receivables		**(11,992)**		40,666	
Increase in trade and other payables		**45,994**		15,117	
			(342,661)		(56,142)
Cash (used in)/generated from operations			**(264,910)**		30,007
Profits tax paid		**(17,149)**		(4,813)	
			(17,149)		(4,813)
Net cash (used in)/generated from operating activities			**(282,059)**		25,194

	Note	2022 HK$'000	2022 HK$'000	2021 HK$'000	2021 HK$'000
Investing activities					
Interest received		17,318		10,201	
Payment for purchase of other property, plant and equipment		(24,344)		(7,722)	
Payment for addition to investment properties		(70,135)		(9,414)	
Net repayment from associates		137		104	
Proceeds from disposal of other financial assets designated at fair value through other comprehensive income (non-recycling)		–		5,978	
Proceeds from disposal of other financial assets designated at fair value through other comprehensive income (recycling)		–		11,796	
Proceeds from disposal of investment properties		6,200		–	
Loan repaid by a joint venture	14	64,400		1,300,000	
Dividends received from a joint venture		665,600		–	
Advances to a joint venture		–		(300,000)	
Increase in amount due from joint ventures		(2,500)		(500)	
Dividends received from listed investments		6,596		6,678	
Dividends received from an associate		1,500		900	
Increase in bank deposits with maturity over three months at acquisition		(1,227,073)		(273,849)	
Net cash (used in)/generated from investing activities			(562,301)		744,172
Financing activities					
Capital element of lease rental paid	19(b)	(4,402)		(2,090)	
Interest element of lease rental paid	19(b)	(249)		(122)	
Dividends paid		(89,068)		(89,068)	
Net cash used in financing activities			(93,719)		(91,280)
Net (decrease)/increase in cash and cash equivalents			(938,079)		678,086
Cash and cash equivalents at 1 January			1,088,993		410,907
Cash and cash equivalents at 31 December	19(a)		150,914		1,088,993

The notes on pages 98 to 171 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. 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 ("Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investment properties (see note 1(g)); and

– investments in debt and equity securities (see note 1(f)).

The preparation of 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to the financial statements for the current accounting period:

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

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

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

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

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on the financial statements as the Group does not sell items 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 – cost 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 contracts.

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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(j)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates and joint arrangements

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(j)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associates and joint arrangements (Continued)

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture, after applying the expected credit loss ("ECL") model to such other long-term interests where applicable (see note 1(j)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)).

In the Company's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses (see note 1(j)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

A joint operation whereby the Group and other party contractually agree to share control of the arrangement, and have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group recognises its interest in the joint operation by combining the assets, liabilities, revenues and expenses attributable to its interest with similar items on a line-by-line basis.

(f) Investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below:

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 24(e). These investments are subsequently accounted for as follows, depending on their classification.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investments in debt and equity securities (Continued)

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(s)(v)).

– fair value through other comprehensive income ("FVOCI") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of ECLs, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the securities revaluation reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the securities revaluation reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as revenue in accordance with the policy set out in note 1(s)(vi).

(g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(s)(ii).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Other property, plant and equipment

The following property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(j)):

- right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and

- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 1(i)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	40 years or over the unexpired terms of the leases, if shorter
Leasehold land	Over the unexpired terms of the leases
Ferry vessels and other crafts	8 to 20 years
Machinery, furniture and other plant and equipment	
– Dry dock and ship lift	30 to 40 years
– Others	4 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(h) and 1(j)(iii)), except for the right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 1(g).

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost (see notes 1(f), 1(s)(v) and 1(j)(i)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Leased assets (Continued)

As a lessee (Continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16, *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

The Group presents right-of-use assets that do not meet the definition of investment property in "Other property, plant and equipment" and presents lease liabilities separately in the statement of financial position.

As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 1(s)(ii).

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for ECLs on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to associates and joint ventures);
- contract assets as defined in HKFRS 15, *Revenue from contracts with customers* (see note 1(k)(iii));
- debt securities measured at FVOCI (recycling); and
- lease receivables.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

Financial assets measured at fair value, including units in trust funds and equity securities designated at FVOCI (non-recycling) are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate; and

– lease receivables: discount rate used in the measurement of the lease receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the securities revaluation reserve (recycling).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 1(s)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(j)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- other property, plant and equipment; and
- investments in subsidiaries in the Company's statement of financial position, associates and joint ventures in the consolidated and Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Inventories

(i) Trading stocks

Trading stocks are stated at the lower of cost and net realisable value. Cost includes the cost of materials computed using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Spare parts and consumables

Spare parts and consumables are stated at cost, computed using the weighted average method, less provision for obsolescence.

(iii) Contract assets

Contract assets are recognised when the Group recognises revenue (see note 1(s)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 1(j)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(l)).

(iv) Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– Properties under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, and an appropriate proportion of overheads. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– Completed properties held for sale

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Inventories (Continued)

(iv) Property development (Continued)

– Completed properties held for sale (Continued)

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 1(k)(iii)).

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including allowance for credit losses (see note 1(j)(i)).

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(n) Contract liabilities

A contract liability is recognised as forward sales deposits received when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 1(s)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(l)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 1(j)(i).

(p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognised in profit or loss and allocated as part of "administrative expenses". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate is the yield at the end of the reporting period on Government Bonds that have maturity dates approximating the terms of the Group's obligations.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    - the same taxable entity; or

    - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions, contingent liabilities and onerous contracts

(i) Other provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of fulfilling the contract. 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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Revenue recognition

Income is classified by the Group as revenue when it arises from the sale of properties, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

The Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Further details of the Group's revenue recognition policies are as follows:

(i) Sale of properties

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

When residential properties are marketed by the Group while the property is still under construction, the Group may offer a discount compared to the listed sales price, provided the customer agrees to pay the balance of the consideration early. Otherwise, the customer is required to pay 10% of the contract value as a deposit upon signing the sale and purchase agreement ("SPA") with the rest of the consideration being paid no later than on completion of the SPA. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities (see note 1(n)).

To the extent that the advance payments from customers are regarded as providing a significant financing benefit to the Group, revenue recognised under that contract includes the interest accreted on the contract liability under the effective interest method during the period between the payment date and the completion date of legal assignment. The discount rate applied is reflective of the rate in a separate financing transaction between the Group and the customer at contract inception. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, *Borrowing costs*.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Revenue recognition (Continued)

(iii) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(iv) Ferry and shipyard operations

Revenue relating to ferry operations is recognised when the relevant ferry services are provided.

Revenue from shipyard operations is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method. Effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(j)(i)).

(vi) Dividends

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vii) Other practical expedients applied

In addition, the Group has applied the following practical expedients:

– For sales contracts that had an original expected duration of one year or less, the Group has not disclosed the information related to the aggregated amount of the transaction price allocated to the remaining performance obligations in accordance with paragraph 121(a) of HKFRS 15.

– The Group has recognised the incremental costs of obtaining contracts relating to the sale of properties and services as an expense when incurred in accordance with paragraph 94 of HKFRS 15, as the amortisation period of the assets that the Group otherwise would have recognised is within the same reporting period as the date of entering into the contract.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

(u) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(A) has control or joint control over the Group;

(B) has significant influence over the Group; or

(C) is a member of the key management personnel of the Group.

(ii) An entity is related to the Group if any of the following conditions applies:

(A) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(B) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(C) Both entities are joint ventures of the same third party.

(D) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(E) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(F) The entity is controlled or jointly controlled by a person identified in note (u)(i).

(G) A person identified in note (u)(i)(A) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(H) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Notes 16 and 24 contain information about the assumptions and their risk factors relating to defined benefit retirement obligation and financial instruments. Other key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are as follows:

(a) Valuation of investment properties

In determining the fair value of the investment properties, the Group has considered information from different sources, including a valuation performed by a firm of professional valuers after taking into consideration the net rental income allowing for reversionary income potential, and other available market survey reports.

The assumptions adopted in the property valuations are based on the market conditions existing at the end of the reporting period, with reference to the appropriate capitalisation rate and occupancy rate.

(b) Recognition of deferred tax assets

At 31 December 2022, the Group had recognised deferred tax assets in relation to the unused tax losses amounting to approximately HK$30,505,000 (2021: HK$8,327,000). The realisability of the deferred tax assets mainly depends on whether it is probable that future taxable profits or taxable temporary differences will be available against which related tax benefits under the deferred tax assets can be utilised. In cases where the actual future taxable profits or taxable temporary differences generated are less than expected, a reversal of deferred tax assets may arise, which will be recognised in profit or loss for the period in which such a reversal takes place.

3 SEGMENT INFORMATION

The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments.

- Property development: development and sale of properties.
- Property investment: rental income from leasing of properties.
- Ferry, shipyard and related operations: income from operation of dangerous goods vehicular ferry service and ship repairs and maintenance services and sales of goods on cruise vessels.
- Securities investment: dividend, interest and other income from listed securities investments.

Segment information is presented only in respect of the Group's business segments. No geographical analysis is shown as substantially all of the Group's revenue and profit from operations were derived from activities in Hong Kong.

Segment results

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 sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

3 SEGMENT INFORMATION (Continued)

Segment results (Continued)

The segment information for the years ended 31 December 2022 and 2021 about these reportable segments is presented below:

(a) Segment revenue

	Total revenue		Elimination of inter-segment revenue		Revenue from external customers	
	2022	2021	**2022**	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Property development	**27,634**	12,232	**–**	–	**27,634**	12,232
Property investment	**160,034**	147,200	**–**	–	**160,034**	147,200
Ferry, shipyard and related operations	**123,434**	142,971	**1,195**	1,208	**122,239**	141,763
Securities investment	**6,596**	6,922	**–**	–	**6,596**	6,922
Others	**143,738**	83,249	**29,127**	64,966	**114,611**	18,283
	461,436	392,574	**30,322**	66,174	**431,114**	326,400
Analysed by:						
Revenue					**280,632**	244,197
Other revenue					**150,482**	82,203
					431,114	326,400

The principal activities of the Group are property development, property investment, ferry, shipyard and related operations and securities investment.

3 SEGMENT INFORMATION (Continued)

Segment results (Continued)

(a) Segment revenue (Continued)

Disaggregation in revenue

Disaggregation of revenue from contracts with customers by major service lines is as follows:

	2022	2021
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by service lines		
– Property development	**27,600**	12,000
– Revenue from ferry operations	**48,203**	44,390
– Revenue from shipyard operations	**52,433**	65,833
	128,236	122,223
Revenue from other sources		
– Property investment	**113,385**	105,898
– Securities investment	**6,596**	6,678
– Others	**32,415**	9,398
	152,396	121,974
	280,632	244,197

Apart from revenue from shipyard which is recognised over time, the Group's other revenue streams within the scope of HKFRS 15 are recognised at a point in time.

Revenue represents gross income from the sale of properties, sales value of goods delivered to customers, income from services rendered, rental income, interest income and dividend income.

At 31 December 2022, the aggregate amount of revenue expected to be recognised in profit or loss in the future from construction and repairing contracts entered into in relation to the Group's shipyard operations amounted to HK$17,515,000 (2021: HK$14,126,000), which will be recognised over time until the work is completed, which is expected to occur over the next 12 months.

3 SEGMENT INFORMATION (Continued)

Segment results (Continued)

(b) Segment result

	Reportable segment profit/(loss) 2022 HK$'000	2021 HK$'000
Property development	**16,482**	3,657
Property investment *(note 3(d))*	**98,928**	148,036
Ferry, shipyard and related operations	**(5,414)**	8,560
Securities investment	**(16,917)**	(804)
	93,079	159,449
Others *(note 3(e))*	**83,266**	10,496
	176,345	169,945

(c) Reconciliation of reportable segment profit

	2022 HK$'000	2021 HK$'000
Reportable segment profit derived from external customers	**93,079**	159,449
Other profit derived from external customers	**83,266**	10,496
Interest on lease liabilities	**(249)**	(122)
Share of profits/(losses) of associates and joint ventures *(net)*	**1,179,821**	(31,220)
Profit before taxation in the consolidated statement of profit or loss	**1,355,917**	138,603

(d) The segment result of the "Property investment" included valuation gains on investment properties of HK$20,365,000 (2021: HK$75,621,000).

(e) "Others" mainly comprises interest income, corporate expenses and exchange gains/losses.

3 SEGMENT INFORMATION (Continued)

Segment results (Continued)

(f) Other segment information

	Depreciation and amortisation		Impairment losses		Capital expenditure incurred	
	2022	2021	**2022**	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Property development	**1,175**	–	**–**	–	**–**	–
Property investment	**–**	–	**–**	4	**70,135**	9,414
Ferry, shipyard and related operations	**8,599**	8,656	**–**	382	**2,601**	7,362
Others	**6,103**	518	**–**	–	**21,742**	360
	15,877	9,174	**–**	386	**94,478**	17,136

4 OTHER REVENUE AND NET LOSS

	2022	2021
	HK$'000	*HK$'000*
Other revenue		
Other interest income	**79,400**	8,847
Management fee income	**27,161**	24,941
Air-conditioning charges income	**17,694**	15,463
Other income	**15,985**	14,222
Government grants *(note 1)*	**4,361**	–
Government grants – others *(note 2)*	**5,881**	18,730
	150,482	82,203
Other net loss		
Income from sale of spare parts	**2,667**	852
Sundry income	**828**	745
Net exchange gains	**7**	116
Net loss on disposal of other property, plant and equipment	**(2)**	(2)
Change in fair value of other financial assets designated at FVPL	**(23,057)**	(7,632)
Net profit on disposal of other financial assets designated at FVOCI (recycling)	**–**	446
Impairment loss on trade and other receivables reversed	**–**	139
	(19,557)	(5,336)

4 OTHER REVENUE AND NET LOSS (Continued)

Note 1: In 2022, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

Note 2: In 2022, the Group was qualified for the relief measures offered for the public transport sector, food and environment sector and other sectors under the Anti-epidemic Fund set up by the Hong Kong Government amounting to HK$2,592,000, HK$3,150,000 and HK$139,000 (2021: HK$16,646,000, HK$2,084,000 and Nil) respectively. The purpose of the funding is to provide financial support to franchised and licensed ferry and shipyard operators, licensed food and entertainment service providers, and eligible applicants under other sectors who were adversely impacted by the COVID-19 pandemic.

5 PROFIT BEFORE TAXATION

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

(a) Staff costs:

	2022 ***HK$'000***	2021 *HK$'000*
Expense recognised in respect of defined benefit retirement plan *(note 16(a)(v))*	**682**	1,158
Contributions to defined contribution retirement plan	**3,010**	2,309
Total retirement costs	**3,692**	3,467
Salaries, wages and other benefits	**94,965**	83,329
	98,657	86,796

5 PROFIT BEFORE TAXATION (Continued)

(b) Other items:

	2022 HK$'000	2021 HK$'000
Amortisation of leasehold land premium	1,369	1,369
Depreciation	14,508	7,805
Cost of inventories *(note 17(b))*	8,511	5,869
Auditor's remuneration		
– audit services	1,868	1,802
– other services	366	355
Impairment losses on trade and other receivables	–	525
Rentals receivable from investment properties less direct outgoings of HK$62,080,000 (2021: HK$58,028,000) *(note)*	(51,305)	(47,870)
Rentals receivable from leases, other than those relating to investment properties, less direct outgoings of HK$1,232,000 (2021: HK$1,170,000)	(5,689)	(6,264)
Interest income	(110,569)	(18,245)
Dividend income from other financial assets designated at FVPL	(3,328)	(3,388)
Dividend income from other financial assets designated at FVOCI	(3,268)	(3,290)

Note: Included contingent rental income which is determined based on turnover of certain shops and commercial arcades of HK$2,449,000 (2021: HK$2,325,000).

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2022	2021
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**28,468**	13,831
Provision for the claims *(note)*	**30,040**	–
Over-provision in respect of prior years	**(75)**	(60)
	58,433	13,771
Deferred tax		
Origination and reversal of temporary differences	**(1,652)**	6,583
	56,781	20,354

The provision for Hong Kong Profits Tax for 2022 is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2021.

The provision for Hong Kong Profits Tax for 2022 takes into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2021/22 subject to a maximum reduction of HK$10,000 for each business (2021: a maximum reduction of HK$10,000 was granted for the year of assessment 2020/21 and was taken into account in calculating the provision for 2021).

Note: In prior years, the Inland Revenue Department ("IRD") raised additional profits tax assessments on a subsidiary of the Group covering the years of assessment from 2001/02 to 2009/10 as the IRD disallowed the deduction of certain capital expenditure incurred by the subsidiary (the "claims"). Notices of objection were filed with the IRD by the subsidiary. In February 2017 and March 2022, the IRD further raised additional profits tax assessments covering the years of assessment from 2010/11 to 2014/15 and 2015/16 in respect of such disallowance. Management has sought advice from the Group's tax adviser and has filed a notice of objection against such additional tax assessments. In August 2022, IRD issued a determination regarding previous objections and continued to disallow the claims. In September 2022, the subsidiary filed a notice of appeal to the Board of Review and the hearing of the appeal is scheduled in December 2023. As at 31 December 2022, the Group made a provision of HK$30,040,000 representing the maximum tax effect arising from the total capital expenditure claimed by the subsidiary.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

(b) Reconciliation between tax expense and accounting profit at an applicable tax rate:

	2022	2021
	HK$'000	*HK$'000*
Profit before taxation	**1,355,917**	138,603
Notional tax on profit before taxation, calculated at the rates applicable to profit in tax jurisdictions concerned	**223,564**	22,701
Tax effect of non-deductible expenses	**4,903**	2,800
Tax effect of non-taxable income	**(205,026)**	(12,779)
Tax effect of current year's tax losses not recognised	**6,223**	5,779
Tax effect of prior years' unrecognised tax losses utilised this year	**(1)**	–
Tax effect of temporary differences on investment properties and other property, plant and equipment	**(2,847)**	1,913
Under/(over)-provision in respect of prior years	**29,965**	(60)
Actual tax expense	**56,781**	20,354

7 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and Chief Executive's emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance, Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and Appendix 16 to the Listing Rules are as follows:

	Directors' fees		Retirement schemes contribution	
	2022	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Executive directors				
Dr. Lam Ko Yin, Colin	**200**	200	**–**	–
Mr. Li Ning	**150**	150	**–**	–
Non-executive directors				
Mr. Au Siu Kee, Alexander	**100**	100	**–**	–
Mr. Lau Yum Chuen, Eddie	**100**	100	**–**	–
Independent non-executive directors				
Mr. Ho Hau Chong, Norman	**300**	300	**–**	–
Ms. Wong Yu Pok, Marina	**300**	300	**–**	–
Mr. Wu King Cheong	**300**	300	**–**	–
	1,450	1,450	**–**	–

	Salaries and other emoluments		Retirement schemes contributions	
	2022	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Group General Manager				
Mr. Lee Gabriel	**5,006**	968	**250**	48
Dr. Ho Chi Shing, David (retired on 15 October 2021)	**–**	6,346	**–**	–
	5,006	7,314	**250**	48

8 EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT

(a) Five highest paid individuals

Of the five individuals with the highest emoluments, one (2021: two) is the chief executive whose emoluments is disclosed in note 7. The aggregate of the emoluments in respect of the remaining four (2021: three) individuals are as follows:

	2022	2021
	HK$'000	*HK$'000*
Salaries and other emoluments	**5,655**	3,638
Retirement scheme contributions	**206**	129
	5,861	3,767

The emoluments of the four (2021: three) individuals with the highest emoluments are within the following bands:

	2022	2021
HK$	***Number of individuals***	*Number of individuals*
1,000,001–1,500,000	**2**	3
1,500,001–2,000,000	**2**	–

(b) Emoluments of senior management

Other than the emoluments of directors, chief executive and five highest paid individuals disclosed in notes 7 and 8(a), the emoluments of the remaining senior management whose profiles are provided in Directors' and Senior Management's Profile fell within the following band:

	2022	2021
HK$	***Number of individuals***	*Number of individuals*
500,001–1,000,000	**1**	1

9 DIVIDENDS

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

	2022 **HK$'000**	2021 HK$'000
Interim dividend declared and paid of HK10 cents (2021: HK10 cents) per ordinary share	**35,627**	35,627
Final dividend proposed after the end of the reporting period of HK15 cents (2021: HK15 cents) per ordinary share	**53,441**	53,441
Special dividend proposed after the end of the reporting period of HK$1.00 (2021: Nil) per ordinary share	**356,274**	–
	445,342	89,068

The final and special dividends proposed after the end of the reporting period have not been recognised as a liability at the end of the reporting period.

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

	2022 **HK$'000**	2021 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK15 cents (2021: HK15 cents) per ordinary share	**53,441**	53,441

10 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$1,299,136,000 (2021: HK$118,249,000) and 356,273,883 (2021: 356,273,883) ordinary shares in issue during the year.

There were no dilutive potential ordinary shares in existence during the years 2022 and 2021, therefore diluted earnings per share are the same as basic earnings per share for both years.

11 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND

	Buildings HK$'000	Ferry vessels and other crafts HK$'000	Machinery, furniture and others HK$'000	Sub-total HK$'000	Investment properties HK$'000	Interest in leasehold land HK$'000	Total HK$'000
Cost or valuation:							
At 1 January 2021	82,506	120,153	282,778	485,437	2,172,970	159,407	2,817,814
Additions	708	–	7,722	8,430	9,414	–	17,844
Disposals	(1,923)	–	(24)	(1,947)	–	–	(1,947)
Valuation gains	–	–	–	–	75,621	–	75,621
At 31 December 2021	81,291	120,153	290,476	491,920	2,258,005	159,407	2,909,332
Representing:							
Cost	81,291	120,153	290,476	491,920	–	159,407	651,327
Valuation	–	–	–	–	2,258,005	–	2,258,005
	81,291	120,153	290,476	491,920	2,258,005	159,407	2,909,332
Accumulated amortisation and depreciation:							
At 1 January 2021	67,477	118,372	248,217	434,066	–	123,114	557,180
Charge for the year	2,713	375	4,717	7,805	–	1,369	9,174
Written back on disposals	(1,923)	–	(22)	(1,945)	–	–	(1,945)
At 31 December 2021	68,267	118,747	252,912	439,926	–	124,483	564,409
Net book value:							
At 31 December 2021	13,024	1,406	37,564	51,994	2,258,005	34,924	2,344,923

11 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND (Continued)

	Buildings HK$'000	Ferry vessels and other crafts HK$'000	Machinery, furniture and others HK$'000	Sub-total HK$'000	Investment properties HK$'000	Interest in leasehold land HK$'000	Total HK$'000
Cost or valuation:							
At 1 January 2022	81,291	120,153	290,476	491,920	2,258,005	159,407	2,909,332
Additions	33,486	245	9,709	43,440	70,135	–	113,575
Disposals	(1,244)	–	(14)	(1,258)	(6,200)	–	(7,458)
Valuation gains	–	–	–	–	20,365	–	20,365
At 31 December 2022	113,533	120,398	300,171	534,102	2,342,305	159,407	3,035,814
Representing:							
Cost	113,533	120,398	300,171	534,102	–	159,407	693,509
Valuation	–	–	–	–	2,342,305	–	2,342,305
	113,533	120,398	300,171	534,102	2,342,305	159,407	3,035,814
Accumulated amortisation and depreciation:							
At 1 January 2022	68,267	118,747	252,912	439,926	–	124,483	564,409
Charge for the year	8,406	324	5,778	14,508	–	1,369	15,877
Written back on disposals	–	–	(12)	(12)	–	–	(12)
At 31 December 2022	76,673	119,071	258,678	454,422	–	125,852	580,274
Net book value:							
At 31 December 2022	36,860	1,327	41,493	79,680	2,342,305	33,555	2,455,540

11 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND (Continued)

(a) Fair value measurement of investment properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

		Fair value measurements as at 31 December 2022 categorised into		
	Fair value at 31 December 2022 *HK$'000*	**Level 1** *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*
Recurring fair value measurement				
Investment properties	**2,342,305**	**–**	**–**	**2,342,305**

		Fair value measurements as at 31 December 2021 categorised into		
	Fair value at 31 December 2021 *HK$'000*	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*
Recurring fair value measurement				
Investment properties	2,258,005	–	–	2,258,005

11 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND (Continued)

(a) Fair value measurement of investment properties (Continued)

(i) Fair value hierarchy (Continued)

During the year ended 31 December 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2021: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation process

All the Group's investment properties were revalued as at 31 December 2022. The valuations were carried out by a firm of surveyors, Cushman & Wakefield Limited, who have among their staff Members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on a market value basis. The management has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

(ii) Information about Level 3 fair value measurements

The fair values of investment properties were determined using income capitalisation approach which capitalised the net income of the properties and taking into account the reversionary potential of properties after expiry of the current leases except for an investment property which was determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis using market data which is publicly available.

Below is a table which presents the significant unobservable inputs:

Income capitalisation approach

	Range of capitalisation rates		Range of occupancy rates	
	2022	2021	**2022**	2021
	%	%	**%**	%
Retail	**2.75% – 4.75%**	3.5% – 4.75%	**62% – 100%**	84% – 100%
Car park	**4.125% – 6.5%**	4.125% – 6.5%	**74% – 100%**	71% – 100%

Market comparison approach

	Market unit sales price		Adopted market rate	
	2022	2021	**2022**	2021
	HK$/sq. ft.	*HK$/sq. ft.*	***HK$/sq. ft.***	*HK$/sq. ft.*
Godown	**652 – 839**	409 – 548	**700**	600

11 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND (Continued)

(a) Fair value measurement of investment properties (Continued)

(ii) Information about Level 3 fair value measurements (Continued)

The fair value measurement of investment properties is positively correlated to the occupancy rate and market unit sales price and negatively correlated to the capitalisation rate.

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2022	2021
	HK$'000	*HK$'000*
Investment properties		
At 1 January	**2,258,005**	2,172,970
Additions	**70,135**	9,414
Disposals	**(6,200)**	–
Valuation gains	**20,365**	75,621
At 31 December	**2,342,305**	2,258,005

Fair value adjustment of investment properties is recognised in the line item "valuation gains on investment properties" on the face of the consolidated statement of profit or loss.

All the gains or losses recognised in profit or loss for the year arise from the properties held at the end of the reporting period.

(b) The analysis of the net book value of all the properties, which are held in Hong Kong, is as follows:

	2022	2021
	HK$'000	*HK$'000*
Short-term leases	**1,175**	–
Medium-term leases	**2,353,345**	2,305,953
Long-term leases	**58,200**	–
	2,412,720	2,305,953

11 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND (Continued)

(c) The Group leases out investment properties under operating leases. The leases typically run for an initial period of one month to three years, with an option to renew the lease after that date at which time all terms are renegotiated. Certain of the leases include contingent rentals calculated with reference to the revenue of tenants.

All properties held under operating leases that would otherwise meet the definition of investment properties are classified as investment properties.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2022	2021
	HK$'000	*HK$'000*
Within 1 year	**81,029**	68,691
After 1 year but within 2 years	**40,729**	39,319
After 2 years but within 3 years	**15,935**	11,643
	137,693	119,653

(d) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

		2022	2021
	Note	***HK$'000***	*HK$'000*
Other properties leased for own use, carried at depreciated cost	*(i)*	**15,605**	3,751
Machinery, furniture and others, carried at depreciated cost	*(ii)*	**187**	324
		15,792	4,075

11 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND (Continued)

(d) Right-of-use assets (Continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2022	2021
	HK$'000	*HK$'000*
Depreciation charge of right-of-use assets by class of underlying asset:		
Other properties leased for own use	**5,982**	1,966
Machinery, furniture and others	**153**	147
	6,135	2,113
Interest on lease liabilities	**249**	122
COVID-19-related rent concessions received	**629**	1,259

During the year, additions to right-of-use assets were HK$19,096,000 (2021: HK$708,000). The amount primarily related to the capitalised lease payments payable under new tenancy agreements.

The Group early adopted the Amendment to HKFRS 16, *Leases*, *Covid-19-related rent concessions beyond 30 June 2021* in the financial statements for the year ended 31 December 2021, and applies the practical expedient to all eligible rent concessions received by the Group.

Note (i): Other properties leased for own use
The Group has obtained the right to use other properties as its office space and ferry piers through tenancy agreements. The leases typically run for an initial period of two to three years.

Note (ii): Other leases
The Group leases office equipment under leases expiring for four years. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes variable lease payments.

12 INTEREST IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

	Particulars of issued and paid up capital	Proportion of ownership interests: Held by the Company	Proportion of ownership interests: Held by subsidiaries	Principal activities
HYFCO Development Company, Limited	1,200,003 shares	100%	–	Investment holding
The Hong Kong Shipyard Limited	170,000 shares	100%	–	Shipbuilding and repairs
HYFCO Trading and Investments Company Limited	2 shares	100%	–	Trading
HYFCO Estate Management & Agency Limited	2,500,000 shares	100%	–	Property management
The Hongkong and Yaumati Ferry Company Limited	1,000,000 shares	100%	–	Ferry operations
Galaxy Hotel Management Company Limited	1,000,000 shares	–	100%	Floating restaurant business
Genius Star Development Limited	2 shares	100%	–	Property investment
Pico International Limited	6,000,000 shares	100%	–	Investment holding
Hong Kong Ferry Finance Company Limited	2 shares	100%	–	Funding for group companies
Thommen Limited	2 shares	100%	–	Investment holding
Lenfield Limited	2 shares	100%	–	Property development, investment and financing
HKF Property Investment Limited	2 shares	100%	–	Property investment
Join Galaxy Limited	2 shares	–	100%	Property financing
Merry World Assets Limited	50,000 shares	100%	–	Investment holding
Jet Legend Limited	1 share	100%	–	Property development and financing
World Light Limited	1 share	100%	–	Property development, investment and financing
Well Dynamic Limited	1 share	100%	–	Property development, investment and financing
World Fame Shipping Limited	2 shares	100%	–	Property development

All the subsidiaries listed above are incorporated in Hong Kong except for Merry World Assets Limited which is incorporated in the British Virgin Islands.

13 INTEREST IN ASSOCIATES

	2022	2021
	HK$'000	*HK$'000*
Share of net assets	**793**	956
Amounts due from associates	**13,437**	14,077
Share of net liabilities	**(279)**	(599)
	13,158	13,478
Less: impairment loss	**(6,794)**	(6,794)
	7,157	7,640

Except for the amount advanced to 2OK Company Limited ("2OK") which is interest-bearing at Hong Kong dollar prime rate minus 3% (2021: Hong Kong dollar prime rate minus 3%) per annum, as disclosed in note 27(b)(ii), all of the amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. All the amounts due from associates are not expected to be recovered within one year.

The following list contains the particulars of associates, all of which are unlisted corporate entities whose quoted market price is not available:

	Particulars of issued and paid up capital	**Proportion of ownership interest held by subsidiaries**	**Principal activities**
2OK	10 ordinary shares	50%	Property financing
Authian Estates Limited	5,000 A shares 5,000 B shares	50%	Property investment
Winwide Limited	100 ordinary shares	30%	Trading

All of the associates are incorporated and operate in Hong Kong.

All of the above associates are accounted for using the equity method in the consolidated financial statements.

13 INTEREST IN ASSOCIATES (Continued)

Aggregate information of associates that are not individually material:

	2022 HK$'000	2021 HK$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	514	357
Aggregate amounts of the Group's share of those associates'		
Profit for the year	1,119	1,184
Total comprehensive income	1,119	1,184

14 INTEREST IN JOINT VENTURES

	2022 HK$'000	2021 HK$'000
Share of net assets	466,782	700
Share of net liabilities	(227)	(49,747)
Advances to a joint venture	480,000	480,000
Loan to a joint venture	–	64,400
	946,555	495,353

As at 31 December 2021, the loan to a joint venture was unsecured and had no fixed terms of repayment. During the year ended 31 December 2022, the loan was fully recovered from a joint venture. The accrued interest of the loan since 2016 was agreed at HK$67,793,000 and included in the "Amounts due from joint ventures" under "Trade and other receivables" at 31 December 2022 (see note 18(b)).

The advances to a joint venture is unsecured, interest-bearing at Hong Kong dollar prime rate minus 3% per annum and has no fixed terms of repayment. The balance is not expected to be recovered within one year.

Details of the Group's interest in material joint ventures, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of issued capital	Proportion of ownership interest held by subsidiaries	Principal activities
Win Standard Enterprises Limited	Incorporated	Hong Kong	10,000 ordinary shares	50%	Property development and financing
Mega Capital Enterprises Limited	Incorporated	Hong Kong	2 ordinary shares	50%	Property financing

The joint ventures are unlisted corporate entities whose quoted market price are not available.

14 INTEREST IN JOINT VENTURES (Continued)

Summarised financial information of material joint venture, adjusted for any differences in accounting policies and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Win Standard Enterprises Limited	
	2022	2021
Gross amounts of the joint venture's	***HK$'000***	*HK$'000*
Current assets	**2,265,078**	6,848,140
Non-current assets	**–**	85,600
Current liabilities	**(1,344,123)**	(6,968,388)
Non-current liabilities	**–**	(64,663)
Total equity/(deficit)	**920,955**	(99,311)
Included in the above assets and liabilities:		
Cash and cash equivalents	**1,270,346**	347,798
Current financial liabilities (excluding trade and other payables and provisions)	**(52,808)**	(52,808)
Contract liabilities	**(9,926)**	(6,475,828)
Non-current financial liabilities	**–**	(64,663)
Revenue	**8,591,139**	82
Profit/(loss) for the year	**2,351,466**	(65,924)
Other comprehensive income	**–**	–
Total comprehensive income	**2,351,466**	(65,924)
Included in the above profit/loss:		
Interest income	**6,383**	3,781
Interest expenses	**(138,453)**	(1,154)
Taxation	**(442,773)**	–

No depreciation and amortisation is included in the above profit/(loss).

	Win Standard Enterprises Limited	
	2022	2021
	HK$'000	*HK$'000*
Reconciled to Group's interest in the joint venture		
Gross amounts of the joint venture's net assets/(liabilities)	**920,955**	(99,311)
Group's effective interest	**50%**	50%
Group's share of the joint venture's net assets/(liabilities)	**460,478**	(49,656)

14 INTEREST IN JOINT VENTURES (Continued)

Aggregate information of joint ventures that is not individually material:

	2022 HK$'000	2021 HK$'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	6,077	609
Aggregate amounts of the Group's share of those joint ventures'		
Profit for the year	2,969	558
Total comprehensive income	2,969	558

15 OTHER FINANCIAL ASSETS

	2022 HK$'000	2021 HK$'000
Financial assets designated at FVOCI (non-recycling) *(note)*		
– Equity securities listed in Hong Kong	39,936	39,627
Financial assets designated at FVPL		
– Unit trust listed in Hong Kong	72,893	95,950
	112,829	135,577
Market value of listed securities at 31 December	112,829	135,577

Note: The Group has designated certain investments as equity securities designated as financial assets at FVOCI (non-recycling) as the investments are held for strategic purposes which are subject to regular strategic review. Details of the investments are as follows:

Name of equity securities	2022 HK$'000	2021 HK$'000
Bank of China Ltd	29,216	28,907
Agricultural Bank of China Limited	10,720	10,720
As at 31 December	39,936	39,627

Upon disposal of certain securities during the year ended 31 December 2021, the related cumulative loss of HK$3,919,000 was transferred from securities revaluation reserve (non-recycling) to retained earnings. No disposal of securities during the year ended 31 December 2022.

16 NET EMPLOYEE RETIREMENT BENEFITS ASSETS/LIABILITIES

(a) Defined benefit retirement plan

The Group makes contributions to a defined benefit retirement plan registered under the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong), which covers 5.8% (2021: 8.3%) of the Group's employees. The plan is administered by independent trustees with their assets held separately from those of the Group.

The plan is funded by contributions from the Group in accordance with an independent actuary's recommendation based on annual actuarial valuations. The latest independent actuarial valuation of the plan was at 31 December 2022 and was prepared by qualified staff of Towers Watson Hong Kong Limited, who are members of recognised actuarial bodies, using the projected unit credit method. The actuarial valuation indicates that 100% (2021: 85.7%) of the Group's obligations under the defined benefit retirement plan are covered by the plan assets held by the trustees.

The plan exposes the Group to actuarial risks, such as interest rate risk, investment risk and longevity risk. Information about the plan is disclosed below:

(i) The amounts recognised in the consolidated statement of financial position are as follows:

	2022	2021
	HK$'000	*HK$'000*
Present value of wholly or partly funded obligations	**(16,862)**	(18,998)
Fair value of plan assets	**17,074**	16,278
	212	(2,720)

The plan assets do not include any share issued by the Company or any property occupied by the Group.

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group expects to pay HK$255,000 in contributions to defined benefit retirement plan in 2023.

16 NET EMPLOYEE RETIREMENT BENEFITS ASSETS/LIABILITIES (Continued)

(a) Defined benefit retirement plan (Continued)

(ii) Plan assets consist of the following:

	2022	2021
Equity securities	**72.2%**	69.5%
Fixed deposits	**27.8%**	30.5%
Total	**100.0%**	100.0%

All of the equity securities have quoted prices in active markets.

(iii) Movements in the present value of the defined benefit obligations:

	2022 **HK$'000**	2021 HK$'000
At 1 January	**18,998**	37,024
Remeasurements:		
– Actuarial gain arising from changes in financial assumptions	**(2,516)**	(1,658)
– Actuarial loss/(gain) arising from changes in experience	**731**	(881)
– Actuarial loss arising from change in demographic assumptions	**2**	1
	(1,783)	(2,538)
Current service cost	**591**	1,048
Interest cost	**265**	110
Benefits paid by the plan	**(1,209)**	(16,646)
At 31 December	**16,862**	18,998

16 NET EMPLOYEE RETIREMENT BENEFITS ASSETS/LIABILITIES (Continued)

(a) Defined benefit retirement plan (Continued)

(iv) Movements in plan assets:

	2022 HK$'000	2021 HK$'000
At 1 January	16,278	32,901
Interest income	229	98
Return more/(less) than discount rate	1,579	(381)
Benefits paid by the plan	(1,209)	(16,646)
Administrative expenses paid	(55)	(98)
Contributions paid to the plan	252	404
At 31 December	17,074	16,278

(v) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2022 HK$'000	2021 HK$'000
Current service cost	591	1,048
Net interest on net defined benefit liabilities	36	12
Administrative expenses paid	55	98
Total amounts recognised in profit or loss	682	1,158
Actuarial gain	(1,783)	(2,538)
(Return)/expense on plan assets, excluding interest income	(1,579)	381
Total amounts recognised in other comprehensive income	(3,362)	(2,157)
Total defined benefit costs	(2,680)	(999)

16 NET EMPLOYEE RETIREMENT BENEFITS ASSETS/LIABILITIES (Continued)

(a) Defined benefit retirement plan (Continued)

(v) (Continued)

The current service cost, the net interest on defined benefit liabilities and the administrative expenses paid are recognised in the following item in the consolidated statement of profit or loss:

	2022 HK$'000	2021 HK$'000
Administrative expenses	682	1,158

(vi) Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows:

	2022	2021
Discount rate	3.6%	1.4%
Long-term salary increase rate		
– 2023	3.5%	3.0%
– 2024	3.5%	3.5%
– Thereafter	3.5%	3.5%

The below analysis shows how the defined benefit obligations would have (increased)/decreased as a result of 0.25% change in the significant actuarial assumptions:

	Increase in 0.25%		Decrease in 0.25%	
	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000
Discount rate	252	349	(258)	(359)
Future salary	(246)	(334)	242	326

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

16 NET EMPLOYEE RETIREMENT BENEFITS ASSETS/LIABILITIES (Continued)

(b) Defined contribution retirement plan

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

17 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2022	2021
	HK$'000	*HK$'000*
Property development		
Properties under development for sale	**1,625,071**	1,274,445
Completed properties held for sale	**61,314**	63,035
	1,686,385	1,337,480
Other operations		
Trading stocks	**2,934**	1,596
Spare parts and consumables	**1,913**	1,012
	4,847	2,608
	1,691,232	1,340,088

The above properties are situated in Hong Kong and held under medium-term leases.

All of the inventories are expected to be recovered within one year.

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2022	2021
	HK$'000	*HK$'000*
Carrying amount of inventories sold	**8,511**	5,869

18 TRADE AND OTHER RECEIVABLES

(a) Non-current

	2022 HK$'000	2021 HK$'000
Instalment receivables	96,374	104,715
Other receivables and prepayments	2,481	–
	98,855	104,715

Instalment receivables represent the proceeds receivable from the sale of properties due after more than one year from the end of the reporting period. The balance included under non-current assets is not past due. Instalment receivables due within one year from the end of the reporting period are included in "Trade and other receivables" under current assets.

(b) Current

	2022 HK$'000	2021 HK$'000
Trade receivables	53,880	47,080
Instalment receivables	2,613	4,031
Less: loss allowance	(2,709)	(2,709)
	53,784	48,402
Other receivables and prepayments	73,119	47,172
Amounts due from joint ventures	115,512	35,773
	242,415	131,347

All of the trade and other receivables are expected to be recovered or recognised as expense within one year. Included in the trade and other receivables are amounts due from related companies of HK$54,336,000 (2021: HK$48,804,000) which are unsecured, interest-free and are recoverable on demand. Related companies are companies under control of a company which has significant influence on the Group.

As at 31 December 2021, the amounts due from joint ventures include a balance of HK$25,996,000 which is unsecured, interest-bearing at a rate to be agreed by the Group and the joint venture partner annually and is recoverable on demand. The remaining balance is unsecured, interest-free and is recoverable on demand.

The balance as at 31 December 2022 is unsecured, interest-free and is recoverable on demand.

18 TRADE AND OTHER RECEIVABLES (Continued)

(b) Current (Continued)

(i) Ageing analysis

Included in trade and other receivables are trade debtors (net of loss allowance) with the following ageing analysis based on due date at the end of the reporting period:

	2022	2021
	HK$'000	*HK$'000*
Current	**27,633**	28,032
1 to 3 months overdue	**24,198**	18,220
More than 3 months but less than 12 months overdue	**1,845**	2,033
More than 12 months overdue	**108**	117
	53,784	48,402

Trade debtors are due ranging from 7 to 45 days from the date of billing. Debtors with balances that are more than 60 days overdue are generally required to settle all outstanding balances before any further credit is granted. Further details on the Group's credit policy are set out in note 24(a).

(ii) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 1(j)(i)).

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which include a specific element based on individual receivables and a collective element calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The movement in the loss allowance accounts during the year is as follows:

	2022	2021
	HK$'000	*HK$'000*
At 1 January	**2,709**	2,586
Impairment losses recognised	**–**	525
Impairment loss reversed	**–**	(139)
Uncollectible amount written off	**–**	(263)
At 31 December	**2,709**	2,709

18 TRADE AND OTHER RECEIVABLES (Continued)

(b) Current (Continued)

(ii) Impairment of trade debtors (Continued)

The Group has recognised an ECL on trade debtors amounting to HK$2,709,000 (2021: HK$2,709,000) as at 31 December 2022, calculated on 100% of certain individual trade debtors with significantly increased in credit risk. The identified impairment loss on the remaining trade debtors was immaterial as at 31 December 2022 and 31 December 2021.

19 CASH AND BANK BALANCES

(a)

	2022 **HK$'000**	2021 HK$'000
Deposits with banks and other financial institutions	**1,821,111**	1,224,478
Cash at bank and in hand	**151,615**	458,553
Cash and bank balances in the consolidated statement of financial position	**1,972,726**	1,683,031
Less: Bank overdrafts	**(701)**	–
Less: Bank deposits with maturity over three months at acquisition	**(1,821,111)**	(594,038)
Cash and cash equivalents in the consolidated cash flow statement	**150,914**	1,088,993

Included in cash and bank balances are the following amounts denominated in a currency other than Hong Kong dollars:

	2022 **'000**	2021 '000
United States dollars	**13**	13
Renminbi	**45**	45

19 CASH AND BANK BALANCES (Continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Lease liabilities	
	2022	2021
	HK$'000	*HK$'000*
	(note 21)	
At 1 January	**4,174**	5,556
Changes from financing cash flows:		
Capital element of lease rentals paid	**(4,402)**	(2,090)
Interest element of lease rentals paid	**(249)**	(122)
Total changes from financing cash flows	**(4,651)**	(2,212)
Other changes:		
Increase in lease liabilities from entering into new leases and lease modifications during the year *(net)*	**17,852**	708
Interest expenses	**249**	122
Total other changes	**18,101**	830
At 31 December	**17,624**	4,174

19 CASH AND BANK BALANCES (Continued)

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2022 HK$'000	2021 HK$'000
Within operating cash flows	–	–
Within financing cash flows	4,651	2,212
	4,651	2,212

This amount relate to the following:

	2022 HK$'000	2021 HK$'000
Lease rentals paid	4,651	2,212

20 TRADE AND OTHER PAYABLES

All of the trade and other payables except for an amount of HK$16,172,000 (2021: HK$16,527,000) are expected to be settled within one year. Included in the trade and other payables are amounts due to related companies of HK$40,270,000 (2021: HK$34,965,000) which are unsecured, interest-free and repayable within 30–45 days or repayable on demand. Related companies are companies under control of a company/person which has significant influence on the Group.

Included in trade and other payables are trade payables with the following ageing analysis based on due date at the end of the reporting period:

	2022 HK$'000	2021 HK$'000
Due within 1 month or on demand	115,129	96,381
Due after 1 month but within 3 months	766	585
Due after 3 months but within 12 months	–	–
More than 12 months	2	1
	115,897	96,967

21 LEASE LIABILITIES

At 31 December 2022, the lease liabilities were repayable as follows:

	2022 HK$'000	2021 HK$'000
Within 1 year	8,400	2,121
After 1 year but within 2 years	6,440	1,899
After 2 years but within 5 years	2,784	154
	9,224	2,053
	17,624	4,174

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Tax payable/(recoverable) in the consolidated statement of financial position represents:

	2022 HK$'000	2021 HK$'000
Provision for Hong Kong Profits Tax for the year	28,468	13,831
Provisional Profits Tax paid	(11,209)	(7,708)
	17,259	6,123
Balance of Hong Kong Profits Tax payable/(recoverable) relating to prior years	19,904	(10,244)
	37,163	(4,121)

Represented by:

	2022 HK$'000	2021 HK$'000
Tax payable	37,905	18,909
Tax recoverable	(742)	(23,030)
	37,163	(4,121)

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax assets and liabilities recognised:

Movement of each component of deferred tax assets and liabilities

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Temporary differences from investment properties and other property, plant and equipment HK$'000	Future benefit of tax losses HK$'000	Intra-group interest capitalised in properties under development HK$'000	Total HK$'000
At 1 January 2021	68,976	(1,363)	(2,695)	64,918
Charged/(credited) to profit or loss *(note 6(a))*	6,594	(11)	–	6,583
At 31 December 2021 and 1 January 2022	**75,570**	**(1,374)**	**(2,695)**	**71,501**
Charged/(credited) to profit or loss *(note 6(a))*	**2,175**	**(3,827)**	**–**	**(1,652)**
At 31 December 2022	**77,745**	**(5,201)**	**(2,695)**	**69,849**

	2022 ***HK$'000***	2021 *HK$'000*
Represented by:		
Net deferred tax asset recognised in the consolidated statement of financial position	**(6,358)**	(3,526)
Net deferred tax liability recognised in the consolidated statement of financial position	**76,207**	75,027
	69,849	71,501

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 1(q), the Group has not recognised the following deferred tax assets in respect of deductible temporary differences and cumulative tax losses as it is not probable that future taxable profits against which the deductible temporary differences and tax losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

	2022		2021	
	Deductible temporary differences/ tax losses	**Deferred tax assets**	Deductible temporary differences/ tax losses	Deferred tax assets
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
(i) Excess of tax written down values over accounting carrying values of other property, plant and equipment	**44**	**7**	49	8
(ii) Tax losses	**236,127**	**37,925**	198,845	32,809
	236,171	**37,932**	198,894	32,817

23 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	**Share capital** *HK$'000* *(note 23(b))*	**Retained profits** *HK$'000*	**Total** *HK$'000*
Balance at 1 January 2021		1,754,801	557,539	2,312,340
Changes in equity for 2021:				
Loss for the year		–	(7,767)	(7,767)
Other comprehensive income		–	2,157	2,157
Total comprehensive income		–	(5,610)	(5,610)
Dividends approved in respect of the previous year	9	–	(53,441)	(53,441)
Dividends declared in respect of the current year	9	–	(35,627)	(35,627)
Balance at 31 December 2021 and 1 January 2022		**1,754,801**	**462,861**	**2,217,662**
Changes in equity for 2022:				
Profit for the year		**–**	**2,467,304**	**2,467,304**
Other comprehensive income		**–**	**3,362**	**3,362**
Total comprehensive income		**–**	**2,470,666**	**2,470,666**
Dividends approved in respect of the previous year	9	**–**	**(53,441)**	**(53,441)**
Dividends declared in respect of the current year	9	**–**	**(35,627)**	**(35,627)**
Balance at 31 December 2022		**1,754,801**	**2,844,459**	**4,599,260**

23 CAPITAL AND RESERVES (Continued)

(b) Share capital

	2022		2021	
	Number of shares	***HK$'000***	*Number of shares*	*HK$'000*
Ordinary shares, issued and fully paid:				
At 1 January/31 December	**356,273,883**	**1,754,801**	356,273,883	1,754,801

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(c) Nature and purpose of reserves

(i) Securities revaluation reserve (recycling)

The securities revaluation reserve (recycling) comprises the cumulative net change in the fair value of debt securities measured at FVOCI under HKFRS 9 held at the end of the reporting period (see note 1(f)).

(ii) Securities revaluation reserve (non-recycling)

The securities revaluation reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 1(f)).

(iii) Other capital reserves

The other capital reserves comprise the unrealised profit on inter-company interest capitalised under investment properties.

23 CAPITAL AND RESERVES (Continued)

(d) Distributability of reserves

At 31 December 2022, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance, was HK$2,808,485,000 (2021: HK$426,840,000). After the end of the reporting period the directors proposed final and special dividends of HK15 cents and HK$1.00 (2021: HK15 cents and Nil) per ordinary share, amounting to HK$53,441,000 and HK$356,274,000 (2021: HK$53,441,000 and Nil) respectively (note 9). These dividends have not been recognised as a liability at the end of the reporting period.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern and ensure that it maintains a healthy capital ratio in order to support its business and provide returns for shareholders.

The Group actively and regularly reviews and manages its capital structure under the policy of prudent financial management. The Group maintains a financially sound capital position and, where appropriate, makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 2021.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, currency and equity price risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in a financial loss to the Group.

The Group's credit risk is primarily attributable to bank deposits and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

Regular review and follow-up actions are carried out on overdue amounts of instalments receivable from sale of properties which enable management to assess their recoverability and to minimise the exposure to credit risk. In respect of other trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due ranging from 7 to 45 days from the date of billing. Debtors with balances that are more than 60 days overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is not influenced by the individual characteristics of each customer as the Group does not have a certain concentration of credit risk of the total trade and other receivables.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial positions. Except for the financial guarantees given by the Group as set out in note 26, the Group does not provide any other guarantees to third parties which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 18.

(b) Liquidity risk

The treasury functions of the Group is centralised at the head office. Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements, to ensure that it maintains sufficient reserves of cash from major financial institutions to meet its liquidity requirements in the short and longer term.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates at the end of the reporting period) and the earliest date the Group can be required to pay:

	2022 Contractual undiscounted cash outflow					
	Within 1 year or on demand *HK$'000*	**More than 1 year but less than 2 years** *HK$'000*	**More than 2 years but less than 5 years** *HK$'000*	**More than 5 years** *HK$'000*	**Total** *HK$'000*	**Carrying amount at 31 December** *HK$'000*
Trade and other payables	**167,755**	**10,272**	**5,900**	**–**	**183,927**	**183,927**
Lease liabilities	**8,631**	**6,554**	**2,792**	**–**	**17,977**	**17,624**
Bank overdraft	**701**	**–**	**–**	**–**	**701**	**701**

	2021 Contractual undiscounted cash outflow					
	Within 1 year or on demand *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*	More than 5 years *HK$'000*	Total *HK$'000*	Carrying amount at 31 December *HK$'000*
Trade and other payables	147,355	10,526	6,001	–	163,882	163,882
Lease liabilities	2,195	1,923	155	–	4,273	4,174

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Currency risk

The Group has no significant exposure to foreign currency risk given its large asset base and operational cash flow are primarily denominated in Hong Kong dollars.

(d) Equity price risk

The Group is exposed to equity price change arising from other financial assets designated through FVOCI and FVPL held for non-trading purposes (see note 15).

Listed investments held by the Group have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

Sensitivity analysis

At 31 December 2022, it is estimated that an increase/decrease of 10% (2021: 10%) in the market prices of equity and debt investments in other financial assets, with all other variables held constant would have increased/decreased the Group's profit after tax (and retained profits) and the securities revaluation reserve by approximately HK$11,283,000 (2021: HK$13,558,000).

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that none of the Group's other financial assets would be considered impaired as a result of the decrease in the relevant stock market index or other relevant risk variables, and that all other variables remain constant.

(e) Fair value measurement

(i) Financial assets measured at fair value

Fair value hierarchy

The fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*.

The fair value measurements of the Group's financial assets as at 31 December 2022 and 31 December 2021 are categorised into Level 1. During the year ended 31 December 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2021: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement (Continued)

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2022 and 2021.

25 CAPITAL COMMITMENTS

(a) Capital commitments outstanding at 31 December 2022 not provided for in the financial statements were as follows:

	2022	2021
	HK$'000	*HK$'000*
Contracted for	**104,117**	443,134
Authorised but not contracted for	**63,102**	63,102
	167,219	506,236

(b) In relation to the capital commitments undertaken by a joint venture attributable to the Group:

	2022	2021
	HK$'000	*HK$'000*
Contracted for	**–**	21,869

26 CONTINGENT LIABILITIES

Financial guarantees issued

At 31 December 2022, the Company has issued the guarantees to certain suppliers in respect of granting or giving credit facilities to its wholly-owned subsidiaries.

Under the guarantees, the Company is liable to the amount due from the subsidiaries to these respective parties in the event of any default and its liability shall at no time exceed the sum stated on the letters of guarantee.

At the end of the reporting period, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the guarantees issued above is the outstanding amount due to the relevant parties by its wholly-owned subsidiaries, being HK$71,000 (2021: HK$37,000).

The Company has not recognised any deferred income in respect of the guarantees issued as its fair value cannot be reliably measured using observable market data and its transaction price was HK$Nil.

27 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to certain of the Company's directors, chief executive and the highest paid employees as disclosed in notes 7 and 8 respectively, is as follows:

	2022	2021
	HK$'000	*HK$'000*
Short-term employee benefits	**8,496**	10,258
Post-employment benefits	**407**	177
	8,903	10,435

Total remuneration is included in "staff costs" (see note 5(a)).

(b) Other material related party and connected transactions

(i) In 1999, the Group entered into a development agreement (the "Agreement") with Henderson Land Development Company Limited ("HLD") and two wholly-owned subsidiaries of HLD ("HLD Sub 1" and "HLD Sub 2"), whereby HLD Sub 1 and HLD Sub 2 acquired the right to 50% of any proceeds from the future sale of the residential portion of the redevelopment of Metro Harbour View, Kowloon Inland Lot No. 11127 (the "MHV Property") for a consideration of HK$1,500,000,000.

As part of the Agreement, HLD Sub 1 and HLD Sub 2 agreed to reimburse the Group 50% of its development expenditures relating to the residential portion of the MHV Property. At 31 December 2022, an amount of HK$277,000 (2021: HK$274,000) remained unpaid and was included in trade and other receivables.

In February 2017, the Group entered into a deed of novation (the "Deed of Novation") with HLD, HLD Sub 1 and HLD Sub 2 pursuant to which HLD Sub 1 transferred and assigned unto HLD Sub 2, and HLD Sub 2 took and assumed all of the rights and obligations of HLD Sub 1 under the Agreement subject to the terms and conditions as stated in the Deed of Novation. The Deed of Novation was supplemental to the Agreement.

(ii) In December 2001, a wholly-owned subsidiary of the Company acquired 50% equity interest in 2OK Company Limited ("2OK") which was set up to provide mortgage loans to the residential unit buyers of the MHV Property. HLD through its subsidiary beneficially owned the remaining 50% equity interest in 2OK at 31 December 2022. During the year, the Group received management and administrative fees in the total of HK$43,000 (2021: HK$40,000) from 2OK. The Group and the subsidiary of HLD have made advances to 2OK to finance the latter's mortgage operation and interest was charged on amounts advanced. During the year, the Group received interest amounting to HK$34,000 (2021: HK$37,000) from 2OK. At 31 December 2022, the amount advanced by the Group totalling HK$1,591,000 (2021: HK$1,735,000) is in proportion to the Group's equity interest in 2OK and is unsecured and has no fixed repayment terms.

27 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

(b) Other material related party and connected transactions (Continued)

(iii) In December 2002, the Group appointed a wholly-owned subsidiary of HLD ("HLD Sub A") as the leasing and promotion agent of the commercial arcade of the MHV Property, Metro Harbour Plaza ("MHP"), for an initial term of two years at the remuneration of 5% of the monthly rental income from MHP and such agreement shall thereafter be renewable on the same terms from year to year until terminated by either party by giving three months' prior notice in writing. An amount of HK$2,649,000 (2021: HK$2,410,000) was charged to the Group for the year. At 31 December 2022, an amount of HK$1,372,000 (2021: HK$1,265,000) remained unpaid and was included in trade and other payables.

(iv) In May 2006, the Group appointed a wholly-owned subsidiary of HLD ("HLD Sub C") as the main contractor for a fee of 5% on all works relating to the development of Shining Heights, Nos. 220-222 Tai Kok Tsui Road, Kowloon, Hong Kong. The aggregate of the cost of works carried out by the main contractor or any connected persons (as defined in the Listing Rules) of the Group together with the 5% fee were subject to each annual ceiling of HK$16,000,000 up to the period end of 31 March 2009. In September 2009, the prime cost contract extension letter was signed which all the terms and conditions remain unchanged except to extend the period of payment for the respective ceilings of HK$5,500,000 and HK$6,500,000 for the nine months ended 31 December 2009 and for the year ended 31 December 2010 respectively.

During the year ended 31 December 2021, there was no change in cost estimates. At 31 December 2021, the balance has been repaid.

(v) In March 2011, the Group appointed a wholly-owned subsidiary of HLD ("HLD Sub D") as the main contractor for a fee of 5% on all works relating to the development of Green Code at No. 1 Ma Sik Road, Fanling, New Territories, Hong Kong (formerly known as Fanling Sheung Shui Town Lot No. 177). The aggregate of the cost of works carried out by the main contractor or any connected persons (as defined in the Listing Rules) of the Company together with the 5% fee were subject to the total ceilings of the respective years.

In October 2014, the Group entered into a Fanling Prime Cost Contract Extension Letter with HLD Sub D to extend the period of payment of fees for the respective ceilings of HK$6,800,000 and HK$19,000,000 for the period from 1 June 2014 to 31 December 2014 and for the year ended 31 December 2015 respectively. During the years ended 31 December 2022 and 2021, there were no change in cost estimates. At 31 December 2022, an amount of HK$14,725,000 (2021: HK$14,725,000), which included amounts payable to other subcontractors through this main contractor, remained unpaid and was included in trade and other payables.

Under the term of Fanling Prime Cost Contract Extension Letter, the contract expired in December 2015.

27 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

(b) Other material related party and connected transactions (Continued)

(vi) In June 2020, the indirectly non-wholly owned subsidiary of HLD as tenant and HLD Sub A (as agent of the Group) as landlord entered into a 2020 renewal offer letter (the "2020 Renewal Offer Letter") in respect of the leasing of Shop Nos. 127–161 and corridors and toilets on Level 1, MHP ("Premises 1") for a term of one year commencing from 1 July 2020 to 30 June 2021 at a monthly rental of HK$318,000 for Premises 1 together with other ancillary expenses and a turnover rent of 7% of the excess (if any) of such annual gross turnover of the tenant's business conducted at Premises 1 over HK$70,000,000, which shall be payable monthly in arrears. The term of the 2020 Renewal Offer Letter expired in June 2021.

The aggregate amounts of rentals and other ancillary expenses receivable under the 2020 Renewal Offer Letter are subject to the annual ceilings for the period from 1 July 2020 to 31 December 2020 of HK$5,408,000, and for the period from 1 January 2021 to 30 June 2021 of HK$5,408,000.

No fee has been credited to the Group during the years. During the year ended 31 December 2021, an amount of HK$3,516,000, being aggregate rental and fees receivable under the aforementioned lease agreement in June 2020, was credited to the Group.

(vii) In October 2015, the Group appointed HLD Sub C as the main contractor of the comprehensively planned development consisting of residential component together with ancillary supporting facilities at 208 Tung Chau Street, Sham Shui Po, Kowloon, Hong Kong (the "TCS Property" or the "Proposed TCS Development") for a fee of 5% on all works of the Proposed TCS Development. The aggregate of the cost of works carried out by the main contractor or any connected persons (as defined in the Listing Rules) of the Company together with the 5% fee subject to the annual ceilings for the years ended 31 December 2015, 31 December 2016, 31 December 2017 and 31 December 2018 of HK$1,260,000, HK$19,990,000, HK$16,740,000 and HK$970,000 respectively. During the year ended 31 December 2021, as a result of change in the latest cost estimates, an amount of HK$190,000 and HK$10,000, represented a corresponding adjustment in fees, were credited to the Group in relation to the superstructure work of the development and the 5% fee on all works relating to the development of the proposed TCS Development. During the year, there was no change in cost estimate. At 31 December 2021, the balance has been repaid.

(viii) In October 2015, the Group entered into a letter agreement with a wholly-owned subsidiary of HLD ("HLD Sub B") and appointed HLD Sub B as the agent of the Group to lease certain shops and spaces of Mira Place One (formerly known as Miramar Shopping Centre) ("Premises 2") for the marketing services of the TCS Property for the period from 5 November 2015 to the earlier of 4 January 2017 and the date on which the last residential unit in the TCS Property is sold, subject to the respective ceilings of HK$2,000,000 for the period from 5 November 2015 to 31 December 2015 and HK$3,600,000 for the period from 1 January 2016 to 4 January 2017. The letter agreement expired in January 2017.

In January 2017, the Group entered into a second letter agreement with HLD Sub B and HLD Sub B continued to act as the agent of the Group to lease Premises 2 for use as show flats and sales office for the sale of the residential units of the TCS Property for the period from 5 January 2017 to the earlier of 4 May 2017 and the date on which the last residential unit in the TCS Property is sold, subject to the ceiling of HK$1,700,000. The second letter agreement expired in May 2017.

27 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

(b) Other material related party and connected transactions (Continued)

(viii) (Continued)

No fee has been charged to the Group during the years ended 31 December 2022 and 2021. At 31 December 2022, an amount of HK$997,000 (2021: HK$997,000) remained unpaid and was included in trade and other payables.

(ix) In May 2017, a loan facility agreement was entered into among, among others, a joint venture company (the "Joint Venture Company") (as borrower), held indirectly by the Company as to 50% and the joint venture partner as to 50%, the Company (as guarantor), a subsidiary of the joint venture partner (as guarantor and obligor), and the financial institutions named therein (as lenders) in relation to a term loan facility in the aggregate principal amount of HK$3,000,000,000 for the purpose of financing and refinancing the demolition cost, construction cost and professional fees in relation to the development on Tuen Mun Town Lot No. 547 located at Castle Peak Road – Castle Peak Bay, Area 48, Tuen Mun, New Territories, Hong Kong and the selling and marketing expenses in relation thereto (the "Loan Facility"). The Loan Facility is secured by, among others, a corporate guarantee in respect of 50% of the Loan Facility and a funding undertaking for project cost overrun (with completion guarantee) given by the Group (on a several basis and pro rata to the Group's 50% equity interest in the Joint Venture Company), as well as a share charge in respect of the issued share capital of the Joint Venture Company and a deed of subordination and assignment in respect of all indebtedness currently owing and which may in future become owing by the Joint Venture Company to its shareholders.

In December 2021, the Loan Facility had been fully repaid.

(x) In June 2022, a wholly-owned subsidiary of Miramar Hotel and Investment Company, Limited ("Miramar") and an associate (as defined in the Listing Rules) of HLD, a substantial shareholder of the Company, as landlord and a wholly-owned subsidiary of the Company as tenant entered into a tenancy agreement (the "Tenancy Agreement") in respect of the leasing of Units Nos. 901-04 & 18 on 9th Floor of Mira Place Tower A, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong for a term of three years from 10 June 2022 to 9 June 2025 (the "Term") at a monthly rental (exclusive of management fee, air-conditioning charges and government rates) of HK$473,460 for Year 1 of the Term, HK$522,020 for Year 2 of the Term and HK$558,440 for Year 3 of the Term, together with other ancillary charges.

In accordance with the applicable HKFRS, the Group recognised the rent payable under the Tenancy Agreement (being fixed payments) as an acquisition of right-of-use asset of capital in nature taking into account the carrying amount of such right-of-use asset, i.e. approximately HK$16,730,000 recognised by the Group during the period, having been measured on the basis of the discounted present value of the fixed rent payable by the Group under the Tenancy Agreement. As the wholly-owned subsidiary of Miramar is an associate of HLD and thus a connected person of the Company, such acquisition of right-of-use asset constituted a one-off connected transaction of the Company under Chapter 14A of the Listing Rules. The management fees and air-conditioning charges payable by the Group to the wholly-owned subsidiary of Miramar (being variable payments) are being recognised as expenses in the Group's profit and loss accounts in the periods in which they are incurred, and the payment of such expenses is regarded as continuing connected transactions of the Company under Chapter 14A.31 of the Listing Rules.

27 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

(b) Other material related party and connected transactions (Continued)

(x) (Continued)

The annual caps of the aggregate management fees and air-conditioning charges (exclusive of Government rates) payable under the Tenancy Agreement are subject to the annual ceilings of HK$1,000,000 for the period from 10 June 2022 to 31 December 2022, HK$1,500,000 for the period from 1 January 2023 to 31 December 2023, HK$1,600,000 for the period from 1 January 2024 to 31 December 2024, and HK$800,000 for the period from 1 January 2025 to 9 June 2025.

During the year, an amount of HK$737,000, being the aggregate of management fees and air-conditioning charges under the Tenancy Agreement, was charged to the Group.

(xi) In June 2022, the Group appointed HLD Sub B, an indirect wholly-owned subsidiary of HLD as the sales manager to provide project sales and marketing services in respect of the comprehensively planned development of a site at The Remaining Portion of New Kowloon Inland Lot No. 6559 held by Urban Renewal Authority as the owner and the Group as the developer (the "Proposed Development") for a term of three years commencing from the date of the first initial sale of any residential units of the Proposed Development at a sales fee equivalent to 0.5% of the gross proceeds of sale of such units (but excluding those sale and purchase agreements which were effected by third party sales agent(s)) subject to the annual ceilings of HK$8,000,000 for the year ending 31 December 2022, HK$3,000,000 for the year ending 31 December 2023, HK$2,000,000 for the year ending 31 December 2024 and HK$1,000,000 for the period from 1 January 2025 to 31 May 2025 (but only up to and including the date being 3 years from the commencement date of the term).

No fee was charged to the Group during the year.

(xii) In June 2022, the Group entered into a letter agreement with HLD Sub B (the "Letter Agreement") pursuant to which HLD Sub B would provide portions of Shops 501-506, 5th Floor, Mira Place 1, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (the "Premises") rented under the agreement entered into between a wholly-owned subsidiary of Miramar as landlord and HLD Sub B as tenant in respect of the tenancy of Shops 501–506, 5th Floor, Mira Place 1, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (of which the Premises form part) dated 31 July 2020, as disclosed in the announcement of Miramar dated 31 July 2020 (the "Miramar/HPAL Agreement"), for use as show flats and sales office for the sale of the residential units of the Proposed Development for the period from 10 June 2022 to the earlier of 4 August 2023 and the date on which the last residential unit in the Proposed Development to be sold is sold, at a monthly rent of HK$169,500 together with other ancillary charges, representing the relevant management fees, air-conditioning charges and the promotion contribution, the aggregate of such charges would be subject to the respective ceilings of HK$330,000 for the period from 10 June 2022 to 31 December 2022 and HK$330,000 for the period from 1 January 2023 to 4 August 2023.

27 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

(b) Other material related party and connected transactions (Continued)

(xii) (Continued)

In accordance with the applicable HKFRS, the Group recognised the rent (being fixed payments) payable under the Letter Agreement as an acquisition of right-of-use asset of capital in nature taking into account the carrying amount of such right-of-use asset, i.e. approximately HK$2,350,000 recognised by the Group during the period, having been measured on the basis of the discounted present value of the fixed rent payable by the Group under the Letter Agreement. Such acquisition of right-of-use asset constituted a one-off connected transaction of the Company under Chapter 14A of the Listing Rules. The management fees, air-conditioning charges and the promotion contribution payable by the Group under the Letter Agreement (being variable payments) are being recognised as expenses in the Group's profit and loss accounts in the periods in which they are incurred, and the payment of such expenses is regarded as continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

During the year, an amount of HK$242,000, being the management fees, air-conditioning charges and the promotion contribution to HLD Sub B under the aforementioned letter agreement, was charged to the Group. At 31 December 2022, an amount of HK$242,000 remained unpaid and was included in trade and other payables.

(xiii) At 31 December 2022, HLD, a substantial shareholder (as defined in the Listing Rules) of the Company is interested in approximately 33.41% (2021: 33.41%) of the total number of issued shares of the Company.

To the extent the above transactions (except note 27(b)(ix)) constituted connected transactions (as defined in the Listing Rules), the Group had complied with the relevant requirements under Chapter 14A of the Listing Rules.

(c) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of notes 27(b)(v), (vi), (vii), (viii), (x), (xi) and (xii) above constitute connected transactions and/or continuing connected transactions (as defined in Chapter 14A of the Listing Rules). The disclosures required by Chapter 14A of the Listing Rules are provided in the paragraph headed "Connected Transactions" in the Report of the Directors as set out in the Company's annual report for the year ended 31 December 2022.

28 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2022 HK$'000	2022 HK$'000	2021 HK$'000	2021 HK$'000
Non-current assets					
Interest in subsidiaries	12		5,678,833		4,100,229
Interest in associate			3,268		3,268
Net employee retirement benefits assets			212		–
			5,682,313		4,103,497
Current assets					
Trade and other receivables		1,557		26,934	
Cash and bank balances		3,459		4,408	
		5,016		31,342	
Current liabilities					
Amounts due to subsidiaries		1,081,457		1,907,756	
Trade and other payables		6,612		6,701	
		1,088,069		1,914,457	
Net current liabilities			(1,083,053)		(1,883,115)
Total assets less current liabilities			4,599,260		2,220,382
Non-current liability					
Net employee retirement benefits liabilities			–		2,720
NET ASSETS			4,599,260		2,217,662
CAPITAL AND RESERVES	23(a)				
Share capital			1,754,801		1,754,801
Reserves			2,844,459		462,861
TOTAL EQUITY			4,599,260		2,217,662

Approved and authorised for issue by the board of directors on 17 March 2023.

Dr. Lam Ko Yin, Colin
Chairman

Li Ning
Director

29 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors proposed the final and special dividends. Further details are disclosed in note 9.

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2022

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting 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

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

FIVE YEARS' FINANCIAL SUMMARY

	2018 *HK$ Million*	2019 *HK$ Million*	2020 *HK$ Million*	2021 *HK$ Million*	**2022** ***HK$ Million***
Results					
Revenue	1,089	299	208	244	**281**
Profit attributable to shareholders	345	136	27	118	**1,299**
Dividends	135	135	89	89	**445**
Assets and liabilities					
Investment properties, other property, plant and equipment and leasehold land	2,243	2,276	2,261	2,345	**2,456**
Interest in associates	8	7	8	8	**7**
Interest in joint ventures	1,364	1,364	1,527	495	**947**
Properties under development for sale	1,034	1,093	1,165	1,274	**1,625**
Other financial assets	337	248	160	136	**113**
Deferred tax assets	4	3	3	3	**6**
Other assets	1,384	1,388	1,095	2,008	**2,380**
Total assets	6,374	6,379	6,219	6,269	**7,534**
Total liabilities	244	246	247	264	**316**
Net assets employed	6,130	6,133	5,972	6,005	**7,218**
	HK$	*HK$*	*HK$*	*HK$*	***HK$***
Earnings per share	0.97	0.38	0.07	0.33	**3.65**
Dividend per share	0.38	0.38	0.25	0.25	**1.25**
Net assets per share	17.22	17.23	16.76	16.85	**20.26**
	Times	*Times*	*Times*	*Times*	***Times***
Dividend cover	2.5	1.0	0.3	1.3	**2.9**

Notes to the five years' financial summary:

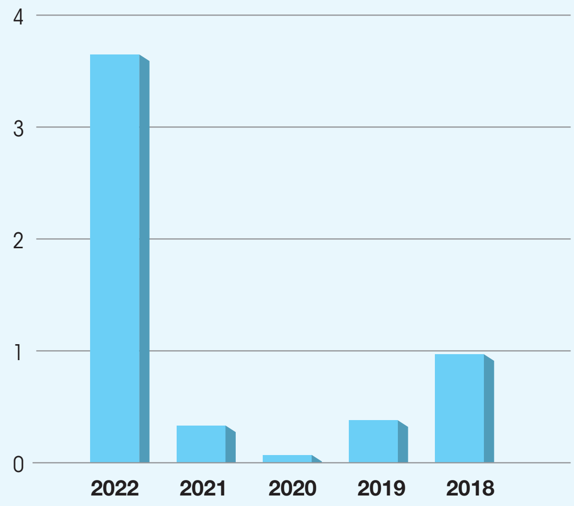
(i) As a result of the adoption of HKFRS 16, *Leases*, with effect from 1 January 2019, the Group has changed its accounting policies in respect of the lessee accounting model. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to recognise right-of-use assets and lease liabilities as at 1 January 2019. After initial recognition of these assets and liabilities, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Figures in years earlier than 2019 are stated in accordance with the policies applicable in those years.

(ii) As a result of the adoption of HKFRS 15, *Revenue from contracts with customers*, with effect from 1 January 2018, the Group changed its accounting policies in respect of revenue recognition. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted retrospectively to contracts that existed as at 1 January 2018. Figures in 2018 are stated in accordance with the policies applicable in those year.

(iii) The Group adopted HKFRS 9, *Financial instruments*, from 1 January 2018. As a result, the Group changed its accounting policies in relation to financial instruments. As allowed by HKFRS 9, the Group did not restate information relating to prior years. Differences in the carrying amounts of the financial assets resulting from the adoption of HKFRS 9 were recognised in retained earnings and reserves at 1 January 2018. There was no difference in the carrying amounts of the financial liabilities.

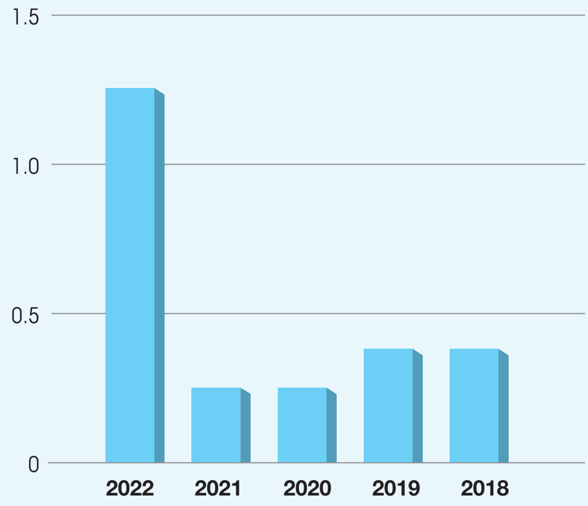
Earnings per share

HK$



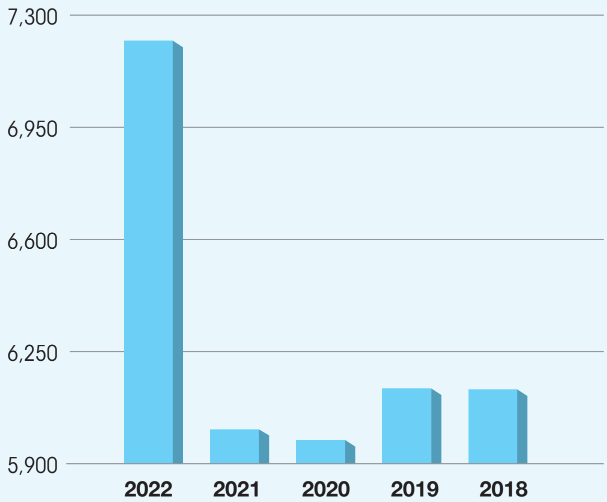
Dividends per share

HK$



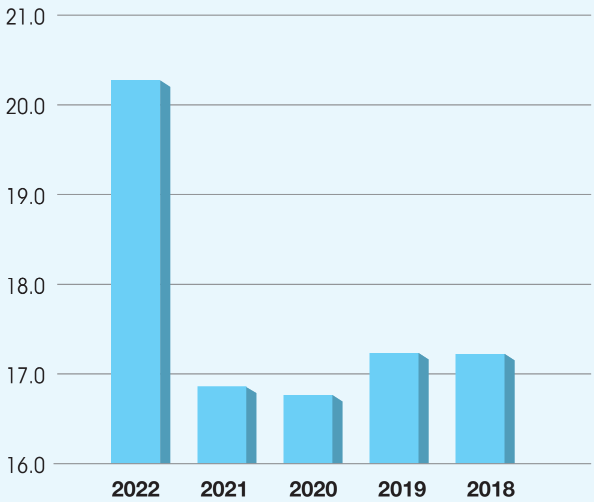
Shareholders' funds

HK$ Million



Net assets per share

HK$



1. PROPERTY UNDER DEVELOPMENT

Location	Lot No.	Site area *(sq.m.)*	Residential saleable area *(sq.m.)*	Group's interest *(%)*	Intended use
Tung Chau Street/ Kweilin Street, Sham Shui Po, Kowloon	New Kowloon Inland Lot No. 6559	1,490	8,036	100	Residential

2. PROPERTIES HELD FOR SALE

Location	Lot No.	Saleable area remaining unsold *(sq.m.)*	Group's interest *(%)*	Existing use
The Royale 8 Castle Peak Road – Castle Peak Bay, Tuen Mun	Tuen Mun Town Lot No. 547	2,729	50	Residential

3. PROPERTIES HELD FOR INVESTMENT

Location	Lot No.	Gross floor area *(sq.m.)*	Lease expiry *(year)*	Existing use
Metro Harbour Plaza 8 Fuk Lee Street Tai Kok Tsui	KIL 11127 RP	23,549	2047	Commercial arcade
METRO6 121 Bulkeley Street	Hung Hom I.L. No. 555	932	2061	Commercial arcade
Green Code 1 Ma Sik Road Fanling	F.S.S.T.L. 177 (S.T.T. 1364(N))	12,684	2060	Commercial arcade
Shining Heights 83 Sycamore Street	KIL 11159	2,469	2054	Commercial arcade
The Spectacle 8 Cho Yuen Street Yau Tong	Yau Tong Inland Lot No. 38	2,300	2047	Commercial arcade

3. PROPERTIES HELD FOR INVESTMENT (Continued)

Location	Lot No.	Gross floor area *(sq.m.)*	Lease expiry *(year)*	Existing use
20 Tin Dai Yan Road Chung Uk Tsuen Hung Shui Kiu	Lot Nos. 3039A, 3039RP & 3042 in DD 124 Hung Shui Kiu	1,912	2047	Godown
Ground Floor together with the Yard adjacent thereto, 234 Sai Yeung Choi Street South	KIL 2567 RP	79	2080	Shop

4. OTHER PROPERTIES

Location	Lot No.	Site area *(sq.m.)*	Lease expiry *(year)*	Group's interest *(%)*	Description
98 Tam Kon Shan Road Ngau Kok Wan North Tsing Yi	Tsing Yi Town Lot No. 102	19,740	2047	100	Shipyard and office
Mui Wo	DD 2 Lot Nos. 614 RP, 619 Sec. B, C and RP	4,233	2047	100	Agricultural land
Mui Wo	DD 2 Lot Nos. 431–487, 569 and 635–637	28,423	2047	50	Agricultural land
Mui Wo	DD 2 Lot Nos. 498–499, and 588–591	849	2047	100	Agricultural land

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