

KW 嘉華國際集團有限公司

K. WAH INTERNATIONAL HOLDINGS LIMITED

於百慕達註冊成立之有限公司 Incorporated in Bermuda with limited liability

Stock code 股份代號 00173

Delivering Value with
Distinctive Quality

建優創值 力臻恆遠



ANNUAL
REPORT
2022年報



OUR MISSION

It is our mission to focus on customer needs and pursue the spirit of excellence with quality products and services through our commitment to research, design and value creation. With vision, perseverance and teamwork, we strive to provide shareholders with the best return on their investment.



CORPORATE PROFILE

K. Wah International Holdings Limited ("KWIH" or "the Group", stock code: 00173) is the listed property arm of K. Wah Group. With a strong foothold established in Hong Kong, KWIH has grown and prospered into a leading integrated developer and investor of exquisite and niche projects, with a strategic focus on Hong Kong, the Yangtze River Delta and Pearl River Delta regions.

Committed to delivering premium projects built to an uncompromising standard of quality, our portfolio of large-scale residential communities and comprehensive development undertakings such as premium residential developments, Grade-A office towers, hotel, serviced apartments and retail premises are truly one-of-a-kind. Each of our properties boasts a perfect interplay of superb design, delicate craftsmanship, top-notch facilities and innovative features, thanks to a team of seasoned professionals. That is also why we are honoured with a host of international accolades, besides earning a reputed name for impeccable living.

Cresleigh Property, the property management arm of the Group, delivers exceptional hotel serviced property management services guided by advanced and international standards in general to premium residential buildings, commercial facilities, office towers and real estate complexes.

Sharing the common vision of excellence and sustainability, we go beyond both in the projects we develop and the communities we help grow and cultivate. We have always been a trend-setter pioneering unique and sophisticated lifestyle, embracing customers' needs and creating added value in the projects we undertake as a premier brand.

Taking pride in our track record and strong financial capability, guided by the spirit of prudence and excellence, we will continue to adopt a progressive strategy with a disciplined approach in land acquisition, in strive for setting ever higher standards of quality living spaces and delivering long term shareholder value.

企業使命

秉承以客為本及追求卓越之精神，不斷透過研究、設計及創造價值，恪守不屈不撓、群策群力及具遠見之經營理念，為客戶提供優質產品及服務，並為股東帶來理想投資回報。

公司簡介

嘉華國際集團有限公司（「嘉華國際」或「集團」；股份代號：00173）為嘉華集團旗下之房地產業務旗艦，創立並紮根於香港，至今已發展成以香港、長三角及珠三角地區為策略據點之綜合發展商及投資者，所開發之項目均以品精質優見稱。

嘉華國際擅長於開發優質物業，由旗下專業團隊所拓展之項目涵蓋大型住宅社區、綜合城市發展項目，其中包括優質住宅、甲級寫字樓、酒店、服務式公寓及特色商舖，物業皆匠心獨運，揉合特色設計、精湛技術、頂尖設備及創新元素於一身，多年來物業質素備受市場認同，建築及設計屢獲國際殊榮。

集團旗下的嘉英物業以先進的管理理念和國際高端精品酒店的營運模式，為物業提供專業及優質的管理服務，其服務類型涵蓋主流及高端住宅、商業設施、寫字樓和房地產綜合體。

集團以締造理想和諧的生活國度為發展宗旨，因地制宜，不僅用心傳承「嘉華」的優質品牌內涵，更以臻善創新的意念打造別樹一幟的物業，塑造現代生活新標準，切合家需要的同時，亦為物業注入長遠價值。

憑藉資深經驗及雄厚財政實力，嘉華國際將繼續以審慎進取的策略，物色具潛力的土地，竭誠為客戶打造優質的生活空間，為股東帶來長遠而持續的回報。



Company website

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K. SUMMIT
HONG KONG

KSUMMIT 嘉峯匯

Achievements

K. Wah International Holdings Limited

- BCI Asia Hong Kong's Top 10 Developers 2022
- Best Real Estate Development of Guangdong — Hong Kong — Macao Greater Bay Area
- China Human Resources Pioneer Employer 2022
- COVID-19 Caring Employer
- Devoted Developer with Thoughtful Layout Design Award of Excellence
- Employer of Choice Award 2022
- Employee Communication Award
- HKIRA 8th Investor Relations Awards 2022: Best IR Company
- Practical Design Excellence Award
- Quam IR Awards 2021
- 2021 annual report: Bronze Award — “Real Estate Development — Cover Design”

- 2021 annual report: “Top 100 Global Communications Materials”
- 2021 annual report: Bronze Award — “Cover Photo/Design: Real Estate Integrated Development & Investment”

K. Summit, Hong Kong

- Best Landscape Award for Private Property Development 2022 — Medium-scale Domestic Property — Gold

Solaria, Hong Kong

- Best Landscape Award for Private Property Development 2022 — Medium-scale Domestic Property — Merit

K. City, Hong Kong

- Quality Building Management Competition cum the Best Environment Health Building Award — Group C Second Runner-up

Stanford Residences Serviced Apartment

- China's Leading Serviced Apartment Brand 2022
- Outstanding Luxury Serviced Apartments Brand of the Year



Citta Residences Serviced Apartment

- Outstanding Lifestyle Serviced Apartments Brand of the Year

EDGE, Shanghai

- Best High Rise Mixed-Use Building 2022: Award of Excellence

Cavendish, Nanjing

- Asia Pacific Property Awards 2022–2023: Residential High Rise Architecture
- International Residential Architecture Award 2022
- Nanjing Excellent Quality Luxury House Awards 2022 — Gold

Sierra, Nanjing

- Nanjing Best Improving Luxury House Award 1H 2022
- Nanjing Luxury Houses Award 2022
- Global Habitat Design Award

VETTA, Suzhou

- The 3rd “Co-Creation Cup” Intelligent Construction Technology Innovation Award — 1st Runner Up

Cosmopolis, Cosmo, Guangzhou

- Most Anticipated New Release of the Year
- Real Estate Quality Delivery Benchmark 2022
- Most Popular Project of 2022
- Most Livable Real Estate of 2022
- Guangzhou Excellent Quality Real Estate Awards 2022
- Best Delivery of the Year

Bayview, Dongguan

- Dongguan’s Best Landscape Residential Project

J City, Jiangmen

- Landscape Award





Financial Calendar

DATES	EVENTS
24 August 2022	Announcement of Interim Results for the six months ended 30 June 2022
26 October 2022	Payment of 2022 Interim Cash Dividend of 7 HK cents per share
22 March 2023	Announcement of Annual Results for the year ended 31 December 2022
2 June 2023 to 7 June 2023 (both dates inclusive)	Closure of Registers of Members for ascertaining shareholders' eligibility to attend and vote at the 2023 Annual General Meeting
7 June 2023	2023 Annual General Meeting
16 June 2023 to 21 June 2023 (both dates inclusive)	Closure of Registers of Members for ascertaining shareholders' entitlement to the 2022 Final Dividend
21 June 2023	Record Date for 2022 Final Dividend
21 July 2023	Payment of 2022 Final Cash Dividend of 14 HK cents per share

Corporate Information

CHAIRMAN & MANAGING DIRECTOR

Dr. Lui Che-woo, *GBM, MBE, JP, LLD, DSSc, DBA*

EXECUTIVE DIRECTORS

Mr. Francis Lui Yiu Tung
Mrs. Paddy Tang Lui Wai Yu, *BBS, JP*
Mr. Alexander Lui Yiu Wah

NON-EXECUTIVE DIRECTOR

Dr. Moses Cheng Mo Chi, *GBM, GBS, OBE, JP*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. William Yip Shue Lam, *LLD*
Mr. Wong Kwai Lam
Mr. Nip Yun Wing
Mr. Cheung Kin Sang (*appointed with effect from 1 April 2023*)

AUDIT COMMITTEE

Dr. William Yip Shue Lam, *LLD (Chairman)*
Dr. Moses Cheng Mo Chi, *GBM, GBS, OBE, JP*
Mr. Nip Yun Wing

REMUNERATION COMMITTEE

Dr. William Yip Shue Lam, *LLD (Chairman)*
Dr. Lui Che-woo, *GBM, MBE, JP, LLD, DSSc, DBA*
Mr. Wong Kwai Lam

NOMINATION COMMITTEE

Dr. Lui Che-woo, *GBM, MBE, JP, LLD, DSSc, DBA (Chairman)*
Dr. William Yip Shue Lam, *LLD*
Mr. Wong Kwai Lam

COMPANY SECRETARY

Ms. Tse Fung Yee

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and Registered Public Interest Entity Auditor

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

29th Floor, K. Wah Centre
191 Java Road
North Point, Hong Kong

PRINCIPAL BANKERS*

Agricultural Bank of China
Bank of China (Hong Kong)
Bank of Communications
China Construction Bank (Asia)
China Minsheng Bank
DBS Bank
Hang Seng Bank
Hongkong and Shanghai Banking Corporation
Industrial and Commercial Bank of China (Asia)
Industrial Bank
Oversea-Chinese Banking Corporation

LEGAL ADVISORS*

Baker & McKenzie
King & Wood Mallesons
P.C. Woo & Co.
Wilkinson & Grist

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

WEBSITE ADDRESS

<http://www.kwih.com>

SHARE LISTING

The Stock Exchange of Hong Kong Limited
("HK Stock Exchange")

STOCK CODE

HK Stock Exchange : 00173
Bloomberg : 173 HK
Reuters : 0173.HK

* Listed in alphabetical order

Five Years Summary

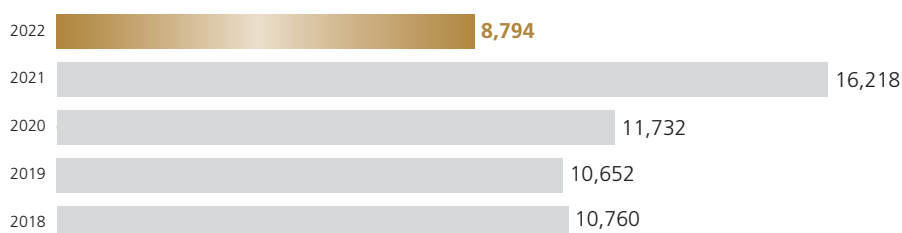
CONSOLIDATED PROFIT AND LOSS STATEMENT

	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000
Revenue	10,759,792	10,651,931	11,732,483	16,217,700	8,793,712
Profit before tax	5,538,504	5,299,400	4,860,324	5,090,122	2,068,046
Taxation charge	(1,361,800)	(2,063,286)	(1,564,805)	(1,650,829)	(641,563)
Profit for the year	4,176,704	3,236,114	3,295,519	3,439,293	1,426,483
Non-controlling interests	(130,314)	(86,376)	(27,080)	(84,416)	(54,096)
Profit attributable to equity holders of the Company	4,046,390	3,149,738	3,268,439	3,354,877	1,372,387
Earnings per share (HK cents)	129.5	100.8	104.6	107.3	43.8
Dividend per share (HK cents)	20.0	20.0	21.0	21.0	21.0

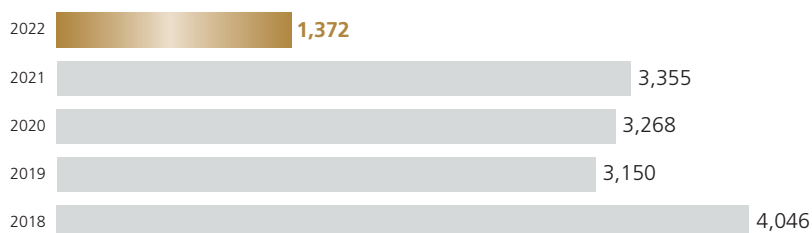
CONSOLIDATED BALANCE SHEET

	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000
Non-current assets	14,738,109	15,660,220	16,225,167	17,473,172	20,498,244
Associated companies and joint ventures	7,542,438	12,807,230	13,511,241	14,346,076	13,803,948
Other non-current assets/ investments	8,661,605	9,914,230	10,916,424	8,932,309	10,264,672
Net current assets	26,118,563	20,441,897	26,523,812	23,737,413	17,004,471
Employment of capital	57,060,715	58,823,577	67,176,644	64,488,970	61,571,335
Financed by:					
Share capital	312,485	312,517	312,697	313,023	313,289
Reserves	35,328,008	38,573,520	43,264,074	43,585,993	43,542,869
Shareholders' funds	35,640,493	38,886,037	43,576,771	43,899,016	43,856,158
Non-controlling interests	1,361,232	1,231,899	1,248,191	1,316,418	2,786,713
Long-term borrowings and guaranteed notes	17,609,943	16,171,810	19,525,695	16,385,011	12,244,037
Other non-current liabilities	2,449,047	2,533,831	2,825,987	2,888,525	2,684,427
Capital employed	57,060,715	58,823,577	67,176,644	64,488,970	61,571,335
Net assets value per share (HK\$)	11.41	12.44	13.94	14.02	14.00

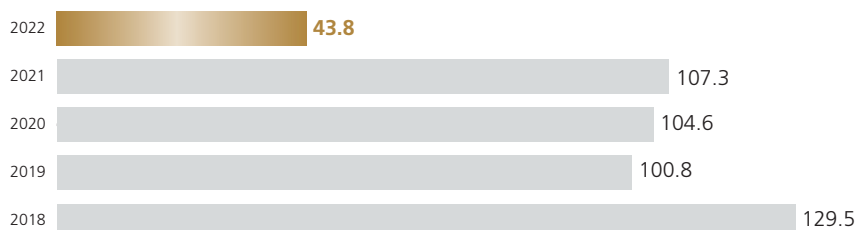
Revenue (HK\$ Million)



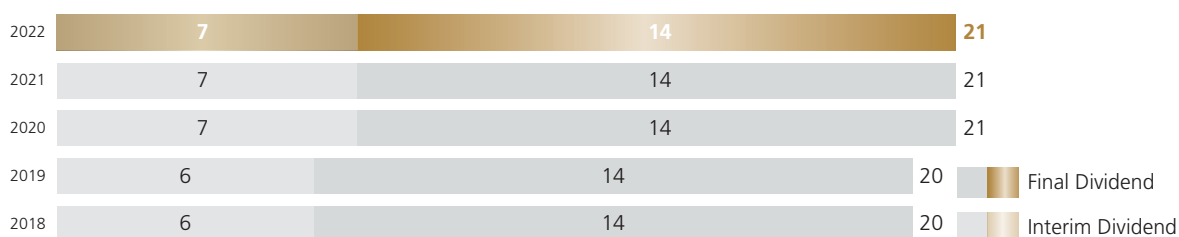
Profit Attributable to Equity Holders of the Company (HK\$ Million)



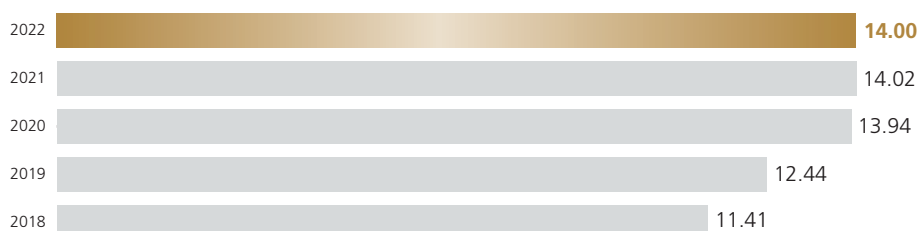
Earnings Per Share (HK Cents)



Dividend Per Share (HK Cents)



Net Assets Value Per Share (HK\$)



Statement from the Chairman



Dear Shareholders,

KWIH reported satisfactory sales as it launched a number of well-timed premium residential projects in Hong Kong and the Mainland, while adhering to its prudent strategy under the principles of “impeccable quality” and “K. Wah Plus”. For the financial year ended 31 December 2022, the Group reported attributable contracted sales of approximately HK\$18.8 billion. Attributable revenue amounted to approximately HK\$9.35 billion. Profit attributable to equity holders was HK\$1.37 billion, with underlying profit amounted to HK\$1.45 billion. The Board has recommended a final dividend of 14 HK cents per share for the year ended 31 December 2022. Together with the interim dividend of 7 HK cents

per share, the dividend for the full year amounted to 21 HK cents per share, continuing to provide shareholders with stable returns.

The worldwide economy and business environment were subject to challenging factors and conditions in 2022. The global supply chain was disrupted by escalating geopolitical tensions, resulting in surging prices for oil and other resources which further pushed up global inflation, underpinned by the highest inflation rate reported in the United States in the past forty years. To curb inflation, major western economies have entered into a new cycle of interest rate hikes. While the Mainland and Hong Kong were

experiencing relatively mild inflation, economic activities across the board suffered a serious blow and investors' confidence was dampened by subdued economic performance as COVID-19 variants continued to spread through the year.

Despite the substantial decline in transactions in the primary and secondary residential property markets resulting from higher HIBOR, on which property mortgage rates are set, in tandem with the United States, the Group launched Grand Mayfair and Villa Garda, two premium residential developments in Hong Kong, in a timely manner. They were well received by buyers. In the Mainland, the debt crisis of local property developers lingered as a general decline in transactions of residential properties in major cities was noted. Property prices were trending down amidst lacklustre sentiments. Nevertheless, a range of policies announced by the Central Government to support property developers, including policies targeted at the supply side, produced a stabilising effect on the property market and boosted investors' optimism for the recovery of the Mainland property sector. To mark the 30th anniversary of its entry in the Mainland market, KWIH launched a number of residential projects during the year, including Navale, a luxury residential project in Pudong New District, Shanghai and Sierra, the residential portion of a large integrated development in Hexi New Town, Jianye District, Nanjing. All of them have been met with enthusiastic sales.

During the year under review, KWIH continued to participate in land tenders based on its prudent land-bidding strategy and successfully added new projects to its portfolio. In Hong Kong, the Group secured a new land parcel at Hospital Road, Hong Kong Island in July on a sole basis. In the Mainland, the Group participated in an urban redevelopment project in Huangpu District, Guangzhou, while taking the lead in a joint venture in acquiring a large comprehensive development in Huajing Town, Xuhui District, Shanghai in September. The Group will continue to pursue opportunities for development in Hong Kong, the Yangtze River Delta and Pearl River Delta regions in a prudent and disciplined manner.

OUTLOOK

In 2023, global economic growth will continue to be overshadowed by uncertainties caused by geopolitics, interest rate hikes and high inflation. Nevertheless, unrestricted travel between the Mainland and Hong Kong has now fully resumed. With all social distancing measures lifted, Hong Kong has also reopened to the world and economic activities have been back to normal across all sectors. It is expected that buyers' confidence in the property market will gradually pick up, supported by resilient underlying demand. Meanwhile, with economic activity restarting and the Central Government's series of measures implemented in support of the property market, the residential markets of major Mainland cities are expected to remain stable in general, ensuring the long-term and healthy development. With a cautiously optimistic outlook on the medium- to long-term development of the property markets in Hong Kong and the Mainland, KWIH will continue to develop unique, premium properties on the back of its solid financial strength and proven experience.

On behalf of the Board, I wish to thank all our staff for their relentless effort contributing to the Group. Thanks to their dedication and commitment in the periods when the pandemic was raging severely in Hong Kong and the Mainland, the Group has been able to maintain effective operations. I look forward to their continued collaboration with the Group to cope with the challenges ahead and to realise the Group's vision for long-term and sustained business growth.

Dr Lui Che-woo

Chairman

22 March 2023



K. SUMMIT
HONG KONG

Management Discussion and Analysis

OPERATIONS REVIEW AND OUTLOOK

Operating Results

The revenue of the Group for the year ended 31 December 2022 was HK\$8,794 million, primarily derived from the property sales of K. Summit and Solaria in Hong Kong, Cavendish in Nanjing and Bayview in Donggan, and the rental income of Shanghai K. Wah Centre. The attributable revenue of the Group (comprising the revenue of the Group and attributable revenue from joint ventures and associated companies of HK\$553 million) was HK\$9,347 million for the year ended 31 December 2022.

Profit attributable to equity holders of the Company was HK\$1,372 million while the underlying profit of the Group was HK\$1,452 million before the net of tax fair value change of investment properties for the year ended 31 December 2022. Both the revenue and profit attributable to equity holders of the Company were lower than 2021 as less pre-sold projects completed with attributable contracted sales to be recognised in the year.

The total comprehensive income attributable to equity holders of the Company was HK\$608 million for the year ended 31 December 2022 after accounting for the fair value change on the non-current investment of an approximately 3.72% interest in Galaxy Entertainment Group Limited ("GEG") and exchange differences arising from translation of the Group's RMB denominated net assets at year-end.

Attributable contracted sales of the Group (comprised of contracted sales of the Group and attributable contracted sales from joint ventures and associated companies) in 2022 amounted to approximately HK\$18.8 billion, a record high of the Group, mainly derived from Grand Mayfair and Villa Garda in Hong Kong, and Navale and Imperial Mansion in Shanghai as well as Cavendish and Sierra in Nanjing, the Mainland.

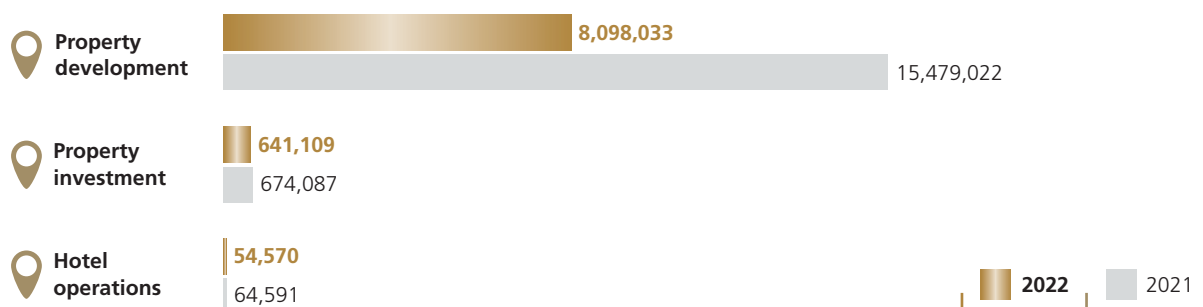
As of 31 December 2022, the Group had attributable contracted sales yet to be recognised amounted to approximately HK\$18.6 billion, expected to be accounted for from the year of 2023 onwards.

	Property development		Property investment	Others	Total
	Hong Kong HK\$'000	Mainland HK\$'000	HK\$'000	HK\$'000	HK\$'000
2022					
Revenue	3,960,957	4,137,076	641,109	54,570	8,793,712
Adjusted EBITDA	1,363,994	471,541	505,094	(213,004)	2,127,625
Total assets	18,392,778	33,191,504	16,209,817	8,841,810	76,635,909
2021					
Revenue	9,864,379	5,614,643	674,087	64,591	16,217,700
Adjusted EBITDA	3,246,448	1,434,818	528,836	(275,089)	4,935,013
Total assets	21,935,306	31,955,500	17,612,943	6,993,849	78,497,598

Management Discussion and Analysis

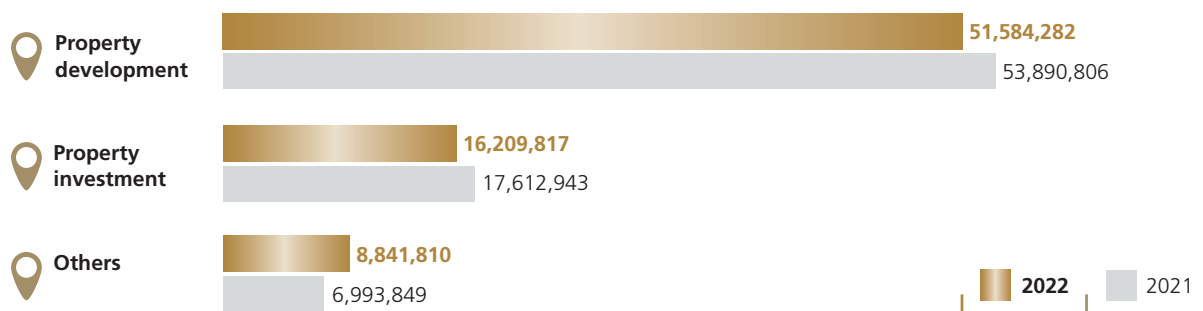
Revenue by Division

For the year ended 31 December 2022
(HK\$'000)



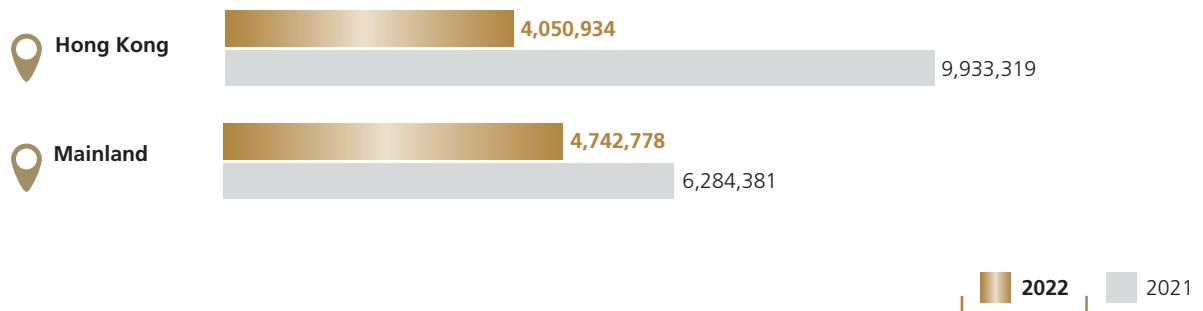
Total Assets by Division

As at 31 December 2022
(HK\$'000)



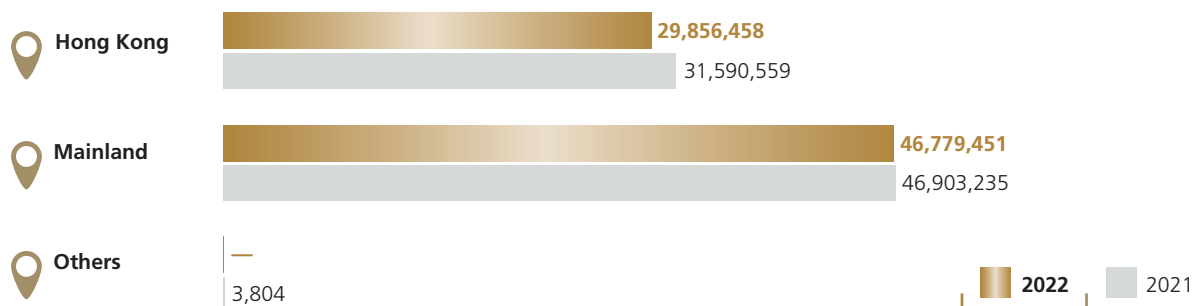
Revenue by Geographical Area

For the year ended 31 December 2022
(HK\$'000)



Total Assets by Geographical Area

As at 31 December 2022
(HK\$'000)



Property Development

(A) Hong Kong

During the year, the Group continued to market the remaining units of various launched projects. In addition, we grasped the market windows to launch for sale the first batch of residential units of two joint venture projects, Grand Mayfair in Yuen Long and Villa Garda in Tseung Kwan O, in April and June respectively. Both the projects received overwhelming responses in the market with encouraging sales, while all the units on offer were sold out on launch day. More batches of units were put up for sale to meet with demand, resulting in attributable contracted sales amounted to approximately HK\$5.8 billion.

Handover of pre-sold units for K. Summit continued with corresponding sales revenue of approximately HK\$3.1 billion recognised, while contracted sales for the year amounted to approximately HK\$0.5 billion.

The Group will continue to market its remaining units in launched projects. In addition, pre-sale consent for a new joint venture project in Kai Tak, KT Marina I, was granted and will be launched for sale soon. More projects in the sales pipeline will be launched for sale in 2023, subject to market conditions.

Construction works of projects under development are in progress as scheduled.

Details of the Group's major development projects are as follows:

K. Summit, Kai Tak (100% owned)

This premium residential development is located in the Kai Tak Development Area near the Kai Tak Station on the MTR Tuen Ma Line. It has a total GFA of approximately 53,000 square metres offering 1,006 units. The development of the project was completed in November 2021. Pre-sales began in late 2019 and have been well received by the market, leaving only a few special units available for sale.



* Location shown on an approximate basis only and accuracy not assured.

2 Grampian Road, Kowloon (100% owned)

This project has 5 premium house units and is situated in one of Kowloon's prime residential areas with a total GFA of approximately 2,000 square metres. The development of the project has been completed and is ready to be put on market.

Inland Lot No. 8872, Hospital Road, Hong Kong (100% owned)

This prime site, with a total GFA of approximately 4,000 square metres, is located on a hillside, within walking distance to the MTR Sai Ying Pun Station. It enjoys panoramic city views, with a number of historical architectural buildings nearby. Planning and design work is underway.

Grand Victoria, South West Kowloon (22.5% owned)

This project, with a total GFA of approximately 91,800 square metres, is situated in a coveted urban waterfront location with panoramic harbour views, within walking distance to the MTR Nam Cheong Station. Jointly developed with other property developers, this project is

being developed into a premium-graded residential property comprising 1,437 units in three phases. Pre-sales began in 2021 and over 60% of the units have been sold. The occupation permits of all three phases were obtained by February 2023. The handover of pre-sold units to buyers will commence after issuing certificate of compliance.

Grand Mayfair, Yuen Long (33 $\frac{1}{3}$ % owned)

This project has a total GFA of approximately 114,800 square metres and is next to the MTR Kam Sheung Road Station that connects to other parts of the city and offers convenient access to the Mainland. It is being developed into a premium residential project by a joint venture with other property developers comprising 2,200 units in three phases. Construction works are well underway and the project is targeted to complete in 2024. Pre-sales of Phases I and II were launched in the second quarter of 2022 with overwhelming market responses, 96% of the launched units have been sold. The last phase is expected to be launched for sale in 2023.



2 Grampian Road, Hong Kong

Villa Garda, Tseung Kwan O (30% owned)

This site, with a total GFA of approximately 88,800 square metres, is situated on the seafront at Tseung Kwan O and connected to the MTR LOHAS Park Station. The site is being developed into a premium residential project by a joint venture with other property developers offering 1,880 units in three phases. Construction works are well underway and the project is targeted to complete in 2024. Pre-sales of Phase I units were first launched in June 2022, followed by Phase II units in July. The market response was overwhelming with 95% of the launched units sold. The last phase is expected to be launched for sale in 2023.

KT Marina, Kai Tak (40% owned)

This site, with a total GFA of approximately 99,900 square metres, is located in the Kai Tak Development Area close to the Kai Tak Station on the MTR Tuen Ma Line. It is being developed into a premium residential project by a joint venture with other property developers offering 2,138 units in two phases. Construction works are well underway and the project is targeted to complete in 2024.

Pre-sale consent for the project was granted with Phase I to be launched soon.

New Kowloon Inland Lot No. 6554, Kai Tak Area 4A Site 2 (10% owned)

This site, with a total GFA of approximately 111,900 square metres, is located in the Kai Tak Development Area opposite KT Marina, with panoramic views of Victoria Harbour. The project is being developed into a premium residential project by a joint venture with other property developers. Construction works are well underway with targeted completion in 2024. Pre-sales are expected to be launched in 2023.

LOHAS Park Package Thirteen Property Development, Tseung Kwan O (25% owned)

This site has a total GFA of approximately 144,000 square metres and is being developed into a premium residential project by a joint venture with other property developers. It is located northwest of the MTR LOHAS Park Station and enjoys views of Junk Bay. Construction works are well underway with targeted completion in 2025/2026. Pre-sales are expected to be launched in 2023.



Grand Mayfair, Hong Kong

**COSMO
GUANGZHOU**



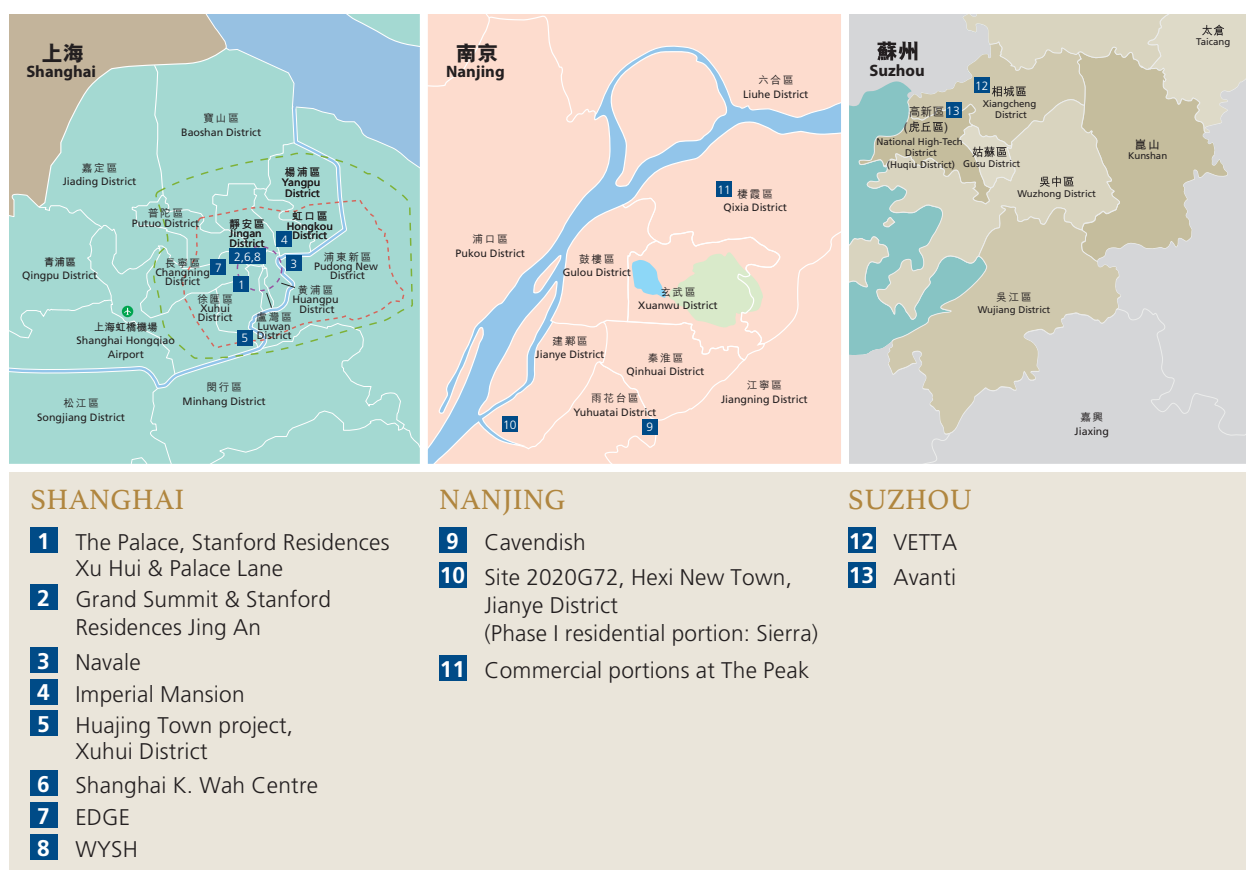
(B) Mainland

During the year, the Group launched five new projects. They comprised four wholly-owned projects, Navale in Shanghai, Avanti in Suzhou, and Cavendish and Sierra in Nanjing, as well as a 49%-owned project, Imperial Mansion in Shanghai. They were generally well received by the market, generating total attributable contracted sales of around RMB8.2 billion for the Group.

Handover of pre-sold units to buyers at Bayview in Dongguan commenced in June following the completion of construction for the relevant residential blocks, with corresponding sales revenue of approximately HK\$1.7 billion recognised for the year. On the other hand, the construction of projects in Shanghai was temporarily suspended amid the implementation of containment measures resulting from the COVID-19 outbreak, but then fully resumed in June. Despite this challenge, project delays are under control.

Following the above successful launches in the year under review, more units, as well as the remaining units of our other residential projects, will be put up for sale to meet market demand.

The development of the Group's projects under construction is progressing on schedule according to plan, and a number of projects in Shanghai and Dongguan are scheduled for completion in 2023.



* Location shown on an approximate basis only and accuracy not assured.

Management Discussion and Analysis

Details of the Group's major development projects are as follows:

Shanghai, Nanjing and Suzhou

Navale, Pudong New District, Shanghai (100% owned)

This project, with residential buildings for a total GFA of approximately 14,200 square metres, is located by the Huangpu River in Pudong and is situated in the prime location of the Lujiazui Financial Centre. The project provides 106 residential units to the market and pre-sales were launched in June 2022 with overwhelming market responses. Except for a special unit remains available for sale, all the other units were pre-sold on launch day. The development was completed in January 2023.

Imperial Mansion, Hongkou District, Shanghai (49% owned)

This project, with a total GFA of approximately 47,000 square metres, is located in Hongkou District and will provide 215 residential units with commercial facilities. Pre-sales of residential units were launched in January 2022

with overwhelming market responses, all the residential units were pre-sold on launch day. Construction works are in progress with expected completion in 2024.

Site XHPO-0001, D1-2&D5B-1, Huajing Town, Xuhui District, Shanghai (60% owned)

This newly acquired project with a total GFA of approximately 195,800 square metres, located in a core development zone planned for artificial intelligence and life science industries, is in close proximity to a multiple-railway interchange. It is a comprehensive development and will be developed in phases integrating residences, offices, retail and a hotel for sale/long-term investment. Planning and design works are underway. The first phase of construction, including residential and office buildings, will be commenced in 2023.

Cavendish, Jiangning District, Nanjing (100% owned)

This project is located in Jiangning District, close to several railway and transportation networks and within walking distance from



Navale, Shanghai

Nanjing South Railway Station. It has a total GFA of approximately 49,700 square metres, offering 381 residential units and ancillary commercial facilities. The project was completed in December 2021 with its sales launch in February 2022. Over two-thirds of the units were sold as of year-end.

Site 2020G72, Hexi New Town, Jianye District, Nanjing (100% owned)

This project, located in a core urban district, is in close proximity to the central business district of Hexi and next to Wuhoujie Metro Station with a total GFA of approximately 477,000 square metres. It is a comprehensive development and is being developed in phases integrating residences, apartments, retail, offices and a hotel for sale/long-term investment. The residential portions, Sierra, will consist of 11 towers with 856 units ranging in size from 103 to 211 square metres (three- to five-bedroom). Following the first launch of a residential tower in June with an encouraging

market response, eight more towers were put on the market to meet buyer demand and approximately 96% units have been pre-sold. Pre-sales of the remaining two towers will be launched upon obtaining the relevant documents. Construction works are in progress with the residential towers scheduled to be completed in 2024.

VETTA, Xiangcheng District, Suzhou (100% owned)

This project is located in Suzhou Xiangcheng District, next to the Suzhoubei Railway Station and the Suzhou Rail Transit Line 2. It has a total GFA of approximately 70,400 square metres, offering 588 residential units of three- and four-bedrooms. Pre-sales were launched from July 2021 with two-thirds of the units pre-sold as of year-end. The development was completed in late December 2022 and the handover of pre-sold units to buyers is underway.



Cavendish, Nanjing

Management Discussion and Analysis

Avanti, National Hi-Tech District, Suzhou (100% owned)

This project is located in Suzhou National Hi-Tech District, next to the Suzhou Xinqu Railway Station, the Suzhou Rail Transit Line 3 and the Suzhou Rail Transit Line 6 under-construction. It has a total GFA of approximately 59,000 square metres and provides 514 residential units. The development was completed in August 2021 and first launched for sale in June 2022 with two-thirds of the launched units sold as of year-end.

Guangzhou, Dongguan and Jiangmen

Phases III&IV of K. Wah Plaza, Huadu District, Guangzhou (100% owned)

This completed project is close to Baiyun International Airport and has a total GFA of approximately 86,000 square metres, consisting of four buildings including apartments, offices and retail facilities. Over 70% of the apartments have been sold and the offices and retail portions are held for long term investment purposes.

Cosmo, Xinhuzhen West Site, Huadu District, Guangzhou (99.9% owned)

The project is only steps away from Baiyun District and is poised to benefit from enhanced transportation networks. It has a GFA of approximately 579,000 square metres and is being developed in phases for residential units and commercial complexes. The first phase, with residential units for a GFA of approximately 187,000 square metres, provides 1,474 units of two to four-room types in 12 towers and a commercial complex of 23,000 square metres. Presales of the residential units commenced from 2021, with approximately one-third of the launched units sold as of year-end. Construction works are in progress with the development of the first phase just completed in December 2022 and the handover of pre-sold units to buyers is underway.



Sierra, Nanjing

***An urban redevelopment project,
Huangpu District, Guangzhou (70%
owned)***

In February, the Group participated in a joint venture with a local government-owned company for an urban redevelopment project. It is located in Huangpu District, close to Dashadi Station and Yuzhu Station of Metro Line 5, with a site area for redevelopment of approximately 22,000 square metres. Government approval for the project's master layout plan is in progress.

***Bayview, Songshan Lake District,
Dongguan (100% owned)***

This project, situated in a prominent location in Songshan Lake District, Dongguan, is close to the central living area of Chashan Town with panoramic river views and in close proximity to Chashan Station on Dongguan's Rail Transit Line 2. It has a total GFA of approximately 159,000 square metres, providing 1,196 units, mainly of three- and four-bedrooms and some

special units, and approximately 2,000 square metres of ancillary commercial facilities. Pre-sales began in late 2020, approximately 75% of the units launched were pre-sold/sold as of year-end. The remaining units are expected to be launched in 2023, subject to market conditions. The development was partially completed with expected completion for the entire project in the first half of 2023.

***J City, Jianghai District, Jiangmen (100%
owned)***

This project, located in Jianghai District and next to the Jiangmendong Railway Station of the Guangzhou-Zhuhai Intercity Railway, comprises two adjacent land sites with a total GFA of approximately 278,600 square metres in aggregate, providing 2,261 residential units available for sale with ancillary commercial facilities. The development was completed in phases by 2021 and approximately two-thirds of the launched units were sold as of year-end.



Avanti, Suzhou

Jiajun Garden, Xinhui District, Jiangmen (50% owned)

This site is located in the area of Jiangmen Avenue, at the heart of transportation networks, schools and commercial districts. It has a total GFA of approximately 100,000 square metres, providing 858 residential units available for sale. The development was completed in phases by January 2022 and approximately 90% of the units were sold as of year-end.

Ziwei Gongguan, Xinhui District, Jiangmen (30% owned)

This project, located in the area of Jiangmen Avenue, is close to various transportation networks, schools and commercial areas. It has a total GFA of approximately 74,100 square metres, providing 642 residential units available for sale with ancillary commercial facilities. Pre-sales began in April 2021 with 40% of the launched units pre-sold as of year-end. The development was completed in late December 2022 and the handover of pre-sold units to buyers is being carried out.

Property Investment

The overall occupancy of our investment properties remained stable and at a high level throughout the year. However, rental income reported a slight drop, mainly due to rent concessions provided to certain tenants whose businesses were affected by the COVID-19 containment measures and the devaluation of RMB in the year under review.

Details of the Group's major investment projects are as follows:

(A) Hong Kong

J SENSES at J Residence, Johnston Road, Wan Chai (100% owned)

With a total GFA of approximately 3,400 square metres, J SENSES is a premium dining and shopping arcade located in a prime location on Hong Kong Island that offers the neighborhood a high-end dining and leisure environment. It was fully leased as of year-end and continues to deliver stable rental income to the Group.



VETTA, Suzhou

Commercial Complex at Twin Peaks, Tseung Kwan O (100% owned)

With a total GFA of approximately 3,500 square metres, the complex serves the residents of Twin Peaks and the surrounding neighborhood. It was fully leased as of year-end and continues to deliver stable rental income to the Group.

Chantilly, 6 Shiu Fai Terrace, Stubbs Road (100% owned)

Located in a desirable area of Hong Kong Island, Chantilly offers a total GFA of approximately 5,100 square metres and is held for long term investment. Approximately 60% of the available units were leased as of year-end.

Shops at K. Summit, Kai Tak (100% owned)

With a total GFA of approximately 1,200 square metres, this complex serves the residents of K. Summit and the neighborhood. The shops were fully leased as of year-end.

(B) Mainland

Shanghai K. Wah Centre, Shanghai (69.6% effective interest)

This prime investment property is situated on Huaihai Zhong Road of Xuhui District, a central business district of Shanghai, with a total GFA of approximately 72,000 square metres. It continues to be one of the landmark offices in the city and a choice of multinational corporation tenants. The property achieved an average occupancy rate of 96% for the year and provided stable recurrent income for the Group.

Stanford Residences, Shanghai (100% owned)

The Group is dedicated to providing a privileged lifestyle residential environment for tenants in pursuit of high-end modern living. "Stanford Residences" including "Jing An" and "Xu Hui" with a total GFA of approximately 58,000 square metres, offer everything from five-star management services to sophisticated and contemporary interiors that feature stylish furniture and fittings. Throughout the year,



* Location shown on an approximate basis only and accuracy not assured.

Management Discussion and Analysis

they continued to enjoy high occupancy with an overall occupancy rate of approximately 90%, delivering a stable rental income to the Group.

Palace Lane, Shanghai (100% owned)

To serve its prestigious residents at The Palace and Xuhui's high-end retail market, Palace Lane, with a total GFA of approximately 8,000 square metres, offers consumers a variety of leisure, food and beverage experiences. It has been well received, with full occupancy as of year-end.

EDGE, Shanghai (53.61% owned)

EDGE, located by Suzhou Creek in Jingan District, with a total GFA of approximately 21,000 square metres, is close to various public transportation networks and connected to Qufu Road Station, an interchange station for Line 8 and Line 12 of the Shanghai Metro. The concept of sustainability is integrated into its building design by incorporating green building features and the use of energy-efficient technologies and materials. It has been well received and was fully let as of year-end.

WYSH, Wuyi Road, Changning District, Shanghai (100% owned)

This site is situated in a historical and cultural heritage area in a well-developed community with good public transport networks. It has a total GFA of approximately 14,300 square metres and is positioned to be an urban oasis integrating commerce, dining, leisure and entertainment with modern and traditional architectural elements. Construction works are in progress with expected completion in 2023. A leasing campaign is being carried out with positive responses received.

Cavendish's commercial portions, Nanjing (100% owned)

The commercial portion, with a total GFA of approximately 7,300 square metres, was completed in December 2021 and became operational in mid-2022. It has received favourable market responses, with approximately 50% leased as of year-end.



Bayview, Dongguan

Cove Gala, Dongguan (100% owned)

This commercial complex situated within Silver Cove has a total GFA of approximately 11,600 square metres. It provides daily needs for residents and is a popular destination for the neighborhood by offering consumers a wide variety of entertainment, leisure and dining experiences. It has been well received, with an average occupancy rate of nearly 70%.

K. Wah Plaza, Guangzhou (100% owned)

Situated in a prime location in Huadu District offering convenient access to a number of public transportation networks, this retail space and offices held for rental have a total GFA of approximately 51,000 square metres, with an overall occupancy of 50% as of year-end.

Land bank replenishment

The Group participated in a number of land bids and in July, on a sole basis, successfully acquired a residential site at Hospital Road, Hong Kong, for a total GFA of approximately 4,000 square metres. It also won a land bid, via a joint venture with local government-owned property developers, for a site

situated at Huajing Town, Xuhui District, Shanghai for a comprehensive development with a total GFA of approximately 195,800 square metres. Besides, the Group partnered with a local government-owned company in a joint venture for an urban redevelopment project located in Huangpu District, Guangzhou. We will continue to exercise discipline and sound judgment in evaluating land replenishment opportunities in Hong Kong and the Mainland, taking into account prevailing market situations.

Investment in GEG

The Group has an investment of 162 million shares, or approximately 3.72% (2021: 3.73%) interest, in GEG, measured at fair value and classified as non-current assets. As of 31 December 2022, GEG represented 11% (2021: 8%) of the Group's total assets and its share price increased to HK\$51.6 (2021: HK\$40.4). The increase in fair value of HK\$1,820 million (2021: a decrease of HK\$3,225 million) was recorded to reserves. During the year, a dividend of HK\$49 million (2021: nil) was received from GEG.



J City, Jiangmen

Management Discussion and Analysis

The principal activities of GEG are gaming, the provision of hospitality and the sale, manufacture and distribution of construction materials. The audited consolidated loss attributable to equity holders of GEG for the year ended 31 December 2022 was HK\$3,434 million (2021: profit of HK\$1,326 million), while the audited consolidated net asset value attributable to equity holders of GEG as at 31 December 2022 was HK\$63,914 million (2021: HK\$68,425 million).

As stated in its 2022 annual results announcement, Macau has experienced solid demand and associated revenue following the reopening of borders. GEG continues to have great confidence in the future of Macau and is well positioned for future growth with a schedule to progressively open Phase 3 as well as the ongoing development of Phase 4. GEG has also been awarded a new 10-year Gaming Concession commencing on 1 January 2023.

The Board continues to view its investment in GEG as sound and for the long-term.

MARKET REVIEW AND OUTLOOK

Global, Mainland and Hong Kong

With COVID-19 vaccinations widely deployed and the pandemic more under control, global economic activities have gradually resumed through the year. However, abundant money supply resulting from quantitative easing policies implemented in major economies and supply chain disruption brought by the ongoing Russia-Ukraine conflict have pushed up inflation globally, with noticeably soaring energy and food prices. Western economies noted record-high inflation rates, with that in the United States (“US”) jumped to 9.1%, a four-decade high; United Kingdom hit a 41-year high of 11.1%. Central banks around the world in response raised interest rates aiming to clamp down the rising prices. The US Federal Reserve aggressively raised the fed funds rate by 7 times to 4.25–4.50%. The Bank of England hiked interest rates by 8 times from 0.25% in January to 3.5% in December. Interest rates continued to hike into 2023, causing worry over recession, if hikes become too excessive.



WYSH, Shanghai

The Mainland was on a different trajectory with its pursuit of a zero-COVID policy. Ongoing outbreaks of COVID-19 variants in the Mainland affected its economic activities severely. The GDP growth for 2022 slowed to 3% while inflation, in contrast to Western economies, remained relatively moderate at 2%. Shrinking demand, disrupted supply and weakened confidence, particularly in the property market, all hindered economic recovery in the year and remain the challenges in 2023.

Hong Kong fell into a recession in the year, the second time in three years, due to the raging fifth wave of COVID-19 infections and the consequential strict quarantine and social distancing measures, rising borrowing costs, cross-border supply chain disruptions as well as external headwinds. Nevertheless, Hong Kong will regain momentum and its GDP will grow by 3.5–5.5% in 2023 as estimated in its 2023 financial budget.

Hong Kong property market

Strict quarantine and social distancing measures were imposed in Hong Kong from early February 2022 to minimise infections during the fifth wave of COVID-19. With the social distancing measures in place and negative sentiments growing, primary and

secondary property market transactions dropped by 42% and 39% year-on-year respectively in 2022. A government index tracking live-in home prices sank 15.6% year-on-year, the most significant drop since 1998. Nevertheless, the Group managed to successfully launch the sale of two development projects at MTR stations, Grand Mayfair and Villa Garda, in the year before the market stun amid the impact of the interest rate hikes.

Mainland property market

Slowdown in economic growth, ongoing strict COVID controls and worries over job security dampened buyers' appetite for homes. The debt crisis of financially over-leveraged the Mainland developers and the consequential impacts continued to adversely affect the property market in the year. The risk of Mainland developers being unable to complete their pre-sold projects limited home purchases and also impacted residential mortgages. In 2022, national new home sales volume and value decreased by 27% and 28% year-on-year respectively. Nonetheless, the Group took the opportunity to launch its residential project, Navale, Pudong, and the joint venture, Imperial Mansion, Hongkou, both in Shanghai. The Group also launched Sierra, residential portion of its large



EDGE, Shanghai

Management Discussion and Analysis

comprehensive development in Nanjing for sale from late June 2022 receiving an overwhelming response. Nevertheless, more relaxing measures have been implemented by the Central Government to provide liquidities to developers and potential buyers, stabilizing the market.

Conclusion

In early January 2023, the Central Government pivoted from its zero-COVID policy, removed some of its most stringent travel restriction measures. It certainly will be a significant catalyst to re-activate the Mainland's economic activities, if not globally. However, tensions escalate between China and US. Together with Russia-Ukraine conflict standstill and the fragile global economic outlook, the business environment remains challenging.

Despite all the uncertainties in the Mainland and globally, economic or otherwise, the Mainland's economic growth remains resilient and one of the top globally. The International Monetary Fund projected the Mainland's GDP will grow by 5.2% in 2023, up from 4.4% in its previous estimation last October and the Mainland's economy set to

contribute a quarter of global growth while the official growth target is set at approximately 5% by the Central Government. Its productivities will pick up again following the lift-ups of the anti-COVID measures. Property market will also become more stable with all the supportive measures by the Central Government implemented or to be implemented. In Hong Kong, majority of the anti-COVID measures were removed and it opens up again with the Mainland and the rest of the world, all activities are expected to be back to normal. "Hello Hong Kong" campaign was recently launched to tell the world that Hong Kong is "back". On the other hand, interest rates in Hong Kong will likely be more stable in 2023 with US interest rates expected to peak in 2023. Underlying property user demand in Hong Kong and also from overseas investors and users ensures a stable market. Land markets, both in the Mainland and Hong Kong, soften and become less competitive. Regardless, the Group will adhere to our prudent strategy and be cautious in replenishing our land bank, taking into account the strength of market sales rebound. Overall, both economies of the Mainland and Hong Kong are expected to be improving gradually into 2023.



Shanghai K. Wah Centre



(Top) Stanford Residences Jing An, Shanghai
(Bottom) Stanford Residences Xu Hui, Shanghai

Despite the challenges in 2022, the Group achieved record-high contracted sales. Looking forward, we prudently believe the property markets in Hong Kong and the Mainland will be relatively stable and well supported following “life back to normal”. The Group will continue to focus on developing quality projects in Hong Kong and tier-1 or 2 cities in the Mainland targeting upgraders and is well positioned to prudently capture any opportunities in Hong Kong and the Mainland. It is believed the new Central Government leadership will continue to adopt more supportive and stimulus policies and measures to boost its economy. The Hong Kong Government on its new term is also implementing more policies to acquire talents and attract corporates here, promoting its economic growth.

Hong Kong will be able to benefit from One-Country-Two-Systems in the long term as reiterated in the 20th National Congress of the Communist Party of China and with the strong support of the Mainland. Meanwhile, the “Northern Metropolis Development Strategy” will also be conducive to the integrated development of Hong Kong with Shenzhen as well as integration with other cities in the Guangdong-Hong Kong-Macao

Greater Bay Area, thereby creating more opportunities. The Group will capitalize on its solid financial strengths and prudent land replenishment strategy to grasp any opportunities for development in Hong Kong, the Yangtze River Delta and Pearl River Delta regions.

REVIEW OF FINANCE

Financial Position

The financial position of the Group remained satisfactory throughout the year. As of 31 December 2022, total funds employed (being total equity and total borrowings) were HK\$62 billion (2021: HK\$64 billion). The number of issued shares of the Company increased to 3,132,894,615 as of 31 December 2022 (2021: 3,130,234,615) due to the exercise of share options during the year.

Group Liquidity, Financial Resources and Gearing Ratio

The Group monitors its liquidity requirements on a short-to-medium-term rolling basis and arranges refinancing of the Group’s borrowings when appropriate. As of 31 December 2022, the Group’s borrowings were HK\$14,939 million (2021: HK\$18,984 million) and 18% is repayable within one



Palace Lane, Shanghai

Management Discussion and Analysis

year. The maturity profile of the borrowings is spread over a period of up to five years. The average interest rate for the Group during the year increased from 1.6% of last year to 2.6%.

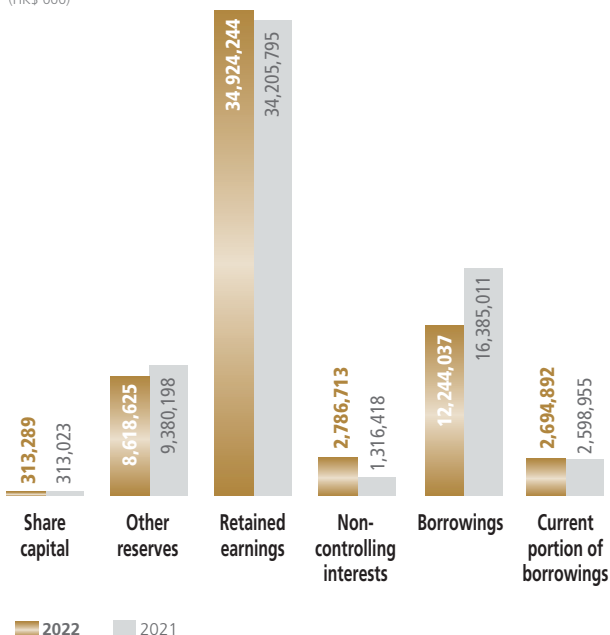
As of 31 December 2022, the Group had available undrawn banking facilities totaling HK\$19,074 million (2021: HK\$18,132 million) comprising HK\$15,804 million (2021: HK\$12,686 million) for working capital and HK\$3,270 million (2021: HK\$5,446 million) for project facility purposes.

As of 31 December 2022, cash and bank deposits stood at HK\$8,660 million (2021: HK\$8,137 million), and approximately 82% was held in Renminbi. The gearing ratio, defined as the ratio of total borrowings less cash and bank deposits to total equity, decreased from 24% as of 31 December 2021 to 13% as of 31 December 2022, resulting from a net cash inflow.

A 4/5-year syndicated loan of HK\$8 billion was executed in October 2022 at favourable cost for refinancing a club loan for the amount of HK\$7 billion maturing in January 2023 and enhancing the Group's funding capability.

Sources of Funding

As at 31 December 2022
(HK\$'000)



K. Wah Plaza, Guangzhou and Crowne Plaza Guangzhou Huadu

Treasury Policies

In order to minimise risk, the Group continues to adopt a prudent approach regarding foreign exchange exposure. Forward foreign exchange contracts are utilised when considered appropriate and when attractive pricing opportunities arise to mitigate foreign exchange exposures. Interest rate swap contracts are also utilised as appropriate to avoid the impact of any undue interest rate fluctuations on the Group's operations in the medium and longer term. Accordingly, interest rate swap contracts for 3 years or 5 years were executed, with the total amount of HK\$2.5 billion (2021: HK\$2.9 billion) as of year-end.

Of the Group's bank loans of HK\$14,939 million as of 31 December 2022, approximately 90% was denominated in Hong Kong dollars, with the remainder in Renminbi. Approximately 83% of such borrowings were on a floating rate basis, with the remainder on fixed rate basis.

Charges on Group Assets

As of 31 December 2022, certain subsidiaries of the Group pledged assets (comprising investment properties and development properties) with aggregate carrying values of HK\$4,921 million (2021:

HK\$20,374 million, pledged assets comprising investment properties, development properties, right-of-use assets, and buildings) to banks in order to secure the Group's borrowing facilities.

Guarantees

As of 31 December 2022, the Group has executed guarantees in favour of banks in respect of facilities granted to certain joint ventures and associated companies, amounting to HK\$9,096 million (2021: HK\$12,737 million) and HK\$2,664 million (2021: HK\$980 million) respectively, of which facilities totaling HK\$5,520 million (2021: HK\$7,670 million) and HK\$1,347 million (2021: HK\$684 million) respectively have been utilised. In addition, the Group provided guarantees amounting to HK\$1,697 million (2021: HK\$1,808 million) in respect of mortgage facilities granted by banks relating to mortgage loans arranged for purchasers of the Group's properties.

As of 31 December 2022, the Company has executed guarantees in favour of banks in respect of facilities granted to certain subsidiaries, joint ventures and associated companies, amounting to HK\$30,698 million (2021: HK\$29,943 million), HK\$8,411 million (2021: HK\$10,089 million) and HK\$2,664 million



Cove Gala, Dongguan

Management Discussion and Analysis

(2021: HK\$980 million) respectively. Of these, facilities totaling HK\$14,548 million (2021: HK\$17,127 million), HK\$5,453 million (2021: HK\$6,332 million) and HK\$1,347 million (2021: HK\$684 million) respectively have been utilised.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2022, the Group, excluding its associated companies and joint ventures, employs 968 employees in Hong Kong and the Mainland. Employees cost, excluding Directors' emoluments, amounted to approximately HK\$421 million for the year under review.

The Group believes its long-term growth and success depend upon the quality, performance and commitment of its employees. The Group's remuneration policy aims to offer competitive remuneration packages to attract, retain and motivate talents. With result-driven incentive programmes which are built upon our established performance management framework, the Group believes the remuneration packages of its employees are fair, reasonable and competitive in relation to comparable organisations with similar business interests.

The Group has put in place a share option scheme for its executives and employees since 1989 for the purposes of providing competitive remuneration package as well as retaining talents in the long term. The Group puts emphasis on employees' training and development opportunities which form an important component of the Group's human resources strategy. Training and development programmes are provided through internal and external resources in each year to address the needs of our employees for the sustainable development of our businesses.



J SENSES, Hong Kong

Environmental, Social and Governance Policies

This section highlights the Group's Environmental, Social and Governance ("ESG") related policies and performance for the financial year ended 31 December 2022. Further details about the management approach towards the Group's sustainability strategies, policies, initiatives, and performance are detailed in the ESG Report 2022 which is prepared following the ESG Reporting Guide set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Visionary Sustainable Development

The Group endeavours to address environmental concerns arising from the Group's business operations, including but not limited to climate change, resource management, green procurement, emissions reduction, and green building development, in a sustainable and eco-conscious manner. The Board holds overall accountability for the Group's ESG strategies and performance. On an operational level, the ESG Committee, co-chaired by two Executive Directors, meets regularly to formulate sustainability strategies and oversee day-to-day execution of initiatives. They also identify ESG risks and opportunities to advise the Board on significant strategic and financial risks.

The Group has set medium-term targets of reducing greenhouse gas ("GHG") emissions intensity and energy intensity by 26% and 39%, respectively, by 2025 compared to 2016. The Group follows the stringent Environmental Policy to manage the environmental impacts. Through persistence and diligence, the Group's GHG emissions intensity in 2022 decreased by approximately 5.3% from 2021 levels.

In 2022, KWIH secured an HK\$8 billion sustainability-linked revolving credit and term loan facility with a consortium of nine banks. Looking forward, the Group will continue to leverage different sustainable financing measures to fund the development of its green projects and to enhance climate resilience in existing projects.

Creating a Sustainable Environment

K. Summit and Solaria, two signature projects of KWIH in Hong Kong, were awarded Gold and Merit respectively in the Medium-scale Domestic Property category for The Best Landscape Award for Private Property Development 2022, organized by the Leisure and Cultural Services Department. The

accolades are not only recognitions of the Group's achievement in landscape and horticultural design, but also encouragement on its continuous efforts in pursuing excellence in quality and environmental conservation.

AN ACCOUNT OF KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group regularly engages its stakeholders to understand their concerns and expectations regarding the Group's sustainability initiatives, performance and future strategies. Through collecting their opinions, the Group can identify risks and opportunities, balance different interests and make informed decisions.

Empowering Our People

KWIH focuses on creating an inclusive work environment that promotes communication, personal development, and employee well-being. The Group offers training subsidies and programmes to eligible employees to encourage continuous development. Furthermore, the Group cultivates future leaders through the renowned Summer Internship Programme and Management Trainee Programme to build the talent pipeline and to ensure long-term corporate sustainability.

Engaging Our Customers and Value Chain

KWIH strives to deliver quality products and services to customers by implementing stringent control measures. All advertisements, intellectual property rights, and promotional materials are fully abided with relevant local and national regulations. The Group's privacy guidelines detailed procedures about usage, retention, and proper management of data and information in accordance with relevant regulatory requirements. To ensure due response and proper follow-up actions to customer feedback and complaints, a structural and systematic complaint-handling protocol is in place.

To integrate environmentally and socially responsible practices along the value chain, contractors and suppliers are required to adhere to the Group's expectations on quality, environmental protection, occupational health and safety protocols, as well as regulatory compliance. Audits, site visits, and quality assessments on contractors and suppliers are conducted when appropriate to ensure the Group's requirements are fully met.

Environmental, Social and Governance Policies

Giving Back to Communities

As the COVID-19 pandemic continued to affect the community in 2022, the Group implemented various preventive measures to reduce the transmission risk on KWIH's premises to protect employees and customers. KWIH also donated Rapid Antigen Test kits to frontline staff and service users of the Tung Wah Group of Hospitals ("TWGHs"), and offered accommodation to frontline healthcare workers through the "KWIH Anti-Epidemic Fund". The Group also proactively supported pandemic control in Shanghai and Guangzhou through anti-pandemic measures and employee volunteering.

KWIH is committed to making positive impacts through community programmes. The Group co-sponsored the Hong Kong Palace Museum Volunteer Programme in nurturing talents for the heritage industry and arts and culture sector as well

as to strengthen public appreciation for Chinese culture and heritage. The Group also supported the Strive and Rise Programme to help junior secondary school students in need and participated in the Hong Kong Youth Employment Expo to encourage young people to grasp career opportunities in the Greater Bay Area.

COMPLIANCE STATUS WITH RELEVANT LAWS AND REGULATIONS THAT HAVE A SIGNIFICANT IMPACT ON THE BUSINESS

During the reporting year, there were no reported cases of non-compliance with relevant laws and regulations in Hong Kong and the Mainland regarding the environment, labour standards, occupational health and safety, anti-corruption or data privacy.



Mrs. Paddy Tang Lui Wai Yu, Executive Director of KWIH (centre) and Mr Eugene Tang, General Manager — Development and Operations (Yangtze River Delta) of KWIH (right) present cheque to Mr. Philip Ma, 2022/2023 Chairman of TWGHs (left)



Staff activities were organised to strengthen internal communication and staff engagement



KWIH supported the Hong Kong Palace Museum Volunteer Programme aiming to introduce Chinese art and culture to young people and wider public through different perspectives

Investor Relations



KWIH is committed to maintaining transparent and ongoing dialogue with shareholders, investors and other stakeholders through its professional team, and accurately discloses its corporate information in a timely manner.

The Group discloses corporate information in compliance with relevant laws and regulatory policies to maintain highly transparent management. The Group reviewed during the reporting period, and thereafter updated the existing Shareholders Communication Policy to ensure its suitability and effectiveness. The Group's corporate governance policies, press releases, financial reports and announcements are uploaded to the HKEXnews website and company website, which allow investors from around the world to access company updates, developments and business strategies as well as deepen their understanding of the Group to facilitate their investment decisions. Shareholders and stakeholders can also make enquiries through emails and the forms on the website.

The Group's senior management and investor relations team maintain regular communication with shareholders, investors and stakeholders by proactively attending annual general meetings, briefing sessions on financial results, project site tours and investor relations roadshows, etc. and thus more investors can understand the business and investment values of the Group. Feedback collected from the activities was exchanged with directors and relevant management. Given the recurring COVID-19 pandemic during the reporting period, the team continued to maintain two-way communication with investors and stakeholders through online meetings such as analyst briefings.

During the reporting period, KWIH received an array of awards from international and local institutions in recognition of its outstanding performance in investor relations.





NAVALE
SHANGHAI



SOLARIA
HONG KONG

Corporate Governance Report

As at 22 March 2023

The Board presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2022.

The objective of the management structure within the Group — headed by the Board and led by the Chairman — is to deliver sustainable value to the shareholders of the Company ("Shareholders"). To this end, good corporate governance plays a significant role.

The Board has applied the code provisions ("CPs") set out in the Corporate Governance Code ("CG Code") in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("HK Stock Exchange") during the year.

COMPANY CULTURE

KWIH recognises its mission to focus on customer needs and pursues the spirit of excellence with quality products and services to be provided by the Company. With vision, perseverance and teamwork, KWIH strives to provide the Shareholders with a decent return on their investment.

KWIH's core values, commitments, policies and codes as determined by the Board under the leadership of the Company's Chairman are vital in the Company's overall operation and brand building. The Company's corporate cultures and strategies are taken into consideration in determining the business model, mission and vision. Those values and principles are embedded throughout the Company's Code of Conduct, Whistleblowing Policy, Anti-Corruption Policy and other relevant policies which are communicated with the senior management and staff through the Staff Handbook, staff orientation, intranet, trainings, slogans and where appropriate.

As a people-oriented enterprise, KWIH's spirit of core values emanate from the interior to the exterior, which means the employees must apply the business principles and ethics, consistent with those expected by the Company, and regard the core values as the blueprint for and the indicator of their daily performance. The Board, with the management's support, is responsible for overseeing and monitoring the Company's operations executed in the way aligned with the Company's corporate cultures, and its mission and vision, value and strategy through evaluation of both qualitative and quantitative indicators such as financial performance, staff performance appraisals and turnover rate, whistleblowing data, employee surveys, breaches of code of conduct, and regulatory breaches, etc. Reports were made regularly to the Board for drawing insights into the Company's corporate culture.

The Company upholds the highest ethical standards and accountability throughout its operations and has an explicit zero-tolerance approach for any fraudulent or unethical conduct. All employees are required to follow the Code of Conduct which details the Company's compulsory requirements in respect of responsible business conduct. To ensure whistle-blowers having no concerns to report grievances without fear of reprisal, all cases are treated with strict confidence and submitted to designated personnel for further investigation.

BOARD OF DIRECTORS

The Board Led by the Chairman, the Board as the highest governing body of the Company has the responsibilities for leadership and control of the Group (including but not limited to business, operation as well as environment, social and governance ("ESG") risks and opportunities). The Board sets the strategies of the Group and approves the annual operating budget prepared and presented by the management for achieving the Group's strategic objectives.

Corporate Governance Report

As at 22 March 2023

Chairman and Managing Director Dr. Lui Che-woo currently takes the roles of both the Chairman and the Managing Director of the Company. He leads the Board and oversees the day-to-day management of the Group. The Chairman has encouraged all the Directors, especially the non-executive Director (“NED”) and the independent non-executive Directors (“INEDs”) to express their opinion freely before proposing any resolutions for voting.

Board Composition During the year and up to the date of this Report (“reporting period”), the Board comprises 8 Board members: the Chairman and Managing Director, 3 other executive Directors (“EDs”), 1 NED and 3 INEDs; with one of the INEDs has accounting professional qualification. The number of INEDs exceeds one-third of the Board and complies with Rule 3.10A of the Listing Rules. After the reporting period, 1 INED was appointed with effect from 1 April 2023. The biographical details of the current Directors are set out on pages 51 to 54 of this annual report as well as on the website of the Company. The list of Directors with their roles and functions is also disclosed on the websites of the Company and Hong Kong Exchanges and Clearing Limited (“HKEx”) respectively.

The EDs are employees of the Company who carry out executive functions in addition to their duties as Directors. They are collectively responsible for promoting the success of the Company by directing strategic objectives, developing strategic plans and overseeing the day-to-day management of the Group’s business to ensure the efficient disposition of the Group’s resources for the achievement of the strategic objectives set by the Board.

The NED and INEDs are not employees of the Company and do not participate in the daily management of the Group’s business. The NED and INEDs bring external perspectives, constructively challenge and help develop proposals on strategies, scrutinize the management in meeting agreed goals and monitor performance reporting. Through their wealth of experience across a number of industries and business sectors, the NED and INEDs contribute valuable views and proposals for the Board’s deliberation and decisions.

Board Diversity The Board has one woman Director out of eight Directors, and is committed to enhancing gender diversity as and when suitable candidates are identified. The diversity profile of the Board is set out on page 46 of this Corporate Governance Report.

As at 31 December 2022, the Group achieved a balanced gender diversity in the workforce and the gender ratio of male to female (including the senior management) is around 1:1.09. Details of the Group’s gender diversity at workforce level are set out in the Group’s 2022 Environmental, Social and Governance Report.

Board Practices In 2022, the Board held 4 Board meetings at approximately quarterly intervals and the dates of which had been scheduled at the beginning of the year. Notice of at least 14 days in advance was given for convening a regular Board meeting. The Directors actively participated in person, by phone or through other means of electronic communication in accordance with the Bye-laws of the Company at each Board meeting to consider and, if appropriate, approve the annual budget, if applicable, and to review the business progress against the budget. Matters requiring Board consents were approved by voting at the Board meetings where Board members acted collectively as a unit. The Chairman also encourages and allows all Directors to have sufficient time to raise questions on each agenda item during the meeting. Between scheduled Board meetings, routine/operational matters were considered and approved by the Board via the circulation of written resolutions with supporting materials, explanatory write-ups from the Company Secretary or briefings from the management where appropriate.

In addition to Board meetings, the Chairman also has regular gatherings with INEDs only without the presence of EDs and NED to consider issues concerning about the business and affairs of the Company in an informal setting. The INEDs are free to express their independent views to the Board.

The Company has a set of comprehensive induction materials for newly appointed Directors. The Company Secretary has regularly updated the Directors on compliance developments. All the Directors have access to the advice and services from the management and the Company Secretary with a view to ensuring that Board procedures, and applicable rules and regulations, are followed. There are also arrangements in place for providing continuous professional development training (including attendance at external forums or briefing sessions and delivering of speeches on the relevant topics) and relevant reading materials to the Directors to help ensure that they are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its businesses and to refresh their knowledge and skills on the roles, functions and duties of a listed company director. There is satisfactory attendance at Board meetings, Board Committee meetings and the meetings between the Chairman and the INEDs and the general meeting during the year 2022. The Company receives notification from each Director on an annual basis a list showing the nature of offices he/she holds in other public listed companies and organizations and other significant commitments and also indication of the respective estimated time involved.

The Company has arranged appropriate directors' and officers' liability insurance cover in respect of potential legal actions against their risks and exposure arising from the Group's business and activities.

The NED and INEDs are either veteran professionals or businessmen who have brought not only a wide range of skills and experience to the Group but also independent judgment to bear on issues of strategy, performance, risk and people through their contributions at Board meetings and also at meetings of the audit committee ("Audit Committee"), the remuneration committee ("Remuneration Committee") and the nomination committee ("Nomination Committee") of the Company.

The Board has procedures in place to ensure that conflict of interest will be resolved in accordance with the spirit and requirement of CP C.5.7 of the CG Code of the Listing Rules. The Company assists the INEDs with professional advice (at the Company's expenses) and management briefings for them to arrive at their recommendations on matters involving conflict of interest.

Supply and Access to Information The Company Secretary circulates meeting agenda (with arrangements for Directors to include their own items if thought fit) and supporting papers to the Directors at least 3 days in advance of a Board meeting, and attends Board meetings to assist in the proceedings.

All the Directors have access to and open contact with the management for any information and are entitled to have access to board papers and related materials as they require for making informed decisions on matters placed before them. Assisted by the Company Secretary, the Chairman of the Board has ensured that the Directors have been properly briefed on issues arising at Board meetings and supplied with information and papers as promptly and fully as possible. The Directors have access to independent professional advice when it becomes necessary and also the services of the Company Secretary who has been regularly updating the Directors on governance and regulatory matters. The service of independent professional advice at the Company's expense is also available to the members of the Audit Committee, Remuneration Committee and Nomination Committee. The external auditor, PricewaterhouseCoopers ("PwC"), attended all the Audit Committee meetings as well as Board meetings convened for approving annual and interim results.

Corporate Governance Report

As at 22 March 2023

The Company Secretary has kept all the minutes of the Board meetings, which together with supporting board papers, are available for all the Board members for inspection. These minutes recorded matters considered by the Board and views expressed by the Directors. Draft and final versions of these minutes are sent to all the Directors for their comments and records respectively, in both cases, within a reasonable time after each meeting.

Directors' attendance at Board meetings and other meetings in 2022 is as follows:

Name of Directors	Meetings attended/Eligible to attend				
	Board Meeting (4)	Audit Committee Meeting (2)	Remuneration Committee Meeting (1)	Nomination Committee Meeting (1)	Annual General Meeting (1)
Executive Directors					
Lui Che-woo (<i>Chairman & Managing Director</i>) ¹	4/4	N/A	1/1	1/1	1/1
Francis Lui Yiu Tung ²	—	N/A	N/A	N/A	—
Paddy Tang Lui Wai Yu ³	4/4	N/A	N/A	N/A	1/1
Alexander Lui Yiu Wah ⁴	4/4	N/A	N/A	N/A	1/1
Non-executive Director					
Moses Cheng Mo Chi	4/4	2/2	N/A	N/A	1/1
Independent Non-executive Directors					
William Yip Shue Lam	4/4	2/2	1/1	1/1	1/1
Wong Kwai Lam	4/4	N/A	1/1	1/1	1/1
Nip Yun Wing	4/4	2/2	N/A	N/A	1/1
Average attendance rate	88%	100%	100%	100%	88%

1. Dr. Lui Che-woo is the father of Mr. Francis Lui Yiu Tung, Mrs. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah.
2. Mr. Francis Lui Yiu Tung is the son of Dr. Lui Che-woo, the younger brother of Mrs. Paddy Tang Lui Wai Yu and the eldest brother of Mr. Alexander Lui Yiu Wah.
3. Mrs. Paddy Tang Lui Wai Yu is the daughter of Dr. Lui Che-woo, the eldest sister of Mr. Francis Lui Yiu Tung and Mr. Alexander Lui Yiu Wah.
4. Mr. Alexander Lui Yiu Wah is the son of Dr. Lui Che-woo, the youngest brother of Mr. Francis Lui Yiu Tung and Mrs. Paddy Tang Lui Wai Yu.

Appointment, Re-election and Removal All the NED and INEDs are appointed for a specified term of 3 years, subject to re-election by Shareholders at the annual general meeting of the Company.

In accordance with the Bye-laws of the Company, other than the Chairman and the Managing Director of the Company, one-third of the Board members for the time being (or the number nearest one-third) shall retire by rotation, and stand for re-election, at each annual general meeting of the Company. At the forthcoming 2023 annual general meeting ("2023 AGM") of the Company, Mr. Francis Lui Yiu Tung (ED), Dr. William Yip Shue Lam and Mr. Wong Kwai Lam (both INEDs) will retire by rotation. Mr. Francis Lui Yiu Tung and Mr. Wong Kwai Lam, being eligible, have offered themselves for re-election.

Dr. William Yip Shue Lam will not stand for re-election at the 2023 AGM and he will retire from acting as an INED with effect from the conclusion of the 2023 AGM. The Board has expressed its sincere gratitude to Dr. William Yip Shue Lam for his valuable advice, contribution and service to the Company during his tenure of office.

In addition, according to Bye-law 100 of the Bye-laws of the Company, Mr. Cheung Kin Sang, being an INED newly appointed with effect from 1 April 2023, will hold office until the 2023 AGM and, being eligible, has offered himself for re-election at the 2023 AGM.

Pursuant to CP B.2.3 of the CG Code, any re-appointment of INEDs who served more than 9 years shall be subject to a separate resolution to be approved by the Shareholders. Mr. Wong Kwai Lam has been an INED of the Company since August 2011 thus serving the Company for more than 9 years. During the years of his service, Mr. Wong Kwai Lam has expressed objective views and given independent guidance to the Company over the years. Notwithstanding the years of service rendered by Mr. Wong Kwai Lam as an INED of the Company, the Board is of the view that Mr. Wong Kwai Lam is able to continue fulfilling his role as required with in-depth understanding of the Company's operations and business and with the necessary knowledge and/or professional qualifications. Mr. Wong Kwai Lam has also the character, integrity and experience as required to continue fulfilling the role and the duties of an INED. The Board is satisfied that Mr. Wong Kwai Lam still remains independent, and there is no evidence that his tenure of more than 9 years has had any impact on his independence, and thus the Board recommends that he would be re-elected as a Director at the 2023 AGM.

Particulars of the said retiring Directors and the recommendation of the Board to the Shareholders to vote in favor of the resolutions that the said retiring Directors be re-elected, are set out in a circular accompanied with this annual report for being despatched to the Shareholders.

Board Independence The Board recognises that board independence is of utmost importance and key to good corporate governance. The Company has established relevant mechanisms to ensure independent views and input are available to the Board and conducted review of such mechanisms on an annual basis.

The Board considers all of its INEDs independent in character and judgment as within the guidelines under Rule 3.13 of the Listing Rules. In reaching its determination, the Board has concluded that there are no relationships or circumstances that are likely to affect any INED's judgment. In accordance with Rule 3.13 of the Listing Rules, each of Dr. William Yip Shue Lam, Mr. Wong Kwai Lam and Mr. Nip Yun Wing, the 3 INEDs who is determined by the Board as independent, has provided an annual written confirmation of his independence to the Company. Mr. Cheung Kin Sang who has been appointed as an INED with effect from 1 April 2023 has also provided a written confirmation of his independence to the Company pursuant to the aforesaid guidelines before the date of his appointment. The Company has identified its INEDs as such in all its corporate communications to the Shareholders.

Directors' Induction and Continuous Professional Development All the Directors have participated in continuous professional development training (including attendance at external forums or briefing sessions, delivering of speeches and in-house seminars on the relevant topics) and have been provided with relevant reading materials to ensure they are apprised of the latest changes on the relevant applicable laws, rules and regulations to further strengthen their knowledge and skills on their roles, functions and duties. The Company from time to time provides written training materials and organises seminars for the Directors on the latest development of the Listing Rules, applicable laws, rules and regulations relating to the Directors' duties and responsibilities.

During the year under review, the Company at its own expenses had provided the Directors with written training materials for regulatory updates and arranged in-house seminar sessions conducted by qualified professionals for the Directors and the management of the Company to attend.

Corporate Governance Report

As at 22 March 2023

The Company has maintained records of the trainings provided for each Director on the following subjects, summarized as follows:

Members of the Board	Law, rules and regulations/corporate governance
Executive Directors	
Lui Che-woo (<i>Chairman & Managing Director</i>)	√
Francis Lui Yiu Tung	√
Paddy Tang Lui Wai Yu	√
Alexander Lui Yiu Wah	√
Non-executive Director	
Moses Cheng Mo Chi	√
Independent Non-executive Directors	
William Yip Shue Lam	√
Wong Kwai Lam	√
Nip Yun Wing	√

Model Code for Securities Transactions by Directors The Board has adopted a code for transactions in the Company's securities by Directors and their connected persons that complies with the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all the Directors, each Director has confirmed that he or she has complied with the adopted code throughout the year ended 31 December 2022. The Company has also adopted written guidelines — on no less exacting terms than the Model Code — for transactions in the Company's securities by its certain employees.

Other than the continuing connected transactions as disclosed in the Report of the Directors, none of the Directors had, at any time during the year and up to the date of this Report or at the balance sheet date, a material interest, directly or indirectly, in any significant transaction, arrangement and contract of significance with the Company or any of its subsidiaries.

Corporate Governance Functions A policy for the Corporate Governance Policy including all the required terms of reference stated in CP A.2.1 of the CG Code was adopted by the Board on 22 March 2012 and is subject to review annually. The Board is primarily responsible for determining the policy for the corporate governance of the Company and performing the following corporate governance duties as required under the CG Code:

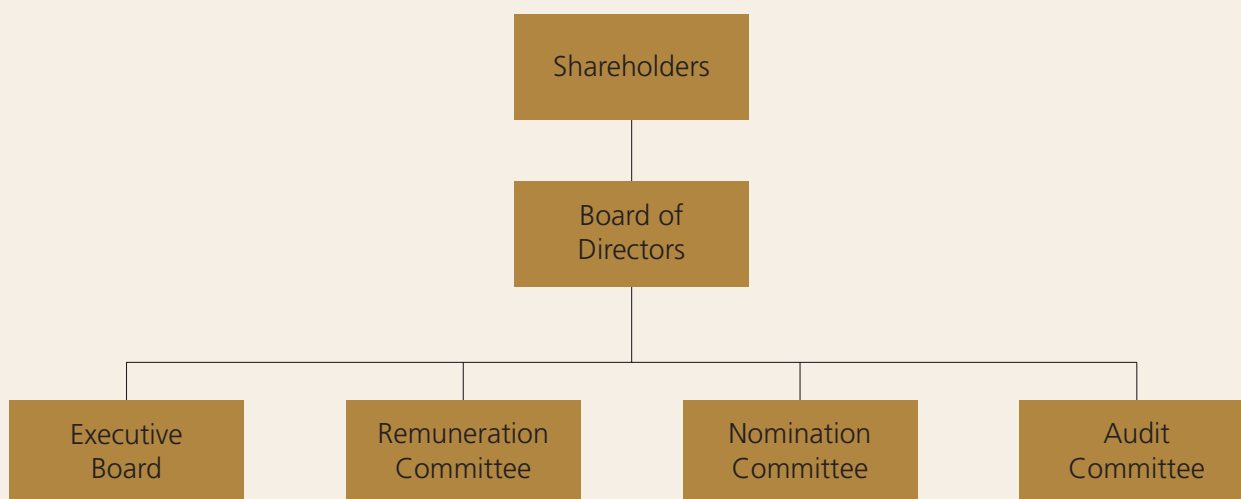
- To develop and review the Company's policies and practices on corporate governance and make recommendations;
- To review and monitor the training and continuous professional development of the Directors and the senior management;
- To review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements (where applicable);

- To develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and the Directors of the Group; and
- To review the Group’s compliance with the CG Code and disclosure requirements in the Corporate Governance Report.

During the year under review, the Board reviewed the Policy for Nomination of Directors (“Nomination Policy”), the Model Code, the Corporate Governance Policy, the Dividend Policy, the Shareholders Communication Policy and the amounts under the annual caps on continuing connected transactions of the Group, as well as the effectiveness and adequacy of the internal control and risk management systems (including ESG risks and opportunities) of the Company through the internal audit function and the Audit Committee. The Company has also established an internal policy on handling the confidential and inside information, and securities transactions for all employees of the Group in compliance with the requirements under Part XIVA of the Securities and Futures Ordinance when they are in possession of confidential and inside information in relation to the Group.

DELEGATION BY THE BOARD

The Board has set up 4 committees, namely, the Executive Board, the Remuneration Committee, the Nomination Committee and the Audit Committee, to assist it in carrying out its responsibilities. The structure of which is as follows:



Executive Board Within the clear guidelines which it sets, the Board has delegated to an executive board (“Executive Board”) established by it, comprising all the EDs, authority to oversee the implementation of the Group’s strategy set by the Board, monitor the Group’s investment and trading performance as well as funding and finance requirements, and review management performance. The Board retains to itself authority on annual budgets and accounts, dividends, share capital, derivative transactions other than instruments incidental to its financing on normal and usual course of business, connected transactions and transactions requiring Shareholders’ approval, and certain financing, acquisitions, disposals and operation issues above predetermined thresholds.

Corporate Governance Report

As at 22 March 2023

The Executive Board also meets regularly and operates as a general management committee under the direct authority of the Board. The Executive Board reports through the Chairman, who is also the Managing Director to the Board and circulates its resolutions and minutes of the Board or committees or general meetings to all the Directors on a quarterly basis. The Executive Board sub-delegates day-to-day administration details to the management committees charged with specific operation tasks under the leadership of the Executive Board. The management, pursuant to the level of authority formally approved by the Executive Board, submits written proposals with detailed analysis on financial and commercial aspects and recommendations to the Executive Board for consideration and approval. When the matter exceeds the authority of the Executive Board or relates to any matters specifically reserved to the Board, it shall be submitted to the Board for approval.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee The Remuneration Committee currently comprises 3 members identified in the table on page 40 (Dr. William Yip Shue Lam, Dr. Lui Che-woo and Mr. Wong Kwai Lam) and is chaired by Dr. William Yip Shue Lam (INED). The Company Secretary acts as the secretary of the Remuneration Committee, who has kept full minutes of the Remuneration Committee meetings with drafts and final versions being circulated to members for their comments and records respectively within a reasonable time after the relevant meetings.

The written terms of reference of the Remuneration Committee has been revised in December 2022 to include an ongoing responsibility to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules. The revised written terms of reference of the Remuneration Committee (in both English and Chinese versions) is available on the websites of the Company and HKEx respectively.

In accordance with its terms of reference, the Remuneration Committee:

- on 31 January 2022, reviewed and approved the 2021 year-end bonus paid to the EDs;
- on 15 March 2022, reviewed the level of Directors' fees for 2021 as well as the remuneration packages of the EDs (who also constituted senior management of the Company) for 2022;
- on 20 January 2023, reviewed and approved the 2022 year-end bonus paid to the EDs; and
- on 15 March 2023, reviewed the level of Directors' fees for 2022 as well as the remuneration packages of the EDs (who also constituted senior management of the Company) for 2023.

The Remuneration Committee's proposals on the EDs' remuneration packages and the Directors' fees for 2022 have been endorsed by the Board, and the proposed Directors' fees will be recommended for Shareholders' approval at the 2023 AGM. The Remuneration Committee had submitted its written report and/or recommendations to the Board after its meeting.

The Company's remuneration policy for the Directors is to reward the performance of, attract, and retain and motivate the Directors. The Remuneration Committee will, based on the Company's remuneration policy, take into consideration the Company's performance and profitability, the market pay-level for directors having comparable role and duties as well as the Directors' duties and responsibilities with the Company when determining the Directors' remuneration packages.

No Director had participated in the determination of his or her own remuneration.

Details of the Directors' emoluments and the Five Highest Pay Individuals of the Group for the year ended 31 December 2022 are set out in notes 12(a) and 13 to the audited consolidated financial statements of the Group for the year ended 31 December 2022 ("2022 Financial Statements") respectively.

Nomination Committee The Nomination Committee currently comprises 3 members identified in the table on page 40 of whom 2 are INEDs (Dr. William Yip Shue Lam and Mr. Wong Kwai Lam) and is chaired by Dr. Lui Che-woo. The Company Secretary acts as the secretary of the Nomination Committee, who has kept full minutes of the Nomination Committee meetings with drafts and final versions being circulated to members for their comments and records respectively within a reasonable time after the relevant meetings.

The Nomination Committee is responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually; making recommendations on any proposed changes to the Board in order to complement the Company's corporate strategies; identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; conducting assessment of the independence of each INED and the management of Board succession. In order to facilitate its functions for the nomination procedures and the process and the criteria to select and recommend candidates for directorship of the Company, the Nomination Policy had been adopted by the Board on 22 March 2012 and was revised in March 2013 and March 2019 to include the diversity of board members. The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, ethnicity, reputation for integrity, cultural and educational background, professional experience, skills, knowledge and other qualities relevant to duties of the Directors. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimum composition of the Board.

The Board through the Nomination Committee annually reviews the implementation and effectiveness of the Company's policy on board diversity and the mechanisms to ensure independent views and input are available to the Board by consideration of the followings:

- ensuring the Board maintains a balance of skills, experience and diversity of perspective appropriate to the requirements of the business of the Group;
- maintaining a balanced composition of EDs and NEDs (including INEDs) on the Board so that independent judgment can effectively be achieved;
- Directors' access of independent professional advice to perform their own duties; and
- annual review of the Directors' time commitment to the Company to ensure each Director is able to spend sufficient time to perform his/her duties to the Company.

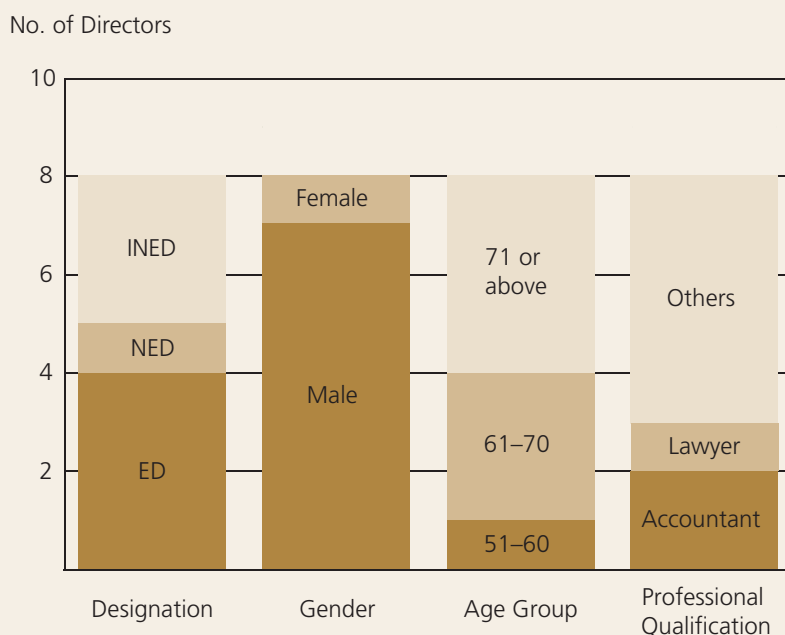
The Nomination Committee will review the Nomination Policy, as appropriate, to ensure its continued effectiveness from time to time. The Nomination Committee is also responsible for assessing the independence of each INED to ensure they can continually exercise independent judgement and reviewing their annual confirmation on their independence. The written terms of reference of the Nomination Committee (in both English and Chinese versions) is available on the websites of the Company and HKEx respectively.

In 2022, the Nomination Committee met once in March 2022 with all the members attended the said meeting. At the meeting held on 15 March 2023, the Nomination Committee reviewed the structure, size and composition of the Board (including the implementation and the effectiveness of the policy on board diversity); assessed the independence of all INEDs (including the review of mechanisms to ensure their independent views to reach the Board); considered and made recommendation to the Board on the proposed appointment of Director; and made recommendation to the Board on the retirement and re-appointment of Directors at the 2023 AGM. The Nomination Committee is satisfied with the independence of the Board and considers the aforesaid mechanisms remain effective. The Nomination Committee submitted its written report and/or recommendations to the Board after its meeting.

Corporate Governance Report

As at 22 March 2023

The diversity profile of the Board as at 22 March 2023 is as follows:



Audit Committee The Audit Committee is accountable to the Board and assists the Board to oversee the Company's financial reporting process and risk management (including ESG risks and opportunities) and internal control systems and to review the Group's interim and annual consolidated financial statements.

The Audit Committee currently comprises 1 NED (Dr. Moses Cheng Mo Chi) and 2 INEDs (Dr. William Yip Shue Lam and Mr. Nip Yun Wing), identified in the table on page 40 and is chaired by Dr. William Yip Shue Lam. The Company Secretary acts as the secretary of the Audit Committee, who has kept full minutes of the Audit Committee meetings with drafts and final versions being circulated to the members for their comment and records respectively within a reasonable time after the relevant meetings. Regular attendees at the Audit Committee meetings are the management of the Company responsible for the accounting and financial reporting function, head of the internal audit function, and the senior representatives of PwC as the external auditor.

In 2022, the Audit Committee met twice in March 2022 for reviewing the Group's 2021 annual results and financial statements and the ESG target of the Group and in August 2022 for reviewing the Group's 2022 interim results and financial statements. At the meeting on 15 March 2023, the Audit Committee reviewed the Group's annual results and financial statements for 2022, the effectiveness and adequacy of the risk management (including ESG risks) and internal control systems of the Group and the effectiveness of the Group's internal audit function. In each meeting, written reports and papers were received from PwC.

The written terms of reference of the Audit Committee has been revised in December 2015 to include an ongoing responsibility to oversee the Company's risk management system. The revised written terms of reference of the Audit Committee (in both English and Chinese versions) is available on the websites of the Company and HKEx respectively.

The Audit Committee was satisfied with the independence of PwC during the year and has recommended the Board to propose for the re-appointment of PwC as the external auditor of the Company at the 2023 AGM. An analysis of the fees for 2022 paid to external auditor appears in note 10 to the 2022 Financial Statements.

Company Secretary The Company Secretary is a full time employee of the Company, who reports to the Chairman and assists the Board in ensuring effective information flow among Board members and that the Board policy and procedures including those on corporate governance matters are followed. The Company Secretary had complied with Rule 3.29 of the Listing Rules during the year under review.

AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT

Financial Reporting The Board is accountable for the proper stewardship of the Group's affairs, and the Directors acknowledge their responsibility for preparing the financial statements of the Company in accordance with generally accepted accounting standards in Hong Kong, the requirements of the Listing Rules and the applicable laws as well as the integrity of the financial information so reported. Such responsibility is extended to cover not only the annual and interim reports but also announcements and other financial disclosures of the Company required under the Listing Rules. The external auditor has a primary responsibility for auditing and reporting on the financial statements and the Independent Auditor's Report to the Shareholders is set out on pages 67 to 71 of this annual report.

The management of individual businesses within the Group provides the Directors with such information and explanations necessary to enable them to make an informed assessment of the financial and other information put before the Board for approval. Starting from April 2012, the Company had provided all the Directors with monthly management key updates giving a balanced, clear and understandable assessment of the Company's performance, financial position and prospects to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.

The Group has adopted the going concern basis in preparing its financial statements.

Risk Management and Internal Control The Board acknowledges its responsibility for maintaining and reviewing the effectiveness of the Group's risk management and internal control systems on an ongoing basis.

The Group has a clear organizational structure with well-defined responsibilities, reporting lines and authority limits and budgetary controls for managers of operating divisions. Policies and procedures are in place to effect all material controls, including financial, operational and compliance controls.

Risk management strategies have been established to help individual operating divisions manage material risks facing by the Group (including but not limited to business, operation and ESG risks) and support the Board in discharging its corporate governance responsibilities. Risk assessment exercise is performed through questionnaires and interviews with the senior executives and function heads to identify and evaluate significant risks of the Group and the results of which are reported to the Board for considering any risk mitigation actions and controls through the Audit Committee. Appropriate risk mitigation actions are being taken to manage and control individual risks identified.

The Board, through the Audit Committee, has reviewed the Group's risk management system annually and internal control system semi-annually which are designed to manage rather to eliminate the risk of failure (including ESG risks) to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board's review also considered the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit, financial reporting functions as well as those relating to the Group's ESG performance and reporting.



Corporate Governance Report

As at 22 March 2023

The Group's Internal Audit Department has been established to carry out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management (including but not limited to business, operation and ESG risks) and internal control systems. Its audit work covers all material controls, including financial, operational and compliance controls.

The Chairman of the Audit Committee has open access to the head of Internal Audit Department. During the year 2022 and up to the date of the financial statements, there were no significant control failures or weaknesses, as the Internal Audit Department so reported to the Board through the Audit Committee.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Board established a Shareholders Communication Policy in March 2012 and had it revised in March 2023 setting out the principles of the Company in relation to its communication with the Shareholders, with the objective of ensuring the effective and timely dissemination of information to Shareholders, investors and other stakeholders at all times. In addition to sending annual reports, interim reports, circulars and notices to the Shareholders, the Company also makes sure these materials, which contain extensive information about the Group's activities, are timely available for access by Shareholders on both the websites of the Company and HKEx. The Company's website at <http://www.kwih.com> is also an informative platform for investors and it contains a dedicated investor relations section offering timely and direct access to our financial reports, corporate announcements, press releases and other business information.

The Company has delegated its management specifically charged with investor relation functions. The Company responds to enquiries from Shareholders, investors and other stakeholders on matters relating to the business of the Group in an informative and timely manner. Every year, upon announcing results, the Company holds a press conference/issue press release (where appropriate) and briefings with the investment community, and the EDs also have dialogues with institutional investors and financial analysts. In between times, the Company organizes site visits and meetings for reserved analysts in order to provide them with a comprehensive knowledge of our projects.

The Company encourages its Shareholders to attend annual general meetings and all its other shareholders' meetings to get informed of its progress and highlights. The Company will monitor and review the process of the Company's general meetings regularly, and, if necessary, make changes to ensure that Shareholders' needs are best addressed and served. The Chairman of the Board and other Directors are available at these meetings to address Shareholders' questions. Separate resolution is proposed at general meetings of the Company on each substantially separate issue, including the election of individual directors. All the resolutions proposed at the 2022 annual general meeting ("2022 AGM") were passed by way of poll in compliance with the Rule 13.39(4) of the Listing Rules. The Chairman of the 2022 AGM had at the meeting ensured that an explanation was provided for the detailed procedures for conducting a poll. The Company's branch share registrar and transfer office in Hong Kong had acted as the scrutineer for the vote-taking at the 2022 AGM, the voting results of which had been announced by the Company in accordance with Rule 2.07C of the Listing Rules on the websites of the Company and HKEx respectively. The Company had sent the notice of 2022 AGM to Shareholders more than 20 clear business days before the 2022 AGM. The Chairman of the 2023 AGM (and chairman of any other shareholders' meetings) will ensure that any vote of Shareholders at the 2023 AGM (and any other shareholders' meetings) will be taken by poll in compliance with the said Rule 13.39(4) of the Listing Rules.

The Board has reviewed the implementation and effectiveness of the Shareholders Communication Policy of the Company during the year. With the above measures in place, the Shareholders Communication Policy of the Company is considered to have been effectively implemented.

SHAREHOLDERS' RIGHTS

Convening a special general meeting by Shareholders Pursuant to the provisions of Section 74 of the Companies Act 1981 of Bermuda (as amended), a special general meeting may be convened by the Board of Directors upon requisition by any Shareholder(s) holding not less than one-tenth of the paid up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company. The requisition must state the purposes of the meeting, and must be signed by the relevant Shareholder(s) and deposited at the principal place of business in Hong Kong of the Company. If the Board of Directors does not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the Shareholder(s), or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Putting forward proposals at general meeting A Shareholder shall make a written requisition to move a resolution at a general meeting to the Board of Directors or the Company Secretary of the Company at the principal place of business in Hong Kong of the Company, specifying the shareholding information of the Shareholder, his/her contact details and the proposal he/she intends to put forward at a general meeting regarding any specified transaction/business and its supporting documents.

Proposal for election of Director If a Shareholder intends to propose a person other than a retiring Director of the Company for election as Director, the procedures have been set out in the Company's website.

Enquiries to the Board Shareholders may put forward their enquiries about the Company to the Board of Directors at the Company's principal place of business in Hong Kong or by email through the Investor Relations of the Company.

CONSTITUTIONAL DOCUMENTS

The Company's Memorandum of Association and Bye-laws has been published on the websites of the Company and HKEx respectively. There was no changes in the Company's Memorandum of Association and Bye-laws during the year.

The Board proposed to make certain amendments to the existing Bye-laws of the Company in order to (i) bring the Company's Bye-laws in line with the latest legal and regulatory requirements under the applicable laws of Bermuda and the Listing Rules (including the core shareholder protection standards set out in Appendix 3 to the Listing Rules); and (ii) incorporate certain housekeeping changes (collectively, "Proposed Amendments"). In view of the Proposed Amendments, the Board proposes to adopt a new set of Bye-laws of the Company in substitution for, and to the exclusion of, the existing Bye-laws of the Company, which is subject to the approval from the Shareholders by way of a special resolution at the 2023 AGM.



Corporate Governance Report

As at 22 March 2023

COMPLIANCE WITH APPENDIX 14 OF THE LISTING RULES

The Board and the management of the Company are committed to the principles of observing good corporate governance consistent with prudent management and enhancement of shareholders' value. The full Board is entrusted with the overall responsibility of developing and ensuring adherence to the Corporate Governance Policy and the Shareholders Communication Policy. The Company is committed to maintaining high standards of corporate governance and enhancing corporate transparency and accountability.

Throughout the year ended 31 December 2022, the Company had complied with the CPs set out in the CG Code in Appendix 14 to the Listing Rules, apart from the following CPs:

CP B.2.2 — Given that the other Directors do retire by rotation in accordance with the Bye-laws of the Company and the Board considers that the Group is best served by not requiring the Chairman and the Managing Director to retire by rotation as his continuity in office is of considerable benefit to the Company and his leadership, vision and profound knowledge in the widespread geographical business of the Group is a valuable asset of the Company.

CP C.2.1 — There was no separation of the roles of the Chairman and the Managing Director, both of the roles are currently undertaken by Dr. Lui Che-woo. The Board is of the view that the current management structure has been effective in facilitating the Company's operation and business development and that necessary checks and balances consistent with sound corporate governance practices are in place. The implementation of strategies and policies of the Board and the operations of each business unit are overseen and monitored by designated responsible EDs. The Board found that the current management had worked effectively in enabling it to discharge its responsibilities satisfactorily. In addition, all INEDs have contributed valuable views and proposals independently for the Board's deliberation and decisions.

ENVIRONMENTAL AND SOCIAL MATTERS

The Company has complied with the relevant provisions set out in the Environmental, Social and Governance Reporting Guide in Appendix 27 of the Listing Rules for the financial year ended 31 December 2022 with details are set out in a separate Environmental, Social and Governance Report to be published on the websites of the Company (<http://www.kwih.com>) and of HKEx (<http://www.hkexnews.hk>) respectively in late April 2023.

Biographical Information of Directors

EXECUTIVE DIRECTORS

Dr. Lui Che-woo, *GBM, MBE, JP, LLD, DSSc, DBA*, aged 93, the founder of the Group, has been the Chairman since June 1989 and is presently the Chairman and the Managing Director, a member of the remuneration committee (ceased to act as the chairman on 22 March 2012 but remains as a member) as well as the chairman of the nomination committee (appointed on 22 March 2012) of the Company. Dr. Lui is also the chairman and an executive director of Galaxy Entertainment Group Limited. Save as disclosed herein, he has no previous directorships in other public listed companies in the last 3 years. He has over 50 years' experience in quarrying, construction materials and property development. He was the Founding Chairman of the Institute of Quarrying in the UK (Hong Kong Branch) and the Chairman of the Tung Wah Group of Hospitals (1981 – 1982). Dr. Lui is also the Founding Chairman of The Federation of Hong Kong Hotel Owners, the President of Tsim Sha Tsui East Property Developers Association, the Founding President of Hong Kong – Guangdong Economic Development Association and an Honorary President of the 8th Committee of Hong Kong – Shanghai Economic Development Association. Dr. Lui was appointed as a member of Steering Committee on MICE (Meetings, Incentives, Conventions and Exhibitions) from 2007 to 2019. Furthermore, Dr. Lui was a member of the 9th National Committee of the Chinese People's Political Consultative Conference, a member of the Selection Committee for the First Government of the HKSAR and a member of the Election Committee of the HKSAR in 1996. Dr. Lui has been elected as a member of the Election Committee of the HKSAR in 2001, 2006, 2011 and 2016. In 1995, an asteroid discovered by the Purple Mountain Observatory of the Chinese Academy of Sciences was named "Lui Che Woo Star". Dr. Lui was presented the Outstanding Contribution Award in Guangzhou in 1996. Dr. Lui was awarded the Gold Bauhinia Star by the Government of the HKSAR in July 2005. Dr. Lui was also awarded the Grand Bauhinia Medal by the Government of the HKSAR in June 2012. Dr. Lui was awarded Business Person of the Year 2007 by DHL/SCMP Hong Kong Business Awards and the Lifetime Achievement Award by American Academy of Hospitality Sciences of 2007 respectively. Dr. Lui was presented the Diamond Award by Macau Tatler and the Lifetime Achievement Award by All Leaders Publication Group Limited, both in 2011. Dr. Lui was awarded Asia Pacific Entrepreneurship Awards 2012 – Lifetime Achievement Award by Enterprise Asia in 2012 and Lifetime Achievement Award by Golden Horse Award of China Hotel in 2013. Dr. Lui was presented the Outstanding Contribution Award at the International Gaming Awards, as well as Entrepreneur of the Year at The Asian Awards in 2014. Dr. Lui was awarded the Lifetime Achievement Award and the Outstanding Leadership in Social Responsibility Award by the World Travel Awards in 2015 and 2018 respectively. In 2019, Dr. Lui was awarded as one of the 20 Persons in 20 Years: the Most Valuable Persons of Macao's Tourism and Leisure Industry from 1999 to 2019 by the Macau University of Science and Technology. He was recognized as one of Asia's Most Influential by Tatler Asia in 2021. Dr. Lui is also the Founder and Chairman of the Board of Governors cum Prize Council of the Lui Che Woo Prize – Prize for World Civilisation which established in Hong Kong in 2015 for promoting world civilization through sustainable development of the world, betterment of the welfare of mankind and promotion of positive life attitude and enhancement of positive energy. In addition, Dr. Lui is Honorary Trustee of Peking University, Founding Honorary Patron of The University of Hong Kong Foundation for Educational Development and Research, Member of the Board of Trustees of United College of the Chinese University of Hong Kong, Honorary Member of the Court of Hong Kong University of Science and Technology, Honorary Life Chairman of the Hong Kong Polytechnic University Foundation and Member of the Court of the Hong Kong Polytechnic University, Member of the Board of Directors of Fudan University and Life Honorary Chairman of Wuyi University Board of Trustees. Dr. Lui is the father of Mr. Francis Lui Yiu Tung, Mrs. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah.

Mr. Francis Lui Yiu Tung, aged 67, joined K. Wah group in 1979. He has been an executive Director of the Company since June 1989. Mr. Lui is also the deputy chairman and a member of each of the executive board, nomination committee and remuneration committee as well as the chairman of corporate governance committee of Galaxy Entertainment Group Limited. Save as disclosed herein, he has no previous directorships in other public listed companies in the last 3 years. He holds a Bachelor of Science degree in civil engineering and a Master of Science degree in structural engineering from the University of California at Berkeley, USA. Mr. Lui is a member of the 14th National Committee of the Chinese People's Political Consultative Conference, a member of the Chief Executive Election Committee of the HKSAR and a member of the Chief Executive Election Committee and Tourism Development Committee of Macau SAR. He is also a Vice-Chair of the Council of the Macao Institute for Tourism Studies, a director of the 71st Term of Macao Chamber of Commerce, an Honorary Chairman of the 21st Term of Kiang Wu Hospital Charitable Association, a member of the 10th Standing Committee of the All-China Federation of Returned Overseas Chinese, an executive director of the Chamber of Tourism of the All-China Federation of Industry and Commerce, a Forever Honorary Chairman of the Association of Macau Travel Industry Professionals and Counsellor of Our Hong Kong Foundation. Mr. Lui was awarded the Medal of Merit – Tourism by Macau SAR in 2012. In 2021, Mr. Lui received the insignia of Officer of the Order of Arts and Letters from the French Government and was named the most influential person in the Asian Gaming Power 50 list for six times. Furthermore, Mr. Lui is the Honorary Citizen of each of Guangzhou City, Shenzhen City and Jiangmen City. Mr. Lui is the son of Dr. Lui Che-woo, the younger brother of Mrs. Paddy Tang Lui Wai Yu and the eldest brother of Mr. Alexander Lui Yiu Wah.

Biographical Information of Directors

Mrs. Paddy Tang Lui Wai Yu, BBS, JP, aged 69, joined K. Wah group in 1980 and has been an executive Director of the Company since June 1989. She is also an executive director of Galaxy Entertainment Group Limited. Save as disclosed herein, she has no previous directorships in other public listed companies in the last 3 years. She holds a Bachelor of Commerce degree from McGill University, Canada and is a member of The Institute of Chartered Accountants in England and Wales. Ms. Lui was elected as a member of the Shanghai Committee of the Chinese People's Political Consultative Conference from December 2012 to December 2022. She was appointed as a member of board of trustees of Shanghai Jiao Tong University on 30 October 2014. Ms. Lui was formerly a member of the Standing Committee on Company Law Reform, the Tourism Strategy Group, the Statistic Advisory Board, the Hong Kong Arts Development Council and the Board of Ocean Park Corporation and a non-executive director of the Mandatory Provident Fund Schemes Authority. Ms. Lui has been elected as a member of the Election Committee of the HKSAR since 1998. Ms. Lui is the daughter of Dr. Lui Che-woo and the eldest sister of Mr. Francis Lui Yiu Tung and Mr. Alexander Lui Yiu Wah.

Mr. Alexander Lui Yiu Wah, aged 60, joined K. Wah group in 1984 and is presently the Managing Director of Hong Kong Properties of the Group. He has been an executive Director of the Company since April 2010. Mr. Lui is also a director of a number of affiliated companies of the Group. Save as disclosed herein, he has no previous directorships in other public listed companies in the last 3 years. He holds a Bachelor of Science degree in Industrial and Systems Engineering from the University of Southern California, USA. Mr. Lui was a committee member of Guangdong Provincial Committee of the 11th and 12th Chinese People's Political Consultative Conference and has been again elected as a committee member of Guangdong Provincial Committee of the 13th Chinese People's Political Consultative Conference in January 2023. Mr. Lui has been re-appointed as the managing vice-chairman of the 6th Board of Directors of Guangzhou Overseas Friendship-Liaison Association on 26 March 2013. Mr. Lui has been appointed as a member of Hong Kong CPPCC (Provincial) Members Association Limited on 17 April 2013, now as the honorary director. Mr. Lui has been appointed as a director of the 3rd and 4th Board of Directors of the Association of The Hong Kong Members of Guangdong's Chinese People's Political Consultative Conference Committees. He was appointed as the executive vice-chairman of the 3rd Hong Kong Guang Fo Zhao Fraternity. In December 2015, Mr. Lui was appointed as the managing director of the 7th Board of Directors of Guangdong Overseas Friendship Association. Mr. Lui is the honorary vice president of Federation of Hong Kong Guangdong Community Organisations and was appointed as the vice president on 1 July 2017. In October 2017, he has been appointed as the honorary advisor of Guangdong – Hong Kong – Macau Greater Bay Area Youth Association. In December 2017, he was awarded the honorable president of the 1st Council of Pengjiang Overseas Youth Association. Mr. Lui has been appointed as the vice president of the Guangdong General Chamber of Commerce from 2017 to 2027. In March 2018, he was appointed as the managing vice-chairman and a managing director of the 2nd Executive Committee of Hong Kong Federation of Guangzhou Associations and the honorary advisor of China (Guangdong) Pilot Free Trade Zone – Hengqin New Area of Zhuhai. He was also appointed as the honorary president of GMC Hong Kong Members Association on 15 November 2018. He has been appointed as the honorary chairman of the 3rd Members Association of Xinhui District Daze Town on 19 December 2019. He is the First Vice-President of The Hong Kong Real Property Federation. He has been a member of the board of directors of The Real Estate Developers Association of Hong Kong since 1999. Mr. Lui was appointed as the managing vice-chairman of the 1st and 2nd Board of Directors of Hong Kong Guangdong Youth Association, and has been appointed as the honorary counsellor of its 3rd Board of Directors in October 2022. In December 2022, Mr. Lui has been appointed as the consultant of Youth of Guangzhou and Hong Kong Association. Mr. Lui is the son of Dr. Lui Che-woo, the youngest brother of Mr. Francis Lui Yiu Tung and Mrs. Paddy Tang Lui Wai Yu.

NON-EXECUTIVE DIRECTOR

Dr. Moses Cheng Mo Chi, *GBM, GBS, OBE, JP*, aged 73, has been a non-executive Director of the Company since August 2009. He has been appointed as a member of the audit committee of the Company with effect from 31 July 2015. Dr. Cheng is a practising solicitor and a senior consultant of Messrs. P.C. Woo & Co., a Hong Kong firm of solicitors, after serving as its senior partner from 1994 to 2015 and as its consultant from 2016 to January 2023. He was also the founding chairman of The Hong Kong Institute of Directors of which he is now the Honorary President and Chairman Emeritus. Dr. Cheng was a member of the Legislative Council of Hong Kong and the chairmen of the Insurance Authority, the Main Board Listing Committee and the Growth Enterprise Market Listing Committee of the HK Stock Exchange and a remuneration committee member of The Financial Reporting Council in Hong Kong. He has been appointed as a non-official member of the Executive Council of the HKSAR with effect from 1 July 2022. Dr. Cheng is currently an independent non-executive director of Guangdong Investment Limited, Liu Chong Hing Investment Limited, The Hong Kong and China Gas Company Limited and Towngas Smart Energy Company Limited, all being public listed companies on the Main Board of the HK Stock Exchange. He is also a non-executive director of Tian An China Investments Company Limited (a public listed company on the Main Board of the HK Stock Exchange). Dr. Cheng had retired as an independent non-executive director of China Mobile Limited and China Resources Beer (Holdings) Company Limited (both are public listed companies on the Main Board of the HK Stock Exchange) with effect from 18 May 2022 and 21 June 2022 respectively. Save as disclosed herein, he has no previous directorships in other public listed companies in the last 3 years. Dr. Cheng was awarded the Grand Bauhinia Medal by the Government of the HKSAR in July 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. William Yip Shue Lam, *LLD*, aged 85, has been an independent non-executive Director and the chairman of the audit committee since June 2008 as well as the chairman of the remuneration committee and a member of the nomination committee (both appointed on 22 March 2012) of the Company. He holds a Bachelor of Arts degree and an honorary Doctor of Laws degree from the Concordia University, Canada. He is the founder and the chairman of Canada Land Limited (“Canada Land”) since 1972. Canada Land engaged in real estate development and tourist attraction business, listed in 1994 on the Australian Stock Exchange and was privatized in May 2013. He remains as the chairman of Canada Land. Dr. Yip is also an independent non-executive director of Galaxy Entertainment Group Limited. Save as disclosed herein, he has no previous directorships in other public listed companies in the last 3 years. Dr. Yip was also the chairman of Cantravel Limited, Guangzhou since 1996, became a director in October 2013 and elected the chairman in December 2019 again. Dr. Yip has been active in public services and has been appointed as an Honorary Standing Committee Member of The Chinese General Chamber of Commerce (November 2012 – October 2022) and the President of Concordia University Hong Kong Foundation Limited and chairman of Board of Governors, Canadian University Association in Hong Kong. He had been the President (1998 – 2000) and currently the member of the Board of Governors of The Canadian Chamber of Commerce in Hong Kong, and the Fellow Member of The Hong Kong Institute of Directors. In addition, Dr. Yip has been elected a Guangzhou Municipal Honorable Citizen.

Mr. Wong Kwai Lam, aged 73, has been appointed as an independent non-executive Director and a member of the remuneration committee since August 2011 as well as a member of the nomination committee (appointed in March 2012) of the Company. Mr. Wong obtained a degree of Bachelor of Arts from The Chinese University of Hong Kong (“CUHK”) in 1972 and a Ph. D from Leicester University, England in 1977. He has over 30 years of experience in the commercial and investment banking industry. He worked with Merrill Lynch (Asia Pacific) Limited (“Merrill Lynch”) from May 1993 to August 2009 where he served as a managing director in the Asia investment banking division since January 1995. Mr. Wong was appointed as a senior client advisor to Merrill Lynch in September 2009 and served in that position for one year. In his 17 years of experience in various senior positions with Merrill Lynch, Mr. Wong’s responsibilities included, among others, managing the overall business of its Asia investment banking division from March 2003 to May 2005. Prior to joining Merrill Lynch, Mr. Wong had been a director in the investment banking division of CS First Boston (Hong Kong) Limited and a director and the head of primary market in Standard Chartered Asia Limited. Mr. Wong is currently the chairman of IncitAdv Consultants Limited. Mr. Wong has been appointed as a member of the investment sub-committee and a vice chairman of the Board of Trustees of New Asia College of CUHK. He was appointed as a member of the Advisory Board of Continuing and Professional Studies of CUHK with effect from August 2017. Mr. Wong is an independent non-executive director and a member of the audit committee and designated (finance) committee of ARA Asset Management (Prosperity) Limited as the manager of Prosperity Real Estate Investment Trust (a publicly-listed company on the Main Board of the HK Stock Exchange). In April 2013,

Biographical Information of Directors

Mr. Wong was also appointed as an independent non-executive director of Langham Hospitality Investments and Langham Hospitality Investments Limited (“LHIL”) (a publicly-listed company on the Main Board of the HK Stock Exchange) and LHIL Manager Limited (“LHIL Manager”) which is the trustee-manager of Langham Hospitality Investments. Mr. Wong is the chairman of the audit committees of LHIL and LHIL Manager, and a member of the remuneration committee and nomination committee of LHIL. In December 2015, Mr. Wong has been appointed as an independent non-executive director of both Hutchison Port Holdings Trust (“HPH Trust”) (a company listed in Singapore) and Hutchison Port Holdings Management Pte. Limited (as the trustee-manager of HPH Trust). He has been appointed as an independent non-executive director and a member of the audit committee and the remuneration committee of CK Hutchison Holdings Limited (a publicly-listed company on the Main Board of the HK Stock Exchange) in May 2020 and has been appointed as the chairman of its audit committee in August 2022; and he served as a member of its nomination committee from May to November 2020. In addition, Mr. Wong has been appointed as a director of CUHK Medical Centre Limited effective in February 2016. Mr. Wong has also been appointed as the chairman and director of Hong Kong Grand Opera Company Limited in August 2019. Mr. Wong was appointed as the Chairman of the Chamber of Hong Kong Listed Companies from 4 June 2019 to 29 June 2021 and has been appointed as its advisor in September 2021. He was formerly a member of the Advisory Committee to the Securities and Futures Commission in Hong Kong, a member of the Real Estate Investment Trust (REIT) Committee of the Securities and Futures Commission in Hong Kong and a member of the China Committee to the Hong Kong Trade Development Council. Mr. Wong has ceased as an independent non-executive director and chairman of the remuneration and appraisal committee and a member of the audit committee of China Merchants Bank Co., Ltd. (a public listed company on the Main Board of the HK Stock Exchange and The Shanghai Stock Exchange) on 30 November 2018. He has ceased as a director and the chairman of Opera Hong Kong Limited on 14 March 2019. He has ceased as a member of the Hospital Governing Committee of The Prince of Wales Hospital, Hong Kong on 31 March 2021. Save as disclosed herein, he has no previous directorships in other publicly-listed companies in the last 3 years.

Mr. Nip Yun Wing, aged 69, has been appointed as an independent non-executive Director of the Company since July 2019. He has been appointed as a member of the audit committee of the Company with effect from 1 March 2020. Mr. Nip holds a Master of Business Administration degree from The Chinese University of Hong Kong and is a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Nip has extensive experience in corporate finance, investment and management. He was an executive director and chief financial officer of China Overseas Land & Investment Limited (Stock Code: 00688) from 17 August 2009 and retired on 3 April 2018. Mr. Nip ceased as an independent non-executive director, the chairman and a member of the audit committee and a member of the nomination committee of Shenzhen International Holdings Limited (Stock Code: 00152) with effect from 12 June 2020. Both companies are public listed companies on the Main Board of the HK Stock Exchange. Save as disclosed herein, he has no previous directorships in other public listed companies in the last 3 years.

Mr. Cheung Kin Sang, aged 64, has been appointed as an independent non-executive Director of the Company since 1 April 2023. Mr. Cheung holds a Bachelor of Social Sciences Degree in Economics from The University of Hong Kong. He has over 30 years of corporate and commercial banking experience with diversified industry, product and institutional exposure. Mr. Cheung worked with DBS Bank Ltd, Hong Kong Branch/DBS Bank (Hong Kong) Limited (“Bank”) from July 2009 to December 2022 where he served as the managing director and the head of institutional banking group in Hong Kong from June 2011 until his retirement in December 2022. He was also the alternate chief executive of DBS Bank (Hong Kong) Limited from December 2012 to December 2022. Mr. Cheung had been working for over 13 years in the Bank, during which, he was responsible for growing the Bank’s franchise in the corporate and commercial banking businesses in Hong Kong. Prior to joining the Bank, he was the regional general manager of North East Asia and the general manager of Hong Kong Branch of OCBC Bank. Prior to such appointments, Mr. Cheung held senior positions in corporate commercial banking and risk management with major international banks including Citibank, ABN-AMRO and Rabobank. Currently, Mr. Cheung is a member of The Hong Kong Academy of Finance, a member of Industry Training Advisory Committee of the Hong Kong Qualifications Framework for the banking industry, a member of the Board of Governors of World Green Organisation and a member of the Advisory Committee on Accounting and Finance of The Hong Kong Polytechnic University. He was a member of the Advisory Board and the Investment Committee to Hong Kong Export Credit Insurance Corporation from January 2011 to December 2016. Save as disclosed herein, he has no previous directorships in other public listed companies in the last 3 years.

SENIOR MANAGEMENT

Assisted by head of departments, the executive Directors are under the direct responsibilities for the business and operations of the Group and the executive Directors are therefore regarded as the senior management of the Company.

Report of the Directors

The Directors have pleasure in presenting to the shareholders of the Company (“Shareholders”) their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2022 (“2022 Financial Statements”).

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. Our principal subsidiaries, joint ventures and associated companies are primarily engaged in property development and property investment in Hong Kong and the Mainland, and their activities are set out in note 42 to the 2022 Financial Statements.

Further discussion and analysis of these activities, including a fair review of the Group’s business and a discussion of the principal risks and uncertainties facing by the Group, particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2022, and an indication of likely future development in the Group’s business, can be founded in the sections headed “Five Years Summary”, “Statement from the Chairman”, “Management Discussion and Analysis”, “Environmental, Social and Governance Policies”, “Investor Relations” and “Corporate Governance Report” of this annual report as well as the Environmental, Social and Governance Report available on the websites of both Hong Kong Exchanges and Clearing Limited and the Company. The above sections form part of this Report of the Directors.

RESULTS AND APPROPRIATIONS

The 2022 Financial Statements on pages 72 to 142 of this annual report set out the results of the Group for the year ended 31 December 2022.

An interim cash dividend of HK\$0.07 per ordinary share of the Company (“Share”) was paid during the year. The Board recommends the payment of a final cash dividend of HK\$0.14 per Share. Together with the interim dividend paid, the total dividends per Share for the year amount to HK\$0.21 (2021: HK\$0.21 per Share). Details of dividends are set out in note 16 to the 2022 Financial Statements.

DIVIDEND POLICY

The Board had adopted a dividend policy on 20 March 2019 that, in deciding whether to propose a dividend and the amount, if applicable, the Board shall take into account (i) the Group’s actual and expected operating results; (ii) the Group’s working capital requirements and future investment opportunities; (iii) the Group’s financial and liquidity position; (iv) any statutory and contractual restrictions on payment of dividends; and (v) any other factors that the Board considers relevant.

SHARES ISSUED

Note 29 to the 2022 Financial Statements contains details of the shares issued by the Company during the year and the increase in issued share capital of the Company during the year was due to exercise of options.

DEALINGS IN LISTED SECURITIES

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

EQUITY-LINKED AGREEMENTS

Save for the share option schemes described below, the Group has not entered into any equity-linked agreements during the year.

Report of the Directors

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2022, calculated under Companies Act 1981 of Bermuda, amounted to HK\$2,048,988,000 (2021: HK\$1,707,866,000).

DONATIONS

During the year, the Group made charitable donations amounting to HK\$8,785,000 (2021: HK\$8,769,000).

SIGNIFICANT PROPERTIES

Details of the significant properties held by the Group as at 31 December 2022 for investment and development purposes are set out on pages 143 to 144 of this annual report.

DIRECTORS

The Directors of the Company who served during the year and up to the date of this Report of the Directors ("reporting period") were Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Mrs. Paddy Tang Lui Wai Yu, Mr. Alexander Lui Yiu Wah, Dr. Moses Cheng Mo Chi, Dr. William Yip Shue Lam, Mr. Wong Kwai Lam and Mr. Nip Yun Wing. After the reporting period, Mr. Cheung Kin Sang was appointed as an independent non-executive Director of the Company ("INED") with effect from 1 April 2023.

Biographical details of the current Directors are set out on pages 51 to 54 of this annual report.

In accordance with Bye-laws 109(A) and 189(viii) of the Bye-laws of the Company, Mr. Francis Lui Yiu Tung, Dr. William Yip Shue Lam and Mr. Wong Kwai Lam will retire by rotation at the forthcoming 2023 annual general meeting of the Company ("2023 AGM"). Mr. Francis Lui Yiu Tung and Mr. Wong Kwai Lam being eligible, have offered themselves for re-election at the 2023 AGM.

Dr. William Yip Shue Lam will not stand for re-election at the 2023 AGM and he will retire from acting as an INED with effect from the conclusion of the 2023 AGM. The Board would like to express its sincere gratitude to Dr. William Yip Shue Lam for his valuable advice, contribution and service to the Company during his tenure of office.

In addition, according to Bye-law 100 of the Bye-laws of the Company, Mr. Cheung Kin Sang, being an INED newly appointed with effect from 1 April 2023, will hold office until the 2023 AGM and, being eligible, has offered himself for re-election at the 2023 AGM.

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

Subject to the approval of Shareholders at the 2023 AGM, the following fees in respect of the year ended 31 December 2022 will be paid to the Directors:

	Chairman HK\$	Member HK\$
Board	232,000	200,000
Audit Committee	146,000	125,000
Remuneration Committee	60,000	50,000
Nomination Committee	60,000	50,000

DIRECTORS' EMOLUMENTS

The emoluments of the Directors of the Company (including executive Directors, non-executive Director (“NED”) and INEDs) on a named basis are set out in note 12(a) to the 2022 Financial Statements.

Directors' emoluments are determined by reference to their duties and responsibilities with the Company, the Company's performance and profitability based on the Company's remuneration policy and referencing the market pay-level for directors having comparable role and duties.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors and officers is currently in force and was in force throughout the financial year. The Company has taken out and maintained appropriate directors' and officers' liability insurance cover in respect of potential legal actions against their risks and exposure arising from the Group's business and activities.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in this Report of the Directors, no other significant transactions, arrangements and contracts of significance in relation to the Group's business, to which the Company or its subsidiaries was a party and in which a Director or his or her connected entity has or had a material beneficial interest, whether directly or indirectly, subsisted as at 31 December 2022 or at any time during the year.

DIRECTORS' INTERESTS IN SECURITIES AND UNDERLYING SHARES

As of 31 December 2022, the interests and short positions of each Director in the Shares, underlying Shares and debentures of the Company or any of its specified undertakings or its other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), if any, and the details of any right to subscribe for Shares and of the exercise of such rights, as required to be notified to the Company and The Stock Exchange of Hong Kong Limited (“HK Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise required to be notified to the Company and the HK Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Rules Governing the Listing of Securities (“Listing Rules”) on the HK Stock Exchange, were as follows:

(A) Ordinary Shares

Name of Directors	Number of Shares (including Underlying Shares) Held					Approximate % of Issued Share Capital
	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	
Lui Che-woo	31,005,941	8,317,120 ⁽¹⁾	334,612,213 ⁽²⁾	1,681,776,769 ⁽³⁾	2,055,712,043	65.62
Francis Lui Yiu Tung	11,138,035	–	–	1,681,776,769 ⁽³⁾	1,692,914,804	54.04
Paddy Tang Lui Wai Yu	27,457,605	–	210,000 ⁽⁴⁾	1,681,776,769 ⁽³⁾	1,709,444,374	54.56
Alexander Lui Yiu Wah	17,851,428	–	4,005,183 ⁽⁵⁾	1,681,776,769 ⁽³⁾	1,703,633,380	54.38
Moses Cheng Mo Chi	849,175	–	–	–	849,175	0.03
William Yip Shue Lam	1,052,726	–	–	–	1,052,726	0.03
Wong Kwai Lam	1,040,000	–	–	–	1,040,000	0.03
Nip Yun Wing	160,000	–	–	–	160,000	0.01

Unless otherwise stated, all personal interests stated above were held by the respective Directors in the capacity of beneficial owners.

Report of the Directors

Notes:

- (1) Dr. Lui Che-woo is deemed to be interested in 8,317,120 Shares through the interests of his spouse.
- (2) Such Shares are held by companies which are controlled by Dr. Lui Che-woo.
- (3) Such interests in the Shares are indirectly held by a company which is the trustee of a discretionary family trust established by Dr. Lui Che-woo as settlor. Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Mrs. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah are deemed to be interested in those Shares by virtue of being the discretionary beneficiaries of the discretionary family trust.
- (4) Such Shares are held by a company controlled by Mrs. Paddy Tang Lui Wai Yu.
- (5) Such Shares are held by a company controlled by Mr. Alexander Lui Yiu Wah.

(B) Underlying Shares – Share Options

Details are set out in the SHARE OPTION SCHEMES section below.

All the interests stated above represent long positions.

Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Mrs. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah, by virtue of their deemed interests in the Shares as described in Note (3) above and as Directors of the Company, are deemed to be interested in the issued share capital of every subsidiary, joint venture and associated company of the Company held through the Company under the provision of the SFO.

Save as disclosed above, as of 31 December 2022, none of the Directors had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its specified undertakings or its other associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As of 31 December 2022, the interests of every person (not being a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO or as otherwise notified to the Company and the HK Stock Exchange were as follows:

Name of Shareholders	Capacity	Number of Shares Held (Long Position)	Approximate % of Issued Share Capital
HSBC International Trustee Limited ⁽¹⁾	Trustee	1,683,018,737	53.72
CWL Assets (PTC) Limited	Trustee	1,681,776,769	53.68
Super Focus Company Limited	Beneficial owner	1,120,247,673	35.76
Star II Limited	Interest of controlled corporation	264,752,460	8.45
Favor Right Investments Limited	Beneficial owner	229,857,444	7.34
Lui Che Woo Foundation Limited	Beneficial owner	206,285,639	6.58
Premium Capital Profits Limited	Beneficial owner	184,229,079	5.88

Note:

- (1) HSBC International Trustee Limited is the trustee of a trust established by Dr. Lui Che-woo as the settlor, was interested in 1,681,776,769 Shares of the Company.

There was duplication of interests of 1,681,776,769 Shares among Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Mrs. Paddy Tang Lui Wai Yu, Mr. Alexander Lui Yiu Wah, HSBC International Trustee Limited and CWL Assets (PTC) Limited. Of these Shares, 1,120,247,673 Shares were interested by Super Focus Company Limited, 66,919,192 Shares were interested by Best Chance Investments Ltd., 229,857,444 Shares were interested by Favor Right Investments Limited, 184,229,079 Shares were interested between Premium Capital Profits Limited and Star II Limited and 80,523,381 Shares were interested between Mark Liaison Limited and Star II Limited.

Save as disclosed above, as of 31 December 2022 the Company had not been notified by any persons who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEMES

A new share option scheme of the Company ("2021 Share Option Scheme") was approved and adopted by the Shareholders at its annual general meeting held on 9 June 2021 in replacement of the share option scheme adopted on 20 June 2011 ("2011 Share Option Scheme") to the effect that no further options of the Company shall be offered or granted under the 2011 Share Option Scheme, but the options which had already been granted and remain outstanding shall continue to be valid and exercisable in accordance with their terms of issue.

Both of the 2021 Share Option Scheme and the 2011 Share Option Scheme fall within the ambit of, and are subject to the regulations under Chapter 17 of the Listing Rules.

A summary of the 2021 Share Option Scheme is set out below:

(1) Purposes

- (i) to attract and retain the best quality personnel for the development of the Company's businesses;
- (ii) to provide additional incentives to employees, consultants, agents, representatives, advisers, suppliers of goods or services, customers, contractors, business allies and joint venture partners; and
- (iii) to promote the long term financial success of the Company by aligning the interests of option holders to Shareholders.

(2) Participants

- (i) any person employed (on a full-time or part-time basis) by the Company or any affiliate and any person who is a senior executive or director (whether executive or non-executive) of the Company or any affiliate; or
- (ii) any consultants, agents, representatives or advisers of the Company or any affiliate; or
- (iii) any persons who provide goods or services to the Company or any affiliate; or
- (iv) other participants as detailed in the 2021 Share Option Scheme.

"Affiliate" means any company which is (a) a holding company of the Company; or (b) a subsidiary of a holding company of the Company; or (c) a subsidiary of the Company; or (d) a controlling shareholder of the Company; or (e) a company controlled by a controlling shareholder of the Company; or (f) a company controlled by the Company; or (g) an associated company of a holding company of the Company; or (h) an associated company of the Company.

(3) Total number of Shares available for issue

Mandate Limit – Subject to the paragraph below, the total number of Shares which may be issued upon exercise of all options to be granted under the 2021 Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the Shares in issue as of 9 June 2021, being 312,697,461 Shares.

Overriding Limit – The Company may by ordinary resolutions of the Shareholders refresh the Mandate Limit as referred to in the above paragraph provided that the Company shall issue a circular in accordance with and containing such information as required under the Listing Rules to the Shareholders before such approval is sought. The overriding limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2021 Share Option Scheme and any other schemes of the Company must not exceed 30% of the Shares in issue from time to time.

As of the date of this annual report, no option was granted under the 2021 Share Option Scheme since its adoption on 9 June 2021. The total number of Shares available for issue under the 2021 Share Option Scheme was 312,697,461, which represented approximately 9.98% of the issued share capital of the Company on that date.

(4) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options (including both exercised and outstanding options) in any 12-month period granted to each participant must not exceed 1% of the Shares in issue. However, subject to separate approval by the Shareholders in general meeting with the relevant participant and his close associates (as defined in the Listing Rules) abstaining from voting and provided that the Company shall issue a circular in accordance with and containing such information as required under the Listing Rules to Shareholders before such approval is sought, the Company may grant a participant options which would exceed the aforesaid limit.

(5) Option period

The period during which an option may be exercised as determined by the Board in its absolute discretion at the time of grant, save that such period must not exceed 10 years from the date of grant of the relevant option.

(6) Minimum period for which an option must be held before it is vested

The minimum period, if any, for which an option must be held before it is vested shall be determined by the Board in its absolute discretion.

(7) Payment on acceptance of the option

HK\$1.00 is payable by the grantee to the Company on acceptance of the option offer. An offer must be accepted within 14 days from the date of offer (or such longer period as the Board may specify in writing).

(8) Basis of determining the subscription price

The subscription price shall be determined by the Board in its absolute discretion at the time of grant of the relevant option but shall not be less than the highest of:

- (i) the closing price of the Shares as stated in the HK Stock Exchange's daily quotation sheet on the date of grant;
- (ii) the average closing price of the Shares as stated in the HK Stock Exchange's daily quotation sheet for the five (5) business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(9) Effects of re-organisation of capital structure

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, whether by way of a capitalization of profits or reserves (other than pursuant to a scrip dividend scheme), rights issue, consolidation or subdivision of shares or reduction of capital, such corresponding alterations (if any) shall be made to: (a) the number and/or nominal amount of Shares subject to the option so far as unexercised; and/or (b) the subscription price; and/or (c) the maximum number of Shares subject to the 2021 Share Option Scheme, as the auditors for the time being the Company shall certify in writing to the Board to be in their opinion fair and reasonable (except in the case of a capitalization issue where no such certification shall be required), provided that: (i) any such alterations shall be made on the basis that the aggregate subscription price payable by an option holder on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) it was before such event; (ii) no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (iii) no such alterations shall be made the effect of which would be to increase the proportion of the issued share capital of the Company for which any option holder is entitled to subscribe pursuant to the options held by him.

(10) The remaining life of the 2021 Share Option Scheme

The life span of the 2021 Share Option Scheme is 10 years commencing from 9 June 2021 and will expire on 8 June 2031.

Except for the number of the options that may be granted and the expiry date of the 2021 Share Option Scheme, the terms of the 2021 Share Option Scheme and the 2011 Share Option Scheme are the same in all material aspects. A summary of those terms applicable to the outstanding share options of 2011 Share Option Scheme has been disclosed in the Company's 2020 Annual Report.

No option was granted under the 2021 Share Option Scheme since its adoption on 9 June 2021. Accordingly, as at 31 December 2022, there was no option outstanding under the 2021 Share Option Scheme.

As at 1 January 2022 and 31 December 2022, the number of the options available for grant under the Mandate Limit are 312,697,461.

Report of the Directors

Particulars of the movement of the options under the 2011 Share Option Scheme during the year ended 31 December 2022, were as follows:

Name or category of participants	Date of grant	Number of options			Held at 31 December 2022	Exercise price per Share (HK\$)	Exercise period
		Held at 1 January 2022	Exercised during the year	Lapsed during the year			
Directors							
Lui Che-woo	17 Jul 2017	2,900,000	–	–	2,900,000	4.760	17 Jul 2018–16 Jul 2023
	18 Jul 2018	3,000,000	–	–	3,000,000	4.520	18 Jul 2019–17 Jul 2024
	15 Jul 2020	3,100,000	–	–	3,100,000	3.462	15 Jul 2021–14 Jul 2026
Francis Lui Yiu Tung	21 Jan 2016	1,300,000	1,300,000 ^(a)	–	–	2.796	21 Jan 2017–20 Jan 2022
	17 Jul 2017	1,300,000	–	–	1,300,000	4.760	17 Jul 2018–16 Jul 2023
	18 Jul 2018	1,300,000	–	–	1,300,000	4.520	18 Jul 2019–17 Jul 2024
	15 Jul 2020	1,300,000	–	–	1,300,000	3.462	15 Jul 2021–14 Jul 2026
Paddy Tang Lui Wai Yu	21 Jan 2016	1,000,000	500,000 ^(a)	500,000	–	2.796	21 Jan 2017–20 Jan 2022
	17 Jul 2017	2,900,000	–	–	2,900,000	4.760	17 Jul 2018–16 Jul 2023
	18 Jul 2018	3,000,000	–	–	3,000,000	4.520	18 Jul 2019–17 Jul 2024
	15 Jul 2020	3,100,000	–	–	3,100,000	3.462	15 Jul 2021–14 Jul 2026
Alexander Lui Yiu Wah	21 Jan 2016	2,800,000	500,000 ^(a)	2,300,000	–	2.796	21 Jan 2017–20 Jan 2022
	17 Jul 2017	2,900,000	–	–	2,900,000	4.760	17 Jul 2018–16 Jul 2023
	18 Jul 2018	3,000,000	–	–	3,000,000	4.520	18 Jul 2019–17 Jul 2024
	15 Jul 2020	3,100,000	–	–	3,100,000	3.462	15 Jul 2021–14 Jul 2026
Moses Cheng Mo Chi	17 Jul 2017	160,000	–	–	160,000	4.760	17 Jul 2018–16 Jul 2023
	18 Jul 2018	160,000	–	–	160,000	4.520	18 Jul 2019–17 Jul 2024
	15 Jul 2020	160,000	–	–	160,000	3.462	15 Jul 2021–14 Jul 2026
William Yip Shue Lam	17 Jul 2017	160,000	–	–	160,000	4.760	17 Jul 2018–16 Jul 2023
	18 Jul 2018	160,000	–	–	160,000	4.520	18 Jul 2019–17 Jul 2024
	15 Jul 2020	160,000	–	–	160,000	3.462	15 Jul 2021–14 Jul 2026
Wong Kwai Lam	21 Jan 2016	160,000	160,000 ^(b)	–	–	2.796	21 Jan 2017–20 Jan 2022
	17 Jul 2017	160,000	–	–	160,000	4.760	17 Jul 2018–16 Jul 2023
	18 Jul 2018	160,000	–	–	160,000	4.520	18 Jul 2019–17 Jul 2024
	15 Jul 2020	160,000	–	–	160,000	3.462	15 Jul 2021–14 Jul 2026
Nip Yun Wing	15 Jul 2020	160,000	–	–	160,000	3.462	15 Jul 2021–14 Jul 2026
Employees^(c)							
(in aggregate)	21 Jan 2016	770,000	200,000 ^(d)	570,000	–	2.796	21 Jan 2017–20 Jan 2022
	17 Jul 2017	5,720,000	–	800,000	4,920,000	4.760	17 Jul 2018–16 Jul 2023
	18 Jul 2018	7,438,000	–	890,000	6,548,000	4.520	18 Jul 2019–17 Jul 2024
	15 Jul 2020	13,680,000	–	1,280,000	12,400,000	3.462	15 Jul 2021–14 Jul 2026
Consultants							
(in aggregate)	17 Jul 2017	280,000	–	200,000	80,000	4.760	17 Jul 2018–16 Jul 2023
	18 Jul 2018	350,000	–	250,000	100,000	4.520	18 Jul 2019–17 Jul 2024

Notes:

- The weighted average closing price of the Shares immediately before the date on which the options were exercised during the year was HK\$3.010 per Share.
- The weighted average closing price of the Shares immediately before the date on which the options were exercised during the year was HK\$3.060 per Share.
- Employees include an associate of Directors shown above and the movements in the options held by the associate of Directors during the year were as follows:

Name	Date of grant	Held at 1 January 2022 and at 31 December 2022	Exercise price per Share (HK\$)	Exercise period
Tang Eugene Justin Yue Chung	17 Jul 2017	120,000	4.760	17 Jul 2018–16 Jul 2023
	18 Jul 2018	130,000	4.520	18 Jul 2019–17 Jul 2024
	15 Jul 2020	300,000	3.462	15 Jul 2021–14 Jul 2026

- (d) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the year was HK\$3.030 per Share.

All the options granted were subject to a one-year vesting period.

As at the date of this annual report, the total number of Shares available for issue under the 2011 Share Option Scheme taking into account the options already granted under the 2011 Share Option Scheme was 56,010,000, representing approximately 1.79% of the issued Shares as at the date of this annual report and representing approximately 1.79% of the weighted average number of issued Shares for the year.

No option was granted or cancelled under the 2011 Share Option Scheme during the year.


Save for the share option schemes described above, at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors or their spouses or children under 18 years of age to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

CONTINUING CONNECTED TRANSACTION

During the year ended 31 December 2022, the Company had the following continuing connected transaction, details of which are set out below:

On 23 August 2017, the Company and Polymate Co., Ltd. (“Polymate”) (a wholly-owned subsidiary of a substantial shareholder of the Company which is the trustee of a discretionary family trust established by Dr. Lui Che-woo and of which members of Lui’s family, including Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Mrs. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah, are the discretionary beneficiaries) had entered into the master lease agreement (“2017 Master Lease Agreement”), pursuant to which the Group (as lessee or licensee) may renew or enter into new leases with the respective subsidiaries of Polymate (“Lessor Group”) (as lessor or licensor) in respect of the leasing and/or licensing of certain properties and car-parking spaces beneficially owned by the Lessor Group (“Lessor Properties”) for a term of 3-year period from 1 November 2017 to 31 October 2020 (both days inclusive). Based on the continuing administrative, operational, marketing, promotional and sales needs of the Group, and considering that the Group might have to renew some of the existing leases under the 2017 Master Lease Agreement to satisfy the future business needs of the Group from time to time, following the expiry of the 2017 Master Lease Agreement, the Company and Polymate had entered into another master lease agreement on 20 August 2020 (“2020 Master Lease Agreement”) whereas the Group as lessee or licensee and the Lessor Group as lessor or licensor in respect of the Lessor Properties for a term of 3-year period from 1 November 2020 to 31 October 2023 (both days inclusive). Pursuant to the 2017 Master Lease Agreement and 2020 Master Lease Agreement, the amount of annual rent payable by the Group to the Lessor Group is subject to the annual caps (“Annual Caps”) fixed for each corresponding financial year as disclosed in the announcements of the Company dated 23 August 2017 and 20 August 2020 (“Announcements”) respectively. For the year ended 31 December 2022, the aggregate annual rent of HK\$5,883,000 was paid and payable by the Group under the 2020 Master Lease Agreement, which is within the Annual Caps.

The entering into of the 2017 Master Lease Agreement and 2020 Master Lease Agreement constituted as continuing connected transactions of the Company, with applicable percentage ratios more than 0.1% but less than 5%, was exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules. Details of the continuing connected transactions have been disclosed in the Announcements.



Report of the Directors

The Board of Directors of the Company (including INEDs) had noted and approved the abovementioned continuing connected transactions. These continuing connected transactions have also been reviewed by the INEDs of the Company who are not interested in any continuing connected transaction with the Company and they confirmed that these transactions have been entered into in the ordinary and usual course of business of the Group and on normal commercial terms; and in accordance with the relevant agreements governing the respective transactions, on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company's independent 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 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the HK Stock Exchange.

Save as disclosed above, none of the related party transactions (as defined in HKAS 24 — Related Party Disclosures) entered into by the Group during the year ended 31 December 2022 disclosed in note 40 to the 2022 Financial Statements falls under the scope of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules which is subject to the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no shareholders pre-emptive rights as a matter of Bermuda law, either under statute or at common law.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Mrs. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah (collectively, the "Relevant Directors"), as either directly or indirectly through a discretionary family trust and other privately-owned companies, are deemed to be interested in several independently managed companies, which are also engaging in property investment, trading, and development. The business of these companies ("Competing Business") may compete, directly or indirectly, with the business of the Group. The Relevant Directors are also directors of certain holding companies of the Competing Business.

Notwithstanding the interests of the Relevant Directors in the Competing Business disclosed above, the Group is able to carry on its business independent of, and at arm's length from, the Competing Business, given that the Company has a strong and independent Board with half of the Directors being NED/INEDs as at the date of this Report of the Directors. These NED/INEDs are professionals (audit/accounting and legal) or prominent businessmen. The Company has established corporate governance procedures, which ensure investment opportunities and business performance are independently assessed and reviewed. The Relevant Directors are fully aware of their fiduciary duty to the Company, and will abstain from voting on any matter where there is, or there may be, a conflict of interest. The Directors therefore consider that the Group's interests are adequately safeguarded.

Save as disclosed above, there is no other competing business interest between the Directors and his/her respective close associates and the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

DISCLOSURE UNDER RULE 13.22 OF THE LISTING RULES

As of 31 December 2022, the Group had given financial assistance and guarantees to financial institutions for the benefit of its affiliated companies. In compliance with the requirements of Rule 13.22 of the Listing Rules, the combined balance sheet of the affiliated companies as at the balance sheet date is disclosed as follows:

	Combined Balance Sheet HK\$'000	Group's Attributable Interest HK\$'000
Non-current assets	2,423,401	672,113
Current assets	101,145,438	27,556,599
Current liabilities	(24,321,995)	(7,534,373)
	79,246,844	20,694,339
Share capital	3,387,392	1,367,972
Reserves	2,259,732	589,779
Amounts due to shareholders	47,208,034	11,907,285
Non-current liabilities	26,391,686	6,829,303
	79,246,844	20,694,339

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the 2022 Financial Statements, is shown on pages 6 to 7 of this annual report.


MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022:

- (1) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover; and
- (2) the aggregate amount of purchases (not including the purchases of items which were of a capital nature) attributable to the Group's major suppliers of the Group's total of such purchases is as follow:

The largest supplier	60%
Five largest suppliers	74%

None of the Directors, their close associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the five largest customers or suppliers (suppliers of items which were not of a capital nature).



Report of the Directors

MANAGEMENT CONTRACTS

No substantial contracts concerning the management and administration of the Company were entered into or existed during the year.

AUDITOR

The 2022 Financial Statements have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the 2023 AGM.

On behalf of the Board

Lui Che-woo

Chairman and Managing Director

Hong Kong, 22 March 2023

Independent Auditor's Report



羅兵咸永道

To the Shareholders of K. Wah International Holdings Limited

(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of K. Wah International Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 72 to 142, comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated profit and loss statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and 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 ("HKSA") 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.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Valuation of investment properties
- Realisation of development properties held by the Group

Key Audit Matter

Valuation of investment properties

Refer to notes 3.5 (Summary of significant accounting policies), 5(a) (Critical accounting estimates and judgments), 8 and 18 (Notes to the consolidated financial statements)

The Group had investment properties of HK\$15,852,360,000 as at 31 December 2022 of which fair value losses were recognised and presented as "change in fair value of investment properties" in the consolidated profit and loss statement. The Group's investment property portfolio comprises completed properties and properties under development in Hong Kong and the Mainland.

Independent valuers were engaged by the Group to determine the valuation of the Group's investment properties. The valuation of completed investment properties was arrived at using the income capitalisation method by considering the capitalised income derived from existing tenancies and the reversionary potential, including capitalisation rate and prevailing market rent, of the properties, and whenever appropriate, the direct comparison approach by reference to market evidence of recent market transaction prices. For investment properties under development, the valuation of completed investment properties was arrived at using residual method. Other than capitalisation rate, prevailing market rent and recent market transaction prices, the estimated development costs and developer's profit were also taken into consideration.

There is inherent estimation uncertainty in determining a property's valuation, as the valuers make assumptions, judgements and estimates in the key areas. Significant judgment and estimates are applied in the valuation of investment properties.

How our audit addressed the Key Audit Matter

We understood management's controls and processes for determining the valuation of investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgements involved in determining assumptions to be applied.

We evaluated the independent valuers' competence, capabilities and objectivities, obtained the valuation reports and met with the independent valuers to discuss the valuation methodologies applied.

We checked the accuracy of the input data, on a sample basis, used by the independent valuers in the valuation of properties including rental rates from existing tenancies by agreeing them to the underlying agreements with the tenants.

We assessed the methodologies used by the valuers and challenged the appropriateness of the key assumptions used in the valuation of properties by comparing market yields for capitalisation rates, leasing transactions and/or recent market transaction prices of comparable properties, where applicable, for prevailing market rents.

For investment properties under development, we further assessed the reasonableness of the latest budgets of total construction costs and tested, on a sample basis, the construction costs to construction contracts and/or other documentation, where applicable and compared the market data of comparable properties for developer's profit.

We also involved our in-house valuation experts in the assessment of the valuation of selected investment properties.

We evaluated the appropriateness on related disclosures made in the consolidated financial statements.

Based on the audit procedures performed, we found the valuation of investment properties were supportable in light of available evidence.

KEY AUDIT MATTERS (cont'd)

Key Audit Matter

Realisation of development properties held by the Group

Refer to notes 3.10 (Summary of significant accounting policies), 5(b) (Critical accounting estimates and judgments) and 25 (Notes to the consolidated financial statements)

Development properties is the key component of the net assets value attributable to the equity holders. The carrying value of development properties as at 31 December 2022 was HK\$21,815,375,000. The Group's development properties portfolio comprises completed properties and properties under development in Hong Kong and the Mainland, which required management to apply significant judgment in their realisation assessment.

Management assessed the carrying value of the Group's development properties based on the net realisable value of the underlying properties.

There is inherent estimation uncertainty in determining the net realisable value, as management makes assumptions, judgements and estimates in key areas. Significant judgment is applied in the estimation of the net realisable value, which takes into account the estimated future sales price based on current market price of comparable properties and anticipated costs to completion.

How our audit addressed the Key Audit Matter

We understood management's controls and processes for determining the net realisable value of the development properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied.

We obtained management's assessment of the net realisable value of the underlying properties and, on a sample basis, assessed the reasonableness of key estimates adopted by management. For the estimated future sales price, we checked, on a sample basis, to contracted sales price of the underlying properties and/or recent market transaction prices of comparable properties, where applicable. For anticipated costs to completion on properties under development, we further assessed the reasonableness of the latest budgets of total construction costs and tested, on a sample basis, the construction costs with reference to market information to construction contracts and/or other documentation, where applicable.

We evaluated the appropriateness on related disclosures made in the consolidated financial statements.

Based on the audit procedures performed, we found that the estimates used in the calculation of the net realisable value were supportable in light of 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- 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 Mr. Cho Kin Lun.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2023

Consolidated Profit and Loss Statement

For the year ended 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
Revenue	7	8,793,712	16,217,700
Cost of sales		(6,125,635)	(10,656,596)
Gross profit		2,668,077	5,561,104
Other operating income		534,443	330,804
Other net gains		149,217	37,826
Change in fair value of investment properties		(84,775)	116,793
Fair value gain on transfer of development properties to investment properties	8	—	102,571
Fair value gain on transfer of investment properties to development properties	8	—	484,571
Other operating expenses		(505,300)	(858,898)
Administrative expenses		(573,685)	(658,563)
Finance costs	9	(61,028)	(36,122)
Share of losses of joint ventures		(67,054)	(5,979)
Share of profits of associated companies		8,151	16,015
Profit before taxation	10	2,068,046	5,090,122
Taxation charge	14	(641,563)	(1,650,829)
Profit for the year		1,426,483	3,439,293
Attributable to:			
Equity holders of the Company		1,372,387	3,354,877
Non-controlling interests		54,096	84,416
		1,426,483	3,439,293
		HK cents	HK cents
Earnings per share	15		
Basic		43.81	107.26
Diluted		43.81	107.17

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
Profit for the year	1,426,483	3,439,293
Other comprehensive income/(loss):		
<i>Items that will not be reclassified to profit and loss:</i>		
Change in fair value of financial assets at fair value through other comprehensive income	1,819,822	(3,225,309)
Exchange differences arising from translation — non-controlling interests	(103,341)	40,592
<i>Item that may be reclassified to profit and loss:</i>		
Exchange differences arising from translation — subsidiaries — joint ventures and associated companies	(2,556,182) (28,414)	825,624 8,952
Other comprehensive loss for the year	(868,115)	(2,350,141)
Total comprehensive income for the year	558,368	1,089,152
Total comprehensive income attributable to:		
Equity holders of the Company	607,613	964,144
Non-controlling interests	(49,245)	125,008
	558,368	1,089,152

Consolidated Balance Sheet

As at 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	312,569	356,821
Investment properties	18	15,852,360	16,946,902
Right-of-use assets	19	19,426	23,226
Joint ventures	20	11,199,768	11,225,144
Associated companies	21	2,604,180	3,120,932
Financial assets at fair value through other comprehensive income	22	8,384,177	6,564,355
Deferred taxation assets	34	138,360	146,223
Derivative financial instruments	33	109,982	—
Land deposit	23	4,175,529	—
Other non-current assets	24	1,770,513	2,367,954
		44,566,864	40,751,557
Current assets			
Development properties	25	21,815,375	26,835,315
Inventories		1,383	1,362
Amounts due from joint ventures	20	61,088	129,003
Debtors and prepayments	26	482,144	587,710
Tender deposits		100,000	100,000
Derivative financial instruments	33	2,843	—
Financial assets at fair value through profit or loss	27	157,837	1,166,702
Taxes recoverable		788,011	789,386
Cash and cash equivalents and restricted cash	28	8,660,364	8,136,563
		32,069,045	37,746,041
Total assets		76,635,909	78,497,598
EQUITY			
Share capital	29	313,289	313,023
Reserves	31	43,542,869	43,585,993
Shareholders' funds		43,856,158	43,899,016
Non-controlling interests		2,786,713	1,316,418
Total equity		46,642,871	45,215,434

	Note	2022 HK\$'000	2021 HK\$'000
LIABILITIES			
Non-current liabilities			
Borrowings	32	12,244,037	16,385,011
Derivative financial instruments	33	—	22,743
Lease liabilities	19	4,956	5,455
Deferred taxation liabilities	34	2,679,471	2,860,327
		14,928,464	19,273,536
Current liabilities			
Amounts due to joint ventures	20	1,351,276	773,232
Amounts due to associated companies	21	63,873	142,289
Creditors, accruals and other liabilities	35	2,422,933	2,429,360
Pre-sales deposits	36	7,496,706	3,891,367
Current portion of borrowings	32	2,694,892	2,598,955
Derivative financial instruments	33	—	3,338
Taxes payable		1,034,894	4,170,087
		15,064,574	14,008,628
Total liabilities		29,993,038	33,282,164
Total equity and liabilities		76,635,909	78,497,598
Net current assets		17,004,471	23,737,413
Total assets less current liabilities		61,571,335	64,488,970

Lui Che-woo
Chairman and Managing Director

Paddy Tang Lui Wai Yu
Executive Director

Consolidated Cash Flow Statement

For the year ended 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
Cash flows from operating activities			
Cash generated from operations	37(a)	8,528,053	8,441,682
Tax paid		(3,520,918)	(687,198)
Interest paid		(450,474)	(344,035)
Net cash generated from operating activities		4,556,661	7,410,449
Cash flows from investing activities			
Purchases of property, plant and equipment		(4,759)	(6,353)
Purchases of investment properties		(186,723)	(1,048,285)
Increase in investments in joint ventures and advances to joint ventures		(517,855)	(338,295)
Repayments from joint ventures		1,049,995	213,860
Increase in investment in an associated company and advances to associated companies		(109,616)	(53,837)
Repayments from associated companies		466,585	25,603
Disposal of financial assets at fair value through profit or loss		952,712	873,915
Settlement on derivative financial instruments		(10,412)	(36,861)
Payment of land deposit		(4,323,134)	—
Proceeds from disposal of investment properties		—	14,218
Proceeds from disposal of property, plant and equipment		—	148
Bank interest received		134,177	70,857
Dividends received from joint ventures		25,600	67,400
Dividends received from associated companies		89,750	20,000
Dividend income from financial assets at fair value through other comprehensive income		48,745	—
Net cash used in investing activities		(2,384,935)	(197,630)
Cash flows from financing activities			
Issue of new shares		7,437	9,114
Proceeds from borrowings	37(b)	9,420,997	11,808,599
Repayments of borrowings	37(b)	(13,279,821)	(17,997,891)
Principal elements of lease liabilities		(4,948)	(5,598)
Capital contribution from non-controlling interests		1,618,686	—
Repayment of capital to non-controlling interests		(58,560)	(16,620)
Dividends paid to non-controlling interests		(40,586)	(40,161)
Dividends paid to shareholders		(657,908)	(656,665)
Net cash used in financing activities		(2,994,703)	(6,899,222)
Net (decrease)/increase in cash and cash equivalents		(822,977)	313,597
Cash and cash equivalents at beginning of year		8,136,563	7,673,477
Changes in exchange rates		(482,601)	149,489
Cash and cash equivalents at end of year	28	6,830,985	8,136,563

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Shareholders' funds HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 January 2022	313,023	9,380,198	34,205,795	43,899,016	1,316,418	45,215,434
Comprehensive income						
Profit for the year	—	—	1,372,387	1,372,387	54,096	1,426,483
Other comprehensive loss						
Other comprehensive loss for the year	—	(764,774)	—	(764,774)	(103,341)	(868,115)
Transactions with equity holders						
Issue of shares upon exercise of share options	266	7,171	—	7,437	—	7,437
Lapse of share options	—	(3,970)	3,970	—	—	—
Capital contribution from non-controlling interests	—	—	—	—	1,618,686	1,618,686
Repayment of capital to non-controlling interests	—	—	—	—	(58,560)	(58,560)
Dividends	—	—	(657,908)	(657,908)	(40,586)	(698,494)
At 31 December 2022	313,289	8,618,625	34,924,244	43,856,158	2,786,713	46,642,871
At 1 January 2021	312,697	11,756,794	31,507,280	43,576,771	1,248,191	44,824,962
Comprehensive income						
Profit for the year	—	—	3,354,877	3,354,877	84,416	3,439,293
Other comprehensive loss						
Other comprehensive (loss)/income for the year	—	(2,390,733)	—	(2,390,733)	40,592	(2,350,141)
Transactions with equity holders						
Fair value of share options	—	5,652	—	5,652	—	5,652
Issue of shares upon exercise of share options	326	8,788	—	9,114	—	9,114
Lapse of share options	—	(303)	303	—	—	—
Repayment of capital to non-controlling interests	—	—	—	—	(16,620)	(16,620)
Dividends	—	—	(656,665)	(656,665)	(40,161)	(696,826)
At 31 December 2021	313,023	9,380,198	34,205,795	43,899,016	1,316,418	45,215,434

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

K. Wah International Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda and has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and its principal place of business in Hong Kong is 29th Floor, K. Wah Centre, 191 Java Road, North Point, Hong Kong.

As at 31 December 2022, the Directors of the Company consider that the ultimate holding company to be CWL Assets (PTC) Limited, a limited liability company incorporated in the British Virgin Islands, which is a trustee of a discretionary family trust established by Dr. Lui Che-woo. CWL Assets (PTC) Limited does not produce financial statements available for public use.

The principal activities of the Company and its subsidiaries (together the “Group”) are property development and investment in Hong Kong and the Mainland.

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated and have been approved for issue by the Board of Directors (the “Board”) on 22 March 2023.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants under the historical cost convention as modified by the revaluation of investment properties, certain financial assets and financial instruments, which are carried at fair values.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The accounting policies and methods of computation used in the preparation of the consolidated financial statements are consistent with those used in the consolidated financial statements for the year ended 31 December 2021, except as stated below.

The adoption of amendments and improvements to standards

In 2022, the Group adopted the following amendments and improvements to standards, which are relevant to its operations.

HKAS 16 (Amendment)	Property, Plant and Equipment: Proceeds before Intended Use
HKAS 37 (Amendment)	Onerous Contracts — Cost of Fulfilling a Contract
HKFRS 3 (Amendment)	Reference to the Conceptual Framework
HKFRS 9 (Amendment)	Financial Instruments
HKFRS 16 (Amendment)	COVID-19-Related Rent Concessions beyond 30 June 2021
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations
Annual Improvements to HKFRSs 2018–2020 Cycle	

The above amendments and improvements to standards did not have significant impact on the Group’s accounting policies and did not require retrospective adjustments.

2 BASIS OF PREPARATION (cont'd)

New standard, amendments to standards, practice statement and interpretation that are not yet effective

		Effective for accounting periods beginning on or after
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendment)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendment)	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 17 and HKFRS 17 (Amendment)	Insurance Contracts	1 January 2023
HKAS 1 (Amendment)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendment)	Non-current Liabilities with Covenants	1 January 2024
HKFRS 16 (Amendment)	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

The Group will adopt the above new standard, amendments to standards, practice statement and interpretation as and when they become effective. The Group has performed a preliminary assessment of the likely impact and anticipates that the application of these new standard, amendments to standards, practice statement and interpretation will have no material impact on the results and the financial position of the Group. The Group will continue to assess the impact in more details.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Consolidation

(a) *Subsidiaries*

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls entities when the Group is exposed to, or has rights to, variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-group transactions, balances, 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.

(i) *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs. Acquisition related costs are expensed as incurred. If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Consolidation (cont'd)

(a) Subsidiaries (cont'd)

(i) Business combinations (cont'd)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, 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. It means that the 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.

(iv) 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 dividends 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 amounts in the consolidated financial statements of the investee's net assets including goodwill.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Consolidation (cont'd)

(b) Associated companies

Associated companies are entities over which the Group has significant influence but not control. Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Group's investment in associated companies includes goodwill identified on acquisition, net of any accumulated impairment loss. Upon the acquisition of the ownership interest in an associated company, any difference between the cost of the associated company and the Group's share of the net fair value of the associated company's identifiable assets and liabilities is accounted for as goodwill.

The Group's share of its associated companies post-acquisition profits or losses is recognised in the consolidated profit and loss statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated company.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associated company is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated company and its carrying value and recognises the amount in the consolidated profit and loss statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associated companies are recognised in the consolidated profit and loss statement.

If the ownership interest in an associated company is reduced but 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Consolidation (cont'd)

(c) *Joint arrangements*

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, 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 joint ventures.

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

3.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board that makes strategic decisions.

3.3 Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Property, plant and equipment

Land and buildings comprise mainly offices and hotel building. Leasehold land classified as finance leases and all other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. 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 asset will flow to the Group and the cost of the asset can be measured reliably.

The carrying amount of the replaced asset is derecognised. All other repairs and maintenance costs are charged to the profit and loss statement during the financial period in which they are incurred.

All direct and indirect costs relating to the construction of property, plant and equipment, including borrowing costs during the construction period are capitalised as the costs of the assets.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Buildings (including hotel buildings) on leasehold land are depreciated over their shorter useful life or respective lease periods using the straight-line method. No depreciation is provided on assets under construction. Depreciation of other property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Hotel buildings	20 years
Land and buildings	Shorter of remaining lease term or useful life
Plant and machinery	10 years
Other assets	3 to 10 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its recoverable amount. Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit and loss statement.

3.5 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property also includes property under construction or development for intended use as investment property upon completion. All leases that meet the definition of investment property are classified as investment property and measured at fair value.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. Investment property that is obtained through a lease is measured initially at the lease liability amount adjusted for any lease payments made at or before the commencement date (less any lease incentives received), and any initial direct costs incurred by the Group.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 Investment properties (cont'd)

After initial recognition, investment property is carried at fair value, representing open market value determined at each balance sheet date by external valuers. Fair value is based on valuations carried out by professional valuers. Where fair value of investment property under construction is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. The fair value of investment property also reflects the market values of comparable properties which have been recently transacted, adjusted for any qualitative differences that may affect the price such as location, floor area, quality and the finishes of the building and other related factors.

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- Estimated construction costs
- The stage of completion
- Types of properties
- The level of reliability of cash inflow after completion
- The development risk specific to the property
- Past experience with similar constructions

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

Changes in fair values of investment property (completed or under construction) are recognised in the profit and loss statement. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

When an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to completed properties held for sale at its fair value at the date of change in use.

If an investment property becomes owner-occupied or under development with the view changed to owner-occupation, it is reclassified as property, plant and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 Investment properties (cont'd)

If an owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognised in other comprehensive income as revaluation reserves of property, plant and equipment. However, if the fair value gives rise to a reversal of a previous impairment, this write-back is recognised in the profit and loss statement. This revaluation reserve shall remain and be transferred to retained earnings upon disposal of this property.

If a development property becomes an investment property when there is a change in use, any difference resulting between the fair value of the property at that date and its previous carrying amount is recognised in the profit and loss statement. A change in use would involve an assessment of whether a property meets the definition of investment property and supporting evidence that a change in use has occurred. A change in intention, in isolation, is not enough to support a transfer.

3.6 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life or have not yet been available for use are not subject to amortisation, but are tested at least 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 the asset's fair value less costs to sell 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 (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

3.7 Financial assets

(i) Classification

The Group classifies its financial assets in the categories of those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss) and those to be measured at amortised costs. The classification depends on the Group's business model for managing the 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 other comprehensive income. 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 fair value through other comprehensive income ("FVOCI").

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Financial assets (cont'd)

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on settlement-date. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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 assets is included in finance income using the effective interest method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other net gains/losses together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit and loss statement.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the 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 other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the 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 net gains/losses. Interest income from these financial assets is included in finance income using the effective interest method. Foreign exchange gains and losses are presented in other net gains/losses and impairment expenses are presented as separate line item in the profit and loss 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 and presented net within other net gains/losses in the period in which it arises.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Financial assets (cont'd)

(iii) Measurement (cont'd)

Equity instruments

The Group 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 other operating income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other net gains/losses in the profit and loss 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.

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses 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.

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

3.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is 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 legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

3.9 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of each reporting period. The derivative is classified as a non-current asset or liability when the remaining maturity is more than twelve months, and as a current asset or liability when the remaining maturity of the contract is less than twelve months. Changes in fair value of derivatives are recognised in the profit and loss statement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.10 Development properties

Development properties comprise leasehold land and land use rights, construction costs, an appropriate proportion of overhead expenditure and borrowing costs incurred during the construction period, less provisions for impairment. Development properties are carried at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated costs to completion.

Development properties are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

3.11 Inventories

Inventories comprise primarily operating supplies, food and beverages, engineering spare parts and guest supplies. Operating supplies, food and beverages are stated at the lower of cost and net realisable value. Engineering spare parts and guest supplies are stated at lower of cost and net realisable value and expensed when consumed. Costs are assigned to individual items on the first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.12 Trade debtors

Trade debtors are recognised initially at the amount of consideration that is unconditional and subsequently measured at amortised cost using the effective interest method, less provision for impairment, as the Group holds the trade debtors with the objective to collect the contractual cash flows and those cash flows represent solely payments of principal and interest. The Group's impairment policies are set out in note 3.7(iv). The carrying amount of trade debtors is reduced through the use of an allowance account and the amount of the provision is recognised in the profit and loss statement within other operating expenses. When a debtor is uncollectible, it is written off against the allowance account for trade debtors. Subsequent recoveries of amounts previously written off are credited against other operating income in the profit and loss statement.

If the collection of trade debtors 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.

3.13 Mortgage loans receivable

First mortgage loans receivable is initially recognised at and are subsequently remeasured to their fair value at the end of each reporting period. Second mortgage loans receivable is classified as loans and receivable and is recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Mortgage loans receivable is classified as current assets if expected to be settled within twelve months from the balance sheet date; otherwise, is classified as non-current.

3.14 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.15 Share capital

Ordinary shares are classified as equity. 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.

3.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability including fees and commissions to agents, advisers, levies by regulatory agencies and securities exchange, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the profit and loss 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 pre-payment 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 twelve months after the balance sheet date.

3.17 Trade creditors

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade creditors are classified as current liabilities if payment is due within one year or less (or in normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

3.18 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.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the Group's incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the profit and loss statement 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 following:

- the amount of the initial measurement of lease liability, and
- any lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are generally depreciated over the shorter of the assets useful life and the lease term on a straight-line basis.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in the profit and loss statement. Short-term leases are with a lease term of twelve months or less.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.18 Leases (cont'd)

Rental income from operating leases where the Group is a lessor is recognised as income on a straight-line basis over the lease term (note 3.23). 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 rental income. The respective leased assets are included in the balance sheet based on their nature.

3.19 Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Where a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

When 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 the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.20 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss statement, except to the extent that it relates to items recognised directly 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.

The current taxation charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries, joint ventures and associated companies 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred taxation liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred taxation is 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. Deferred taxation 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 taxation asset is realised or the deferred taxation liability is settled.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.20 Current and deferred taxation (cont'd)

Deferred taxation assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation liability are provided on taxable temporary differences arising from investments in subsidiaries, associated companies and joint arrangements, except for deferred taxation liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associated companies. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred taxation liability in relation to taxable temporary differences arising from the associated company's undistributed profits is not recognised.

Deferred taxation assets are recognised on deductible temporary differences arising from investments in subsidiaries, associated companies and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxation assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.21 Employee benefits

(a) *Employee entitlements, benefits and bonuses*

Contributions to publicly or privately administered defined contribution retirement or pension plans on a mandatory, contractual or voluntary basis are recognised as employee benefit expense in the financial period when they are due. The Group has no further payment obligations once the contributions have been paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service 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.

Provisions for bonus plans due wholly within twelve months after balance sheet date are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.21 Employee benefits (cont'd)

(b) Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and retaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. 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 balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the profit and loss statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

3.22 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to complete and prepare for its intended use or sale are capitalised as part of the cost of that asset until such time as the assets are substantially ready for their intended use or sales. All other borrowing costs are charged to the profit and loss statement in the financial period in which they are incurred.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable and is shown, net of value-added tax, returns, rebates and discounts, allowances for credit and other revenue reducing factors.

Revenue is recognised when it is probable that future economic benefits will flow to the Group and specific criteria for each of the activities of the Group have been met. Estimates are based on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(a) Sales of properties

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred 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 from the customers for performance completed to date, the Group satisfies the performance obligation over time and therefore, recognises revenue over time in accordance with the input method for measuring progress. Otherwise, revenue is recognised at a point in time when the customer obtains control of the completed property.

For property development and sales contract for which the control of the property is transferred over-time, the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

Whether there is an enforceable right to payment and hence the related contract revenue should be recognised over time, depends on the terms of each contract and the relevant laws that apply to that contract. To assess the enforceability of right to payment, the Group has reviewed the terms of its contracts and the relevant local laws, considered the local regulators' views and practices and obtained legal advice, where necessary.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

Contract acquisition costs incurred to obtain contracts are capitalised and amortised when the related revenue are recognised.

(b) Rental income

Rental income net of any incentives given to the lessees is recognised over the periods of the respective leases on a straight-line basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.23 Revenue recognition (cont'd)

(c) Hotel operation income

Hotel operation income is recognised when the services are rendered.

(d) Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/losses on these assets. Interest income on financial assets at amortised cost is recognised in the profit and loss statement as other operating income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for 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 asset (after deduction of the loss allowance).

(e) Dividend income

Dividend is received from financial assets measured at FVOCI and is recognised as other operating income in profit or loss when the right to receive payment is established.

3.24 Foreign currencies

(a) 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, which is the Company's functional currency and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss statement, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses are presented in the profit and loss statement as other net gains/losses. Exchange differences arising from translation of inter-company loan balances between Group entities are recognised in other comprehensive income and accumulated under the heading of exchange reserve when such loans form part of the Group's net investment in a foreign entity.

Translation differences on non-monetary financial assets held at FVPL are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets held at FVOCI are included in the fair value through other comprehensive income reserve in other comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.24 Foreign currencies (cont'd)

(c) Group companies

The results and financial position of all the entities in the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rates at the date of that balance sheet;
- (ii) income and expenses for each profit and loss statement are translated at average exchange rates; and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rates at the balance sheet date. Exchange differences arising are recognised in other comprehensive income.

(d) 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 associated company that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders 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 exchange 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 associated companies 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.

3.25 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. Government grants relating to costs are deferred and recognised in the profit and loss statement over the period necessary to match them with the costs that they are intended to compensate.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.26 Financial guarantees

Financial guarantees 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 (1) the amount determined in accordance with the expected credit loss model under HKFRS 9; and (2) the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15.

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.

Where guarantees in relation to loans or other payables of associated companies or joint ventures are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

3.27 Dividend distribution

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

4 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The property industry is sensitive to the economic environment in Hong Kong and the Mainland, which will affect the volumes and selling prices of property transactions. The Group mainly relies on sales of properties, income from investment properties and renewal of bank borrowings to fund its operations.

Risk management is carried out by the management of the Group under the supervision of the Board. The management of the Group identifies, evaluates and manages significant financial risks in the individual operating units of the Group. The Board provides guidance for overall risk management.

4.1 Financial risk factor

(a) Market risk

(i) Foreign exchange risk

The Group operates in Hong Kong and the Mainland and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi ("RMB").

Foreign exchange risk mainly arises from future commercial transactions, recognised assets and liabilities, which are denominated in a currency that is not the functional currency of the entities in the Group.

The Group's borrowings are mainly denominated in the functional currency of the entities to minimise the foreign currency risk.

The Group would also consider entering into forward foreign exchange contracts to reduce foreign exchange risk exposure where necessary. The Group does not hedge any net investments in foreign operations.

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.1 Financial risk factor (cont'd)

(a) Market risk (cont'd)

(i) Foreign exchange risk (cont'd)

At 31 December 2022 if Hong Kong dollar had strengthened or weakened by 3% (2021: 3%) against RMB, with all other variables held constant, profit before taxation for the year would have been lower or higher by approximately HK\$0.2 million (2021: HK\$0.2 million) mainly as a result of foreign exchange losses/gains arising from cash at banks.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits, amounts due from joint ventures/ associated companies, mortgage loans receivables and bank loans.

The interest rate risk arises primarily from borrowings. Borrowings with variable rates expose the Group to cash flow interest rate risk. Borrowings with fixed rates expose the Group to fair value interest rate risk.

With regard to cash flow interest rate risk of borrowings, when opportunities arise, the Group considers the use of interest rate swaps to fix the interest costs for long term. In case of funding requirement, other than bank borrowings, the Group may issue fixed-rate instruments, such as bonds, to avoid fluctuation of interest costs over the period of the instruments.

The Group has followed a policy of developing long-term banking facilities to match its long-term investments in Hong Kong and the Mainland. The policy also involves close monitoring of interest rate movements and replacing and entering into new banking facilities when favourable pricing opportunities arise. At 31 December 2022, if interest rates had been increased or decreased by 1% (2021: 1%) with all other variables held constant, the profit before taxation for the year (before capitalisation) would increase or decrease by approximately HK\$31 million (2021: HK\$25 million) mainly as a result of higher or lower interest income and lower or higher interest expenses.

(iii) Price risk

The Group is exposed to equity securities price risk through investments held by the Group classified as financial assets at fair value through other comprehensive income which are publicly traded and financial assets at fair value through profit or loss.

At 31 December 2022, if the share price of the financial assets at fair value through other comprehensive income had been increased or decreased by 10% (2021: 10%) with all other variables held constant, the equity would increase or decrease by approximately HK\$838 million (2021: HK\$656 million).

At 31 December 2022, if the trade price of the financial assets at fair value through profit or loss had been increased or decreased by 10% (2021: 10%) with all other variables held constant, the profit before taxation for the year would increase or decrease by approximately HK\$16 million (2021: HK\$117 million).

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.1 Financial risk factor (cont'd)

(b) *Credit risk*

The Group's credit risk is primarily attributable to trade and other debtors, mortgage loans receivables, bank deposits, amounts due from joint ventures/associated companies and guarantees.

The Group adopts a "three-stage" approach for impairment assessment based on changes in credit quality since initial recognition (except for trade receivables, which applies simplified approach). Based on management's assessment, there were no changes in stages for the above-mentioned financial assets during the year ended 31 December 2022 as there were no significant changes in credit risk noted. As at 31 December 2022, all of the above-mentioned financial assets are classified as stage 1 under the "three-stage" approach, as there are no significant increase in credit risk after initial recognition or that have low credit risk at the reporting date.

The Group has policies in place to ensure that sales of properties, goods and services are made to customers with an appropriate credit history. The Group reviews the recoverable amount of the debtors and loans receivable on a regular basis and an allowance for doubtful debts is made where there is an expected credit loss.

To measure the expected credit losses, debtors and loans receivable are grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the historical payment profiles and the corresponding historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors and industry trends affecting the ability of the debtors to settle the outstanding balances.

In respect of credit exposures to customers for sales of properties, the Group normally receives deposits or progress payments from individual customers prior to the completion of sales transactions. For mortgage loans receivables, credit assessments are carried out before approving loans to the customers. Regular review with stringent monitoring procedures are conducted for overdue debts. With regard to credit exposure to customers for rental of properties, the Group also receives rental payments in advance with sufficient initial rental deposits to cover potential default in future rental payments. In respect of credit exposures to amounts due from joint ventures/associated companies, the Group regularly monitors the business performance of the joint ventures and associated companies. The Group's credit risks in these balances are mitigated through the value of the assets held by these entities and the power to participate/jointly control their relevant activities. The management considers that the counterparties have a low risk of default, after taking into account the value of the assets held and the operating results of these entities. For financial guarantee provided by the Group, any failure to discharge an obligation by the counterparties will cause a financial loss to the Group. The maximum amount of the guarantee under the respective contracts is disclosed in note 39. At the reporting date, the management has performed impairment assessment and concluded there is no significant increase in credit risk since initial recognition of the financial guarantee contracts.

The credit risk on liquid funds is limited because around 81% (2021: 76%) of the funds are placed in banks with high credit rankings, ranging from Aa to A, and the remaining 19% (2021: 24%) in local banks with close monitoring by the management and there is no concentration in any particular bank. Management does not expect any losses from non-performance of these banks.

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.1 Financial risk factor (cont'd)

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Group measures and monitors its liquidity through the maintenance of prudent ratios regarding the liquidity structure of the overall assets, liabilities, loans and commitments of the Group. It prepares cash flow forecasts to assess funding needs on a regular and rolling basis and, if necessary, obtains financing to meet the funding requirement.

The Group also maintains a level of liquid assets that ensures the availability of sufficient cash flows to meet any unexpected and material cash requirements in the course of ordinary business. In addition, standby credit facilities are obtained from banks to provide contingent liquidity support. As at 31 December 2022, the Group's total undrawn facilities amounted to approximately HK\$19.1 billion (2021: HK\$18.1 billion).

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include adjusting the construction progress of development properties, implementing cost control measures and accelerating sales with more flexible pricing. The Group will, based on its assessment of the relevant future costs and benefits, pursue such options as are appropriate.

The contractual maturity of the Group for its financial liabilities, drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay, including both interest and principal, is set out below.

	Within 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
At 31 December 2022					
Borrowings	3,374,340	4,791,294	8,835,682	—	17,001,316
Lease liabilities	3,831	3,369	1,813	—	9,013
Trade creditors	1,491,086	—	—	—	1,491,086
Other creditors and accruals	708,881	—	—	—	708,881
Amounts due to joint ventures	1,351,276	—	—	—	1,351,276
Amounts due to associated companies	63,873	—	—	—	63,873
Total	6,993,287	4,794,663	8,837,495	—	20,625,445
At 31 December 2021					
Borrowings	2,876,000	7,993,742	8,560,767	260,225	19,690,734
Lease liabilities	5,694	5,455	—	—	11,149
Trade creditors	1,739,999	—	—	—	1,739,999
Other creditors and accruals	428,968	—	—	—	428,968
Amounts due to joint ventures	773,232	—	—	—	773,232
Amounts due to associated companies	142,289	—	—	—	142,289
Total	5,966,182	7,999,197	8,560,767	260,225	22,786,371

Note:

The table above excludes guarantees executed by the Group that management considers the likely realisation of the guarantees to be minimal.

Interest on borrowings is calculated on balances held as at 31 December 2022 and 2021. Floating-rate interest is estimated using the current interest rate as at 31 December 2022 and 2021 respectively.

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.2 Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of borrowings and equity.

The Directors of the Company review the capital structure periodically. As a part of this review, the Directors of the Company assess the annual budget prepared by its finance team which reviews, inter alia, the planned construction projects proposed by its project team and takes into account the timing of funding so required. Based on the proposed annual budget, the Directors of the Company consider the cost of capital and the risks associated with capital. The Directors of the Company also balance its overall capital structure through the payment of dividends, new share issues, if applicable, as well as the issue of new debt or the redemption of existing debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio, which is calculated as net borrowings to total equity. Net borrowings is calculated as total borrowings, including current and non-current borrowings, less cash and bank deposits.

The gearing ratio is calculated as follows:

	2022 HK\$'000	2021 HK\$'000
Total borrowings	14,938,929	18,983,966
Less: Cash and bank deposits (note 28)	(8,660,364)	(8,136,563)
Net borrowings	6,278,565	10,847,403
Total equity	46,642,871	45,215,434
Gearing ratio	13%	24%

4.3 Fair value estimation

The disclosure of fair value measurements of financial instruments carried at fair value by level in the following fair value measurement hierarchy:

- 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).

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.3 Fair value estimation (cont'd)

(a) *Financial instruments in Level 1*

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily Hong Kong listed equity investments classified as financial assets at fair value through other comprehensive income (note 22).

(b) *Financial instruments in Level 2*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Note that all the resulting fair value estimates are included in Level 2.

Instruments included in Level 2 comprise financial assets at fair value through profit or loss (note 27) and derivative financial instruments (note 33).

There was no transfer of financial assets between Level 1 and Level 2 fair value hierarchy classifications.

The fair values of long-term borrowings are estimated using the expected future contractual payments discounted at current market interest rates.

The fair values of financial instruments that are not traded in an active market, which include unlisted pooled fund are determined with reference to quoted market price provided by the bank which may use established valuation techniques to ascertain the price.

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.3 Fair value estimation (cont'd)

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, balances with joint ventures and associated companies, debtors, tender deposits, bank balances, creditors and current borrowings are assumed to approximate their fair values.

See note 18 for disclosures of the investment properties that are measured within level 3 of the fair value hierarchy.

The fair value of first mortgage loans receivables (note 24) is determined using discounted cash flow valuation techniques with reference to the unobservable inputs, including the lending rates from financial institution and dates over the terms of not more than 25 years (2021: 25 years), and is measured within level 3 of the fair value hierarchy.

4.4 Financial instruments by category

The Group holds the following financial instruments:

	Note	2022 HK\$'000	2021 HK\$'000
Financial assets			
Financial assets at amortised cost			
Amounts due from joint ventures	20	9,758,030	9,619,113
Amounts due from associated companies	21	2,149,255	2,582,978
Trade and other debtors	26	176,881	196,650
Tender deposits		100,000	100,000
Cash and cash equivalents and restricted cash	28	8,660,364	8,136,563
Mortgage loans receivables			
At fair value through profit or loss		1,015,520	1,247,008
At amortised cost		684,949	881,956
Financial assets at fair value through other comprehensive income			
	22	8,384,177	6,564,355
Financial assets at fair value through profit or loss	27	157,837	1,166,702
Derivative financial instruments	33	112,825	—
		31,199,838	30,495,325
Financial liabilities			
Liabilities at amortised cost			
Amounts due to joint ventures	20	1,351,276	773,232
Amounts due to associated companies	21	63,873	142,289
Trade and other creditors*	35	1,584,180	1,843,900
Borrowings	32	14,938,929	18,983,966
Lease liabilities	19	8,484	11,149
Derivative financial instruments	33	—	26,081
		17,946,742	21,780,617

* Excluding non-financial liabilities

The Group's exposure to various risks associated with the financial instruments is discussed in notes 4.1 and 4.2. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of financial assets mentioned above.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments used in preparing the consolidated financial statements 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 are addressed below:

(a) Fair values of investment properties

The fair values of investment properties are determined by independent valuers on an open market for existing use basis. In making the judgment, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices;
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows; and
- (iv) estimated development costs and developer's profit.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using valuation techniques as disclosed in note 18. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, actual transactions by the Group and those reported by the market and actual or estimated development costs. The valuations are reviewed annually by external valuers.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (cont'd)

(b) Provision for development properties

The Group assesses the carrying amounts of properties under development and completed properties for sale according to their net realisable value based on the realisability of these properties, taking into account estimated costs to completion based on past experience and estimated net sales 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 judgment and estimates.

(c) Current and deferred taxation and land appreciation tax

Significant judgment is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final taxation outcome of these matters is different from the amounts that were initially recorded, such difference will impact the provision for current and deferred taxation in the financial period in which such determination is made.

The Group is subject to land appreciation tax in the Mainland. However, the actual implementation of this tax is uncertain and varies amongst local tax authorities. Accordingly, significant judgment is required in determining the amount of the land appreciation tax and its related tax provision. The Group recognises land appreciation tax based on best estimates according to the understanding of the tax rules. The final taxation outcome could be different from the amounts that were initially recorded, and these differences will impact the provision for taxation in the financial period in which such determination is made.

Deferred taxation assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(d) Share-based payments

The fair value of option granted is estimated by an independent professional valuer based on the various assumptions on volatility, life of options, dividend paid out rate and annual risk-free interest rate, excluding the impact of any non-market vesting conditions, which generally represent the best estimate of the fair value of the options at the date of granting the options.

(e) Impairment of non-financial assets

The Group tests at each balance sheet date whether assets that have indefinite useful lives have suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount.

The recoverable amount of an asset or a cash-generating unit is determined based on value-in-use calculations. These calculations require the use of estimates, such as discount rates, future profitability and growth rates.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (cont'd)

(f) Recoverability of other non-current assets, debtors, amounts due from joint ventures/ associated companies and expected credit loss on guarantees

The Group assess whether there is objective evidence that other non-current assets, debtors and amounts due from joint ventures/associated companies are impaired and financial loss arises on guarantees. It recognises impairment based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting year. The final outcome of the recoverability and cash flows of these non-current assets, debtors, amounts due from joint ventures/associated companies and changes in the risk of default by the counterparties of guarantees will impact the amount of impairment/expected credit loss required.

(g) Fair value of certain financial assets, derivative financial instruments and first mortgage loans receivables

The fair value of financial assets, derivative financial instruments and first mortgage loans receivables that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Significant management judgement and assumption was needed in the assessment of the fair value of the investments as detailed in note 4.3.

6 SEGMENT INFORMATION

The Group is principally engaged in property development and investment in Hong Kong and the Mainland. In accordance with the internal financial reporting of the Group provided to the chief operating decision-maker for the purposes of allocating resources, assessing performance of the operating segments and making strategic decisions, the reportable operating segments are property development and property investment. The Group regards the Board as the chief operating decision-maker.

The results of the operating segments represent the adjusted earnings before interest, tax, depreciation, amortisation and certain items (the "Adjusted EBITDA"). Certain items include other operating income/expenses, other net gains/losses, change in fair value of investment properties and fair value gain on transfer of development properties/investment properties. The Adjusted EBITDA excludes the share of results of joint ventures and associated companies. There are no sales or trading transactions between the operating segments. Others represent corporate level activities including central treasury management, hotel operation and administrative function.

6 SEGMENT INFORMATION (cont'd)

Segment assets represent total assets excluding joint ventures and associated companies and other assets. Other assets mainly include financial assets at fair value through other comprehensive income, hotel building, inventories and other non-operating assets held by the corporate office.

	Property development		Property investment	Others	Total
	Hong Kong HK\$'000	Mainland HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2022					
Revenue from contracts with customers:					
— Recognised at a point in time	3,960,957	4,137,076	—	—	8,098,033
— Recognised over time	—	—	—	54,570	54,570
Revenue from other sources:					
— Rental income	—	—	641,109	—	641,109
Revenue	3,960,957	4,137,076	641,109	54,570	8,793,712
Adjusted EBITDA	1,363,994	471,541	505,094	(213,004)	2,127,625
Other income and expenses/gains, net					178,360
Depreciation and amortisation					(33,233)
Change in fair value of investment properties			(84,775)		(84,775)
Finance costs					(61,028)
Share of losses of joint ventures	(48,538)	(18,516)			(67,054)
Share of (losses)/profits of associated companies	(14,155)	22,306			8,151
Profit before taxation					2,068,046
Taxation charge					(641,563)
Profit for the year					1,426,483
As at 31 December 2022					
Segment assets	6,070,013	31,649,233	16,209,817	—	53,929,063
Other assets	—	—	—	8,841,810	8,841,810
Joint ventures	9,747,344	1,513,512	—	—	11,260,856
Associated companies	2,575,421	28,759	—	—	2,604,180
Total assets	18,392,778	33,191,504	16,209,817	8,841,810	76,635,909
Total liabilities	6,942,195	20,042,357	2,957,697	50,789	29,993,038

6 SEGMENT INFORMATION (cont'd)

	Property development		Property investment	Others	Total
	Hong Kong HK\$'000	Mainland HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2021					
Revenue from contracts with customers:					
— Recognised at a point in time	9,864,379	5,614,643	—	—	15,479,022
— Recognised over time	—	—	—	64,591	64,591
Revenue from other sources:					
— Rental income	—	—	674,087	—	674,087
Revenue	9,864,379	5,614,643	674,087	64,591	16,217,700
Adjusted EBITDA	3,246,448	1,434,818	528,836	(275,089)	4,935,013
Other income and expenses/gains, net					(490,268)
Depreciation and amortisation					(32,472)
Change in fair value of investment properties			116,793		116,793
Fair value gain on transfer of development properties to investment properties			102,571		102,571
Fair value gain on transfer of investment properties to development properties			484,571		484,571
Finance costs					(36,122)
Share of (losses)/profits of joint ventures	(29,819)	23,840			(5,979)
Share of profits of associated companies	1,165	14,850			16,015
Profit before taxation					5,090,122
Taxation charge					(1,650,829)
Profit for the year					3,439,293
As at 31 December 2021					
Segment assets	9,342,789	30,072,938	17,612,943	—	57,028,670
Other assets	—	—	—	6,993,849	6,993,849
Joint ventures	9,479,467	1,874,680	—	—	11,354,147
Associated companies	3,113,050	7,882	—	—	3,120,932
Total assets	21,935,306	31,955,500	17,612,943	6,993,849	78,497,598
Total liabilities	10,732,773	18,930,062	3,543,888	75,441	33,282,164
Additions to non-current assets					
Year ended 31 December 2022	325	8,723	187,303	926	197,277
Year ended 31 December 2021	716	12,149	1,334,881	1,285	1,349,031

6 SEGMENT INFORMATION (cont'd)

Geographical segment information

The Group operates in two (2021: two) main geographical areas: Hong Kong and the Mainland. The revenue for the years ended 31 December 2022 and 2021 and total non-current assets (other than joint ventures, associated companies, financial assets at fair value through other comprehensive income, deferred taxation assets, derivative financial instruments, land deposit and other non-current assets) as at 31 December 2022 and 2021 by geographical area are as follows:

	2022 HK\$'000	2021 HK\$'000
Revenue		
Hong Kong	4,050,934	9,933,319
Mainland	4,742,778	6,284,381
	8,793,712	16,217,700
	2022 HK\$'000	2021 HK\$'000
Non-current assets		
Hong Kong	2,897,843	2,978,471
Mainland	13,286,512	14,348,478
	16,184,355	17,326,949

7 REVENUE

	2022 HK\$'000	2021 HK\$'000
Sales of properties	8,098,033	15,479,022
Rental income	641,109	674,087
Hotel operations	54,570	64,591
	8,793,712	16,217,700

8 FAIR VALUE GAINS ON TRANSFER BETWEEN DEVELOPMENT PROPERTIES AND INVESTMENT PROPERTIES

During the year ended 31 December 2021, the fair value gains on transfer were mainly attributed to any fair value change upon the date of change in use, either, from investment properties (with intention for long-term rental yields or/and for capital appreciation) to development properties (commencement of development with a view to sale), or vice versa.

9 FINANCE COSTS

	2022 HK\$'000	2021 HK\$'000
Interest expenses		
Bank loans, guaranteed notes, overdrafts and others	491,064	386,993
Lease liabilities	890	729
	491,954	387,722
Capitalised as cost of properties under development	(430,926)	(351,600)
	61,028	36,122

The capitalisation rates used to determine the amounts of borrowing costs eligible for the development of properties are from 1% to 5% per annum (2021: 1% to 5% per annum).

10 PROFIT BEFORE TAXATION

	2022 HK\$'000	2021 HK\$'000
Profit before taxation is stated after crediting:		
Interest income from banks	131,481	73,328
Interest income from joint ventures and associated companies	141,295	69,621
Interest income from mortgage loans and others	56,497	44,369
Dividend income from financial assets at fair value through other comprehensive income	48,745	—
Gain on disposal of investment properties	—	4,575
Net fair value gains on derivative financial instruments	138,906	67,785
Net fair value gains on financial assets at fair value through profit or loss	10,547	23,342
Net exchange gains	10,272	17,771
and after charging:		
Cost of properties sold	6,014,050	10,526,532
Cost of inventories consumed/sold	10,971	13,075
Selling and marketing expenses	375,020	740,391
Depreciation for property, plant and equipment (net of amount capitalised under properties under development of HK\$449,000 (2021: HK\$607,000))	25,541	26,954
Depreciation for right-of-use assets	7,692	5,518
Auditors' remuneration to the auditor of the Company		
Audit services	5,500	5,300
Non-audit services	2,568	695
Loss on disposal of property, plant and equipment	96	1,558
Lease expenses	7,743	7,935
Outgoings in respect of investment properties		
Direct operating expense of investment properties that generate rental income	42,905	46,057
Direct operating expense of investment properties that did not generate rental income	5,145	6,543
Net losses on settlement of derivative financial instruments	10,412	36,861

11 EMPLOYEE BENEFIT EXPENSES

	2022	2021
	HK\$'000	HK\$'000
Staff costs including directors' emoluments	439,263	514,134
Pension costs — defined contribution plans	34,779	31,635
Share options granted to directors and employees	—	5,652
	474,042	551,421
Capitalised as cost of properties under development	(50,359)	(67,351)
	423,683	484,070

The Group operates two defined contribution schemes in Hong Kong which comply with all the respective requirements under the Occupational Retirement Schemes Ordinance (“ORSO”) and Mandatory Provident Fund (“MPF”) Schemes Ordinance. All the assets under the schemes are held separately from the Group under independently administered funds. Contributions to the MPF Scheme follow the MPF Schemes Ordinance while contributions to the ORSO Scheme are based on a percentage ranging from 5% to 10% (depending upon the length of employment) of the basic salary of the employee, minus the mandatory contributions to the MPF Scheme. The contributions to the ORSO Scheme may be reduced by contributions forfeited in respect of those employees who leave the scheme prior to the full vesting of the contributions of the Group on the employee.

Employees in the Mainland participate in various social security funds organised by the relevant municipal and provincial governments under which the Group is required to make monthly defined contributions to those plans at rates ranging from 14% to 16% of the basic salaries of the employees, depending upon the applicable local regulations. The Group has no other obligations for the payment of other post-retirement benefits of employees other than the above payments.

During the year, contributions forfeited of HK\$392,000 (2021: HK\$844,000) were utilised, leaving HK\$2,000 (2021: HK\$101,000) available at the balance sheet date to reduce future contributions.

12 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

Name	(note i)	(note ii)		Retirement benefit scheme contributions HK\$'000	Total HK\$'000
	Directors' fee HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000		
2022					
Lui Che-woo	342	14,916	4,193	1,550	21,001
Francis Lui Yiu Tung	200	1,824	513	182	2,719
Paddy Tang Lui Wai Yu	200	8,136	2,556	814	11,706
Alexander Lui Yiu Wah	200	11,052	3,472	1,105	15,829
William Yip Shue Lam	456	—	—	—	456
Moses Cheng Mo Chi	325	—	—	—	325
Wong Kwai Lam	300	—	—	—	300
Nip Yun Wing	325	—	—	—	325
	2,348	35,928	10,734	3,651	52,661

Name	(note i)		(note ii)			Estimated money value of other benefits (note iii) HK\$'000	Total HK\$'000
	Directors' fee HK\$'000	Estimated money value of other benefits (note iii) HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000		
2021							
Lui Che-woo	342	—	14,412	4,050	1,499	698	21,001
Francis Lui Yiu Tung	200	—	1,776	498	178	292	2,944
Paddy Tang Lui Wai Yu	200	—	7,860	2,470	786	698	12,014
Alexander Lui Yiu Wah	200	—	10,680	3,355	1,068	698	16,001
William Yip Shue Lam	456	36	—	—	—	—	492
Moses Cheng Mo Chi	325	36	—	—	—	—	361
Wong Kwai Lam	300	36	—	—	—	—	336
Nip Yun Wing	304	36	—	—	—	—	340
Au Man Chu (iv)	210	—	—	—	—	—	210
	2,537	144	34,728	10,373	3,531	2,386	53,699

- (i) The amounts represented emoluments paid or receivable in respect of a person's services as a director of the Company or its subsidiary undertakings.
- (ii) The amounts represented emoluments paid or receivable in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings. The discretionary bonuses paid in 2022 were in relation to performance and services for 2021.
- (iii) Other benefits for the year of 2021 represented share options granted to the Directors under the share option scheme of the Company. The value represented the fair value of these options charged to the profit and loss statement in accordance with the accounting policies of the Group.
- (iv) Retired.

There was no arrangement under which a Director waived or agreed to waive any emoluments during the current and prior years.

12 BENEFITS AND INTERESTS OF DIRECTORS (cont'd)

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

Pursuant to the master lease agreement dated 20 August 2020, made between the Company and Polymate Co., Ltd. ("Polymate"), an aggregated annual rent of HK\$5,883,000 for the year ended 31 December 2022 (2021: HK\$11,388,000) was paid to Polymate, which is a wholly-owned subsidiary of a substantial shareholder of the Company which in turn is the trustee of a discretionary family trust established by Dr. Lui Che-woo and of which members of Lui's family, including Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Mrs. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah, are the discretionary beneficiaries.

Save for the aforementioned contract and arrangement, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and 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 (2021: nil).

13 FIVE HIGHEST PAY INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include three (2021: three) Directors. The emoluments of the five individuals are as follows:

	2022 HK\$'000	2021 HK\$'000
Salaries and other emoluments	41,686	40,522
Pension costs — defined contribution plans	4,045	3,894
Discretionary bonuses	15,047	16,993
Share options granted	—	2,452
	60,778	63,861

The emoluments of the individuals fell within the following bands:

	Number of employees	
	2022	2021
HK\$5,000,001 — HK\$5,500,000	1	—
HK\$5,500,001 — HK\$6,000,000	—	1
HK\$7,000,001 — HK\$7,500,000	1	—
HK\$9,000,001 — HK\$9,500,000	—	1
HK\$11,500,001 — HK\$12,000,000	1	—
HK\$12,000,001 — HK\$12,500,000	—	1
HK\$15,500,001 — HK\$16,000,000	1	—
HK\$16,000,001 — HK\$16,500,000	—	1
HK\$21,000,001 — HK\$21,500,000	1	1
	5	5

14 TAXATION CHARGE

	2022 HK\$'000	2021 HK\$'000
Current		
Hong Kong profits tax	240,973	382,352
Mainland		
— Income tax	256,296	461,731
— Land appreciation tax	96,543	705,093
(Over)/under-provision in previous years	(516)	65
Deferred (note 34)	48,267	101,588
	641,563	1,650,829

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits for the year after setting off available tax losses brought forward. Taxation assessable on profits generated for the year in the Mainland has been provided at the rate of 25% (2021: 25%). There is no income tax provided on other comprehensive income.

Land appreciation tax in the Mainland is normally provided at statutory progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all property development expenditures, and is included in the profit and loss statement as taxation charge.

The taxation charge on the profit before taxation differs from the theoretical amount that would arise using the applicable taxation rate being the weighted average of rates prevailing in the countries in which the Group operates, as follows:

	2022 HK\$'000	2021 HK\$'000
Profit before taxation	2,068,046	5,090,122
Share of losses of joint ventures	67,054	5,979
Share of profits of associated companies	(8,151)	(16,015)
	2,126,949	5,080,086
Tax calculated at applicable tax rates	433,116	1,030,664
Income not subject to taxation	(35,389)	(16,130)
Expenses not deductible for taxation purposes	61,664	28,808
Recognition and utilisation of previously unrecognised tax losses	(36,012)	(35,860)
Tax loss not recognised	61,111	76,027
Land appreciation tax deductible for calculation of income tax	(24,136)	(176,273)
(Over)/under-provision in previous years	(516)	65
	459,838	907,301
Withholding tax	85,182	38,435
Land appreciation tax	96,543	705,093
Taxation charge	641,563	1,650,829

15 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the year is based on the following:

	2022	2021
	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	1,372,387	3,354,877

	Number of shares	
	2022	2021
Weighted average number of shares for calculating basic earnings per share	3,132,672,948	3,127,814,615
Effect of dilutive potential ordinary shares — Share options	4,157	2,651,500
Weighted average number of shares for calculating diluted earnings per share	3,132,677,105	3,130,466,115

16 DIVIDENDS

	2022	2021
	HK\$'000	HK\$'000
Interim cash dividend of 7 HK cents (2021: 7 HK cents) per share	219,303	218,888
Proposed final cash dividend of 14 HK cents (2021: 14 HK cents) per share	438,605	438,605
	657,908	657,493

The Board recommended the payment of a final cash dividend in respect of 2022 of 14 HK cents (2021: 14 HK cents) per share. This dividend will be accounted for as an appropriation of retained earnings in the year ending 31 December 2023.

17 PROPERTY, PLANT AND EQUIPMENT

	Hotel buildings	Land and buildings	Plant and machinery	Other assets	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost					
At 1 January 2021	413,977	176,243	30,298	119,419	739,937
Exchange differences	12,153	1,835	889	1,633	16,510
Additions	—	—	—	6,353	6,353
Disposals	—	—	—	(6,702)	(6,702)
At 31 December 2021	426,130	178,078	31,187	120,703	756,098
Exchange differences	(36,111)	(5,452)	(2,645)	(4,885)	(49,093)
Additions	—	—	—	4,759	4,759
Disposals	—	—	—	(787)	(787)
At 31 December 2022	390,019	172,626	28,542	119,790	710,977
Accumulated depreciation					
At 1 January 2021	180,654	56,593	27,060	103,507	367,814
Exchange differences	5,574	556	796	1,972	8,898
Charge for the year	18,453	3,146	210	5,752	27,561
Disposals	—	—	—	(4,996)	(4,996)
At 31 December 2021	204,681	60,295	28,066	106,235	399,277
Exchange differences	(17,948)	(1,781)	(2,378)	(4,061)	(26,168)
Charge for the year	17,683	3,081	—	5,226	25,990
Disposals	—	—	—	(691)	(691)
At 31 December 2022	204,416	61,595	25,688	106,709	398,408
Net book value					
At 31 December 2022	185,603	111,031	2,854	13,081	312,569
At 31 December 2021	221,449	117,783	3,121	14,468	356,821

No land and buildings (2021: carrying values of HK\$43,985,000) were pledged to secure the banking facilities of the Group.

Other assets comprise cruiser, furniture and equipment, leasehold improvements and motor vehicles.

18 INVESTMENT PROPERTIES

	Completed		Under	Total
	Hong Kong	Mainland	development	
	HK\$'000	HK\$'000	Mainland	HK\$'000
			HK\$'000	HK\$'000
At 1 January 2021	2,640,400	12,689,627	324,382	15,654,409
Exchange differences	—	384,937	10,164	395,101
Additions	—	267,599	780,686	1,048,285
Disposal	—	(9,643)	—	(9,643)
Transfer from/(to) development properties	134,691	(979,876)	—	(845,185)
Change in fair value	25,000	80,557	11,236	116,793
Fair value gain on transfer of development properties to investment properties	100,309	2,262	—	102,571
Fair value gain on transfer of investment properties to development properties	—	484,571	—	484,571
At 31 December 2021	2,900,400	12,920,034	1,126,468	16,946,902
Exchange differences	—	(1,094,343)	(102,147)	(1,196,490)
Additions	—	—	186,723	186,723
Change in fair value	(78,500)	(15,426)	9,151	(84,775)
At 31 December 2022	2,821,900	11,810,265	1,220,195	15,852,360

- (a) Investment properties were valued at 31 December 2022 on an open market value basis by Cushman & Wakefield Limited, Savills Valuation and Professional Services (China) Limited, Knight Frank Petty Limited and Vincorn Consulting and Appraisal Limited, independent professional valuers.
- (b) Investment properties with carrying values of HK\$3,949,737,000 (2021: HK\$8,727,397,000) were pledged to secure the banking facilities of the Group.
- (c) The investment properties are leased to tenants under operating leases with rentals payable monthly.
- (d) **Valuation processes of the Group**

The Group's investment properties were valued at 31 December 2022 by independent professional valuers who hold recognised relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department reviews the valuations performed by the valuers and reports directly to senior management of the Group. Discussions of valuation processes and results are held between the management and valuers at least once every six months, in line with the Group's interim and annual reporting dates. At each financial year end the finance department:

- Verifies major inputs to the independent valuation reports;
- Assesses property valuations movements when compared to the prior year valuation reports;
- Holds discussions with the independent valuers.

18 INVESTMENT PROPERTIES (cont'd)**(e) Valuation technique*****Fair value measurements using significant unobservable inputs***

Fair values of completed investment properties are generally derived using the income capitalisation method or, where appropriate, by reference to direct comparison approach. 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 were referenced to recent lettings, within the subject property projects and other comparable properties. Direct comparison approach is based on sales prices of comparable properties in close proximity and adjusted for differences in key attributes such as property location and quality.

Information about the significant unobservable inputs used for the fair value measurements of completed residential and commercial properties valued under the income capitalisation method is as follows:

	Residential Properties		Commercial Properties	
	Hong Kong	Mainland	Hong Kong	Mainland
2022				
Rental value (HK\$/sqm/month)	405 to 421	226 to 407	266 to 979	44 to 726
Capitalisation rate (%)	1.98 to 2.13	3.50	3.13 to 6.00	4.50 to 8.00
2021				
Rental value (HK\$/sqm/month)	410 to 510	261 to 433	266 to 1,001	46 to 804
Capitalisation rate (%)	1.85 to 2.00	3.50	3.13 to 6.00	4.50 to 8.00

Prevailing market rents are estimated based on valuers' view of recent lettings, within the subject property projects and other comparable properties. The lower the rents, the lower the fair value. Capitalisation and discount rates are estimated by valuers based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

18 INVESTMENT PROPERTIES (cont'd)

(e) Valuation technique (cont'd)

Fair value measurements using significant unobservable inputs (cont'd)

Fair value of investment properties under development in the Mainland is derived using the residual method. Residual method is essentially a mean of valuing the properties by reference to its development potential by deducting all known or anticipated development costs to completion together with the developer's profit and the risks associated with the completion from the estimated capital value of the development by reference to recent market transactions of comparable properties assuming completed as at the date of valuation.

Estimated costs to completion and developer's profit are estimated by valuers based on market conditions for investment properties under development in the Mainland. The estimates are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. The higher the costs, the lower the fair value. The estimated developer's profit used for the fair value measurements ranged from 10% to 20% (2021: 10% to 20%) on gross development value.

There were no changes to the valuation techniques during the year.

19 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	2022 HK\$'000	2021 HK\$'000
Right-of-use assets		
Leasehold land and land use rights	11,398	12,911
Office premises	8,028	10,315
	19,426	23,226
Lease liabilities		
Current	3,528	5,694
Non-current	4,956	5,455
	8,484	11,149

The depreciation of right-of-use assets for leasehold land and land use rights and office premises are HK\$433,000 (2021: HK\$450,000) and HK\$7,259,000 (2021: HK\$5,068,000) respectively.

The Group leases various land and office premises. Rental contracts are typically made for fixed periods within 1 to 50 years. Lease terms are negotiated on an individual basis.

No right-of-use assets (2021: carrying values of HK\$3,179,000) were pledged to secure the banking facilities of the Group.

20 JOINT VENTURES

	2022 HK\$'000	2021 HK\$'000
Share of net assets	1,502,826	1,735,034
Amounts due from joint ventures	9,696,942	9,490,110
	11,199,768	11,225,144

The share of the aggregate amounts of the assets, liabilities and results of the joint ventures, all of which are unlisted, attributable to the Group is as follows:

	2022 HK\$'000	2021 HK\$'000
Assets	23,288,945	22,505,595
Liabilities	(21,786,119)	(20,770,561)
Net assets	1,502,826	1,735,034
Revenue	553,232	698,188
Loss after taxation	(67,054)	(5,979)
Other comprehensive (loss)/income	(28,366)	9,404
Total comprehensive (loss)/income	(95,420)	3,425
Dividends received from joint ventures	25,600	67,400

Amounts due from joint ventures classified as non-current assets are unsecured, will not be repayable within next twelve months and non-interest bearing (except for an amount of HK\$3,136,585,000 (2021: HK\$5,820,917,000) which carries interest at prevailing market rate). Amounts due from/to joint ventures classified as current assets/liabilities are unsecured, non-interest bearing and repayable on demand. There is no single joint venture material to the Group. As at 31 December 2022, no amounts due from joint ventures were impaired (2021: nil).

Details of principal joint ventures of the Group are given in note 42(b). There are no contingent liabilities relating to the Group's interest in the joint ventures as at 31 December 2022 and 31 December 2021.

All the joint ventures are private companies and there are no quoted market price available for their shares.

21 ASSOCIATED COMPANIES

	2022 HK\$'000	2021 HK\$'000
Share of net assets	454,925	537,954
Amounts due from associated companies	2,149,255	2,582,978
	2,604,180	3,120,932

The share of the aggregate amounts of the assets, liabilities and results of the associated companies, all of which are unlisted, attributable to the Group is as follows:

	2022 HK\$'000	2021 HK\$'000
Assets	4,939,772	4,817,835
Liabilities	(4,484,847)	(4,279,881)
Net assets	454,925	537,954
Revenue	—	276,042
Profit after taxation	8,151	16,015
Other comprehensive loss	(48)	(452)
Total comprehensive income	8,103	15,563
Dividends received from associated companies	89,750	20,000

Amounts due from associated companies classified as non-current assets are unsecured, will not be repayable within next twelve months and non-interest bearing (except for an amount of HK\$2,052,385,000 (2021: HK\$2,512,811,000) which carries interest at prevailing market rate). Amounts due from/to associated companies classified as current assets/liabilities are unsecured, non-interest bearing and repayable on demand. There is no single associated company material to the Group. As at 31 December 2022, no amounts due from associated companies were impaired (2021: nil).

Details of principal associated companies of the Group are given in note 42(c). There are no contingent liabilities relating to the Group's interest in the associated companies as at 31 December 2022 and 31 December 2021.

All the associated companies are private companies and there are no quoted market price available for their shares.

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 HK\$'000	2021 HK\$'000
Listed equity securities, at fair value	8,384,177	6,564,355

The listed securities represent the Group's 3.72% (2021: 3.73%) equity interest in Galaxy Entertainment Group Limited ("GEG"), which is incorporated and listed in Hong Kong. The principal activities of GEG are gaming, provision of hospitality, sale, manufacture and distribution of construction materials.

23 LAND DEPOSIT

Balance represents the land deposit for a new project, located in Huajing Town, Xuhui District, Shanghai, which is 60% owned by the Group with the remaining 40% owned by other parties (non-controlling interests). Each party contributed its share of the deposit in accordance with the shareholdings in the project. The relevant land use right was obtained by the Group in January 2023.

24 OTHER NON-CURRENT ASSETS

	2022 HK\$'000	2021 HK\$'000
First mortgage loans receivables	987,775	1,242,047
Second mortgage loans receivables	665,868	856,337
Development deposit	116,870	269,570
	1,770,513	2,367,954

Mortgage loans are advances to purchasers of development properties of the Group and are secured by first or second mortgages on the related properties. The current portion of the first and second mortgage loans amounting to HK\$27,745,000 (2021: HK\$4,961,000) and HK\$19,081,000 (2021: HK\$25,619,000) respectively are included under other debtors. The Group has not provided any impairment loss for its mortgage loans during the year (2021: nil). The fair value of the second mortgage loans receivables approximates their carrying amounts.

25 DEVELOPMENT PROPERTIES

	Completed HK\$'000	Under development HK\$'000	2022 HK\$'000	Completed HK\$'000	Under development HK\$'000	2021 HK\$'000
Leasehold land and land use rights	6,796,835	6,385,011	13,181,846	7,633,834	10,055,653	17,689,487
Development costs	6,908,880	1,724,649	8,633,529	5,761,776	3,384,052	9,145,828
	13,705,715	8,109,660	21,815,375	13,395,610	13,439,705	26,835,315

Development properties with carrying values of HK\$971,080,000 (2021: HK\$11,599,917,000) were pledged to secure the banking facilities of the Group.

As at 31 December 2022, development properties under development amounting to HK\$7,004,384,000 (2021: HK\$7,445,937,000) were not scheduled for completion within twelve months.

26 DEBTORS AND PREPAYMENTS

	2022	2021
	HK\$'000	HK\$'000
Trade debtors	15,362	4,916
Other debtors	208,345	222,314
Prepayments and other deposits	52,681	45,264
Sales commissions	33,450	34,999
Sales taxes	172,306	280,217
	482,144	587,710

The debtors and prepayments are denominated in the following currencies:

	2022	2021
	HK\$'000	HK\$'000
Hong Kong dollar	85,104	97,618
RMB	397,040	490,032
Others	—	60
	482,144	587,710

Trade debtors mainly comprise rental receivables. Rental from tenants is due and payable in advance.

The aging analysis of the trade debtors of the Group based on the date of invoices and net of provision for bad and doubtful debts is as follows:

	2022	2021
	HK\$'000	HK\$'000
Within one month	4,926	2,336
Two to three months	8,624	505
Four to six months	752	26
Over six months	1,060	2,049
	15,362	4,916

26 DEBTORS AND PREPAYMENTS (cont'd)

The Group measures expected credit losses which use a lifetime expected loss allowance for all trade debtors. Trade debtors are grouped based on shared credit risk characteristics and the days past due as follows:

	2022 HK\$'000	2021 HK\$'000
Current	4,926	2,336
Within three months past due	8,624	505
Over three months past due	1,812	2,075
	15,362	4,916

No provision for impairment for trade debtors was made as at 31 December 2022 (2021: nil).

As at 31 December 2022, other debtors included a loan receivable of HK\$42,293,000 (2021: HK\$68,444,000) which is unsecured, interest-free, denominated in RMB and matured within a year. The loan was fully performing. The Group does not hold any collateral as security. As at 31 December 2022, no other debtors was impaired (2021: nil).

Sales commissions represent contract acquisition costs incurred to obtain property sale contracts. The Group has capitalised the amounts and amortised when the related revenue is recognised. For the year ended 31 December 2022, the prepaid amount recognised to profit or loss was HK\$31,634,000 (2021: HK\$65,917,000) and there was no impairment loss (2021: nil) in relation to the costs capitalised.

The carrying amounts of the debtors and prepayments approximate to their fair value. There is no concentration of credit risk with respect to trade debtors as the Group has a large number of customers. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

27 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The amount represents unlisted pool funds in the Mainland denominated in RMB.

28 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2022 HK\$'000	2021 HK\$'000
Cash at bank and in hand	5,059,268	5,755,119
Short-term and other bank deposits	1,771,717	2,381,444
Cash and cash equivalents	6,830,985	8,136,563
Restricted cash	1,829,379	—
Total cash and bank deposits	8,660,364	8,136,563

The restricted cash mainly represents sale proceeds held in independent stakeholder's accounts as required by the relevant rules/regulations and are being used to fund the outstanding construction costs of the relevant property developments or in repayment of project loans. The balances will be released upon completion of the relevant projects or when the relevant balance exceeds the prescribed limit.

The effective interest rate on bank deposits is 3.86% (2021: 1.43%) per annum and these deposits have an average of 57 days (2021: 33 days).

The cash and bank deposits are denominated in the following currencies:

	2022 HK\$'000	2021 HK\$'000
Hong Kong dollar	1,565,559	2,573,188
RMB	7,092,331	5,557,717
Others	2,474	5,658
	8,660,364	8,136,563

The credit quality of cash and bank deposits by reference to Moody's credit ratings is as follows:

	2022 HK\$'000	2021 HK\$'000
Credit rating:		
Aa	1,051,435	2,152,067
A	5,921,615	4,064,783
Baa	1,438,261	1,694,205
Others	249,053	225,508
	8,660,364	8,136,563

29 SHARE CAPITAL

	2022		2021	
	Shares of HK\$0.10 each Number of shares	HK\$'000	Shares of HK\$0.10 each Number of shares	HK\$'000
Authorised:				
At beginning and end of year	5,000,000,000	500,000	5,000,000,000	500,000
Issued and fully paid:				
At beginning of year	3,130,234,615	313,023	3,126,974,615	312,697
Share options exercised	2,660,000	266	3,260,000	326
At end of year	3,132,894,615	313,289	3,130,234,615	313,023

During the year, share options to subscribe for 2,660,000 (2021: 3,260,000) shares were exercised, of which HK\$266,000 (2021: HK\$326,000) and HK\$8,448,000 (2021: HK\$10,353,000) were credited to share capital and share premium respectively and HK\$1,277,000 (2021: HK\$1,565,000) was debited to share option reserve.

30 SHARE OPTION SCHEME

The Company operates a share option scheme under which options to subscribe for shares in the Company may be granted to employees, senior executives or Directors or consultants of the Company or its affiliates, and other qualifying grantees. Options are exercisable at a price of the higher of the closing price of the shares on the date of grant or the average closing prices of the shares for the five business days immediately preceding the date of grant and subject to a one year vesting period. Consideration to be paid on each grant of option is HK\$1.00. The period within which the shares must be taken up under an option is determined by the Board from time to time, except that such period shall not expire more than ten years from the date of grant of the option.

Movements of share options and their related weighted average exercise prices per share during the year are as follows:

	2022		2021	
	Average exercise price HK\$	Number of share options	Average exercise price HK\$	Number of share options
At beginning of year	4.023	65,998,000	3.966	69,758,000
Exercised	2.796	(2,660,000)	2.796	(3,260,000)
Lapsed	3.500	(6,790,000)	4.029	(500,000)
At end of year	4.143	56,548,000	4.023	65,998,000
Vested at end of year	4.143	56,548,000	4.023	65,998,000

30 SHARE OPTION SCHEME (cont'd)

The weighted average share price at the date of exercise for share options exercised during the year was HK\$3.01 (2021: HK\$3.21) per share.

The options outstanding as at 31 December 2022 have exercise prices ranging from HK\$3.462 to HK\$4.76 (2021: HK\$2.796 to HK\$4.76) per share with weighted average remaining contractual life of 2.1 years (2021: 2.9 years).

Share options outstanding at the end of the year have the following exercise periods and exercise prices per share:

Exercise period	Exercise price HK\$	Number of share options	
		2022	2021
Directors			
21 January 2017 to 20 January 2022	2.796	—	5,260,000
17 July 2018 to 16 July 2023	4.760	10,480,000	10,480,000
18 July 2019 to 17 July 2024	4.520	10,780,000	10,780,000
15 July 2021 to 14 July 2026	3.462	11,240,000	11,240,000
Employees and others			
21 January 2017 to 20 January 2022	2.796	—	770,000
17 July 2018 to 16 July 2023	4.760	5,000,000	6,000,000
18 July 2019 to 17 July 2024	4.520	6,648,000	7,788,000
15 July 2021 to 14 July 2026	3.462	12,400,000	13,680,000
		56,548,000	65,998,000

No share options were granted for the years ended 31 December 2022 and 2021.

Notes to the Consolidated Financial Statements

31 RESERVES

	Share premium HK\$'000	Share option reserve HK\$'000	Contributed surplus HK\$'000	Capital redemption/ Capital reserve HK\$'000	Revaluation reserve HK\$'000	Fair value through other comprehensive income reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2022	1,792,781	43,217	99,089	872	721	6,392,122	1,051,396	34,205,795	43,585,993
Comprehensive income									
Profit for the year	—	—	—	—	—	—	—	1,372,387	1,372,387
Other comprehensive (loss)/income									
Exchange differences arising from translation	—	—	—	—	(61)	—	(2,556,121)	—	(2,556,182)
Translation differences for joint ventures and associated companies	—	—	—	—	—	—	(28,414)	—	(28,414)
Change in fair value of financial assets at fair value through other comprehensive income	—	—	—	—	—	1,819,822	—	—	1,819,822
Transactions with equity holders									
Exercise of share options	8,448	(1,277)	—	—	—	—	—	—	7,171
Lapse of share options	—	(3,970)	—	—	—	—	—	3,970	—
2021 final dividend	—	—	—	—	—	—	—	(438,605)	(438,605)
2022 interim dividend	—	—	—	—	—	—	—	(219,303)	(219,303)
At 31 December 2022	1,801,229	37,970	99,089	872	660	8,211,944	(1,533,139)	34,924,244	43,542,869
At 1 January 2021	1,782,428	39,433	99,089	872	700	9,617,431	216,841	31,507,280	43,264,074
Comprehensive income									
Profit for the year	—	—	—	—	—	—	—	3,354,877	3,354,877
Other comprehensive (loss)/income									
Exchange differences arising from translation	—	—	—	—	21	—	825,603	—	825,624
Translation differences for joint ventures and an associated company	—	—	—	—	—	—	8,952	—	8,952
Change in fair value of financial assets at fair value through other comprehensive income	—	—	—	—	—	(3,225,309)	—	—	(3,225,309)
Transactions with equity holders									
Fair value of share options	—	5,652	—	—	—	—	—	—	5,652
Exercise of share options	10,353	(1,565)	—	—	—	—	—	—	8,788
Lapse of share options	—	(303)	—	—	—	—	—	303	—
2020 final dividend	—	—	—	—	—	—	—	(437,777)	(437,777)
2021 interim dividend	—	—	—	—	—	—	—	(218,888)	(218,888)
At 31 December 2021	1,792,781	43,217	99,089	872	721	6,392,122	1,051,396	34,205,795	43,585,993

32 BORROWINGS

	2022 HK\$'000	2021 HK\$'000
Long-term bank loans		
Secured	1,467,372	3,297,349
Unsecured	13,471,557	14,786,617
	14,938,929	18,083,966
Unsecured short-term bank loans	—	900,000
	14,938,929	18,983,966
Current portion included in current liabilities	(2,694,892)	(2,598,955)
	12,244,037	16,385,011

The bank loans are repayable within the following periods:

	2022 HK\$'000	2021 HK\$'000
Within one year	2,694,892	2,598,955
Between one to two years	4,292,285	7,840,595
Between two to five years	7,951,752	8,329,617
After five years	—	214,799
	14,938,929	18,983,966

The carrying amounts of the long-term and short-term bank loans approximate to their fair value based on prevailing market interest rate. The effective interest rate is approximately 2.6% (2021: 1.6%). Borrowings are within Level 2 of the fair value hierarchy.

The borrowings are denominated in the following currencies:

	2022 HK\$'000	2021 HK\$'000
Hong Kong dollar	13,471,557	15,686,617
RMB	1,467,372	3,297,349
	14,938,929	18,983,966

The Group has complied with the financial covenants of its borrowing facilities during the years ended 31 December 2022 and 2021.

Secured bank borrowings are pledged by investment properties and development properties (Notes 18 and 25) (2021: land and buildings, investment properties, right-of-use assets and development properties (Notes 17, 18, 19 and 25)).

33 DERIVATIVE FINANCIAL INSTRUMENTS

	2022 HK\$'000	2021 HK\$'000
Non-current assets/(liabilities) — Interest rate swaps	109,982	(22,743)
Current assets/(liabilities) — Interest rate swaps	2,843	(3,338)

The notional principal amounts of the outstanding interest rate swaps as at 31 December 2022 were HK\$2,500 million (2021: HK\$2,900 million).

34 DEFERRED TAXATION

	2022 HK\$'000	2021 HK\$'000
Deferred taxation assets	138,360	146,223
Deferred taxation liabilities	(2,679,471)	(2,860,327)
	(2,541,111)	(2,714,104)

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset taxation assets against taxation liabilities and when the deferred taxes relate to the same fiscal authority. The above assets/liabilities are determined after appropriate offsetting of the relevant amounts.

	Accelerated depreciation allowance HK\$'000	Fair value gains HK\$'000	Undistributed profits of subsidiaries HK\$'000	Other temporary differences HK\$'000	Total HK\$'000
At 1 January 2021	(253,562)	(1,878,333)	(420,193)	6,496	(2,545,592)
Exchange differences	(7,685)	(51,802)	(11,122)	3,685	(66,924)
Charged to profit and loss statement	(16,436)	(35,023)	(31,397)	(18,732)	(101,588)
At 31 December 2021	(277,683)	(1,965,158)	(462,712)	(8,551)	(2,714,104)
Exchange differences	24,071	170,948	36,860	(10,619)	221,260
(Charged)/credited to profit and loss statement	(15,804)	90,530	(78,196)	(44,797)	(48,267)
At 31 December 2022	(269,416)	(1,703,680)	(504,048)	(63,967)	(2,541,111)

Except for certain tax losses, all the other deferred taxation assets and liabilities are expected to be recovered or settled after twelve months.

34 DEFERRED TAXATION (cont'd)

Deferred taxation assets of HK\$208,347,000 (2021: HK\$177,364,000) arising from unused tax losses of HK\$1,038,259,000 (2021: HK\$896,146,000) have not been recognised in the financial statements. Unused tax losses of HK\$602,558,000 (2021: HK\$549,398,000) have no expiry date and the remaining balances have various expiry dates up to and including 2027 (2021: 2026).

Deferred taxation liabilities of HK\$30,940,000 (2021: HK\$36,380,000) arising from temporary differences associated with investments in subsidiaries have not been recognised in the financial statements, as the Group considers that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not be reversed in the foreseeable future.

35 CREDITORS, ACCRUALS AND OTHER LIABILITIES

	2022 HK\$'000	2021 HK\$'000
Trade creditors	1,491,086	1,739,999
Other creditors	93,094	103,901
Accrued operating expenses	615,787	325,067
Rental and other deposits received	219,438	254,699
Lease liabilities — current portion (note 19)	3,528	5,694
	2,422,933	2,429,360

The creditors, accruals and other liabilities are denominated in the following currencies:

	2022 HK\$'000	2021 HK\$'000
Hong Kong dollar	332,568	553,020
RMB	2,090,365	1,876,298
Others	—	42
	2,422,933	2,429,360

Trade creditors mainly comprise construction cost payables and accrued operating expenses mainly comprise accrued sales commissions, sales taxes and other operating expenses. The carrying amounts of the creditors, accruals and other liabilities approximate to their fair value.

35 CREDITORS, ACCRUALS AND OTHER LIABILITIES (cont'd)

The aging analysis of the trade creditors of the Group based on the date of the invoices is as follows:

	2022	2021
	HK\$'000	HK\$'000
Within one month	1,483,228	1,732,094
Two to three months	1,904	3,025
Four to six months	2,304	1,718
Over six months	3,650	3,162
	1,491,086	1,739,999

36 PRE-SALES DEPOSITS

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts.

Pre-sales deposits of HK\$3,163,081,000 (2021: HK\$3,136,583,000) held as at beginning of the year were recognised as sales of properties for the year ended.

The following table shows the amount of unsatisfied performance obligations resulting from property sales for contracts with an original expected duration of one year or more:

	2022	2021
	HK\$'000	HK\$'000
Expected to be recognised within one year	3,702,000	5,507,000
Expected to be recognised after one year	4,269,000	630,000
	7,971,000	6,137,000

37 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to cash generated from operations

	2022 HK\$'000	2021 HK\$'000
Profit before taxation	2,068,046	5,090,122
Share of losses of joint ventures	67,054	5,979
Share of profits of associated companies	(8,151)	(16,015)
Finance costs	61,028	36,122
Change in fair value of investment properties	84,775	(116,793)
Fair value gain on transfer of development properties to investment properties	—	(102,571)
Fair value gain on transfer of investment properties to development properties	—	(484,571)
Depreciation of property, plant and equipment	25,541	26,954
Depreciation for right-of-use assets	7,692	5,518
Interest income from banks	(131,481)	(73,328)
Loss on disposal of property, plant and equipment	96	1,558
Gain on disposal of investment properties	—	(4,575)
Fair value of share options granted	—	5,652
Dividend income	(48,745)	—
Net losses on settlement of derivative financial instruments	10,412	36,861
Net fair value gains on derivative financial instruments	(138,906)	(67,785)
Net fair value gains on financial assets at fair value through profit or loss	(10,547)	(23,342)
Operating profit before working capital changes	1,986,814	4,319,786
Decrease in development properties	3,622,763	1,664,632
Decrease in land and tender deposits	—	2,750,000
Decrease in debtors and prepayments	79,410	38,650
Increase in restricted cash	(1,894,048)	—
(Increase)/decrease in inventories	(21)	839
Decrease/(increase) in other non-current assets	562,941	(1,240,460)
Increase in pre-sales deposits	4,006,417	80,959
Increase in creditors, accruals and other liabilities	163,777	827,276
Cash generated from operations	8,528,053	8,441,682

37 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (cont'd)**(b) The movement of liabilities from financing activities and the repayment periods**

	Borrowings		Guaranteed notes	Total HK\$'000
	within 1 year HK\$'000	after 1 year HK\$'000	within 1 year HK\$'000	
At 1 January 2021	4,513,818	19,525,695	1,002,354	25,041,867
Exchange differences	13,478	74,422	—	87,900
Drawdowns	692,804	11,115,795	—	11,808,599
Repayments	(3,249,969)	(13,747,922)	(1,000,000)	(17,997,891)
Reclassifications	623,243	(623,243)	—	—
Other non-cash movements	5,581	40,264	(2,354)	43,491
At 31 December 2021	2,598,955	16,385,011	—	18,983,966
Exchange differences	(66,258)	(160,335)	—	(226,593)
Drawdowns	1,689,199	7,731,798	—	9,420,997
Repayments	(3,755,455)	(9,524,366)	—	(13,279,821)
Reclassifications	2,228,188	(2,228,188)	—	—
Other non-cash movements	263	40,117	—	40,380
At 31 December 2022	2,694,892	12,244,037	—	14,938,929

38 COMMITMENTS**(a) Contracted but not provided for**

	2022 HK\$'000	2021 HK\$'000
Commitments in respect of		
Property investment	222,787	304,513
Property development		
— subsidiaries	2,498,787	1,831,228
— joint ventures and associated companies	4,352,873	1,864,685
	7,074,447	4,000,426

38 COMMITMENTS (cont'd)

(b) Operating lease rental receivables

The future aggregate minimum lease rental income in respect of land and buildings under non-cancellable operating leases is receivable in the following periods:

	2022 HK\$'000	2021 HK\$'000
Within one year	578,517	627,009
In the second year	382,872	439,841
In the third year	237,941	312,141
In the fourth year	127,522	191,181
In the fifth year	51,323	115,627
After five years	94,848	141,387
	1,473,023	1,827,186

39 GUARANTEES

As at 31 December 2022, the Group has executed the following guarantees in respect of loan facilities granted by banks and financial institutions:

	2022		2021	
	Outstanding HK\$'000	Utilised HK\$'000	Outstanding HK\$'000	Utilised HK\$'000
Joint ventures	9,096,232	5,520,277	12,736,762	7,670,048
Associated companies	2,664,050	1,347,330	980,000	683,885
Properties buyers (note)	1,697,188	1,697,188	1,807,975	1,807,975
	13,457,470	8,564,795	15,524,737	10,161,908

Note: The Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties in the Mainland. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates.

The Group monitors the net realisable values of the relevant properties which are subject to the fluctuation of the property market. As at 31 December 2022, no provision on the above guarantees (2021: nil) was made as the fair value of guarantees on initial recognition and the amount of provision to be recognised subsequently was insignificant.

As at 31 December 2022, the Company has executed guarantees in favour of banks in respect of loan facilities granted to certain subsidiaries, joint ventures and associated companies, amounting to HK\$30,698 million (2021: HK\$29,943 million), HK\$8,411 million (2021: HK\$10,089 million) and HK\$2,664 million (2021: HK\$980 million) respectively. Of these, facilities totaling HK\$14,548 million (2021: HK\$17,127 million), HK\$5,453 million (2021: HK\$6,332 million) and HK\$1,347 million (2021: HK\$684 million) respectively have been utilised.

40 RELATED PARTY TRANSACTIONS

The following is a summary of significant transactions between the Group and related parties, in addition to those disclosed elsewhere in the consolidated financial statements which in the opinion of the Directors, were carried out in the normal course of business during the year:

- (a) Key management personnel comprise Executive Directors of the Company and their emoluments are set out as follows:

	2022	2021
	HK\$'000	HK\$'000
Fees	942	942
Salaries and other emoluments	35,928	34,728
Discretionary bonuses	10,734	10,373
Pension costs — defined contribution plans	3,651	3,531
Share options	—	2,386
	51,255	51,960

- (b) Rental income from a related company amounted to HK\$1,502,000 (2021: HK\$1,544,000) based on the terms of rental agreement between the parties.
- (c) Rental expense to related companies amounted to HK\$5,883,000 (2021: HK\$11,388,000) based on the terms of master lease agreement between the parties.

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

As at 31 December 2022

	2022 HK\$'000	2021 HK\$'000
ASSETS		
Non-current asset		
Subsidiaries	259,561	259,561
Current assets		
Amounts due from subsidiaries	3,943,552	3,576,188
Cash and bank deposits	2,806	25,083
	3,946,358	3,601,271
Total assets	4,205,919	3,860,832
EQUITY		
Share capital	313,289	313,023
Reserves (note a)	3,888,200	3,543,877
Shareholders' funds	4,201,489	3,856,900
LIABILITY		
Current liability		
Creditors and accruals	4,430	3,932
Total equity and liability	4,205,919	3,860,832
Net current assets	3,941,928	3,597,339
Total assets less current liability	4,201,489	3,856,900

Lui Che-woo
Chairman and Managing Director

Paddy Tang Lui Wai Yu
Executive Director

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (cont'd)**(a) Reserve movement of the Company**

	Share premium HK\$'000	Share option reserve HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2022	1,792,781	43,217	213,560	13	1,494,306	3,543,877
Comprehensive income						
Profit for the year	—	—	—	—	995,060	995,060
Transactions with equity holders						
Exercise of share options	8,448	(1,277)	—	—	—	7,171
Lapse of share options	—	(3,970)	—	—	3,970	—
2021 final dividend	—	—	—	—	(438,605)	(438,605)
2022 interim dividend	—	—	—	—	(219,303)	(219,303)
At 31 December 2022	1,801,229	37,970	213,560	13	1,835,428	3,888,200
At 1 January 2021	1,782,428	39,433	213,560	13	1,153,767	3,189,201
Comprehensive income						
Profit for the year	—	—	—	—	996,901	996,901
Transactions with equity holders						
Fair value of share options	—	5,652	—	—	—	5,652
Exercise of share options	10,353	(1,565)	—	—	—	8,788
Lapse of share options	—	(303)	—	—	303	—
2020 final dividend	—	—	—	—	(437,777)	(437,777)
2021 interim dividend	—	—	—	—	(218,888)	(218,888)
At 31 December 2021	1,792,781	43,217	213,560	13	1,494,306	3,543,877

42 PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES

(a) Subsidiaries

Name of company	Principal place of operation	Issued share capital		Effective percentage of equity held by the Group	Principal activities
		Number of shares	Amount per share		
Directly held by the Company					
Incorporated in the British Virgin Islands					
Sutimar Enterprises Limited	Hong Kong	100	US\$1	100	Investment holding
Indirectly held by the Company					
Incorporated in Hong Kong					
Bestcode Holdings Limited	Hong Kong	1	N/A	100	Property holding
Bestford Group Limited	Hong Kong	1	N/A	100	Property development
Century Basis Limited	Hong Kong	1	N/A	100	Property development
Chely Well Limited	Hong Kong	1,000	N/A	72	Investment holding
Colour Day International Limited	Hong Kong	2	N/A	100	Investment holding
Dragon Star Pacific Limited	Hong Kong	1	N/A	60	Provision of financial services
Enjoy International Limited	Hong Kong	1	N/A	100	Investment holding
Faithfulink Limited	Hong Kong	1	N/A	100	Investment holding
Fortune Glow Enterprises Limited	Hong Kong	1	N/A	100	Property holding
Grand Place Limited	Hong Kong	1	N/A	100	Investment holding
Grand Spark Limited	Hong Kong	1	N/A	100	Property investment
Greenwell Investments Limited	Hong Kong	2	N/A	100	Investment holding
Goldstar Power Limited	Hong Kong	1	N/A	100	Investment holding
Goodsave International Limited	Hong Kong	1	N/A	100	Investment holding
Honorwell Enterprises Limited	Hong Kong	1	N/A	100	Property holding
Infinity Profit Limited	Hong Kong	1	N/A	100	Investment holding
Innate Power Development Limited	Hong Kong	1	N/A	100	Investment holding
K. Wah Financial Services Limited	Hong Kong	2	N/A	100	Provision of financial services
K. Wah International Development Limited	Hong Kong	1	N/A	100	Provision of financial services
K. Wah Management Services Limited	Hong Kong	100	N/A	100	Provision of management services
K. Wah Project Management Service Limited	Hong Kong	2	N/A	100	Provision of management services
K. Wah Properties Investment Limited	Hong Kong	1,000	N/A	100	Investment holding
K. Wah Stones (Holdings) Limited	Hong Kong	439,463,724	N/A	100	Investment holding
King Rays Limited	Hong Kong	2	N/A	100	Property development
Lucky Way Investment Limited	Hong Kong	2	N/A	100	Property investment
Manful Global Development Limited	Hong Kong	1	N/A	100	Property development
Max Orient Holdings Limited	Hong Kong	1,000	N/A	100	Investment holding
Mazy Asia Limited	Hong Kong	1	N/A	100	Investment holding
Minter Limited	Hong Kong	2	N/A	100	Investment holding
New Fine Limited	Hong Kong	1	N/A	100	Property development
New Regent Asia Limited	Hong Kong	1	N/A	100	Property investment
Oriental Control Limited	Hong Kong	1	N/A	100	Investment holding
Polynice Limited	Hong Kong	2	N/A	100	Provision of financial services
Powerful Wave Limited	Hong Kong	1	N/A	100	Investment holding
Pure United Limited	Hong Kong	1	N/A	100	Investment holding
Raise Corporation Limited	Hong Kong	1	N/A	100	Investment holding
Raise Union Limited	Hong Kong	1	N/A	100	Investment holding
Resources Management Limited	Hong Kong	1	N/A	100	Property holding
Richroot Development Limited	Hong Kong	1	N/A	100	Property holding
Royal Mark Investments Limited	Hong Kong	1	N/A	100	Property development
Silver Capital Overseas Limited	Hong Kong	1	N/A	100	Property investment
Sky Notion Limited	Hong Kong	1	N/A	100	Investment holding
Skyport Fareast Limited	Hong Kong	1	N/A	100	Investment holding
Tin Wah International Limited	Hong Kong	1	N/A	100	Investment holding
Turnwell Limited	Hong Kong	1	N/A	100	Investment holding
Union Profits Limited	Hong Kong	2	N/A	100	Property investment
United Best Hong Kong Limited	Hong Kong	1	N/A	60	Property development
Victory Way Limited	Hong Kong	9,901,000	N/A	99.99	Investment holding

42 PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES (cont'd)

(a) Subsidiaries (cont'd)

Name of company	Principal place of operation	Issued share capital		Effective percentage of equity held by the Group	Principal activities
		Number of shares	Amount per share		
Indirectly held by the Company					
Incorporated in Hong Kong					
Wealthy Vision Limited	Hong Kong	1	N/A	100	Investment holding
Well Plant Limited	Hong Kong	1	N/A	100	Investment holding
Well Sense Limited	Hong Kong	1	N/A	100	Investment holding
Winway Global Development Limited	Hong Kong	1	N/A	100	Investment holding
Worldtop China Limited	Hong Kong	1	N/A	100	Investment holding
Incorporated in the British Virgin Islands					
			US\$		
Amazing Enterprises Limited	Hong Kong	10	1	100	Investment holding
Bestfull Profits Limited	Hong Kong	10	1	100	Investment holding
Choice Treasure Limited	Hong Kong	10	1	60	Investment holding
Greatest Smart Limited	Hong Kong	10	1	100	Investment holding
K. Wah International Financial Services Limited	Hong Kong	10	1	100	Provision of financial services
Leharne Properties Limited	Hong Kong	10	1	100	Investment holding
Million Link Group Limited	Hong Kong	1	1	100	Investment holding
Ragon Properties Limited	Hong Kong	10	1	100	Investment holding
Select Vantage Profits Limited	Hong Kong	10	1	100	Investment holding
Strategic Pioneer Limited	Hong Kong	10	1	100	Investment holding

Name of company	Principal place of operation	Registered capital	Effective percentage of equity held by the Group	Principal activities
Indirectly held by the Company				
Incorporated in the Mainland				
Wholly-owned foreign enterprise				
嘉華(中國)投資有限公司 (K. Wah (China) Investment Co., Ltd.)	Shanghai	US\$118,000,000	100	Investment holding
上海嘉港城房地產開發經營有限公司 (Shanghai Jia Gang Cheng Real Estate Development Co., Ltd.)	Shanghai	US\$13,000,000	100	Property investment
上海嘉申房地產開發經營有限公司 (Shanghai Jia Shen Real Estate Development Co., Ltd.)	Shanghai	US\$126,000,000	100	Property development and investment
上海嘉兆房地產開發經營有限公司 (Shanghai Jia Zhao Real Estate Development Co., Ltd.)	Shanghai	US\$119,500,000	100	Property development and investment
上海嘉敏房地產開發經營有限公司 (Shanghai Jia Min Real Estate Development Co., Ltd.)	Shanghai	US\$30,000,000	100	Property development and investment
上海嘉澤房地產開發經營有限公司 (Shanghai Jia Ze Real Estate Development Co., Ltd.)	Shanghai	RMB800,000,000	100	Property development
上海嘉爵房地產開發經營有限公司 (Shanghai Jia Jue Real Estate Development Co., Ltd.)	Shanghai	RMB600,000,000	100	Property development
上海嘉悅房地產開發經營有限公司 (Shanghai Jia Yue Real Estate Development Co., Ltd.)	Shanghai	RMB700,000,000	100	Property development
上海嘉瑤置業有限公司 (Shanghai Jia Yao Real Estate Development Co., Ltd.)	Shanghai	RMB280,000,000 (Paid up: RMB10,000,000)	100	Property investment
上海嘉熙房地產開發經營有限公司 (Shanghai Jia Xi Real Estate Development Co., Ltd.)	Shanghai	RMB258,000,000	100	Property development and investment
上海嘉裕駿商務管理有限公司 (Shanghai Jiayujun Business Management Co., Ltd.)	Shanghai	RMB1,000,000 (Paid up: nil)	100	Property investment
上海嘉琛裝飾設計有限公司 (Shanghai Jia Chen Decoration & Design Co., Ltd.)	Shanghai	RMB50,000,000 (Paid up: RMB35,000,000)	100	Provision of decoration services
上海嘉英物業管理有限公司 (Cresleigh Property Management (Shanghai) Co., Ltd.)	Shanghai	RMB5,000,000	100	Property management
上海曦臻煦商務管理有限公司 (Shanghai Xi Zhen Xu Business Management Co., Ltd.)	Shanghai	RMB20,000,000 (Paid up: nil)	100	Investment holding

42 PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES (cont'd)

(a) Subsidiaries (cont'd)

Name of company	Principal place of operation	Registered capital	Effective percentage of equity held by the Group	Principal activities
Indirectly held by the Company				
Incorporated in the Mainland				
Wholly-owned foreign enterprise				
上海曦隼凱商務管理有限公司 (Shanghai Xiyukai Business Management Co., Ltd.)	Shanghai	RMB20,000,000 (Paid up: nil)	100	Investment holding
南京嘉耀房地產開發有限公司 (Nanjing Jia Yao Real Estate Development Co., Ltd.)	Nanjing	RMB300,000,000	100	Property development and investment
南京嘉琛房地產開發有限公司 (Nanjing Jia Chen Real Estate Development Co., Ltd.)	Nanjing	RMB1,360,000,000	100	Property development and investment
南京嘉兆房地產開發有限公司 (Nanjing Jia Zhao Real Estate Development Co., Ltd.)	Nanjing	RMB2,500,000,000	100	Property development and investment
蘇州嘉兆房地產開發經營有限公司 (Suzhou Jia Zhao Real Estate Development Co., Ltd.)	Suzhou	RMB500,000,000	100	Property development
蘇州嘉熙房地產開發有限公司 (Suzhou Jia Xu Real Estate Development Co., Ltd.)	Suzhou	RMB100,000,000	100	Property development
廣州市嘉華花都置業有限公司 (Guangzhou Jiahua Huadu Property Development Co., Ltd.)	Guangzhou	HK\$5,000,000,000 (Paid up: HK\$488,000,000)	100	Property development and investment
廣州市泰榮商業經營管理有限公司 (Guangzhou Tairong Business Management Co., Ltd.)	Guangzhou	RMB60,000,000	100	Property investment
廣州嘉揚房地產開發有限公司 (Guangzhou Jia Yang Real Estate Development Co., Ltd.)	Guangzhou	HK\$130,000,000	100	Property development
東莞廣裕房地產開發有限公司 (Dongguan Guang Yu Real Estate Development Co., Ltd.)	Dongguan	HK\$500,000,000	100	Property development and investment
東莞嘉裕房地產開發有限公司 (Dongguan Jia Yu Real Estate Development Co., Ltd.)	Dongguan	RMB500,000,000	100	Property development
江門市嘉豐房地產開發有限公司 (Jiangmen Jia Feng Real Estate Development Co., Ltd.)	Jiangmen	HK\$18,300,000	100	Property development
江門市嘉瀚房地產開發有限公司 (Jiangmen Jia Han Real Estate Development Co., Ltd.)	Jiangmen	HK\$2,600,000,000 (Paid up: HK\$2,480,000,000)	100	Property development
Cooperative joint venture				
廣州匯城房地產開發有限公司 (Guangzhou Hui Cheng Real Estate Development Co., Ltd.)	Guangzhou	HK\$600,000,000	99.99	Property development
Equity joint venture				
上海嘉匯達房地產開發經營有限公司 (Shanghai Jia Hui Da Real Estate Development Co., Ltd.)	Shanghai	US\$20,000,000	69.6	Property investment
上海凱通文安建設開發有限公司 (Shanghai Kaitong Wenan Construction Development Co., Ltd.)	Shanghai	RMB234,000,000	53.61	Property investment
上海嘉龍匯置業有限公司 (Shanghai Jia Long Hui Property Development Co., Ltd.)	Shanghai	RMB2,000,000,000	60	Property development and investment

42 PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES (cont'd)

(b) Joint Ventures

Name of company	Principal place of operation	Issued share capital		Effective percentage of equity held by the Group	Principal activities
		Number of shares	Amount per share		
Indirectly held by the Company					
Incorporated in Hong Kong					
Ample Excellent Limited	Hong Kong	2	N/A	50	Property development
Asia Bright Development Limited	Hong Kong	10,000	N/A	22.5	Investment holding
Sky Asia Properties Limited	Hong Kong	1	N/A	22.5	Property development
Top Regent Holdings Limited	Hong Kong	90	N/A	33 $\frac{1}{3}$	Investment holding
Grand Ample Limited	Hong Kong	1	N/A	33 $\frac{1}{3}$	Property development
Gainable Development Limited	Hong Kong	10	N/A	40	Investment holding
Dragon Star H.K. Investments Limited	Hong Kong	1	N/A	40	Property development
Joy Origin Holdings Limited	Hong Kong	10	N/A	30	Investment holding
Sky Castle Limited	Hong Kong	1	N/A	30	Property development
Incorporated in the Mainland		Registered capital			
上海翰豐置業有限公司 (Shanghai Hanfeng Real Estate Co., Ltd.)	Shanghai		RMB163,599,961	49	Property development
南京弘威盛房地產開發有限公司 (Nanjing Hongwei Sheng Real Estate Development Co., Ltd.)	Nanjing		RMB765,000,000	33	Property development
江門市新會區駿景灣譽峰房地產有限公司 (Jiangmen Xinhui Junjingwan Yufeng Real Estate Co., Ltd.)	Jiangmen		RMB700,000,000	50	Property development
江門市新會銀湖置業有限公司 (Jiangmen Xinhui Yinhu Property Development Co., Ltd.)	Jiangmen		RMB490,000,000	30	Property development

(c) Associated Companies (note)

Name of company	Principal place of operation	Issued share capital		Effective percentage of equity held by the Group	Principal activities
		Number of shares	Amount per share		
Indirectly held by the Company					
Incorporated in Hong Kong					
Ultra Keen Holdings Limited	Hong Kong	1	N/A	10	Property development
Cheer Smart Investment Limited	Hong Kong	4	N/A	25	Investment holding
Dynamic Wish Limited	Hong Kong	1	N/A	25	Property development
Incorporated in the British Virgin Islands					
Clear Elegant Limited	Hong Kong	2,000	US\$1	10	Investment holding

Note: Despite less than 20% equity interest in certain companies, significant influence is exercised in the management and thus the companies have been accounted for as associated companies of the Group through the participation in their boards.

Significant Properties

As at 31 December 2022

	Type of Property	Gross Floor Area sq. metres (Approximately)	Group's Interest %	Lease Term	Stage of Completion	Estimated Completion Date
INVESTMENT AND OTHER PROPERTIES						
Hong Kong						
K. Wah Centre 28th, 29th and 30th Floors, 191 Java Road, North Point, Hong Kong	Office	2,926	100	2106	Completed	Existing
J SENSES 60, 60A-66 Johnston Road, Wanchai, Hong Kong	Commercial	3,400	100	2054	Completed	Existing
Chantilly No. 6 Shiu Fai Terrace, Hong Kong	Residential	5,100	100	2070	Completed	Existing
Twin Peaks 9 Chi Shin Street, Tseung Kwan O, New Territories	Commercial	3,500	100	2062	Completed	Existing
K. Summit 9 Muk Tai Street, Kowloon	Commercial	1,200	100	2067	Completed	Existing
Mainland						
Shanghai K. Wah Centre No. 1010 Huaihai Zhong Road, Xuhui District, Shanghai	Office	72,000	69.6	2047	Completed	Existing
Stanford Residences Jing An Lane 1999, Xinzha Road, Jingan District, Shanghai	Residential	32,000	100	2072	Completed	Existing
Stanford Residences Xu Hui 236 Jianguoxi Road, Xuhui District, Shanghai	Residential	26,000	100	2065	Completed	Existing
Palace Lane 236 Jianguoxi Road, Xuhui District, Shanghai	Commercial	8,000	100	2065	Completed	Existing
EDGE 88 Xizang North Road, Jingan District, Shanghai	Office	21,000	53.61	2056	Completed	Existing
The Peak 19 Xingxian Road, Nanjing	Commercial	8,000	100	2054	Completed	Existing
Cavendish Jiangning District, Nanjing	Commercial	7,300	100	2057	Completed	Existing
K. Wah Plaza Yingbin Road, Xinhuaazhen, Huadu District, Guangzhou	Hotel/Office/ Commercial	83,000	100	2039	Completed	Existing
Cove Gala 111 Jiangnan Zhong Road, Shilong Town, Dongguan	Commercial	11,600	100	2052 to 2054	Completed	Existing
WYSH Wuyi Road, Changning District, Shanghai	Office/ Commercial	14,300	100	2069 to 2073	Construction	2023
Site 2020G72, Hexi New Town, Jianye District, Nanjing	Commercial/ Office/Hotel	208,000	100	2061	Construction	2025 or beyond

Significant Properties

As at 31 December 2022

	Type of Property	Gross Floor Area sq. metres (Approximately)	Group's Interest %	Lease Term	Stage of Completion	Estimated Completion Date
DEVELOPMENT PROPERTIES						
Hong Kong						
K. Summit 9 Muk Tai Street, Kowloon	Residential	2,400	100	2067	Completed	Existing
2 Grampian Road, Kowloon	Residential	2,000	100	2047	Completed	Existing
Inland Lot No. 8872, Hospital Road, Hong Kong	Residential	4,000	100	2072	Planning	2026
Grand Victoria 6 & 8 Lai Ying Street, South West Kowloon	Residential	91,800	22.5	2067	Construction	2023
Grand Mayfair 29 Kam Ho Road, Kam Tin South, Yuen Long	Residential	114,800	33 $\frac{1}{3}$	2067	Construction	2024
KT Marina 15 Shing Fung Road, Kai Tak	Residential	99,900	40	2069	Construction	2024
New Kowloon Inland Lot No. 6554, Kai Tak Area 4A Site 2	Residential	111,900	10	2069	Construction	2024
Villa Garda 1 Lohas Park Road, Tseung Kwan O	Residential	88,800	30	2052	Construction	2024
LOHAS Park Package Thirteen Property Development, Tseung Kwan O	Residential	144,000	25	2052	Construction	2025/2026
No. 30 Po Shan Road, Mid-levels, Hong Kong	Residential	3,700	50	2090	Construction	2024
Mainland						
Navale 27 Zhangjiabang Road, Pudong New District, Shanghai	Residential	14,200	100	2084	Construction	2023
Imperial Mansion Lane 372, Siping Road, Hongkou District, Shanghai	Residential/ Commercial	47,000	49	2068 to 2088	Construction	2024
Cavendish 68 Nonghua Road, Jiangning District, Nanjing	Residential	14,900	100	2087	Completed	Existing
Site 2020G72, Hexi New Town, Jianye District, Nanjing	Residential/ Apartment/ Office	269,000	100	2061 to 2091	Construction	Residential: 2024 Others: 2025 or beyond
Avanti National Hi-Tech District, Suzhou	Residential	55,100	100	2088	Completed	Existing
VETTA 42 Qinglonggang Road, Xiangcheng District, Suzhou	Residential	70,400	100	2089	Completed	Existing
Phases III&IV of K. Wah Plaza Huadu District, Guangzhou	Apartment	12,800	100	2039	Completed	Existing
Cosmo Xinhuazhen West Site, Huadu District, Guangzhou	Residential/ Commercial	579,000	99.99	2034 to 2068	Phase I: Completed Others: Construction	Phase I: Existing Others: 2025 or beyond
Bayview Songshan Lake District, Dongguan	Residential/ Commercial	72,600	100	2058 to 2088	Partially completed	2023
J City 33 Xinyuan Road/38 Zhanqianyi Road, Jianghai District, Jiangmen	Residential/ Commercial	167,700	100	2057 to 2088	Completed	Existing
Jiajun Garden 21 Wende Road, Huicheng, Xinhui District, Jiangmen	Residential	12,800	50	2088	Completed	Existing
Ziwei Gongguan 9 Jinhua Road, Huicheng, Xinhui District, Jiangmen	Residential/ Commercial	55,800	30	2058 to 2088	Completed	Existing

Note: For certain properties, the floor area represents Saleable Floor Area.

The information, drawings (including design concept drawings) and/or photos of the developments in Hong Kong (inclusive of the developments under construction) as provided in this Annual Report are for the purpose of the Annual Report of K. Wah International Holdings Limited ("KWIH") (please refer to the sales brochures for details of the respective developments) and are not and do not form part of any advertisement purporting to promote the sale of any residential property, and do not constitute and shall not be construed as constituting any offer, representation, warranty, covenant or contractual term whether expressed or implied (whether related to the development, any residential property in the development, the standard provisions, fittings, finishes and appliances, etc. of any residential property, appearance, view, surrounding environment and facilities, and clubhouse facilities, etc. or not). No publishing or transfer to any third party is allowed without the prior written consent of KWIH and the respective vendors as stated in the sales brochures of the respective developments (each a "Vendor"). For some of such developments or projects, permission for promotional activities and/or pre-sale consent is/are not yet applied for and/or issued and the time of issue of such permissions and pre-sale consents are not certain. All time schedule of sales launch set out herein are of the tentative sale schemes and are for reference only. KWIH and the respective Vendors do not represent or warrant the time of issue of such permissions and/or consents. KWIH and the respective Vendors shall not be liable for any reliance of these information, drawings and/or photos by any party for his/her decision on purchase of any residential property in the respective developments or otherwise.

All photos, images, drawings or sketches in this Annual Report represent artists' impressions of the respective developments or the part of the respective developments concerned only. They are not drawn to scale and/or may have been edited and processed with computerized imaging techniques. In respect of any design concept drawings of the respective residential developments contained in this Annual Report, they are products of computer renderings. Pipes, conduits, air-conditioners, grilles etc. which might exist on the external walls, flat roofs or roofs, etc. of the respective developments, and the surrounding environment and buildings of the respective developments have been simplified or omitted. The respective renderings do not simulate or reflect the actual appearance and the surrounding environment of the respective developments. The respective design concept drawings do not simulate or reflect the view from any part of the respective developments and the present or future condition of the surrounding environment and buildings of the respective developments. The layout, partition, specifications, dimensions, colour, materials, fittings, finishes, appliances, equipment, furniture, household accessories, display, decorations, signs, clubhouse facilities, sculptures, models, artwork, plant, trees, landscape design, lighting features and lightings, etc. shown in the respective design concept drawings might be different from those, if any, to be actually provided in the respective developments and that they might not appear in the part of the developments concerned. The respective Vendors reserve the right to alter, increase and reduce the above items and clubhouse and recreational facilities, which are subject to the agreements for sale and purchase. The respective Vendors reserve the right to alter the building plans and other plans from time to time, which are subject to the final approvals of the relevant Government authorities. The provision of clubhouses and recreational facilities are subject to the terms and conditions of the agreements of sale and purchase and the final approvals of the relevant Government authorities. The opening time and use of different clubhouses and recreational facilities are subject to the relevant laws, land grant conditions, terms of the deed of mutual covenant and the actual conditions of the facilities. The use and operations of some parts of the facilities and/or services may be subject to the consents or permits to be issued by the relevant Government authorities. The respective Vendors reserve the right to amend the use of the facilities and/or services which are shown or not shown or not specified in the design concept drawings. Such facilities (including clubhouse and ancillary recreational facilities, etc.) may not be in operation when the respective developments can be occupied. The respective Vendors reserve the rights to alter the clubhouse and recreational facilities and the partition, design, layout and use thereof. Fees may be separately charged on the use of the clubhouse(s) and different recreational facilities. The existing, future or proposed buildings and facilities, etc as shown in this Annual Report (if any) are subject to changes from time to time, and may not be completed or ready for operation when the relevant developments can be occupied, and their physical state after completion may be different from those as stated or shown in this Annual Report, and are for reference only.

本年報中關於香港的發展項目(包括在建中的發展項目)的資訊、繪圖(包括設計概念圖)及/或相片乃嘉華國際集團有限公司(「嘉華國際」)為其年報而提供的(各該等發展項目的詳情請參閱各該等發展項目的售樓說明書),其本意並非促銷任何住宅物業的廣告或組成廣告的部分,也不構成亦不得詮釋作構成任何不論明示或隱含之要約、陳述、保證、承諾或合約條款(不論與發展項目、發展項目內的住宅物業、其交樓標準、裝置、裝修物料及設備等、外觀、景觀、周邊地區環境及設施,及會所的設施等是否有關)。未得嘉華國際及該等發展項目的售樓書中所列明的賣方(「賣方」)的書面同意不可向第三方發布或轉發。部分的該等發展或該等發展項目未申請及/或未獲批出推廣許可書及/或預售樓花同意書,而該等許可書及/或同意書的發出時間尚未能確定。所載的所有銷售時間表只是銷售計劃的意向,僅供參考。嘉華國際及各相關賣方對該等許可書及/或同意書的發出時間不作陳述或保證。嘉華國際及各相關賣方對任何人士依賴本資訊、繪圖及/或相片而作出購買各該等發展項目中的任何住宅物業或其他的決定不承擔任何責任。

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