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

2023 FINAL RESULTS ANNOUNCEMENT

CHAIRMEN’S STATEMENT

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The Group’s underlying profit attributable to equity shareholders for the year ended 31 December 2023 amounted to HK$9,706 million, representing an increase of HK$77 million or 0.8% from HK$9,629 million for the previous year. The profit in 2023 included a net gain of HK$1,591 million from the remeasurement of the net assets of Sunlight Real Estate Investment Trust (“Sunlight REIT”), a listed associate of the Company since 30 June 2023, to fair value using the equity method. The underlying earnings per share was HK$2.00 (2022: HK$1.99).

The Group recorded a fair value loss of HK$445 million (2022: HK$390 million) in 2023 after revaluation of the Group’s completed investment properties and investment properties under development. This included the adjustments of cumulative changes in the fair value of disposed investment properties. After taking into account the fair value loss, the profit attributable to equity shareholders for the year under review amounted to HK$9,261 million, representing an increase of HK$22 million or 0.2% from HK$9,239 million for the previous year. The reported earnings per share was HK$1.91 (2022: HK$1.91).

DIVIDENDS

The Board recommends the payment of a final dividend of HK$1.30 per share to shareholders whose names appear on the Register of Members of the Company on Wednesday, 12 June 2024. Such final dividend will not be subject to any withholding tax in Hong Kong. Together with the interim dividend payment of HK$0.50 per share, the total dividend for the year ended 31 December 2023 will amount to HK$1.80 per share (2022: HK$1.80 per share).

The proposed final dividend is expected to be distributed to shareholders on Friday, 21 June 2024.

BUSINESS REVIEW

The Hong Kong economy staged a recovery in 2023 in the aftermath of the pandemic. Economic activities revived following the resumption of normal travel. However, geopolitical tensions and tightened financial conditions constrained the pace of recovery and the economy only grew by 3.2%.

During the year, private consumption expenditure rebounded as the Government launched various initiatives and activities, including the Consumer Voucher Scheme, “Happy Hong Kong” and “Night Vibes Hong Kong” campaigns. Having fallen by 2.2% in 2022, private consumption expenditure rose by 7.3% this year. However, affected by the growing trend for crossing the border to spend, local consumption incentives were dampened again in early 2024.

The performance of the local stock market was lacklustre and dropped by 13.8% in 2023. After a brief rebound in early 2023, the residential property market experienced a downturn and remained sluggish for the remainder of the year. In 2023, the total number of sale and purchase agreements of residential units fell to 43,002, which was the lowest level on record.

Hong Kong

Property Sales

The Group’s attributable revenue from property development in Hong Kong amounted to HK$14,762 million in 2023, representing a decrease of HK$774 million from the previous year. The corresponding profit before taxation amounted to HK$2,169 million in 2023, representing a decrease of HK$1,186 millon from the previous year. The decrease in profit was mainly due to the lower profit margins for certain projects.

During 2023, the Group launched an array of residential developments for sale, including “Baker Circle • Greenwich (Phase 3 of Baker Circle One)” in Hung Hom, “The Paddington” in Cheung Sha Wan, as well as “Henley Park” and “The Knightsbridge” in Kai Tak. Sales for all existing projects were satisfactory. For the first four phases of “Square Mile” series in the urban area, as well as Phases 1, 2 and 3 of “One Innovale” in the New Territories, more than 90% of the residential units were sold by the end of this financial year. The 26,000-square-foot commercial portion at “The Henley” in Kai Tak was sold for a consideration of HK$528 million. The Group’s equity interest in the company holding “Harbour East”, a 144,000-square-foot Grade-A office development in North Point, was disposed of for a consideration of approximately HK$2,221 million. The sale of the commercial portion of “The Henley” was completed in 2023, while the “Harbour East” transaction was completed in January 2024. Together with the sale of other properties (including car parks), contracted sales attributable to the Group in Hong Kong was approximately HK$14,052 million for the year ended 31 December 2023.

The underlying profit from the disposal of the company holding “Harbour East”, which was approximately HK$1,407 million, will be accounted for in 2024. Apart from “Harbour East”, there were other property sales not accounted for in 2023. Attributable contracted sales of such properties amounted to approximately HK$9,418 million, of which approximately HK$7,140 million is expected to be recognised as revenue in 2024 upon completion of the relevant developments and handover of the completed units to buyers.

In March 2024, the Group launched Phase 1 of “Belgravia Place” in Cheung Sha Wan for sale. The market response was robust. All 138 residential units available in the first round of sale were sold on the first day of launch.

Property Development

For urban redevelopment projects (including the project awarded by the Urban Renewal Authority) with 80% to 100% ownership interest, the total gross floor area attributable to the Group amounted to 2.4 million square feet. In addition, urban redevelopment projects with a total gross floor area of approximately 1.2 million square feet attributable to the Group have been earmarked for sales launch in 2024.

The Group has adopted a multi-faceted approach to replenish its development land bank in Hong Kong. The Group's land reserves, other than those earmarked for rental purposes, will be sufficient to meet its development needs in the next few years. Details of the Group's projects are set out in the tables below:

Below is a summary of projects pending/under development and major completed projects:

			Saleable/gross floor area attributable to the Group (million sq. ft.) *(Note 1)*	Remarks
(A)	**Projects available for sale in 2024**			
1.	Unsold units of major development projects offered for sale	(Table 1)	1.5	
2.	Projects to be launched for sale in 2024	(Table 2)	1.8	
		Sub-total:	**3.3**	
(B)	**Projects in Urban Areas**			
3.	Existing Urban Redevelopment Projects	(Table 3)	0.9	Dates of sales launch have not been confirmed yet and the land premium for one of the projects is still under negotiation with the Government
4.	Newly-acquired Urban Redevelopment Projects			
	4.1 with 100% ownership interest acquired	(Table 4)	2.3	Most projects are expected to be available for sale or lease from 2025 to 2026
	4.2 with more than 80% but less than 100% ownership interest acquired	(Table 4)	0.1	Most projects are expected to be available for sale or lease from 2026 to 2028
	4.3 with more than 20% but less than 80% ownership interest acquired	(Table 5)	0.7	Redevelopment is subject to the acquisition of 100% ownership interest
5.	The Henderson Murray Road, Central		0.5	Held for rental purposes
6.	Site 3 of New Central Harbourfront (Inland Lot No. 9088)		1.6	To be held for rental purposes upon completion
		Sub-total:	**6.1**	
		Total ((A) and (B)):	**9.4**	

(C) Major development projects in the New Territories

– Fanling Sheung Shui Town Lot No. 263	0.3	
Kwu Tung		
– Others	0.4	*(Note 2)*
Sub-total:	**0.7**	
Total ((A), (B) and (C)):	**10.1**	

Note 1: Gross floor area is calculated based on the general building plans approved by the Buildings Department or the Government's latest town planning parameters, as well as the Company's development plans and is subject to change.

Note 2: Developable area will be confirmed after reaching an agreement with the Government on the amount of land premium payable.

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

There are 28 major development projects with unsold units:

				As at 31 December 2023			
	Project name and location	**Gross floor area (sq. ft.)**	**Type of development**	**No. of unsold residential units**	**Saleable area of unsold units (sq. ft.)**	**Interest of the Group (%)**	**Saleable area of unsold units attributable to the Group (sq. ft.)**
1.	The Henley (Phases 1- 3) 7 Muk Tai Street Kai Tak	654,602	Commercial/ Residential	592	309,405	100.00	309,405
2.	Henley Park 8 Muk Tai Street Kai Tak	397,967	Residential	462	226,456	100.00	226,456
3.	The Paddington 456 Sai Yeung Choi Street North Cheung Sha Wan	171,664	Residential	480	143,943	100.00	143,943
4.	Baker Circle One (Phases 1-3) 38 Gillies Avenue South, 33 Whampoa Street and 18 Bulkeley Street Hung Hom	339,890	Commercial/ Residential	422	113,586	100.00	113,586
5.	Eden Manor 88 Castle Peak Road Kwu Tung	555,399	Residential	102	113,578	100.00	113,578
6.	The Knightsbridge 22 Shing Fung Road Kai Tak	641,165	Commercial/ Residential	540	495,000	18.00	89,100
7.	Miami Quay I 23 Shing Fung Road Kai Tak	318,577	Residential	598	258,122	29.30	75,630
8.	One Innovale 8 Ma Sik Road, Fanling	612,685	Residential	82	41,550	100.00	41,550
9.	The Holborn 1 Shau Kei Wan Road Quarry Bay	132,363	Residential	163	40,475	100.00	40,475
10.	The Quinn•Square Mile 5 Sham Mong Road Mong Kok	242,507	Commercial/ Residential	138	39,426	100.00	39,426

11.	Wellesley 23 Robinson Road Mid-Levels West	156,900 *(Note 1)*	Residential	28	47,203	50.00 *(Note 1)*	23,602
12.	The Harmonie 233 Castle Peak Road Cheung Sha Wan	159,748	Commercial/ Residential	61 *(Note 2)*	21,170 *(Note 2)*	100.00	21,170 *(Note 2)*
13.	Caine Hill 73 Caine Road	64,116	Commercial/ Residential	45	10,327	100.00	10,327
14.	The Upper South 71 Main Street Ap Lei Chau	40,318	Commercial/ Residential	47	9,509	100.00	9,509
15.	Aquila•Square Mile 38 Fuk Chak Street Mong Kok	180,427	Commercial/ Residential	26	7,858	100.00	7,858
16.	The Hampstead Reach 8 Ping Kin Lane Yuen Long	27,868	Residential	3	5,427	100.00	5,427
17.	Cetus•Square Mile 18 Ka Shin Street Mong Kok	176,256	Commercial/ Residential	18	5,260	100.00	5,260
18.	The Royale 8 Castle Peak Road - Castle Peak Bay Tuen Mun	663,062	Residential	35	25,647	16.705	4,284
19.	South Walk•Aura 12 Tin Wan Street Aberdeen	37,550	Commercial/ Residential	14	3,443	100.00	3,443
20.	Arbour 2 Tak Shing Street Tsim Sha Tsui	89,527	Commercial/ Residential	4	2,946	100.00	2,946
21.	The Addition 350 Un Chau Street Cheung Sha Wan	79,903	Commercial/ Residential	7	2,536	100.00	2,536
22.	The Richmond 62C Robinson Road Mid-Levels West	33,678	Commercial/ Residential	5	2,328	100.00	2,328
23.	The Vantage 63 Ma Tau Wai Road Hung Hom	207,254	Commercial/ Residential	3	1,275	100.00	1,275
24.	PARKER33 33 Shing On Street Shau Kei Wan	80,090	Commercial/ Residential	2	1,134	100.00	1,134

25.	Two•Artlane 1 Chung Ching Street Sai Ying Pun	90,102	Commercial/ Residential	5	1,070	100.00	1,070
26.	Global Gateway Tower 61A-61E and 63 Wing Hong Street Cheung Sha Wan	336,052	Industrial	Not applicable	75,693 *(Note 3)*	100.00	75,693 *(Note 3)*
27.	E-Trade Plaza 24 Lee Chung Street Chai Wan	173,850	Office	Not applicable	58,935 *(Note 3)*	100.00	58,935 *(Note 3)*
28.	Mega Cube 8 Wang Kwong Road Kowloon Bay	171,194	Office	Not applicable	48,622 *(Note 3)*	100.00	48,622 *(Note 3)*
			Total:	**3,882**	**2,111,924**		**1,478,568**

Note 1: *The Group has a 25.07% interest in the development project. Some of the residential units were allocated to and held by the Group and another developer on a 50:50 basis.*

Note 2: *Representing the Group's entitlement for this Urban Renewal Authority project.*

Note 3: *Representing the saleable area of the office, industrial or shop area.*

(Table 2) Projects to be launched for sale in 2024

The following projects will be launched for sale in 2024, unless the launch is delayed due to unforeseen circumstances:

	Project name and location	Gross floor area (sq. ft.)	Type of development	No. of residential units	Gross floor area of residential units (sq. ft.)	Interest of the Group (%)	Gross floor area of residential units attributable to the Group (sq. ft.)
1.	Belgravia Place – Phase 1 1 Berwick Street, Cheung Sha Wan (launched for sale in March 2024)	293,604	Commercial/ Residential	714	212,627 *(Note)*	100.00	212,627 *(Note)*
2.	Belgravia Place - Phase 2 1 Berwick Street, Cheung Sha Wan	122,648	Commercial/ Residential	321	108,485	100.00	108,485
3.	New Kowloon Inland Lot No. 6554, Kai Tak	1,205,061	Commercial/ Residential/ Government facilities	2,060	1,074,563	30.00	322,369
4.	8 Castle Road Mid-Levels (formerly 4A-4P Seymour Road, Mid-Levels)	472,067	Residential	172	472,067	65.00	306,844
5.	New Kowloon Inland Lot No. 6576, Kai Tak	722,054	Residential	1,590	722,054	30.00	216,616
6.	1 Whampoa Street Hung Hom	186,547	Commercial/ Residential	478	156,967	100.00	156,967
7.	2-16A Whampoa Street Hung Hom	134,453	Commercial/ Residential	325	113,271	100.00	113,271
8.	26-40A Whampoa Street Hung Hom	124,529	Commercial/ Residential	306	104,770	100.00	104,770
9.	8 Nam Kok Road Kowloon City	117,992	Commercial/ Residential	313	98,323	76.468	75,186
10.	Miami Quay II 23 Shing Fung Road Kai Tak	256,037	Residential	571	256,037	29.30	75,019

11.	Gateway•Square Mile 1 Ka Shin Street Mong Kok	88,356	Commercial/ Residential	234	67,276 *(Note)*	100.00	67,276 *(Note)*
12.	Parkwood 3 Mei Sun Lane Tai Po	49,069	Commercial/ Residential	122	41,043	100.00	41,043
13.	16-20 Temple Street Mong Kok	20,286	Commercial/ Residential	48	19,159	65.234	12,498
			Total:	**7,254**	**3,446,642**		**1,812,971**

Note: Representing the saleable area of the residential units.

(Table 3) Existing Urban Redevelopment Projects

The Group has two existing projects under redevelopment or land-use conversion and the dates of their sales launch have not been confirmed yet. Based on the general building plans approved by the Buildings Department or the Government's latest town planning parameters, these projects are expected to provide units with a total gross floor area of approximately 0.9 million square feet that is attributable to the Group in the urban area. Details of these projects are summarised below:

Project name and location	Site area (sq. ft.)	Expected gross floor area upon completion of the redevelopment project (sq. ft.)	Interest of the Group (%)	Expected gross floor area attributable to the Group upon completion of the redevelopment project (sq. ft.)
1. Yau Tong Bay Kowloon *(Note)*	808,398	3,981,712	22.80	907,830
2. 29A Lugard Road The Peak, Hong Kong	23,653	11,709	100.00	11,709
Total:	**832,051**	**3,993,421**		**919,539**

Note: The Government's provisional basic terms offer was accepted in April 2022. The amount of land premium payable is under appeal and will be reassessed by the Government.

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(Table 4) Newly-acquired Urban Redevelopment Projects – with 80% to 100% ownership interest acquired

There are 22 newly-acquired urban redevelopment projects with 80% to 100% ownership interest acquired. Based on the general building plans approved by Buildings Department or the Government's latest town planning parameters, the expected gross floor area attributable to the Group is as follows:

		With 100% ownership interest acquired		With more than 80% but less than 100% ownership interest acquired*		
Project name and location		**Site area (sq. ft.)**	**Expected gross floor area attributable to the Group upon completion of the redevelopment project (sq. ft.)**	**Site area (sq. ft.)**	**Expected gross floor area attributable to the Group upon completion of the redevelopment project (sq. ft.)**	**Total expected gross floor area attributable to the Group (sq. ft.)**
Hong Kong						
1.	88 Robinson Road Mid-Levels	11,133	55,666			55,666
2.	94-100 Robinson Road Mid-Levels	12,160	60,783			60,783
3.	105 Robinson Road Mid-Levels	27,530	137,642			137,642
4.	33-39 Elgin Street Mid-Levels	4,944	42,497			42,497
5.	41-47A Elgin Street Mid-Levels	7,457	65,462			65,462
6.	1-4 Ladder Street Terrace Mid-Levels	2,859	13,907			13,907
7.	63 Macdonnell Road Mid-Levels	3,155	13,251			13,251
8.	13-21 Wood Road and 22-30 Wing Cheung Street Wanchai	8,600	86,004			86,004
9.	9-13 Sun Chun Street Tai Hang			2,019	18,171	18,171
10.	17A-25 Sun Chun Street Tai Hang	4,400	47,739			47,739
11.	85-95 Shek Pai Wan Road and 2 Tin Wan Street Aberdeen	4,950	42,075	1,128	10,716	52,791
12.	4-6 Tin Wan Street Aberdeen			1,740	14,790	14,790
13.	983-987A King's Road and 16-22 and 24-94 Pan Hoi Street, Quarry Bay (50% interest is held by the Group)	42,018	220,345			220,345
	Sub-total:	**129,206**	**785,371**	**4,887**	**43,677**	**829,048**

Project name and location	With 100% ownership interest acquired Site area (sq. ft.)	Expected gross floor area attributable to the Group upon completion of the redevelopment project (sq. ft.)	With more than 80% but less than 100% ownership interest acquired* Site area (sq. ft.)	Expected gross floor area attributable to the Group upon completion of the redevelopment project (sq. ft.)	Total expected gross floor area attributable to the Group (sq. ft.)
Kowloon					
14. 16 Kimberley Road Tsim Sha Tsui (Block B, Champagne Court)	12,283	147,396			147,396
15. Projects at 16-30 Man On Street and 173-199 Tai Kok Tsui Road Tai Kok Tsui	22,164	199,465			199,465 *(Note 1)*
16. 24-30 Fuk Chak Street, Tai Kok Tsui (50% interest is held by the Group)			5,600	23,800	23,800
17. Various projects at Gillies Avenue South, Baker Street and Whampoa Street, Hung Hom	28,043	252,775			252,775 *(Note 2)*
18. 68A-76B To Kwa Wan Road, 58-76 Lok Shan Road, 14-20 Ha Heung Road, 1-7 Lai Wa Street and 1-9 and 2-8 Mei Wa Street, To Kwa Wan	42,467	380,824			380,824
19. Bailey Street/Wing Kwong Street Development Project, To Kwa Wan (This project was awarded by the Urban Renewal Authority with a 50% interest held by the Group)	79,718	358,732			358,732
20. 4 Liberty Avenue, Ho Man Tin	4,882	39,709			39,709

21. 11-19 Wing Lung Street Cheung Sha Wan *(Note 3)*	6,510	58,300			58,300
22. 67-83 Fuk Lo Tsun Road Kowloon City *(Note 3)*	10,954	92,425			92,425
Sub-total:	**207,021**	**1,529,626**	**5,600**	**23,800**	**1,553,426**
Total:	**336,227**	**2,314,997**	**10,487**	**67,477**	**2,382,474**

* *To acquire all the undivided shares in the lots, the majority owner will make an application to the Lands Tribunal for an order for sale of the lots by way of public auction under the Land (Compulsory Sale for Redevelopment) Ordinance. If the Lands Tribunal refuses to make an order for sale, the majority owner may not be able to acquire the remaining undivided shares and proceed with the redevelopment projects.*

Note 1: Part of an urban renewal plan with a total gross floor area of more than 1 million square feet, of which approximately 860,000 square feet is attributable to projects (namely, "Eltanin•Square Mile", "Cetus•Square Mile", "Aquila•Square Mile", "The Quinn•Square Mile" and "Gateway•Square Mile") which have been launched or are proposed to be launched for sale in 2024.

Note 2: Part of an urban renewal plan with a total gross floor area of more than 1 million square feet, of which approximately 780,000 square feet is attributable to projects (namely, "Baker Circle•Dover", "Baker Circle•Euston", "Baker Circle•Greenwich" and 3 projects located at Whampoa Street) which have been launched or are proposed to be launched for sale in 2024.

Note 3: Developable area may be subject to the Group reaching an agreement with the Government on the amount of land premium payable.

(Table 5) Newly-acquired Urban Redevelopment Projects – with more than 20% but less than 80% ownership interest acquired

There are 29 redevelopment projects in various urban districts where acquisition of units in existing buildings is ongoing. Upon completion of these redevelopment projects, the total site area attributable to the Group will be approximately 210,000 square feet. For projects with more than 20% and less than 80% ownership interest acquired, if the remaining interest is acquired, the sites will be redeveloped and upon completion, based on the Government's latest town planning parameters, the total gross floor area attributable to the Group will be approximately 1,830,000 square feet. Based on the Group's undivided shares in the lots, the total gross floor area attributable to the Group is approximately 680,000 square feet. However, these redevelopment projects are subject to the successful acquisition of the remaining interest in the relevant lots, which is uncertain.

Land Bank

As at 31 December 2023, the Group had a Hong Kong land bank with a total gross floor area of approximately 20.5 million square feet attributable to the Group, which comprised the following:

		Gross floor area attributable to the Group (million sq. ft.)
Projects pending/under development *(Note)*		8.6
Unsold units of major development projects offered for sale		1.5
	Sub-total:	**10.1**
Completed investment properties (including hotels)		10.4
	Total:	**20.5**

Note: The above includes plots with a total developable area of approximately 0.4 million square feet attributable to the Group which are subject to reaching an agreement with the Government on the amount of land premium payable.

Land in Urban Areas

In addition to projects scheduled for sales launch as described above, there are some urban redevelopment projects, with 100% or more than 80% ownership interest acquired, available for sale or lease in 2025 and beyond. It is expected that the relevant total gross floor area attributable to the Group will be approximately 2.4 million square feet.

In 2023, the Group completed the acquisition of the entire interest in the lots at Lok Shan Road and Ha Heung Road in To Kwa Wan, as well as King's Road and Pan Hoi Street in Quarry Bay. These lots will be redeveloped into two developments with a total gross floor area of 380,000 square feet and 220,000 square feet respectively. In addition, the acquisition of the entire interest in each of the lots at 16 Kimberley Road in Tsim Sha Tsui, 173-199 Tai Kok Tsui Road and 4 Liberty Avenue in Ho Man Tin was completed during 2023. As for Site 3 of New Central Harbourfront (Inland Lot No. 9088), which was acquired by the Group in 2021, foundation works are in progress. The lot will be developed in two phases into a 1,600,000-square-foot mixed-use project and over 300,000 square feet of landscaped open space for public use. The Outline Development Plan for this project has been approved by the Town Planning Board. With the scheduled completion of Phase 1 in the fourth quarter of 2026 and Phase 2 in the fourth quarter of 2032, this project is poised to become another landmark in the Central Business District of Hong Kong. The land premium for the site at Yau Tong Bay is pending reassessment by the Government. This harbourfront development, in which the Group has a 22.8% interest, is expected to be developed into a mixed-use development complex with a total gross floor area of approximately 910,000 square feet attributable to the Group.

New Territories Land

During the year, the Group acquired additional lots with a total area of approximately 890,000 square feet in the New Territories. As at 31 December 2023, the total area of the Group's land reserves in the New Territories amounted to approximately 45.8 million square feet, representing the largest holding among all property developers in Hong Kong:

By District		**Land area attributable to the Group (million sq. ft.)**
Yuen Long District		26.4
North District		12.3
Tuen Mun District		3.8
Tai Po District and others		3.3
	Total:	**45.8**

In January 2024, the Government announced the resumption of land for the implementation of the remaining phase development of the Kwu Tung North/Fanling North New Development Areas, both in the North District. According to the Lands Department, the ex-gratia compensation rate for the resumption of private agricultural land in Tier One Zone (for land resumed for development uses) in the New Territories was HK$1,267 per square foot. The Group holds land with a total area of approximately 1.45 million square feet in these areas (including three separate lots with a total area of more than 620,000 square feet in Fanling North, which were eligible for in-situ land exchange but an agreement on the land premium had not been reached before 31 December 2023). As such, the Group expects to receive cash compensation in the total amount of approximately HK$1,837 million from the Government.

In January 2014, the Government commenced its "Preliminary Feasibility Study on Developing the New Territories North" which covers a total area of approximately 5,300 hectares. In September 2014, the Government announced the "Railway Development Strategy" which included its long-term plan to further expand the railway network to Kwu Tung and Ping Che. In order to increase land supply for housing, the Government announced the implementation of the "Yuen Long South Development Project" and "Kam Tin South Development Project". The Group holds certain plots of land in these areas.

As for the "Hung Shui Kiu New Development Area Planning and Engineering Study", the area concerned comprises about 714 hectares in Yuen Long District. The Group holds land with a total area of approximately 6.57 million square feet in this district. According to the draft Hung Shui Kiu and Ha Tsuen Outline Zoning Plan, the proposed new town in the Hung Shiu Kiu New Development Area will accommodate a total population of about 215,000 people and 60,000 new residential units, of which about 50% will be private developments. The Government is studying whether the public to private housing ratio is to be increased. The Government's proposed increase of the plot ratio in the New Development Area may benefit the Group as certain sites are expected to be eligible for land exchange with a higher plot ratio. It remains to be seen what impact these proposals will have on the Group. The Group will continue to work in line with the Government's development policies and will follow up closely on its development plans. According to the Government's latest practice notes, certain sites in Hung Shui Kiu town centre are now open for land exchange application.

The Pilot Scheme for Arbitration on Land Premium, which was introduced by the Government in October 2014, was extended to October 2024. This Pilot Scheme aims to facilitate the early conclusion of land premium negotiations and expedite land supply for housing and other uses. The Group will thus consider applying for arbitration in respect of its land exchange or lease modification applications when necessary.

In order to increase and expedite land supply, the Lands Department has already established a centralised Land Supply Section for accelerating “big ticket” lease modification and land exchange applications and further centralisation of premium assessments, so as to streamline and expedite the development process. The Group’s Yau Tong Bay project is now handled by this section. In addition, the Development Projects Facilitation Office was set up under the Development Bureau to facilitate the processing of development approval applications for larger-scale private residential projects before commencement of works.

In 2020, the Government announced specific criteria in respect of the implementation framework for its “Land Sharing Pilot Scheme”. In order to work in line with the Government’s policy to alleviate the keen housing demand, after reviewing the Group’s land holding in the New Territories, the Group submitted an application to the relevant authority under this scheme in conjunction with another developer as reported previously. The area concerned in this application is located in Lam Tsuen, Tai Po, covering a site area of about 2 million square feet or 19.3 hectares, which is slightly larger than Victoria Park in Hong Kong. The project will provide 12,120 housing units, of which 70% (8,484 units) will be for public housing, whilst the remaining 30% (3,636 units) will be for private housing development for sale. In November 2022, the project was supported by the advisory group and agreed in principle by the Executive Council. Planning and land exchanges will commence in 2024 and the project is expected to be completed in or before 2031. The Group hopes that by participating in this scheme, the relevant land resources can be used more efficiently and expedite the unlocking of their potential value.

In the 2021 Policy Address, the Government laid out a large-scale development plan of “The Northern Metropolis”, which is expected to have an enormous impact on the future outlook of the areas concerned and on Hong Kong as a whole. Subsequently in May 2023, the Government announced the “Initial Land-use Proposal on San Tin/Lok Ma Chau” and mentioned that various kinds of public-private partnership would be considered. The Group will follow up closely and work in line with this development plan.

Investment Properties

For the year ended 31 December 2023, the gross rental income in Hong Kong attributable to the Group (including gross rental income attributable to subsidiaries, associates and joint ventures) increased by 4% year-on-year to HK$6,740 million. The rental income before taxation attributable to the Group (including rental income before taxation attributable to subsidiaries, associates and joint ventures) also increased by 7% year-on-year to HK$4,915 million. The increase in rental income was mainly due to (i) higher rental reversions for new lettings and renewals, and (ii) rental income attributable to Sunlight REIT, a listed associate of the Company since 30 June 2023. For the International Finance Centre (“ifc”) project, in which the Group has a 40.77% interest, the gross rental income attributable to the Group was HK$1,718 million, representing a year-on-year increase of 1%).

As at 31 December 2023, the average leasing rate for the Group’s major investment properties was 92%.

Taking into account the investment properties held by Sunlight REIT, as at 31 December 2023, the Group’s completed investment property portfolio in Hong Kong has increased to approximately 9.9 million square feet, the details of which are as follows:

By type	**Gross floor area attributable to the Group (million sq. ft.)**	**Percentage (%)**
Shopping arcade or retail	5.4	55
Office	3.7	37
Industrial	0.4	4
Residential and hotel apartment	0.4	4
Total:	**9.9**	**100**

By geographical area	**Gross floor area attributable to the Group (million sq. ft.)**	**Percentage (%)**
Hong Kong Island	2.6	26
Kowloon	3.3	34
New Territories	4.0	40
Total:	**9.9**	**100**

In addition, there were about 8,100 car parking spaces held by the Group, which provide the Group with another source of rental income.

Retail portfolio

During the year, the Group’s retail portfolio recorded steady occupancy rates with positive rental reversion. Shoppers’ traffic as well as tenants’ overall business volume surpassed 2018 pre-pandemic levels.

In view of the continuous changes in shoppers’ spending habits, the Group regularly refines the tenant-and-trade mix of its malls. For instance, the recently renovated Trend Plaza in Tuen Mun has successfully become a new focal point in the region after introducing an array of popular retailers and specialty restaurants. In support of the Government’s “Night Vibes Hong Kong” initiative, the Group also launched a series of distinctive evening music performances, themed bazaars and the “After 8 Night-time Consumption Triple Rewards” programme at its shopping malls during the year. All these promotional campaigns were well received, boosting tenants’ businesses and contributing to the revival of the vibrant nightlife buzz in Hong Kong.

As regards the Group’s urban redevelopment projects near Olympic and Hung Hom MTR stations, their podiums are both designed for commercial purposes, providing a total retail floor area of approximately 163,000 and 168,000 square feet respectively. Adjacent to Olympic MTR station, the "Square Mile" series is being developed in seven phases and the first three phases were completed. These completed developments house many lifestyle brands and specialty restaurants, reinvigorating the community with a refreshed look. In Hung Hom, the first phase of its redevelopment under the "Baker Circle One" brand (namely, “Baker Circle • Dover”) was also completed during the year. Its commercial portion is being built as a brand-new three-dimensional shopping street with the design concept of “outer streets and inner lanes”. The Group is preparing to launch a leasing campaign with the theme of innovation and sustainability. With the successive completion of these two large-scale urban redevelopment projects by phases in the coming years, the Group’s rental income is poised to grow further with the continually expanding retail portfolio.

Office portfolio

During the year, the office leasing market in Hong Kong remained soft with high vacancies and a large supply pipeline. However, the Group's office portfolio has been resilient, with solid occupancy rates.

Given its prime location in the core of Central, ifc had a solid tenant base of financial institutions with a consistently high occupancy. The Group's other premium office properties on Hong Kong Island, such as "AIA Tower" in North Point, also performed steadily during the year as a result of the Group's effective tenant retention strategy. The recently-built "208 JOHNSTON" in Wanchai continued to attract quality tenants from diverse industries, resulting in a further increase in occupancy rate.

Benefiting from the successful transformation of Kowloon East into Hong Kong's second core business district, the Group's portfolio of office and industrial/office premises in the district, including "Manulife Financial Centre", "AIA Financial Centre", "78 Hung To Road", "52 Hung To Road", as well as "One and Two Portside", continued to deliver resilient performance despite growing competition.

The Henderson, which was newly completed in January 2024, is a new landmark in Hong Kong. Designed by the world-renowned architectural firm Zaha Hadid Architects, this 465,000-square-foot Grade-A smart office development boasts an array of innovative and sustainable features. For instance, the industry's first-ever Landlord-Individual-Tenant ESG Partnership programme was introduced so as to strive towards sustainability goals through tri-party collaboration. In recognition of its commitment to advancing sustainable development, The Henderson has garnered numerous accolades from world-leading organisations such as SmartScore, Wiredscore, the World Green Building Council (WorldGBC), as well as Platinum Pre-certification in both WELL Building Standard (WELL) and Leadership in Energy and Environmental Design (LEED). In addition, The Henderson is highly sought-after by businesses that share the Group's vision of enhancing sustainability. During the year, Swiss fine watchmaking manufacturer Audemars Piguet joined industry-leading firms like Christie's and Carlyle as one of The Henderson's distinguished tenants. Audemars Piguet has leased one whole floor of about 12,000 square feet for its prestigious AP House for VIP customers and Hong Kong office. An international art gallery and an asset management company also signed up. As a result, the leasing rate of the leaseable floors of The Henderson has exceeded 50% to date. The addition of this world-class project will further strengthen the Group's foothold in Hong Kong's Central Business District and serve as a new growth driver for the Group's recurrent income stream.

Construction

During 2023, the Government launched the Labour Importation Scheme for the Construction Sector but the manpower shortage remained severe. To tackle these challenges, the Group's Construction Department increased the use of prefabricated structural modules under "Design for Manufacture and Assembly" (DfMA) and "Multi-trade Integrated Mechanical, Electrical and Plumbing" (MiMEP) approaches. By reducing on-site manpower and wastage, these measures also improved quality and cost efficiency. For instance, the self-developed precast bathroom sunken slab was recommended by the Government's Buildings Department to other industry peers due to its effectiveness in preventing water seepage. Moreover, bio-inspired silicone sealant for wet surface adhesion, being an innovative material jointly developed by the Group and its partner, was recently selected as one of the 100 Most Technologically Significant New Products of the Year by "The R&D 100 Awards", in addition to the Gold Medal received from the 48th International Exhibition of Inventions held in Geneva, Switzerland. The Government also showed interest in this bio-inspired silicone sealant, which is now under trial production for the applications by its various works divisions.

The Group is committed to applying the most advanced technology and materials so as to improve the quality of its development projects even further. During the year, "The Quinn • Square Mile" in Mong Kok and "Baker Circle" in Hung Hom were accredited as the winners in the Hong Kong Mixed Use Development Category of "Real Estate Asia Awards 2023" and "Asia Pacific Property Awards 2023-2024", respectively. Various residential developments of the Group also received accolades in the relevant categories of these prestigious international award programmes, as well as the "Green Building Award 2023" in Hong Kong. As for commercial development, "H Zentre" in Tsim Sha Tsui was named Merit Winner in the Hong Kong Non-Residential (New Building – Non-Government, Institution or Community) Category of the biennial "Quality Building Award 2022".

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

	Project name and location	**Site area (sq. ft.)**	**Gross floor area (sq. ft.)**	**Type of development**	**Interest of the Group (%)**	**Gross floor area attributable to the Group (sq. ft.)**
1.	New Kowloon Inland Lot No. 6576, Kai Tak	103,151	722,054	Residential	30.00	216,616
2.	Miami Quay I & II 23 Shing Fung Road Kai Tak	104,475	574,614	Residential	29.30	168,362
3.	The Holborn 1 Shau Kei Wan Road Quarry Bay	13,944	132,363	Residential	100.00	132,363
4.	Baker Circle˙Dover (Phase 1 of Baker Circle One) 38 Gillies Avenue South Hung Hom	13,173	120,779	Commercial/ Residential	100.00	120,779
5.	Caine Hill 73 Caine Road Mid-Levels	6,781	64,116	Commercial/ Residential	100.00	64,116
6.	The Symphonie 280 Tung Chau Street Cheung Sha Wan	16,308	144,345	Commercial/ Residential	33.41	33,643 *(Note)*
					Total:	**735,879**

Note: Representing the Group's entitlement to its residential portion for this Urban Renewal Authority project.

Property Management

The Group’s property management companies, namely, Hang Yick Properties Management Limited, Well Born Real Estate Management Limited, H-Privilege Limited (which provides services to the Group’s urban boutique residences under “The H Collection” brand) and Goodwill Management Limited, manage a total of about 83,000 apartments and industrial/commercial units, 10 million square feet of shopping and office space, as well as 20,000 car parking spaces collectively in Hong Kong. In order to ensure that the best service is provided to all the properties under their management, these companies implement an Integrated Management System complying with the requirements of ISO 9001 (Quality Management System), ISO 10002 (Complaints Handling Management System), ISO 14001 (Environmental Management System) and ISO 45001 (Occupational Health and Safety Management System). Quality, health and safety, as well as environmental considerations are thus consistently embedded in all aspects of their services and daily operations.

Creativity and sustainability are at the heart of the Group’s business and operations. Following the previous success of creating Christmas trees out of recycled plastic bottles, the property management subsidiaries launched the recycled Christmas tree campaign again this year. The campaign received an overwhelming response with more than 20,000 second-hand books donated by estate residents. The books collected were piled up as Christmas trees and displayed at the residential properties under their management, with the aim of creating a festive atmosphere while delivering eco-friendly messages to the public. After the festive season, certain books were passed on to charitable organisations to spread the joy of reading and shared knowledge. In recognition of their commitment to promoting sustainable living, a multitude of commendations were received during the year including being named by the Federation of Hong Kong Industries as a “3 Years Plus EcoPioneer”, in addition to receiving the honours of “The Outstanding ESG Performer of the Year” in the Real Estate ESG Awards organised by China Real Estate Chamber of Commerce Hong Kong and International Charter.

As for community services, the Group’s property management subsidiaries collaborated with GDCD Association to organise an array of activities to promote sports and social inclusion during the year. Outstanding athletes were invited to hold various training classes in the residential properties under their management, so as to strengthen the connection with young people through sports, care for the underprivileged and arouse their environmental awareness. All activities were well received. In particular, the partner wheel yoga exercise in the "Yau Tsim Mong Wellness Gala" set a Sustainable Development Goal world record. Their volunteer teams also actively participated in various charitable activities. As a result, they won the awards of the “Top Ten Highest Volunteer Hours” and “Excellence Gold” in the category of Corporate & Non-Commercial Organisation (Volunteer Hours), as well as “Caring Estate” from the “Hong Kong Volunteer Award 2023”, which was co-organised by the Government’s Home and Youth Affairs Bureau and the Agency for Volunteer Service.

Mainland China

The mainland property market went through a consolidation phase during the year. The Central Government successively relaxed its policies, in an attempt to improve market conditions from both supply and demand perspectives. Policies implemented included "determination based on property ownership instead of past mortgage record" for first-time home buyers, mortgage interest rate reduction and the lowering of down-payment proportion, which facilitated local residents to utilise mortgage loans for home purchases. In addition, banks were required to support the financing needs of real estate companies, whilst local governments also stepped up the relaxation of home purchase restrictions. However, the effect of these property stimulus measures was not sustainable and the property market continued on a downward trend. Supported by demand for better living, the transaction volume of newly-built housing units increased in the first-tier cities, whilst a continuous drop was seen in other cities. As for the land market, given the ongoing financial pressure faced by certain real estate developers and sluggish market sentiment, land bidders remained cautious, resulting in a decrease in land transaction volume across all cities.

The following development projects were completed during the year:

	Project name	**Usage**	**Interest of the Group (%)**	**Gross floor area attributable to the Group (million sq. ft.)**
1.	Residential project in Chaoyang District, Beijing (Phases 1 and 2)	Residential	100	0.47
2.	Mixed-use project in Chaoyang District, Beijing	Residential/ Commercial	50	0.26
3.	Runyue Huayuan, Guangzhou	Residential	10	0.03
4.	The Landscape, Changsha (Phases 1, 3-5 (third batch))	Residential/ Commercial	50	0.68
5.	Chengdu ICC, Chengdu (Tower 1, Site B)	Office/ Commercial	30	0.43
6.	CIFI Centre, Chengdu (Phase 4)	Commercial	50	0.10
7.	Yubei project, Chongqing (Phase 1)	Residential	50	0.18
8.	Wujiang project, Suzhou (Phases 1-3)	Residential	50	0.88
9.	Riverside Park, Suzhou (Tower 3, Phase 6)	Residential	70	0.38
10.	Mixed-use project in Xiangcheng District, Suzhou (Phases 1 and 2)	Residential/ Commercial	11	0.19
11.	Residential project in Xiangcheng District, Suzhou	Residential	34.5	0.18
12.	Dongli project, Tianjin (Phase 1)	Residential	50	0.31
13.	Huli project, Xiamen (Phase 1)	Residential	50	0.34
14.	La Botanica, Xian (Phases 3R1, 3R5 and 1S1)	Residential/ School	50	1.26
			Total:	**5.69**

The Group’s mainland China strategy is as follows:

Property Investment: The Group focuses on the development of Grade-A office buildings. For “Lumina Guangzhou” in Yuexiu District, Guangzhou and “Lumina Shanghai” at the Xuhui Riverside Development Area, Shanghai, two recently completed large-scale projects, leasing activities have commenced with satisfactory market response and both have started to bring in significant streams of rental income. For instance, the respective leasing rates of the 970,000-square-foot Grade-A office twin towers at “Lumina Guangzhou” and the 1,000,000-square-foot “Lumina Shanghai II” were over 80% and 70% at the end of December 2023. As tenants are moving in progressively, the Group’s recurrent rental income is poised to further increase, providing growth momentum for its business. The Group will continue to look for opportunities to invest in high quality properties in the core areas of major cities and optimise its property portfolio.

Property Development: The Group focuses on residential and composite development projects in first-tier and leading second-tier cities, as well as new development opportunities brought by the Greater Bay Area strategic plan. Combining the Group’s reputation, management expertise and financial strength, and the local developers’ market intelligence, construction efficiency and cost advantages, the Group’s joint venture projects have achieved the expected results. During the year, the Group continued to explore property development opportunities with its long-term strategic partners.

In March 2023, the Group entered into agreements to transfer its 25% equity interest in a company holding the Nansha project in Guangzhou to CIFI Holdings (Group) Co. Limited (“CIFI”, a mainland property developer listed in Hong Kong) for a consideration of RMB1,000 million (equivalent to approximately HK$1,130.0 million). Meanwhile, the Group acquired the remaining 50% equity interest in the Changan project in Shijiazhuang from CIFI for a consideration of approximately RMB948.3 million (equivalent to approximately HK$1,071.6 million) so as to have full ownership in this project. In September 2023, the Group also increased its ownership in the Zengcheng project in Guangzhou from 10% to 20% by acquiring the equity interest held by CIFI for a consideration of approximately RMB240.3 million (equivalent to approximately HK$261.9 million). Meanwhile, the Group transferred its 50% equity interest in a company holding the Hongqiao project in Shanghai to CIFI for a consideration of RMB553 million (equivalent to approximately HK$608 million). All these transactions were completed within this financial year.

As at 31 December 2023, in addition to its holding of approximately 1.5 million square feet in attributable gross floor area of completed property stock, the Group held a development land bank in 15 cities with a total attributable gross floor area of about 16.91 million square feet. Around 74% of the land bank is planned for residential development:

Land bank under development or held for future development

		Estimated developable gross floor area attributable to the Group* (million sq. ft.)
First-tier cities		
Beijing		0.05
Shanghai		0.42
Guangzhou		1.65
Shenzhen		0.21
	Sub-total:	**2.33**
Second-tier cities		
Changsha		0.22
Chengdu		5.95
Chongqing		0.65
Dongguan		0.43
Foshan		0.71
Shijiazhuang		3.60
Suzhou		0.17
Tianjin		0.64
Wuhan		0.70
Xian		1.45
Xuzhou		0.06
	Sub-total:	**14.58**
	Total:	**16.91**

* *Excluding basement areas and car parks.*

Usage of development land bank

		Estimated developable gross floor area attributable to the Group (million sq. ft.)	Percentage (%)
Residential		12.48	74
Commercial		2.02	12
Office		2.01	12
Others (including clubhouses, schools and community facilities)		0.40	2
	Total:	**16.91**	**100**

Property Sales

During the year, revenue from pre-sold residential units completed and delivered to buyers exceeded that of the previous year. Revenue and profit before taxation attributable to the Group's property development in mainland China as recognized in the financial statements for the year under review amounted to RMB8,533 million (equivalent to approximately HK$9,498 million) and RMB1,909 million (equivalent to approximately HK$2,126 million) respectively, representing year-on-year increases of 28% and 2% respectively in Renminbi terms.

During the year, contracted sales attributable to the Group decreased by 2% year-on-year to approximately RMB5,948 million, which was equivalent to approximately HK$6,616 million, representing approximately 3.7 million square feet in attributable gross floor area, with a year-on-year increase of 6%. Major sales projects included "La Botanica" in Xian, "CIFI Centre" in Chengdu, Changan project in Shijiazhuang, Panyu project in Guangzhou, Dongli project in Tianjin, as well as the mixed-use project in Xiangcheng District, Suzhou.

At the end of December 2023, attributable contracted sales of approximately HK$8,319 million are yet to be recognised in the accounts, of which approximately HK$6,477 million is expected to be recognised in 2024 upon completion of development and handover to buyers.

Investment Properties

During the year, Tower 1 in Site B of the joint venture project of "Chengdu ICC" was completed. As a result, at the end of December 2023, the Group's completed investment property portfolio in mainland China increased to approximately 13.0 million square feet in attributable terms, the details of which are as follows:

By type	**Gross floor area attributable to the Group* (million sq. ft.)**	**Percentage (%)**
Office	9.2	71
Commercial	3.8	29
Total:	**13.0**	**100**

By geographical area	**Gross floor area attributable to the Group* (million sq. ft.)**	**Percentage (%)**
Beijing	2.2	17
Shanghai	6.9	53
Guangzhou	2.5	19
Other	1.4	11
Total:	**13.0**	**100**

* *Including lettable areas in the basement.*

Following the lifting of pandemic containment measures at the end of 2022, various sectors in mainland China resumed their normal operations. However, the market has not yet fully recovered during the year. Certain tenants, who were badly affected by the economic conditions, have taken more prudent approaches to their leases in order to cut costs and enhance efficiency. Increased supply and intense competition also led to a slower growth in the leasing market. With the additional rental income from the recently completed large-scale investment properties (including both “Lumina Guangzhou” and “Lumina Shanghai”), the Group's leasing business continued to maintain steady growth during the year, and its gross rental income increased by 7% in Renminbi terms. However, after taking into account the 5% year-on-year depreciation of Renminbi against Hong Kong Dollar, gross rental income attributable to the Group remained largely flat at HK$2,103 million. Furthermore, after taking into account the initial operating costs and marketing expenses for the recently completed investment properties, net rental income before taxation attributable to the Group decreased by 6% year-on-year to HK$1,507 million in 2023.

In Beijing, the leasing rate of "World Financial Centre" in Chaoyang Central Business District decreased to 80% in 2023 due to certain tenants’ business restructuring and cost containment initiatives. With its “WELL Core Healthy Building Platinum certification” and “WELL Health-Safety Rating” recently awarded by International WELL Building Institute, coupled with reputable building quality, this International Grade-A office complex continued to attract leasing interests from many discerning corporations. Coupled with a slowdown in the supply of new office space in the Central Business District, it is expected that the leasing rate for this project will gradually recover.

In Shanghai, the Group’s investment properties also attain high green-building standards. Apart from obtaining the “WELL Health-Safety Rating”, certain commercial developments (namely, “Henderson 688”, “Greentech Tower” and “Centro”) were further awarded the “TRUE Zero Waste – Platinum Certification” by Green Building Certification Inc. By the end of December 2023, “Henderson 688” in Nanjing Road West business hub was 94% let. “Grand Gateway II” atop the Xujiahui subway station, “Henderson Metropolitan” near the Bund, “Greentech Tower” adjacent to the Shanghai Railway Station, as well as the joint-venture project in the Middle Huaihai Road business hub, were all about 90% let. “Centro” was affected by the growing competition among the nearby commercial developments and had a leasing rate of about 70%. In addition, the market response for the recently-completed “Lumina Shanghai” at the Xuhui Riverside Development Area was satisfactory. Xuhui Riverside is one of the key riverside development projects under the Shanghai 14th Five-year Plan, as well as the current landmark area of Shanghai in cultural, media and digital technology development. The 61-storey iconic office tower of Phase 1 development at “Lumina Shanghai”, which boasts seamless access to Longyao Subway Station, provides approximately 1,800,000 square feet of Grade-A office space and serves as a continuous income growth driver for the Group. Various multinational corporations have already moved in progressively. Meanwhile, many specialty eateries were added to its 200,000-square-foot shopping mall so as to give customers a diversified dining experience. The neighbouring 1,000,000-square-foot Phase 2 development, namely, “Lumina Shanghai II”, received “LEED v.4 Building Design and Construction: Core and Shell Development” gold certification from the US Green Building Council for its Tower 1 and Tower 2, in addition to the “WELL Health-Safety Rating”. Market response was also encouraging. Many renowned automobile corporations were secured as its tenants with the leasing rate exceeding 70% by the end of December 2023.

In Guangzhou, “Lumina Guangzhou”, an integrated development atop an interchange station of two subway lines, is strategically located in this core city of the Guangdong-Hong Kong-Macao Greater Bay Area. Commanding magnificent river-views with its close proximity to the Pearl River, this project achieved “WELL Health-Safety Rating” during the year. Its twin towers, which provide a total of about 970,000 square feet of Grade-A office space, had a leasing rate of more than 80% at the end of December 2023. Many leading multinational corporations and local enterprises have been moving in, whilst “BASF”, the world-renowned chemical producer, has also committed to a lease recently. As for its 900,000-square-foot shopping podium and underground commercial area, movie theatres and specialty restaurants have opened successively. The addition of a wide variety of shops will further attract more shoppers’ traffic and patronage in this mall. “Hengbao Plaza”, atop the Changshou Road subway station, optimised its tenant mix so as to enhance its attractiveness and a steady rise in its leasing rate was thus recorded.

Property Management

During the year, Shanghai Starplus Property Management Co., Ltd. ("Starplus") took over the management of "Lumina Guangzhou". Together with its existing management portfolio (including "Henderson 688", "Henderson Metropolitan", "Greentech Tower", "Centro" and "Lumina Shanghai II", all in Shanghai, as well as "World Financial Centre" in Beijing and the joint-venture project in Shenzhen), Starplus collectively manages about 9,780,000 square feet of building space, including 3,800 car parking spaces in mainland China. Starplus has adopted management practices and professional accreditation principles which comply with the requirements of ISO 9001 (Quality Management System), ISO 14001 (Environmental Management System), ISO 45001 (Occupational Health and Safety Management System), ISO 10002 (Complaints Handling Management System) and ISO 50001 (Energy Management System). Its commitment to professionalism has also been extended to the properties under its management.

During the year, Starplus received the designations as "China Excellent Property Management Company by ESG Development" and "2023 China's Characteristic Brand Enterprise for Property Service – Smart Green Buildings" from the Beijing China Index Academy. In addition, it was elected as the Council Member of Shanghai Property Management Association, the Platinum Member of Building Owners and Managers Association China, as well as the Cornerstone Member of International WELL Building Institute. "World Financial Centre" in Beijing under its management was awarded "Sustainability Achievement of the Year 2023, Excellence" by the Royal Institution of Chartered Surveyors. Various Shanghai properties under its management (namely, "Henderson 688", "Greentech Tower" and "Centro") were also honoured as the Finalists for "Sustainability Achievement of the Year 2023" or "Facility Management Team of the Year 2023". All these achievements demonstrated that the Group's promotion of sustainable development and management of its mainland properties, as well as green, low-carbon and environmental contributions, were well-recognised both locally and internationally.

Henderson Investment Limited ("HIL")

HIL's loss attributable to equity shareholders for the year ended 31 December 2023 amounted to HK$72 million, as compared with profit attributable to equity shareholders of HK$5 million for the previous year. The loss is mainly attributable to (i) the lower sales from APITA at Taikoo Shing due to its phased renovations; (ii) the decrease in customers' demand for food and daily necessities at HIL's supermarkets due to the lifting of social distancing measures since the end of 2022; and (iii) the fall in retail sales of HIL due to an increase in outbound travel, and cross-border consumption and shopping.

HIL's business activities are principally carried out by two wholly-owned subsidiaries: (i) Citistore (Hong Kong) Limited, which operates five department stores under the name of "Citistore" and three household specialty stores under the name of "Citilife" (hereinafter collectively referred to as "Citistore"); and (ii) Unicorn Stores (HK) Limited, which operates two department stores-cum-supermarkets under the name of "APITA" or "UNY" and two supermarkets under the name of "UNY" (hereinafter collectively referred to as "Unicorn").

(I) Citistore

Citistore's aggregate sales proceeds derived from the sales of own goods, consignment sales and concessionaire sales for the year ended 31 December 2023 remained flat at HK$1,542 million despite keen competition in the market.

Despite the net aggregate increase of HK$5 million year-on-year in gross profit and commission income taken together, Citistore's profit after taxation for the year under review decreased by HK$23 million or 28% year-on-year from HK$81 million in the previous year to HK$58 million. This is mainly due to the absence of rent concessions from certain landlords and wage subsidies from the Government's "Employment Support Scheme" in the aggregate amount of about HK$16 million (after tax) as recorded in the previous year.

(II) Unicorn

Unicorn recorded a year-on-year decrease of 16% in total proceeds derived from the sales of own goods and consignment sales for the year ended 31 December 2023.

After deducting operation expenses, Unicorn recorded a loss after taxation of HK$120 million for the year ended 31 December 2023 (2022: HK$63 million).

Efforts have been made to integrate the businesses of Citistore and Unicorn, so as to enhance the operational synergies and efficiency. Their online shopping platforms were both merged into the "CU APP" mobile application. Shoppers can now place orders for both Citistore and Unicorn through this one-stop shopping platform, whilst earning bonus points and redeeming rewards. Meanwhile, "CU APP" introduced new functions such as "eVoucher" and "eProduct coupon" schemes so as to provide added shopping convenience to its 600,000 members.

Looking ahead, HIL will continue to focus on membership base expansion. Leveraging the strength of its Customer Relationship Management (CRM) programme to help understand customer needs, HIL will target to increase the average ticket size and encourage repeated patronage among its members by introducing targeted promotional campaigns. HIL will centralise the back office functions to improve efficiency, whilst the collaboration between Citistore and Unicorn on marketing promotion, central sourcing and vendor management will also be strengthened, thereby improving HIL's overall results.

Miramar Hotel and Investment Company, Limited (“Miramar”)

Miramar’s revenue for the year 2023 amounted to HK$2,552.6 million, an increase of 84.7% against last year. Profit attributable to shareholders for the year was HK$977.1 million with a year-on-year increase of 103.5%. The aforesaid outcome is mainly attributable to the increase in revenue from its three business segments (including hotel and serviced apartments, food and beverage and travel business) compared with last year and the fair value appreciation of investment properties over last year. The underlying profit attributable to shareholders (excluding the net increase in the fair value of investment properties by HK$159.5 million (2022: net decrease of HK$23.2 million)) increased by 56.8% to HK$820.5 million compared with last year.

Hotels and Serviced Apartments Business

The occupancy rate of The Mira Hong Kong and Mira Moon reached 90% and 95% in 2023, respectively, representing a significant growth compared with the occupancy rate of 68% and 41% in 2022, respectively, while the average room rate also reached HK$1,432 and HK$1,706, increasing by 61% and 40%, respectively. As a result, the revenue from room rental business of The Mira Hong Kong recorded a significant increase of 126.2%, and the revenue from room rental business of Mira Moon also climbed by 215.2% due to the asset quality enhancement project carried out last year. Revenue from the food and beverage business under the hotel segment of Miramar also recorded an increase of 49.6% compared with the same period last year. During the year, the overall revenue from the hotel and serviced apartment business amounted to HK$581.9 million, an increase of 82.8%; and earnings before interest, taxes, depreciation and amortization (EBITDA) recorded a profit of HK$153.5 million, representing an increase of 763.6% compared with the same period last year.

Property Rental Business

Revenue from the property rental business remained stable at HK$795.2 million during the year, while EBITDA recorded a profit of HK$670.1 million, representing a slight decrease of 0.6% and 1.0% from last year, respectively. The book value of the overall investment properties as at 31 December 2023 was HK$15,300 million.

Food and Beverage Business

In late 2023, Miramar opened “Mue Mue”, a restaurant that offers modernised Thai cuisine with a Chinese twist in Mira Place 1. This expansion further diversified the food and beverage business portfolio, allowing for the development of a wider customer base. The food and beverage business of Miramar performed strongly with significant growth in both restaurant cover and spending per person, resulting in an overall revenue growth of 61.3%. In addition, Miramar continued to strengthen sales promotions for dine-in, takeaway, and Mira eShop during the period, catering to the diverse needs of customers. In terms of festival food, revenue for the year also grew by 49.1%, with the sales of Chinese New Year pudding reaching a record high. During the year, Miramar’s food and beverage business recorded revenue of HK$279.4 million and an EBITDA profit of HK$29.9 million, compared with revenue of HK$173.3 million and EBITDA loss of HK$1.9 million in the same period last year.

Travel Business

During the period, revenue from the travel business rebounded strongly to HK$896.1 million with EBITDA profit of HK$46.7 million, compared with revenue of HK$90.6 million and EBITDA loss of HK$13.3 million in the same period last year.

Associated Companies

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

Profit after taxation attributable to shareholders of HKCG for the year amounted to HK$6,070 million, an increase of HK$822 million, up by 16%, compared to 2022. Core profit before non-operating gains and losses increased by 11% to HK$5,894 million. After excluding its share of a revaluation surplus from International Finance Centre investment property, the profit after taxation of HKCG for the year amounted to HK$5,570 million, an increase of HK$260 million, up by 5%, compared to 2022. During the year, HKCG invested approximately HK$10,200 million in production facilities, pipelines, plants and other fixed assets for the sustainable development of its various existing and new businesses in Hong Kong and mainland China.

TOWN GAS BUSINESS IN HONG KONG

Hong Kong's commercial and industrial gas sales increased by 9.3 %. The total volume of gas sales in Hong Kong for 2023 was approximately 27,125 million MJ (equivalent to approximately 800 million cubic metres of natural gas), a slight decrease of 1% compared to 2022. As at 31 December 2023, the number of customers of the HKCG was 2,019,656, an increase of 24,574, representing an increase of 1% compared to the number at the end of 2022.

With nearly half of the town gas composition being hydrogen, HKCG has positioned hydrogen energy as one of its highly prioritised businesses. During the year, HKCG signed a Memorandum of Understanding with Bravo Transport Services Limited (the parent company of Citybus) to explore the use of hydrogen as an alternative source of fuel for public buses. Additionally, HKCG constructed a gas pipeline hydrogen extraction facility for a recreational venue in Sai Kung. This facility serves as a pilot project for charging electric vehicles, marking it as the first of its kind in Hong Kong to explore this innovative application of hydrogen energy.

BUSINESSES IN MAINLAND CHINA

The mainland businesses exceeded expectations, securing a total of 774 projects across 29 provincial regions, representing an increase of 150 projects compared to the previous year.

As at the end of 2023, HKCG held approximately 67.24% of the total issued shares in Towngas Smart Energy Company Limited ("Towngas Smart Energy"; stock code: 1083). In 2023, Towngas Smart Energy's profit attributable to its shareholders amounted to HK$1,575 million, a substantial increase of 63.2% compared to 2022.

At the end of 2023, Towngas Smart Energy had 536 city-gas and renewable energy projects, representing an increase of 173 projects compared with the preceding year. In particular, the renewable energy segment continued to grow, with 44 zero-carbon smart industrial parks developed during the year. As at 31 December 2023, Towngas Smart Energy had developed 124 zero-carbon smart industrial parks, and had signed contracts in an aggregate amount of 2.96 GW photovoltaic capacity and connected 1.8 GW to the grid.

Towngas Smart Energy declared exit from its investment of 25% equity interest in Shanghai Gas Co., Ltd and received its fund of RMB4,663 million on 2 August 2023.

HKCG's total volume of gas sales for 2023 was approximately 34,700 million cubic metres, an increase of 8% compared to 2022. During the year, HKCG's mainland gas customers stood at approximately 40.19 million, an increase of 7.8 % compared to 2022. As at the end of 2023, inclusive of Towngas Smart Energy, HKCG had a total of 320 city-gas projects in mainland China, representing an increase of 5 projects compared to the previous year.

During the year, HKCG strengthened the coordination and management of its gas supply chain-related business and repurposed the underground salt caverns located in Jintan district, Changzhou, Jiangsu province into a natural gas storage facility with a total storage capacity of 400 million cubic metres. This development has enhanced HKCG's ability to handle peak demand during high-demand seasons and improved the gross profit margin of its gas business. In addition, the No. 2 and No. 6 storage tanks of the second phase of the receiving terminal project at Caofeidian district, Tangshan, Hebei province, in which HKCG invests, are expected to be commissioned in 2024. HKCG's shale gas liquefaction project located in Weiyuan county, Neijiang, Sichuan province, has commenced commissioning and the volume of gas sales per year is approximately 200 million cubic metres.

HKCG's water and environmental sanitation businesses recorded stable growth during the year, with the volume of sewage treatment increasing by 1% compared to 2022. The sewage treatment project (phase one) in Wujin National High-Tech Industrial Zone, Changzhou, commenced trial operation in early November 2023, with a daily treatment capacity of 30,000 tonnes, providing industrial wastewater treatment services to industrial enterprises in the Zone. HKCG also successfully won the bid for an integrated franchise project for collecting, transporting, and disposing of municipal waste in Wujin district, Changzhou. This project includes a municipal solid waste incineration plant with a designed capacity of 1,500 tonnes per day.

HKCG's renewable energy business achieved profitability in 2023. As at the end of 2023, HKCG had 354 renewable energy projects, representing an increase of 171 projects compared with the preceding year. These projects encompass photovoltaics, energy storage, charging and swapping power stations, and integrated energy services for industrial and commercial customers. During the year, 1.6 GW of distributed photovoltaic capacity was newly contracted, while 1.2 GW was added to the grid-connected capacity.

HKCG's extended businesses achieved steady growth during the year as HKCG provide high-quality services to 42 million household customers in Hong Kong and mainland China. The security chip "TGSE CHIP", which HKCG jointly developed with StarFive and ChinaFive, has been successfully used in HKCG's smart IoT gas meters in mainland China, with a sales volume of over 1.6 million units.

The HKSAR Government emphasised its commitment to promoting the use of sustainable aviation fuel ("SAF") by airlines in Hong Kong, as well as providing green methanol bunkering facilities for local and ocean-going vessels. EcoCeres, Inc., in which HKCG holds shares, has already implemented its developed technology two years ago, using waste vegetable oil and animal fats to produce SAF. This company is currently in the progress to increase the production capacity. Upon the completion of a new plant in Malaysia within two years, more SAF is expected to be supplied to the airlines. Additionally, HKCG's green methanol production in the Inner Mongolia Autonomous Region is projected to reach an annual output capacity of 120,000 tonnes in coming years, catering for the needs of the shipping industry. The plant was certified under ISCC EU and ISCC PLUS schemes for the second consecutive year in July 2023. After delivering the first batch of green methanol to overseas customers in October 2023, HKCG has planned to expand the production capacity in order to meet the future needs of the upcoming low-carbon marine fuel market.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

During the year, Towngas and Towngas Smart Energy were both ranked among the Chinese companies with the "Top 1% S&P Global ESG Score" and included in the first-ever S&P Global Sustainability Yearbook (China Edition). In addition, HKCG has been consistently selected in the Hang Seng Sustainable Development Index for 13 years in a row, and its rating has been upgraded from "AA" to "AA+".

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

Hong Kong Ferry's consolidated profit after taxation for the year ended 31 December 2023 decreased by approximately 86% to approximately HK$186 million as compared with the same period of 2022. The decrease in profit was mainly due to the revenue from the sale of the residential units of the joint venture development project known as "The Royale" being recognised by Hong Kong Ferry in 2022. The revenue for the year was mainly derived from the rental income from shops and commercial arcades as well as interest income from banks.

Property Development and Investment Operations

In 2023, the rental income arising from the commercial arcades amounted to approximately HK$122 million. As at 31 December 2023, the commercial arcades of Shining Heights and Metro6 were fully let. The occupancy rate of the commercial arcade of The Spectacle was 89%. The occupancy rates of commercial arcades of Metro Harbour Plaza and Green Code Plaza were 94% and 99% respectively.

As for "The Royale", Hong Kong Ferry has already delivered to buyers the 1,746 residential units sold. The remaining 35 residential units and parking spaces will be offered for sale in batches successively. The redevelopment project "The Symphonie" in Cheung Sha Wan provides a residential gross floor area of about 100,698 square feet. Preparations for strata sale will soon be in place. Some units may also be used for rental purposes. However, the rental-to-sale ratio may vary depending on market conditions.

Ferry, Shipyard and Related Operations

During the year, the Ferry, Shipyard and Related Operations recorded a deficit of HK$7.6 million, an increase of HK$2.2 million as compared to the year 2022. The increase in fare for operating the "North Point - Kwun Tong" dangerous goods vehicular ferry service was approved by the Transport Department on 28 January 2024. It is expected that the operation loss will be alleviated.

Healthcare, Medical Aesthetic and Beauty Services

Its "AMOUR" medical aesthetic clinic located at Mira Place, Tsim Sha Tsui, with a floor area of about 12,000 square feet, was opened in August 2022. Staffed by registered doctors, the clinic is equipped with devices and drugs certified by the European Union and the United States Food and Drug Administration and pharmaceutical companies, offering high-quality and personalised medical aesthetic services. In December 2023, the turnover grew by eight times compared to January of the same year, reaching the monthly figure of HK$2.76 million. Although the turnover grew significantly during the year and HK$8.1 million was recorded as payments received for prepaid packages (which has not been included in the income statement of the year under review), the medical aesthetic and beauty services businesses still incurred a loss of HK$30 million.

In addition to collaborating with ICON, an international cancer care medical group, to set up a cancer centre at H Zentre in Tsim Sha Tsui, Hong Kong Ferry has also established in the same building the "Total HealthCare Specialists Centre", which provides specialised services in cardiology, surgery, orthopedics, plastic surgery, rheumatology and urology. The medical specialties businesses have already achieved a net profit since the mid-year opening.

During the year, Hong Kong Ferry planned to develop the pain treatment businesses. Apart from the clinic at Mira Place, Tsim Sha Tsui, a new branch located at Metro Harbour Plaza, Tai Kok Tsui will commence business in April 2024. Hong Kong Ferry will introduce advanced medical equipment in conjunction with professional registered chiropractors and sports therapists, to design personalised treatment plans for pain-suffering patients in order to restore their bodies to a balanced and healthy state.

Sunlight Real Estate Investment Trust (“Sunlight REIT”)

Sunlight REIT recorded a 7.9% year-on-year increase in revenue to HK$419.2 million for the six months ended 31 December 2023, which was mainly attributable to a full six-month contribution from West 9 Zone Kids ("W9Z"). Property operating expenses rose 18.6% to HK$96.1 million (or 10.4% if stripping out the operating costs relating to W9Z), principally reflecting higher rental commission and lower COVID-related fiscal concessions. As a result, net property income ("NPI") grew by 5.1% to HK$323.2 million and the cost-to-income ratio was 22.9%.

Given a higher interest rate environment and the additional borrowings for financing the acquisition of W9Z, finance costs surged by 107.1% from HK$55.3 million to HK$114.5 million.

Taking into account the decrease in fair value of investment properties of HK$53.0 million, a profit after taxation of HK$79.7 million was recorded, compared to a loss after taxation of HK$274.4 million for the corresponding period last year.

As at 31 December 2023, the overall occupancy rate of Sunlight REIT’s portfolio was 93.1%, which was largely unchanged from six months ago. For the six months ended 31 December 2023, the office and retail portfolios registered rental reversions of 3.3% and 0.8% respectively, giving rise to an overall rental reversion of 1.5%. As at 31 December 2023, passing rent of the office portfolio was HK$34.3 per square foot, down 0.9%, while that of the retail portfolio increased by 1.1% from six months ago to HK$66.3 per square foot.

Dah Sing Financial Centre ("DSFC") saw a steady improvement in occupancy, reflecting a gradual pick-up in new letting activities supported by stronger motivation of corporate tenants to relocate or expand. On the Kowloon side, occupancy rates of Righteous Centre and The Harvest were 97.5% and 100% respectively, demonstrating the resilience of the Mong Kok district as a convenient transportation hub for service-related business. In contrast, the operating performance of the Sheung Wan/Central portfolio was somewhat dampened by the cautious sentiment of small-to-medium sized enterprises.

On the retail front, Sheung Shui Centre Shopping Arcade recorded a rental reversion of 4.8% but a lower occupancy rate of 90.7% as compared to six months ago, which was mainly due to an early lease surrender of kindergarten premises by a tenant which occupied 7.5% of its gross rentable area. Meanwhile, with the completion of its phase one renovation, the occupancy rate of Metro City Phase I Property rebounded to 94.7%, while its rental reversion was 4.1%. For smaller retail properties, Kwong Wah Plaza Property was fully let by a 31 December 2023, whereas the newly acquired W9Z was in the transition period between tenants and its occupancy rate remained at 84.7%.

While the operational deliverables of Sunlight REIT have become more stable in the aftermath of the pandemic, the burden of a sharp increase in interest expense is poised to remain an adverse feature which would put pressure on distributable income. The Manager has already conducted certain measures to mitigate this risk factor, which include raising the fixed rate exposure of Sunlight REIT to 42% on 27 February 2024 (versus 32% on 31 December 2023). In the meantime, substantial resources will continue to be devoted to asset recycling as the Manager strives to create value for unitholders.

CORPORATE FINANCE

The Group has always adhered to prudent financial management principles. As at 31 December 2023, net debt amounted to HK$73,869 million (2022: HK$79,086 million) and the financial gearing ratio was 22.6% (2022: 24.1%).

As regards environmental and sustainability progress, the Group is committed to environmental protection in its property developments and has received wide recognition for its achievements. Numerous world-class sustainability awards, certifications and professional accreditations were bestowed by various international and local professional rating agencies. Since 2020, green credit and sustainability loan facilities exceeding HK$50,000 million have been secured with favourable terms. Among them was a Social Loan, which was the first of its kind ever obtained by a property developer in Hong Kong. Under the terms of the loan, the Group is required to fulfill its social responsibility and realise its broader 2030 Sustainability Vision. In addition, the Group signed a Green and Sustainability Strategic Co-operative Agreement with a bank which provides the Group with a line of green and sustainability credit of no less than RMB30,000 million. The above demonstrates that the Group's prime credit standing and environmental contributions are well received by the international financial community.

Notwithstanding the strong capital base and abundant internal resources, as well as ample standby banking facilities, the Group has continuously issued medium term notes, seven-year Japanese Yen loans and six-year Renminbi loans with a total amount of HK$43,524 million in recent years to extend its debt maturity profile. In addition, shareholder's loans to the Group, which have always been the Group's stable source of funding, amounted to HK$62,448 million as at 31 December 2023 (2022: HK$56,007 million).

Sustainability

The Group is wholeheartedly committed to using the innovation and ingenuity of its people to help tackle the challenges it faces and lead the way towards a more sustainable future. Its commitment to play a positive and transformative role is reflected in the G.I.V.E. strategies that underpin its 2030 Sustainability Vision — Green for Planet, Innovation for Future, Value for People, and Endeavour for Community.

The Group's efforts in this regard have been recognised with the highly prestigious Three Star Pioneer Rating in the China Smart Building Pre-Certification Accreditation for its new flagship commercial development, The Henderson — the first office building in China to earn this accolade and the first project to achieve an assessment mark of over 100. Ahead of its opening, The Henderson has garnered an array of awards that are testament to the Group's dedication to deploying cutting-edge building technologies to shape a greener city.

Above all, however, the Group places immense value on nurturing young people upon whom the future of Hong Kong depends. The Group upholds a wide array of youth initiatives, including the landmark Hong Kong Laureate Forum, which has done outstanding work at home and internationally to empower brilliant young minds and celebrate scientific breakthroughs. Supported by the Group with full sponsorship from the Lee Shau Kee Foundation, the Forum is a world-class academic exchange that connects current and future leaders of scientific pursuits and promotes science and technology to young people in Hong Kong and around the world.

As well as encouraging the best and brightest of youth, the Group takes its broader social responsibilities seriously and helps people in need to build a fairer, more equitable and more harmonious society in Hong Kong. The quality of life for the residents in transitional housing, for instance, improved significantly when the Pok Oi Kong Ha Wai Village development – the largest of its kind in Hong Kong – was completed by the Group a year ago.

Whatever our background or situation in life, however, there is one issue that affects each of us equally — climate change. The Group took the initiative to conduct a pilot nature-related risk assessment in 2023, and established itself as a pioneer by becoming one of the first Hong Kong businesses to disclose its nature-related risks based on the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD). The Group also carried out climate scenario analysis and disclosed Scope 3 emissions for the first time in its Sustainability Report 2023.

PROSPECTS

The Sino-US trade disputes, geopolitical tensions and increase in interest rates caused a drag on the economy and housing market in Hong Kong. As a result, the Government adopted counter-cyclical measures and in the 2024-25 Budget unveiled at the end of last month, announced the abolition of all demand-side management measures for residential properties. The Special Stamp Duty, the Buyer's Stamp Duty and the New Residential Stamp Duty will no longer be charged on all residential property transactions. Meanwhile, the Hong Kong Monetary Authority relaxed the supervisory measures for property mortgage loans. Both initiatives were conducive to the purchase of new and replacement homes for local residents and encouraged Mainland talents and professionals to work and buy their own homes in Hong Kong. Property transaction volume increased in the past three weeks. The property market has bottomed out and stabilised. Talents and professionals are attracted to purchase homes and stay in Hong Kong, injecting new vitality into society. If the US Federal Reserve cuts interest rates in the second half of this year as expected, it will boost Hong Kong's economy.

During the three weeks after the Financial Secretary announced the abolition of certain stamp duty measures for residential property transactions, the Group sold a total of 946 residential units, with a total sales of HK$5,899 million.

Aside from the land lots in Fanling North and Kwu Tung North New Development Areas, which will be resumed by the Government by payment of cash compensation, the Group still has land reserves in the New Territories of about 45 million square feet which continue to be the largest holding among all property developers in Hong Kong. As regards new urban redevelopment projects with 80% to 100% ownership interest acquired, there is a total of 22 projects with an expected total gross floor area of about 2.4 million square feet attributable to the Group. The Group has built up a substantial land bank, which is sufficient for the Group's property development in the years to come.

As regards "**property sales**", following the launch of "Belgravia Place" (Phase 1) in Cheung Sha Wan, the Group plans to launch twelve other development projects in 2024. Together with the unsold stock, a total of about 3,110,000 square feet of residential gross floor area or about 7,100 residential units attributable to the Group are expected to be available for sale in Hong Kong in 2024. Meanwhile, about 180,000 square feet of office/industrial space is also available for sale. The disposal of the company holding "Harbour East" was completed in January 2024 and the related underlying profit of about HK$1,407 million will be accounted for in 2024. Apart from "Harbour East", attributable sales of Hong Kong and mainland properties, which were not accounted for in 2023, amounted to approximately HK$17,737 million, of which approximately HK$13,617 million is expected to be recognised as revenue in 2024 upon completion of the relevant developments and handover of the completed units to buyers.

As regards "**rental business**", with the completion of the Group's 465,000-square-foot super Grade-A office development in Central (namely "The Henderson") in January 2024, to-date the Group holds a total attributable gross floor area of approximately 10.2 million square feet in completed investment properties in Hong Kong, plus approximately 13.0 million square feet of completed investment properties across various major cities in mainland China. In addition, another landmark development in Hong Kong's Central Business District, namely the 1,600,000-square-foot project at Site 3 of the New Central Harbourfront, is under construction and progressing smoothly. The Group's continually expanding investment property portfolio with a more optimal composition will give a further impetus to its recurrent income growth.

The “**listed subsidiaries and associates**”, in particular, HKCG, provide the Group with another source of recurrent income. HKCG had 774 projects covering 29 province-level divisions in mainland China as at the end of December 2023. HKCG, which has more than 42.2 million piped-gas customers in Hong Kong and mainland China, will continue to develop the city-gas market and expand its renewable energy portfolio and is poised to deliver satisfactory income to the Group.

With the Group’s ample financial resources and astute management of three core businesses (namely, “**property sales**”, “**rental business**” and “**listed subsidiaries and associates**”) by its experienced professional team, Henderson Land is well-placed to pursue sustainable growth, thereby creating ever-improving value for its stakeholders.

APPRECIATION

We would like to take this opportunity to extend our appreciation to our fellow directors for their wise counsel, and to thank all our staff for their commitment and hard work throughout the year.

Dr Lee Ka Kit	**Dr Lee Ka Shing**
Chairman	*Chairman*

Hong Kong, 21 March 2024

BUSINESS RESULTS

Consolidated Statement of Profit or Loss

for the year ended 31 December 2023

	Note	***2023*** **HK$ million**	*2022* HK$ million
Revenue	4	**27,570**	25,551
Direct costs		**(17,540)**	(15,179)
		10,030	10,372
Other net income	5	**1,508**	572
Selling and marketing expenses		**(1,326)**	(1,409)
Administrative expenses		**(2,305)**	(2,328)
Profit from operations before changes in fair value of investment properties and investment properties under development		**7,907**	7,207
Decrease in fair value of investment properties and investment properties under development	6	**(1,700)**	(12)
Profit from operations after changes in fair value of investment properties and investment properties under development		**6,207**	7,195
Finance costs	7(a)	**(1,999)**	(1,237)
Bank interest income		**679**	204
Net finance costs		**(1,320)**	(1,033)
Share of profits less losses of associates		**2,794**	2,662
Share of profits less losses of joint ventures		**2,763**	1,956
Profit before taxation	7	**10,444**	10,780
Income tax	8	**(666)**	(1,277)
Profit for the year		**9,778**	9,503

Consolidated Statement of Profit or Loss

for the year ended 31 December 2023 (continued)

	Note	***2023*** **HK$ million**	*2022* HK$ million
Attributable to:			
Equity shareholders of the Company		**9,261**	9,239
Non-controlling interests		**517**	264
Profit for the year		**9,778**	9,503
Earnings per share based on profit attributable to equity shareholders of the Company (reported earnings per share)			
Basic and diluted	*10(a)*	***HK$1.91***	*HK$1.91*
Earnings per share excluding the effects of the Group's aggregate attributable share of changes in fair value of investment properties and investment properties under development (net of deferred tax) (underlying earnings per share)			
Basic and diluted	*10(b)*	***HK$2.00***	*HK$1.99*

Details of dividends payable to equity shareholders of the Company are set out in note 9.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2023

	2023 **HK$ million**	*2022* HK$ million
Profit for the year	**9,778**	9,503
Other comprehensive income for the year-net, after tax and reclassification adjustments:		
Items that will not be reclassified to profit or loss:		
- Investments in equity securities designated as financial assets at fair value through other comprehensive income (non-recycling)	**(92)**	(31)
- Share of other comprehensive income of associates and joint ventures	**30**	(70)
Items that may be reclassified subsequently to profit or loss:		
- Exchange differences	**(783)**	(4,307)
- Cash flow hedges	**(415)**	656
- Share of other comprehensive income of associates and joint ventures	**(943)**	(3,908)
Other comprehensive income for the year	**(2,203)**	(7,660)
Total comprehensive income for the year	**7,575**	1,843
Attributable to:		
Equity shareholders of the Company	**7,113**	1,642
Non-controlling interests	**462**	201
Total comprehensive income for the year	**7,575**	1,843

Consolidated Statement of Financial Position
at 31 December 2023

	Note	***At 31 December 2023*** **HK$ million**	*At 31 December 2022* HK$ million
Non-current assets			
Investment properties		**264,404**	260,124
Other property, plant and equipment		**4,508**	4,580
Right-of-use assets		**1,211**	775
Goodwill		**262**	262
Trademarks		**98**	102
Interest in associates		**51,903**	50,013
Interest in joint ventures		**78,933**	79,911
Derivative financial instruments		**743**	1,215
Other financial assets		**5,319**	7,312
Deferred tax assets		**1,027**	730
		408,408	405,024
Current assets			
Deposits for acquisition of properties		**382**	401
Inventories	12	**94,164**	97,258
Trade and other receivables	13	**14,441**	13,668
Cash held by stakeholders		**1,206**	2,144
Cash and bank balances		**21,623**	11,295
		131,816	124,766
Assets of the disposal group classified as held for sale	14	**2,326**	-
		134,142	124,766
Current liabilities			
Trade and other payables	15	**28,362**	26,273
Amounts due to related companies		**268**	2,427
Lease liabilities		**280**	252
Bank loans		**24,500**	21,737
Guaranteed notes		**6,244**	8,916
Tax payable		**441**	869
		60,095	60,474
Liabilities associated with assets of the disposal group classified as held for sale	14	**39**	-
		60,134	60,474
Net current assets		**74,008**	64,292
Total assets less current liabilities		**482,416**	469,316

Consolidated Statement of Financial Position
at 31 December 2023 (continued)

	Note	*At 31 December 2023* **HK$ million**	*At 31 December 2022* HK$ million
Non-current liabilities			
Bank loans		**41,652**	38,227
Guaranteed notes		**19,439**	18,647
Amount due to a fellow subsidiary		**62,448**	56,007
Amounts due to related companies		**3,389**	427
Derivative financial instruments		**1,354**	1,153
Lease liabilities		**972**	557
Provision for reinstatement costs		**18**	19
Deferred tax liabilities		**9,044**	9,127
		138,316	124,164
NET ASSETS		**344,100**	345,152
CAPITAL AND RESERVES			
Share capital		**52,345**	52,345
Other reserves		**274,197**	275,603
Total equity attributable to equity shareholders of the Company		**326,542**	327,948
Non-controlling interests		**17,558**	17,204
TOTAL EQUITY		**344,100**	345,152

Notes:

1 Basis of preparation

The financial information relating to the years ended 31 December 2023 and 31 December 2022 included in this preliminary announcement of annual results 2023 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622) and will deliver the financial statements for the year ended 31 December 2023 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include reference to any matters to which the auditor drew attention by way of emphasis of matter without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

The statutory financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The statutory financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance (Cap. 622) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The measurement basis used in the preparation of the statutory financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value:

- investments designated as financial assets at fair value through other comprehensive income (“FVOCI”);
- investments measured as financial assets at fair value through profit or loss (“FVPL”);
- derivative financial instruments; and
- investment properties and certain investment properties under development.

The preparation of the statutory consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2 Changes in accounting policies

(i) Amendments to HKFRSs and HKASs which are first effective for the current accounting period

The HKICPA has issued a number of amendments to HKASs and HKFRS that are first effective for the current accounting period of the Group and the Company, and which are relevant to the Group's consolidated financial statements for the current accounting period:

- Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*

  The amendments seek to promote improved accounting policy disclosures that provide more useful information to investors and other primary users of the financial statements. Apart from clarifying that entities are required to disclose their "material" instead of "significant" accounting policies, the amendments also provide guidance for entities on applying the concept of materiality to accounting policy disclosures.

- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

  The amendments clarify the difference between changes in accounting policies and changes in accounting estimates. Amongst other things, the amendments now define accounting estimates as monetary amounts in an entity's financial statements that are subject to measurement uncertainty, and clarify that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates unless they result from the correction of prior period errors. Entities are required to apply the amendments prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the entity applies the amendments.

- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

  The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of HKAS 12 so that it does not apply to such transactions as leases and decommissioning provisions which, upon initial recognition, give rise to equal taxable and deductible temporary differences. Consequently, entities will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. Entities should apply the amendments to transactions that occurred on or after the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to opening retained earnings or other components of equity at the date of application of the amendments.

The directors of the Company ("Directors") have assessed and considered that none of the abovementioned amendments has any material impact on the Group's financial position at 31 December 2023 or the Group's financial performance for the year then ended.

2 Changes in accounting policies (continued)

(ii) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong

In June 2022, the Hong Kong SAR Government gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") which will come into effect from 1 May 2025. In July 2023, the HKICPA published "*Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong*" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism.

Upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19, *Employee benefits* that previously allowed such deemed contributions to be recognised as reduction of service cost (negative service cost) in the period during which the contributions were made; instead, these deemed contributions should be attributed to periods of service in the same manner as the gross long service payment benefits.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has changed its accounting policy in connection with its long service payment liability. Since the impact is not material on the Group's consolidated financial statements, the amount was recognised in the Group's consolidated statement of profit or loss during the year as set out in note 15.

(iii) Amendments and interpretation to HKFRSs and HKASs which are not yet effective for the current accounting period

Up to the date of issue of the financial statements, the HKICPA has issued a number of amendments and interpretation to HKFRSs and HKASs which are not yet effective for the financial year ended 31 December 2023 and which have not been adopted in the financial statements. These include the following which may be relevant to the Group:

	Effective for annual periods beginning on or after
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*	1 January 2024
Hong Kong Interpretation 5 (Revised), *Presentation of financial statements-classification by the borrower of a term loan that contains a repayment on demand clause*	1 January 2024
Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*	1 January 2024
Amendments to HKFRS 10 and HKAS 28, *Sales or contribution of assets between an investor and its associate or joint venture*	A date to be determined

The Group is in the process of making an assessment of what the impact of these amendments and interpretation are expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements.

3 Increase in the Group’s interest in Sunlight Real Estate Investment Trust (“Sunlight REIT”)

During the year ended 31 December 2023, the Group’s beneficial holding in the listed units of Sunlight REIT had increased from 19.535% at 1 January 2023 to 20.001% at 30 June 2023 (the “First Six-Month Period”), through the Group’s purchases of 2,476,000 listed units of Sunlight REIT in the open market during the First Six-Month Period as well as 6,739,817 new listed units of Sunlight REIT issued during the First Six-Month Period to a wholly-owned subsidiary of the Company which is engaged in the provision of asset management services to Sunlight REIT. During the period from 1 July 2023 to 31 December 2023 (the “Second Six-Month Period”), the abovementioned wholly-owned subsidiary of the Company was also issued 8,649,800 new listed units of Sunlight REIT as payment of manager’s fee by Sunlight REIT in lieu of cash, and the Group purchased a further 2,000,000 listed units of Sunlight REIT in the open market. Together with Sunlight REIT’s repurchase of 1,000,000 issued listed units in the open market and the subsequent cancellation of such repurchased units during the Second Six-Month Period, the Group’s beneficial holding in the listed units of Sunlight REIT had further increased to 20.536% at 31 December 2023.

In this regard, commencing from 30 June 2023, being the date on which the Group had a beneficial interest which first exceeded 20% in the issued units (which carry voting rights) of Sunlight REIT, the Group has accounted for Sunlight REIT as a listed associate of the Group under the principles of HKAS 28, *Investments in associates and joint ventures* that with the Group’s holding of 20% or more of the voting power of Sunlight REIT, the Group is presumed to have significant influence in Sunlight REIT.

As a result:

(i) commencing from 30 June 2023, the Group has de-recognised its investment in Sunlight REIT from “Investment measured as financial asset at fair value through profit or loss” and recognised such investment as “Interest in associate”;

(ii) during the year ended 31 December 2023, the Group recognised a one-off gain arising from the de-recognition of the Group’s investment in Sunlight REIT from “Investment measured as financial asset at fair value through profit or loss”, as well as a gain on bargain purchase from the recognition of the Group’s investment in Sunlight REIT as “Interest in associate”, net of fair value loss, in the net aggregate amount of HK$1,591 million (see note 5); and

(iii) commencing from 30 June 2023, the financial results of Sunlight REIT were accounted for under the equity method of accounting in the Group’s consolidated financial statements. In this regard, the Group’s attributable share of post-tax reported profit and post-tax underlying profit from Sunlight REIT amounted to HK$62 million and HK$73 million respectively (2022: HK$Nil and HK$Nil respectively), which were included in the Group’s attributable share of post-tax reported and underlying profits less losses of associates during the year ended 31 December 2023. The Group’s attributable share of post-tax reported and underlying profits from Sunlight REIT, as referred to above, included an aggregate gain on step acquisitions of additional interests in Sunlight REIT in the amount of HK$45 million which arose from the Group’s increase in the holding of the listed units of Sunlight REIT during the Second Six-Month Period.

4 Revenue

Revenue of the Group represents revenue from the property development (including sales of properties), rental income, operation and management of department stores and supermarket-cum-stores, hotel room operation and other businesses mainly including income from hotel management (other than hotel room operation), construction, provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, food and beverage operation, travel operation, as well as the trading of building materials.

The major items are analysed as follows:

	2023	*2022*
	HK$ million	HK$ million
Property development (including sales of properties)	**15,210**	14,635
Rental income *(note (i))*	**6,876**	6,731
Department stores and supermarket-cum-stores operations *(note (ii))*	**1,566**	1,805
Hotel room operation	**333**	160
Other businesses	**3,585**	2,220
Total (note 11(b))	**27,570**	25,551

Notes:

(i) Cumulative up to 31 December 2023, the Group has granted approved rent concessions in the aggregate amount of HK$410 million (cumulative up to 31 December 2022: HK$407 million) to certain tenants of the Group's investment properties in Hong Kong and mainland China due to the impact of COVID-19 pandemic and the subsequent outbreak of Omicron variant on the economic outlook, and hence the adverse effect on such tenants' business operations, business viabilities and abilities to meet rental obligations.

The Group's rental income for the year ended 31 December 2023 has been arrived at after deducting the rent concessions which were amortised for the year ended 31 December 2023 in the amount of HK$26 million (2022: HK$73 million).

(ii) Including commission income earned from consignment and concessionaire counters of the department stores operation, and the commission income earned from consignment counters of the supermarket-cum-stores operation, in the aggregate amount of HK$422 million for the year ended 31 December 2023 (2022: HK$415 million).

In accordance with HKFRS 15, *Revenue from contracts with customers*, (i) revenue from sales of properties and sales of goods from department stores and supermarket-cum stores operations are recognised at a point in time; and (ii) revenue from hotel room operation and promotion income from department stores and supermarket-cum stores operations are recognised over time. Rental income recognised from HKFRS 16 is categorically classified as revenue from other sources. In respect of the Group's other businesses, revenue from construction, property management, asset management, project management, security guard and cleaning services in the aggregate amount of HK$2,036 million (2022: HK$1,609 million) is recognised over time while the remaining is recognised at a point in time.

4 Revenue (continued)

At 31 December 2023, the cumulative aggregate amount of revenue expected to be recognised in the consolidated statement of profit or loss in the future from pre-completion sales contracts entered into in relation to the Group's properties held for/under development for sale and completed properties for sale held by the Group's subsidiaries, which are pending assignment in Hong Kong and mainland China, amounted to HK$10,351 million (2022: HK$12,210 million) and which will be recognised when the pre-sold properties are assigned to the customers.

5 Other net income

	2023 **HK$ million**	*2022* HK$ million
Net gain on disposal of investment properties	**64**	52
Net gain on disposal of other land and buildings	**-**	4
Aggregate net gain on sales of property interests (note 11(a))	**64**	56
Net fair value loss on investments measured as financial assets at FVPL	**(2)**	(253)
Net fair value (loss)/gain on derivative financial instruments at FVPL:		
- Interest rate swap contracts, cross currency interest rate swap contracts, cross currency swap contracts and foreign exchange forward contracts (for which no hedge accounting was applied during the year)	**(83)**	306
Impairment loss on trade debtors, net (note 11(c))	**(6)**	(2)
(Provision)/reversal of provision on inventories, net (note 11(a))	**(192)**	50
Exchange (loss)/gain, net (note 7(d))	**(45)**	54
Government grants *(note(i))*	**-**	68
Gain on de-recognition of investment measured as financial asset at FVPL and gain on bargain purchase net of fair value loss (note 11(a)) *(note(ii))*	**1,591**	-
Others	**181**	293
	1,508	572

Notes:

(i) Government grants recognised for the corresponding year ended 31 December 2022 related to the subsidy received from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme promulgated by the Government of the Hong Kong Special Administrative Region ("HKSAR Government") during that year.

(ii) For the year ended 31 December 2023, the amount of HK$1,591 million comprised (a) a one-off gain from the de-recognition of investment measured as financial asset at FVPL and a gain on bargain purchase from the recognition of such investment as an interest in associate in the amount of HK$1,739 million (2022: Nil); and (b) a net fair value loss on investment measured as financial asset at FVPL in the amount of HK$148 million.

6 Decrease in fair value of investment properties and investment properties under development

The Group's investment properties and investment properties under development were revalued at 31 December 2023 by Cushman & Wakefield Limited, a firm of professional surveyors who have among their staff Members of The Hong Kong Institute of Surveyors with recent experience in the location and category of the properties being valued, on a market value basis.

The Group's management has reviewed the valuation results performed by the surveyors for financial reporting purposes by verifying all major inputs and assumptions, and assessing the reasonableness of property valuation. Such valuation is performed at each interim and annual reporting date and is reviewed and approved by senior management.

The valuations of completed investment properties in Hong Kong and mainland China were based on income capitalisation approach which capitalised the net income of the properties and taking into account the reversionary potential of the properties after expiry of the current lease.

For certain investment properties in Hong Kong and mainland China which are still under development, the valuations were determined on redevelopment basis and by estimating the fair value of such properties as if they were completed in accordance with the relevant development plan and then deducting from that amount the estimated costs to complete the construction, financing costs and a reasonable profit margin.

As a result, a net fair value loss on investment properties and investment properties under development in Hong Kong and mainland China (after deducting non-controlling interests' attributable share and deferred tax) in the aggregate amount of HK$1,677 million (2022: HK$64 million) has been recognised in the consolidated statement of profit or loss for the year (see note 10(b)).

In aggregate, the Group's attributable share of the net fair value losses (net of deferred tax) on investment properties and investment properties under development held by subsidiaries, associates and joint ventures for the year ended 31 December 2023 amounted to HK$489 million (2022: HK$237 million).

6 Decrease in fair value of investment properties and investment properties under development (continued)

A reconciliation of the abovementioned figures is as follows:

	For the year ended 31 December 2023		
	Hong Kong	Mainland China	Total
	HK$ million	HK$ million	HK$ million
Fair value (loss)/gain on investment properties and investment properties under development held by			
- subsidiaries (before deducting non-controlling interests' attributable share and deferred tax)	**(1,352)**	**(348)**	**(1,700)**
Less :			
Deferred tax	**-**	**75**	**75**
Non-controlling interests' attributable share of the fair value gain (net of deferred tax)	**(48)**	**(4)**	**(52)**
(after deducting non-controlling interests' attributable share and deferred tax) (note 10(b))	**(1,400)**	**(277)**	**(1,677)**
- associates (Group's attributable share) (notes 10(b) and 11(a)(iii))	**217**	**2**	**219**
- joint ventures (Group's attributable share) (notes 10(b) and 11(a)(iv))	**1,112**	**(143)**	**969**
	(71)	**(418)**	**(489)**

6 Decrease in fair value of investment properties and investment properties under development (continued)

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

	For the year ended 31 December 2022		
	Hong Kong	Mainland China	Total
	HK$ million	HK$ million	HK$ million
Fair value (loss)/gain on investment properties and investment properties under development held by			
- subsidiaries (before deducting non-controlling interests' attributable share and deferred tax)	(198)	186	(12)
Less :			
Deferred tax	-	(67)	(67)
Non-controlling interests' attributable share of the fair value loss (net of deferred tax)	5	10	15
(after deducting non-controlling interests' attributable share and deferred tax) (note 10(b))	(193)	129	(64)
- associates (Group's attributable share) (notes 10(b) and 11(a)(iii))	23	-	23
- joint ventures (Group's attributable share) (notes 10(b) and 11(a)(iv))	(165)	(31)	(196)
	(335)	98	(237)

7 Profit before taxation

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

		2023	*2022*
		HK$ million	HK$ million
(a)	**Finance costs:**		
	Bank loans interest	**2,660**	1,303
	Interest on other loans	**3,097**	1,434
	Interest on guaranteed notes	**968**	746
	Finance cost on lease liabilities	**40**	36
	Other borrowing costs	**154**	131
		6,919	3,650
	Less: Amount capitalised *(note)*	**(4,920)**	(2,413)
	Finance costs (note 11(a))	**1,999**	1,237

Note: The borrowing costs have been capitalised at weighted average interest rates based on the principal amounts of the Group's bank loans, guaranteed notes and other loans during the period under which interest capitalisation was applicable, ranging from 2.15% to 5.79% (2022: ranging from 1.40% to 4.22%) per annum.

(b)	**Directors' emoluments**	**208**	209
(c)	**Staff costs (other than directors' emoluments):**		
	Salaries, wages and other benefits	**2,963**	2,916
	Contributions to defined contribution retirement plans	**117**	158
		3,080	3,074

7 Profit before taxation (continued)

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

	2023	*2022*
	HK$ million	HK$ million
(d) Other items:		
Net foreign exchange loss/(gain)	**353**	(1,455)
Cash flow hedges: net foreign exchange (gain)/loss reclassified from equity	**(77)**	1,401
Amount of exchange differences capitalised	**(231)**	-
Exchange loss/(gain), net (note 5)	**45**	(54)
Amortisation of trademarks	**4**	4
Depreciation		
- on other property, plant and equipment	**199**	185
- on right-of-use assets	**336**	351
	539	540
	(note 11(c))	(note 11(c))
Cost of sales		
- properties for sale	**11,186**	10,080
- trading stocks and consumable stores	**880**	1,096
Auditors' remuneration		
- audit services	**23**	23
- non-audit services	**10**	10
Expense relating to short-term leases	**10**	20
Rentals receivable from investment properties less direct outgoings of HK$1,981 million (2022: HK$1,902 million) *(note (i))*	**(4,720)**	(4,628)
Dividend income from investments designated as financial assets at FVOCI (non-recycling) and measured as financial assets at FVPL *(note (ii))*		
- listed	**(53)**	(84)
- unlisted	**(7)**	(7)

Notes:

(i) The rental income from investment properties included contingent rental income of HK$73 million (2022: HK$43 million).

(ii) During the year ended 31 December 2023, dividend income of HK$22 million related to investments designated as financial assets at FVOCI (non-recycling) held at 31 December 2023 (2022: dividend income of HK$9 million related to investments designated as financial assets at FVOCI (non-recycling) held at 31 December 2022).

8 Income tax

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

	2023	*2022*
	HK$ million	HK$ million
Current tax – Provision for Hong Kong Profits Tax		
Provision for the year	**640**	538
Over-provision in respect of prior years	**-**	(11)
	640	527
Current tax – Provision for taxation outside Hong Kong		
Provision for the year	**342**	352
(Over)/under-provision in respect of prior years	**(181)**	85
	161	437
Current tax – Provision for Land Appreciation Tax		
Provision for the year	**83**	37
Under-provision in respect of prior years	**6**	-
	89	37
Deferred tax		
Origination and reversal of temporary differences	**(224)**	276
	(224)	276
	666	1,277

Provision for Hong Kong Profits Tax has been made at 16.5% (2022: 16.5%) on the estimated assessable profits for the year, taking into account a one-off reduction of 100% (2022: 100%) of the tax payable for the year of assessment 2022/23 subject to a ceiling of HK$6,000 (2021/22: HK$10,000) for each business allowed by the Inland Revenue Department of the HKSAR Government.

Provision for taxation outside Hong Kong is provided for at the applicable rates of taxation for the year on the estimated assessable profits arising in the relevant foreign tax jurisdictions during the year.

Land Appreciation Tax is levied on properties in mainland China developed by the Group for sale, at progressive rates ranging from 30% to 60% (2022: 30% to 60%) on the appreciation of land value, which under the applicable regulations is calculated based on the revenue from sale of properties less deductible expenditure including lease charges of land use rights, borrowing costs and property development expenditure.

9 Dividends

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

	2023	*2022*
	HK$ million	HK$ million
Interim dividend declared and paid of HK$0.50 (2022: HK$0.50) per share	**2,421**	2,421
Final dividend proposed after the end of the reporting period of HK$1.30 (2022: HK$1.30) per share	**6,294**	6,294
	8,715	8,715

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

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

	2023	*2022*
	HK$ million	HK$ million
Final dividend in respect of the previous financial year, approved and paid during the year of HK$1.30 (2022: HK$1.30) per share	**6,294**	6,294

10 Earnings per share

(a) Reported earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of HK$9,261 million (2022: HK$9,239 million) and the weighted average number of 4,841 million ordinary shares (2022: 4,841 million ordinary shares) in issue during the year.

Diluted earnings per share were the same as the basic earnings per share for the year and the corresponding year ended 31 December 2022 as there were no dilutive potential ordinary shares in existence during both years.

(b) Underlying earnings per share

For the purpose of assessing the underlying performance of the Group, basic and diluted earnings per share are additionally calculated based on the profit attributable to equity shareholders of the Company after excluding the effects of changes in fair value of investment properties and investment properties under development ("Underlying Profit") of HK$9,706 million (2022: HK$9,629 million). A reconciliation of profit is as follows:

	2023	*2022*
	HK$ million	HK$ million
Profit attributable to equity shareholders of the Company	**9,261**	9,239
Fair value loss of investment properties and investment properties under development during the year (after deducting non-controlling interests' attributable share and deferred tax) (note 6)	**1,677**	64
Share of fair value (gain)/loss of investment properties (net of deferred tax) during the year:		
– associates (note 6)	**(219)**	(23)
– joint ventures (note 6)	**(969)**	196
The Group's attributable share of the cumulative fair value (loss)/gain of investment properties disposed of during the year, net of tax:		
– subsidiaries	**(44)**	151
– associates and joint ventures	**-**	2
Underlying Profit	**9,706**	9,629
Underlying earnings per share, based on the weighted average number of ordinary shares in issue during the year (note 10(a))	**HK$2.00**	HK$1.99

11 Segment reporting

The Group manages its businesses by a mixture of business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance, the Group has identified the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

Property development	:	Development and sale of properties
Property leasing	:	Leasing of properties
Department stores and supermarket-cum-stores operations	:	Operation and management of department stores and supermarket-cum-stores
Hotel room operation	:	The operation of hotel properties generating room revenue
Other businesses	:	Hotel management (other than hotel room operation), construction, provision of finance (other than mortgage loans as well as interest income from property development joint ventures which are classified under *"Property development"* segment), investment holding, project management, property management, agency services, cleaning and security guard services, food and beverage operation, travel operation, as well as the trading of building materials
Utility and energy	:	Production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases.

Revenue and expenses are allocated to the reportable segments with reference to revenues generated by those segments and the expenses incurred by those segments. Segment results form the basis of measurement used for assessing segment performance and represent profit or loss before (provision)/reversal of provision on inventories, net, sales of property interests, gain on de-recognition of investment measured as financial asset at FVPL and gain on bargain purchase net of fair value loss, fair value change on investment properties and investment properties under development, net finance costs, income tax and items not specifically attributed to individual reportable segments, such as unallocated head office and corporate expenses, net.

(a) Results of reportable segments

Information regarding the Group's and its share of associates and joint ventures on reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2023 and 31 December 2022 is set out below.

11 Segment reporting (continued)

(a) Results of reportable segments (continued)

For the year ended 31 December 2023	Company and its subsidiaries (before deducting non-controlling interests) Revenue (note (i)) HK$ million	Segment results HK$ million	Associates and joint ventures Share of revenue HK$ million	Share of segment results HK$ million	Combined revenue HK$ million	Consolidated segment results HK$ million	Attributable to non-controlling interests Revenue HK$ million	Segment results HK$ million	Attributable to equity shareholders of the Company Combined revenue HK$ million (note 1)	Consolidated segment results HK$ million (note 1)
Property development										
Hong Kong	14,675	2,264	185	(1)	14,860	2,263	(98)	(94)	14,762	2,169
Mainland China	535	195	8,963	1,932	9,498	2,127	-	(1)	9,498	2,126
	15,210	2,459	9,148	1,931	24,358	4,390	(98)	(95)	24,260	4,295
Property leasing										
Hong Kong	4,845	3,469	2,278	1,769	7,123	5,238	(383)	(323)	6,740	4,915
Mainland China	2,031	1,455	101	70	2,132	1,525	(29)	(18)	2,103	1,507
(note (ii))	6,876	4,924	2,379	1,839	9,255	6,763	(412)	(341)	8,843	6,422
Department stores and supermarket-cum stores operations										
-sale of own goods	1,205	(72)	-	-	1,205	(72)	(366)	37	839	(35)
-rental of consignment and concessionaire counters	361	172	-	-	361	172	(111)	(23)	250	149
	1,566	100	-	-	1,566	100	(477)	14	1,089	114
Hotel room operation	333	102	257	79	590	181	(166)	(54)	424	127
Other businesses	3,585	35	350	(40)	3,935	(5)	(712)	37	3,223	32
	27,570	7,620	12,134	3,809	39,704	11,429	(1,865)	(439)	37,839	10,990
Utility and energy	-	-	35,586	3,710	35,586	3,710	-	-	35,586	3,710
	27,570	7,620	47,720	7,519	75,290	15,139	(1,865)	(439)	73,425	14,700

11 Segment reporting (continued)

(a) Results of reportable segments (continued)

For the year ended 31 December 2023 (continued)	Company and its subsidiaries (before deducting non-controlling interests)		Associates and joint ventures				Attributable to non-controlling interests		Attributable to equity shareholders of the Company	
	Revenue *(note (i))* HK$ million	Segment results HK$ million	Share of revenue HK$ million	Share of segment results HK$ million	Combined revenue HK$ million	Consolidated segment results HK$ million	Revenue HK$ million	Segment results HK$ million	Combined revenue HK$ million	Consolidated segment results HK$ million
Provision on inventories, net	**(note 5)**	**(192)**		**-**		**(192)**		**-**		**(192)**
Sales of property interests *(note 2)*	**(note 5)**	**64**		**-**		**64**		**(1)**		**63**
Gain on de-recognition of investment measured as financial asset at FVPL and gain on bargain purchase net of fair value loss	**(note 5)**	**1,591**		**-**		**1,591**		**-**		**1,591**
Unallocated head office and corporate expenses, net		**(1,176)**		**(176)**		**(1,352)**		**3**		**(1,349)**
Profit from operations		**7,907**		**7,343**		**15,250**		**(437)**		**14,813**
(Decrease)/increase in fair value of investment properties and investment properties under development		**(1,700)**		**1,148**		**(552)**		**(54)**		**(606)**
Finance costs	**(note 7(a))**	**(1,999)**		**(1,297)**		**(3,296)**		**50**		**(3,246)**
Bank interest income		**679**		**317**		**996**		**(130)**		**866**
Net finance costs		**(1,320)**		**(980)**		**(2,300)**		**(80)**		**(2,380)**
Profit before taxation		**4,887**		**7,511**		**12,398**		**(571)**		**11,827**
Income tax		**(666)**		**(1,954)**		**(2,620)**		**54**		**(2,566)**
Profit for the year		**4,221**		**5,557**		**9,778**		**(517)**		**9,261**

Notes:

(1) The revenue and segment results for the year ended 31 December 2023 related to the sale of leasehold land, interest income from mortgage loans and interest income from property development joint ventures (of which revenue in the amounts of HK$13 million, HK$224 million and HK$250 million respectively and segment profit in the amounts of HK$9 million, HK$210 million and HK$250 million respectively) are classified under the "Property development" segment.

(2) The Group's attributable share of the realised cumulative fair value loss (before tax) of investment properties disposed of during the year ended 31 December 2023 amounted to HK$44 million. Deducting from it the reported attributable share of net gain (before tax) on disposal of investment properties of HK$63 million (see above) for the year ended 31 December 2023, the Group's attributable share of the realised gain (before tax) from the sales of property interests attributable to underlying profit amounted to HK$19 million during the year ended 31 December 2023.

11 Segment reporting (continued)

(a) Results of reportable segments (continued)

In relation to the share of profits less losses of associates and joint ventures:

	Property development HK$ million	Property leasing HK$ million	Hotel room operation HK$ million	Other businesses HK$ million	Sub-total HK$ million	Utility and energy HK$ million	Total HK$ million
For the year ended 31 December 2023							
Share of profits less losses of associates *(note (iii))*							
- Material listed associate The Hong Kong and China Gas Company Limited	**-**	**375**	**7**	**(733)**	**(351)**	**2,875**	**2,524**
- Other listed associates and unlisted associates	**126**	**121**	**-**	**23**	**270**	**-**	**270**
	126	**496**	**7**	**(710)**	**(81)**	**2,875**	**2,794**
Share of profits less losses of joint ventures *(note (iv))*	**797**	**1,938**	**25**	**3**	**2,763**	**-**	**2,763**
	923	**2,434**	**32**	**(707)**	**2,682**	**2,875**	**5,557**

11 Segment reporting (continued)

(a) Results of reportable segments (continued)

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

11 Segment reporting (continued)

(a) Results of reportable segments (continued)

	Company and its subsidiaries (before deducting non-controlling interests)		Associates and joint ventures				Attributable to non-controlling interests		Attributable to equity shareholders of the Company	
	Revenue *(note (i))*	Segment results	Share of revenue	Share of segment results	Combined revenue	Consolidated segment results	Revenue	Segment results	Combined revenue	Consolidated segment results
For the year ended 31 December 2022 (continued)	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Reversal of provision on inventories, net	(note 5)	50		-		50		-		50
Sales of property interests *(note 2)*	(note 5)	56		-		56		(1)		55
Unallocated head office and corporate expenses, net		(621)		(207)		(828)		(7)		(835)
Profit from operations		7,207		7,567		14,774		(322)		14,452
Decrease in fair value of investment properties and investment properties under development		(12)		(183)		(195)		6		(189)
Finance costs	(note 7(a))	(1,237)		(867)		(2,104)		52		(2,052)
Bank interest income		204		202		406		(49)		357
Net finance costs		(1,033)		(665)		(1,698)		3		(1,695)
Profit before taxation		6,162		6,719		12,881		(313)		12,568
Income tax		(1,277)		(2,101)		(3,378)		49		(3,329)
Profit for the year		4,885		4,618		9,503		(264)		9,239

Notes:

(1) *The revenue and segment results for the corresponding year ended 31 December 2022 related to the sale of leasehold land, interest income from mortgage loans and interest income from property development joint ventures (of which revenue in the amounts of HK$39 million, HK$267 million and HK$183 million respectively and segment profit in the amounts of HK$31 million, HK$265 million and HK$183 million respectively) are classified under the "Property development" segment.*

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

11 Segment reporting (continued)

(a) Results of reportable segments (continued)

In relation to the share of profits less losses of associates and joint ventures:

	Property development HK$ million	Property leasing HK$ million	Hotel room operation HK$ million	Other businesses HK$ million	Sub-total HK$ million	Utility and energy HK$ million	Total HK$ million
For the year ended 31 December 2022							
Share of profits less losses of associates *(note (iii))*							
- Material listed associate							
The Hong Kong and China Gas Company Limited	-	211	(6)	(534)	(329)	2,509	2,180
- Other listed associate and unlisted associates	395	70	-	17	482	-	482
	395	281	(6)	(517)	153	2,509	2,662
Share of profits less losses of joint ventures *(note (iv))*	1,075	834	(36)	83	1,956	-	1,956
	1,470	1,115	(42)	(434)	2,109	2,509	4,618

11 Segment reporting (continued)

(a) Results of reportable segments (continued)

Notes:

(i) The revenue figures above are arrived at after the elimination of inter-segment revenues, in the amounts of HK$443 million (2022: HK$445 million) and HK$1,942 million (2022: HK$1,117 million) in relation to the reportable segments under "Property leasing" and "Others", respectively.

(ii) Revenue for the "Property leasing" segment comprised rental income of HK$5,969 million (2022: HK$5,876 million) and rental-related income of HK$907 million (2022: HK$855 million), which in aggregate amounted to HK$6,876 million for the year (2022: HK$6,731 million)(see note 4).

(iii) The Group's share of profits less losses of associates contributed from the "Property leasing" segment during the year of HK$496 million (2022: HK$281 million) included the Group's attributable share of net increase in fair value of investment properties (net of deferred tax) during the year of HK$219 million (2022: HK$23 million)(see note 6).

The Group's share of losses less profits of associates contributed from the "Other businesses" segment during the year of HK$710 million (2022: HK$517 million) included the Group's share of profit after tax from hotel management (other than hotel room operation) during the year of HK$3 million (2022: share of loss after tax of HK$1 million).

(iv) The Group's share of profits less losses of joint ventures contributed from the "Property leasing" segment during the year of HK$1,938 million (2022: HK$834 million) included the Group's attributable share of net increase in fair value of investment properties (net of deferred tax) during the year of HK$969 million (2022: attributable share of net decrease in fair value of investment properties (net of deferred tax) of HK$196 million) (see note 6).

The Group's share of profits less losses of joint ventures contributed from the "Other businesses" segment during the year of HK$3 million (2022: HK$83 million) included the Group's share of profit after tax contributed from hotel management (other than hotel room operation) during the year of HK$10 million (2022: share of loss after tax of HK$11 million).

11 Segment reporting (continued)

(b) Geographical information

The following table sets out information about the geographical segment location of (i) the Group's revenue from external customers; and (ii) the Group's investment properties, other property, plant and equipment, right-of-use assets, goodwill, trademarks, interests in associates and joint ventures (together, the "Specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the Specified non-current assets is based on the physical location of the asset in the case of investment properties, other property, plant and equipment and right-of-use assets, the location of the operation to which the cash-generating unit(s) is(are) allocated in the case of goodwill and trademarks, and the location of operations in the case of interests in associates and joint ventures.

	Revenue from external customers		**Specified non-current assets**	
	For the year ended 31 December		**At 31 December**	
	2023	*2022*	***2023***	*2022*
	HK$ million	HK$ million	**HK$ million**	HK$ million
Hong Kong	**24,539**	22,757	**328,977**	319,254
Mainland China	**3,031**	2,794	**72,306**	76,480
The United Kingdom	**-**	-	**36**	33
	27,570	25,551	**401,319**	395,767
	(note 4)	(note 4)		

(c) Other segment information

	Depreciation and amortisation		**Impairment loss/ (reversal of impairment loss) on trade debtors, net**	
	For the year ended 31 December		**For the year ended 31 December**	
	2023	*2022*	***2023***	*2022*
	HK$ million	HK$ million	**HK$ million**	HK$ million
Property development	**73**	80	**8**	-
Property leasing	**40**	47	**(2)**	2
Department stores and supermarket-cum-stores operations				
-sale of own goods	**149**	140	**-**	-
-rental of consignment and concessionaire counters	**10**	9	**-**	-
Hotel room operation	**74**	74	**-**	-
Other businesses	**193**	190	**-**	-
	539	540	**6**	2
	(note 7(d))	(note 7(d))	**(note 5)**	(note 5)

12 Inventories

	2023	*2022*
	HK$ million	HK$ million
Property development		
Leasehold land held for development for sale	**11,384**	11,040
Properties held for/under development for sale	**53,923**	56,390
Completed properties for sale	**28,698**	29,642
	94,005	97,072
Other operations		
Trading stocks and consumable stores	**159**	186
	94,164	97,258

13 Trade and other receivables

		2023	*2022*
		HK$ million	HK$ million
(i)	**Debtors and current receivables**		
	Trade receivables (other than those transferred to the disposal group)	**322**	366
	Instalments receivable	**119**	280
	Sub-total : Trade debtors	**441**	646
	Other debtors	**5,921**	4,318
	Prepayments and deposits (other than those transferred to the disposal group)	**3,732**	4,396
	Gross amount due from customers for contract work [^]	**44**	105
	Amounts due from associates	**31**	109
	Amounts due from joint ventures	**284**	290
		10,453	9,864
(ii)	**Other current financial assets**		
	Loans receivable	**3,384**	3,301
	Financial assets measured at FVPL	**482**	450
	Derivative financial instruments	**122**	53
		3,988	3,804
		14,441	13,668

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

Included in other debtors is an amount receivable of HK$1,864 million (2022: HK$1,867 million) which was overdue at 31 December 2023, but which is pledged against certain collaterals provided by the debtor.

Loans receivable, of which HK$695 million (2022: HK$69 million) are secured and HK$2,689 million (2022: HK$3,232 million) are unsecured, are expected to be recovered within one year from the end of the reporting period, and were not past due at 31 December 2023 and 31 December 2022.

13 Trade and other receivables (continued)

Typical payment terms which impact on the amount of contract assets recognised are as follows:

Gross amount due from customers for contract work

The Group's construction contracts include payment schedules which require staged payments over the construction period once certain milestones are reached as certified by architects' certificates. At 31 December 2023 and 31 December 2022, the Group had one construction contract for agreed retention period of twelve months for 10% of the contract value, which amounts are included in contract assets until the end of the retention period as the Group's entitlements to these final payments are conditional on the Group's construction works satisfactorily passing inspection.

All of the trade and other receivables are expected to be recovered or recognised as expense within one year except for various deposits, prepayments and other debtors of HK$3,517 million (2022: HK$4,590 million) which are expected to be recovered after more than one year from the end of the reporting period.

The amounts due from associates and joint ventures at 31 December 2023 and 31 December 2022 are unsecured, interest-free, have no fixed terms of repayment and were not past due at 31 December 2023 and 31 December 2022.

At the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the dates of invoices or demand notes and net of loss allowance, is as follows:

	2023	*2022*
	HK$ million	HK$ million
Current or up to 1 month	**309**	505
More than 1 month and up to 3 months	**54**	58
More than 3 months and up to 6 months	**30**	27
More than 6 months	**48**	56
	441	646

14 Disposal group

On 10 December 2023, the Group entered into a conditional agreement with an independent third party pursuant to which the Group transferred to such independent third party its entire interest in and shareholder’s loan to a wholly-owned subsidiary which owns “Harbour East” (being an investment property at No. 218 Electric Road, North Point, Hong Kong) for a cash consideration of HK$2,208 million (subject to adjustment). On 28 January 2024, the transaction contemplated under the transfer was completed. Loss attributable to the Group’s post-tax reported profit and gain attributable to the Group’s post-tax underlying profit, in the amounts of HK$2 million and HK$1,407 million respectively, have been recognised by the Group for the year ending 31 December 2024. The disposal group also included the transfer of certain other investment property in Hong Kong (which had already been completed on 1 March 2024).

At 31 December 2023, the major classes of assets and liabilities of the disposal group classified as held for sale were as follows:

	HK$ million
Assets	
Investment properties	**2,319**
Trade receivables	**6**
Prepayments and deposits	**1**
	2,326
Liabilities	
Creditors and accrued expenses	**(28)**
Rental and other deposits received	**(11)**
	(39)
Net assets classified as held for sale	**2,287**

15 Trade and other payables

	2023	*2022*
	HK$ million	HK$ million
Creditors and accrued expenses (other than those transferred to the disposal group)	**9,342**	8,581
Gross amount due to customers for contract work *(#)*	**98**	5
Rental and other deposits received (other than those transferred to the disposal group)	**1,954**	1,905
Forward sales deposits received and other contract liabilities*(#)*	**4,899**	3,909
Derivative financial instruments	**109**	205
Amounts due to associates	**1,812**	1,759
Amounts due to joint ventures	**10,148**	9,909
	28,362	26,273

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

Provision for long service payment

The Amendment Ordinance (see note 2(ii)) was enacted in June 2022 which abolishes the use of the accrued benefits of employers' mandatory contributions under the Mandatory Provident Fund Schemes Ordinance and/or Occupational Retirement Schemes Ordinance to offset severance payment and long service payment (the "Offsetting Arrangement"). The abolishment of the Offsetting Arrangement would increase the state benefits that affect the long service payment payable by the employer. In accordance with the requirement of HKAS 19, management has re-measured the provision for long service payment to reflect the financial impact of the abolishment of the Offsetting Arrangement. As a result, a provision for long service payment in the amount of HK$52 million has been recognised at 31 December 2023 (2022: HK$48 million) which is included in "Creditors and accrued expenses" above.

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Forward sales deposits received

The Group receives 5% to 15% of the amount of sale consideration as deposits from customers when they sign the sale and purchase agreements relating to property sales. Such deposit is recognised as a contract liability until the property is completed and legally assigned to the customer. The rest of the sale consideration is typically paid when legal assignment is completed.

However, depending on market conditions, the Group may offer to customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the sale consideration early while construction is still ongoing, rather than upon legal assignment. Such advance payment schemes result in contract liabilities being recognised throughout the remaining property construction period for the full amount of the sale consideration.

15 Trade and other payables (continued)

Movements in contract liabilities

	Forward sales deposits received and other contract liabilities	
	2023	*2022*
	HK$ million	HK$ million
At 1 January	**3,909**	6,136
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(2,876)**	(5,796)
Increase in contract liabilities as a result of forward sales deposits received from customers during the year in relation to property projects held for/under development and completed property projects pending assignment/completion, and other contract liabilities in relation to provision of services at the end of the year	**3,866**	3,569
At 31 December	**4,899**	3,909

(a) All of the Group's trade and other payables are expected to be settled within one year or are repayable on demand except for an amount of HK$1,281 million (2022: HK$1,086 million) which is expected to be settled after more than one year from the end of the reporting period.

(b) At the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the due dates for settlement, is as follows:

	2023	*2022*
	HK$ million	HK$ million
Due within 1 month or on demand	**1,384**	1,983
Due after 1 month but within 3 months	**645**	375
Due after 3 months but within 6 months	**277**	326
Due after 6 months	**1,733**	1,573
	4,039	4,257

(c) The amounts due to associates and joint ventures at 31 December 2023 and 31 December 2022 are unsecured, interest-free and have no fixed terms of repayment except for aggregate amounts due to certain associates and certain joint ventures of HK$2,503 million (2022: HK$2,894 million) which are unsecured, interest-bearing at interest rates ranging from 2.80% to 3.80% and RMB Loan Prime Rate less 0.2% (2022: ranging from 3.65% to 3.85%) per annum and wholly repayable between 29 January 2024 and 27 November 2024 (2022: between 20 January 2023 and 8 December 2023).

16 Non-adjusting event after the reporting period

After the end of the reporting period, the Directors proposed a final dividend. Further details are disclosed in note 9.

17 Review of results

The financial results for the year ended 31 December 2023 have been reviewed with no disagreement by the Audit Committee of the Company.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2023 have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by KPMG on this announcement.

FINANCIAL REVIEW

Results of operations

The following discussions should be read in conjunction with the Company's audited consolidated financial statements for the year ended 31 December 2023.

Revenue and profit

	Revenue			*Profit / (loss) contribution from operations*		
	Year ended 31 December		*Increase / (Decrease)*	***Year ended 31 December***		*Increase / (Decrease)*
	2023 HK$ million	2022 HK$ million	*%*	**2023 HK$ million**	2022 HK$ million	*%*
Reportable segments						
- Property development	**15,210**	14,635	*+4%*	**2,459**	2,928	*-16%*
- Property leasing	**6,876**	6,731	*+2%*	**4,924**	4,834	*+2%*
- Department stores and supermarket-cum-stores operations	**1,566**	1,805	*-13%*	**100**	172	*-42%*
- Hotel room operation	**333**	160	*+108%*	**102**	(44)	*+332%*
- Other businesses	**3,585**	2,220	*+61%*	**35**	(168)	*+121%*
	27,570	25,551	*+8%*	**7,620**	7,722	*-1%*

	Year ended 31 December		
	2023 HK$ million	2022 HK$ million	*Increase %*
Profit attributable to equity shareholders of the Company			
- including the Group's attributable share of changes in fair value of investment properties and investment properties under development (net of deferred taxation) held by the Group's subsidiaries, associates and joint ventures	**9,261**	9,239	*+0.2%*
- excluding the Group's attributable share of changes in fair value of investment properties and investment properties under development (net of deferred taxation) held by the Group's subsidiaries, associates and joint ventures ("Underlying Profit") *(Note)*	**9,706**	9,629	*+1%*

Note :

Underlying profit attributable to equity shareholders of the Company ("Underlying Profit") excludes the Group's attributable share of fair value change (net of deferred tax) of the investment properties and investment properties under development held by subsidiaries, associates and joint ventures. In order to fully exclude the aforesaid effects of changes in fair value from the Underlying Profit, the Group's attributable share of the cumulative fair value loss (net of tax) of investment properties disposed of during the year (which has been included in calculating the net gain on disposal of investment properties and hence the profit attributable to equity shareholders of the Company during the year) of HK$44 million (2022: cumulative fair value gain (net of tax) of HK$153 million) was added back in arriving at the Underlying Profit.

Below is the comparison of the Underlying Profits for the years ended 31 December 2023 and 31 December 2022 by excluding certain fair value adjustments for both years:-

	Year ended 31 December			
	2023	2022	*Increase / (Decrease)*	
	HK$ million	HK$ million	*HK$ million*	*%*
Underlying Profit	**9,706**	9,629	*77*	*+1%*
Add / (Less) :				
(i) Net fair value loss/(gain) on derivative financial instruments measured at fair value through profit or loss relating to certain interest rate swap contracts, cross currency swap contracts, cross currency interest rate swap contracts and forward exchange forward contracts (net of tax) for which no hedge accounting was applied during the year	**69**	(256)	*325*	
(ii) Aggregate fair value loss on the Group's listed investments measured as financial assets at fair value through profit or loss	**2**	319	*(317)*	
(iii) One-off subsidy received by the Group from HKSAR Government's COVID-19 Anti-epidemic Fund under the Employment Support Scheme in 2022	**-**	(68)	*68*	
(iv) Gain on the de-recognition of the Group's investment in Sunlight Real Estate Investment Trust ("Sunlight REIT") from "Investment measured as financial asset at fair value through profit or loss" and gain on bargain purchase from the recognition of the Group's investment in Sunlight REIT as "Interest in associate", net of fair value loss in Sunlight REIT (collectively, the "Aggregate Net One-Off Gains")	**(1,591)**	-	*(1,591)*	
	8,186	9,624	*(1,438)*	*-15%*

Discussions on the major reportable segments are set out below.

Property development

The gross revenue and pre-tax profit contributions from the property development segment in Hong Kong, for both years ended 31 December 2023 and 31 December 2022, comprised the gross revenue and pre-tax profit contributions generated from the sales of properties as well as the sale of leasehold land, interest income from mortgage loans and interest income from property development joint ventures.

Gross revenue - subsidiaries and by geographical contribution

The gross revenue from property sales during the years ended 31 December 2023 and 31 December 2022 generated by the Group's subsidiaries, and by geographical contribution, were as follows:-

	Year ended 31 December			
	2023	2022	*Increase*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong	**14,675**	14,119	*556*	*+4%*
Mainland China	**535**	516	*19*	*+4%*
	15,210	14,635	*575*	*+4%*

The gross revenue from property sales in Hong Kong of HK$14,675 million during the year ended 31 December 2023 was mainly contributed from the following residential development projects completed during the year ended 31 December 2023 and in prior years, and the sold units of which were delivered to the buyers during the year ended 31 December 2023:

(i) HK$2,489 million from "Henley Park" in Kai Tak Development Area, Kowloon which was completed in March 2022;

(ii) HK$1,067 million from "Caine Hill" in Mid-Levels, Hong Kong Island which was completed in January 2023;

(iii) HK$1,537 million from "The Holborn" in Quarry Bay, Hong Kong Island which was completed in February 2023;

(iv) HK$4,702 million from "One Innovale·Archway", "One Innovale·Bellevue" and "One Innovale·Cabanna" in Fanling North, the New Territories which were completed in 2022; and

(v) HK$1,920 million from "The Harmonie" in Cheung Sha Wan, Kowloon which was completed in November 2022.

Although the residential project of "Baker Circle·Dover" was also completed in October 2023, the sold units of this project are scheduled for delivery to the buyers in 2024 and therefore no revenue and profit contribution have been recognised from this project for the year ended 31 December 2023.

The gross revenue from property sales in mainland China of HK$535 million during the year ended 31 December 2023 was mainly contributed as to HK$413 million from "Riverside Park" in Suzhou and HK$81 million from the "Changan Project" in Shijiazhuang. By comparison, for the corresponding year ended 31 December 2022, gross revenue from property sales of HK$516 million was mainly contributed as to HK$414 million from "Riverside Park" in Suzhou.

Pre-tax profits – by geographical distribution and from subsidiaries, associates and joint ventures

The Group's attributable share of pre-tax profits from property sales, by geographical contribution and from subsidiaries (after deducting non-controlling interests), associates and joint ventures during the years ended 31 December 2023 and 31 December 2022, were as follows:-

	Year ended 31 December			
	2023	2022	*Decrease*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong	**2,169**	3,355	*(1,186)*	*-35%*
Mainland China	**2,126**	2,197	*(71)*	*-3%*
	4,295	5,552	*(1,257)*	*-23%*

The decrease in the Group's attributable share of pre-tax profits from property sales in Hong Kong during the year ended 31 December 2023 of HK$1,186 million (or 35%) was mainly due to lower pre-tax profit margins recognised during the year, especially in relation to "The Henley" and "Henley Park", being the Group's development projects at The Kai Tak Development Area.

	Year ended 31 December			
	2023	2022	*Decrease*	
	HK$ million	HK$ million	*HK$ million*	*%*
By contribution from subsidiaries (after deducting non-controlling interests), associates and joint ventures:				
Subsidiaries	**2,364**	2,858	*(494)*	*-17%*
Associates	**111**	505	*(394)*	*-78%*
Joint ventures	**1,820**	2,189	*(369)*	*-17%*
	4,295	5,552	*(1,257)*	*-23%*

The decrease of HK$494 million (or 17%) in the Group's attributable share of pre-tax profit contributions from property sales of the Group's subsidiaries during the year ended 31 December 2023 was mainly due to the year-on-year decrease in pre-tax profit contributions from the Group's projects in the Kai Tak Development Area (namely, "The Henley" and "Henley Park") and from "Aquila‧Square Mile" in Hong Kong in the aggregate amount of HK$1,699 million, which was partially offset by the year-on-year increase in pre-tax profit contributions from "One Innovale‧Bellevue", "The Harmonie", "The Holborn" and "Caine Hill" in Hong Kong in the aggregate amount of HK$1,211 million.

The decrease of HK$394 million (or 78%) in the Group's attributable share of pre-tax profit contribution from property sales of the Group's associates during the year ended 31 December 2023 was mainly due to the year-on-year decrease of HK$488 million in the Group's attributable share of pre-tax profit contribution from "The Royale Phases 1 to 3" which is a joint venture project of Hong Kong Ferry (Holdings) Company Limited ("HK Ferry"), a listed associate of the Group and which was almost fully sold at the end of 2022.

The decrease of HK$369 million (or 17%) in the Group's attributable share of pre-tax profit contributions from property sales of the Group's joint ventures during the year ended 31 December 2023 was mainly due to the year-on-year decrease of HK$328 million in the Group's attributable share of pre-tax profit contributions from the property sales of joint ventures in mainland China during the year.

Property leasing

Gross revenue – subsidiaries and by geographical contribution

The gross revenue from property leasing during the years ended 31 December 2023 and 31 December 2022 generated by the Group's subsidiaries, and by geographical contribution, were as follows:-

	Year ended 31 December			
	2023	2022	*Increase*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong	**4,845**	4,710	*135*	*+3%*
Mainland China	**2,031**	2,021	*10*	*+0.5%*
	6,876	6,731	*145*	*+2%*

Pre-tax net rental income – by geographical distribution and from subsidiaries, associates and joint ventures

The Group's attributable share of pre-tax net rental income, by geographical contribution and from subsidiaries (after deducting non-controlling interests), associates and joint ventures during the years ended 31 December 2023 and 31 December 2022, were as follows:-

	Year ended 31 December			
	2023	2022	*Increase / (Decrease)*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong	**4,915**	4,609	*306*	*+7%*
Mainland China	**1,507**	1,603	*(96)*	*-6%*
	6,422	6,212	*210*	*+3%*
By contribution from subsidiaries (after deducting non-controlling interests), associates and joint ventures:				

Subsidiaries	**4,583**	4,492	*91*	*+2%*
Associates	**432**	356	*76*	*+21%*
Joint ventures	**1,407**	1,364	*43*	*+3%*
	6,422	6,212	*210*	*+3%*

For Hong Kong, on an overall portfolio basis, there was a year-on-year increase of HK$135 million (or 3%) in rental revenue contribution and a year-on-year increase of HK$306 million (or 7%) in the Group's attributable share of pre-tax net rental income contribution for the year ended 31 December 2023. The increase in the Group's attributable share of pre-tax net rental income was mainly due to the following:

(i) the increase in pre-tax profit contribution of HK$185 million from the investment properties held by the Group's subsidiaries, mainly due to the year-on-year increase in gross rental revenue contribution from "H Zentre", "MOS Town", "Trend Plaza" and certain other Hong Kong investment properties in the aggregate amount of HK$141 million as well as the year-on-year decrease in promotion expenditures and building management fee in the aggregate amount of HK$33 million;

(ii) the increase in the Group's attributable share of pre-tax profit contribution of HK$76 million from the investment properties held by the Group's associates, mainly due to the Group's attributable share of pre-tax net rental income contribution of HK$65 million (2022: Nil) from Sunlight REIT after it became a listed associate of the Group on 30 June 2023 (as referred to in the paragraph headed "Increase in the Group's interest in Sunlight REIT" below); and

(iii) the increase in the Group's attributable share of pre-tax profit contribution of HK$45 million from the investment properties held by the Group's joint ventures, mainly in relation to ifc and Tung Chung as a result of their improved earnings performance after the lifting of social distancing measures since the end of 2022.

For mainland China, on an overall portfolio basis, there was a year-on-year increase of HK$10 million (or 0.5%) in rental revenue contribution and a year-on-year decrease of HK$96 million (or 6%) in the Group's attributable share of pre-tax net rental income contribution for the year ended 31 December 2023. Based on the average exchange rates between the Renminbi ("RMB") and Hong Kong dollars ("HKD") for the two financial years ended 31 December 2023 and 31 December 2022, there was a year-on-year depreciation of RMB against HKD by approximately 5% during the year ended 31 December 2023, and excluding the effect of foreign currency translation, there was in RMB terms:

(i) a year-on-year increase in gross rental income of 7% which was mainly attributable to the increased leasing revenue contributions for the year ended 31 December 2023 from the twin office towers of "Lumina Guangzhou" in Guangzhou following the increased occupancy, as well as the additional leasing revenue contributions from "Lumina Shanghai" Phases 1 and 2 in Shanghai's Xuhui Riverside Development Area which were completed in 2022, which outweigh the decrease in rental revenue contribution of "World Financial Centre" in Beijing due to a slightly lower occupancy during the year ended 31 December 2023 compared with the previous year; and

(ii) a year-on-year decrease in the Group's attributable share of pre-tax net rental income of 1% which was mainly attributable to the higher marketing expenses for the recently completed investment properties, despite the year-on-year increase in gross rental income as referred to above.

Department stores and supermarket-cum-stores operations

Department stores and supermarket-cum-stores operations are carried out by Citistore (Hong Kong) Limited ("Citistore") and Unicorn Stores (HK) Limited ("Unicorn") respectively, both being wholly-owned subsidiaries of Henderson Investment Limited, a non-wholly owned listed subsidiary of the Group. For the year ended 31 December 2023, revenue contribution amounted to HK$1,566 million (2022: HK$1,805 million) which represented a year-on-year decrease of HK$239 million (or 13%), from that for the corresponding year ended 31 December 2022. The decrease in revenue during the year ended 31 December 2023 was mainly attributable to the decrease in revenue contribution from Unicorn for the year, which in turn was mainly attributable to (i) the lower sales from Unicorn's APITA supermarket-cum-store at Taikoo Shing due to its phased renovations; (ii) the decrease in customers' demand for food and daily necessities at the supermarkets operated by Unicorn due to the lifting of social distancing measures since the end of 2022; and (iii) the fall in retail sales of the Group due to an increase in outbound travel, and cross-border consumption and shopping.

Profit contribution (after the elimination of rental expenditure payable by Citistore and Unicorn to the Group, in respect of certain store premises leased by Citistore and Unicorn from the Group for business operation) for the year ended 31 December 2023 decreased by HK$72 million (or 42%), to HK$100 million (2022: HK$172 million). The decrease in profit contribution was mainly attributable to the decrease in pre-tax profit contribution from Unicorn for the year ended 31 December 2023 which resulted from the decrease in revenue contribution from Unicorn for the year as referred to above.

Hotel room operation

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

During the year ended 31 December 2023, revenue amounted to HK$333 million (2022: HK$160 million) and pre-tax profit amounted to HK$102 million (2022: pre-tax loss of HK$44 million), representing a year-on-year increase in revenue of HK$173 million (or 108%) and a turnaround in the pre-tax operating results from loss of HK$44 million for the corresponding year ended 31 December 2022 to profit of HK$102 million for the year ended 31 December 2023. The remarkable improvement in the revenue and pre-tax results performances during the year ended 31 December 2023 were mainly attributable to the increased hotel room sales and patronage from foreign travellers following the release of border quarantine measures in September 2022 by the HKSAR Government.

Other businesses

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

Revenue and pre-tax profit contribution from other businesses for the year ended 31 December 2023 amounted to HK$3,585 million and HK$35 million respectively, representing:

(a) an increase of HK$1,365 million (or 61%) over the revenue contribution of HK$2,220 million for the corresponding year ended 31 December 2022, and which was mainly attributable to the following:

   (i) the increase in revenue contribution of HK$1,002 million during the year ended 31 December 2023 from Miramar's hotel management, travel and food and beverage operations, following the release of border quarantine measures in September 2022 by the HKSAR Government and the lifting of social distancing measures since the end of 2022; and

   (ii) the increase in revenue contribution of HK$444 million from the construction activities carried out by the Group for the residential project development of the Group's joint ventures at The Kai Tak Development Area;

   and

(b) an increase in pre-tax profit contribution of HK$203 million (or 121%) from the pre-tax loss of HK$168 million for the corresponding year ended 31 December 2022, and which was mainly attributable to the increase in pre-tax profit contribution of HK$121 million from Miramar's hotel management, travel and food and beverage operations and the increase in pre-tax profit contribution of HK$63 million from the Group's construction activities (both as referred to above).

Increase in the Group's interest in Sunlight REIT

During the year ended 31 December 2023, the Group's beneficial holding in the listed units of Sunlight REIT had increased from 19.535% at 1 January 2023 to 20.001% at 30 June 2023 (the "First Six-Month Period"), through the Group's purchases of 2,476,000 listed units of Sunlight REIT in the open market during the First Six-Month Period as well as 6,739,817 new listed units of Sunlight REIT issued during the First Six-Month Period to a wholly-owned subsidiary of the Company which is engaged in the provision of asset management services to Sunlight REIT. During the period from 1 July 2023 to 31 December 2023 (the "Second Six-Month Period"), the abovementioned wholly-owned subsidiary of the Company was also issued 8,649,800 new listed units of Sunlight REIT as payment of manager's fee by Sunlight REIT in lieu of cash, and the Group purchased a further 2,000,000 listed units of Sunlight REIT in the open market. Together with Sunlight REIT's repurchase of 1,000,000 issued listed units in the open market and the subsequent cancellation of such repurchased units during the Second Six-Month Period, the Group's beneficial holding in the listed units of Sunlight REIT had further increased to 20.536% at 31 December 2023.

In this regard, commencing from 30 June 2023, being the date on which the Group had a beneficial interest which first exceeded 20% in the issued units (which carry voting rights) of Sunlight REIT, the Group has accounted for Sunlight REIT as a listed associate of the Group under the principles of Hong Kong Accounting Standard ("HKAS") 28 *"Investments in associates and joint ventures*" that with the Group's holding of 20% or more of the voting power of Sunlight REIT, the Group is presumed to have significant influence in Sunlight REIT.

As a result:

(i) commencing from 30 June 2023, the Group has de-recognised its investment in Sunlight REIT from “Investment measured as financial asset at fair value through profit or loss” and recognised such investment as “Interest in associate”;

(ii) during the year ended 31 December 2023, the Group recognised the Aggregate Net One-Off Gains in the amount of HK$1,591 million; and

(iii) commencing from 30 June 2023, the financial results of Sunlight REIT were accounted for under the equity method of accounting in the Group’s consolidated financial statements. In this regard, the Group’s attributable share of post-tax reported profit and post-tax underlying profit from Sunlight REIT amounted to HK$62 million and HK$73 million respectively (2022: HK$Nil and HK$Nil respectively), which were included in the Group’s attributable share of post-tax reported and underlying profits less losses of associates during the year ended 31 December 2023 as referred to in the paragraph headed “Associates” below. The Group’s attributable share of post-tax reported and underlying profits from Sunlight REIT, as referred to above, included an aggregate gain on step acquisitions of additional interests in Sunlight REIT in the amount of HK$45 million which arose from the Group’s increase in the holding of the listed units of Sunlight REIT during the Second Six-Month Period.

Associates

The Group’s attributable share of post-tax profits less losses of associates during the year ended 31 December 2023 amounted to HK$2,794 million (2022: HK$2,662 million), representing an increase of HK$132 million (or 5%), over that for the corresponding year ended 31 December 2022. Excluding the Group’s attributable share of changes in fair value of investment properties held by the associates (net of deferred taxation) during the year, the Group’s attributable share of the underlying post-tax profits less losses of associates for the year ended 31 December 2023 amounted to HK$2,575 million (2022: HK$2,641 million), representing a decrease of HK$66 million (or 2%), from that for the corresponding year ended 31 December 2022. Such year-on-year decrease in the underlying post-tax profits during the year ended 31 December 2023 was mainly attributable to the following:

(i) the year-on-year increase of HK$166 million in the Group’s attributable share of underlying post-tax profit contribution from The Hong Kong and China Gas Company Limited (“HKCG”), which mainly arose from the increase in post-tax profit contributions from HKCG’s utilities and smart energy businesses in mainland China following the gradual business recovery after the COVID-19 pandemic and hence the improvement in gas sales volumes and profit margins in mainland China whilst the gas business in Hong Kong remained stable during the year;

(ii) as referred to in the paragraph headed “Increase in the Group’s interest in Sunlight REIT” above, commencing from 30 June 2023, the financial results of Sunlight REIT were accounted for under the equity method of accounting in the Group’s consolidated financial statements. The Group’s attributable share of post-tax underlying profit contribution from Sunlight REIT amounted to HK$73 million for the year ended 31 December 2023 (2022: Nil); and

(iii) the net aggregate year-on-year increase of HK$116 million in the Group's attributable share of post-tax profit contributions from property sales of the unlisted associates in mainland China,

and which aggregate effect was partially offset by the decrease of HK$391 million in the Group's attributable share of post-tax underlying profit contribution from the property sales of "The Royale Phases 1 to 3" in Hong Kong (being a joint venture project of HK Ferry).

Joint ventures

The Group's attributable share of post-tax profits less losses of joint ventures during the year ended 31 December 2023 amounted to HK$2,763 million (2022: HK$1,956 million), representing an increase of HK$807 million (or 41%), over that for the corresponding year ended 31 December 2022. Excluding the Group's attributable share of changes in fair value of investment properties held by the joint ventures (net of deferred taxation) during the year, the Group's attributable share of the underlying post-tax profits less losses of joint ventures for the year ended 31 December 2023 amounted to HK$1,794 million (2022: HK$2,152 million), representing a decrease of HK$358 million (or 17%), from that for the corresponding year ended 31 December 2022. Such year-on-year decrease in the underlying post-tax profits during the year ended 31 December 2023 was mainly due to the net aggregate year-on-year decrease of HK$65 million and HK$213 million in the Group's attributable share of post-tax profit contributions from property sales of the joint ventures in Hong Kong and mainland China respectively, as well as the year-on-year increase of HK$54 million in the Group's attributable share of finance costs on the bank and other borrowings of the Group's certain joint ventures in mainland China which were recognised in profit or loss of such joint ventures following the completion of their projects during the year.

Finance costs

Finance costs (comprising interest expense and other borrowing costs) before interest capitalisation for the year ended 31 December 2023 amounted to HK$6,919 million (2022: HK$3,650 million). Finance costs after interest capitalisation for the year ended 31 December 2023 amounted to HK$1,999 million (2022: HK$1,237 million), and after set-off against the Group's bank interest income of HK$679 million for the year ended 31 December 2023 (2022: HK$204 million), the Group recognised net finance costs in the Group's consolidated statement of profit or loss for the year ended 31 December 2023 in the amount of HK$1,320 million (2022: HK$1,033 million).

The Group's overall effective borrowing rate for the year ended 31 December 2023 was approximately 4.32% per annum (2022: approximately 2.22% per annum).

Revaluation of investment properties and investment properties under development

The Group recognised a decrease in fair value on its investment properties and investment properties under development (before deferred taxation and non-controlling interests) of HK$1,700 million in the consolidated statement of profit or loss for the year ended 31 December 2023 (2022: a decrease in fair value of HK$12 million).

Financial resources and liquidity

Medium Term Note Programme

At 31 December 2023, the aggregate carrying amount of notes guaranteed by the Company and issued under the Group's Medium Term Note Programme established on 30 August 2011 ("MTN Programme") and under which the Company had on 6 May 2022 increased the maximum aggregate principal amount of notes outstanding at any one time from US$5,000 million to US$7,000 million, was HK$25,683 million (2022: HK$27,563 million) with tenures of between one year and twenty years (2022: between two years and twenty years).

During the year ended 31 December 2023, the Group issued guaranteed notes under the MTN Programme denominated in RMB, United States dollars ("USD") and HKD in the aggregate equivalent amount of HK$7,064 million (2022: HK$4,269 million) with tenures of between one year and ten years (2022: tenures of two years). Such guaranteed notes issued by the Group serve to finance the Group's capital expenditure requirements as referred to in the paragraph headed "Capital commitments" below. These notes are included in the Group's bank and other borrowings at 31 December 2023 and 31 December 2022 as referred to in the paragraph headed "Maturity profile and interest cover" below. During the year ended 31 December 2023, the Group repaid certain guaranteed notes in the aggregate principal amount of HK$9,274 million (2022: HK$1,422 million) under the MTN Programme.

Maturity profile and interest cover

The maturity profile of the total debt, the cash and bank balances, the net debt and the gearing ratio of the Group were as follows:

	At 31 December 2023 HK$ million	At 31 December 2022 HK$ million
Bank and other borrowings repayable:		
- Within 1 year	**30,744**	30,653
- After 1 year but within 2 years	**24,740**	23,568
- After 2 years but within 5 years	**16,962**	19,998
- After 5 years	**19,389**	13,308
Amounts due to related companies	**3,657**	2,854
Total debt	**95,492**	90,381
Less:		
Cash and bank balances	**(21,623)**	(11,295)
Net debt	**73,869**	79,086
Shareholders' funds	**326,542**	327,948
Gearing ratio (%)	**22.6%**	24.1%

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

At 31 December 2023, the Group's total debt comprised (i) bank and other borrowings in Hong Kong, being bank loans of HK$64,291 million (2022: HK$59,964 million) and guaranteed notes of HK$25,683 million (2022: HK$27,563 million); (ii) bank borrowings in mainland China of HK$1,861 million (2022: Nil); and (iii) amounts due to related companies of HK$3,657 million (2022 : HK$2,854 million), which in aggregate amounted to HK$95,492 million (2022: HK$90,381 million). The bank and other borrowings in Hong Kong are unsecured and have a weighted average debt maturity profile of approximately 2.87 years (2022: approximately 2.68 years). The bank borrowings in mainland China are unsecured and have a weighted average debt maturity profile of approximately 3.67 years (2022: Nil). The amounts due to related companies are unsecured and have a weighted average debt maturity profile of approximately three years (2022: approximately three years).

In addition, at 31 December 2023, there was an amount due from the Group to a fellow subsidiary (being a wholly-owned subsidiary of the ultimate controlling party of the Group) of HK$62,448 million (2022: HK$56,007 million) which is unsecured, interest-bearing and had no fixed repayment terms. The funds advanced from such fellow subsidiary to the Group were used to replace bank loans which arose from the Group's land acquisitions during the previous year ended 31 December 2021.

At 31 December 2023, after taking into account the effect of swap contracts, 52% (2022: 50%) of the Group's total debt carried fixed interest rates.

The interest cover of the Group is calculated as follows:

	Year ended 31 December	
	2023	2022
	HK$ million	HK$ million
Profit from operations (including the cumulative fair value change (net of tax) of investment properties disposed of during the year, but before changes in fair value of investment properties and investment properties under development for the year) plus the Group's share of the underlying profits less losses of associates and joint ventures	**12,232**	12,151
Net interest expense (before interest capitalisation)	**6,046**	3,279
Interest cover (times)	**2.02**	3.71

The decrease in the Group's interest cover for the year ended 31 December 2023 was mainly due to the interest rate hike during the year, as a result of which the Group's overall effective borrowing rate has increased from approximately 2.22% per annum during the corresponding year ended 31 December 2022 to approximately 4.32% per annum during the year ended 31 December 2023 (as referred to in the paragraph headed "Finance costs" above), which therefore increased the amount of interest expense (before interest capitalisation) for the year ended 31 December 2023.

With abundant banking facilities in place and the recurrent income generated from its operations, the Group has adequate financial resources in meeting the funding requirements for its ongoing operations as well as its future expansion.

Treasury and financial management

The Group is exposed to interest rate and foreign exchange risks. To efficiently and effectively manage these risks, the Group's financing and treasury activities are centrally co-ordinated at the corporate level. As a matter of policy, all transactions in derivative financial instruments are undertaken solely for risk management purposes and no derivative financial instruments were held by the Group at the end of the reporting period for speculative purposes.

The Group conducts its business primarily in Hong Kong with the related cash flows, assets and liabilities being denominated mainly in Hong Kong dollars. The Group's primary foreign exchange exposure at 31 December 2023 arose from its property developments and investments in mainland China which were denominated in RMB, the guaranteed notes ("Notes") which were denominated in USD, RMB and Japanese Yen ("¥") and the bank borrowings which were denominated in ¥ and RMB at 31 December 2023.

In respect of the Group's operations in mainland China, apart from its capital contributions and, in some cases, loan contributions to projects which are denominated in RMB and are not hedged, the Group endeavours to establish a natural hedge by maintaining an appropriate level of external borrowings in RMB. In respect of the Notes and bank borrowings in Hong Kong at each of 31 December 2023 and 31 December 2022, hedging arrangements had been made by the Group with certain counterparty banks which comprised (i) interest rate swap contracts; (ii) cross currency swap contracts; (iii) cross currency interest rate swap contracts; and (iv) foreign exchange forward contracts to hedge against interest rate risk and foreign currency risk during their tenure. Based on the abovementioned swap and forward contracts, the aggregate amount of the Notes and bank borrowings in Hong Kong which were hedged against the interest rate risk only, the foreign currency risk only and both the interest rate risk and foreign currency risk, was HK$29,623 million at 31 December 2023 (2022: HK$29,242 million) which represented 31% of the Group's total debt at 31 December 2023 (2022: 32%).

Material acquisitions and disposals

There were no material acquisitions and disposals during the year under review.

Charge on assets

The assets of the Group's subsidiaries were not charged to any party at 31 December 2023 and 31 December 2022.

Capital commitments

At 31 December 2023, capital commitments of the Group amounted to HK$20,130 million (2022: HK$17,942 million). In addition, the Group's attributable share of capital commitments undertaken by joint ventures and certain associates at 31 December 2023 amounted to HK$8,821 million (2022: HK$11,291 million).

The Group plans to finance its capital expenditure requirements for the year ending 31 December 2024 by way of the Group's own internally generated cash flow, bank deposits, banking facilities and funds raised and to be raised from the capital market.

Contingent liabilities

At 31 December 2023, the Group's contingent liabilities amounted to HK$12,387 million (2022: HK$13,987 million), which mainly included:-

(i) an aggregate attributable amount of HK$890 million (2022: HK$2,277 million) relating to performance bonds, guarantees and undertakings for the due and proper performance of the obligations of the Group's projects held by subsidiaries and joint ventures, the decrease of which was mainly attributable to the release of the Group's guarantees to certain banks in relation to the finance undertakings by such banks in favour of the HKSAR Government following the completion of the Group's three residential development projects in Hong Kong, namely, "The Harmonie", "One Innovale·Cabanna" and "Henley Park" under the terms and conditions of the relevant land grants;

(ii) an amount of HK$1,394 million (2022: HK$1,604 million) relating to guarantees given by the Group to financial institutions on behalf of purchasers of property units of the Group's development projects in mainland China in relation to which the related Building Ownership Certificate (房產證) had not yet been issued at 31 December 2023 (and such guarantees will be released upon the issuance of the Building Ownership Certificate);

(iii) amounts of HK$1,670 million (2022: HK$1,670 million), HK$2,100 million (2022: HK$2,100 million), HK$1,314 million (2022: HK$1,314 million) and HK$2,940 million (2022: HK$2,940 million) relating to the Group's attributable and proportional shares (in accordance with the Group's attributable interests in four joint ventures engaged in the development of residential properties at The Kai Tak Development Area, and in which the Group has 29.3% interest, 30% interest, 18% interest and 30% interest respectively) of contingent liabilities in respect of irrevocable, unconditional and several guarantees given by the Group to certain lending banks in relation to the maximum amounts which may be drawn down on certain loan facilities which were entered into on 8 July 2019, 4 December 2019, 1 June 2020 and 30 October 2020 respectively between such lending banks and the four joint ventures; and

(iv) an amount of up to HK$1,638 million (2022: HK$1,638 million) relating to the Group's attributable and proportional share (in accordance with the Group's attributable interest in a joint venture engaged in the development of a site owned by the Urban Renewal Authority at Bailey Street/Wing Kwong Street, To Kwa Wan, Kowloon, Hong Kong and in which the Group has 50% equity interest (the "Developer")) of contingent liabilities in respect of an irrevocable, unconditional and several guarantee given by the Group to the lending bank in relation to 50% of the maximum amount which may be drawn down by the Developer on a loan facility of up to HK$3,276 million which was entered into on 25 July 2022 between such lending bank and the Developer and which partially refinanced the previous shareholders' loans of the Developer.

Employees and remuneration policy

At 31 December 2023, the Group had 9,835 (2022: 9,950) full-time employees. The remuneration of the employees is in line with the market and commensurate with the level of pay in the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees include medical insurance, retirement scheme, training programmes and education subsidies.

Total staff costs for the year ended 31 December 2023 amounted to HK$3,260 million (2022: HK$3,254 million).

OTHER INFORMATION

Closure of Register of Members

1. Book Close for determining the entitlement to attend and vote at the annual general meeting

   The Register of Members of the Company will be closed from Wednesday, 29 May 2024 to Monday, 3 June 2024, both days inclusive, during which period no transfer of shares will be registered, for the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting. In order to be entitled for attending and voting at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 28 May 2024.

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

   The Register of Members of the Company will be closed from Friday, 7 June 2024 to Wednesday, 12 June 2024, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited at the above address not later than 4:30 p.m. on Thursday, 6 June 2024.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Audit Committee

The Audit Committee met in March 2024 and reviewed the systems of internal control, risk management and compliance, and the annual report for the year ended 31 December 2023.

Corporate Governance

During the year ended 31 December 2023, the Company complied with the applicable code provisions set out in the Corporate Governance Code (the "CG Code") as stated in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), with the exception that the roles of the chairman and the chief executive officer of the Company have not been segregated as required by the CG Code. The Company is of the view that it is in the best interest of the Company that each of Dr Lee Ka Kit and Dr Lee Ka Shing, with his relevant in-depth expertise and knowledge in the Group's business, acts in the dual capacity as Chairman and Managing Director of the Company. Although the roles of the chairman and the chief executive officer of the Company have not been segregated, powers and authorities have not been over-concentrated as all major decisions are made in consultation with Board members as well as appropriate Board committees and senior management, who possess the relevant knowledge and expertise. Hence, the current arrangements are subject to adequate checks and balances notwithstanding the deviation.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). Having made specific enquiry, the Company confirmed that all Directors have complied with the required standards as set out in the Model Code.

Forward-Looking Statements

This announcement contains certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board of Directors of the Company regarding the industry and markets in which it operates. These forward-looking statements are subject to risks, uncertainties and other factors beyond the Company's control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements.

On behalf of the Board
Dr Lee Ka Kit **Dr Lee Ka Shing**
Chairman *Chairman*

Hong Kong, 21 March 2024

As at the date of this announcement, the Board comprises: (1) executive directors: Lee Ka Kit (Chairman and Managing Director), Lee Ka Shing (Chairman and Managing Director), Lam Ko Yin, Colin, Lee Shau Kee, Yip Ying Chee, John, Fung Lee Woon King, Kwok Ping Ho, Suen Kwok Lam, Wong Ho Ming, Augustine and Fung Hau Chung, Andrew; (2) non-executive director: Lee Pui Ling, Angelina; and (3) independent non-executive directors: Kwong Che Keung, Gordon, Ko Ping Keung, Wu King Cheong, Woo Ka Biu, Jackson, Poon Chung Kwong and Au Siu Kee, Alexander.