

WING TAI PROPERTIES LIMITED

永泰地產有限公司

STOCK CODE 股份代號 369







All photos in this annual report were taken at OMA by the Sea, Tuen Mun. The project was completed in 2022.
本年報所有圖片均攝於屯門 OMA by the Sea。此項目於2022年落成。



Our brands,
Wing Tai Asia and Lanson Place,
are synonymous with quality
craftsmanship, a result of
the close alignment of values
and seamless cooperation of
our committed professional teams.

We strive to deliver sophisticated
yet warm homes that turn our
customers' dreams into reality.

WE DON'T JUST BUILD,
WE CRAFT.

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CORPORATE INFORMATION

BOARD OF DIRECTORS**Executive Directors**

CHENG Wai Chee, Christopher *GBS OBE JP (Chairman)*

CHENG Wai Sun, Edward *GBS JP*

(Deputy Chairman and Chief Executive)

CHENG Man Piu, Francis

CHOW Wai Wai, John

NG Kar Wai, Kenneth

Non-Executive Directors

KWOK Ping Luen, Raymond *JP*

(KWOK Ho Lai, Edward as his alternate)

HONG Pak Cheung, William

CHEN Chou Mei Mei, Vivien

Independent Non-Executive Directors

Simon MURRAY *CBE*

YEUNG Kit Shing, Jackson

Haider Hatam Tyebjee *BARMA GBS CBE ISO JP*

LAM Kin Fung, Jeffrey *GBS JP*

NG Tak Wai, Frederick

AUDIT COMMITTEE MEMBERS

YEUNG Kit Shing, Jackson *(Chairman)*

HONG Pak Cheung, William

Haider Hatam Tyebjee *BARMA GBS CBE ISO JP*

REMUNERATION COMMITTEE MEMBERS

Simon MURRAY *CBE (Chairman)*

CHENG Wai Chee, Christopher *GBS OBE JP*

YEUNG Kit Shing, Jackson

NOMINATION COMMITTEE MEMBERS

Simon MURRAY *CBE (Chairman)*

CHENG Wai Chee, Christopher *GBS OBE JP*

CHENG Wai Sun, Edward *GBS JP*

YEUNG Kit Shing, Jackson

Haider Hatam Tyebjee *BARMA GBS CBE ISO JP*

COMPANY SECRETARY AND**GROUP LEGAL COUNSEL**

CHUNG Siu Wah, Henry

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

Registered Public Interest Entity Auditor

LEGAL ADVISERS TO THE COMPANY

Slaughter and May *(as to Hong Kong Laws)*

Appleby *(as to Bermuda Laws)*

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited

Bank of China (Hong Kong) Limited

Standard Chartered Bank (Hong Kong) Limited

DBS Bank Limited, Hong Kong Branch

**PRINCIPAL SHARE REGISTRAR AND
TRANSFER AGENT**

Ocorian Management (Bermuda) Limited

Victoria Place, 5th Floor

31 Victoria Street

Hamilton HM 10

Bermuda

**HONG KONG BRANCH SHARE
REGISTRAR AND TRANSFER OFFICE**

Tricor Standard Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

REGISTERED OFFICE

Victoria Place, 5th Floor

31 Victoria Street

Hamilton HM 10

Bermuda

**HEAD OFFICE AND PRINCIPAL PLACE
OF BUSINESS**

27th Floor, AIA Kowloon Tower

Landmark East

100 How Ming Street

Kwun Tong, Kowloon

Hong Kong























COMPANY WEBSITE

<http://www.wingtaiproperties.com>

HONG KONG STOCK EXCHANGE STOCK CODE

369

GROUP'S MAJOR INVESTMENTS

	Group's Effective Interest	
Properties		
Property Development		
OMA OMA	100%	
OMA by the Sea	70%	
H18C of Gage Street/Graham Street	50%	
At the junction of Fan Kam Road and Castle Peak Road – Kwu Tung, Fanling (Fanling Lot No. 4076 in Demarcation District No. 91)	85%	
Hin Wo Lane, Sha Tin (Sha Tin Town Lot No. 643)	50%	
Property Investment and Management		
Landmark East	100%	
Shui Hing Centre	100%	
Le Cap (certain units of houses and apartments)	100%	
La Vetta (certain units of houses and apartments)	100%	
1 Savile Row/7 Vigo Street, London	100%	
8-12 (even) Brook Street, London	100%	
35 Berkeley Square, London	100%	
Central Park, Beijing (33 units)	100%	
10 Fleet Place, London	25%	
3 Cavendish Square, London	33%	
30 Gresham Street, London	50%	
66 Shoe Lane, London	21%	
Hospitality Investment and Management		
Lanson Place Causeway Bay, Hong Kong	100%	
Lanson Place Waterfront Suites, Hong Kong	100%	
Lanson Place Bukit Ceylon, Kuala Lumpur	50%	
Management Services		
Wing Tai Properties Development	100%	
Lanson Place Hospitality Management	100%	

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FINANCIAL HIGHLIGHTS

	Year ended 31 December		% Change
	2022 HK\$'M	2021 HK\$'M	
Revenue	4,096.7	3,423.2	↑ 20%
Gross profit	1,572.6	1,339.6	↑ 17%
Change in fair value of investment properties and financial instruments	(971.0)	(452.3)	↓ 115%
(Loss)/profit before taxation	(152.0)	1,045.4	N/A
(Loss)/profit attributable to shareholders of the Company	(540.0)	854.4	N/A
Core consolidated profit attributable to shareholders, excluding one-off valuation gain, change in fair value on investment properties and financial instruments including joint ventures and impairment provision	658.0	683.0	↓ 4%
(Loss)/earnings per share attributable to shareholders of the Company			
Basic	(HK\$0.40)	HK\$0.63	N/A
Diluted	(HK\$0.40)	HK\$0.63	N/A

Dividends per ordinary share

Interim	HK6.0 cents	HK6.0 cents	-
Final	HK21.0 cents	HK21.0 cents	-
Total	HK27.0 cents	HK27.0 cents	-

	At 31 December		% Change
	2022 HK\$'M	2021 HK\$'M	
Total assets	35,499.2	38,738.5	↓ 8%
Total equity	27,327.3	28,165.8	↓ 3%

FIVE YEARS FINANCIAL SUMMARY

The following is a summary of the results and of the assets and liabilities of the Group for each of the five years ended 31 December 2022:

RESULTS	Year ended 31 December				
	2022 HK\$'M	2021 HK\$'M (Note a)	2020 HK\$'M	2019 HK\$'M (Note b)	2018 HK\$'M (Note c)
Revenue	4,096.7	3,423.2	2,777.8	829.5	884.7
(Loss)/profit before taxation	(152.0)	1,045.4	(555.1)	374.7	1,432.3
Taxation	(171.9)	(127.8)	(60.8)	(69.7)	(52.8)
(Loss)/profit for the year	(323.9)	917.6	(615.9)	305.0	1,379.5
Attributable to:					
Shareholders of the Company	(540.0)	854.4	(674.4)	238.9	1,312.4
Holders of perpetual capital securities	64.3	65.5	63.8	64.9	65.7
Non-controlling interests	151.8	(2.3)	(5.3)	1.2	1.4
	(323.9)	917.6	(615.9)	305.0	1,379.5
ASSETS AND LIABILITIES	At 31 December				
	2022 HK\$'M	2021 HK\$'M	2020 HK\$'M	2019 HK\$'M	2018 HK\$'M
Total assets	35,499.2	38,738.5	37,245.8	36,322.8	35,427.7
Total liabilities	(8,171.9)	(10,572.7)	(9,604.8)	(7,699.3)	(6,705.8)
Perpetual capital securities	(1,491.4)	(1,513.4)	(1,513.3)	(1,513.7)	(1,513.9)
Non-controlling interests	(151.1)	0.5	(2.1)	(7.6)	(6.7)
Equity attributable to shareholders of the Company	25,684.8	26,652.9	26,125.6	27,102.2	27,201.3

Notes:

- The Group adopted Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 using retrospective approach with no material impact from adoption and the opening balance of retained earnings as at 1 January 2021 and that comparative had not been restated.
- The Group adopted HKFRS 16 using the modified retrospective approach with no material impact from adoption and the opening balance of retained earnings as at 1 January 2019 and that comparative had not been restated.
- The Group adopted HKFRS 9 and HKFRS 15 using the modified retrospective approach where the cumulative impact from adoption is recognised in the opening balance of retained earnings as at 1 January 2018 and that comparatives had not been restated.

CHAIRMAN'S STATEMENT

Dear Shareholders,

Throughout 2022, Hong Kong's economy and property market continued to be hit by the pandemic outbreaks as well as the challenges from accelerated geopolitical tensions, interest rate hikes and global inflation. The fair value of our commercial and residential leasing properties and development properties continued to be marked down at year end 2022 due to rising interest rate and uncertain outlook on the pace of economic recovery in Hong Kong and London. Total net valuation loss and impairment provision on properties amounted to HK\$1,700 million for 2022. On the other hand, net valuation gain on financial instruments amounted to HK\$502 million due to rising interest rate. Non-cash net valuation loss amounted to HK\$1,198 million, compared with HK\$301 million last year.

As a result, the Group reported a consolidated loss attributable to shareholders of HK\$540 million for the year ended 31 December 2022, compared with HK\$854 million profit last year. Loss per share was HK\$0.40.

However, excluding non-cash net valuation loss, the Group indeed managed to deliver a solid core consolidated profit attributable to shareholders of HK\$658 million in 2022, similar to 2021's level of HK\$683 million. The Group's balance sheet remained healthy with net assets of HK\$27,327 million as of 31 December 2022, compared with HK\$28,166 million last year.

Therefore, after considering the solid business profit and healthy financial position, the Board of Directors has recommended a final dividend of HK21.0 cents per share. Together with the interim dividend of HK6.0 cents per share, the total dividends for 2022 will be HK27.0 cents per share, same as last year.

The Hong Kong residential market nearly came to a halt in the second half of 2022 despite the government has introduced a higher loan-to-value mortgage policy for the first-time home buyers. We continued to sell the remaining units of our "Upper Gold Coast" series in Tuen Mun but sale through was slow. In November, we obtained the Certificate of Compliance for OMA by the Sea, and by now has nearly handed over all the units to the buyers.

In September, under a 50:50 joint venture, we won the tender for a residential site at Hin Wo Lane, Sha Tin, with maximum attainable gross floor area of approximately 89,000 square feet. This site is located within established living community and walking distance to Tai Wai and Hin Keng MTR stations. In November, we obtained approval for our medium-density residential site near Sheung Shui MTR to build a residential block of 32 storeys. We believe both sites will benefit from the government's Northern Metropolis Development Strategy, and be appealing to new families.

The performance of our office properties remained resilient during the year despite rental level was still under pressure amid economic downturn. Occupancy of Landmark East has improved while rental rate dropped due to new Grade A office supply and high vacancy in Kowloon East. Occupancy and rental rate of our London office properties remained stable despite the country's economic contraction in the third quarter.

Our Lanson Place hotel in Hong Kong has served as a designated quarantine hotel until September when the government lifted the quarantine requirements for inbound travellers. The hotel has been closed in October for an extensive renovation.

Sailing through the uncertainties and challenges ahead, we will remain focused on restoring our business performance and monitoring cash flow. Meanwhile, the Group will continue to pursue investment opportunities consistent with long-term strategies.

Taking this opportunity, I would like to thank our employees for their dedication and support in keeping our operations running smoothly amid the pandemic. I would also like to express my gratitude to my fellow Board members, business partners, colleagues and stakeholders as a whole for their unreserved support during this challenging time.

Cheng Wai Chee, Christopher
Chairman

Hong Kong, 23 March 2023

BUSINESS REVIEW

For the year ended 31 December 2022, the Group's revenue was HK\$4,097 million, compared with HK\$3,423 million in 2021. The increase was mainly due to more revenue recognised from first-time revenue recognition upon handover of pre-sold units of OMA by the Sea as compared to OMA OMA in 2021.

Consolidated loss for the year was HK\$324 million, a decrease in profit of HK\$1,242 million, compared with profit of HK\$918 million in 2021. The decrease was mainly attributable to (i) HK\$793 million higher net valuation loss on investment properties and financial instruments including share of joint ventures, (ii) HK\$104 million impairment provision for properties for development held for sale, (iii) HK\$472 million one-off valuation gain from distribution in specie of the unsold units of La Vetta in 2021, and offset by (iv) HK\$165 million higher profit from property development segment due to more profit recognised from OMA by the Sea in 2022 than OMA OMA in 2021.

The 2022 net valuation loss on investment properties and financial instruments including share of joint ventures was HK\$1,094 million which is non-cash in nature, compared with loss of HK\$301 million in 2021, includes (i) HK\$1,596 million loss from investment properties, mainly Landmark East, commercial properties in London and residential units held for leasing in Hong Kong, and offset by (ii) HK\$502 million gain from financial instruments, mainly interest rate swap contracts. Including the impairment provision of HK\$104 million, total net valuation loss and impairment provision amounted to HK\$1,198 million, compared with net valuation gain of HK\$171 million in 2021.

Consolidated loss attributable to shareholders was HK\$540 million, a decrease of HK\$1,394 million, compared with consolidated profit of HK\$854 million in 2021.

Loss per share attributable to shareholders was HK\$0.40, compared with earnings per share attributable to shareholders HK\$0.63 in 2021.

Core consolidated profit attributable to shareholders, excluding all such non-cash net valuation loss and impairment provision was HK\$658 million, a decrease of HK\$25 million, compared with HK\$683 million in 2021.

Property Development

The property development segment revenue excluding inter-segment sales was HK\$3,342 million in 2022, compared with HK\$2,701 million in 2021. Segment profit before taxation including net valuation gain and impairment provision was HK\$783 million, compared with HK\$1,053 million in 2021.

Segment profit before taxation excluding such net valuation gain and impairment provision was HK\$710 million in 2022, compared with HK\$497 million in 2021, due to more profit recognised from OMA by the Sea than OMA OMA.

The net valuation gain and impairment provision includes (i) 2022 net valuation gain of HK\$177 million, compared with HK\$84 million in 2021, due to higher gain from financial instruments, (ii) 2022 impairment provision for properties for development held for sale of HK\$104 million, and (iii) 2021 one-off valuation gain of HK\$472 million from distribution in specie of unsold units of La Vetta.

Wholly-owned projects

The Carmel, a low-density residential site in Siu Sau, Tai Lam, Tuen Mun, provides a saleable area of approximately 147,000 square feet for 178 residential units of apartment and house. All residential units were sold as at 31 December 2022. Around 1% (in terms of number) of the residential units were handed over to buyers with related revenue recognised in 2022.

OMA OMA, a medium-density residential site on So Kwun Wat Road, So Kwun Wat, Tuen Mun, provides a saleable area of approximately 234,000 square feet for 466 residential apartment units. In 2022, around 5% (in terms of number) of the residential units were sold. Cumulatively, as at 31 December 2022, around 95% (in terms of number) of the residential units were sold. Around 8% (in terms of number) of the residential units were handed over to buyers with related revenue recognised in 2022.

Majority-owned projects

The Group has a 70% interest in OMA by the Sea, the site adjacent to The Carmel in Siu Sau, Tai Lam, Tuen Mun. This medium-density residential site has a saleable area of approximately 252,000 square feet for 517 residential apartment units. Occupation permit and certificate of compliance was obtained in May and November 2022 respectively. In 2022, around 1% (in terms of number) of the residential units were pre-sold. Cumulatively, as at 31 December 2022, around 90% (in terms of number) of the residential units were sold. Around 88% (in terms of number) of the residential units were handed over to buyers with related revenue recognised in 2022.

The Group has a 85% interest in a medium-density residential site located at the junction of Fan Kam Road and Castle Peak Road – Kwu Tung, Fanling, New Territories. The site is adjacent to Fanling Golf Course and is within a 10-minute walk to Sheung Shui MTR station, with a gross floor area of approximately 284,000 square feet. The Group is the lead project manager, and lead sales and marketing manager for this project. Master planning and design work have commenced.

Joint venture projects

The Group has a 50% interest in a commercial complex site in Central, through the tender for H18C of the Gage Street/Graham Street project as put up by the Urban Renewal Authority. Advantageously located in the heart of the bustling Central financial hub, the site provides a gross floor area of up to 433,500 square feet to be developed into a Grade A office tower, a hotel, retail shops, as well as public open space with green facilities for the neighbourhood. The Group is the lead project manager and lead leasing manager for this project. The foundation work for the project has completed.

In September 2022, the Group won a government tender with 50% interest in a joint venture with another developer, for a residential site in Sha Tin. The site which enjoys the dual convenience of the East Rail and the Tuen Ma MTR transportation network, is walking distance to the Tai Wai and Hin Keng MTR stations. The site provides a gross floor area of approximately 89,000 square feet. The Group is the lead sales and marketing manager for this project.

Property Investment and Management

The property investment and management segment revenue excluding inter-segment sales was HK\$589 million in 2022, compared with HK\$597 million in 2021. Segment loss before taxation (including net valuation loss) was HK\$768 million, compared with segment profit of HK\$39 million in 2021, mainly due to higher valuation loss.

Excluding net valuation loss (2022 loss was HK\$1,129 million; 2021 loss was HK\$332 million), segment profit before taxation was HK\$355 million, compared with HK\$367 million in 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2022, the Group's portfolio of investment properties, mostly Grade A office buildings, has a total area of approximately 2,027,000 square feet with an aggregate attributable fair market valuation of around HK\$21,000 million. The portfolio covers 1,633,000 square feet in Hong Kong, 328,000 square feet in London and 6,200 square metres in Beijing.

Wholly-owned properties in Hong Kong

Landmark East is the Group's flagship property located in Kowloon East. This property is a Grade A office complex comprising twin towers of 36 floors and 34 floors respectively with a total gross floor area of approximately 1,338,000 square feet and 454 car parking spaces. As at 31 December 2022, the property achieved an occupancy of approximately 91%.

Shui Hing Centre is an industrial building in Kowloon Bay, with a gross floor area of approximately 187,000 square feet. As at 31 December 2022, the property achieved an occupancy of approximately 84%. Town Planning Board approval for redevelopment was obtained in April 2021.

The Group holds Le Cap and La Vetta, Kau To, Sha Tin, low-density residential projects, for leasing after distributions of unsold units to shareholders in 2020 and 2021 respectively. Le Cap has 16 residential units including houses and apartments, and 22 car parking spaces of approximately 36,000 square feet saleable area. As at 31 December 2022, around 81% of the residential units (in terms of number) were leased. La Vetta has 34 residential units including houses and apartments, and 48 car parking spaces, of approximately 72,000 square feet saleable area. As at 31 December 2022, around 74% of the residential units (in terms of number) were leased.

Wholly-owned properties in London, the United Kingdom

The commercial property located at Savile Row/Vigo Street, West End, has a net internal area of approximately 14,000 square feet of Grade A office and retail space.

The commercial property located on Brook Street, West End, offers easy access to the upcoming Bond Street Station of London Crossrail and has a net internal area of approximately 19,000 square feet of Grade A office and retail space.

The commercial property located at Berkeley Square, West End, has a net internal area of approximately 7,900 square feet of Grade A office space.

As at 31 December 2022, the above three wholly-owned properties achieved an average occupancy of approximately 86%.

Joint venture properties in London, the United Kingdom

The Group has a 25% interest in a commercial property located on Fleet Place, the City. The property has a net internal area of approximately 192,000 square feet of Grade A office and retail space.

The Group has a 33% interest in a commercial property located at Cavendish Square, West End. The property has a net internal area of approximately 13,000 square feet of Grade A office space.

The Group has a 50% interest in a commercial property located at 30 Gresham Street, City of London. The property has a net internal area of approximately 404,000 square feet of Grade A office, retail space and ancillary accommodation, with 48 car parking spaces.

The Group has a 21% interest in a commercial property located at 66 Shoe Lane, City of London. The property has a net internal area of approximately 158,000 square feet of Grade A office, ancillary space and retail space. The office space is fully leased to a global Big Four accounting and professional services firm with tenors of 15 years (including rent-free periods) expiring on 28 September 2035.

As at 31 December 2022, the above four joint venture properties achieved an average occupancy of approximately 92%.

Wholly-owned property in Beijing, China

The Group has 33 residential units at Central Park, Beijing with a gross floor area of approximately 6,200 square metres. As at 31 December 2022, approximately 67% of the units (in terms of number) were leased.

Hospitality Investment and Management

The hospitality investment and management segment revenue was HK\$106 million in 2022, compared with HK\$69 million in 2021. Segment loss before taxation (including net valuation loss) was HK\$158 million in 2022, compared with HK\$50 million in 2021, mainly due to higher net valuation loss (2022 loss was HK\$153 million; 2021 loss was HK\$28 million).

Excluding net valuation loss, segment loss before taxation was HK\$5 million in 2022, compared with HK\$22 million in 2021.

Our wholly-owned Lanson Place Causeway Bay hotel in Hong Kong was adversely affected by the COVID pandemic since 2020. Revenue has improved after it operated as quarantine hotel to accommodate quarantined inbound travellers from November 2021 to September 2022. The hotel was closed down in October 2022 for refurbishment and upgrade.

Lanson Place Waterfront Suites, our wholly-owned prime harbour-front furnished residence in Sai Wan Ho, was held for leasing. Its occupancy remains stable during the pandemic.

The Group has a 50% interest in Lanson Place Bukit Ceylon in Kuala Lumpur. The relaxation of travel restrictions and quarantine measures in Malaysia since April 2022 has helped its performance gradually improved.

Others

This segment represents investing activities and central management and administrative expenses. Segment revenue was HK\$60 million in 2022, compared with HK\$56 million in 2021.

Segment loss before taxation (including net valuation gain) was HK\$8 million in 2022, compared with a segment profit of HK\$3 million in 2021.

Excluding net valuation gain, segment loss before taxation was HK\$20 million in 2022, a decrease of HK\$49 million, compared with segment profit before taxation of HK\$29 million in 2021 due to impairment provision for financial investments at amortised cost.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group has been maintaining an appropriate capital structure with multiple financing channels to ensure that financial resources are always available to meet operational needs and expansions. A sufficient level of revolving banking facilities is available to cushion the Group from any unexpected external economic shocks. All financial risk management, including debt refinancing, foreign exchange exposure, and interest rate volatility, is centrally managed and controlled at the corporate level.

Liquidity and Financial Resources

The Group's net assets totalled HK\$27,327 million as at 31 December 2022 (31 December 2021: HK\$28,166 million). The decrease of HK\$839 million is mainly resulted from the distribution of the 2021 final dividend and 2022 interim dividend of HK\$366 million, distribution to holders of perpetual capital securities of HK\$86 million and the loss for the year of HK\$324 million.

As at 31 December 2022, the Group's bank and other borrowings totalled HK\$6,728 million (31 December 2021: HK\$6,804 million). The maturity profile of the Group's bank and other borrowings is set out below:

	31 December 2022		31 December 2021	
	HK\$ million	%	HK\$ million	%
Repayable:				
Within one year	2,551	38%	3,458	51%
Between one and two years	1,198	18%	1,345	20%
Between two and five years	2,979	44%	1,755	26%
After five years	-	0%	246	3%
	6,728	100%	6,804	100%

During the year, the Group completed a 5-year HK\$1,900 million syndicated loan facility with certain financial institutions to refinance the SGD170 million 10-year fixed rate bond matured in November 2022. As at 31 December 2022, the Group's gearing ratio is 16.4% (31 December 2021: 19.0%) which is calculated as the Group's net borrowings divided by total equity. The Group's net borrowings (total bank and other borrowings less bank balances and cash) were HK\$4,487 million (31 December 2021: HK\$5,339 million). Interest for the Group's bank

borrowings is mainly on a floating rate basis while interest for the Group's bonds is on a fixed rate basis. The Group will closely monitor the exposure to interest rate fluctuations and, if appropriate, hedge by interest rate swap contracts to the extent desirable.

The Group's bank balances and cash as well as unutilised revolving loan facilities are set out as follows:

	31 December 2022 HK\$ million	31 December 2021 HK\$ million
Bank balances and cash	2,241	1,465
Unutilised revolving loan facilities	3,393	2,582
	5,634	4,047

Foreign Currencies

The Group principally operates in Hong Kong, and as a result, has immaterial exposure to exchange rate fluctuations. The Group conducts its business mainly in Hong Kong dollars, and to a lesser extent UK pounds, Renminbi, Singapore dollars and Malaysia Ringgits. For transactions in foreign currencies, the Group will closely monitor the exposure and, if appropriate, hedge by local currency financing and other financial instruments to the extent desirable. In particular, exposure to investments in foreign operations in the United Kingdom is substantially covered by local currency financing and forward exchange contracts.

As at 31 December 2022, the Group's borrowings were 90% in Hong Kong dollars and 10% in other currencies mainly UK pounds. The borrowings in UK pounds were arranged with banks for operations in the United Kingdom. The Group maintains bank balances and deposits substantially in Hong Kong dollars.

Contingent Liabilities

As at 31 December 2022, the Group had contingent liabilities of HK\$4,944 million (31 December 2021: HK\$5,260 million) in respect of guarantees given by the Company for banking facilities granted to certain joint ventures. The guarantees were given severally and in proportion to the Group's equity interests in the joint ventures.

Pledge of Assets

As at 31 December 2022, the Group's advances to joint ventures of HK\$2,873 million (31 December 2021: HK\$2,890 million) were subordinated to the loan facilities of joint ventures and assigned. The shares in these joint ventures beneficially owned by the Group are pledged to the financial institutions.

As at 31 December 2022, several of the Group's investment properties, properties for sale, financial assets at amortised cost and other properties, plant and equipment with carrying values of HK\$4,681 million, HK\$2,740 million, HK\$257 million and HK\$34 million, respectively, were pledged to secure credit facilities for the Group.

PROSPECTS

We expect the global and Hong Kong economy to remain challenging in 2023, clouded by uncertainties from continued geopolitical tensions, interest rate hikes and inflation. The Group remains cautious on our business outlook for 2023.

Ever since the re-opening of the China border in January and removal of all pandemic measures in Hong Kong in March, the primary residential market sentiment has improved with more sale launches and transactions recorded in February. We believe demand for mass market residential property will remain solid, particularly from first-time home buyers, supported by low unemployment rate, unresolved property supply shortage, easing policies on home mortgage and still affordable mortgage interest rate. We will continue the sale of the remaining units of the "Upper Gold Coast" series.

For our commercial properties, we are confident that overall occupancy rates will remain stable and will improve when multi-national corporations and Mainland corporations gradually resume their business operations in Hong Kong to normal. However, we believe the drop in rental level of Landmark East will continue against a sizeable pipeline of new office supply in Kowloon East.

With a healthy balance sheet and diversified asset portfolio, supported by solid financing capabilities, the Group will stay vigilant against market fluctuation. We will continue to focus on improving the performance of our business operations while prudently and diligently capturing suitable investments should opportunities arise.

MANAGEMENT DISCUSSION AND ANALYSIS

KEY RISKS AND UNCERTAINTIES

The Group's business, financial conditions or results of operations are affected by a number of key risks and uncertainties outlined below. There may be other risks or uncertainties, including those which are not known to the Group or which the Group currently deems to be immaterial but may affect the Group in future.

Business Risks

Property development

A majority of the Group's assets are located in, and a majority of the Group's revenue is derived from Hong Kong. As a result, the general state of Hong Kong and the property market, the interest rate changes and the political and legal situations in Hong Kong may have a significant impact on the Group's operating results and financial condition.

The Group's activities on its development properties are also subject to various laws and regulations of Hong Kong. Developing properties, refurbishment and other re-development projects require government permits. The government may introduce property cooling measures from time to time which may have a significant impact on the property market and may adversely affect the Group's property sales performance and financial condition.

Property investment and hospitality business

Financial performance may be materially and adversely affected in the event of a decline in rental or occupancy levels, or difficulties in securing lease renewals or obtaining new tenants. The Group cannot be assured that existing tenants will renew their leases upon expiration or that the Group will be able to find replacement tenants at rental rates equal to or above the current rental rates for tenancies.

CORPORATE SOCIAL RESPONSIBILITY

Employees

As at 31 December 2022, the Group had approximately 360 employees. The Group offers comprehensive remuneration and benefit packages to our employees, which are structured according to prevailing salary levels in the market, individual merit and performance. The Group has a mandatory provident fund scheme and an occupational retirement scheme to provide retirement benefits to all employees in Hong Kong. The Group also provides training programmes for employees.

Employees, including directors, are eligible for the Company's share option plan where the share options are generally exercisable by phases within ten years.

Communities

The Group takes pride in being an outstanding member of the communities in which it operates. As such, the Group has introduced a number of initiatives under its Corporate Social Responsibility mission and shall continue to seek innovative and meaningful ways to engage its employees and associates in building stronger and more vibrant communities in which it operates.

The Group's 2022 activities covered the followings:

- Red Packet Collection for Re-use
- Donation to Tung Wah Chu Sau Cheung Nursing Home
- Donation of sanitisation materials to the Hong Kong Society for the Blind
- Donation of fitness equipments to schools

Environment

The Group established the environmental policy addressing environmental issues. For details, please refer to Environmental, Social and Governance Report, which is available on the websites of the Company and the Hong Kong Exchanges and Clearing Limited together with the 2022 annual report.

Compliance with Laws and Regulations

The Group is committed to complying with all relevant rules and regulations issued by the Government of the Hong Kong Special Administrative Region in relation to construction of properties, sales of properties, property management and employees, etc. The Group also holds relevant required licences for the provision of hospitality services. Relevant employees are trained to any changes in the applicable laws, rules and regulations from time to time.

Relationship with Suppliers

The selection of major suppliers or contractors is conducted through tendering process in all the Group's segments. The Internal Audit Department of the Group regularly reviews the procurement and tendering procedures to ensure that the processes are conducted in an open and fair manner.

Relationship with Customers

For our residential development projects, the Group has comprehensive hand-over procedures to ensure delivery of quality products to our customers.

For our commercial and residential estate management and hospitality management, the Group obtains regular feedback from customers in order to enhance quality of services.

CORPORATE STRATEGIES AND BUSINESS MODEL

The Group strives to sustain, expand and maximise returns from our three business platforms – “Property Development”, “Property Investment and Management” and “Hospitality Investment and Management”. The Group focuses to maintain a robust and healthy balance sheet, a resilient and diversified financing structure, a well-balanced and diversified asset portfolio, and an effective and efficient business operation.

For Property Development, the Group strives to build up and expand development pipeline, and project management. The Group focuses to deliver well-designed, sustainable and high quality residential and commercial properties, and to maximise returns through timely acquisition and sale, and professional and cost-efficient project management.

For Property Investment and Management, the Group strives to sustain and expand our investment portfolio and leasing operation. The Group focuses to maintain a well-balanced and diversified portfolio primarily in Hong Kong and London, to provide premium quality services to tenants, and to maximise returns through robust asset management, timely acquisition and disposal, and cost-effective leasing and estate management.

For Hospitality Investment and Management, the Group strives to sustain and expand our investment and management portfolio, and hospitality operation. The Group focuses to maintain a positive recognition of our Lanson Place brand, extend our third-party management services within and beyond Asia, and to maximise returns through optimised business model for hotel and service apartment operation.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Dr. CHENG Wai Chee, Christopher *GBS OBE JP*, aged 74, has been the Chairman of the Company since 1991. Dr. Cheng is a member of the Remuneration Committee and Nomination Committee of the Company. He is also a director of certain members of the Group. Dr. Cheng holds a Doctorate in Social Sciences honoris causa from The University of Hong Kong and a Doctorate in Business Administration honoris causa by The Hong Kong Polytechnic University. He graduated from the University of Notre Dame, Indiana with a BBA degree, and from Columbia University, New York with an MBA degree.

Dr. Cheng was an independent non-executive director of The Hongkong and Shanghai Banking Corporation Limited and NWS Holdings Limited (a listed public company in Hong Kong) up to his retirement on 1 June 2022 and resignation on 1 January 2022 respectively.

Dr. Cheng is a member of the Columbia Business School Board and a member of the President's Council on International Activities of Yale University.

Dr. Cheng is a brother of Mr. Cheng Wai Sun, Edward and Mr. Cheng Man Piu, Francis. He is a director of Wing Tai Corporation Limited, Renowned Development Limited, Wing Tai (Cheng) Holdings Limited and Brave Dragon Limited which are substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO").

Mr. CHENG Wai Sun, Edward *GBS JP*, aged 67, has been an executive director and Chief Executive since 1994 and Deputy Chairman of the Company since 2007. Mr. Cheng is a member of the Nomination Committee of the Company and a director of certain members of the Group. He is also an independent non-executive director of Standard Chartered Bank (Hong Kong) Limited. Mr. Cheng has a master's degree from Oxford University. He was qualified as a solicitor in England and Wales as well as in Hong Kong.

Mr. Cheng has many years of public service experience in urban renewal, housing, finance, corruption prevention, technology and education. He is the chairman of the Council of The Hong Kong Academy for Performing Arts and a member of the clinical governance committee of HKSH Medical Group Limited. Mr. Cheng was appointed as a member of the Culture Commission with effect from 1 March 2023. He ceased to be a non-executive director of the Securities and Futures Commission with effect from 1 January 2023. Mr. Cheng is a Justice of the Peace, and has been awarded the Gold Bauhinia Star by the Government of the Hong Kong Special Administrative Region (the "HKSAR").

Mr. Cheng is a brother of Dr. Cheng Wai Chee, Christopher and Mr. Cheng Man Piu, Francis.

Mr. CHENG Man Piu, Francis, aged 70, has been an executive director of the Company since 1991 and is also a director of two members of the Group. Mr. Cheng graduated from the University of Wisconsin with a Bachelor of Science degree in Industrial Engineering and an MBA degree. He is a director of The Federation of Hong Kong Garment Manufacturers and also a general committee member of The Chinese Manufacturers' Association of Hong Kong and Textile Council of Hong Kong.

Mr. Cheng is a brother of Dr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward. He is the assistant managing director of Wing Tai Corporation Limited and a director of both Renowned Development Limited and Wing Tai (Cheng) Holdings Limited. The aforementioned companies are substantial shareholders of the Company within the meaning of Part XV of the SFO.

Mr. CHOW Wai Wai, John, aged 73, has been an executive director of the Company since 2007. He is the Managing Director of the Group's Property Investment and Management Division and a director of certain members of the Group. Mr. Chow graduated with a Bachelor of Arts (Economics) degree from the University of British Columbia. He was a non-executive director of ARA Trust Management (Suntec) Limited (Manager of the Singapore listed Suntec Real Estate Investment Trust) up to his resignation on 15 April 2022. Mr. Chow has over 40 years of experience in the property investment and management business.

Mr. Chow is a director of Farnham Group Limited ("Farnham"), Gala Land Investment Co. Limited ("Gala") and CKF Limited. Farnham, Gala and CKF Limited are substantial shareholders of the Company within the meaning of Part XV of the SFO.

Mr. NG Kar Wai, Kenneth, aged 67, has been an executive director of the Company since January 2015. He is the Chairman of each of the Environmental, Social and Governance Committee and Corporate Governance Committee of the Company, the Managing Director of the Group's Property Division and a director of a number of members of the Group. Mr. Ng is a seasoned Chartered Civil Engineer with considerable expertise in the development and construction of a variety of properties, ranging from commercial and residential to hospitality developments, in Hong Kong, Mainland China and other Asian cities. Prior to joining the Company, Mr. Ng worked for various well-known property development and construction companies including Shangri-La Hotels and Resorts Group, CITIC Pacific Limited, Hsin Chong Construction Group and Swire Properties Limited.

A Registered Structural Engineer and Chartered Engineer, Mr. Ng is a member of the Hong Kong Institution of Engineers, Institution of Civil Engineers, UK and Institution of Structural Engineers, UK. He ceased to be an Adjunct Professor, Department of Real Estate and Construction, The University of Hong Kong with effect from 1 December 2022.

NON-EXECUTIVE DIRECTORS

Mr. KWOK Ping Luen, Raymond JP, aged 69, has been a non-executive director of the Company since 1991. He is the chairman and managing director of Sun Hung Kai Properties Limited ("SHKP") (a substantial shareholder of the Company within the meaning of Part XV of the SFO). Mr. Kwok holds a Master of Arts degree in Law from Cambridge University, a Master's degree in Business Administration from Harvard University, an Honorary Doctorate degree in Business Administration from Hong Kong Metropolitan University and an Honorary Doctorate degree in Laws from The Chinese University of Hong Kong. Mr. Kwok is the chairman and an executive director of SUNeVision Holdings Ltd. He is also the chairman and a non-executive director of SmarTone Telecommunications Holdings Limited, and a non-executive director of Transport International Holdings Limited.

In civic activities, Mr. Kwok is a director of The Real Estate Developers Association of Hong Kong and a member of the Council of The Chinese University of Hong Kong. He was a member of the 13th National Committee of the Chinese People's Political Consultative Conference.

Mr. Kwok is the father of Mr. Kwok Ho Lai, Edward.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. KWOK Ho Lai, Edward, aged 42, has been the alternate director to Mr. Kwok Ping Luen, Raymond (“Mr. Raymond Kwok”) of the Company since April 2015. He holds a Bachelor of Arts degree from Yale University and a Postgraduate Diploma in Professional Accountancy from The Chinese University of Hong Kong. He has also obtained an Executive MBA degree from the Kellogg School of Management and the HKUST Business School in December 2017. His professional qualifications include being a fellow member of the Hong Kong Institute of Certified Public Accountants since September 2020 and being a fellow member of The Institute of Chartered Accountants in England and Wales since February 2020. Mr. Kwok is the alternate director to Mr. Raymond Kwok of SHKP and is a sales and project manager of SHKP group responsible for feasibility study, marketing and planning of new residential projects of SHKP group in Hong Kong. SHKP is a substantial shareholder of the Company within the meaning of Part XV of the SFO. Before joining SHKP group, Mr. Kwok worked in a major international audit firm. He is a son of Mr. Raymond Kwok.

Mr. HONG Pak Cheung, William, aged 68, has been a non-executive director of the Company since 2002. Mr. Hong is a member of the Audit Committee of the Company. He received a Bachelor of Science degree in Mathematics from the University of Saskatchewan in Canada and completed the Advanced Management Program at Harvard University Graduate School of Business. Mr. Hong currently holds the position of manager at SHKP (a substantial shareholder of the Company within the meaning of Part XV of the SFO).

Mrs. CHEN Chou Mei Mei, Vivien, aged 73, has been a non-executive director of the Company since 2012, and joined the Group in 2007. She graduated with a Bachelor of Arts degree from the University of Colorado in the United States of America and has over 30 years’ experience in investments, in particular, property related investments.

Mrs. Chen was an independent director of New Silkroutes Group Limited (listed on the Singapore Exchange) up to her resignation on 31 March 2021.

Mrs. Chen is a director of Farnham, Gala and WHCWTF Limited which are substantial shareholders of the Company within the meaning of Part XV of the SFO.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Simon MURRAY CBE, aged 82, has been an independent non-executive director of the Company since 1994. Mr. Murray is the Chairman of the Remuneration Committee of the Company. He has been appointed as a member and the Chairman of the Nomination Committee of the Company with effect from 21 November 2022.

Mr. Murray is a non-executive director of China LNG Group Limited, Greenheart Group Limited and an independent non-executive director of Spring Asset Management Limited, the manager of the listed Spring Real Estate Investment Trust, the first two companies are listed on the Hong Kong Stock Exchange.

Mr. Murray was an independent non-executive director of each of Hutchison Whampoa Limited and Cheung Kong Property Holdings Limited (now renamed as CK Asset Holdings Limited). He was also the executive chairman of Deutsche Bank AG Asia Pacific and a non-executive director of Compagnie Financière Richemont SA, a company listed on the Swiss stock exchange, and now serves on the latter’s Advisory Board.

Mr. Murray was appointed a Commander of The Most Excellent Order of the British Empire (CBE) and a Chevalier within the Ordre national de Mérite of the French Republic (Chevalier de La Legion d’Honneur).

Mr. Murray holds an Honorary Degree in Law from Bath University and attended the Stanford Executive Program in the United States.

Mr. YEUNG Kit Shing, Jackson, aged 73, has been an independent non-executive director of the Company since 2004. He is the Chairman of the Audit Committee of the Company and a member of both the Remuneration Committee and the Nomination Committee of the Company. Mr. Yeung has over 35 years of experience in finance and accounting. He is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Yeung holds a Master of Professional Accounting degree from The Hong Kong Polytechnic University and a Master of Arts degree in Arbitration and Dispute Resolution from City University of Hong Kong. He is a management committee member of the Hong Kong Breast Cancer Foundation.

Mr. Haider Hatam Tyebjee BARMA *GBS CBE ISO JP*, aged 79, has been an independent non-executive director of the Company since 2012 and joined the Group in 2007. He is a member of both the Nomination Committee and the Audit Committee of the Company. Mr. Barma graduated with a Bachelor of Arts degree from The University of Hong Kong and worked in the Hong Kong government for 30 years. After retiring from the civil service in 1996, he served as chairman of the Public Service Commission from August 1996 to April 2005. Mr. Barma then served as chief executive officer of the Hong Kong Research Institute of Textiles and Apparel from April 2006 to July 2012.

Mr. LAM Kin Fung, Jeffrey *GBS JP*, aged 71, has been an independent non-executive director of the Company since June 2018. He holds a bachelor degree in mechanical engineering from Tufts University in the United States and was conferred university fellow of Tufts University and The Hong Kong Polytechnic University. He has over 40 years of experience in toy industry and is currently the managing director of Forward Winsome Industries Limited which is engaged in toy manufacturing.

Mr. Lam is an independent non-executive director of each of C C Land Holdings Limited, China Overseas Grand Oceans Group Limited, CWT International Limited, Chow Tai Fook Jewellery Group Limited, i-CABLE Communications Limited and Wynn Macau, Limited, Analogue Holdings Limited and CSC Holdings Limited (formerly known as China Strategic Holdings Limited) and also an executive director of Hong Kong Aerospace Technology Group Limited (all of these companies are listed companies in Hong Kong).

Mr. Lam is a member of the Legislative Council of the HKSAR, a non-official member of the Executive Council of the HKSAR, a general committee member of the Hong Kong General Chamber of Commerce, a honorary member of the Court of The Hong Kong Polytechnic University and a director on the board of Heifer International Hong Kong Limited. He ceased to be a member of the National Committee of the Chinese People's Political Consultative Conference in March 2023.

Mr. NG Tak Wai, Frederick, aged 65, was appointed as an executive director of the Company in 1995 and was re-designated as a non-executive director in April 2011 and further re-designated as an independent non-executive director of the Company with effect from 21 November 2022. He graduated from Georgetown University with a BSBA degree, and also graduated from Columbia University with an MBA degree. Mr. Ng held senior management positions in various garment manufacturing and distribution companies affiliated with the Wing Tai Group in Hong Kong. His background is in manufacturing operations and management information systems.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

SENIOR MANAGEMENT

Ms. FUNG Ching Man, Janet, aged 60, joined the Group in 2007. She is the Chief Financial Officer of the Company, a member of each of the Environmental, Social and Governance Committee and Corporate Governance Committee of the Company, and a director of a number of members of the Group. Ms. Fung is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia.

Mr. CHUNG Siu Wah, Henry, aged 68, joined the Group in 1993. He is the Group Legal Counsel and Company Secretary of the Company. He is a member of each of the Environmental, Social and Governance Committee and Corporate Governance Committee of the Company and a director of a number of members of the Group. Mr. Chung holds a Master's Degree in Electronic Commerce and Internet Computing from The University of Hong Kong, a Bachelor's Degree in Laws from University of London, a Bachelor's Degree and a Master's Degree in Business Administration from The Chinese University of Hong Kong and a Bachelor's Degree in Laws from Tsinghua University. He is a Barrister, a Certified Accountant, a Chartered Secretary and a Chartered Governance Professional.

Mrs. LI Kan Fung Ling, Karen, aged 61, is the Executive Director of Lanson Place, the hospitality management arm of the Group. She is also the Director of Corporate Development and a director of a few members of the Group. Joining the Group in 1994, Mrs. Li has helped found Lanson Place. She has been responsible for the Group's corporate branding and hospitality projects ever since. She has 30 years of international experience in strategic planning and branding relating to luxurious residential and hotel projects. Mrs. Li previously helped Wharf Hotels Investment Limited (H.K.) and Hilton Hotels Corporation (Beverly Hills, U.S.A.) in setting up flagship projects. She holds a BBA degree with distinction in Hotels and Tourism Management from University of Hawaii and an MBA degree in Finance and International Business from George Washington University, Washington, D.C.

Mr. Michael Hamilton HOBSON, aged 66, joined Lanson Place Hospitality Management Limited ("LPHML"), the hospitality management arm of the Group, as the Chief Executive Officer in January 2019. He is also a director of LPHML.

Mr. Hobson has over 40 years of experience in the hospitality industry. Prior to joining the Group, he was the Chief Marketing/Commercial Officer of the Mandarin Oriental Group. Mr. Hobson holds an MBA degree in Marketing at the University of Leicester, United Kingdom.

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was, and as of the date of this report is, investment holding. Its principal subsidiaries are engaged in property development, property investment and management and hospitality investment and management. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

The Group's joint ventures and associates are principally engaged in property investment, property development and hospitality investment.

Details of the Company's principal subsidiaries, the Group's principal joint ventures and associates at 31 December 2022 are set out in notes 42, 43 and 18(a) to the financial statements respectively.

BUSINESS REVIEW

A review of the business of the Group during the year, a discussion on the Group's future business development, principal risks and uncertainties that the Group may be facing and particulars of important events affecting the Group that have occurred since the end of the financial year are provided in the Chairman's Statement on pages 10 to 11 and Management Discussion and Analysis on pages 12 to 19 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 8 and Management Discussion and Analysis on pages 12 to 19 of this annual report.

Discussions on the Group's environmental policies and performance, an account of the Group's relationships with its key stakeholders that have a significant impact on the Group and on which the Group's success depends and compliance with the relevant laws and regulations which have a significant impact on the Group are also provided in the Management Discussion and Analysis on pages 12 to 19 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated income statement on page 69.

An interim dividend of HK6.0 cents (2021: HK6.0 cents) per share, amounting to a total of about HK\$81.4 million, was paid to shareholders on 6 October 2022.

The Directors recommend the payment of a final dividend of HK21.0 cents per share for the year ended 31 December 2022 (2021: HK21.0 cents per share) to shareholders whose names appear on the register of members of the Company on 30 May 2023, which together with the interim dividend payment amounts to a total of approximately HK\$366.4 million. Subject to the passing of the relevant resolution at the forthcoming annual general meeting, such dividend will be payable to shareholders on or around 20 June 2023.

SHARES ISSUED IN THE YEAR

Details of the shares issued during the year as the result of exercise of share options are set out in notes 32 and 34 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2022, calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK\$4,720 million (2021: HK\$5,090 million).

PROPERTIES

Details of the properties held for development and/or sale and for investment purposes are set out on pages 156 to 158.

DIRECTORS' REPORT

DONATIONS

During the year, the Group made charitable and other donations totaling HK\$0.2 million.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors during the year were, and as of the date of this report are, as follows:

Executive Directors:

Cheng Wai Chee, Christopher *GBS OBE JP (Chairman)*
Cheng Wai Sun, Edward *GBS JP (Deputy Chairman and Chief Executive)*
Cheng Man Piu, Francis
Chow Wai Wai, John
Ng Kar Wai, Kenneth

Non-Executive Directors:

Kwok Ping Luen, Raymond *JP (Kwok Ho Lai, Edward as his alternate)*
Hong Pak Cheung, William
Chen Chou Mei Mei, Vivien

Independent Non-Executive Directors:

Simon Murray *CBE*
Yeung Kit Shing, Jackson
Haider Hatam Tyebjee Barma *GBS CBE ISO JP*
Cheng Hoi Chuen, Vincent *GBS OBE JP (passed away on 28 August 2022)*
Lam Kin Fung, Jeffrey *GBS JP*
Ng Tak Wai, Frederick *(re-designated from a non-executive director to an independent non-executive director on 21 November 2022)*

In accordance with Bye-law 100(A) of the Company's Bye-laws and/or code provision B.2.2 of Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Chow Wai Wai, John, Ng Kar Wai, Kenneth, Kwok Ping Luen, Raymond, Yeung Kit Shing, Jackson, together with Ng Tak Wai, Frederick ("Mr. Ng") will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Mr. Ng was re-designated from a non-executive director of the Company to an independent non-executive director of the Company on 21 November 2022 (the "Re-designation"). He will retire from office voluntarily and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Mr. Ng confirmed that, other than holding the office as a non-executive director of the Company immediately prior to the Re-designation, he has satisfied all factors set out in Rule 3.13 of the Listing Rules in assessing his independence. Mr. Ng has also gone through more than nine years' cooling-off period since the cessation of the garment manufacturing operations of the Group in 2013. As a non-executive director of the Company prior to the Re-designation, Mr. Ng has focused on overseeing the Company's strategies and policies and providing an objective view on the Company's matters from a non-managerial perspective. He does not have any business connections with the Group.

Simon Murray, Yeung Kit Shing, Jackson and Haider Hatam Tyebjee Barma have served the Board as independent non-executive directors of the Company for more than nine years and Mr. Ng's tenure of office with the Company has exceeded nine years. Notwithstanding their long term services, in view of their extensive business experience and not being connected with any director or substantial shareholder of the Company, the Board is of the opinion that they continue to bring independent and objective perspectives to the Company's affairs.

The Company has received written confirmation from all independent non-executive directors regarding their independence as required under Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive directors to be independent.

PERMITTED INDEMNITY

A permitted indemnity provision (as defined in section 467 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) for the benefit of the directors of the Group is currently in force and was in force during the year.

A Directors and Officers Liability Insurance Policy against potential costs and liabilities arising from claims brought against the directors of the Group is in place.

PUBLIC FLOAT

As at the latest practical date prior to the issue of this annual report, the Company maintained the prescribed public float under the Listing Rules on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), based on the information that is publicly available to the Company and within the knowledge of the Directors.

DIRECTORS’ AND THE CHIEF EXECUTIVE’S INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2022, the interests of the Directors and the Chief Executive of the Company in shares and underlying shares of the Company as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules are as follows:

Interests in the Company

Director	Number of shares/underlying shares held						Approx. percentage of the issued share capital (Note a)
	Personal interests	Family interests	Corporate interests	Other interests	Number of underlying shares held under equity derivatives (Note f)	Aggregate interests	
Cheng Wai Chee, Christopher	14,421,316	-	-	462,488,185 (Note b)	5,017,250	481,926,751	35.54%
Cheng Wai Sun, Edward	12,353,981	-	-	462,488,185 (Note b)	5,017,250	479,859,416	35.39%
Cheng Man Piu, Francis	-	-	-	462,488,185 (Note b)	-	462,488,185	34.11%
Chow Wai Wai, John	6,007,826	-	-	-	930,250	6,938,076	0.51%
Ng Kar Wai, Kenneth	1,525,250	-	-	-	1,647,750	3,173,000	0.23%

DIRECTORS' REPORT

Director	Number of shares/underlying shares held					Number of underlying shares held under equity derivatives (Note f)	Aggregate interests	Approx. percentage of the issued share capital (Note a)
	Personal interests	Family interests	Corporate interests	Other interests				
Kwok Ping Luen, Raymond	-	-	-	9,224,566 (Note c)	-	9,224,566	0.68%	
Kwok Ho Lai, Edward (Alternate Director to Kwok Ping Luen, Raymond)	-	-	-	9,736,566 (Note d)	-	9,736,566	0.72%	
Ng Tak Wai, Frederick	278,391	1,016,000	-	313,666 (Note e)	-	1,608,057	0.12%	
Chen Chou Mei Mei, Vivien	157,478	-	-	-	-	157,478	0.01%	

Notes:

- (a) The total number of issued shares in the capital of the Company (the "Shares") as at 31 December 2022 was 1,355,971,279.
- (b) Cheng Wai Chee, Christopher, Cheng Wai Sun, Edward and Cheng Man Piu, Francis, being beneficiaries of a family trust, were deemed to be interested in 462,488,185 Shares beneficially owned by Brave Dragon Limited, Wing Tai Retail Pte. Ltd. and Crossbrook Group Limited as set out under the section headed Substantial Shareholders' Interests below. The same represented the same interests and was therefore duplicated amongst these three directors for the purpose of Part XV of the SFO.
- (c) Kwok Ping Luen, Raymond was deemed to be interested in 9,224,566 Shares by virtue of being a beneficiary of a trust for the purpose of Part XV of the SFO. As this trust is one of the discretionary trusts, referred to in Note (d) below, these 9,224,566 Shares represented the same interests and were therefore duplicated between Kwok Ping Luen, Raymond and Kwok Ho Lai, Edward for the purpose of Part XV of the SFO.
- (d) Kwok Ho Lai, Edward was deemed to be interested in 9,736,566 Shares by virtue of being a beneficiary of certain discretionary trusts for the purpose of Part XV of the SFO.
- (e) 313,666 Shares were held by Ng Tak Wai, Frederick jointly with his spouse.
- (f) These interests represented the interests in underlying Shares in respect of the share options granted by the Company to these Directors. Details of which are set out in the sections below headed Equity-Linked Agreements.

Save as disclosed herein, as at 31 December 2022, none of the Directors or the Chief Executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the year or subsisting as at 31 December 2022 are set out below:

Share Option Plan

Under the Share Option Plan of the Company adopted by the shareholders of the Company on 27 October 2015 (“Share Option Plan”), the board of directors of the Company (the “Board”) or a duly authorised committee thereof may, in its absolute discretion, grant options to directors, employees, officers, consultants, former directors, former employees, former officers or former consultants of any members of the Group (the “Eligible Persons”) to subscribe for the Shares. The purpose of the Share Option Plan is to enable the Company to grant share options to incentivise and retain such Eligible Persons.

Outstanding Share Options

Details of the share options granted and summary of movements of the outstanding share options for the year ended 31 December 2022 under the Share Option Plan are as follows:

	Date of grant	Exercise price per share option (HK\$)	Closing price of Shares immediately before the date of grant (HK\$)	Exercise period	Number of share options				As at 31.12.2022	Weighted average closing price of the Shares immediately before the date on which the options were exercised (HK\$)
					As at 1.1.2022	Granted during the year	Exercised during the year	Cancelled/lapsed during the year		
Director										
Cheng Wai Chee, Christopher	27.3.2018	6.10	6.10	22.1.2020 to 26.3.2028 (Note a)	222,500	-	-	-	222,500	N/A
	27.3.2018	6.10	6.10	22.1.2021 to 26.3.2028 (Note b)	445,000	-	-	-	445,000	N/A
	23.1.2019	5.766	5.78	23.1.2020 to 22.1.2029 (Note c)	250,000	-	-	-	250,000	N/A
	23.1.2019	5.766	5.78	23.1.2021 to 22.1.2029 (Note d)	250,000	-	-	-	250,000	N/A
	23.1.2019	5.766	5.78	23.1.2022 to 22.1.2029 (Note e)	500,000	-	-	-	500,000	N/A
	17.1.2020	5.17	5.17	17.1.2021 to 16.1.2030 (Note c)	269,250	-	-	-	269,250	N/A
	17.1.2020	5.17	5.17	17.1.2022 to 16.1.2030 (Note d)	269,250	-	-	-	269,250	N/A
	17.1.2020	5.17	5.17	17.1.2023 to 16.1.2030 (Note e)	538,500	-	-	-	538,500	N/A

DIRECTORS' REPORT

	Date of grant	Exercise price per share option (HK\$)	Closing price of Shares immediately before the date of grant (HK\$)	Exercise period	Number of share options					Weighted average closing price of the Shares immediately before the date on which the options were exercised (HK\$)
					As at 1.1.2022	Granted during the year	Exercised during the year	Cancelled/lapsed during the year	As at 31.12.2022	
Cheng Wai Chee, Christopher	19.1.2021	3.69	3.67	19.1.2022 to 18.1.2031 (Note c)	355,250	-	355,250	-	-	4.25
	19.1.2021	3.69	3.67	19.1.2023 to 18.1.2031 (Note d)	355,250	-	-	-	355,250	N/A
	19.1.2021	3.69	3.67	19.1.2024 to 18.1.2031 (Note e)	710,500	-	-	-	710,500	N/A
	18.1.2022	4.342	4.36	18.1.2023 to 17.1.2032 (Note c)	-	301,750	-	-	301,750	N/A
	18.1.2022	4.342	4.36	18.1.2024 to 17.1.2032 (Note d)	-	301,750	-	-	301,750	N/A
	18.1.2022	4.342	4.36	18.1.2025 to 17.1.2032 (Note e)	-	603,500	-	-	603,500	N/A

	Date of grant	Exercise price per share option (HK\$)	Closing price of Shares immediately before the date of grant (HK\$)	Exercise period	Number of share options				As at 31.12.2022	Weighted average closing price of the Shares immediately before the date on which the options were exercised (HK\$)
					As at 1.1.2022	Granted during the year	Exercised during the year	Cancelled/lapsed during the year		
Cheng Wai Sun, Edward	27.3.2018	6.10	6.10	22.1.2020 to 26.3.2028 (Note a)	222,500	-	-	-	222,500	N/A
	27.3.2018	6.10	6.10	22.1.2021 to 26.3.2028 (Note b)	445,000	-	-	-	445,000	N/A
	23.1.2019	5.766	5.78	23.1.2020 to 22.1.2029 (Note c)	250,000	-	-	-	250,000	N/A
	23.1.2019	5.766	5.78	23.1.2021 to 22.1.2029 (Note d)	250,000	-	-	-	250,000	N/A
	23.1.2019	5.766	5.78	23.1.2022 to 22.1.2029 (Note e)	500,000	-	-	-	500,000	N/A
	17.1.2020	5.17	5.17	17.1.2021 to 16.1.2030 (Note c)	269,250	-	-	-	269,250	N/A
	17.1.2020	5.17	5.17	17.1.2022 to 16.1.2030 (Note d)	269,250	-	-	-	269,250	N/A
	17.1.2020	5.17	5.17	17.1.2023 to 16.1.2030 (Note e)	538,500	-	-	-	538,500	N/A
	19.1.2021	3.69	3.67	19.1.2022 to 18.1.2031 (Note c)	355,250	-	355,250	-	-	4.25
	19.1.2021	3.69	3.67	19.1.2023 to 18.1.2031 (Note d)	355,250	-	-	-	355,250	N/A
	19.1.2021	3.69	3.67	19.1.2024 to 18.1.2031 (Note e)	710,500	-	-	-	710,500	N/A
	18.1.2022	4.342	4.36	18.1.2023 to 17.1.2032 (Note c)	-	301,750	-	-	301,750	N/A
	18.1.2022	4.342	4.36	18.1.2024 to 17.1.2032 (Note d)	-	301,750	-	-	301,750	N/A
	18.1.2022	4.342	4.36	18.1.2025 to 17.1.2032 (Note e)	-	603,500	-	-	603,500	N/A

DIRECTORS' REPORT

	Date of grant	Exercise price per share option (HK\$)	Closing price of Shares immediately before the date of grant (HK\$)	Exercise period	Number of share options				As at 31.12.2022	Weighted average closing price of the Shares immediately before the date on which the options were exercised (HK\$)
					As at 1.1.2022	Granted during the year	Exercised during the year	Cancelled/lapsed during the year		
Chow Wai Wai, John	27.3.2018	6.10	6.10	22.1.2020 to 26.3.2028 (Note a)	40,000	-	-	-	40,000	N/A
	27.3.2018	6.10	6.10	22.1.2021 to 26.3.2028 (Note b)	80,000	-	-	-	80,000	N/A
	23.1.2019	5.766	5.78	23.1.2020 to 22.1.2029 (Note c)	44,250	-	-	-	44,250	N/A
	23.1.2019	5.766	5.78	23.1.2021 to 22.1.2029 (Note d)	44,250	-	-	-	44,250	N/A
	23.1.2019	5.766	5.78	23.1.2022 to 22.1.2029 (Note e)	88,500	-	-	-	88,500	N/A
	17.1.2020	5.17	5.17	17.1.2021 to 16.1.2030 (Note c)	51,500	-	-	-	51,500	N/A
	17.1.2020	5.17	5.17	17.1.2022 to 16.1.2030 (Note d)	51,500	-	-	-	51,500	N/A
	17.1.2020	5.17	5.17	17.1.2023 to 16.1.2030 (Note e)	103,000	-	-	-	103,000	N/A
	19.1.2021	3.69	3.67	19.1.2022 to 18.1.2031 (Note c)	66,750	-	66,750	-	-	4.25
	19.1.2021	3.69	3.67	19.1.2023 to 18.1.2031 (Note d)	66,750	-	-	-	66,750	N/A
	19.1.2021	3.69	3.67	19.1.2024 to 18.1.2031 (Note e)	133,500	-	-	-	133,500	N/A
	18.1.2022	4.342	4.36	18.1.2023 to 17.1.2032 (Note c)	-	56,750	-	-	56,750	N/A
	18.1.2022	4.342	4.36	18.1.2024 to 17.1.2032 (Note d)	-	56,750	-	-	56,750	N/A
	18.1.2022	4.342	4.36	18.1.2025 to 17.1.2032 (Note e)	-	113,500	-	-	113,500	N/A

	Date of grant	Exercise price per share option (HK\$)	Closing price of Shares immediately before the date of grant (HK\$)	Exercise period	Number of share options				As at 31.12.2022	Weighted average closing price of the Shares immediately before the date on which the options were exercised (HK\$)
					As at 1.1.2022	Granted during the year	Exercised during the year	Cancelled/lapsed during the year		
Ng Kar Wai, Kenneth	27.3.2018	6.10	6.10	22.1.2020 to 26.3.2028 (Note a)	10,250	-	-	-	10,250	N/A
	27.3.2018	6.10	6.10	22.1.2021 to 26.3.2028 (Note b)	20,500	-	-	-	20,500	N/A
	23.1.2019	5.766	5.78	23.1.2020 to 22.1.2029 (Note c)	95,500	-	-	-	95,500	N/A
	23.1.2019	5.766	5.78	23.1.2021 to 22.1.2029 (Note d)	95,500	-	-	-	95,500	N/A
	23.1.2019	5.766	5.78	23.1.2022 to 22.1.2029 (Note e)	191,000	-	-	-	191,000	N/A
	17.1.2020	5.17	5.17	17.1.2021 to 16.1.2030 (Note c)	97,500	-	-	-	97,500	N/A
	17.1.2020	5.17	5.17	17.1.2022 to 16.1.2030 (Note d)	97,500	-	-	-	97,500	N/A
	17.1.2020	5.17	5.17	17.1.2023 to 16.1.2030 (Note e)	195,000	-	-	-	195,000	N/A
	19.1.2021	3.69	3.67	19.1.2022 to 18.1.2031 (Note c)	134,000	-	134,000	-	-	4.25
	19.1.2021	3.69	3.67	19.1.2023 to 18.1.2031 (Note d)	134,000	-	-	-	134,000	N/A
	19.1.2021	3.69	3.67	19.1.2024 to 18.1.2031 (Note e)	268,000	-	-	-	268,000	N/A
	18.1.2022	4.342	4.36	18.1.2023 to 17.1.2032 (Note c)	-	110,750	-	-	110,750	N/A
	18.1.2022	4.342	4.36	18.1.2024 to 17.1.2032 (Note d)	-	110,750	-	-	110,750	N/A
	18.1.2022	4.342	4.36	18.1.2025 to 17.1.2032 (Note e)	-	221,500	-	-	221,500	N/A

DIRECTORS' REPORT

	Date of grant	Exercise price per share option (HK\$)	Closing price of Shares immediately before the date of grant (HK\$)	Exercise period	Number of share options				Weighted average closing price of the Shares immediately before the date on which the options were exercised (HK\$)	
					As at 1.1.2022	Granted during the year	Exercised during the year	Cancelled/lapsed during the year		As at 31.12.2022
Employees										
Employees in aggregate	27.3.2018	6.10	6.10	22.1.2020 to 26.3.2028 (Note a)	201,000	-	-	-	201,000	N/A
	27.3.2018	6.10	6.10	22.1.2021 to 26.3.2028 (Note b)	402,000	-	-	-	402,000	N/A
	23.1.2019	5.766	5.78	23.1.2020 to 22.1.2029 (Note c)	233,750	-	-	-	233,750	N/A
	23.1.2019	5.766	5.78	23.1.2021 to 22.1.2029 (Note d)	233,750	-	-	-	233,750	N/A
	23.1.2019	5.766	5.78	23.1.2022 to 22.1.2029 (Note e)	467,500	-	-	-	467,500	N/A
	17.1.2020	5.17	5.17	17.1.2021 to 16.1.2030 (Note c)	230,500	-	-	-	230,500	N/A
	17.1.2020	5.17	5.17	17.1.2022 to 16.1.2030 (Note d)	230,500	-	-	-	230,500	N/A
	17.1.2020	5.17	5.17	17.1.2023 to 16.1.2030 (Note e)	461,000	-	-	-	461,000	N/A
	19.1.2021	3.69	3.67	19.1.2022 to 18.1.2031 (Note c)	317,750	-	317,750	-	-	4.25
	19.1.2021	3.69	3.67	19.1.2023 to 18.1.2031 (Note d)	317,750	-	-	-	317,750	N/A
	19.1.2021	3.69	3.67	19.1.2024 to 18.1.2031 (Note e)	635,500	-	-	-	635,500	N/A
	18.1.2022	4.342	4.36	18.1.2023 to 17.1.2032 (Note c)	-	271,500	-	-	271,500	N/A
	18.1.2022	4.342	4.36	18.1.2024 to 17.1.2032 (Note d)	-	271,500	-	-	271,500	N/A
	18.1.2022	4.342	4.36	18.1.2025 to 17.1.2032 (Note e)	-	543,000	-	-	543,000	N/A
					14,170,750	4,170,000	1,229,000	-	17,111,750	

Notes:

Note (a) The vesting period is 27.3.2018 to 21.1.2020

Note (b) The vesting period is 27.3.2018 to 21.1.2021

Note (c) The vesting period is 12 months from the date of grant

Note (d) The vesting period is 24 months from the date of grant

Note (e) The vesting period is 36 months from the date of grant

The Company will provide subscription money to the share option holders in the event that they exercise their share options when the market price of the Shares is equal to or higher than the exercise price of share options concerned.

The number of options available for grant under the Share Option Plan at the beginning and the end of the financial year ended 31 December 2022 are 112,904,502 and 108,808,252 respectively.

The number of shares that may be issued in respect of share options granted under the Share Option Plan during the year is 4,170,000 (representing approximately 0.31% of the weighted average number of Shares of the Company in issue during the year).

Further details of Share Option Plan including the fair value of the share options granted during the year are set out in note 34 to the financial statements.

Save as disclosed above, during the year, none of the Directors, the Chief Executive of the Company or their respective spouses and children under the age of 18 had any interest in, or had been granted any right to subscribe for the shares, options and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement that may enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2022, the following persons (other than the Directors and the Chief Executive of the Company) had interests in the Shares as recorded in the register kept by the Company under section 336 of the SFO or as otherwise notified to the Company:

Name of Shareholder	Capacity	Number of Shares interested	Approx. percentage of the issued share capital (Note 1)
1. Brave Dragon Limited	Beneficial owner	141,794,482	10.46%
2. Crossbrook Group Limited	Beneficial owner	270,411,036	19.94%
3. Wing Tai Holdings Limited	Interest of controlled corporation	462,488,185 (Notes 2(a) & 3)	34.11%
4. Butterfield Trust (Guernsey) Limited (formerly Butterfield Fiduciary Services (Guernsey) Limited)	Trustee	462,488,185 (Notes 2(b) & 4)	34.11%
5. Butterfield Fiduciary Services (Cayman) Limited (formerly Deutsche Bank International Trust Co. (Cayman) Limited)	Trustee	462,488,185 (Notes 2(b) & 4)	34.11%
6. Wing Tai Corporation Limited	Interest of controlled corporation	182,560,826 (Note 5)	13.46%

DIRECTORS' REPORT

Name of Shareholder	Capacity	Number of Shares interested	Approx. percentage of the issued share capital (Note 1)
7. Renowned Development Limited	Interest of controlled corporation	182,560,826 (Notes 2(c) & 5)	13.46%
8. Wing Tai (Cheng) Holdings Limited	Interest of controlled corporation	199,884,783 (Notes 2(c) & 6)	14.74%
9. Sun Hung Kai Properties Limited	Interest of controlled corporation	183,612,533 (Note 7)	13.54%
10. HSBC Trustee (C.I.) Limited	Trustee	183,612,533 (Notes 2(d) & 8)	13.54%
11. Gala Land Investment Co. Limited	Beneficial owner	101,579,467	7.49%
12. Farnham Group Limited	Interest of controlled corporation	101,579,467 (Notes 2(e) & 9)	7.49%
13. WHCWTF Limited	Interest of controlled corporation	101,579,467 (Notes 2(e) & 10)	7.49%
14. CKF Limited	Interest of controlled corporation	101,579,467 (Notes 2(e) & 11)	7.49%

Notes:

1 The total number of issued Shares as at 31 December 2022 was 1,355,971,279.

2 The interests disclosed duplicated in the following manners and to the following extent:

- (a) the interests of parties 1 and 2 were included in the interests of party 3.
- (b) the interests of party 3 duplicated with the interests of parties 4 and 5 entirely.
- (c) the interests of party 6 duplicated with the interests of party 7 entirely and were included in the interests of party 8.
- (d) the interests of party 9 duplicated with the interests of party 10 entirely.
- (e) the interests of party 11 duplicated with the interests of parties 12, 13 and 14 entirely.

3 Wing Tai Holdings Limited beneficially owned 89.4% of the issued share capital of Brave Dragon Limited, 100% of the issued share capital of Crossbrook Group Limited and 100% of the issued share capital of Wing Tai Retail Pte. Ltd. Wing Tai Retail Pte. Ltd. owned 50,282,667 Shares.

4 The Company was notified that Butterfield Fiduciary Services (Guernsey) Limited has been known as Butterfield Trust (Guernsey) Limited ("Butterfield Guernsey") since completion of an amalgamation of certain companies within Butterfield Group on 25 October 2021. Butterfield Guernsey was the trustee of a family trust (of which Cheng Wai Chee, Christopher, Cheng Wai Sun, Edward and Cheng Man Piu, Francis were beneficiaries) which held all units of a unit trust ("Unit Trust").

The Company was notified that Deutsche Bank International Trust Co. (Cayman) Limited changed its name to Butterfield Fiduciary Services (Cayman) Limited ("Butterfield Cayman") with effect from 6 April 2018. Butterfield Cayman was the trustee of the Unit Trust and was deemed to be interested in 462,488,185 Shares (such deemed interest arose by virtue of the fact that Butterfield Cayman was interested indirectly through subsidiaries in more than one-third of the issued share capital of Wing Tai Holdings Limited which was interested in 462,488,185 Shares).

5 Wing Tai Corporation Limited beneficially owned 100% of the issued share capital of Bestime Resources Limited (“Bestime”) and Pofung Investments Limited (“Pofung”) and, therefore, by virtue of its corporate interest in Bestime and Pofung, Wing Tai Corporation Limited was deemed to be interested in 93,629,998 Shares and 88,930,828 Shares held by Bestime and Pofung respectively.

By virtue of the corporate interest of Renowned Development Limited in Wing Tai Corporation Limited, the former was deemed to be interested in the latter’s interest in the Shares.

6 By virtue of the corporate interest of Wing Tai (Cheng) Holdings Limited in Renowned Development Limited and Broxbourne Assets Limited, Wing Tai (Cheng) Holdings Limited was deemed to be interested in the interest of Renowned Development Limited and Broxbourne Assets Limited in the Shares. Broxbourne Assets Limited beneficially owned 17,323,957 Shares.

7 Sun Hung Kai Properties Limited (“SHKP”) beneficially owned 100% of the issued share capital of Wesmore Limited (“Wesmore”), Fourseas Investments Limited (“Fourseas”), Mondale Holdings Limited (“Mondale”), Victory Zone Holdings Limited (“Victory Zone”) and Country World Limited (“Country World”). Wesmore was the beneficial owner of 111,928,210 Shares.

Fourseas beneficially owned 100% of the issued share capital of Soundworld Limited (“Soundworld”), Units Key Limited (“Units Key”) and Triple Surge Limited (“Triple Surge”). Soundworld, Units Key and Triple Surge were the beneficial owners of 20,869,323, 5,673,333 and 37,680,000 Shares respectively.

Mondale beneficially owned 100% of the issued share capital of Junwall Holdings Ltd. (“Junwall”), which in turn beneficially owned 100% of the issued share capital of Techglory Ltd. (“Techglory”). Techglory was the beneficial owner of 192,000 Shares.

Victory Zone beneficially owned 100% of the issued share capital of Charmview International Ltd. (“Charmview”). Charmview was the beneficial owner of 7,141,600 Shares.

Country World beneficially owned 100% of the issued share capital of Erax Strong Development Ltd. (“Erax Strong”). Erax Strong was the beneficial owner of 128,067 Shares.

By virtue of the corporate interest of SHKP in the aforesaid companies, SHKP was deemed to be interested in the interests of Wesmore, Soundworld, Units Key, Triple Surge, Techglory, Charmview and Erax Strong in the Shares.

8 HSBC Trustee (C.I.) Limited, as the trustee of certain discretionary trusts, was deemed to be interested in more than one-third of the total issued shares of SHKP. By virtue of its deemed interest in SHKP, it was deemed to be interested in 183,612,533 Shares.

9 Farnham Group Limited (“Farnham”) beneficially owned 100% of the issued share capital of Gala Land Investment Co. Limited (“Gala”) and, therefore, Farnham was deemed to be interested in 101,579,467 Shares held by Gala by virtue of its corporate interest therein.

10 WHCWTF Limited (“WHCWTF”) beneficially owned 50% of the issued share capital of Farnham and, therefore, WHCWTF was deemed to be interested in 101,579,467 Shares held by Gala by virtue of its corporate interest therein via Farnham.

11 CKF Limited (“CKF”) beneficially owned 50% of the issued share capital of Farnham and, therefore, CKF was deemed to be interested in 101,579,467 Shares held by Gala by virtue of its corporate interest therein via Farnham.

Save as disclosed above, as at 31 December 2022, the Company had not been notified of any interests or short positions held by any substantial shareholder in the Shares or underlying Shares which are required to be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

INTERESTS OF ANY OTHER PERSONS

As at 31 December 2022, the Company had not been notified of any persons other than the substantial shareholders who had interests or short positions in the Shares or underlying Shares, which are required to be recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

The interests of Directors in competing businesses required to be disclosed pursuant to Rule 8.10 of the Listing Rules are as follows:

Kwok Ping Luen, Raymond is a director of SHKP and Kwok Ho Lai, Edward is the alternate director to Kwok Ping Luen, Raymond of SHKP. Businesses of SHKP consist of (i) property developments, investments and management, and (ii) hotel operations. Also, Kwok Ping Luen, Raymond and Kwok Ho Lai, Edward are the beneficiaries of certain discretionary trusts which maintain certain interests in businesses consisting of property developments and investments, and hotel operations. Only in these respects they are regarded as interested in the relevant businesses competing with the Group.

Kwok Ping Luen, Raymond is also a director of Transport International Holdings Limited ("TIH"). Businesses of TIH consist of property holdings and developments. Only in these respects he is regarded as interested in the relevant businesses competing with the Group.

Other than certain interests in businesses maintained by the discretionary trusts, the aforesaid competing businesses, in which Kwok Ping Luen, Raymond and Kwok Ho Lai, Edward are regarded as interested, are managed by separate publicly listed companies with independent management and administration. In this respect, coupled with the diligence of the Company's independent non-executive directors and the Audit Committee of the Company, the Group is capable of carrying on its business independently of, and at arm's length from, the said competing businesses.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

On 23 April 2008, a contract entered into between the Company, Wing Tai Malaysia Sdn Bhd (formerly known as Wing Tai Malaysia Berhad) ("WTMSB") and Kualiti Gold Sdn Bhd (the "JV Company") relating to the formation of the JV Company for the purpose of acquiring a building in Kuala Lumpur (the "Development"), fitting out and operating the Development as serviced apartments.

Each of Cheng Wai Chee, Christopher, Cheng Wai Sun, Edward and Cheng Man Piu, Francis has an indirect interest in the issued share capital of WTMSB and the JV Company.

WTMSB is a subsidiary of Wing Tai Holdings Limited ("WTHL"), the controlling shareholder of the Company (as defined in the Listing Rules).

Save as disclosed above and in the section "Connected Transactions" below, there was no transaction, arrangement or contract that is significant in relation to the businesses of the Group to which the Company or any of its subsidiaries was a party and in which a Director or his/her connected entity or the controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

Set out below is information in relation to connected transactions which were disclosed in the Company's announcements and are required under Chapter 14A of the Listing Rules to be included in this annual report:

1. Continuing Connected Transactions

- (i) The following agreements (the "2009 Operating Agreement and 2009 Licence Agreement") were entered into on 8 January 2009:
 - (a) an operating agreement between Lanson Place Hospitality Management (Malaysia) Limited ("LP Malaysia") with Kualiti Gold Sdn Bhd ("Kualiti Gold") whereby LP Malaysia has agreed to provide serviced apartment management consulting services to Kualiti Gold in relation to a serviced apartment block in Malaysia (the "Development"); and
 - (b) a licence agreement between Lanson Place Hotels & Residences (Bermuda) Limited ("LP Bermuda") with Kualiti Gold whereby LP Bermuda has agreed to grant to Kualiti Gold the rights to use certain trademarks and tradenames in relation to the Development (such agreement was novated by LP Bermuda (in exercise of its right thereunder) to Lanson Place Hotels & Residences Limited ("LP Hong Kong")).

Each of the 2009 Operating Agreement and 2009 Licence Agreement is for a term of 10 years commencing from the date of opening of the Development which occurred in August 2013.

Each of LP Malaysia, LP Bermuda and LP Hong Kong is a wholly-owned subsidiary of the Company and Kualiti Gold is an associate (as defined in the Listing Rules) of WTHL.

WTHL is a substantial shareholder of the Company. WTHL is also an associate of Messrs. Cheng Wai Chee, Christopher, Cheng Wai Sun, Edward and Cheng Man Piu, Francis (who are Directors) under Chapter 14A of the Listing Rules in view of the fact that WTHL is a 30%-controlled company held indirectly by the trustee of a trust of which these Directors are beneficiaries. Therefore, the above transactions with Kualiti Gold under the 2009 Operating Agreement and 2009 Licence Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The annual caps for the transactions under the 2009 Operating Agreement and 2009 Licence Agreement for the first 8 years and 5 months were set out in the Company's announcement dated 8 January 2009. All of the applicable ratios in respect of the annual caps for the remaining 1 year and 7 months set by the management of the Company are less than 0.1%.

The total fees of HK\$1.4 million received by LP Malaysia and LP Hong Kong under the 2009 Operating Agreement and 2009 Licence Agreement for the year ended 31 December 2022 fell within the de minimis threshold under Rule 14A.76 (1)(c) of the Listing Rules. The transactions contemplated under the 2009 Operating Agreement and 2009 Licence Agreement during the year ended 31 December 2022 and the year ending 31 December 2023 are exempted from annual review requirement under Chapter 14A of the Listing Rules.

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- (ii) The following agreements (the “2019 Operating Agreement and 2019 Licence Agreement”) were entered into on 7 January 2019:
- (a) an operating agreement between Lanson Place Hospitality Management (Singapore) Pte Limited (“LP Singapore”) and Winshine Investment Pte Ltd (“Winshine”) for the provision of serviced suites management services by LP Singapore to Winshine; and
 - (b) a licence agreement between LP Bermuda and Winshine for the grant of the right by LP Bermuda to Winshine to use certain trademarks and tradenames in relation to the serviced suites located in Singapore (such agreement was novated by LP Bermuda (in exercise of its right thereunder) to LP Hong Kong).

Each of the 2019 Operating Agreement and 2019 Licence Agreement is for a term of 3 years.

Each of LP Bermuda, LP Hong Kong and LP Singapore is a wholly-owned subsidiary of the Company.

Winshine is an associate (as defined in the Listing Rules) of WTHL.

WTHL is a substantial shareholder of the Company. WTHL is also an associate of Messrs. Cheng Wai Chee, Christopher, Cheng Wai Sun, Edward and Cheng Man Piu, Francis (who are Directors) under Chapter 14A of the Listing Rules in view of the fact that WTHL is a 30%-controlled company held indirectly by the trustee of a trust of which these Directors are beneficiaries. Therefore, the above transactions with Winshine under the 2019 Operating Agreement and 2019 Licence Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The total fees of HK\$0.035 million received by the LP Singapore and LP Hong Kong under the 2019 Operating Agreement and 2019 Licence Agreement for the year ended 31 December 2022 is within the annual cap of HK\$0.2 million for 2022 as set out in the Company’s announcement dated 7 January 2019.

- (iii) On 13 May 2021, Begin Land Limited (“Begin Land”), a wholly-owned subsidiary of the Company, accepted the offer made by Wing Tai Corporation Limited (“WTC”) in relation to the leasing of the premises located at Suites 1502-5, 15th Floor, AXA Tower, Landmark East, 100 How Ming Street, Kwun Tong, Kowloon, Hong Kong (the “Premises”) for a fixed term of three years commencing from 16 May 2021 and ending on 15 May 2024 (both day inclusive) (the “Offer”).

As WTC is a substantial shareholder of the Company and hence a connected person of the Company, the transactions under the Offer constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The consideration received by Begin Land from WTC under the Offer for the year ended 31 December 2022 totaled HK\$4.9 million which is within the 2022 annual cap of HK\$5.63 million as set out in the Company’s announcement dated 13 May 2021.

2. Annual Review of Continuing Connected Transactions

The independent non-executive directors of the Company have reviewed and confirmed that the aforesaid continuing connected transactions for the year ended 31 December 2022 have been entered into:

- (a) in the ordinary and usual course of business of the Group;
- (b) on normal commercial terms or better; and
- (c) according to the 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 reviewed these transactions, disclosed by the Group on page 40 of this annual report, pursuant to Rule 14A.56 of the Listing Rules, and confirmed to the Board of Directors of the Company that nothing has come to their attention that causes them to believe: that they have not been approved by the Board of Directors of the Company; that they were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; that they were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and that they have exceeded the relevant annual caps.

SIGNIFICANT CONTRACT WITH CONTROLLING SHAREHOLDERS

Save as disclosed in the section "Connected Transactions" above, the Group did not enter into any contract of significance with the controlling shareholders or any of its subsidiaries during the year.

MANAGEMENT CONTRACT

No contract for the management and administration of the whole or any substantial part of any business of the Company was entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales attributable to the Group's five largest customers combined was less than 30% of the Group's total sales during the year.

The combined value of purchases, which were not of a capital nature, attributable to the Group's five largest suppliers accounted for approximately 45.1% of the Group's total purchases and the percentage of purchases attributable to the Group's largest supplier was approximately 30.1% of the Group's total purchases during the year.

None of the Directors, their close associates or any shareholder of the Company (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had an interest in any of the Group's five largest suppliers during the year.

DIRECTORS' REPORT

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

As at 31 December 2022, the aggregate amount due to the Group and guarantee for loan facilities given by the Company on behalf of Southwater Investments Limited and its subsidiary (the "Southwater Group") exceeded 8% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules.

Details of the amounts to the Southwater Group as at 31 December 2022 were as follows:

Name of Entity	Group's % of attributable equity interest therein	Amount of guarantee for loan facilities given by the Company (Note 1) HK\$'M	Amount and loans due to the Group (Note 2) HK\$'M	Total HK\$'M
Southwater Group	50%	3,450	2,086	5,536

Notes:

- All the loan facilities are secured by (among others) guarantees given by the Company and CSI Properties Limited ("CSI") on a several and proportional basis. All loan facilities carry interest at normal commercial rate agreed after negotiations on an arm's length basis with the lending bank concerned. The final maturity date of the loan facilities is the earlier of (a) 21 November 2025 or (b) 5 months after the issuance of the certificate of compliance in respect of the development situated at the land parcel known as Inland Lot No. 9065 and located at Gage Street/Graham Street, Central, Hong Kong.
- The amount due from the Southwater Group is (i) unsecured, (ii) carrying interest at rates agreed by the Group and CSI from time to time and (iii) without fixed repayment dates.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

On 3 November 2022, the Company (as guarantor) entered into a facility agreement (the "Facility Agreement") with, among others, certain financial institutions (as original lenders) in relation to a term and revolving loan facilities of an aggregate amount of HK\$1,900,000,000 (which may be subsequently increased to an aggregate amount of not more than HK\$2,500,000,000) (the "Facilities") to be made available to an indirect wholly-owned subsidiary of the Company (the "Borrower"). The final maturity date of the Facilities falls 60 months after the date of the Facility Agreement.

The Facility Agreement provides, among others, that, if Cheng Family (as defined below) as a whole (i) does not or ceases to directly or indirectly maintain at least 30% beneficial shareholding in the Company; (ii) does not or ceases to give and manage directions with respect to the management and business of the Company; or (iii) does not or ceases to be the single largest shareholder group of the Company, all the available commitments will be immediately cancelled and the Borrower shall prepay all the loans (together with payment of the accrued interest and all other amounts payable) in full within 10 business days thereafter (or such longer period as may be agreed by all the lenders).

For the purpose of the Facility Agreement, “Cheng Family” means:-

- (i) Mr. Cheng Wai Chee, Christopher and/or his issue and/or any of their executors or administrators and/or companies which are controlled by them or any of them;
- (ii) Mr. Cheng Wai Sun, Edward and/or his issue and/or any of their executors or administrators and/or companies which are controlled by them or any of them;
- (iii) Mr. Cheng Man Piu, Francis and/or his issue and/or any of their executors or administrators and/or companies which are controlled by them or any of them; or
- (iv) any trust of which any person referred to in paragraphs (i) to (iii) above is a beneficiary.

As at the date of this Annual Report, Cheng Family maintains approximately 36.10% beneficial shareholding in the Company.

DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

As at 31 December 2022, the aggregate amount of financial assistance to and guarantees given for facilities granted to affiliated companies by the Group amounted to HK\$8,799 million which exceeded 8% of the assets ratio as defined in Rule 14.07(1) of the Listing Rules.

A combined balance sheet of these affiliated companies and the Group’s attributable interest in these affiliated companies as at 31 December 2022 are presented below:

	Combined balance sheet HK\$’M	Group’s attributable interest HK\$’M
Non-current assets	9,195.6	3,179.8
Current assets	14,831.1	6,957.3
Current liabilities	(827.9)	(355.9)
Non-current liabilities	(10,334.9)	(4,442.5)
Amounts and loans due from shareholders	449.6	76.4
Amounts and loans due to shareholders	(8,904.2)	(3,855.2)
Net assets	4,409.3	1,559.9

DIRECTORS' REPORT

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

The 10-year fixed rate (4.25% per annum) bond of Singapore Dollars 170 million (listed on the Singapore Exchange Securities Trading Limited) issued on 29 November 2012 under the US\$1 billion Medium Term Note Programme of Wing Tai Properties (Finance) Limited (a wholly-owned subsidiary of the Company) and guaranteed by the Company was fully redeemed at its principal amount on 29 November 2022.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws although there is no restriction against such rights under the laws in Bermuda.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 9 of this annual report.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Messrs. PricewaterhouseCoopers as the auditor of the Company.

On behalf of the Board

Cheng Wai Chee, Christopher

Chairman

Hong Kong, 23 March 2023

CORPORATE GOVERNANCE REPORT

The Company is committed to achieving and maintaining high standards of corporate governance and has established policies and procedures for compliance with regulatory requirements, including the requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all the applicable code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the “CG Code”) during the financial year ended 31 December 2022.

CORPORATE CULTURE

The Company’s culture is developed and demonstrated through its core values that establish the principles and behaviours of management and staff (the “Team Members”). The Team Members should ensure that their actions in the name of the Company are underpinned by the guiding principles as follows:

“Teamwork”: The Team Members should collaborate as one team to create work synergy by building partnerships within and across businesses, practising open communications, appreciating people’s work and inputs, providing support and encouragement, and sharing ideas and information.

“Accountability”: The Team Members should take joint responsibility for delivering outstanding results to customers, working partners and colleagues by taking responsibility for actions and outcomes. They should deliver on their promises, and take the lead to follow up and address work issues. Not only do they take ownership of their responsibilities, they also anticipate threats and opportunities and share or alert senior colleagues of such promptly.

“Integrity”: The Team Members should earn the trust and respect of the stakeholders by acting with highest standards of integrity and professionalism, honesty and fairness, while being fully committed to the Company’s interests.

“Excellence”: The Team Members should pursue excellence persistently in everything they do every day by understanding customers’ and work partners’ needs. They should exceed expectations, and deliver quality results cost-effectively and on time. They should solve problems with innovative solutions, being role models for all. They should excel in anticipating the sub-conscious needs of customers and satisfy such needs through new products.

CORPORATE STRATEGY

The Group creates exceptional value for the Company and the community. The Company and its subsidiaries (the “Group”) achieves this through:

- A committed, interdependent, team who share the Company’s philosophy and beliefs and bring out the best from outsourced partners
- An uncompromising attitude and approach in managing competitive edges by understanding the strengths of the Group’s competitors
- Use of optimal value engineering processes and cost control leading to timely delivery, quality assurance and user friendliness
- Effective communication of the brand and products of the Group

CORPORATE GOVERNANCE REPORT

CODES FOR DEALING IN THE COMPANY'S SECURITIES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct for securities transactions by directors of the Company.

The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year ended 31 December 2022, and received confirmations from all directors that they had fully complied therewith throughout the year.

The Company has also adopted a code for dealing in the Company's securities by relevant employees, who are likely to be in possession of unpublished price-sensitive information in relation to the securities of the Company, on no less exacting terms than the Model Code.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises five executive directors (namely Cheng Wai Chee, Christopher, Cheng Wai Sun, Edward, Cheng Man Piu, Francis, Chow Wai Wai, John and Ng Kar Wai, Kenneth), three non-executive directors (namely Kwok Ping Luen, Raymond (Kwok Ho Lai, Edward as his alternate), Hong Pak Cheung, William and Chen Chou Mei Mei, Vivien) and five independent non-executive directors (namely Simon Murray, Yeung Kit Shing, Jackson, Haider Hatam Tyebjee Barma, Lam Kin Fung, Jeffrey and Ng Tak Wai, Frederick). Biographies of all directors are set out on pages 20 to 23 of this annual report.

Following the demise of Cheng Hoi Chuen, Vincent on 28 August 2022, (i) the number of independent non-executive directors of the Company falls short of the minimum number required under Rule 3.10A of the Listing Rules, (ii) the position of chairman of the Nomination Committee has become vacant which does not meet the requirement under Rule 3.27A of the Listing Rules, and (iii) the number of independent non-executive directors in the Nomination Committee does not meet the requirement under Rule 3.27A of the Listing Rules. With effect from 21 November 2022, Ng Tak Wai, Frederick ("Mr. Ng"), has been re-designated from a non-executive director of the Company to an independent non-executive director of the Company (the "Re-designation") and Simon Murray has been appointed as a member and the chairman of the Nomination Committee. Following the Re-designation and change of the members of the Nomination Committee, the Company has complied with the requirements under Rules 3.10A and 3.27A of the Listing Rules.

Cheng Wai Chee, Christopher, Cheng Wai Sun, Edward and Cheng Man Piu, Francis are brothers. Chow Wai Wai, John is a cousin of Chen Chou Mei Mei, Vivien. Kwok Ping Luen, Raymond is the father of Kwok Ho Lai, Edward. Save as disclosed above, there are no financial, business, family or other material/relevant relationships among members of the Board.

The Board has established mechanisms to ensure independent views are available to the Board and will review such mechanisms on an annual basis. The Company has put in place mechanisms to ensure a strong independent element on the Board. Such mechanisms include the following:

- The Company has been steered by the Board which comprises a majority of non-executive directors.
- Separation of the role of the Chairman and the Chief Executive ensures that there is balance of power and authority.

-
- The Nomination Committee is committed to assess annually the independence of all independent non-executive directors by reference to the independence criteria as set out in the Listing Rules to ensure that they can continually exercise independent judgement.
 - No equity-based remuneration with performance-related elements will be granted to independent non-executive directors.
 - All directors are entitled to seek further information and documentation from the management to carry out their duties. They can also seek independence advice from external professional advisers at the Company's expense.
 - The chairman of the Board shall hold meetings at least once a year with the independent non-executive directors without the presence of other directors.

The Company has arranged Directors' and Officers' liability Insurance for the directors and officers of the Company.

Chairman and Chief Executive

Cheng Wai Chee, Christopher is the Chairman and Cheng Wai Sun, Edward is the Deputy Chairman and Chief Executive. While the Chairman of the Board is responsible for providing leadership for the Board, ensuring that all directors are properly briefed on issues arising at Board meetings and receive complete, reliable and timely information, the Chief Executive is responsible for the day-to-day management of the business of the Group.

Retirement by Rotation and Specific Term of Office

The non-executive directors (including independent non-executive directors) were appointed for a fixed term of three years and all directors of the Company are subject to retirement by rotation at the annual general meetings of the Company in accordance with the Bye-laws of the Company and/or code provision B.2.2 of the CG Code.

Independent Non-Executive Directors

Mr. Ng Tak Wai, Frederick ("Mr. Ng") confirmed that, other than holding the office as a non-executive director of the Company immediately prior to the Re-designation, he has satisfied all factors set out in Rule 3.13 of the Listing Rules in assessing his independence. As a non-executive director of the Company prior to the Re-designation, Mr. Ng has focused on overseeing the Company's strategies and policies and providing an objective view on the Company's matters from a non-managerial perspective. He does not have any business connections with the Group.

Mr. Simon Murray, Mr. Yeung Kit Shing, Jackson and Mr. Haider Hatam Tyebjee Barma have served the Board as independent non-executive directors of the Company for more than nine years and Mr. Ng's tenure of office has exceeded nine years. Notwithstanding their long term service, in view of their extensive business experience and not being connected with any director or substantial shareholder of the Company, the Board is of the opinion that they continue to bring independent and objective perspectives to the Company's affairs.

The Company has received annual confirmations from all independent non-executive directors that they were independent as at 31 December 2022 in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the existing independent non-executive directors of the Company are independent.

CORPORATE GOVERNANCE REPORT

Functions and Responsibilities of the Board

The Board is accountable to the shareholders for leading the Group in a responsible and effective manner. Directors of the Company are collectively and individually responsible to the shareholders for the manner in which the affairs of the Group are managed and for promoting the success of the Group by directing and supervising its affairs.

The functions and responsibilities reserved to the Board and the functions and responsibilities delegated to management are as follows:

- (i) the Board shall approve the yearly budgets of the Group;
- (ii) the Board shall monitor the operating and financial performance of the Group;
- (iii) the Board shall oversee the processes for evaluating the adequacy of financial reporting and compliance;
- (iv) the Board shall set the Group's strategy and risk appetite by evaluating and determining the nature and extent of the risks it is willing to take in achieving its strategic objectives;
- (v) the Board shall establish and maintain appropriate and effective risk management and internal control systems;
- (vi) the Board shall oversee the management in the design, implementation and monitoring of the risk management and internal systems on an ongoing basis;
- (vii) the Board shall assume responsibility for corporate governance;
- (viii) the Board shall have overall responsibility for the Group's strategy and reporting on environmental, social and governance matters; and
- (ix) the day-to-day operations of the Group is delegated to the management led by the Chief Executive. Matters reserved for the Board are those affecting the Company's overall strategic policies, finances and shareholders. These include: financial statements, dividend policy, significant changes in accounting policy, annual operating budgets, material contracts, major financing arrangements, major investments, risk management strategies and policies required under the Listing Rules.

Four Board meetings had been held during the year. The attendance record of each member at the Board and general meetings is set out in the table under the section headed "Attendance at Meetings" of this report.

Directors' Induction and Continuous Professional Development

On appointment to the Board, each newly appointed director receives a comprehensive induction package covering 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.

The directors are briefed, or provided with written materials, on the amendments to, or updates on, the relevant laws, rules and regulations. The directors are also provided with commentary on the Group's business, operations and financial matters on a monthly basis. In addition, the Company has been encouraging the directors and senior executives to enrol in a wide range of professional development courses and seminars relating to the Listing Rules, companies law and corporate governance practices organised by professional bodies, independent auditors and/or law firms in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

During the year under review, the directors participated in the following trainings and each director provided a record of training to the Company.

Directors	Types of Training
Executive Directors	
Cheng Wai Chee, Christopher	A, B
Cheng Wai Sun, Edward	A, B
Cheng Man Piu, Francis	B
Chow Wai Wai, John	B
Ng Kar Wai, Kenneth	B
Non-Executive Directors	
Kwok Ping Luen, Raymond	A, B
Kwok Ho Lai, Edward (alternate to Kwok Ping Luen, Raymond)	A, B
Hong Pak Cheung, William	A, B
Chen Chou Mei Mei, Vivien	B
Independent Non-Executive Directors	
Simon Murray	B
Yeung Kit Shing, Jackson	A, B
Haider Hatam Tyebjee Barma	B
Cheng Hoi Chuen, Vincent (passed away on 28 August 2022)	B
Lam Kin Fung, Jeffrey	A, B
Ng Tak Wai, Frederick (re-designated as an independent non-executive director on 21 November 2022)	B

A: attending training sessions/seminars/briefings/forums/workshops/conferences

B: reading materials or e-training in relation to regulatory updates, the duties and responsibility of directors and the business of the Group

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policies for the corporate governance of the Company and performing the corporate governance duties as below:

- (i) to develop and review the Group's policies and practices on corporate governance;
- (ii) to review and monitor the training and continuous professional development of directors and senior management;

CORPORATE GOVERNANCE REPORT

- (iii) to review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements;
- (iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and directors of the Group; and
- (v) to review the Group's compliance with the code of corporate governance and disclosure requirements in the Corporate Governance Report.

The following works on corporate governance functions were performed by the Board during 2022:

- (a) review and adoption of the Enterprise Risk Management Framework;
- (b) approval of the 2021 Corporate Governance Report and the 2021 Environmental, Social and Governance Report;
- (c) approval of the establishment of a Corporate Governance Committee ("CG Committee"), appointments of members and chairman of the CG Committee and approval of the new terms of reference of the CG Committee;
- (d) review and approval of the revised company policies (including but not limited to Corporate Governance Policy, Whistleblowing Policy, Board Diversity Policy, Shareholders Communication Policy) and Anti-corruption Policy; and
- (e) review and adoption of the documents in relation to alignment of the Company's culture with its purpose, value and strategy, the disclosure on gender diversity and the mechanisms of ensure independent views are available to the Board.

The corporate governance functions are undertaken by the Board with assistance of the CG Committee.

CORPORATE GOVERNANCE COMMITTEE

The Board set up the CG Committee on 25 August 2022 for the purpose to enhance and ensure the Company maintains a high standard of the corporate governance. The terms of reference of the CG Committee specify its duties and functions and that it must comprise at least three members to be appointed by the Board and include an executive director, the Chief Financial Officer and the Company Secretary of the Company. The CG Committee currently comprises Ng Kar Wai, Kenneth, Fung Ching Man, Janet and Chung Siu Wah, Henry. The CG Committee is chaired by Ng Kar Wai, Kenneth.

The principal role and function of the CG Committee is to assist the Board in developing, reviewing and monitoring the Company's policies and practices on corporate governance on assurance the compliance with legal and regulatory requirements.

No CG Committee meeting was held during the year. The CG Committee has reviewed various Company's key policies and practices on corporate governance including, inter alia, the Whistleblowing Policy and Board Diversity Policy, and has made recommendations to the Board on amending and updating the same by way of resolutions in writing in 2022.

REMUNERATION COMMITTEE

The Remuneration Committee was formed on 12 July 2005 and is responsible for (i) assisting the Board in developing and applying a fair, formal and transparent procedure for formulating remuneration policies for executive directors and senior management; (ii) assisting the Board in fixing the remuneration packages for all directors and senior management and (iii) assisting the Board in reviewing and approving the grant to the directors, senior management and/or management staff of share options under the Share Option Plan (adopted by the Company on 27 October 2015) and any other share-based incentive scheme adopted or to be adopted by the Company. The Remuneration Committee's terms of reference specify its duties and functions and that the committee must comprise at least three members and the majority of whom are independent non-executive directors. The terms of reference are available on the Company's website under the Corporate Governance Section.

During the year and up to the date of this report, the members of the Remuneration Committee are:

Simon Murray (Committee Chairman)
Cheng Wai Chee, Christopher
Yeung Kit Shing, Jackson

The Remuneration Committee met once in 2022. The attendance record of each member for the Remuneration Committee meeting is set out in the table under the section headed "Attendance at Meetings" of this report.

The works performed by the Remuneration Committee during 2022 include the following:

- (a) review and approval of the remuneration packages of certain executive directors and senior management including bonuses for the year ended 31 December 2021 and the annual base salaries for the year ended 31 December 2022;
- (b) review and approval of the grants of share options to certain executive directors, the senior management pool and management staff pool under the Share Option Plan; and
- (c) review and adoption of the proposal of directors' fees for the year ended 31 December 2022.

Performance targets and clawback mechanism of the Share Option Plan

No performance target is stipulated in the Share Option Plan. The Remuneration Committee is of the view that performance targets are not necessary for the following reasons: (i) the share options were granted as part of the bonus for 2022; (ii) the value of the share options will be linked to the future price of the shares of the Company, which in turn depends upon the performance of the Company; and (iii) the minimum vesting period stated above will ensure that the grantees' and Company's long term interests are aligned and the grantees will be motivated to contribute towards the Company's development.

No clawback mechanism is stipulated in the Share Option Plan. The Remuneration Committee is of the view that a clawback mechanism is not necessary for the following reasons: (i) the share options were granted as part of the bonus for 2022; (ii) if the price of the shares of the Company during the exercise period of the share options granted is lower than the exercise price therefor, the share options granted will be of no value; and (iii) the rules of the Share Option Plan provide for the lapse and cancellation of options under various scenarios and therefore adequately protect the Company's interests.

CORPORATE GOVERNANCE REPORT

Remuneration Policy for Executive Directors and Senior Management

The principal elements of the executive directors' and senior management's remuneration packages include basic salaries and discretionary bonus which includes cash and/or share options. The remuneration packages of the executive directors and senior management will be proposed jointly by the Chairman and the Chief Executive annually for the review and approval by the Remuneration Committee based on the following factors:

- (i) the executive director's and senior management's individual responsibilities;
- (ii) the executive director's and senior management's individual performance;
- (iii) the performance of the business unit(s) headed by the executive director or senior management concerned; and
- (iv) the performance of the Group as a whole.

Remuneration Policy for Non-Executive Directors

The non-executive directors' remuneration, comprising directors' fee, is subject to assessment on a regular basis and recommended by the Remuneration Committee for shareholders' approval at the annual general meetings.

Directors' Remuneration

The directors' remuneration is set out in note 9 to the financial statements on pages 116 to 118 of this annual report.

Senior Management's Remuneration

The emoluments of certain senior management whose profiles are included in Senior Management Profile section of this annual report fell within the following bands:

	Number of individuals
	2022
Emoluments bands	
HK\$4,000,001 – HK\$5,000,000	2
HK\$5,000,001 and above	2
	4

NOMINATION COMMITTEE

The Nomination Committee was established on 1 February 2013 and is responsible for (i) assisting the Board in formulating the policy for the nomination of directors and the policy for board diversity and (ii) making recommendations to the Board on nominations, appointment or re-appointment of directors and Board succession. The terms of reference of the Nomination Committee specifying its role and the authority delegated to it by the Board are available on the Company's website under the Corporate Governance Section. According to its terms of reference, the Nomination Committee shall consist of not less than three members and the majority of them shall be independent non-executive directors. The members of the Nomination Committee up to the date of this report are as follows:

Simon Murray* (*Committee Chairman*)

Cheng Wai Chee, Christopher

Cheng Wai Sun, Edward

Yeung Kit Shing, Jackson

Haider Hatam Tyebjee Barma

Note:

* Mr. Cheng Hoi Chuen, Vincent (*former Committee Chairman*) passed away on 28 August 2022 and Mr. Simon Murray became Committee Chairman with effect from 21 November 2022

The Nomination Committee met once in 2022. The attendance record of each member for the Nomination Committee meeting is set out in the table under the section headed "Attendance at Meetings" of this report.

Following the demise of Mr. Cheng Hoi Chuen, Vincent, on 28 August 2022, the Nomination Committee started to conduct a search for a new independent non-executive director of the Company and certain candidates including (i) Mr. Ng Tak Wai, Frederick ("Mr. Ng") who was then a non-executive director of the Company was regarded as highly capable and had demonstrated his ability to provide an independent and objective view in respect of the affairs of the Company and (ii) certain other reputable individuals of both genders had been considered. Having considered the educational background, skills, knowledge and work experience of Mr. Ng as well as the Board Diversity Policy and the Measurable Objectives for Implementing Board Diversity Policy of the Company, the Nomination Committee made the recommendation to the Board on re-designating him as an independent non-executive director of the Company.

Mr. Ng will retire voluntarily at the forthcoming annual general meeting, and being eligible, offer himself for re-election.

The works performed by the Nomination Committee during 2022 include the following:

- (a) review of the structure, size and composition of the Board;
- (b) review of the independence of the independent non-executive directors;
- (c) making recommendations on the re-election of directors at the 2022 annual general meeting;
- (d) review of the measurable objectives set for implementing the Board Diversity Policy and approval of the disclosure of the review in the Corporate Governance Report;
- (e) review of and making recommendations to the Board on the revised Board Diversity Policy; and
- (f) making recommendations to the Board on re-designating Mr. Ng as an independent non-executive director of the Company.

CORPORATE GOVERNANCE REPORT

Board Nomination Policy

A summary of the Board Nomination Policy adopted on 29 August 2013 and amended on 27 March 2019 by the Board is shown below.

(A) Appointment of Directors

1. Selection Criteria

When considering matters related to nomination, the members of the Nomination Committee should pay due regard to the following matters:

- a) the skills, knowledge and experience required to discharge competently the Board's duties having regard to the Company's performance, financial position and strategic direction;
- b) the skills, knowledge and experience represented on the Board and whether these skills, knowledge and experience are sufficient to meet the needs of the Company;
- c) succession planning issues or strategies for the ongoing effective performance of the Board as a whole;
- d) diversity of the Board; and
- e) compliance with the Company's bye-laws, applicable laws, rules and regulations from time to time.

2. Nomination Procedures

In identifying and recommending candidate(s) for the Board's consideration:

- a) the Nomination Committee is to identify the areas of skills, experience, profession and personal attributes that the Board expects and requires from a new Board member who will assist the Board in carrying out its duties to achieve the corporate objectives;
- b) the Nomination Committee is to identify potential candidates, possibly with the assistance from external agencies and/or advisors;
- c) the Company Secretary is to provide the Nomination Committee with (i) the biographical details of each of the candidates; (ii) details of each of the candidates' relationship with the Company and/or directors of the Company (if any); (iii) skills and experience of each of the candidates; (iv) other directorships held by each of the candidates; (v) other positions held by each of the candidates which involve significant time commitment; and (vi) any other particulars required by law for any candidate for appointment to the Board;
- d) the Nomination Committee is to evaluate the character, skills, knowledge, experience and other relevant information of a candidate and to ascertain by means of interviews or other ways as to whether he/she is fit and proper for becoming a member of the Board with reference to the criteria set out in the Listing Rules;

-
- e) in case the candidate is proposed to be appointed as an independent non-executive director of the Company (the “INED Candidate”), the Nomination Committee is (i) to assess the independence of the INED Candidate with reference to the criteria set out in Rule 3.13 of the Listing Rules, and (ii) to consider whether the INED Candidate will be able to devote sufficient time to the Board in the event that the INED Candidate will be holding seventh (or more) listed company directorship;
 - f) the Nomination Committee is to nominate one or more qualified candidates to the Board for consideration;
 - g) the Board is to agree on a preferred candidate;
 - h) the Chairman of the Board is to approach the preferred candidate to canvass interest, availability and terms of appointment; and
 - i) the Chairman of the Board, in consultation with the chairmen of the Remuneration Committee and the Nomination Committee as appropriate and required, is to finalise a letter of appointment setting out the key terms and conditions of the appointment for the Board’s approval.

(B) Re-appointment of Directors

At each annual general meeting of the Company, certain directors of the Company will be subject to retirement (by rotation or otherwise) and certain director(s) of the Company will be subject to re-election in accordance with the requirements of the Company’s bye-laws and CG Code. The retiring directors may offer themselves for re-election.

The Nomination Committee shall consider the suitability of each of the directors offering them for re-election and subject to re-election as aforesaid (the “Re-electing Directors”) for re-election in the light of the Board Nomination Policy and the Board Diversity Policy of the Company and make its recommendations therefor to the Board for consideration provided that, for each of the Re-electing Director who is an independent non-executive director, the Nomination Committee shall also, assess his/her independence before making such recommendation(s).

The Board shall consider the suitability of each Re-electing Director for re-election in the light of the Nomination Committee’s recommendation, the Board Nomination Policy and the Board Diversity Policy and make its recommendations therefor to the shareholders for consideration and approval.

Board Diversity Policy

A summary of the Board Diversity Policy adopted by the Board on 29 August 2013 (as amended on 8 December 2022) is shown below.

The Company recognizes that a diverse Board will enhance the performance of the Company and that an increasing diversity at the Board level is inductive to the attainment of the Company’s strategic objectives and the Company’s sustainable development. Hence the purpose of the Board Diversity Policy aims to achieve diversity on the Board (including but not limited to the aspects of genders, age, cultural and educational backgrounds, ethnicities, professional experience, skills, knowledge and length of service).

CORPORATE GOVERNANCE REPORT

Measurable Objectives

The Nomination Committee agreed the measurable objectives shown below for implementing the Board Diversity Policy.

Gender

Striving for gender diversity and gender neutrality with the objective of increasing female representation on the Board, subject to availability and identification of candidates with appropriate skills and experience.

Age

Striving for age diversity and age neutrality with the objective of increasing representation of the younger age group on the Board, subject to availability and identification of candidates with appropriate skills and experience.

Independence

- (i) Maintaining a balanced composition of executive, non-executive and independent non-executive directors (“INED”).
- (ii) Complying with the relevant requirements of the Listing Rules.

Professional Qualifications

- (i) Maintaining the Board with Directors with balanced professional qualifications.
- (ii) Complying with the Listing Rules requirements that at least one INED must have professional qualifications or accounting or related financial management expertise as provided under Rule 3.10(2) of the Listing Rules.

Area of Experience

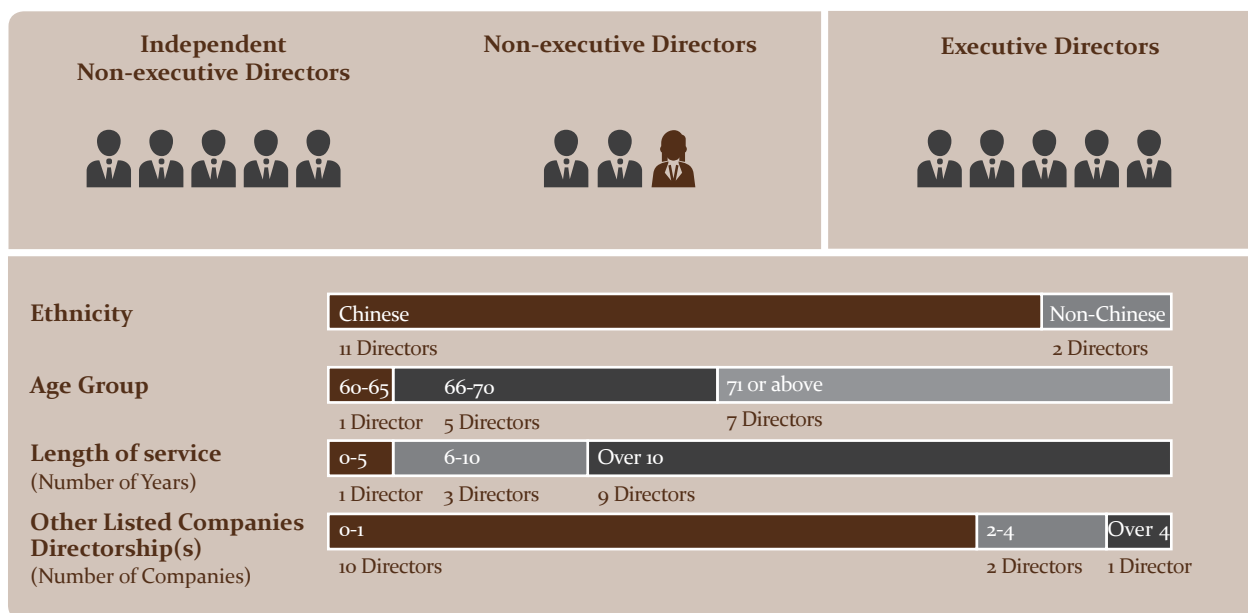
Maintaining the Board with Directors with balanced experiences from various industries in order to widen the views of the Board and assist in setting up and developing the strategies of the Group.

The Nomination Committee has reviewed and will review the measurable objectives concerning independence, professional qualifications and area of experience of Directors on an annual basis in order to assess the composition of the Board.

The Nomination Committee will conduct regular assessment of the gender diversity profile, including the gender balance at the board level and progress towards achieving gender diversity targets.

It is considered that the current Board composition is well-balanced and of a diverse mix appropriate for the business of the Company. The Board reviews and monitors the implementation of the Board Diversity Policy on a regular basis to ensure its effectiveness in respect of the optimal composition of the Board.

As at the date of this report, the diversity of the Board is summarized as follows:



For more details, please refer to the Directors and Senior Management Profile on pages 20 to 24 of this annual report.

As at the date of this report, the Group's workforce comprises 49% of male and 51% of female. The Group will maintain a balance and satisfactory gender mix. We continually take positive action to ensure equal opportunity in the conduct of employment activities: recruitment, hiring, compensation, training and promotion for all persons to be based on their competence, knowledge, experience and individual performance, regardless of gender.

AUDIT COMMITTEE

The Audit Committee was formed on 9 March 1999 and is responsible for (i) assisting the Board in overseeing and reviewing the effectiveness of the Company's internal control system, risk management system and regulatory compliance; (ii) assisting the Board in overseeing and reviewing the transparency and integrity of the Company's financial statements and the application of financial reporting principles; (iii) assisting the Board in overseeing and reviewing the relationship with the external auditor and the assessment of the independence of the external auditor and (iv) assisting the Board in overseeing and reviewing the Company's internal audit function. The terms of reference of the Audit Committee specify its duties and functions and that it must comprise at least three members and the majority of whom are independent non-executive directors. Its terms of reference are available on the Company's website under the Corporate Governance Section. During the year and up to the date of this report, the members of the Audit Committee are:

Yeung Kit Shing, Jackson (Committee Chairman)
 Hong Pak Cheung, William
 Haider Hatam Tyebjee Barma

The Audit Committee met three times in 2022. The attendance record of each member for the Audit Committee meetings is set out in the table under the section headed "Attendance at Meetings" of this report.

CORPORATE GOVERNANCE REPORT

The works performed by the Audit Committee during 2022 include the following:

- (a) review of the external auditor's audit plan for the year ended 31 December 2022;
- (b) review and adoption of the 2023 internal audit plan;
- (c) review of the 2022 work progress reports and the works performed by the internal audit team in 2022;
- (d) review of the annual report and results announcement for the year ended 31 December 2021, with a recommendation to the Board for consideration;
- (e) review of the external auditor's report on the audit of the financial statements for the year ended 31 December 2021;
- (f) review of the interim report and interim results announcement for the six months ended 30 June 2022, with a recommendation to the Board for consideration;
- (g) review of the external auditor's report on the review of interim financial statements for the six months ended 30 June 2022;
- (h) approval of the 2023 annual budget for audit and non-audit services;
- (i) meeting with external auditors without executive directors' presence;
- (j) review of the Enterprise Risk Management Framework with a recommendation to the Board for adoption;
- (k) oversight of the risk management and internal control systems;
- (l) review of the effectiveness of the risk management and internal control systems; and
- (m) review of and making recommendation to the Board on the revised Whistleblowing Policy.

RISK MANAGEMENT AND INTERNAL CONTROLS

Responsibility of the Board

The Board acknowledges that it is responsible for the Group's risk management and internal control systems and reviewing their effectiveness. The Audit Committee is tasked to assist the Board in doing so. These systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatements or losses.

The Group's risk management and internal control systems are in place and were functioning effectively and adequately during the year under review.

Risk Management

The Group adopts an integrated bottom-up and top-down risk review process to enable:-

- (1) comprehensive identification and prioritisation of all material risks throughout the Group in the light of the Group's strategic objectives;
- (2) escalation of the material risks to the right managerial levels;
- (3) effective risk dialogues among the management teams; and
- (4) proper oversight of risk mitigation efforts.

Management's regular meetings are held to identify major and significant risks relating to operations, finance, compliance and environmental, social and governance. Management carries out risk monitoring assessment regularly for the major and significant risks and develops effective control activities to mitigate the risks. The Group's risk management system is closely linked to its internal control system. Key controls associated with the key risks of the Group are identified and tested in order to assess their effectiveness.

Internal Controls

The Group's internal audit department is responsible for providing independent assurance that the Group's risk management and internal control processes are operating effectively. The head of the internal audit department reports to the Audit Committee on a regular basis. The Audit Committee reviews and approves the annual internal audit plan which is practically linked to the Group's significant areas of operations. The audit plan is prepared under a risk based approach and covers the Group's significant areas of operations. The audit plan is reviewed on an annual basis.

The scope of the works of the Group's internal audit department covers all material controls including financial, operational, compliance and environmental, social and governance-related controls as well as risk management policies and procedures. Major controls of the Group are continuously reviewed aiming to cover all major business units and operations of the Group on a rotational basis. Internal audit findings and recommendations are presented at the Audit Committee meetings. The implementation of the agreed recommendations is to be followed up on a regular basis.

Policies and procedures have been established to safeguard the Group's assets against any possible unauthorized use or disposition and to ensure the proper maintenance of accounting records for the provision of reliable financial information for internal use and for publication in compliance with all applicable laws, rules and regulations.

The Company regulates the handling and dissemination of inside information according to the Inside Information Policy adopted by the Board on 22 March 2013. This policy provides that inside information is to be kept confidential until the disclosure thereof is made and that the dissemination of such information shall be made efficiently and consistently.

A Whistleblowing Policy was formulated on 28 March 2012 and amended on 8 December 2022 to enable employees and third parties to raise concerns in confidence about misconducts, malpractice or impropriety relating to the Group. The purpose of formulating this policy is to increase the awareness of maintaining internal corporate justice and regard this as a kind of internal control mechanism. In accordance with this policy, employees and third parties are provided with reporting channels and guidance on whistleblowing. During the year, there were no reports received from employees or third parties under this policy.

CORPORATE GOVERNANCE REPORT

An Anti-corruption Policy was adopted by the Company on 8 December 2022 which outlines the anti-corruption practices and controls as well as the Company's culture, expectations and requirements relating to the prevention, reporting and investigation of any suspected or actual bribe, corruption and other irregularities of employees and third parties dealing with the Group.

Assessment and review by the Board

The Board assesses the effectiveness of the risk management and internal control systems regularly with the assistance of the Audit Committee and in the light of the reviews performed by the senior management as well as both of the internal and external auditors. The risk management and internal control systems are designed to identify, evaluate and manage significant risks faced by the Group on an on-going basis.

For the financial year ended 31 December 2022, the Board with the assistance of the Audit Committee conducted a review of the effectiveness of the Group's risk management and internal control systems in the light of the reports of the Group's internal audit department and the confirmation from the management on the effectiveness of these systems of the Group. The Board considers that these systems are operating effectively and adequately in all material aspects.

AUDITORS' REMUNERATION

The remuneration in respect of audit and non-audit services provided by auditors of the Group for the financial year ended 31 December 2022 are HK\$5,054,000 (2021: HK\$4,854,000) and HK\$595,000 (2021: HK\$774,000) respectively.

The remuneration in respect of significant non-audit services in 2022 includes the following:

Nature of services	Fee paid HK\$
Tax services	595,000

ATTENDANCE AT MEETINGS

The attendance record of individual members at the Board and Committees meetings and annual general meeting in 2022 are detailed in the following table:

	Meetings attended/Eligible to attend				
	Annual General Meeting	Board	Remuneration Committee	Audit Committee	Nomination Committee
<i>Executive directors</i>					
Cheng Wai Chee, Christopher	1/1	4/4	1/1	N/A	1/1
Cheng Wai Sun, Edward	1/1	4/4	N/A	N/A	1/1
Cheng Man Piu, Francis	1/1	4/4	N/A	N/A	N/A
Chow Wai Wai, John	1/1	4/4	N/A	N/A	N/A
Ng Kar Wai, Kenneth	1/1	4/4	N/A	N/A	N/A
<i>Non-executive directors</i>					
Kwok Ping Luen, Raymond (attended by his alternate, Kwok Ho Lai, Edward)	0/1 1/1	0/4 4/4	N/A N/A	N/A N/A	N/A N/A
Hong Pak Cheung, William	1/1	4/4	N/A	3/3	N/A
Chen Chou Mei Mei, Vivien	1/1	4/4	N/A	N/A	N/A
<i>Independent non-executive directors</i>					
Simon Murray	1/1	4/4	1/1	N/A	N/A
Yeung Kit Shing, Jackson	1/1	4/4	1/1	3/3	1/1
Haider Hatam Tyebjee Barma	1/1	3/4	N/A	2/3	1/1
Cheng Hoi Chuen, Vincent (passed away on 28 August 2022)	1/1	2/3	N/A	N/A	1/1
Lam Kin Fung, Jeffrey	1/1	4/4	N/A	N/A	N/A
Ng Tak Wai, Frederick (re-designated as an independent non-executive director on 21 November 2022)	1/1	4/4	N/A	N/A	N/A

Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive directors without the presence of the other executive directors to discuss the business of the Company during the year.

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

On 10 December 2018, the Board adopted a dividend policy to make sustainable returns to shareholders of the Company by, among others, dividend payments (whether in cash with or without an option to receive scrip or vice versa).

Before determining any payment of dividend or, as the case may be, making recommendation of any dividend payment for the approval of the shareholders of the Company, the Board will review the financial performance, business environment, investment needs, liquidity position and forecast cash flow positions of the Group as well as the dividend yields of listed shares of the Company's peer group. It is the Company's policy to link dividend payments with the above factors. Dividend pay-out ratio will therefore vary from year to year.

The Company will normally pay an interim dividend and a year-end dividend in each financial year. The Board determines the interim dividend and recommends the year-end dividend for the approval of the shareholders of the Company.

The Board shall review this policy as the circumstances so warrant.

COMPANY SECRETARY

Chung Siu Wah, Henry joined the Group in 1993 and is currently the Group Legal Counsel and Company Secretary of the Company. He is responsible for facilitating the Board process, as well as communications among Board members, communications with shareholders and management. During the year, Chung Siu Wah, Henry undertook more than 15 hours of professional training to update his skills and knowledge.

FINANCIAL REPORTING

The directors of the Company acknowledged that they are responsible for the preparation of the financial statements which give a true and fair view and are prepared in accordance with appropriate accounting policies selected and applied consistently. The statement of the auditor of the Group relating to their reporting responsibilities on the financial statements of the Group and the Company is set out in the Independent Auditor's Report on pages 65 to 68 of this annual report.

CONSTITUTIONAL DOCUMENTS

There was no change to the Company's Memorandum of Association and Bye-laws during the financial year 2022. However, in order to reflect certain amendments to the Listing Rules and the applicable laws of Bermuda, a special resolution approving the adoption of a new set of amended and restated bye-laws of the Company is proposed to be passed by the shareholders of the Company at 2023 Annual General Meeting. A copy of the latest consolidated version of the Memorandum of Association and Bye-laws is available on the websites of the Company under the Corporate Governance Section and the Stock Exchange.

CORPORATE COMMUNICATION

A Shareholders' Communication Policy adopted on 28 March 2012 and amended on 8 December 2022 reflecting mostly the current practices of the Company for communications with its shareholders. Such policy aims at providing the shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. Having considered the current practices of the Company for communication with its shareholders, the Company concluded that the Shareholders' Communication Policy was effectively implemented throughout the year. This policy will be reviewed regularly to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The annual general meeting provides a forum for the shareholders to exchange views with the Board. The Chairman of the Board, Chairman of Audit Committee, Chairman of the Remuneration Committee and Chairman of the Nomination Committee will be available to answer the shareholders' questions at the meeting.

An explanation of the detailed procedures of conducting a poll will be provided to the shareholders at the commencement of the annual general meeting, to ensure that the shareholders attending such meeting are familiar with such procedures.

All the publications of the Company, including annual reports, interim reports, circulars, notices of general meetings, results of the poll of general meetings are available on the Stock Exchange's website at www.hkexnews.hk.

The Company's website at www.wingtaiproperties.com offers timely access to investors regarding the Company's financial, corporate and other information.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene a Special General Meeting ("SGM")

Pursuant to the Company's bye-laws and the Companies Act 1981 of Bermuda (the "Companies Act"), registered shareholders holding not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company (the "SGM Requisitionists") may deposit a written request to convene a SGM at the registered office of the Company (the "Registered Office"), which is presently situated at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The SGM Requisitionists must state in their request(s) the objects of the SGM and such request(s) must be signed by all the SGM Requisitionists and may consist of several documents in like form, each signed by one or more of the SGM Requisitionists.

The Share Registrars will verify the SGM Requisitionists' particulars stated in the SGM Requisitionists' request. Promptly after the receipt of confirmation from the Share Registrars that the SGM Requisitionists' request is in order, the Company Secretary will arrange with the Board to convene a SGM by serving sufficient notice to all the registered shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the SGM Requisitionists' request is verified not in order, the SGM Requisitionists will be advised of the outcome and a SGM will not be convened as requested.

The SGM Requisitionists, or any of them holding more than one-half of the total voting rights held by all of them, may themselves convene a SGM if the Board does not proceed duly to convene a SGM within twenty-one (21) days of the deposit of the SGM Requisitionists' request, provided that any SGM so convened is held within three (3) months from the date of the original SGM Requisitionists' request. A SGM so convened by the SGM Requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Board.

CORPORATE GOVERNANCE REPORT

Procedures for Shareholders to Put Forward Proposals at a General Meeting

Pursuant to the Companies Act, either any number of the registered shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company (the “Requisitionists”), or not less than 100 of such registered shareholders, may request the Company in writing to (a) give to the shareholders entitled to receive notice of the next general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to the shareholders entitled to receive notice of the next general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition signed by all the Requisitionists may consist of several documents in like form, each signed by one or more of the Requisitionists; and such requisition must be deposited at the Registered Office with a sum reasonably sufficient to meet the Company’s relevant expenses, not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in the case of any other requisition. Provided that if an AGM is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

Procedures for Shareholders to Propose a Person for Election as a Director

The procedures for proposing a person for election as a director are at the Company’s website at www.wingtaiproperties.com under the Corporate Governance Section.

Procedures for Directing Shareholders’ Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary, whose contact details are as follows:

27th Floor, AIA Kowloon Tower,
Landmark East, 100 How Ming Street,
Kwun Tong, Kowloon, Hong Kong
Fax: (852) 2351 8404

Shareholders may also make enquiries with the Board at the general meetings of the Company.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

TO THE SHAREHOLDERS OF WING TAI PROPERTIES LIMITED*(incorporated in Bermuda with limited liability)***OPINION****What we have audited**

The consolidated financial statements of Wing Tai Properties Limited (the "Company") and its subsidiaries (the "Group") set out on pages 69 to 155, comprise the consolidated balance sheet as at 31 December 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and the notes to the consolidated financial statements, which include significant accounting policies with other explanatory information.

Our opinion

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 disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAAs") 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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. The key audit matter identified in our audit is related to valuation of investment properties.

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INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

Valuation of investment properties

Refer to notes 4(a) and 15 to the consolidated financial statements

The Group's investment property portfolio is mainly comprised of commercial, industrial, residential units and serviced apartments and others in Hong Kong, the People's Republic of China and the United Kingdom. As at 31 December 2022, the Group's investment properties were stated at fair value of HK\$20,467.9M, with a revaluation loss of HK\$1,198.8M recorded in the consolidated income statement. Independent external valuers have been engaged to perform valuation of the investment properties.

We focused on the valuation of investment properties because the estimation of fair value is subject to estimation uncertainty. It is inherently subjective due to, among other factors, the individual nature of each property, its location, prevailing market returns and the expected future rentals for that particular property.

The fair values were primarily derived using the income capitalisation method and direct comparison approach. In determining a property's valuation, valuers took into account property-specific information such as current tenancy agreements and rental income. They applied assumptions for capitalisation rates, estimated market rent and market capital value which were influenced by prevailing market yields and comparable market transactions, to arrive at the final valuation. The existence of significant estimation uncertainty, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement, warrants specific audit focus in this area.

How our audit addressed the Key Audit Matter

Our procedures in relation to management's valuation of investment properties include:

- Understanding management's controls and processes for determining the valuation of investment properties and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied;
- Evaluating the independent professional valuer's competence, capabilities and objectivity;
- Involving our internal valuation expert in assessing the valuations and the key assumptions of certain selected investment properties with the valuers;
- Assessing the methodologies used and the appropriateness of the key assumptions, including:
 - (a) capitalisation rates, by comparing to an estimated range of expected yields, determined via reference to published market rental yield;
 - (b) estimated market rent by comparing to the recent leasing transactions of comparable properties; and
 - (c) recent market transaction prices of properties with comparable conditions and locations.

Where assumptions were outside the expected range or otherwise unusual, and/or valuations showed unexpected movements, we undertook further investigations and, when necessary, requested for further evidences to support the assumptions used;

- Checking, on a sample basis, over the data used by the valuers to appropriate supporting documents, such as operating expenditure details, and rental income schedule covering the rental information and lease period to the underlying lease agreements, in order to satisfy ourselves of the accuracy and reasonableness of the property information used by the valuers; and
- Assessing the adequacy of the disclosures related to the valuation of investment properties in the context of HKFRS disclosure requirements.

Based on the procedures performed, we considered that the risk assessment of valuation of investment properties remained appropriate and the methods, significant assumptions and data used by management in relation to the valuation of investment properties were supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of 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 DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of 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 Audit Committee is responsible 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. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional 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.

INDEPENDENT AUDITOR'S REPORT

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with 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 Cheng Kam Fung.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2023

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

	Note	2022 HK\$'M	2021 HK\$'M
Revenue	5	4,096.7	3,423.2
Cost of sales		(2,524.1)	(2,083.6)
Gross profit		1,572.6	1,339.6
Other (losses)/gains, net	7	(118.1)	489.0
Selling and distribution costs		(173.4)	(160.3)
Administrative expenses		(331.0)	(316.2)
Change in fair value of			
– investment properties	15	(1,198.8)	(527.4)
– financial instruments	14	227.8	75.1
		(971.0)	(452.3)
(Loss)/profit from operations	8	(20.9)	899.8
Finance costs	10	(117.6)	(112.7)
Finance income	10	34.1	13.6
Share of results of joint ventures		(48.8)	242.9
Share of results of associates	18(b)	1.2	1.8
(Loss)/profit before taxation		(152.0)	1,045.4
Taxation	11	(171.9)	(127.8)
(Loss)/profit for the year		(323.9)	917.6
(Loss)/profit for the year attributable to:			
Shareholders of the Company		(540.0)	854.4
Holders of perpetual capital securities		64.3	65.5
Non-controlling interests		151.8	(2.3)
		(323.9)	917.6
(Loss)/earnings per share attributable to shareholders of the Company	12		
– Basic		(HK\$0.40)	HK\$0.63
– Diluted		(HK\$0.40)	HK\$0.63

The notes on pages 77 to 155 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 HK\$'M	2021 HK\$'M
(Loss)/profit for the year	(323.9)	917.6
Other comprehensive (loss)/income		
Items that have been/may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(189.1)	3.4
Net gain on net investment hedge		
– Fair value gains	133.0	8.3
– Realised upon settlement	(28.3)	13.6
Net gain on cash flow hedge		
– Fair value gains	10.1	4.1
Reclassification of net loss to profit or loss	0.8	–
Release of translation reserve upon dissolution of a subsidiary	–	(3.8)
Share of other comprehensive income of a joint venture	–	0.6
	(73.5)	26.2
Other comprehensive (loss)/income for the year, net of tax	(73.5)	26.2
Total comprehensive (loss)/income for the year	(397.4)	943.8
Total comprehensive (loss)/income for the year attributable to:		
Shareholders of the Company	(613.5)	880.6
Holders of perpetual capital securities	64.3	65.5
Non-controlling interests	151.8	(2.3)
Total comprehensive (loss)/income for the year	(397.4)	943.8

The notes on pages 77 to 155 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2022

	Note	2022 HK\$'M	2021 HK\$'M
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	15	20,467.9	21,777.7
Other properties, plant and equipment	16	63.2	65.9
Investments in joint ventures	17	1,535.2	1,635.0
Loans to joint ventures	17	3,802.2	3,787.6
Investments in associates	18	24.7	26.1
Loans to associates	18	22.4	22.4
Financial investments at amortised cost	19	656.1	375.7
Financial investments at fair value through profit or loss	20	579.1	627.8
Other non-current assets	21	247.7	585.4
Deferred tax assets	29	8.0	17.6
Derivative financial instruments	24	309.3	98.8
		27,715.8	29,020.0
Current assets			
Properties for sale	22	3,739.4	5,702.0
Trade and other receivables, deposits and prepayments	23	193.7	264.5
Financial investments at amortised cost	19	84.3	340.0
Financial investments at fair value through profit or loss	20	107.3	–
Other current assets	21	583.1	1,206.9
Derivative financial instruments	24	82.2	8.8
Sales proceeds held in stakeholders' accounts	25	749.6	711.9
Tax recoverable		3.3	18.9
Bank balances and cash	26	2,240.5	1,465.5
		7,783.4	9,718.5
Current liabilities			
Trade and other payables and accruals	27	883.1	3,152.2
Derivative financial instruments	24	1.7	117.0
Tax payable		169.6	79.0
Bank and other borrowings	28	2,550.5	3,458.1
		3,604.9	6,806.3

CONSOLIDATED BALANCE SHEET

At 31 December 2022

	Note	2022 HK\$'M	2021 HK\$'M
Non-current liabilities			
Bank and other borrowings	28	4,177.1	3,346.2
Other long-term liability	31	11.0	32.8
Derivative financial instruments	24	–	2.3
Deferred tax liabilities	29	378.9	385.1
		4,567.0	3,766.4
NET ASSETS		27,327.3	28,165.8
EQUITY			
Shareholders' funds			
Share capital	32	678.0	677.4
Reserves	35	25,006.8	25,975.5
		25,684.8	26,652.9
Perpetual capital securities	33	1,491.4	1,513.4
Non-controlling interests		151.1	(0.5)
TOTAL EQUITY		27,327.3	28,165.8

The consolidated financial statements on pages 69 to 155 were approved and authorised for issue by the Board of Directors on 23 March 2023 and are signed on its behalf by:

Cheng Wai Sun, Edward
DIRECTOR

Ng Kar Wai, Kenneth
DIRECTOR

The notes on pages 77 to 155 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to shareholders of the Company											Total equity HK\$'M
	Share capital HK\$'M	Share premium HK\$'M	Hedging reserve HK\$'M	Employee share-based compensation reserve HK\$'M	Other property revaluation reserve HK\$'M	Translation reserve HK\$'M	Contributed surplus HK\$'M	Retained profits HK\$'M	Total HK\$'M	Perpetual capital securities HK\$'M	Non-controlling interests HK\$'M	
At 1 January 2022	677.4	3,336.5	(10.9)	41.4	36.0	(13.4)	751.0	21,834.9	26,652.9	1,513.4	(0.5)	28,165.8
Comprehensive (loss)/income												
Loss for the year	-	-	-	-	-	-	-	(540.0)	(540.0)	64.3	151.8	(323.9)
Other comprehensive (loss)/income												
Exchange differences on translation of foreign operations	-	-	-	-	-	(189.1)	-	-	(189.1)	-	-	(189.1)
Net gain on net investment hedge	-	-	-	-	-	104.7	-	-	104.7	-	-	104.7
Net gain on cash flow hedge	-	-	10.1	-	-	-	-	-	10.1	-	-	10.1
Reclassification of net loss to profit or loss	-	-	0.8	-	-	-	-	-	0.8	-	-	0.8
Total comprehensive (loss)/income	-	-	10.9	-	-	(84.4)	-	(540.0)	(613.5)	64.3	151.8	(397.4)
Transactions with owners												
Value of employee services relating to grants of share options	-	-	-	11.6	-	-	-	-	11.6	-	-	11.6
Share options exercised	0.6	2.7	-	(3.3)	-	-	-	-	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(0.2)	(0.2)
2021 final dividend paid	-	-	-	-	-	-	-	(284.8)	(284.8)	-	-	(284.8)
2022 interim dividend paid	-	-	-	-	-	-	-	(81.4)	(81.4)	-	-	(81.4)
Distribution on perpetual capital securities	-	-	-	-	-	-	-	-	-	(86.3)	-	(86.3)
Total transactions with owners	0.6	2.7	-	8.3	-	-	-	(366.2)	(354.6)	(86.3)	(0.2)	(441.1)
At 31 December 2022	678.0	3,339.2	-	49.7	36.0	(97.8)	751.0	20,928.7	25,684.8	1,491.4	151.1	27,327.3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to shareholders of the Company											
	Share capital HK\$'M	Share premium HK\$'M	Hedging reserve HK\$'M	Employee share-based compensation reserve HK\$'M	Other property revaluation reserve HK\$'M	Translation reserve HK\$'M	Contributed surplus HK\$'M	Retained profits HK\$'M	Total HK\$'M	Perpetual capital securities HK\$'M	Non- controlling interests HK\$'M	Total equity HK\$'M
At 1 January 2021	677.3	3,335.8	(15.6)	29.7	36.0	(34.9)	751.0	21,346.3	26,125.6	1,513.3	2.1	27,641.0
Comprehensive income/(loss)												
Profit for the year	-	-	-	-	-	-	-	854.4	854.4	65.5	(2.3)	917.6
Other comprehensive income/(loss)												
Exchange differences on translation of foreign operations	-	-	-	-	-	3.4	-	-	3.4	-	-	3.4
Net gain on net investment hedge	-	-	-	-	-	21.9	-	-	21.9	-	-	21.9
Net gain on cash flow hedge	-	-	4.1	-	-	-	-	-	4.1	-	-	4.1
Release of translation reserve upon dissolution of a subsidiary	-	-	-	-	-	(3.8)	-	-	(3.8)	-	-	(3.8)
Share of other comprehensive income of a joint venture	-	-	0.6	-	-	-	-	-	0.6	-	-	0.6
Total comprehensive income/(loss)	-	-	4.7	-	-	21.5	-	854.4	880.6	65.5	(2.3)	943.8
Transactions with owners												
Value of employee services relating to grants of share options and incentive shares	-	-	-	12.5	-	-	-	-	12.5	-	-	12.5
Incentive shares exercised	0.1	0.7	-	(0.8)	-	-	-	-	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(0.3)	(0.3)
2020 final dividend paid	-	-	-	-	-	-	-	(284.5)	(284.5)	-	-	(284.5)
2021 interim dividend paid	-	-	-	-	-	-	-	(81.3)	(81.3)	-	-	(81.3)
Distribution paid on perpetual capital securities	-	-	-	-	-	-	-	-	-	(65.4)	-	(65.4)
Total transactions with owners	0.1	0.7	-	11.7	-	-	-	(365.8)	(353.3)	(65.4)	(0.3)	(419.0)
At 31 December 2021	677.4	3,336.5	(10.9)	41.4	36.0	(13.4)	751.0	21,834.9	26,652.9	1,513.4	(0.5)	28,165.8

The notes on pages 77 to 155 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2022

	Note	2022 HK\$'M	2021 HK\$'M
Cash flows from operating activities			
(Loss)/profit from operations		(20.9)	899.8
Adjustments for:			
Change in fair value of investment properties	15	1,198.8	527.4
Net fair value gain on derivative financial instruments	14	(224.2)	(43.6)
Gain on financial liabilities at fair value through profit or loss classified under other long-term liability	14	(20.1)	(14.0)
Loss on financial investments at fair value through profit or loss	14	48.5	10.9
Gain on mortgage loan receivables at fair value through profit or loss	14	(32.0)	(28.4)
Gain on distribution in specie of the joint venture	7	–	(472.2)
Depreciation of other properties, plant and equipment	16	8.7	16.7
Gain on disposal of other properties, plant and equipment	7	(0.6)	–
(Write back of provision for)/provision for doubtful debts	7	(2.3)	5.0
Impairment provision for financial investments at amortised cost	7	41.2	–
Impairment provision for properties for development held for sale	7	104.4	–
Amortised income from financial investments at amortised cost		(29.2)	(25.4)
Interest income on financial investments at fair value through profit or loss		(11.7)	(10.3)
Interest income on loan to joint ventures		(7.5)	(9.1)
Share-based compensation expenses	8	11.6	12.5
Operating cash flows before movements in working capital		1,064.7	869.3
Decrease/(increase) in properties for sale		1,972.7	(1,417.1)
Decrease in trade and other receivables, deposits and prepayments		36.4	65.5
(Increase)/decrease in sales proceeds held in stakeholders' accounts		(37.7)	663.2
Decrease in trade and other payables and accruals		(2,284.5)	(1,386.6)
Net cash generated from/(used in) operations		751.6	(1,205.7)
Interest income received		83.8	62.7
Interest paid on bank and other borrowings		(215.2)	(144.9)
Hong Kong profits tax paid		(51.2)	(45.9)
Net cash generated from/(used in) operating activities		569.0	(1,333.8)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2022

	Note	2022 HK\$'M	2021 HK\$'M
Cash flows from investing activities			
Additions of investment properties	15	(15.5)	(7.2)
Purchase of other properties, plant and equipment	16	(6.0)	(0.3)
Purchase of financial investments at amortised cost		(390.0)	(504.7)
Purchase of financial investments at fair value through profit or loss		(331.7)	(217.7)
Additions of mortgage loan receivables		(240.9)	(351.1)
Proceeds on maturity of financial investments at amortised cost		289.5	493.1
Proceeds on maturity of financial investments at fair value through profit or loss		181.3	44.6
Capital injection to a joint venture		–	(184.6)
Advances of loans to joint ventures		(460.8)	(233.6)
Repayments of loans to joint ventures		352.3	284.8
Repayments of mortgage loan receivables		1,234.5	93.2
Proceeds from disposal of other properties, plant and equipment		0.6	–
Proceeds from disposal of financial investments at amortised cost		31.4	60.3
Proceeds from disposal of financial investments at fair value through profit or loss		43.3	147.5
(Placement)/release of deposits with banks with original maturity of more than three months		(1,127.2)	250.0
Dividend income received from joint ventures		3.9	–
Net cash used in investing activities		(435.3)	(125.7)
Cash flows from financing activities			
Cash settlement on derivative financial instruments		(101.5)	(13.4)
Bank borrowings raised		3,036.1	4,238.0
Other borrowings raised		10.0	450.5
Redemption of fixed rate bonds		(943.0)	(200.0)
Repayments of bank borrowings		(1,999.2)	(1,883.1)
Repayments of other borrowings		(56.9)	(175.6)
Distribution paid on perpetual capital securities		(65.1)	(65.4)
Dividends paid by the Company		(366.1)	(365.8)
Dividends paid to non-controlling shareholders		(0.2)	(0.3)
Net cash (used in)/generated from financing activities		(485.9)	1,984.9
(Decrease)/increase in cash and cash equivalents		(352.2)	525.4
Cash and cash equivalents at the beginning of the year		1,465.5	940.1
Cash and cash equivalents at the end of the year	26	1,113.3	1,465.5

Reconciliation of liabilities arising from financing activities and non-cash transaction are disclosed in Note 30 to the consolidated financial statements.

The notes on pages 77 to 155 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

Wing Tai Properties Limited (the “Company”) is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda.

The Company is an investment holding company. Its principal subsidiaries are engaged in property development, property investment and management and hospitality investment and management. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

The Group’s joint ventures and associates are principally engaged in property investment, property development and hospitality investment.

These consolidated financial statements are presented in millions of Hong Kong dollars (HK\$’M), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 23 March 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial investments at fair value through profit or loss, financial liabilities at fair value through profit or loss and derivative financial instruments, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(i) *Amendments and improvements to standards effective for the current accounting period beginning on 1 January 2022 and relevant to the Group*

Amendments to HKFRS 16	COVID-19 – Related rent concessions
Amendments to HKAS 16	Proceeds before intended use
Amendments to HKAS 37	Onerous contracts – Cost of fulfilling a contract
Amendments to HKFRS 3	Reference to Conceptual Framework
Amendments to Accounting Guideline 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations
Annual improvements	Annual improvements 2018–2020 cycle

The adoption of the above amendments and improvements to standards did not have any significant impact to the consolidated financial statements in the current and prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(ii) *New standard, amendments and improvements to standards relevant to the Group that are not yet effective in 2022 and have not been early adopted by the Group*

The Group has not early adopted the following new standard, amendments and improvements to standards that have been issued but are not yet effective for the year ended 31 December 2022:

		Effective for annual periods beginning on or after
HKFRS 17	Insurance contracts and related amendments	1 January 2023
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative information	1 January 2023
Amendments to HKAS 8	Definition of accounting estimates	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2024
Amendments to HKAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to HKFRS 16	Lease liability in a sale and leaseback	1 January 2024
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of making an assessment of the impact of these new standard, amendments and improvements to standards and is not yet in a position to state whether they would have a significant impact on the Group's results and financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Principles of consolidation and equity accounting

(i) *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2(c)).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

(ii) *Associates*

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

(iii) *Joint arrangements*

Under HKFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated balance sheet.

(iv) *Equity method*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2(k).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Principles of consolidation and equity accounting (Continued)

(v) *Changes in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, liabilities incurred to the former owners of the acquired business, equity interests issued by the Group, fair value of any asset or liability resulting from a contingent consideration arrangement, and fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Directors who are responsible for allocating resources and assessing performance of the operating segments. The identification of operating segments is set out in Note 6.

(f) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollar (HK\$), which is the Company's functional and the Company's and the Group's presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement, within finance costs. All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income ("FVOCI") are recognised in other comprehensive income ("OCI").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Foreign currency translation (Continued)

(iii) *Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(iv) *Disposal of foreign operation and partial disposal*

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translations differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Other properties, plant and equipment

Land and buildings comprise offices occupied by the Group. Leasehold land classified as finance lease and all other properties, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance costs are charged to the consolidated income statement during the reporting period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

Freehold land with unlimited useful life is not depreciated. Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation of other properties, plant and equipment, other than construction in progress is calculated using the straight-line method to allocate the cost to their residual values over their estimated useful lives at the following annual rates calculated from the acquisition cost:

Leasehold land classified as finance lease	Shorter of remaining lease term or useful life
Buildings	2% - 4%
Furniture, fixtures and equipment	2% - 33 1/3%
Vehicles	20% - 33 1/3%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains or losses arising on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of assets to retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Investment properties

Investment properties, principally comprising leasehold land and office buildings, are held for long-term rental yields and are not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs. After initial recognition at cost, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets, income capitalisation valuation techniques or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as part of a valuation gain or loss.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the reporting period in which they are incurred.

If any investment property becomes owner-occupied, it is reclassified as other property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purpose. Property that is being constructed or developed for future use as investment property is classified as investment property and is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until its fair value becomes reliably determinable.

(i) Properties for sale

Properties for sale comprising properties for/under development and completed properties held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of land use rights, construction costs and borrowing costs incurred during the construction period. Upon completion, the properties under development are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Properties for sale are classified as current assets unless the construction period of the relevant property development project is expected to be completed beyond normal operating cycle.

(j) Assets classified as held for sale

Assets classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. Investment properties classified as assets held for sale are stated at fair value at the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of investments in subsidiaries, joint ventures, associates and non-financial assets

Investments in subsidiaries, joint ventures, associates and other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable; in addition, other non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Impairment testing of the investments in subsidiaries, joint ventures or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, joint venture or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(l) Financial investments, mortgage loan receivables and other financial assets

Classification

The Group classifies its financial investments, mortgage loan receivables and other financial assets either those to be measured subsequently at fair value (either through OCI, or through profit or loss), or those to be measured at amortised cost. The classification depends on the Group's business model for managing the financial investments, mortgage loan receivables and other financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial investments, mortgage loan receivables and other financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial investments, mortgage loan receivables and other financial assets are derecognised when the rights to receive cash flows from the financial investments, mortgage loan receivables and other financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) Financial investments, mortgage loan receivables and other financial assets (Continued)

Measurement

At initial recognition, the Group measures a financial investment, mortgage loan receivables and other financial asset at its fair value plus, in the case of financial investments, mortgage loan receivables and other financial assets not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial investments, mortgage loan receivables and other financial assets. Transaction costs of financial investments, mortgage loan receivables and other financial assets carried at FVPL are expensed in profit or loss.

(i) *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial investments, mortgage loan receivables and other financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial investments, mortgage loan receivables and other financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial investment and other financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial investments, mortgage loan receivables and other financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated income statement.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

(ii) *Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as revenue when the Group's right to receive payments is established.

Changes in the fair value of financial investments, mortgage loan receivables and other financial assets at FVPL are recognised in other gains/(losses) in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) Financial investments, mortgage loan receivables and other financial assets (Continued)

Impairment

The Group assesses on a forward looking basis the expected credit losses (“ECL”) associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group determines whether there has been a significant increase in credit risk in Note 3(a)(iv). The amount of loss is recognised in other gains/(losses) in the consolidated income statement.

For cash at banks, sales proceeds held in stakeholders’ accounts, contractual cash flows of financial investments at amortised cost, rent receivables from tenants, mortgage loan receivables and loans to joint ventures and associates, the Group applies the general approach to measure ECL. The ECL is measured on either a 12-month (“12M”) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL are the discounted product of the Probability of Default (“PD”), Exposure at Default (“EAD”), and Loss Given Default (“LGD”), defined as follows:

- The PD represents the likelihood of default on its financial obligation, either over the next 12 months (“12M PD”), or over the remaining lifetime (“Lifetime PD”) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (“12M EAD”) or over the remaining lifetime (“Lifetime EAD”).
- LGD represents the Group’s expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default. LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the financial assets.

The Group adopts a “three-stage” model for impairment based on changes in credit quality since initial recognition, to estimate the ECL. The key definition of the three stages are summarised below:

Stage 1: For financial instruments with no significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the lifetime ECL associated with the PD events occurring within 12 months is recognised.

Stage 2: Lifetime ECL — not credit-impaired

For financial instruments with significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset) is recognised.

Stage 3: Lifetime ECL — credit-impaired

For financial instruments are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit-impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial investments, mortgage loan receivables and other financial assets (Continued)

Impairment (Continued)

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable forward looking information that is relevant and available without undue cost or effort for this purpose. The indicators considered by the Group to perform forward looking analysis are disclosed in Note 3(a)(iv).

The Group assesses whether the credit risk on an exposure has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial instruments are grouped on the basis of shared credit risk characteristics, taking into account instrument type, credit rating, remaining term to maturity and other relevant factors.

If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the provision for loss allowance reverts from Stage 2 or Stage 3 to Stage 1.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For all other financial assets, the Group makes periodic collective assessments as well as individual assessment on their recoverability based on historical settlement records and past experience.

(m) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when the Group currently has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

(n) Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- (i) hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges); or
- (ii) hedges of a net investment in a foreign operation (net investment hedge).

At the inception of the hedging, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in Note 24. Movements in the hedging reserve in shareholders' equity are shown in the consolidated statement of comprehensive income. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) *Cash flow hedge that qualify for hedge accounting*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the options as the hedging instrument.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ("aligned time value") are recognised within OCI in the costs of hedging reserve within equity.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ("aligned forward element") is recognised within OCI in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Derivatives and hedging activities (Continued)

(i) *Cash flow hedge that qualify for hedge accounting (Continued)*

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales).
- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

(ii) *Net investment hedge*

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in translation reserve. The gain or loss relating to the ineffective portion is recognised in the income statement.

Gains and losses accumulated in translation reserve are reclassified in the income statement when the foreign operation is partially disposed of or sold.

(iii) *Derivatives that do not qualify for hedge accounting*

Certain derivative instruments do not qualify for hedge accounting. They are classified as current or non-current assets or liabilities according to the settlement dates of the derivative instruments. Changes in the fair value of these derivative instruments are recognised in the income statement.

(p) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer.

The combination of those rights and performance obligations gives rise to a net contract asset or a net contract liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the cumulative revenue recognised in the consolidated income statement exceeds cumulative payments made by customers. Conversely, the contract is a liability and recognised as contract liabilities if the cumulative payments made by customers exceeds the revenue recognised in the consolidated income statement.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost. Contract liabilities are recognised as revenue when the Group transfers the goods or services to the customers and therefore satisfies its performance obligation.

The incremental costs of obtaining a contract with a customer are capitalised and presented as contract related assets, if the Group expects to recover those costs, and are subsequently amortised on a systematic basis that is consistent with the transfer to the customers of the goods or services to which the assets relate. The Group recognises an impairment loss in the consolidated income statement to the extent that the carrying amount of the contract related assets recognised exceeds the remaining amounts of consideration that the Group expects to receive less the costs that directly relate to those goods or services and have not been recognised as expenses.

(r) Cash and cash equivalents

For the purpose of presentation in the consolidated cash flow statement, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(s) Share capital

Ordinary shares are classified as share capital. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(t) Perpetual capital securities

Perpetual capital securities have no fixed maturity and are redeemable at the Group's option. The securities are accounted for as part of equity.

(u) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Borrowings

Borrowings (including the fixed rate bonds as disclosed in Note 28) are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(w) Other financial liabilities

The Group classifies and measures its financial liabilities in accordance with the purpose for which the financial liabilities are incurred and managed. The management classifies financial liabilities at fair value through profit or loss if they are managed and their performance measured on fair value basis. A financial liability is derecognised from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

Financial liabilities at fair value through profit or loss include other long-term liability disclosed in Note 31. They are initially recognised at fair value and transaction costs are expensed off immediately. Realised or unrealised gains or losses on financial liabilities are charged to the income statement in the period in which they arise. The fair value is estimated by discounting the estimated future contractual cash flows at the current market discount rate which considers the Group's credit risk. Where applicable, a pricing adjustment is applied to arrive at the fair value.

(x) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are expensed in the period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Current and deferred taxation

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(ii) *Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(iii) *Bonus plans*

The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iv) *Retirement benefits cost*

Payments to the Group's defined contribution retirement schemes and the Mandatory Provident Fund Scheme are charged as expenses as they fall due. The Group has no legal or constructive obligations to pay further contributions for post-retirement benefits beyond its fixed contributions. The Group operates a defined contribution retirement scheme for all qualified employees. The assets of the scheme are held separately from those of the Group in independently administered funds. Contributions to these schemes are made by both the employers and employees at rates of 5% on the employees' salary.

(v) *Share-based payments*

The Group operates two equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options and incentive shares) of the Group. The fair value of the employee services received in exchange for the grant of the options and incentive shares is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options and incentive shares granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Non-market vesting conditions are included in assumptions about the number of options and incentive shares that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the Group revises its estimates of the number of options and incentive shares that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to employee share-based compensation reserve.

When the options and incentive shares are exercised (Note 34), the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options and incentive shares are exercised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(bb) Revenue recognition

Revenue represents sale of properties, rental income, project and property management income, dividend income and interest income from financial investments and other financial assets. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

- (i) Revenue from pre-sale of properties under development is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the properties under development may transfer over time or at a point in time. If properties have no alternative use to the Group contractually and the Group has an enforceable right to payment for performance completed to date, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the completed property.

The timing of revenue recognition for sale of completed properties would be recognised when the underlying property is legally or physically transferred to the customer under the control transfer model.

The Group currently offers different payment schemes to customers, the transaction price and the amount of revenue for the sale of property would be adjusted when significant financial component exists in that contract.

Certain costs incurred for obtaining a pre-sale property contract would be eligible for capitalisation under HKFRS 15 and match with revenue recognition pattern of related contract.

- (ii) Rental income from investment property is recognised on a straight-line basis over the lease term.
- (iii) Project and property management income is recognised when the services are rendered.
- (iv) Dividends are received from financial investments and other financial assets measured at FVPL and at FVOCI. Dividends are recognised when the right to receive payment is established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(bb) Revenue recognition (Continued)

- (v) Interest income is recognised by applying the effective interest rate to the gross carrying amount of financial investments, mortgage loan receivables and other financial assets except for financial investments, mortgage loan receivables and other financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial investments, mortgage loan receivables and other financial asset (after deduction of the loss allowance). Interest income from financial investments, mortgage loan receivables and other financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

(cc) Finance income

Finance income is earned from financial investments and other financial assets that are held for cash management purposes. Any other interest income is included in other income.

(dd) Leases

(i) *Group as the lessee to operating leases*

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(dd) Leases (Continued)

(i) *Group as the lessee to operating leases (Continued)*

To determine the incremental borrowing rate, the Group use recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

The Group has adopted Amendment to HKFRS 16 COVID-19 – Related rent concessions retrospectively from 1 January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19 – related rent concessions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(dd) Leases (Continued)

(ii) *Group as the lessor to operating leases*

When assets are leased out under an operating lease, the assets are included in the balance sheet based on the nature of the asset. Lease income is recognised on a straight-line basis over the lease term.

Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income.

The respective leased assets are included in the balance sheet based on their nature.

(ee) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability, other than that assumed in a business combination, is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(ff) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

(gg) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Grants that compensate the Group for expenses incurred are recognised in the profit or loss as other income on a systematic basis in the period in which the expenses are recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(hh) Earnings per share

(i) *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account of the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(ii) Share-based payments

Share-based compensation benefits are provided to employees via the Company's Share Option Plan and share incentive scheme. Information relating to these schemes is set out in Note 34.

(i) *Share option plan*

The fair value of options granted under the Share Option Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the company revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. When the options are exercised, the Company transfers the appropriate number of shares to employee. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

(ii) *Share incentive scheme*

Under the employee share scheme, shares issued by the Company to employees for no cash consideration vest immediately on grant date. On this date, the market value of the shares issued is recognised as an employee benefits expense with a corresponding increase in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to UK pounds, Renminbi and Singapore dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group uses a combination of cross currency swap contracts and forward exchange contracts to hedge its exposure to foreign currency risk.

The intrinsic value of cross currency swap contracts and forward exchange contracts is determined with reference to the relevant spot market exchange rate. The differential between the contracted strike rate and the discounted spot market exchange rate is defined as the time value. It is discounted, where material.

The Group has certain investments in foreign operations in UK, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings, forward exchange contracts and cross currency swap contracts denominated in UK pounds.

At 31 December 2022, the Group has certain financial investments and other financial assets denominated in United States dollar. Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to the United States dollar, management therefore considers that there are no significant foreign exchange risk with respect to the United States dollar.

At 31 December 2022, if HK dollars had weakened/strengthened by 5% against Renminbi with all other variables held constant, equity would have been HK\$15.9M (2021: HK\$17.0M) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Renminbi-denominated operations.

The Group entered into cross currency swap contracts to hedge against foreign exchange exposure arising from fixed rate bonds denominated in Singapore dollars. The fixed rate bonds are fully swapped into Hong Kong dollar so as to eliminate foreign exchange fluctuation from Singapore dollar when interest payments and principal repayment of the fixed rate bonds are made. The Group has also entered cross currency swap contracts against perpetual capital securities in Singapore dollars.

At 31 December 2022, if HK dollars had weakened/strengthened by 5% against Singapore dollars with all other variables held constant, post-tax profit for the year would have been HK\$73.7M (2021: HK\$80.7M) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Singapore dollar-denominated financial investments at FVPL and portion of changes in the fair value of cross currency swap contracts for perpetual capital securities in Singapore dollars not qualified for hedge accounting respectively.

3. FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(ii) *Interest rate risk*

As the Group has no significant interest-bearing assets (other than bank deposits and amounts due from joint ventures), the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group is exposed to changes in interest rates due to its bank borrowings which are disclosed in Note 28 below. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure based on interest rate level and outlook as well as potential impact on the Group's financial position arising from volatility. Interest rate swap contract is the hedging instrument most commonly used by the Group to manage the interest rate exposure.

If interest rates on mortgage loan receivables had been 50 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been HK\$1.5M (2021: HK\$3.4M) lower/higher.

If interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been HK\$18.7M (2021: HK\$14.8M) lower/higher and capitalised interest on "properties for sale" would have been HK\$5.4M (2021: HK\$5.2M) higher/lower, mainly as a result of higher/lower interest expenses on floating rate borrowings.

In addition, if interest rates had been 50 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been HK\$31.7M (2021: HK\$45.0M) higher or HK\$32.8M (2021: HK\$46.8M) lower, mainly as a result of gain/loss relating to the portion of changes in the fair value of interest rate swap contracts not qualified for hedge accounting.

(iii) *Price risk*

The Group is exposed to equity securities and debt investments price risk because certain financial assets of the Group are classified in the consolidated balance sheet as financial investments at fair value through profit or loss. The Group is not exposed to commodity price risk.

At 31 December 2022, if market value of the Group's listed financial investments at fair value through profit or loss had increased/decreased by 10% (2021: 10%), with all other variables held constant, post-tax profit for the year would have been HK\$68.6M (2021: HK\$62.8M) higher/lower. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

(iv) *Credit risk*

The Group's credit risks are primarily attributable to the Group's cash at banks, sales proceeds held in stakeholders' accounts, contractual cash flows of financial investments carried at amortised cost and at fair value through profit or loss, trade receivables from sale of properties, rent receivables from tenants and mortgage loan receivables, loans to joint ventures and associates.

The Group has limited its credit exposure by ensuring the Group's cash deposits are placed with reputable banks and financial institutions with high credit rating.

The Group has limited its credit exposure from sales proceeds held in stakeholder's account by ensuring the Group only cooperates with the reputable law firm as stakeholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iv) Credit risk (Continued)

The Group's credit risks on financial investments carried at amortised cost and at fair value through profit or loss are regularly monitored by the management, including the credit ratings from the rating agency if there are credit deterioration, underlying financial capability of issuers, regulatory and business environment. Management consider the credit risk of financial investments to be low because the portfolios of financial investment are rated as investment grade and the co-related default rate reference to the credit rating is low.

In respect of credit exposures to customers for sale of properties, the Group normally receives deposits or progress payments from individual customers prior to the completion of sale transactions. If a customer defaults on the payment of the sale of properties, the Group is able to forfeit the customer's deposit and re-sell the property to another customer. Therefore, the Group's credit risk is significantly reduced.

For trade debtors in relation to rental income, the Group carries out regular review on these balances and follow up action on any overdue amounts to minimise exposures to credit risk. The Group measures the lifetime expected credit losses based on the outstanding balances with debtors, offset with the deposit placed to the Group by the counterparties, and historical credit loss experience adjusted by the current and forecast economic conditions that may affect the ability of the counterparties to settle receivables.

The Group's mortgage loan receivables provided to purchasers of development properties which are secured by first mortgages over properties. Regular review is carried out and stringent monitoring procedures are in place to deal with overdue debts.

At each balance sheet date, the Group reviews the recoverable amount of each individual trade and loan receivables to ensure that adequate provisions for impairment are made for irrecoverable amounts, if any. The Group has no significant concentrations of credit risk on trade and loan receivables.

In respect of credit exposures on loans to joint ventures and associates, the Group would closely monitor the financial positions including the net assets backing of these related companies. The exposure of these credit risks are monitored on an ongoing basis.

The assessment of ECL incorporates forward-looking information and is performed on a semi-annually basis at a portfolio level. The criteria used in the assessment are monitored and reviewed periodically for appropriateness by management. The Group considers forward-looking information with reference to the indicators of real GDP growth and unemployment rate.

(v) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group. The Group monitors rolling forecasts of its liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Corporate and managed by the Group Treasury Department, which invests surplus cash in time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

3. FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(v) Liquidity risk (Continued)

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows and may not reconcile to the amounts in the balance sheet.

	Less than 1 year HK\$'M	Between 1 and 2 years HK\$'M	Between 2 and 5 years HK\$'M	Over 5 years HK\$'M
At 31 December 2022				
Bank and other borrowings	2,816.5	1,395.2	3,363.7	–
Derivative financial instruments	0.8	–	–	–
Trade and other payables and accruals	655.4	24.2	–	–
Other long-term liability	–	–	–	11.0
Financial guarantees (Note)	21.7	297.0	3,845.0	–
Total	3,494.4	1,716.4	7,208.7	11.0
At 31 December 2021				
Bank and other borrowings	3,567.3	1,391.2	1,775.8	296.1
Derivative financial instruments	108.8	1.4	1.0	–
Trade and other payables and accruals	598.4	46.1	22.6	–
Other long-term liability	–	–	–	32.8
Financial guarantees (Note)	1,391.9	3.2	2,867.6	–
Total	5,666.4	1,441.9	4,667.0	328.9

Note:

These amounts are financial guarantees from the Group to its joint ventures representing the hypothetical payments should the guarantees be crystallised, however based on the operating results of the joint ventures, the Group does not expect them to be crystallised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. FINANCIAL RISK MANAGEMENT (Continued)

(b) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total equity which is the Group's capital. Net borrowings are calculated as bank and other borrowings less bank balances and cash.

The gearing ratios at 31 December 2022 and 2021 were as follows:

	2022 HK\$'M	2021 HK\$'M
Bank and other borrowings	6,727.6	6,804.3
Less: Bank balances and cash	(2,240.5)	(1,465.5)
Net borrowings	4,487.1	5,338.8
Total equity	27,327.3	28,165.8
Gearing ratio	16.4%	19.0%

(c) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

3. FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

The following table present the Group's financial assets and liabilities that are measured at fair value at 31 December 2022 and 2021 (see Note 15 for disclosures of the investment properties that are measured at fair value).

	Level 1 HK\$'M	Level 2 HK\$'M	Level 3 HK\$'M	Total HK\$'M
At 31 December 2022				
Assets				
Financial investments at fair value through profit or loss				
– listed securities	330.8	–	–	330.8
– listed debt investments	248.3	–	–	248.3
– unlisted fund investments	–	107.3	–	107.3
Derivative financial instruments				
– interest rate swap contracts	–	230.8	–	230.8
– cross currency swap contracts	–	68.7	–	68.7
– forward exchange contracts	–	92.0	–	92.0
Mortgage loan receivables at fair value through profit or loss	–	–	753.4	753.4
	579.1	498.8	753.4	1,831.3
Liabilities				
Derivative financial instruments				
– cross currency swap contracts	–	0.9	–	0.9
– forward foreign exchange contracts	–	0.8	–	0.8
Other long-term liability	–	–	11.0	11.0
	–	1.7	11.0	12.7
At 31 December 2021				
Assets				
Financial investments at fair value through profit or loss				
– listed securities	363.4	–	–	363.4
– listed debt investments	264.4	–	–	264.4
Derivative financial instruments				
– interest rate swap contracts	–	59.0	–	59.0
– cross currency swap contracts	–	23.2	–	23.2
– forward exchange contracts	–	25.4	–	25.4
Mortgage loan receivables at fair value through profit or loss	–	–	1,638.1	1,638.1
	627.8	107.6	1,638.1	2,373.5
Liabilities				
Derivative financial instruments				
– interest rate swap contracts	–	12.9	–	12.9
– cross currency swap contracts	–	106.4	–	106.4
Other long-term liability	–	–	32.8	32.8
	–	119.3	32.8	152.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

There is no transfer between the different levels of fair value measurement hierarchy of financial instruments for the years ended 31 December 2022 and 2021.

(i) *Financial instruments in Level 1:*

Listed securities and debt investments are stated at market prices. The quoted market price used for financial assets held by the Group is the bid price at the end of the reporting period. They are included in Level 1.

(ii) *Financial instruments in Level 2:*

Unlisted fund investments are stated at fair values which are estimated using other prices observed in recent transactions or valuation techniques when the market price is not readily available.

The fair value of forward exchange contracts and cross currency swap contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

The fair value of interest rate swap contracts is calculated as the present value of the estimated future cash flows based on observable yield curves.

If all significant inputs required to estimate the fair value of an instrument are observable, the instrument is included in Level 2. If one or more of significant inputs is not based on observable market data, the instrument is included in Level 3.

(iii) *Financial instruments in Level 3:*

The fair value of mortgage loans receivables are determined based on the discounted cash flow projections with reference to the market inputs.

Other long-term liability represents provisions of liabilities in relation to indemnifying a third party against the cost of winding up the pension scheme of the disposed business in 2012.

Valuation processes of the Group

The Group engaged Barnett Waddingham, an independent valuer, to value its long-term liability. Discussion of valuation processes and results are held between the Group's management and valuer at least once every six months, in line with the Group's interim and annual reporting dates. At each reporting date, the Group's management:

- verifies all major inputs to the independent valuation report;
- assesses the liability valuation movements when compared to the prior period valuation report;
- holds discussions with the independent valuer.

The fair value of the long-term liability is determined using a solvency valuation model and the significant unobservable inputs used in the fair value measurement are the forecast price inflation and investment return. The fair value measurement of the liability is positively correlated to the forecast price inflation and negatively correlated to the forecast investment return. As at 31 December 2022, it is estimated that with all other variables held constant, an increase in both the above unobservable inputs by 0.1% (2021: 0.1%) would have decreased the Group's profit by HK\$0.1M (2021: increased the Group's profit by HK\$0.2M).

3. FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

(iii) Financial instruments in Level 3: (Continued)

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

	Mortgage loan receivables at fair value through profit or loss (Note 21)		Other long-term liability (Note 31)	
	2022 HK\$'M	2021 HK\$'M	2022 HK\$'M	2021 HK\$'M
Opening balance	1,638.1	1,323.1	(32.8)	(48.4)
Group's contributions	–	–	1.7	1.6
Fair value gain recognised in the consolidated income statement	32.0	28.4	20.1	14.0
Additions	240.9	336.2	–	–
Repayments	(1,157.6)	(49.6)	–	–
Closing balance	753.4	1,638.1	(11.0)	(32.8)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Fair value of investment properties

The Group's investment properties are revalued at the balance sheet date on the open market value basis by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement on whether such valuations and assumptions made by the valuers are reasonable, the Group considers information from comparable current prices in an active market for similar properties, capitalisation rates, terminal yield, rental income from current leases and assumptions about rental from future leases and the reversionary income potential and uses assumptions that are mainly based on market conditions existing at each balance sheet date. The main assumptions have been disclosed in Note 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Fair value of derivative financial instruments

If information on current or recent prices of derivative financial instruments is not available, the fair values of derivative financial instruments are determined using valuation techniques (including discounted cash flow model or price/earnings multiple model). The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

(c) Fair value of financial liabilities at fair value through profit or loss classified under other long-term liability

If information on current or recent prices of financial liabilities at fair value through profit or loss is not available, the fair values of financial liabilities at fair value through profit or loss are determined using valuation techniques (including discounted cash flow model). The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date. The main assumptions have been disclosed in Note 31.

(d) Impairment of financial investments, mortgage loan receivables, amounts due from joint ventures and other financial assets

The loss allowances for financial investments, mortgage loan receivables, amount due from joint ventures and other financial assets are based on assumptions made in ECL assessment of the Group. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's historical settlement records and past experience, existing market conditions as well as forward looking estimates at the end of each reporting period.

(e) Net realisable values of properties for sale

The Group assesses the carrying amounts of properties for sale according to their recoverable amounts based on the realisability of these properties, taking into account estimated costs to completion based on past experience, committed contracts and estimated net sales/rental value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

(f) Impairment of assets (mainly investments in joint ventures and associates)

The Group tests whether the investments in joint ventures and associates have suffered any impairment, in accordance with the accounting policy stated in Note 2(k). The recoverable amount of the investment is the higher of the asset's fair value less costs to sell and value-in-use. These calculations require the use of estimates.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(g) Taxation

The Group is subject to income taxes, capital gains tax, land appreciation tax and withholding tax in several jurisdictions as applicable. There are certain transactions and calculations for which the ultimate tax determination may be uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the financial period in which such determination is made.

The Group has used presumption that the carrying amount of all investment properties except for certain investment properties in the People's Republic of China other than Hong Kong (the "PRC") using fair value model will be recovered through sale. Accordingly, no provision for deferred tax is made on revaluation of investment properties if there is no capital gains tax. The investment properties in the PRC would be recovered through use which is held within a business model to hold for rental, provision for deferred tax is made on revaluation of investment properties using income tax rate.

Recognition of deferred tax asset, which principally relates to tax losses of certain subsidiaries, depends on the management's expectation of future taxable profit that will be available against which the tax losses can be utilised. The outcome of their actual utilisation may be different.

(h) Accrual of construction costs

It usually takes more than a year after completion of the relevant constructions to finalise and agree with the contractors on overall construction costs (including initial contract sum, variation orders, liquidation damages, if any) for property development. The Group has accrued for construction costs based on the latest information available and directors' best estimate on the likely outcome of negotiation with contractors. If the final construction costs differ from the accruals made, there will be effects on the results of the Group in the year in which construction costs are concluded.

5. REVENUE

Revenue represents the amounts received and receivable from third parties net of value-added tax and discounts in connection with the following activities:

	2022 HK\$'M	2021 HK\$'M
Sale of properties and project management income	3,303.5	2,652.7
Rental income and property management income	695.6	667.0
Interest income from financial investments	40.9	36.5
Interest income from mortgage loan receivables	38.1	47.8
Dividend income from financial investments	18.6	19.2
	4,096.7	3,423.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by Executive Directors in order to allocate resources to the segment and to assess its performance. During the year, segment results of property development and property investment and management were reviewed and redefined in internal reports. Accordingly, comparative figures for 2021 results of property development and property investment and management segments have been reclassified.

Segment information are analysed on the basis of the Group's operating divisions. They are (i) Property Development, (ii) Property Investment and Management, (iii) Hospitality Investment and Management and (iv) Others. Others mainly represent investing activities and corporate activities including central management and administrative function.

	Property development HK\$'M	Property investment and management HK\$'M	Hospitality investment and management HK\$'M	Others HK\$'M	Elimination HK\$'M	Total HK\$'M
For the year ended 31 December 2022						
REVENUE						
External sales						
Revenue						
– Recognised at a point in time	3,283.7	–	–	–	–	3,283.7
– Recognised over time	19.8	13.7	10.1	–	–	43.6
Revenue from other sources						
– Rental income	0.9	575.5	95.4	–	–	671.8
– Interest income from financial investments	38.1	–	–	40.9	–	79.0
– Dividend income	–	–	–	18.6	–	18.6
Inter-segment sales	13.8	11.5	–	–	(25.3)	–
Total	3,356.3	600.7	105.5	59.5	(25.3)	4,096.7
RESULTS						
Profit/(loss) before change in fair value of investment properties and financial instruments	622.0	331.5	11.4	(13.5)	(1.3)	950.1
Change in fair value of						
– investment properties	(4.8)	(1,048.1)	(145.9)	–	–	(1,198.8)
– financial instruments	184.8	31.5	–	11.5	–	227.8
Profit/(loss) from operations	802.0	(685.1)	(134.5)	(2.0)	(1.3)	(20.9)
Finance costs	(32.0)	(39.4)	(19.6)	(44.1)	17.5	(117.6)
Finance income	3.8	9.8	0.1	37.9	(17.5)	34.1
Share of results of joint ventures	9.5	(54.0)	(4.3)	–	–	(48.8)
Share of results of associates	–	1.2	–	–	–	1.2
Profit/(loss) before taxation	783.3	(767.5)	(158.3)	(8.2)	(1.3)	(152.0)
Taxation						(171.9)
Loss for the year						(323.9)
Other item						
Depreciation and amortisation	–	1.6	0.2	7.1	–	8.9

6. SEGMENT INFORMATION (Continued)

	Property development HK\$'M	Property investment and management HK\$'M	Hospitality investment and management HK\$'M	Others HK\$'M	Elimination HK\$'M	Total HK\$'M
For the year ended 31 December 2021 (re-presented)						
REVENUE						
External sales						
Revenue						
– Recognised at a point in time	2,631.8	–	–	–	–	2,631.8
– Recognised over time	20.9	13.6	10.2	–	–	44.7
Revenue from other sources						
– Rental income	0.9	583.7	58.6	–	–	643.2
– Interest income from financial investments	47.8	–	–	36.5	–	84.3
– Dividend income	–	–	–	19.2	–	19.2
Inter-segment sales	2.3	14.9	–	–	(17.2)	–
Total	2,703.7	612.2	68.8	55.7	(17.2)	3,423.2
RESULTS						
Profit/(loss) before change in fair value of investment properties and financial instruments	983.7	344.9	(10.1)	33.6	–	1,352.1
Change in fair value of						
– investment properties	–	(508.2)	(19.2)	–	–	(527.4)
– financial instruments	77.6	23.4	–	(25.9)	–	75.1
Profit/(loss) from operations	1,061.3	(139.9)	(29.3)	7.7	–	899.8
Finance costs	(58.3)	(30.9)	(10.9)	(25.2)	12.6	(112.7)
Finance income	1.1	4.7	0.1	20.3	(12.6)	13.6
Share of results of joint ventures	49.2	203.4	(9.7)	–	–	242.9
Share of results of associates	–	1.8	–	–	–	1.8
Profit/(loss) before taxation	1,053.3	39.1	(49.8)	2.8	–	1,045.4
Taxation						(127.8)
Profit for the year						917.6
Other item						
Depreciation and amortisation	7.5	1.8	0.3	7.4	–	17.0

Inter-segment transactions are entered into under the normal commercial terms and conditions mutually agreed among group companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. SEGMENT INFORMATION (Continued)

The segment assets and liabilities at 31 December 2022 and 2021 and additions to non-current assets for the years then ended are as follows:

	Property development HK\$'M	Property investment and management HK\$'M	Hospitality investment and management HK\$'M	Others HK\$'M	Total HK\$'M
At 31 December 2022					
ASSETS					
Segment assets (Note a)	5,623.6	18,725.4	2,082.6	3,262.0	29,693.6
Investments in joint ventures and loans to joint ventures	4,015.5	1,191.2	149.0	–	5,355.7
Investments in associates and loans to associates	1.8	45.3	–	–	47.1
Other assets (Note a)	9,640.9	19,961.9	2,231.6	3,262.0	35,096.4 402.8
Consolidated total assets					35,499.2
LIABILITIES					
Segment liabilities (Note b)	(565.4)	(219.1)	(26.1)	(83.5)	(894.1)
Other liabilities (Note b)					(7,277.8)
Consolidated total liabilities					(8,171.9)
Additions to non-current assets (Note d)	–	2.7	12.9	5.9	21.5
At 31 December 2021 (re-presented)					
ASSETS					
Segment assets (Note a)	8,497.4	19,898.6	2,222.8	2,468.5	33,087.3
Investments in joint ventures and loans to joint ventures	3,927.1	1,370.0	161.5	–	5,458.6
Investments in associates and loans to associates	1.8	46.7	–	–	48.5
Other assets (Note a)	12,426.3	21,315.3	2,384.3	2,468.5	38,594.4 144.1
Consolidated total assets					38,738.5
LIABILITIES					
Segment liabilities (Note b)	(2,835.2)	(232.3)	(41.3)	(76.2)	(3,185.0)
Other liabilities (Note b)					(7,387.7)
Consolidated total liabilities					(10,572.7)
Additions to non-current assets (Note d)	–	0.9	6.3	0.3	7.5

6. SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's revenue by geographical areas in which the customers are located, irrespective of the origin of the goods/services; and by timing of satisfaction of performance obligations:

	Revenue recognised at a point in time HK\$'M	Revenue recognised over time HK\$'M	Rental income HK\$'M	Interest income from financial investments HK\$'M	Dividend income HK\$'M	Year ended 31 December 2022 Total HK\$'M
Hong Kong	3,283.7	34.7	634.7	38.1	–	3,991.2
United Kingdom	–	–	23.2	–	–	23.2
Singapore	–	2.2	–	–	18.6	20.8
The PRC	–	5.0	13.9	–	–	18.9
Others	–	1.7	–	40.9	–	42.6
	3,283.7	43.6	671.8	79.0	18.6	4,096.7

	Revenue recognised at a point in time HK\$'M	Revenue recognised over time HK\$'M	Rental income HK\$'M	Interest income from financial investments HK\$'M	Dividend income HK\$'M	Year ended 31 December 2021 Total HK\$'M
Hong Kong	2,631.8	34.9	596.1	47.8	–	3,310.6
United Kingdom	–	–	29.1	–	–	29.1
Singapore	–	2.4	–	–	19.2	21.6
The PRC	–	6.3	18.0	–	–	24.3
Others	–	1.1	–	36.5	–	37.6
	2,631.8	44.7	643.2	84.3	19.2	3,423.2

The followings are analyses of the Group's non-current assets including investment properties and other properties, plant and equipment, and additions to non-current assets by geographical areas in which the assets are located.

	Non-current assets (Note c)		Additions to non-current assets (Note d)	
	At 31 December 2022 HK\$'M	2021 HK\$'M	Year ended 31 December 2022 HK\$'M	2021 HK\$'M
Hong Kong	19,331.6	20,471.3	20.5	7.5
United Kingdom	694.3	834.9	1.0	–
The PRC	505.2	537.4	–	–
	20,531.1	21,843.6	21.5	7.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. SEGMENT INFORMATION (Continued)

Notes:

- (a) Segment assets consist primarily of investment properties, other properties, plant and equipment, financial investments at amortised cost, financial investments at fair value through profit or loss, other non-current assets, properties for sale, trade and other receivables, deposits and prepayments, other current assets, sales proceeds held in stakeholders' accounts and bank balances and cash. Other assets comprise mainly derivative financial instruments, tax recoverable and deferred tax assets.
- (b) Segment liabilities comprise operating liabilities. Other liabilities include tax payable, bank and other borrowings, deferred tax liabilities and derivative financial instruments.
- (c) Non-current assets include investment properties and other properties, plant and equipment.
- (d) Additions to non-current assets comprise additions to investment properties and other properties, plant and equipment.

The Group's operations are principally located in Hong Kong, the United Kingdom and the PRC.

7. OTHER (LOSSES)/GAINS, NET

	2022 HK\$'M	2021 HK\$'M
Compensation income arising from early termination of management agreements	4.8	3.3
Exchange (losses)/gains, net	(1.0)	0.6
Forfeited deposits received from properties sales and rental deposit	1.2	5.3
Gain on disposal of other properties, plant and equipment	0.6	–
Gain on distribution in specie of a joint venture (Note)	–	472.2
Government grants and subsidies	9.1	0.2
Impairment provision for financial investments at amortised cost	(41.2)	–
Impairment provision for properties for development held for sale	(104.4)	–
Management fee income from a joint venture (Note 40(a))	2.0	1.7
Write back of provision for/(provision for) doubtful debts	2.3	(5.0)
Others	8.5	10.7
	(118.1)	489.0

Note:

In May 2021, all unsold residential units of a joint venture project, La Vetta, were distributed to shareholders. The units are held for leasing and classified as investment properties. On the date of distribution, the Group's attributable residential units were distributed at fair value of HK\$1,922.9M (Note 15(b)). Therefore, it resulted in a fair value gain of HK\$472.2M, net of tax, which was recorded in 2021.

8. (LOSS)/PROFIT FROM OPERATIONS

	2022	2021
	HK\$'M	HK\$'M
<hr/>		
(Loss)/profit from operations has been arrived at after charging/(crediting) the following:		
Staff costs including directors' remuneration	262.7	252.8
Retirement benefits costs (Note b and c)	10.6	10.4
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Total staff costs (Note a)	273.3	263.2
Share-based compensation expenses (Note a)	11.6	12.5
Auditor's remuneration		
– Audit services	5.1	5.0
– Non-audit services	0.6	0.7
Cost of properties included in cost of sales	2,323.2	1,905.6
Depreciation of other properties, plant and equipment (Note 16)	8.7	16.7
Direct operating expenses arising from investment properties generating rental income	198.2	155.1
Gain on disposal of other properties, plant and equipment	(0.6)	–
Gross rental income from investment properties	(671.8)	(643.2)
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Notes:

- (a) Share-based compensation expenses recognised in the consolidated income statement in respect of share options and incentive shares granted to certain directors and employees are not included in the total staff costs above.
- (b) Forfeited contributions totalling HK\$1.6M (2021: HK\$3.1M) were utilised during the year.
- (c) Contribution totalling HK\$1.3M (2021: HK\$1.3M) were payable to the fund at the year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

9. BENEFITS AND INTERESTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

Details of the remuneration of every director for the year ended 31 December 2022 are set out below:

Name	Directors' fee HK\$'000	Salaries and allowances HK\$'000	Discretionary bonus HK\$'000	Retirement benefit costs – defined contribution plan HK\$'000	Sub-total HK\$'000	Fair value of share options and incentive shares amortised in 2022 HK\$'000 (Note 34)	Total HK\$'000
Executive directors							
CHENG Wai Chee, Christopher (Chairman)	25	9,323	–	414	9,762	3,361	13,123
CHENG Wai Sun, Edward (Deputy Chairman and Chief Executive)	25	13,913	5,487	644	20,069	3,361	23,430
CHENG Man Piu, Francis	25	–	–	–	25	–	25
CHOW Wai Wai, John	25	4,843	990	233	6,091	634	6,725
NG Kar Wai, Kenneth	25	6,555	2,000	311	8,891	1,240	10,131
Non-executive directors							
NG Tak Wai, Frederick (Note (i))	70	–	–	–	70	–	70
KWOK Ping Luen, Raymond	79	–	–	–	79	–	79
HONG Pak Cheung, William	79	–	–	–	79	–	79
CHEN CHOU Mei Mei, Vivien	79	–	–	–	79	–	79
Independent non-executive directors							
Simon MURRAY	395	–	–	–	395	–	395
YEUNG Kit Shing, Jackson	455	–	–	–	455	–	455
Haider Hatam Tyebjee BARMA	319	–	–	–	319	–	319
CHENG Hoi Chuen, Vincent (Note (ii))	256	–	–	–	256	–	256
LAM Kin Fung, Jeffrey	319	–	–	–	319	–	319
NG Tak Wai, Frederick (Note (i))	36	–	–	–	36	–	36
Total	2,212	34,634	8,477	1,602	46,925	8,596	55,521

9. BENEFITS AND INTERESTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' remuneration (Continued)

Details of the remuneration of every director for the year ended 31 December 2021 are set out below:

Name	Directors' fee HK\$'000	Salaries and allowances HK\$'000	Discretionary bonus HK\$'000	Retirement benefit costs – defined contribution plan HK\$'000	Sub-total HK\$'000	Fair value of share options and incentive shares amortised in 2021 HK\$'000 (Note 34)	Total HK\$'000
Executive directors							
CHENG Wai Chee, Christopher (Chairman)	25	8,789	–	404	9,218	3,621	12,839
CHENG Wai Sun, Edward (Deputy Chairman and Chief Executive)	25	13,267	5,240	628	19,160	3,621	22,781
CHENG Man Piu, Francis	25	–	–	–	25	–	25
CHOW Wai Wai, John	25	4,668	984	227	5,904	676	6,580
NG Kar Wai, Kenneth	25	6,371	1,923	304	8,623	1,346	9,969
Non-executive directors							
KWOK Ping Luen, Raymond	75	–	–	–	75	–	75
HONG Pak Cheung, William	75	–	–	–	75	–	75
NG Tak Wai, Frederick	75	–	–	–	75	–	75
CHEN CHOU Mei Mei, Vivien	75	–	–	–	75	–	75
Independent non-executive directors							
Simon MURRAY	368	–	–	–	368	–	368
YEUNG Kit Shing, Jackson	433	–	–	–	433	–	433
Haider Hatam Tyebjee BARMA	303	–	–	–	303	–	303
CHENG Hoi Chuen, Vincent	368	–	–	–	368	–	368
LAM Kin Fung, Jeffrey	303	–	–	–	303	–	303
Total	2,200	33,095	8,147	1,563	45,005	9,264	54,269

Notes:

- (i) Re-designated from a non-executive director to an independent non-executive director with effect from 21 November 2022.
- (ii) Passed away on 28 August 2022.
- (iii) The amounts represented emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings.
- (iv) During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2021: Nil).
- (v) None of the directors has waived any emoluments during the year (2021: Nil).

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year according to section 22 of Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

9. BENEFITS AND INTERESTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(c) Five highest paid individuals

The aggregate emoluments of the five highest paid individuals of the Group in 2022 included four (2021: four) executive directors of the Company whose emoluments are included above. The emoluments of the remaining one (2021: one) highest paid individual are as follows:

	2022 HK\$'M	2021 HK\$'M
Salaries and allowances	5.4	5.2
Discretionary bonus	2.1	1.9
Retirement benefits costs – defined contribution plan	0.3	0.3
Fair value of share options and incentive shares amortised	1.2	1.3
	9.0	8.7

The emoluments fell within the following bands:

	Number of individual 2022	2021
Emoluments bands HK\$5,000,001 and above	1	1

10. FINANCE COSTS AND FINANCE INCOME

	2022 HK\$'M	2021 HK\$'M
Finance costs		
Interest expenses on:		
– bank borrowings	116.7	56.5
– fixed rate bonds	78.3	87.4
– other borrowings	16.0	11.2
Total borrowing costs	211.0	155.1
Less: interest capitalised in properties for sale (Note)	(94.2)	(42.4)
	116.8	112.7
Reclassification of net loss from hedging reserve on derivative financial instruments designated as cash flow hedges	0.8	–
	117.6	112.7
Finance income:		
– bank interest income	(22.7)	(4.1)
– other interest income	(11.4)	(9.5)
	(34.1)	(13.6)

Note:

Interest capitalised at rates ranging from 0.8% to 5.9% (2021: 0.7% to 1.3%) per annum.

11. TAXATION

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

The amount of taxation charged/(credited) to the consolidated income statement represents:

	2022 HK\$'M	2021 HK\$'M
Current taxation		
– Current tax on profits for the year	157.9	98.7
– (Over)/under-provision in prior years	(0.6)	0.4
	157.3	99.1
Deferred taxation (Note 29)		
– Change in fair value of investment properties	6.0	3.9
– Temporary differences on tax depreciation	15.4	20.8
– (Recognition)/utilisation of tax losses	(1.6)	1.5
– Other temporary differences	(5.2)	2.5
	14.6	28.7
Income tax expenses	171.9	127.8

The tax on the Group's (loss)/profit before taxation differs from the theoretical amount that would arise using the profits tax rate of Hong Kong, where majority of the Group's operations were carried out, as follows:

	2022 HK\$'M	2021 HK\$'M
(Loss)/profit before taxation	(152.0)	1,045.4
Tax calculated at Hong Kong profits tax rate of 16.5% (2021: 16.5%)	(25.1)	172.5
Expenses not deductible for tax purpose	231.4	99.8
Income not subject to tax	(74.3)	(118.0)
Net increase in unrecognised tax losses and other temporary differences	29.3	11.7
Recognition and utilisation of tax losses not previously recognised	(0.9)	(2.9)
Effect of different tax rates of subsidiaries operating in other jurisdictions	2.0	0.8
(Over)/under-provision in prior years	(0.6)	0.4
Tax effect of share of results of joint ventures	8.1	(40.1)
Tax effect of share of results of associates	(0.2)	(0.3)
Net PRC land appreciation tax and other taxes on change in fair value of investment properties (Note)	2.2	3.9
Taxation for the year	171.9	127.8

Note:

PRC land appreciation tax ("LAT") is provided at progressive rates ranging from 30% to 60% (2021: 30% to 60%) on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including costs of land use rights and property development expenditures.

There was no tax charge in relation to components of other comprehensive income during the year (2021: Nil).

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For the year ended 31 December 2022

12. (LOSS)/EARNINGS PER SHARE

(a) Basic

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

	2022	2021
(Loss)/profit attributable to shareholders of the Company (expressed in HK\$'M)	(540.0)	854.4
Weighted average number of ordinary shares in issue	1,355,910,671	1,354,730,663
Basic (loss)/earnings per share	(HK\$0.40)	HK\$0.63

(b) Diluted

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares at the beginning of the year. The Company has share options outstanding during the year which are dilutive potential ordinary shares. Calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding incentive shares.

	2022	2021
(Loss)/profit attributable to shareholders of the Company (expressed in HK\$'M)	(540.0)	854.4
Weighted average number of ordinary shares in issue	1,355,910,671	1,354,730,663
Effect of dilutive potential shares issuable under the Company's share option plan and share incentive scheme	–	12,197
Weighted average number of shares for the purpose of calculating diluted (loss)/earnings per share	1,355,910,671	1,354,742,860
Diluted (loss)/earnings per share	(HK\$0.40)	HK\$0.63

13. DIVIDENDS

	2022	2021
	HK\$'M	HK\$'M
Interim dividend paid on 6 October 2022 of HK6.0 cents (2021: HK6.0 cents) per ordinary share	81.4	81.3
Proposed final dividend of HK21.0 cents (2021: HK21.0 cents) per ordinary share	285.0	284.8
	366.4	366.1

The final dividend is not accounted for as a dividend payable in these financial statements until it has been approved at the forthcoming annual general meeting of the Company.

14. CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

	2022	2021
	HK\$'M	HK\$'M
Net fair value gain on derivative financial instruments	224.2	43.6
Gain on financial liabilities at fair value through profit or loss classified under other long-term liability (Note 31)	20.1	14.0
Loss on financial investments at fair value through profit or loss	(48.5)	(10.9)
Gain on mortgage loan receivables at fair value through profit or loss	32.0	28.4
	227.8	75.1

15. INVESTMENT PROPERTIES

	2022	2021
	HK\$'M	HK\$'M
Investment properties comprise:		
Properties in Hong Kong held on:		
Leases of over 50 years	78.2	86.3
Leases of between 10 and 50 years	19,190.1	20,319.2
Properties outside Hong Kong held on:		
Leases of over 50 years	605.2	668.1
Leases of between 10 and 50 years	30.4	33.5
Freehold properties outside Hong Kong	564.0	670.6
	20,467.9	21,777.7

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For the year ended 31 December 2022

15. INVESTMENT PROPERTIES (Continued)

(a) Valuation processes of the Group

The Group measures its investment properties at fair value. The fair value of the Group's investment properties at 31 December 2022 and 2021 has been determined on the basis of valuations carried out by independent valuers not related to the Group. The Group engaged Savills Valuation and Professional Services Limited, Jones Lang LaSalle Limited, Cushman & Wakefield, Knight Frank Petty Limited and B.I. Appraisals Limited to value its investment properties. Discussion of valuation processes and results are held between the Group's management and valuers at least once every six months, in line with the Group's interim and annual reporting dates. At each reporting date, the Group's management:

- verifies all major inputs to the independent valuation report;
- assesses property valuations movements when compared to the prior period valuation report;
- holds discussions with the independent valuers.

Changes in Level 3 fair values are also analysed at each reporting date during the bi-annual valuations discussions date between the Group's management.

(b) Fair value hierarchy

Fair value measurements using significant unobservable inputs (Level 3)

Investment properties within Level 3 fair value hierarchy represent commercial properties, industrial properties, residential units and serviced apartments and others where fair values were generally derived using the income capitalisation, discounted cash flow and direct comparison method.

Income capitalisation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to valuers' view of recent lettings, within the subject properties and other comparable properties.

The discounted cash flow analysis requires periodic net cash flows to be forecasted over the life of the investment property and discounted at a risk-adjusted opportunity cost of capital to arrive at a present value. The discounted cash flow analysis takes into consideration the yearly net cash flows after deductions for expenditure, and having regard to the assumptions made relating to rental growth rate and occupancy rate. The discounted cash flow analysis incorporates an assumed 10-year holding period and the reversionary value in Year Eleven, discounted by an appropriate discount rate to derive at a net present value.

Direct comparison method is based on comparing the sales of other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

As at 31 December 2022 and 2021, all investment properties are under Level 3 measurement.

15. INVESTMENT PROPERTIES (Continued)**(b) Fair value hierarchy (Continued)***Fair value measurements using significant unobservable inputs (Level 3) (Continued)*

Movements of investment properties under Level 3 measurements:

	Commercial properties HK\$'M	Industrial properties HK\$'M	Residential units HK\$'M	Serviced apartments and others HK\$'M	Total HK\$'M
At 1 January 2022	15,124.9	957.9	3,404.4	2,290.5	21,777.7
Change in fair value	(528.8)	(85.0)	(425.0)	(160.0)	(1,198.8)
Exchange differences	(84.5)	–	(39.5)	(2.5)	(126.5)
Additions	2.7	–	–	12.8	15.5
At 31 December 2022	14,514.3	872.9	2,939.9	2,140.8	20,467.9
At 1 January 2021	15,635.4	957.9	1,468.8	2,313.5	20,375.6
Change in fair value	(508.3)	–	–	(19.1)	(527.4)
Exchange differences	(3.1)	–	12.7	0.8	10.4
Additions	0.9	–	–	6.3	7.2
Distribution in specie from a joint venture (Note 7)	–	–	1,922.9	–	1,922.9
Finalisation of construction costs upon completion	–	–	–	(11.0)	(11.0)
At 31 December 2021	15,124.9	957.9	3,404.4	2,290.5	21,777.7

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For the year ended 31 December 2022

15. INVESTMENT PROPERTIES (Continued)

(b) Fair value hierarchy (Continued)

Fair value measurements using significant unobservable inputs (Level 3) (Continued)

Significant inputs used to determine fair value of investment properties at 31 December 2022 and 2021:

	Valuation method	Range of significant unobservable inputs			Capitalisation rate %
		Monthly market rents HK\$/sq.ft.	Unit price HK\$/sq.ft.	Discount rate %	
At 31 December 2022					
Commercial properties	Income capitalisation	27 to 71	N/A	N/A	3.2 to 4.1
Industrial property	Income capitalisation	13	N/A	N/A	3.4
Residential units	Income capitalisation or direct comparison	21	15,000 to 31,000	N/A	2.8
Serviced apartments and others	Income capitalisation or discounted cash flow	57 to 133	N/A	5.8 to 6.3	2.4 to 2.7
At 31 December 2021					
Commercial properties	Income capitalisation	28 to 75	N/A	N/A	3.1 to 3.7
Industrial property	Income capitalisation	13	N/A	N/A	3.2
Residential units	Income capitalisation or direct comparison	25	17,000 to 36,000	N/A	3.0
Serviced apartments and others	Income capitalisation or discounted cash flow	61 to 109	N/A	5.6 to 6.0	2.3 to 3.1

Market rents are estimated based on valuers' view of recent lettings, within the subject properties and other comparable properties. The higher the rents, the higher the fair value.

Capitalisation rates are estimated by valuers based on the risk profile of the properties being valued. The lower the rates, the higher the fair value.

Discount rates are estimated by valuers based on the risk-adjusted opportunity cost of capital. The lower the rates, the higher the fair value.

(c) Leasing arrangements

The investment properties are leased to tenants under operating leases.

Minimum lease payments receivable on leases of investment properties are set out in Note 36. None of the leases include significant variable rentals.

16. OTHER PROPERTIES, PLANT AND EQUIPMENT

	Land and buildings HK\$'M	Furniture, fixtures and equipment HK\$'M	Vehicles HK\$'M	Total HK\$'M
At cost				
At 1 January 2022	49.1	59.6	38.5	147.2
Additions	–	1.0	5.0	6.0
Disposals	–	(7.6)	(4.6)	(12.2)
At 31 December 2022	49.1	53.0	38.9	141.0
Accumulated depreciation and impairment				
At 1 January 2022	6.9	43.0	31.4	81.3
Provided for the year (Note 8)	0.5	1.8	6.4	8.7
Disposals	–	(7.6)	(4.6)	(12.2)
At 31 December 2022	7.4	37.2	33.2	77.8
Net book value				
At 31 December 2022	41.7	15.8	5.7	63.2
At cost				
At 1 January 2021	49.1	71.8	38.5	159.4
Additions	–	0.3	–	0.3
Disposals	–	(12.5)	–	(12.5)
At 31 December 2021	49.1	59.6	38.5	147.2
Accumulated depreciation and impairment				
At 1 January 2021	6.4	46.0	24.7	77.1
Provided for the year (Note 8)	0.5	9.5	6.7	16.7
Disposals	–	(12.5)	–	(12.5)
At 31 December 2021	6.9	43.0	31.4	81.3
Net book value				
At 31 December 2021	42.2	16.6	7.1	65.9

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For the year ended 31 December 2022

17. JOINT VENTURES

	2022 HK\$'M	2021 HK\$'M
Share of net assets (Note a)	1,535.2	1,635.0
Non-current loans to joint ventures (Note b)	3,802.2	3,787.6
	5,337.4	5,422.6

Details of the principal joint ventures at 31 December 2022 are set out in Note 43. Contingent liabilities relating to the Group's interest in joint ventures are set out in Note 38.

Notes:

- (a) Summarised financial information of material joint ventures

Summarised financial information in respect of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

(i) Southwater Investments Limited and its subsidiaries ("Southwater Group")

	For the year ended 31 December	
	2022 HK\$'M	2021 HK\$'M
Revenue	6.2	3.5
Profit from operations	0.1	–
Profit and total comprehensive income for the year	0.1	–
	2022 HK\$'M	2021 HK\$'M
Current assets	12,672.6	12,148.6
Current liabilities	(149.4)	(178.7)
Non-current liabilities	(10,254.3)	(9,701.1)
Net assets of Southwater Group	2,268.9	2,268.8
The above amounts include:		
Bank balances and cash	30.0	54.9
Current financial liabilities (excluding trade and other payables and provisions)	(5.3)	(1.3)
Non-current financial liabilities (excluding trade and other payables and provisions)	(10,254.2)	(9,701.1)

17. JOINT VENTURES (Continued)

Notes: (Continued)

(a) Summarised financial information of material joint ventures (Continued)

(i) Southwater Investments Limited and its subsidiaries ("Southwater Group") (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated balance sheet:

	2022 HK\$'M	2021 HK\$'M
Net assets of Southwater Group	2,268.9	2,268.8
Proportion of the Group's ownership interest in Southwater Group	50%	50%
Carrying amount of the Group's interest in Southwater Group	1,134.5	1,134.4
Loan to Southwater Group	2,075.4	2,020.0
Carrying amount of the Group's interest and loan to Southwater Group	3,209.9	3,154.4

(ii) Kingswood Edge Limited and its subsidiaries ("Kingswood Group")

The summarised financial information of Kingswood Group is set out below:

	For the year ended 31 December	
	2022 HK\$'M	2021 HK\$'M
Revenue	174.9	194.0
(Loss)/profit from operations	(8.0)	409.1
(Loss)/profit for the year	(100.8)	291.3
Other comprehensive loss	(18.2)	(4.2)
Total comprehensive (loss)/income for the year	(119.0)	287.1

	At 31 December	
	2022 HK\$'M	2021 HK\$'M
Non-current assets	3,585.3	4,383.0
Current assets	163.9	152.6
Current liabilities	(54.6)	(2,904.9)
Non-current liabilities	(3,606.3)	(1,423.4)
Net assets of Kingswood Group	88.3	207.3

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For the year ended 31 December 2022

17. JOINT VENTURES (Continued)

Notes: (Continued)

(a) Summarised financial information of material joint ventures (Continued)

(ii) Kingswood Edge Limited and its subsidiaries ("Kingswood Group") (Continued)

	At 31 December	
	2022	2021
	HK\$'M	HK\$'M
The above amounts include:		
Bank balances and cash	55.6	119.5
Current financial liabilities (excluding trade and other payables and provisions)	(32.9)	(2,836.0)
Non-current financial liabilities (excluding trade and other payables and provisions)	(3,586.4)	(1,397.3)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated balance sheet:

	At 31 December	
	2022	2021
	HK\$'M	HK\$'M
Net assets of Kingswood Group	88.3	207.3
Proportion of the Group's ownership interest in Kingswood Group	50%	50%
Carrying amount of the Group's interest in Kingswood Group	44.2	103.7
Loan to Kingswood Group	606.8	676.8
Carrying amount of the Group's interest and loan to Kingswood Group	651.0	780.5

(iii) Aggregate information of the Group's share of results of its joint ventures that are not individually material:

	2022	2021
	HK\$'M	HK\$'M
Profit from operations	28.8	139.7
Profit for the year	1.6	97.3
Other comprehensive loss	(2.1)	(2.3)
Total comprehensive (loss)/income	(0.5)	95.0

17. JOINT VENTURES (Continued)

Notes: (Continued)

- (b) Loans to joint ventures are unsecured and approximate their fair value. Other than loans of HK\$183.4M (2021: HK\$262.4M) which bear interest at a fixed rate of 2.9% to 4.3% (2021: 2.9% to 4.3%) per annum, the remaining balances are interest free.

They are denominated in the following currencies:

	2022 HK\$'M	2021 HK\$'M
HK dollars	2,701.8	2,604.6
UK pounds	911.7	1,000.8
Malaysian Ringgits	207.0	218.2
	3,820.5	3,823.6
Analysed as		
Non-current	3,802.2	3,787.6
Current (Note 23)	18.3	36.0
	3,820.5	3,823.6

18. ASSOCIATES

	2022 HK\$'M	2021 HK\$'M
Share of net assets (Note b)	24.7	26.1
Loans to associates (Note c)	22.4	22.4
	47.1	48.5

Notes:

- (a) Details of the principal associates at 31 December 2022 are as follows:

Name of associate	Place of incorporation/ operation	Attributable proportion of issued capital held by the Company indirectly	Principal activities
China Merchants International Cold Chain (Shenzhen) Company Ltd.	People's Republic of China	30%	Cold storage

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

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18. ASSOCIATES (Continued)

Notes: (Continued)

- (b) Aggregate information of the Group's share of revenue, results, and net assets of its associates that are not individually material to the Group:

	2022 HK\$'M	2021 HK\$'M
Revenue	24.2	24.6
Profit for the year	1.2	1.8
Other comprehensive (loss)/income	(2.5)	1.0
Total comprehensive (loss)/income	(1.3)	2.8
Net assets	24.7	26.1

- (c) Loans to associates are unsecured and not repayable within one year. All balances as at 31 December 2022 and 2021 are interest free.

They are denominated in the following currencies:

	2022 HK\$'M	2021 HK\$'M
Renminbi	22.4	22.4

As at 31 December 2022, no impairment has been made (2021: Nil) in respect of an aggregate loan amount with principal balance of HK\$22.4M (2021: HK\$22.4M).

19. FINANCIAL INVESTMENTS AT AMORTISED COST

	2022 HK\$'M	2021 HK\$'M
Corporate bonds and US treasury bills (Note a and b)	740.4	715.7
	740.4	715.7
Analysed as		
Non-current	656.1	375.7
Current	84.3	340.0
	740.4	715.7
Market value	685.9	679.1

The market value was determined by reference to published price quotations in an active market. They are classified as Level 1 in the fair value hierarchy.

19. FINANCIAL INVESTMENTS AT AMORTISED COST (Continued)

Notes:

- (a) At 31 December 2022, the corporate bonds with maturity within one year are HK\$84.3M (2021: HK\$340.0M) which carry fixed coupon rates ranging from 2.5% to 6.0% (2021: 2.8% to 7.1%). The corporate bonds and US treasury bills with maturity between one and two years are HK\$354.7M (2021: HK\$71.7M) which carry fixed coupon rates ranging from 0.8% to 6.0% (2021: 2.5% to 5.8%). The corporate bonds with maturity between two and five years are HK\$277.2M (2021: HK\$279.8M) which carry fixed coupon rates ranging from 2.0% to 5.5% (2021: 2.4% to 5.5%). The corporate bonds with maturity over five years are HK\$24.2M (2021: HK\$24.2M) which carry fixed coupon rates ranging from 4.1% to 4.5% (2021: 4.1% to 4.5%).

At 31 December 2022, listed corporate bonds are HK\$594.8M (2021: HK\$705.4M), unlisted corporate bonds are HK\$28.0M (2021: HK\$10.3M) and listed US treasury bills are HK\$117.6M (2021: Nil).

- (b) The financial investments at amortised cost are denominated in the following currencies:

	2022	2021
	HK\$'M	HK\$'M
United States dollars	728.1	699.4
HK dollars	12.3	16.3
	740.4	715.7

20. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	2021
	HK\$'M	HK\$'M
REIT investments listed overseas (Note a)	330.5	362.9
Listed debt securities (Note b)	248.3	264.4
Unlisted fund investments (Note c)	107.3	–
Others	0.3	0.5
	686.4	627.8
Analysed as		
Non-current	579.1	627.8
Current	107.3	–
	686.4	627.8

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20. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Notes:

- (a) The Real Estate Investment Trust (“REIT”) investments mainly represent the Group’s investment in Suntec Real Investment Trust, which is incorporated and listed in Singapore.
- (b) The listed debt securities represent the Group’s investment in perpetual bonds with fixed interest at rates ranging from 1.6% to 7.1% (2021: 1.6% to 7.9%).
- (c) Unlisted fund investments represent money market funds held with licensed banks with interest rates ranging from 4.4% to 4.5% (2021: Nil).
- (d) The Group classifies the following financial investments at FVPL:
- Debt investments that do not qualify for measurement at either amortised cost (Note 19) or FVOCI,
 - Equity investments that are held for trading, and
 - Equity investments for which the Group has not elected to recognise fair value gains and losses through OCI.
- (e) The financial investments at fair value through profit or loss are denominated in the following currencies:

	2022 HK\$’M	2021 HK\$’M
Singapore dollars	330.9	363.4
United States dollars	336.5	224.2
Hong Kong dollars	19.0	40.2
	686.4	627.8

- (f) The maximum exposure to credit risk at the balance sheet date is the fair value of each class of financial investments mentioned above.

21. OTHER NON-CURRENT ASSETS/OTHER CURRENT ASSETS

	2022 HK\$’M	2021 HK\$’M
Mortgage loan receivables		
– at fair value through profit or loss	753.4	1,638.1
– at amortised cost (Note a)	77.4	154.2
	830.8	1,792.3
Analysed as		
Non-current	247.7	585.4
Current	583.1	1,206.9
	830.8	1,792.3

Mortgage loan receivables are advances to purchasers of development properties of the Group and are secured by first mortgages on the related properties. The Group has not provided any impairment loss for its mortgage loan receivables during the year (2021: Nil).

Note:

- (a) The fair value of mortgage loans receivables approximate their carrying amounts.

22. PROPERTIES FOR SALE

	2022	2021
	HK\$'M	HK\$'M
Properties for/under development held for sale (Note)	2,843.6	5,080.8
Completed properties	895.8	621.2
	3,739.4	5,702.0

Note:

The amount of properties for/under development held for sale includes impairment provision of HK\$104.4M. The amount of properties for/under development held for sale expected to be recovered within one year is Nil (2021: HK\$2,223.5M). The amount of properties for/under development held for sale expected to be recovered after more than one year is HK\$2,843.6M (2021: HK\$2,857.3M).

23. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022	2021
	HK\$'M	HK\$'M
Trade receivables (Note b to d)	16.3	16.3
Deferred rent receivables	14.8	15.8
Amounts due from joint ventures (Note f)	12.3	6.9
Loans to joint ventures (Note f and 17(b))	18.3	36.0
Contract assets (Note g)	3.7	109.8
Other receivables, deposits and prepayments (Note h)	128.3	79.7
	193.7	264.5

Notes:

- (a) The fair values of trade and other receivables, deposits and prepayments approximate their carrying amounts.
- (b) The Group allows different credit periods to its customers. Credit periods vary from 30 to 90 days in accordance with industry practice. Sales proceeds receivable from sale of properties are settled in accordance with the terms of respective contracts. The following is an ageing analysis of the Group's trade receivables (net of provision) at 31 December, based on the invoice dates:

	2022	2021
	HK\$'M	HK\$'M
0 – 30 days	11.2	10.2
31 – 90 days	3.1	2.6
Over 90 days	2.0	3.5
	16.3	16.3

- (c) As of 31 December 2022, HK\$7.6M of the trade receivables was impaired (2021: HK\$10.9M).

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For the year ended 31 December 2022

23. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Notes: (Continued)

(d) The trade receivables (net of provision) are denominated in the following currencies:

	2022 HK\$'M	2021 HK\$'M
HK dollars	11.6	6.9
Renminbi	3.2	5.1
Other currencies	1.5	4.3
	16.3	16.3

(e) The maximum exposure to credit risk at the balance sheet date is the fair value of each class of receivables mentioned above.

(f) Amounts due from and loans to joint ventures are unsecured and repayable on demand. As at 31 December 2022 and 2021, all balances were interest free.

(g) It mainly represents sales commissions incurred for obtaining property sales contracts.

(h) At 31 December 2022, none of the other receivables and deposits was past due nor contained impaired assets (2021: Nil).

24. DERIVATIVE FINANCIAL INSTRUMENTS

	2022		2021	
	Assets HK\$'M	Liabilities HK\$'M	Assets HK\$'M	Liabilities HK\$'M
Interest rate swap contracts (Note)				
– not qualifying as hedges	230.8	–	59.0	(12.9)
	230.8	–	59.0	(12.9)
Cross currency swap contracts (Note)				
– cash flow hedges	–	–	–	(105.0)
– net investment hedges	19.9	–	11.5	–
– not qualifying as hedges	48.8	(0.9)	11.7	(1.4)
	68.7	(0.9)	23.2	(106.4)
Forward exchange contracts (Note)				
– net investment hedges	91.3	–	24.5	–
– not qualifying as hedges	0.7	(0.8)	0.9	–
	92.0	(0.8)	25.4	–
	391.5	(1.7)	107.6	(119.3)
Analysed as				
Non-current	309.3	–	98.8	(2.3)
Current	82.2	(1.7)	8.8	(117.0)
	391.5	(1.7)	107.6	(119.3)

24. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Note:

The notional amounts of derivative financial instruments outstanding at 31 December were as follows:

	2022 HK\$'M	2021 HK\$'M
Interest rate swap contracts	1,500.3	1,558.0
Cross currency swap contracts	1,131.2	2,207.3
Forward exchange contracts	963.2	984.6

The portion of changes in fair value of derivative financial instruments not qualified as hedges are recognised in the consolidated income statement and amounted to gain of HK\$224.2M (2021: HK\$43.6M).

Maturity date of derivative financial instruments ranges from February 2023 to July 2030 (2021: January 2022 to July 2030).

At 31 December 2022, the fixed interest rates under interest rate swap contracts ranges from 0.8% to 1.9% (2021: 0.8% to 1.9%) per annum and the floating rate is Sterling Overnight Index Average (SONIA) and Hong Kong Interbank Offered Rate (HIBOR). The effective portion of gains and losses on interest rate swap contracts qualifying for hedge accounting are recognised in the hedging reserve in equity and are released to the consolidated income statement to match relevant interest payments which are mainly calculated using SONIA or HIBOR upon maturity.

At 31 December 2022, forward rate under forward exchange contracts mainly on GBP/HKD ranges from 9.9 to 10.9 (2021: 10.7 to 10.9) and GBP/USD is 1.4 (2021: 1.4) and hedged rate under cross currency swap contracts mainly on SGD/HKD of 5.7 (2021: ranges from 5.7 to 6.3).

The Group's reserves related to the following hedging instruments:

	Cash flow hedge reserve HK\$'M	Net investment hedge reserve HK\$'M	Share of hedging reserve of a joint venture HK\$'M	Total HK\$'M
At 1 January 2022	(10.9)	39.9	–	29.0
Change in fair value of hedging instruments recognised in OCI	(28.0)	104.7	–	76.7
Change in value of hedged items	38.1	(2.3)	–	35.8
Others	0.8	0.8	–	1.6
At 31 December 2022	–	143.1	–	143.1
At 1 January 2021	(15.0)	17.2	(0.6)	1.6
Change in fair value of hedging instruments recognised in OCI	(11.6)	21.9	–	10.3
Change in value of hedged items	15.7	0.4	–	16.1
Others	–	0.4	0.6	1.0
At 31 December 2021	(10.9)	39.9	–	29.0

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For the year ended 31 December 2022

25. SALES PROCEEDS HELD IN STAKEHOLDERS' ACCOUNTS

The balances represent property sale proceeds received, monitored by external solicitors and are restricted in use. They are denominated in HK dollars. The carrying amounts of the balances approximate their fair values.

26. BANK BALANCES AND CASH

Cash and cash equivalents for the purpose of the consolidated cash flow statement include the following:

	2022 HK\$'M	2021 HK\$'M
Bank balances and cash	2,240.5	1,465.5
Less: Deposits with maturity of more than three months	(1,127.2)	–
Cash and cash equivalents in consolidated cash flow statement	1,113.3	1,465.5

Bank balances and cash include short-term bank time deposits of HK\$422.9M (2021: HK\$848.9M) with an average interest rate of 4.5% (2021: 0.6%) per annum.

Cash and short-term deposits of HK\$24.3M (2021: HK\$25.6M) are held in the PRC and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividend.

The Group's bank balances and cash are denominated in the following currencies:

	2022 HK\$'M	2021 HK\$'M
HK dollars	2,111.0	1,211.6
US dollars	45.0	173.3
Renminbi	39.3	37.6
UK pounds	25.0	28.5
Singapore dollars	20.2	14.5
	2,240.5	1,465.5
Maximum exposure to credit risk	2,240.1	1,465.2

27. TRADE AND OTHER PAYABLES AND ACCRUALS

	2022	2021
	HK\$'M	HK\$'M
Trade payables (Note b and c)	16.6	9.7
Contract liabilities (Note a)	45.8	2,341.0
Rental deposits received	155.5	163.7
Construction costs payable	260.7	158.4
Amounts due to joint ventures (Note e)	74.4	73.5
Amount due to an associate (Note e)	2.0	2.0
Other payables and accruals (Note d)	328.1	403.9
	883.1	3,152.2

Notes:

- (a) It represents sales deposits received from property sales.
- (b) The ageing analysis of the Group's trade payables based on invoice date at 31 December is as follows:

	2022	2021
	HK\$'M	HK\$'M
0 – 30 days	16.3	6.2
31 – 90 days	0.3	3.3
Over 90 days	–	0.2
	16.6	9.7

The carrying values of the Group's trade and other payables approximate their fair values.

- (c) All trade payables are denominated in HK dollars.
- (d) Included in other payables and accruals are balances of HK\$24.4M (2021: HK\$30.9M) and HK\$19.0M (2021: HK\$20.5M) which are denominated in UK pounds and Renminbi respectively. The remaining balances are mainly denominated in HK dollars.
- (e) Amounts due to joint ventures and an associate are unsecured, interest-free and repayable on demand.

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For the year ended 31 December 2022

28. BANK AND OTHER BORROWINGS

	2022 HK\$'M	2021 HK\$'M
Bank borrowings (Note a)	5,537.8	4,602.4
Fixed rate bonds (Note b)	683.7	1,664.9
Loans from non-controlling interests (Note c)	506.1	537.0
	6,727.6	6,804.3

The maturity of the bank and other borrowings are as follows:

	2022 HK\$'M	2021 HK\$'M
Within one year	2,550.5	3,458.1
Between one and two years	1,197.7	1,345.1
Between two and five years	2,979.4	1,755.2
After five years	–	245.9
	6,727.6	6,804.3
Less: Amounts due within one year shown under current liabilities	(2,550.5)	(3,458.1)
Amounts due after one year	4,177.1	3,346.2
Analysed as		
Secured	3,363.6	2,047.2
Unsecured	3,364.0	4,757.1
	6,727.6	6,804.3

The carrying amounts of the bank and other borrowings are denominated in the following currencies:

	2022 HK\$'M	2021 HK\$'M
HK dollars	6,032.1	5,044.8
Singapore dollars	–	983.0
UK pounds	657.2	727.5
Renminbi	38.3	49.0
	6,727.6	6,804.3

28. BANK AND OTHER BORROWINGS (Continued)

Notes:

- (a) Bank facilities are secured by certain properties and financial investments at amortised cost of the Group amounting to HK\$7,711.6M (2021: HK\$4,600.0M) (Note 39). The bank borrowings bear interests at floating interest rates.
- (b) Details of the Group's fixed rate bonds at 31 December 2022 are as follows:

Principal amount	Coupon rate per annum	Coupon payment term	Issue date	Maturity date	Note
HK\$480 million	3.95%	quarterly basis	25 January 2013	25 January 2023	–
HK\$100 million	3.80%	quarterly basis	24 May 2013	24 May 2023	(e)
HK\$100 million	4.50%	quarterly basis	27 November 2014	27 November 2024	–

All the above fixed rate bonds are guaranteed by the Company.

During the year, SGD170M at a fixed rate of 4.25% bond which matured in November 2022 was fully redeemed.

- (c) At 31 December 2022, loans from non-controlling interests of HK\$479.8M (2021: HK\$483.6M) bear interest at a fixed rate of 1.3% to 4.1% (2021: 1.3% to 4.1%), the remaining balances are interest free.
- (d) At 31 December 2022 and 2021, the bank and other borrowings have an average effective interest rate of 3.1% (2021: 2.1%) per annum.
- (e) As at 31 December 2022 and 2021, the Group had cross currency swap arrangements with a bank to swap the fixed rate bonds of principal HK\$100M and the relevant interest payments to UK pounds to match the currency exposures of one of the Group's UK investments.
- (f) The carrying amounts of fixed rate bonds approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

29. DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and where the deferred taxation relates to the same fiscal authority. The amounts shown on the consolidated balance sheet are as follows:

	2022 HK\$'M	2021 HK\$'M
Deferred tax liabilities	378.9	385.1
Deferred tax assets	(8.0)	(17.6)
	370.9	367.5

The gross movements of the deferred tax liabilities/(assets) recognised are as follows:

	Tax depreciation HK\$'M	Revaluation of properties HK\$'M	Tax losses HK\$'M	Others HK\$'M	Total HK\$'M
At 1 January 2022	262.3	144.7	(47.0)	7.5	367.5
Exchange adjustments	(0.3)	(11.3)	0.4	–	(11.2)
Charge/(credit) to the consolidated income statement for the year (Note 11)	15.4	6.0	(1.6)	(5.2)	14.6
At 31 December 2022	277.4	139.4	(48.2)	2.3	370.9
At 1 January 2021	241.5	137.3	(48.5)	5.0	335.3
Exchange adjustments	–	3.5	–	–	3.5
Charge to the consolidated income statement for the year (Note 11)	20.8	3.9	1.5	2.5	28.7
At 31 December 2021	262.3	144.7	(47.0)	7.5	367.5

At 31 December 2022, the Group has unused tax losses and other temporary differences of approximately HK\$1,466.8M (2021: HK\$1,381.7M) available for offset against future profits. Deferred tax asset has been recognised in respect of HK\$295.1M (2021: HK\$287.6M) of such unused tax losses for which the realisation of the related tax benefit through the future taxable profits is probable. No deferred tax asset has been recognised in respect of the remaining tax losses and other temporary differences of HK\$1,171.7M (2021: HK\$1,094.0M) due to the unpredictability of future profit streams of some of the subsidiaries. Included in unrecognised tax losses are losses of HK\$11.9M (2021: HK\$2.1M) that will expire in the next five years. Other losses may be carried forward indefinitely.

At 31 December 2022 and 2021, there was no significant unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

Deferred taxation at the balance sheet date is mainly expected to be realised or settled after more than 12 months.

30. CASH FLOW INFORMATION

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank borrowings HK\$'M (Note 28)	Fixed rate bonds HK\$'M (Note 28)	Loan from non- controlling interests HK\$'M (Note 28)	Other long-term liability HK\$'M (Note 31)	Derivative financial instruments HK\$'M (Note 24)	Total HK\$'M
As at 1 January 2022	4,602.4	1,664.9	537.0	32.8	11.7	6,848.8
Net financing cash inflow/(outflows)	1,036.9	–	(46.9)	–	(101.5)	888.5
Net fair value gain on derivative financial instruments	–	–	–	–	(224.2)	(224.2)
Change in fair value of hedging instruments recognised in OCI	–	–	–	–	(76.7)	(76.7)
Gain on financial liabilities at fair value through profit or loss classified under long-term liability	–	–	–	(20.1)	–	(20.1)
Exchange differences	(77.4)	(38.1)	–	–	0.9	(114.6)
Redemption on fixed rate bonds	–	(943.0)	–	–	–	(943.0)
Others	(24.1)	(0.1)	16.0	(1.7)	–	(9.9)
As at 31 December 2022	5,537.8	683.7	506.1	11.0	(389.8)	6,348.8
As at 1 January 2021	2,245.9	1,878.6	255.1	48.4	79.0	4,507.0
Net financing cash inflow/(outflows)	2,354.9	–	274.9	–	(13.4)	2,616.4
Net fair value gain on derivative financial instruments	–	–	–	–	(43.6)	(43.6)
Change in fair value of hedging instruments recognised in OCI	–	–	–	–	(10.3)	(10.3)
Gain on financial liabilities at fair value through profit or loss classified under long-term liability	–	–	–	(14.0)	–	(14.0)
Exchange differences	4.7	(15.6)	–	–	–	(10.9)
Redemption on fixed rate bonds	–	(200.0)	–	–	–	(200.0)
Others	(3.1)	1.9	7.0	(1.6)	–	4.2
As at 31 December 2021	4,602.4	1,664.9	537.0	32.8	11.7	6,848.8

Major non-cash transactions

Non-cash investing activity relating to addition to investment properties is disclosed in Note 7 and Note 15.

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For the year ended 31 December 2022

31. OTHER LONG-TERM LIABILITY

Other long-term liability represents provision for liabilities in relation to indemnifying the purchaser against the cost of winding up the pension scheme of Gieves & Hawkes Group in the disposal of Gieves & Hawkes Group in 2012. The amount is measured at fair value and the key assumptions include investment return of 3.3% (2021: 0.7%), price inflation of 3.3% (2021: 3.3%), pension increases of 2.9% to 6.3% (2021: 2.7% to 6.5%) and a number of demographic assumptions have been used in the fair value estimates. There is unconditional right to defer payment for more than 12 months.

32. SHARE CAPITAL

	Number of ordinary shares of HK\$0.50 each	Amount HK\$'M
Authorised:		
At 1 January 2021, 31 December 2021 and 31 December 2022	2,000,000,000	1,000.0
Issued and fully paid:		
At 1 January 2022	1,354,742,279	677.4
Issue of shares on exercise of share options (Note 34)	1,229,000	0.6
At 31 December 2022	1,355,971,279	678.0
At 1 January 2021	1,354,530,279	677.3
Issue of shares on exercise of incentive shares (Note 34)	212,000	0.1
At 31 December 2021	1,354,742,279	677.4

33. PERPETUAL CAPITAL SECURITIES

Under the US\$1 billion Medium Term Note Programme, Wing Tai Properties (Finance) Limited, a wholly-owned subsidiary of the Group, issued S\$260 million 4.35% unrated senior guaranteed perpetual capital securities (the "Securities") which are listed on Singapore Exchange Securities Trading Limited in 2017.

The Group accounted for the Securities as equity instruments pursuant to HKFRSs issued by the HKICPA for the purposes of the Group's consolidated financial statements.

34. SHARE OPTION PLAN AND SHARE INCENTIVE SCHEME

- (a) On 27 October 2015, the Company adopted a Share Option Plan ("Share Option Plan"), under which, the Board of Directors of the Company (the "Board") or a duly authorised committee thereof (the "Committee"), may in its absolute discretion, grant options to any eligible participants to subscribe for shares of the Company.

In accordance with the requirements of the Listing Rules, a summary of the Share Option Plan is set out below:

- i) Purpose

The purpose of the Share Option Plan is to facilitate the grant of options over shares by the Company to persons selected at the discretion of the Board in order to incentivise and retain such persons.

34. SHARE OPTION PLAN AND SHARE INCENTIVE SCHEME (Continued)

(a) (Continued)

In accordance with the requirements of the Listing Rules, a summary of the Share Option Plan is set out below:
(Continued)

ii) Participants

The Board or the Committee may determine at its sole discretion, on a general or case-by-case basis, a person is eligible to be granted an option if he is a director, employee, officer, consultant, former director, former employee, former officer or former consultant of any member of the Group.

iii) Total number of shares available for issue

As at the date of this annual report, the total number of shares available for issue in respect of which options may be granted under the Share Option Plan is 103,498,252, representing approximately 7.6% of the shares in issue as at that date.

iv) Maximum entitlement of each participant

Subject always to the Listing Rules, the total number of shares issued and to be issued upon exercise of share options granted and to be granted to each participant (including both exercised and outstanding share options) in any 12-month period must not exceed 1% of the shares in issue.

v) Period within which the option may be exercised by the grantee

Any options granted but not exercised within the exercise period should be cancelled. The exercise period in relation to an option is the period which starts on the vesting date and ends on the day before the tenth anniversary of the date of grant unless the Board or the Committee sets a shorter period at the time of grant.

vi) The vesting period of options granted

The Share Option Plan does not specify a vesting period for which an option must be held before it can be exercised but the vesting period of the options granted under the Share Option Plan is at least 12 months from the date of grant.

vii) Offer and acceptance

Options granted must be accepted within 28 days from the date of grant. A consideration of HK\$1 is payable on acceptance of the grant of options.

viii) Basis of determining the exercise price

The exercise price for an option shall be at least the higher of: (i) the closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of grant; and (ii) the average closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange for the five trading days immediately preceding the date of grant.

ix) Remaining life

The Share Option Plan will expire on 26 October 2025.

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34. SHARE OPTION PLAN AND SHARE INCENTIVE SCHEME (Continued)

(a) (Continued)

Details of the share options granted pursuant to the Share Option Plan during the year are as follows:

	Date of grant	Exercise price per share options HK\$	Number of share options				
			As at 1.1.2022	Granted during the year	Exercised during the year	Cancelled/lapsed during the year	As at 31.12.2022
Director							
CHENG Wai Chee, Christopher	27.3.2018	6.10	667,500	-	-	-	667,500
	23.1.2019	5.766	1,000,000	-	-	-	1,000,000
	17.1.2020	5.17	1,077,000	-	-	-	1,077,000
	19.1.2021	3.69	1,421,000	-	(355,250)	-	1,065,750
	18.1.2022	4.342	-	1,207,000	-	-	1,207,000
CHENG Wai Sun, Edward	27.3.2018	6.10	667,500	-	-	-	667,500
	23.1.2019	5.766	1,000,000	-	-	-	1,000,000
	17.1.2020	5.17	1,077,000	-	-	-	1,077,000
	19.1.2021	3.69	1,421,000	-	(355,250)	-	1,065,750
	18.1.2022	4.342	-	1,207,000	-	-	1,207,000
CHOW Wai Wai, John	27.3.2018	6.10	120,000	-	-	-	120,000
	23.1.2019	5.766	177,000	-	-	-	177,000
	17.1.2020	5.17	206,000	-	-	-	206,000
	19.1.2021	3.69	267,000	-	(66,750)	-	200,250
	18.1.2022	4.342	-	227,000	-	-	227,000
NG Kar Wai, Kenneth	27.3.2018	6.10	30,750	-	-	-	30,750
	23.1.2019	5.766	382,000	-	-	-	382,000
	17.1.2020	5.17	390,000	-	-	-	390,000
	19.1.2021	3.69	536,000	-	(134,000)	-	402,000
	18.1.2022	4.342	-	443,000	-	-	443,000
Employees							
	27.3.2018	6.10	603,000	-	-	-	603,000
	23.1.2019	5.766	935,000	-	-	-	935,000
	17.1.2020	5.17	922,000	-	-	-	922,000
	19.1.2021	3.69	1,271,000	-	(317,750)	-	953,250
	18.1.2022	4.342	-	1,086,000	-	-	1,086,000
Total			14,170,750	4,170,000	(1,229,000)	-	17,111,750

The Share Option Plan shall be valid and effective for a period of 10 years commencing from its date of adoption. The Company will provide subscription money to the option holders in the event that they exercise their share options when the closing market price of the Company's shares on the exercise day is equal to or higher than the exercise price of share options concerned. During the year ended 31 December 2021, 4,916,000 share options were granted and no share options were exercised.

34. SHARE OPTION PLAN AND SHARE INCENTIVE SCHEME (Continued)

(b) Fair values of share options granted

The fair values of share options granted during the year ended 31 December 2022 are determined using the Binominal Model (the "Model"). Key assumptions of the Model are as follows:

Risk-free rate	1.81%
Expected dividend yield	6.35%
Expected volatility of the market price of the Company's shares	23.58%
Expected life	10 years from the date of grant
Estimated fair value per share option	HK\$0.37

The Model requires the input of subjective assumptions, including the volatility of share price. Because changes in subjective assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of share options.

(c) Under a Share Incentive Scheme approved by shareholders of the Company on 17 June 2005 ("Share Incentive Scheme"), the Board of Directors of the Company or a duly authorised committee thereof had made offers of awards to selected employees (including executive directors of the Company) of the Group ("Eligible Employees") to subscribe in cash at par for shares of the Company. The Company will provide to the Eligible Employees the funds required to subscribe for the shares issued under the Share Incentive Scheme.

The Share Incentive Scheme expired on 16 June 2015 and no further incentive shares can be granted under the Share Incentive Scheme but the provisions of the Share Incentive Scheme remain in full force and effect in all other respects in relation to the incentive shares granted. All outstanding incentive shares granted and yet to be vested and exercised shall remain valid. As at the date of this report, there was no share of the Company which may be issued pursuant to the Share Incentive Scheme.

The incentive shares awarded are subject to a vesting scale of 25%, 25% and 50% starting respectively from the first anniversary, the second anniversary and the third anniversary of the date of award. All the incentive shares awarded shall be valid for ten years until the day before the tenth anniversary of the date of award.

During the year ended 31 December 2022, no incentive shares (2021: Nil) were awarded and no incentive shares (2021: 212,000) were vested and exercised.

The weighted average closing price of the shares immediately before the dates on which incentive shares were exercised was HK\$3.71 during the year ended 31 December 2021.

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35. RESERVES

Movements in the reserves of the Group are disclosed in the consolidated statement of changes in equity.

Nature and purpose of reserves

(a) **Share premium**

The application of the share premium account is governed by Section 40 of the Companies Act 1981 of Bermuda.

(b) **Hedging reserve**

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in Note 2(o).

(c) **Employee share-based compensation reserve**

The employee share-based compensation reserve comprises the cumulative value of employee services received for the grant of share options and incentive shares, which is transferred to share premium upon exercise of share options and incentive shares.

(d) **Other property revaluation reserve**

Other property revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings held for own use in Note 2(g).

(e) **Translation reserve**

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and gain or loss on the hedging instrument relating to the effective portion of the net investment hedge. The reserve is dealt with in accordance with the accounting policies set out in Note 2(f).

(f) **Contributed surplus**

The balance of contributed surplus of the Group arose as a result of gains on bargain purchases rising from changes in ownership interests in subsidiaries that do not result in a change of control, which is dealt with in accordance with the accounting policy in Note 2(b).

36. LEASES

As lessor

The Group's investment properties are held for rental purposes. Rental income is fixed and predetermined. The majority of the relevant tenancy periods range from 2 to 3 years. At 31 December 2022, the amount of future rental receivable of the Group by tenancy expiry date is analysed as follows:

	2022 HK\$'M	2021 HK\$'M
Within one year	506.6	487.6
Between one and two years	395.7	320.9
Between two and three years	192.5	245.4
Between three and four years	84.6	81.0
Between four and five years	29.2	19.8
Over five years	81.1	72.4
	1,289.7	1,227.1

37. COMMITMENTS

	2022	2021
	HK\$'M	HK\$'M
Expenditure in respect of investment properties		
– contracted but not provided for	32.3	41.1
– authorised but not contracted for	298.8	4.6
Expenditure in respect of other properties, plant and equipment		
– contracted but not provided for	–	2.1
Capital injection to joint ventures		
– contracted but not provided for	682.5	811.4
	1,013.6	859.2

38. CONTINGENT LIABILITIES AND FINANCIAL GUARANTEES

	2022	2021
	HK\$'M	HK\$'M
Guarantees given to banks in respect of bank facilities extend to joint ventures	4,943.6	5,260.4

At 31 December 2022, bank loans of HK\$4,135.3M (2021: HK\$4,231.0M) being guaranteed by the Group to joint ventures have been drawn down.

39. PLEDGE OF ASSETS

- (a) At 31 December 2022, the Group's advances to joint ventures of HK\$2,872.8M (2021: HK\$2,890.1M) were subordinated to loan facilities of joint ventures and assigned. The joint ventures are engaged in property development and property investment and management. The shares in these joint ventures beneficially owned by the Group are pledged to financial institutions.
- (b) At 31 December 2022, several of the Group's assets were pledged to secure credit facilities for the Group:

	2022	2021
	HK\$'M	HK\$'M
Investment properties	4,681.0	4,412.7
Other properties, plant and equipment	33.9	34.1
Properties for sale	2,739.5	–
Financial investments at amortised cost	257.2	153.2
	7,711.6	4,600.0

The credit facilities were utilised to the extent of HK\$3,363.6M (2021: HK\$2,047.2M).

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40. SIGNIFICANT RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions disclosed elsewhere in these financial statements, the Group had the following significant transactions with related parties during the year:

	2022 HK\$'M	2021 HK\$'M
Key management compensation (Note)		
Salaries and other benefits	(45.3)	(43.4)
Retirement benefits costs	(1.6)	(1.6)
Value of share options and incentive shares	(8.6)	(9.3)
	(55.5)	(54.3)
Interest income from loans to and amounts due from joint ventures	7.5	9.1
Interest expenses for loans from non-controlling interests	(16.0)	(6.9)
Management fee income from a joint venture	2.0	1.7
Project management fee income from a joint venture	19.8	16.8
Property rental income from a substantial shareholder of the Company	4.9	5.1
Sales and marketing service fee income from joint ventures	–	2.2
Serviced apartment management and license fee income from a joint venture	1.4	0.6
Serviced apartment management and license fee income from a substantial shareholder of the Company	2.2	2.4

These transactions were carried out on terms mutually agreed between the parties involved.

The related party transactions in respect of serviced apartment management and license fee income from a joint venture and a substantial shareholder of the Company and property rental income from a substantial shareholder of the Company as stated above constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules. These related party transactions that constituted continuing connected transactions have complied with the disclosure requirements under Chapter 14A of the Listing Rules and details of which are provided in the section headed "Connected Transactions" in the Directors' Report.

Note:

Key management personnel represents the directors of the Group and their remunerations are set out in Note 9(a).

- (b) Outstanding balances with these related parties at the balance sheet dates are:

	2022 HK\$'M	2021 HK\$'M
Non-current loans to joint ventures (Note 17(b))	3,802.2	3,787.6
Current loans to joint ventures (Note 23)	18.3	36.0
Amounts due from joint ventures (Note 23)	12.3	6.9
Amounts due to joint ventures (Note 27)	74.4	73.5
Non-current loans to associates (Note 18)	22.4	22.4
Amount due to an associate (Note 27)	2.0	2.0

Details of loans repaid during the year are disclosed in the consolidated cash flow statement.

41. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	At 31 December	
	2022	2021
	HK\$'M	HK\$'M
ASSETS AND LIABILITIES		
Non-current assets		
Interests in subsidiaries	8,707.6	9,076.5
Current assets		
Other receivables and prepayments	2.4	0.3
Bank balances and cash	33.6	33.3
	36.0	33.6
Current liabilities		
Other payables	6.2	6.6
NET ASSETS	8,737.4	9,103.5
EQUITY		
Share capital	678.0	677.4
Reserves	Note 8,059.4	8,426.1
TOTAL EQUITY	8,737.4	9,103.5

The balance sheet of the Company was approved by the Board of Directors on 23 March 2023 and was signed on its behalf by:

Cheng Wai Sun, Edward
DIRECTOR

Ng Kar Wai, Kenneth
DIRECTOR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

41. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note:

Reserve movement of the Company

	Share premium HK\$'M	Employee share-based compensation reserve HK\$'M	Retained profits HK\$'M	Total HK\$'M
At 1 January 2022	3,336.5	41.4	5,048.2	8,426.1
Value of employee services relating to grants of share options	–	11.6	–	11.6
Share options exercised	2.7	(3.3)	–	(0.6)
2021 final dividend paid	–	–	(284.8)	(284.8)
2022 interim dividend paid	–	–	(81.4)	(81.4)
Loss for the year	–	–	(11.5)	(11.5)
At 31 December 2022	3,339.2	49.7	4,670.5	8,059.4
At 1 January 2021	3,335.8	29.7	5,426.7	8,792.2
Value of employee services relating to grants of share options and incentive shares	–	12.5	–	12.5
Incentive shares exercised	0.7	(0.8)	–	(0.1)
2020 final dividend paid	–	–	(284.5)	(284.5)
2021 interim dividend paid	–	–	(81.3)	(81.3)
Loss for the year	–	–	(12.7)	(12.7)
At 31 December 2021	3,336.5	41.4	5,048.2	8,426.1

42. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2022 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued share capital/registered capital and issued debt securities	Attributable proportion of issued/registered capital held by the Company	Principal activities
Adam Knitters Limited	Hong Kong	HK\$1,000	100%	Property investment
Begin Land Limited	Hong Kong	HK\$90,000	100%	Property investment
Deluxe More Limited	Hong Kong	HK\$1	100%	Property investment
Cherrytime Investments Limited	British Virgin Islands	HK\$2,575,259	100%	Investment holding
Conventional Wisdom Limited	Hong Kong	HK\$1	100%	Property development
Creation Empire Limited	Hong Kong	HK\$1	100%	Property investment
Direct Sparkle Limited	British Virgin Islands	US\$1	100%	Treasury investment
East Sun Estate Management Company Limited	Hong Kong	HK\$200	100%	Property management
Fore Prosper Limited	Hong Kong	HK\$10	100%	Hospitality investment
Glory Charm Development Limited	Hong Kong	HK\$2	100%	Property holding
Grandeur Investments Limited	British Virgin Islands/ Hong Kong	US\$1	100%	Property investment
Green Lotus Limited	Hong Kong	HK\$1	100%	Property development
Hilwin Properties Limited	Hong Kong	HK\$450,000	100%	Investment holding and treasury investment
Honest Bond Limited	Hong Kong	HK\$1	100%	Property investment
Lanson Place Hospitality Management Limited	Hong Kong	HK\$2	100%	Provision of hospitality management services
Lanson Place Hospitality Management (Malaysia) Limited	British Virgin Islands	US\$1	100%	Investment holding and provision of hospitality management services
Lanson Place Hospitality Management (Singapore) Pte Limited	Singapore	S\$100	100%	Provision of hospitality management services
Lanson Place Hotels & Residences Limited	Hong Kong	HK\$1	100%	Licensing

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

42. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/operation	Issued share capital/registered capital and issued debt securities	Attributable proportion of issued/registered capital held by the Company	Principal activities
Lanson Place Hotels & Residences (Holdings) Limited	British Virgin Islands	US\$1	100%	Investment holding
Nation Smart Limited	British Virgin Islands/ United Kingdom	US\$10	100%	Property investment
New Ego Limited	British Virgin Islands/ United Kingdom	US\$1	100%	Property investment
Noble Castle Investments Limited	Hong Kong	HK\$1	100%	Property investment
Oasis Rainbow Limited	Hong Kong	HK\$1	100%	Property investment
Oberto Holdings Limited	British Virgin Islands/ Hong Kong	US\$1	100%	Property investment
Shang Tai Property Management Limited	Hong Kong	HK\$1	100%	Provision of property management services
Simply Right (Hong Kong) Limited	Hong Kong	HK\$1	100%	Property investment
Simply Right Properties Limited	Hong Kong	HK\$1	100%	Property investment
Smart Tycoon Limited	Hong Kong	HK\$1	70%	Property development
Sonic Start Limited	Hong Kong	HK\$1	100%	Provision of financing
Topworth Enterprises Limited	British Virgin Islands/ United Kingdom	US\$1	100%	Property investment
Value Castle Limited	Hong Kong	HK\$1	100%	Property development
Vision Wind Limited	Hong Kong	HK\$1	100%	Property investment
W Billion Management Limited	Hong Kong	HK\$10	80%	Property management
Wing Tai Properties Development Limited	Hong Kong	HK\$2	100%	Provision of property project management services
Wing Tai Properties Estate Agents Limited	Hong Kong	HK\$20	100%	Property agent
Wing Tai Properties Estate Management Limited	Hong Kong	HK\$2	100%	Property management

42. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Issued share capital/registered capital and issued debt securities	Attributable proportion of issued/registered capital held by the Company	Principal activities	Note
Wing Tai Properties Investment Limited	British Virgin Islands	US\$1	100%	Investment holding	1
Wing Tai Properties (B.V.I.) Limited	British Virgin Islands/ Hong Kong	US\$50,000	100%	Investment holding	1
Wing Tai Properties (Finance) Limited	British Virgin Islands/ Hong Kong	Ordinary shares US\$1 Fixed rate bonds HK\$680,000,000 & S\$260,000,000 Perpetual Capital Securities	100%	Provision of finance to group companies	
Wing Tai Properties (Hong Kong) Limited	Hong Kong	HK\$523,647,184	100%	Provision of finance to group companies	
Wing Tai Properties (International) Limited	British Virgin Islands	US\$1	100%	Investment holding	
Wing Tai Properties (Treasury) Limited	Hong Kong	HK\$1	100%	Provision of finance to group companies	
Winprop Pte. Ltd.	Singapore	S\$2	100%	Investment holding	
Wisdom Sign Limited	Hong Kong	HK\$1	85%	Property development	
WTP Investment Finance Limited	Hong Kong	HK\$2	100%	Provision of finance to group companies	
WTP Investment (Hong Kong) Limited	British Virgin Islands/ Hong Kong	US\$2	100%	Investment holding	
WTP Investment (Overseas) Limited	British Virgin Islands	US\$2	100%	Investment holding	
乳源冠麗製衣有限公司	People's Republic of China	HK\$20,000,000	100%	Property investment	2
乳源寶麗製衣有限公司	People's Republic of China	HK\$15,000,000	100%	Property investment	2
永泰富聯物業管理(北京)有限公司	People's Republic of China	US\$12,300,000	100%	Property investment	2
逸蘭公寓管理(上海)有限公司	People's Republic of China	US\$140,000	100%	Provision of hospitality management services	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

42. PRINCIPAL SUBSIDIARIES (Continued)

Notes:

- only Wing Tai Properties (B.V.I.) Limited and Wing Tai Properties Investment Limited are directly held by the Company.
- a wholly owned foreign enterprise established in the People's Republic of China.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

43. PRINCIPAL JOINT VENTURES

Details of the principal joint ventures at 31 December 2022 are as follows:

Name of joint venture	Place of incorporation/ operation	Attributable proportion of issued capital held by the Company indirectly	Principal activities
30 Gresham Street Limited	British Virgin Islands/ United Kingdom	50%	Property investment
Ace Glory Limited	Hong Kong	15%	Property development
Brave Sky Investments Limited	Hong Kong	50%	Property development
Brave Sky Mortgage Limited	Hong Kong	50%	Provision of mortgage financing
Bravo Partner Property Management Limited	Hong Kong	35%	Provision of property management services
Century Rise Limited	Hong Kong	15%	Property development
Champion Estate (HK) Limited	Hong Kong	50%	Property development
Crackerbox Limited	British Virgin Islands/ United Kingdom	33%	Property investment
HPREF Athene Investment S.à r.l.	Luxembourg/ United Kingdom	21%	Property investment
Kualiti Gold Sdn. Bhd.	Malaysia	50%	Hospitality investment
LPR 68 Limited	Hong Kong	35%	Provision of mortgage financing
Maplemount Limited	British Virgin Islands	25%	Investment holding
Mega Island Property Management Limited	Hong Kong	35%	Provision of property management services

43. PRINCIPAL JOINT VENTURES (Continued)

Name of joint venture	Place of incorporation/ operation	Attributable proportion of issued capital held by the Company indirectly	Principal activities
Pacific Bond Limited	Hong Kong	15%	Property development
Providence Bay Finance Company Limited	Hong Kong	15%	Provision of mortgage financing
Providence Bay Property Management Company Limited	Hong Kong	15%	Provision of property management services
Providence Peak Finance Company Limited	Hong Kong	15%	Provision of mortgage financing
Providence Peak Property Management Company Limited	Hong Kong	15%	Provision of property management services
Shatin 68 Limited	Hong Kong	35%	Provision of financing
Southwater Investments Limited	British Virgin Islands	50%	Investment holding for real estate operations
The Graces – Providence Bay Finance Company Limited	Hong Kong	15%	Provision of mortgage financing
The Graces – Providence Bay Property Management Company Limited	Hong Kong	15%	Provision of property management services

The above table lists the joint ventures of the Company which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other joint ventures would, in the opinion of the directors, result in particulars of excessive length.

MAJOR PROPERTIES HELD FOR INVESTMENT PURPOSES

At 31 December 2022

Address	Gross floor area	Lease expiry	Effective percentage holding	Particulars of occupancy as at 31 December 2022
Hong Kong				
Landmark East, 100 How Ming Street, Kwun Tong, Kowloon, Hong Kong (The Remaining Portion of Kwun Tong Inland Lot No. 242)	1,338,000 sq.ft.#	2047	100%	Let to outside parties as retail and office
Shui Hing Centre, 13 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5890)	186,800 sq.ft.#	2047	100%	Let to outside parties as workshop, canteen or godown
Lanson Place Causeway Bay, Hong Kong 133 Leighton Road, Causeway Bay, Hong Kong (Inland Lot No. 8774)	114,100 sq.ft.	2047	100%	Serviced apartment
Lanson Place Waterfront Suites, Hong Kong 1 Oi Tak Street, Shau Kei Wan, Hong Kong (Shau Kei Wan Inland Lot No. 854)	46,000 sq.ft.	2064	100%	Serviced apartment
Certain units of houses and apartments, Le Cap, 83 Lai Ping Road, Kau To, Sha Tin, New Territories, Hong Kong (Sha Tin Town Lot No. 565)	36,000 sq.ft.*	2063	100%	Let to outside parties as residence
Certain units of houses and apartments, La Vetta, 68 Lai Ping Road, Kau To, Sha Tin, New Territories, Hong Kong (Sha Tin Town Lot No. 567)	72,000 sq.ft.*	2062	100%	Let to outside parties as residence
161 agricultural lots, Lantau Island and Peng Chau, New Territories, Hong Kong	540,200 sq.ft.	2047	100%	Vacant
United Kingdom				
8-12 (even) Brook Street, London, United Kingdom	19,100 sq.ft.	Freehold	100%	Let to outside parties as retail and office
1 Savile Row/7 Vigo Street, London, United Kingdom	13,900 sq.ft.	Freehold	100%	Let to outside parties as retail and office
35 Berkeley Square, London, United Kingdom	7,900 sq.ft.	2139	100%	Let to outside parties as office

Address	Gross floor area	Lease expiry	Effective percentage holding	Particulars of occupancy as at 31 December 2022
10 Fleet Place, London, United Kingdom	192,300 sq.ft.	Freehold	25%	Let to outside parties as retail and office
3 Cavendish Square, London, United Kingdom	13,300 sq.ft.	Freehold	33%	Let to outside parties as office
30 Gresham Street, London, United Kingdom	403,600 sq.ft.	2178	50%	Let to outside parties as retail and office
66 Shoe Lane, London, United Kingdom	157,800 sq.ft.	2101	21%	Let to outside parties as retail and office
The People's Republic of China				
33 Units Tower 23, Central Park, No. 6 Chaoyangmenwai Road, Chaoyang District, Beijing, People's Republic of China	6,200 sq.m.	2074	100%	Let to outside parties as residence
Songtian Village, Hougongdu Town, Nationality Industrial Zone, Ruyuan County, Shaoguan City, Guangdong Province, People's Republic of China (Yue Fang Di Zheng Zi C0449085, C0449086 and C0449090)	9,100 sq.m.	2053	100%	Vacant
Songtian Village, Hougongdu Town, Nationality Industrial Zone, Ruyuan County, Shaoguan City, Guangdong Province, People's Republic of China (Yue Fang Di Zheng Zi C0449084, C0449087, C0449088 and C0449089)	13,600 sq.m.	2053	100%	Vacant
Others				
Lanson Place Bukit Ceylon, Kuala Lumpur Tower C, Verticas Residensi, 10 Jalan Ceylon, 52200 Kuala Lumpur, Malaysia (Parent Lot No. 1315, Section 57, Town and District of Kuala Lumpur, State of Wilayah Persekutuan K.L.)	18,600 sq.m.	Freehold	50%	Serviced apartment

it represents the marketing floor area

* it represents the saleable area

PROPERTIES FOR SALE

At 31 December 2022

Address	Nature of property	Available gross floor area at 31 December 2022	Effective percentage holding	Project status	Expected completion date
Completed properties for sale					
OMA OMA So Kwun Wat Road, Area 56 Tuen Mun, New Territories, Hong Kong (Tuen Mun Town Lot No. 497)	Residential	22,200 sq.ft.*	100%	Completed	Completed
OMA by the Sea Castle Peak Road – Tai Lam Tuen Mun, New Territories, Hong Kong (Tuen Mun Town Lot No. 523)	Residential	50,800 sq.ft.*	70%	Completed	Completed
Properties under development					
H18C of Gage Street/ Graham Street, Central Hong Kong (Inland Lot No. 9065)	Commercial and hotel	434,000 sq.ft.	50%	Foundation completed	2025
At the junction of Fan Kam Road and Castle Peak Road – Kwu Tung, Fanling, New Territories, Hong Kong (Fanling Lot No. 4076 in Demarcation District No. 91)	Residential	284,000 sq.ft.	85%	Ground investigation completed	2027
Hin Wo Lane, Sha Tin, New Territories, Hong Kong (Sha Tin Town Lot No. 643)	Residential	89,000 sq.ft.	50%	Ground investigation completed	2026

* it represents the saleable area

WING TAI PROPERTIES LIMITED

Incorporated in Bermuda with limited liability

永泰地產有限公司

於百慕達註冊成立之有限公司

