IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES

Important: You must read the following before continuing. The following applies to the preliminary offering circular following this page (the "**Offering Circular**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of this Offering Circular. In accessing the offering circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

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Confirmation of the Representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, investors must not be located in the United States. This Offering Circular is being sent at your request and by accepting the electronic mail and accessing this Offering Circular, you shall be deemed to have represented to us that the electronic mail address that you gave us and to which this electronic mail has been delivered is not located in the United States and that you consent to delivery of such Offering Circular by electronic transmission.

The attached document is being furnished in connection with an offering in offshore transactions in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Offering Circular to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached Offering Circular.

The materials relating to any offering of securities to which this Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that such offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer (as defined in the Offering Circular) in such jurisdiction.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantor or the Joint Lead Managers (each as defined in the Offering Circular), any person who controls any Joint Lead Managers, any director, officer, employee or agent of the Issuer, the Guarantor or any Joint Lead Managers or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between this Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

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SUBJECT TO COMPLETION
Preliminary Offering Circular dated 15 August 2024

CELESTIAL DYNASTY LIMITED

(incorporated in the British Virgin Islands with limited liability)

U.S.$[●] [●] per cent. Guaranteed Senior Notes due [●]
unconditionally and irrevocably guaranteed by

新創建 NWS
新創建集團有限公司*
NWS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(stock code: 000659)

Issue Price: [●] per cent.

The [●] per cent. guaranteed senior notes (the "**Notes**") will be issued in an initial aggregate principal amount of U.S.$[●] by CELESTIAL DYNASTY LIMITED (the "**Issuer**") and the due and punctual payment of all sums payable by the Issuer in respect of the Notes will be unconditionally and irrevocably guaranteed (the "**Guarantee of the Notes**") by NWS Holdings Limited (the "**Guarantor**" or "**NWS**").

The Notes will bear interest from [●] at the rate of [●] per cent. per annum. Interest on the Notes is payable semi-annually in arrear on the Interest Payment Dates (as defined in "*Terms and Conditions of the Notes*") falling on [●] and [●] in each year, commencing on [●].

The Notes will constitute direct, general, unsecured, unconditional and unsubordinated obligations of the Issuer which will at all times rank *pari passu* and without any preference among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Unless previously redeemed, or purchased and cancelled, the Issuer will redeem the Notes at their principal amount on [●] (the "**Maturity Date**"). The Notes may be redeemed in whole, but not in part, at the option of the Issuer, subject to certain provisions, at their principal amount together with all outstanding interest accrued and unpaid to the date fixed for redemption upon the occurrence of a change in, or amendment to, the laws or regulations of the British Virgin Islands, Bermuda, Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after [●] such that the Issuer or the Guarantor (as the case may be) would be required to pay additional amounts in respect of the Notes or the Guarantee of the Notes and such obligation cannot be avoided by the Issuer or the Guarantor, as the case may be, taking reasonable measures available to it. The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time on or after [●] up to (but excluding) the Maturity Date, on the Issuer giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes at their principal amount, together with interest accrued and unpaid to the date fixed for redemption). At any time following the occurrence of a Change of Control (as defined in "*Terms and Conditions of the Notes*"), the Holder of each Note will have the right, at such Holder's option, to require the Issuer to redeem all but not some only of that Holder's Notes on the Change of Control Put Date (as defined in "*Terms and Conditions of the Notes*") at their principal amount, together with accrued and unpaid interest (if any) up to, but excluding the Change of Control Put Date. See "*Terms and Conditions of the Notes – Redemption and Purchase*".

Application will be made to The Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**") for the listing of the Notes by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("**Professional Investors**") only on the Hong Kong Stock Exchange. This Offering Circular is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer and the Guarantor confirm that the Notes are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Notes, the Issuer, the Guarantor, the Group (as defined below), or the quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

Investing in the Notes involves certain risks. See "*Risk Factors*" beginning on page 15.

The Notes and the Guarantee of Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a description of these and certain further restrictions on offers and sales of the Notes and the distribution of this Offering Circular, see "*Subscription and Sale*".

The Notes will be represented by beneficial interests in the global note certificate (the "**Global Note Certificate**") in registered form which will be registered in the name of a nominee of, and will be deposited on or about the Issue Date with a common depositary for, Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**" together with Euroclear, the "**Clearing Systems**"). Beneficial interests in the Global Note Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Notes will not be issued in exchange for beneficial interests in the Global Note Certificate.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Crédit Agricole CIB **UBS**

BofA Securities **DBS Bank Ltd.** **HSBC** **Mizuho** **Morgan Stanley**

Offering Circular dated [●] 2024

IMPORTANT NOTICE

Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the purpose of giving information with regard to the Issuer, the Guarantor and the Group. Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Each of the Issuer and the Guarantor, having made all reasonable enquiries, confirms that to the best of its knowledge and belief: (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor, the Guarantor and its subsidiaries taken as a whole (together, the "**Group**"), the Notes and the giving of the Guarantee of the Notes (including all information which, according to the particular nature of the Issuer, the Guarantor, the Group and of the Notes and the Guarantee of the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantor, the Group and of the rights attaching to the Notes); (ii) the statements of fact contained in this Offering Circular, at the date of its publication were in every material particular true and accurate and not misleading, and there are no other facts in relation to the Issuer, the Guarantor, the Group, the Notes and the Guarantee of the Notes the omission of which would in the context of the issue of the Notes and the giving of the Guarantee of the Notes make any statement in this Offering Circular misleading in any material respect, (iii) the statements of intention, opinion, belief or expectation contained in this Offering Circular at the date of its publication were honestly and reasonably made or held and have been reached after considering all relevant circumstances, and (iv) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such statements.

This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Notes described in this Offering Circular. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor and the Joint Lead Managers (as defined herein) to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Notes or the distribution of this document in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Notes and distribution of this Offering Circular, see "*Subscription and Sale*".

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Guarantor and the Group, the Guarantee of the Notes or the Notes other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, Crédit Agricole Corporate and Investment Bank, UBS AG Hong Kong Branch, DBS Bank Ltd., The Hongkong and Shanghai Banking Corporation Limited, Merrill Lynch (Asia Pacific) Limited, Mizuho Securities Asia Limited and Morgan Stanley & Co. International plc (together, the "**Joint Lead Managers**") or the Agents (as defined in the Terms and Conditions of the Notes (the "**Conditions**")). Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor, the Group or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Joint Lead Managers or the Agents to subscribe for or purchase any of the Notes and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

No representation or warranty, express or implied, is made or given by the Joint Lead Managers or the Agents as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty, express or implied, by the Joint Lead Managers or the Agents. The Joint Lead Managers have not independently verified any of the information contained in this Offering Circular and can give no assurance that this information is accurate, truthful or complete.

This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Issuer, the Guarantor, any member of the Group, the Joint Lead Managers or the Agents that any recipient of this Offering Circular should purchase the Notes. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Notes should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

To the fullest extent permitted by law, none of the Joint Lead Managers or the Agents or any of their respective affiliates, directors or advisers accepts any responsibility for the contents of this Offering Circular. The Joint Lead Managers and the Agents and their respective affiliates, directors or advisers accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers or the Agents or any of their respective affiliates, directors or advisers undertakes to review the results of operations, financial condition or affairs of the Issuer, the Guarantor, or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Joint Lead Managers or the Agents.

IN CONNECTION WITH THE ISSUE OF THE SECURITIES, ANY JOINT LEAD MANAGER APPOINTED AND ACTING IN ITS CAPACITY AS STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF SUCH JOINT LEAD MANAGER) (THE "STABILISING MANAGER") MAY OVER ALLOT SECURITIES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE SECURITIES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE SECURITIES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE SECURITIES. ANY STABILISATION ACTION OR OVER-ALLOTMENT SHALL BE CONDUCTED IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

The contents of this Offering Circular have not been reviewed by any regulatory authority in any jurisdiction. Investors are advised to exercise caution in relation to the offering of the Notes. If investors are in any doubt about any of the contents of this Offering Circular, investors should obtain independent professional advice.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**EU MiFID II**") or; (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**EU PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**") or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the United Kingdom by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law of the United Kingdom by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct — Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of this offering of the Notes, including certain Joint Lead Managers, are "capital market intermediaries" (the "**CMIs**") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**SFC Code**"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as “overall coordinators” (the “**OCs**”) for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an association (an “**Association**”) with the Issuer, the Guarantor, the CMI or the relevant group company. Prospective investors associated with the Issuer, the Guarantor or any CMI (including its group companies) should specifically disclose this when placing an order for the Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Joint Lead Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Joint Lead Manager or its group company has more than 50 per cent. interest, in which case it will be classified as a “proprietary order” and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such “proprietary order” may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. If a prospective investor is otherwise affiliated with any Joint Lead Manager, such that its order may be considered to be a “proprietary order” (pursuant to the SFC Code), such prospective investor should indicate to the relevant Joint Lead Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. Where prospective investors disclose such information but do not disclose that such “proprietary order” may negatively impact the price discovery process in relation to this offering, such “proprietary order” is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Joint Lead Managers and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Guarantor, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

UK MiFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of the manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law of the United Kingdom by virtue of the EUWA ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

SINGAPORE SFA PRODUCT CLASSIFICATION – In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA) that the Notes are “prescribed capital markets products” (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

FORWARD-LOOKING STATEMENTS

Certain statements under "*Risk Factors*", "*Description of the Issuer*", "*Description of the Guarantor*" and elsewhere in this Offering Circular constitute "forward-looking statements". The words including "believe", "expect", "plan", "anticipate", "schedule", "estimate" and similar words or expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding the financial position, business strategy, prospects, capital expenditure and investment plans of the Group and the plans and objectives of the Group's management for its future operations (including development plans and objectives relating to the Group's operations), are forward looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results or performance of the Group to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. The Issuer, the Guarantor and the directors, employees and agents of the Issuer or the Guarantor, respectively do not assume: (i) any obligation or undertaking to release any updates or revisions to any forward-looking statements contained herein to reflect any change in the expectations of the Issuer and the Guarantor with regard thereto or any change of events, conditions or circumstances, on which any such statements were based; or (ii) any liability in the event that any of the forward-looking statements does not materialise or turns out to be incorrect. This Offering Circular discloses, under "*Risk Factors*" and elsewhere, important factors that could cause actual results to differ materially from the expectations of the Issuer and the Guarantor. All subsequent written and forward-looking statements attributable to the Issuer, the Guarantor or persons acting on behalf of the Issuer and Guarantor are expressly qualified in their entirety by such cautionary statements.

CERTAIN DEFINED TERMS AND CONVENTIONS

This Offering Circular has been prepared using a number of conventions, which investors should consider when reading the information contained here. Unless indicated otherwise, in this Offering Circular all references to: (i) to "**Issuer**" are to CELESTIAL DYNASTY LIMITED; (ii) to "**Guarantor**" or "**NWS**" are to NWS Holdings Limited; and (iii) the "**Group**" are to the Guarantor and its subsidiaries taken as a whole unless the context otherwise indicated.

In this Offering Circular, unless otherwise specified or the context requires, all references to "**Hong Kong**" and "**HKSAR**" are to the Hong Kong Special Administrative Region of the People's Republic of China, all references to the "**PRC**" are to the People's Republic of China, all references to the "**Mainland**" are to the People's Republic of China, excluding Hong Kong, the Macau Special Administrative Region and Taiwan and to "**Greater China**" are to the People's Republic of China, including Hong Kong, the Macau Special Administrative Region and Taiwan, all references to "**U.S.**" are to the United States of America, all references to "**Hong Kong dollars**", "**HK dollars**", "**HK$**" or "**cents**" are to the lawful currency of Hong Kong, all references herein to "**U.S. dollars**" or "**U.S.$**" are to the lawful currency of the U.S., all references to "**RMB**" are to the lawful currency of the PRC, all references to "**HKFRS**" are to Hong Kong Financial Reporting Standards, all references to "**HKAS**" are to the Hong Kong Accounting Standards, all references to "**HKICPA**" are to the Hong Kong Institute of Certified Public Accountants, all references to "**sq. ft.**" are to square foot (feet), all references to "**AOP**" are to attributable operating profit, representing profit available for appropriation before corporate office and non-operating items, and all references to "**AOL**" are to attributable operating loss, representing loss before corporate office and non-operating items.

This Offering Circular contains translations of certain HK dollar amounts into U.S. dollars, and *vice versa*, at specific rates solely for the convenience of the reader. For convenience only and unless otherwise noted, all translations between HK dollars and U.S. dollars in this Offering Circular were made at the rate of HK$7.8 to U.S.$1.00. Such translations should not be construed as representations that the Hong Kong dollar and U.S. dollar amounts referred to herein could have been, or could be, converted into U.S. dollars or Hong Kong dollars, as the case may be, at that or any other rate or at all.

In this Offering Circular, where information has been presented in thousands or millions of units, or as a percentage amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

PRESENTATION OF FINANCIAL INFORMATION

This Offering Circular contains (i) the audited consolidated financial statements of the Guarantor as at and for the years ended 30 June 2023 and 30 June 2022 (the "**Audited Consolidated Financial Statements**"), each prepared in conformity with HKFRS issued by the HKICPA and have been audited by PricewaterhouseCoopers, Certified Public Accountants, in accordance with Hong Kong Standards on Auditing issued by the HKICPA and (ii) the unaudited condensed consolidated interim financial statements of the Guarantor as at and for the six months ended 31 December 2023 (the "**Interim Financial Statements**"), prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA and have been reviewed by PricewaterhouseCoopers, Certified Public Accountants, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. See "*Index to Financial Statements*".

The Group has restated the comparative figures in the Interim Financial Statements due to the adoption of HKFRS 17 "Insurance Contract" ("**HKFRS 17**"). The Group has also changed the presentation of the condensed consolidated statement of financial position in the Interim Financial Statements in accordance with HKAS 1 "Presentation of Financial Statements" after the adoption of HKFRS 17. For details of the adoption of HKFRS 17 and the change in presentation, refer to notes 2(b) and 2(c) to the Interim Financial Statements respectively.

The Interim Financial Statements should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit. Potential investors should exercise caution when using such data to evaluate the Group's business, financial condition and results of operation. The Interim Financial Statements should not be taken as an indication of the expected financial condition, results of operations and cash flows of the Group for the full financial year ended 30 June 2024.

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SUMMARY OF THE OFFERING

The following is a summary of the terms and conditions of the Notes. For a more complete description of the Notes, see "*Terms and Conditions of the Notes*". Terms used in this summary and not otherwise defined shall have the meanings given to them in "*Terms and Conditions of the Notes*".

Issuer	CELESTIAL DYNASTY LIMITED.
Guarantor	NWS Holdings Limited.
Issue	U.S.$[●] [●] per cent. guaranteed senior notes due [●].
Status of the Notes	The Notes will constitute direct, general, unsecured, unconditional and unsubordinated obligations of the Issuer which will rank *pari passu* and without any preference among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Guarantee of the Notes	The Guarantee of the Notes will constitute a direct, general, unsecured, unconditional and unsubordinated obligation of the Guarantor which will rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Negative Pledge	The Notes will contain a negative pledge provision as further described in Condition 4 (*Negative Pledge*) of the Conditions.
Issue Price	[●] per cent.
Form and Denomination	The Notes will be issued in registered form in the denomination of U.S.$200,000 each and integral multiples of U.S.$1,000 in excess thereof.
Interest	The Notes will bear interest from [●] at the rate of [●] per cent. per annum, payable semi-annually in arrear on the Interest Payment Dates falling on [●] and [●] in each year, commencing on [●].
Issue Date	[●] 2024.
Maturity Date	[●].
Redemption at Maturity	Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on the Maturity Date.
Redemption at the Option of the Issuer	The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time on or after [●] up to (but excluding) the Maturity Date, on the Issuer giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes at their principal amount, together with interest accrued and unpaid to the date fixed for redemption).
Redemption for Tax Reasons	The Issuer may at its option redeem the Notes in whole but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable), the Registrar and the Fiscal Agent at their principal amount together with interest accrued and unpaid to the date fixed for redemption, if i. (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in the Conditions as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands ("**BVI**"), Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or

amendment becomes effective on or after [●]; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

ii. (A) the Guarantor has or (if a demand was made under the Guarantee of the Notes) would become obliged to pay additional amounts as provided or referred to in the Conditions or the Guarantee of the Notes, or the Guarantor has or will become obliged to make any such withholding or deductions as to referred to in the Conditions or the Guarantee of the Notes as the case may be, from any amount paid by it to the Issuer in order to enable the Issuer to make a payment of principal or interest in respect of the Notes, in either case as a result of any change in, or amendment to, the laws or regulations of Bermuda, Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after [●]; and (B) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

subject to the provisions set out in Condition 6(c) (*Redemption for tax reasons*).

Redemption for Change of Control

At any time following the occurrence of a Change of Control, the Holder of each Note will have the right, at such Holder's option, to require the Issuer to redeem all but not some only of that Holder's Notes on the Change of Control Put Date (as defined in the Conditions) at their principal amount, together with accrued and unpaid interest (if any) up to, but excluding the Change of Control Put Date. See Condition 6(d) (*Redemption for Change of Control*) of the Conditions.

A "**Change of Control**" occurs when:

(i) any Person or Persons acting together acquires Control of the Guarantor if such Person or Persons does not or do not have, and would not be deemed to have, Control of the Guarantor on the Issue Date; or

(ii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of its assets to any other Person, unless the consolidation, merger, sale or transfer will not result in the other Person or Persons acquiring Control over the Guarantor or the successor entity; or

(iii) one or more Persons acquires the beneficial ownership of all or substantially all of the Guarantor's issued share capital.

The "**Change of Control Put Date**" shall be the fourteenth day after the expiry of such period of 60 days as referred to above.

"**Control**" means the acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of the Guarantor or the right to appoint and/or remove all or the majority of the members of the Guarantor's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise and the terms "**Controlling**" and "**Controlled**" shall have meanings correlative to the foregoing.

A "**Person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include members of the board of directors of the Guarantor (or

	their respective heirs, executors or assigns) or any other governing board and does not include the wholly owned direct or indirect Subsidiaries of the Guarantor.
Events of Default	Upon the occurrence of certain events as described in Condition 9 *(Events of Default*) of the Conditions, the Noteholders holding not less than five per cent. of the aggregate principal amount of the outstanding Notes may, by written notice addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor or to the Specified Office of the Fiscal Agent, declare the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued and unpaid interest (if any) without further action or formality.
Cross-default	The Notes will contain a cross-default provision as further described in Condition 9(c) (*Cross-default of Issuer, Guarantor or Material Subsidiary*) of the Conditions.
Governing Law	The Notes, the Guarantee of the Notes and any non-contractual obligations arising out of or in connection with such will be governed by, and construed in accordance with, English law.
Clearing Systems	The Notes will be represented by beneficial interests in the Global Note Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with a common depositary for, Euroclear and Clearstream. Beneficial interests in the Global Note Certificate will be shown on and transfers thereof will be effected only through records maintained by Euroclear and Clearstream. Except as described herein, certificates for Notes will not be issued in exchange for beneficial interests in the Global Note Certificate.
Clearance and Settlement	The Notes have been accepted for clearance by Euroclear and Clearstream under the following codes: ISIN: XS2877153234 Common Code: 287715323
Legal Entity Identifier (LEI)	254900A85ZVOMCLC2410
Fiscal Agent, Paying Agent, Transfer Agent and Registrar	The Hongkong and Shanghai Banking Corporation Limited.
Listing	Application will be made to the Hong Kong Stock Exchange for the listing of the Notes on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only. The expected listing date of the Notes is [●] 2024.
Use of Proceeds	See “*Use of Proceeds*”.

SUMMARY

The summary below is intended only to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all the information that may be important to investors. Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety.

NWS is a limited liability company incorporated under the Companies Act 1981 of Bermuda (Bermuda Company Number: 22286). It was incorporated in Bermuda on 3 September 1996 and listed on the Hong Kong Stock Exchange in 1997 (HKSE stock code: 659). With effect from 17 November 2023, CTFC has become the ultimate holding company of NWS, and CTF Enterprises has become an intermediate holding company of NWS. The Group has a diversified portfolio of market-leading businesses, predominantly in Hong Kong and the Mainland. The Group's businesses include toll roads, insurance, logistics, construction and facilities management. Through the Group's sustainable business model, it is committed to creating more value for all stakeholders and the community. As at 9 August 2024, based on the closing price of its shares on the Hong Kong Stock Exchange, NWS had a market capitalisation of approximately HK$28.46 billion.

The principal business activities of the Group are as follows:

- *Roads:* As at 31 December 2023, the Group has 15 road projects in strategic locations in the Mainland, namely, Guangdong, Zhejiang, Guangxi, Shanxi, Tianjin, Hubei and Hunan, covering approximately 940 km in length.

- *Insurance:* The Group's insurance segment provides diversified insurance and financial planning products and services to individuals and institutions through Chow Tai Fook Life Insurance Company Limited (**"CTF Life"**, formerly known as FTLife Insurance Company Limited).

- *Logistics:* The Group owns ATL Logistics Centre ("**ATL**") in Hong Kong and logistics properties in the Mainland, offering a gross leasable area of approximately 5.9 million sq. ft. and 6.5 million sq. ft. respectively as at 31 December 2023. In addition, through China United International Rail Containers Co., Limited ("**CUIRC**"), a joint venture enterprise, the Group operates a large-scale pivotal rail container terminal network across the Mainland.

- *Construction:* The Group's construction segment is principally engaged in building construction and related businesses in Hong Kong through Hip Hing Group (one of the leading contractors in Hong Kong), Vibro Group (the oldest foundation contractor in Hong Kong) and Quon Hing Group (one of the leading suppliers of concrete products in Hong Kong) (collectively, "**NWS Construction Group**").

- *Facilities Management:* The Group manages and operates Hong Kong Convention and Exhibition Centre ("**HKCEC**"), one of the largest and most prominent convention and exhibition venues in Asia, provides both local and overseas customers with a comprehensive range of services and facilities to support the events and activities hosted at the venue. Through its free duty business, the Group owns and operates three outlets at land border crossings, offering a vast selection of duty-free tobacco, liquor and other general merchandise to travellers. The Group formed a joint venture with IHH Healthcare Berhad ("**IHH**") to establish Gleneagles Hospital Hong Kong ("**GHK Hospital**"), which provides a comprehensive range of clinical services spanning more than 35 specialties and subspecialties. The business venture of the Group and IHH, Parkway Medical Services (Hong Kong) Limited ("**Parkway Medical**"), opened two clinics and a clinical laboratory in Hong Kong to support the growth of GHK Hospital.

- *Strategic Investments:* The Group's strategic investments segment includes investments which have strategic value to the Group and have growth potential, as well as certain investments which management believe can create value for the shareholders of NWS.

- *Disposed/discontinued businesses:* During the year ended 30 June 2023 ("**FY2023**"), Goshawk Aviation Limited ("**Goshawk**"), a joint venture whose equity interest is 50 per cent. indirectly held by the Group, completed the disposal of its aircraft leasing business and Aviation is no longer a reportable segment. On 16 May 2022, Goshawk entered into an agreement with SMBC Aviation Capital Limited ("**SMBC**") pursuant to which Goshawk agreed to dispose of substantially all of its commercial aircraft leasing business to SMBC via the sale of entire equity interest in Goshawk Management Limited ("**GML**"), except for six aircraft associated with Russian lessees. Completion of the disposal took place on 21 December 2022. The aggregate sum of consideration received by Goshawk on completion is approximately U.S.$1.6 billion, 50 per cent. of which (i.e. U.S.$0.8 billion) was attributable to the Group in accordance with its shareholding interest.

SUMMARY FINANCIAL INFORMATION

*The following tables present the summary historical financial information of the Group as of and for each of the years ended 30 June 2023 and 30 June 2022 and as of and for the six months ended 31 December 2023 and 31 December 2022. The summary financial information is derived from and should be read in conjunction with (a) the audited consolidated financial statements of NWS as of and for the year ended 30 June 2023 (the"****FY2023 Audited Financial Statements****", which have been audited by PricewaterhouseCoopers, Certified Public Accountants, in accordance with Hong Kong Standards on Auditing issued by the HKICPA) included elsewhere in this Offering Circular and (b) the Interim Financial Statements (which have been reviewed by PricewaterhouseCoopers, Certified Public Accountants, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA).*

The summary financial data below should be read in conjunction with the financial statements of the Group and the notes thereto included elsewhere in this Offering Circular.

During the year ended 30 June 2023, the Group adopted certain amendments to standards which are mandatory for the financial year ended 30 June 2023. The adoption of HKFRS 3 (Amendments) "Reference to the Conceptual Framework", HKAS 16 (Amendments) "Property, Plant and Equipment — Proceeds before Intended Use", HKAS 37 (Amendments) "Onerous Contracts — Cost of Fulfilling a Contract", HKFRSs Amendments "Annual Improvements to HKFRSs 2018-2020 Cycle", Accounting Guideline 5 (Revised) "Merger Accounting for Common Control Combinations" did not have a significant effect on the results and financial position of the Group.

During the six months ended 31 December 2023, the Group adopted a new standard and certain amendments to standards which are mandatory for the financial year ended 30 June 2024. The adoption of HKAS 1 (Amendments) and HKFRS Practice Statement 2 "Disclosure of Accounting Policies", HKAS 8 (Amendments) "Definition of Accounting Estimates", HKAS 12 (Amendments) "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" and HKAS 12 (Amendments) "International Tax Reform — Pillar Two Model Rules" did not have a significant effect on the results and financial position of the Group. The impact of the adoption of HKFRS 17 is detailed in this section "Summary Financial Information". The Group has restated the comparative figures in the Interim Financial Statements due to the adoption of HKFRS 17.

The Group also changed the presentation of its condensed consolidated statement of financial position in the Interim Financial Statements to provide relevant, comparable and understandable information by presenting all assets and liabilities in the order of liquidity in accordance with HKAS 1 "Presentation of Financial Statements", having taken into account the characteristics of insurance contracts and expectation on the scaling of assets and liabilities of its insurance business with the adoption of HKFRS 17 due to the capitalisation of future profits in the contractual service margin as liabilities and natural business growth. The comparative condensed consolidated statement of financial position as at 30 June 2023 and 1 July 2022 in the Interim Financial Statements have been restated accordingly.

For details of the adoption of HKFRS 17 and the change in presentation, refer to notes 2(b) and 2(c) to the Interim Financial Statements respectively.

The Interim Financial Statements should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit. Potential investors should exercise caution when using such data to evaluate the Group's business, financial condition and results of operation. Such Interim Financial Statements should not be taken as an indication of the expected business, financial condition, results of operations and results of the Group for the full financial year ended 30 June 2024.

The result of the "Environment" segment for the year ended 30 June 2022 had been presented separately as one-line item below "profit from continuing operations" as "discontinued operations" in the consolidated income statement as the Group planned to recover a significant part of the carrying amount of environment business principally through sale rather than through continuing use during the year ended 30 June 2021.

The consolidated income statement for the year ended 30 June 2023 below, with a comparative for the year ended 30 June 2022, is extracted from the FY2023 Audited Financial Statements. Such financial information may not be directly comparable to the condensed consolidated income statement for the six months ended 31 December 2023 and its comparative for the six months ended 31 December 2022, which is extracted from the Interim Financial Statements. Potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations.

CONSOLIDATED INCOME STATEMENT

	For the year ended 30 June	
	2023	**2022**
	HK$ million (Audited)	*HK$ million (Audited)*
Continuing operations		
Revenue	45,213.8	31,138.6
Cost of sales	(40,011.1)	(27,609.3)
Other income and gains, net	1,487.4	966.6
Selling and marketing expenses	(1,906.7)	(1,290.9)
General and administrative expenses	(2,043.4)	(1,918.2)
Overlay approach adjustments on financial assets	687.5	1,845.9
Operating profit	3,427.5	3,132.7
Finance costs	(938.2)	(760.1)
Share of results of associated companies	176.8	340.5
Share of results of joint ventures	754.1	(254.9)
Profit before income tax	3,420.2	2,458.2
Income tax expenses	(757.3)	(576.2)
Profit from continuing operations	2,662.9	1,882.0
Discontinued operations		
Profit from discontinued operations	-	302.3
Profit for the year	2,662.9	2,184.3
Profit attributable to		
Shareholders of NWS		
From continuing operations	2,026.7	1,284.5
From discontinued operations	-	302.3
	2,026.7	1,586.8
Holders of perpetual capital securities	612.0	583.1
Non-controlling interests	24.2	14.4
	2,662.9	2,184.3
Basic and diluted earnings per share attributable to shareholders of NWS		
From continuing operations	HK$0.55	HK$0.33
From discontinued operations	-	HK$0.08
	HK$0.55	HK$0.41

The condensed consolidated income statement for the six months ended 31 December 2023 below, with a comparative for the six months ended 31 December 2022, is extracted from the Interim Financial Statements. Such financial information may not be directly comparable to consolidated income statement for the year ended 30 June 2023 and its comparative for the year ended 30 June 2022, which is extracted from the FY2023 Audited Financial Statements. Potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations.

CONDENSED CONSOLIDATED INCOME STATEMENT

	(Unaudited)	
	For the six months ended 31 December	
	2023	**2022**
	HK$ million	*HK$ million*
		(Restated)
Revenue		
Non-insurance	12,361.6	11,752.0
Insurance	1,616.9	1,353.9
	13,978.5	13,105.9
Cost of sales	(10,804.4)	(10,600.1)
Insurance service expenses, net	(1,253.1)	(922.7)
Net income/(expenses) from reinsurance contracts held	79.5	(4.3)
Net insurance finance (expenses)/income	(1,332.9)	2,065.2
Other income and gains/(losses), net	1,625.4	(1,907.8)
Selling and marketing expenses	(84.5)	(46.7)
General and administrative expenses	(490.1)	(531.6)
Operating profit	1,718.4	1,157.9
Finance costs	(537.5)	(464.4)
Share of results of associated companies	43.3	106.6
Share of results of joint ventures	475.5	645.4
Profit before income tax	1,699.7	1,445.5
Income tax expenses	(359.6)	(286.1)
Profit for the period	1,340.1	1,159.4
Profit attributable to		
Shareholders of NWS	1,008.8	853.1
Holders of perpetual capital securities	311.9	295.8
Non-controlling interests	19.4	10.5
	1,340.1	1,159.4
Basic and diluted earnings per share attributable to shareholders of NWS	HK$0.28	HK$0.25

The consolidated statement of financial position as at 30 June 2023 below, with a comparative as at 30 June 2022, is extracted from the FY2023 Audited Financial Statements. Such financial information may not be directly comparable to condensed consolidated statement of financial position as at 31 December 2023, with its comparatives as at 30 June 2023 and 1 July 2022, which is extracted from the Interim Financial Statements. Potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June	
	2023	**2022**
	HK$ million (Audited)	*HK$ million (Audited)*
ASSETS		
Non-current assets		
Investment properties	5,875.0	4,842.2
Property, plant and equipment	1,317.0	1,315.7
Intangible concession rights	13,306.4	13,081.9
Intangible assets	5,863.2	5,890.1
Value of business acquired	5,107.9	5,239.8
Right-of-use assets	1,192.2	1,360.7
Deferred acquisition costs	2,498.2	2,335.0
Associated companies	4,708.3	6,443.4
Joint ventures	17,773.3	15,413.5
Debt instruments as financial assets at amortized cost	6,895.0	-
Financial assets at fair value through other comprehensive income	39,953.6	38,500.3
Financial assets at fair value through profit or loss	13,344.8	11,052.2
Derivative financial instruments	273.1	64.5
Other non-current assets	1,361.4	1,728.5
	119,469.4	107,267.8
Current assets		
Inventories	239.6	170.0
Trade, premium and other receivables	9,176.1	14,217.1
Investments related to unit-linked contracts	8,940.1	8,649.2
Financial assets at fair value through other comprehensive income	3,220.7	3,083.5
Financial assets at fair value through profit or loss	1,657.8	1,903.2
Derivative financial instruments	14.7	27.4
Cash and bank balances	19,255.9	13,452.6
	42,504.9	41,503.0
Total assets	161,974.3	148,770.8
EQUITY		
Share capital	3,910.5	3,911.1
Reserves	35,826.2	39,397.4
Shareholders' funds	39,736.7	43,308.5
Perpetual capital securities	10,353.6	10,528.5
Non-controlling interests	50.8	50.1

	As at 30 June	
	2023	**2022**
	HK$ million	*HK$ million*
	(Audited)	*(Audited)*
Total equity	50,141.1	53,887.1

	As at 30 June	
	2023	**2022**
	HK$ million *(Audited)*	*HK$ million* *(Audited)*
LIABILITIES		
Non-current liabilities		
Borrowings and other interest-bearing liabilities	22,048.3	18,323.2
Deferred tax liabilities	1,678.8	1,787.2
Insurance and investment contract liabilities	16,049.1	16,470.0
Liabilities related to unit-linked contracts	192.0	190.8
Derivative financial instruments	203.9	172.3
Lease liabilities	729.6	901.6
Other non-current liabilities	287.1	95.8
	41,188.8	37,940.9
Current liabilities		
Borrowings and other interest-bearing liabilities	1,748.6	5,267.7
Insurance and investment contract liabilities	46,219.6	31,734.4
Liabilities related to unit-linked contracts	8,936.5	8,645.1
Trade, other payables and payables to policyholders	12,790.8	10,403.1
Derivative financial instruments	12.7	0.4
Lease liabilities	233.8	223.1
Taxation	702.4	669.0
	70,644.4	56,942.8
Total liabilities	111,833.2	94,883.7
Total equity and liabilities	161,974.3	148,770.8

The condensed consolidated statement of financial position as at 31 December 2023, with its comparatives as at 30 June 2023 and 1 July 2022, is extracted from the Interim Financial Statements. Such financial information may not be directly comparable to consolidated statement of financial position as at 30 June 2023 and its comparative as at 30 June 2022, which is extracted from the FY2023 Audited Financial Statements. Potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December 2023	**As at 30 June 2023**	**As at 1 July 2022**
	HK$ million (Unaudited but reviewed)	*HK$ million (Restated)*	*HK$ million (Restated)*
ASSETS			
Intangible assets	5,957.1	5,863.2	5,890.1
Intangible concession rights	13,042.6	13,306.4	13,081.9
Investment properties	5,878.1	5,875.0	4,842.2
Property, plant and equipment	1,220.9	1,317.0	1,315.7
Right-of-use assets	1,080.4	1,192.2	1,360.7
Associated companies	4,652.6	4,708.3	6,443.4
Joint ventures	17,508.2	17,773.3	15,413.5
Insurance contract assets	1,181.9	1,160.3	-
Reinsurance contract assets	121.0	28.5	-
Debt instruments as financial assets at amortized cost	1,362.1	55.2	-
Financial assets at fair value through other comprehensive income	11,274.9	11,384.1	12,111.0
Financial assets at fair value through profit or loss	60,490.7	53,742.6	42,428.2
Derivative financial instruments	214.9	287.8	91.9
Inventories	289.0	239.6	170.0
Trade and other receivables	9,527.1	9,375.6	14,816.6
Investments related to unit-linked contracts	8,876.9	8,940.1	8,649.2
Cash and bank balances	20,070.5	19,255.9	13,452.6
Total assets	162,748.9	154,505.1	140,067.0
EQUITY			
Share capital	3,911.9	3,910.5	3,911.1
Reserves	41,923.8	41,427.6	44,544.9
Shareholders' funds	45,835.7	45,338.1	48,456.0
Perpetual capital securities	2,099.2	10,353.6	10,528.5
Non-controlling interests	71.2	50.8	50.1
Total equity	48,006.1	55,742.5	59,034.6
LIABILITIES			
Deferred tax liabilities	1,377.9	1,412.5	1,514.3
Insurance contract liabilities	62,299.9	56,414.4	41,012.0
Reinsurance contract liabilities	-	12.2	56.1
Financial liabilities related to unit-linked contracts	4,222.8	4,424.6	4,603.3
Borrowings and other interest-bearing liabilities	34,419.5	23,796.9	23,590.9
Derivative financial instruments	281.6	216.6	172.7

	As at 31 December 2023	As at 30 June 2023	As at 1 July 2022
	HK$ million *(Unaudited but reviewed)*	*HK$ million* *(Restated)*	*HK$ million* *(Restated)*
Trade and other payables	10,819.6	10,819.6	8,289.4
Lease liabilities	849.2	963.4	1,124.7
Taxation	472.3	702.4	669.0
Total liabilities	114,742.8	98,762.6	81,032.4
Total equity and liabilities	162,748.9	154,505.1	140,067.0

Adoption of HKFRS 17 "Insurance Contracts"

HKFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and replaced the previous HKFRS 4 "Insurance Contracts" ("**HKFRS 4**"). Under HKFRS 17, a comprehensive model (general measurement model) is introduced to measure insurance contracts based on the estimates of the present value of future cash flows with a risk adjustment (the fulfilment cash flows) and the unearned profits (the contractual service margin ("**CSM**")). The fulfilment cash flows are the current estimates of the future cash flows that the Group expects to collect from premiums and payout for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts. The CSM represents the estimate of unearned profits of the insurance contracts, and is systematically recognized in insurance revenue based on the services provided over the coverage period of the insurance contract.

Transition

The Group adopted HKFRS 17 on 1 July 2023 (i.e. the date of initial adoption) and has applied the full retrospective approach on transition to all contracts issued on or after 1 July 2022 (i.e. the transition date). For contracts issued prior to 1 July 2022, fair value approach was applied as obtaining reasonable and supportable information to apply the full retrospective approach was impracticable without undue cost or effort (e.g. assumptions that would have been made in an earlier period and information is only available at higher levels of aggregation).

Under fair value approach, the Group determined the CSM to be the difference between the fair value of a group of insurance contracts, and its fulfilment cash flows at 1 July 2022. The fair value of an insurance contract is the price that a market participant would be willing to pay to assume the obligation and the remaining risks of the in-force contracts as at the transition date. Assumptions about expected future cash flows and risk allowances to determine the fair value of the insurance contracts were adjusted for the market participant's view, as required by HKFRS 13 "Fair Value Measurement". The entire amount of the CSM of the Group at 1 July 2022 are attributable to the insurance contracts applying the fair value approach.

Redesignation of financial assets at the date of initial application of HKFRS 17

The Group has adopted HKFRS 9 "Financial Instruments" before 1 July 2023. In accordance with HKFRS 17, the Group reassessed its business models for managing financial assets and redetermined the classification of financial assets if they are connected with contracts within the scope of HKFRS 17 at the date of initial application of HKFRS 17 on 1 July 2023. The Group has applied the classification overlay for the purpose of presenting comparative information. The classification overlay is based on how the Group expected the financial assets would be designated at the date of initial application of HKFRS 17.

The following table presents the carrying amount of financial assets by measurement categories before and after the date of initial application of HKFRS 17 on 1 July 2023.

	As at 30 June 2023	Adjustments	As at 30 June 2023	Adjustments	As at 1 July 2023
	HK$ million *(Previously stated)*	*HK$ million*	*HK$ million* *(Restated)*	*HK$ million*	*HK$ million* *(Restated)*
Debt instruments as financial assets at amortized cost	6,895.0	(6,839.8)	55.2	1,299.6	1,354.8

	As at 30 June 2023	Adjustments	As at 30 June 2023	Adjustments	As at 1 July 2023
	HK$ million (Previously stated)	*HK$ million*	*HK$ million (Restated)*	*HK$ million*	*HK$ million (Restated)*
Financial assets at fair value through other comprehensive income	43,174.3	(31,790.2)	11,384.1	(2,787.7)	8,596.4
Financial assets at fair value through profit or loss	15,002.6	38,740.0	53,742.6	1,767.1	55,509.7

Debt instruments are reclassified to fair value through profit or loss ("**FVPL**") out of fair value through other comprehensive income ("**FVOCI**") or amortized cost categories and equity instruments are reclassified to FVPL out of FVOCI category as for eliminating accounting mismatch on connected insurance contract liabilities.

Debt instruments are reclassified to amortized cost out of FVOCI category as a result of reassessment on their business model on the basis of facts and circumstances that exist at 1 July 2023.

<u>*Overall effect on adoption of HKFRS 17*</u>

The Group has applied the transition provisions in HKFRS 17 and has not disclosed the impact of the adoption of HKFRS 17 on each financial statement line item. The following tables show the impact on adoption of HKFRS 17 on total equity of the Group.

	As at 30 June 2022	Adjustments	As at 1 July 2022
	HK$ million (Previously stated)	*HK$ million*	*HK$ million (Restated)*
Total equity	53,887.1	5,147.5	59,034.6

	As at 30 June 2023	Adjustments	As at 1 July 2023
	HK$ million (Previously stated)	*HK$ million*	*HK$ million (Restated)*
Total equity	50,141.1	5,880.4	56,021.5

HKFRS 17 significantly reduces the accounting mismatch between financial assets and insurance contract liabilities, with mechanisms to adjust insurance contract liabilities considering market fluctuation from assets. As a result, insurance contract liabilities under HKFRS 17 were significantly reduced when compared with the previous HKFRS 4 basis, leading to the increase in total equity upon transition.

In addition, deferred acquisition costs, value of business acquired for insurance contracts (and the related deferred tax liabilities) as well as other receivables and payables under previous accounting practices including premium receivable, policy loans and payable to policyholders are derecognized on transition date and are remeasured in the insurance contracts liabilities under HKFRS 17. Insurance and investment contracts liabilities (including unit-linked contracts) under previous accounting practices are also reassessed if they meet the definition of insurance contracts under HKFRS 17, which are recalculated with the new measurement models.

Owing to the adoption of HKFRS 17, the Group will present the restated comparative financial information for FY2023 in the consolidated financial statements of the Guarantor as at and for the year ended 30 June 2024. See "*Recent Developments*".

The unaudited financial information below for the years ended 30 June 2023 and 30 June 2022 and for the six months ended 31 December 2023 and 31 December 2022 may not be directly comparable. Potential investors should also exercise caution when making comparisons of any financial figures before and after the adoption of HKFRS 17 when evaluating the Group's financial condition and results of operations.

Other unaudited financial information

	For the six months ended 31 December		For the year ended 30 June	
	2023	**2022**	**2023**	**2022**
	HK$ million	*HK$ million* *(Restated)*	*HK$ million*	*HK$ million*
Adjusted EBITDA[1]	3,727.3	2,588.2	6,565.9	6,792.5

Note:

(1) The Group's adjusted earnings before interest, taxes, depreciation and amortization ("**Adjusted EBITDA**") for the years ended 30 June 2023 and 30 June 2022 and for the six months ended 31 December 2023 and 31 December 2022 which have not been audited or reviewed by PricewaterhouseCoopers.

Adjusted EBITDA is a non-HKFRS measure of the Group's operating profitability and is calculated as operating profit excluding depreciation/amortization and other non-cash items, plus dividends received from associated companies and joint ventures, and any other relevant adjustments. Although Adjusted EBITDA is not a standard measure under HKFRS, it is a widely used financial indicator of a company's ability to service and incur debt. Adjusted EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the Group's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. Adjusted EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating Adjusted EBITDA, the Group believes that investors should consider, among other things, the components of Adjusted EBITDA and the amount by which Adjusted EBITDA exceeds capital expenditures and other charges. Investors should not compare the Group's Adjusted EBITDA to the adjusted EBITDA presented by other companies because not all companies use the same definition.

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information in this Offering Circular, including but not limited to the risks and uncertainties described below. The Group's business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. Additional risks and uncertainties not presently known to the Group or which the Group currently deems immaterial may arise or become material in the future and may have a material adverse effect on the Group, including on the ability of the Issuer or the Guarantor to fulfil their respective obligations under the Notes or the Guarantee of the Notes.

Each of the Issuer and the Guarantor believes that the following factors may affect its ability to fulfil its obligations under the Notes. In addition, factors that are material for the purpose of assessing the market risks associated with the Notes are also described below. These factors are contingencies that may or may not occur, and neither Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring. The information below is given as of the date of this Offering Circular and will not be updated after the date hereof, and is subject to the reservations in the section headed "Forward-looking Statements" in this Offering Circular. Sub-headings are for convenience only and risk factors that appear under a particular sub-heading may also apply to one or more other sub-headings.

Risks Relating to the Group and its Businesses

The Group is principally engaged in the development of, investment in and/or operation of toll roads, insurance, logistics, construction and facilities management businesses primarily in Hong Kong and the Mainland.

Roads

The Group's road segment is engaged in the management and operation of a wide range of roads projects in the Mainland. Revenue from the Group's toll roads is principally dependent upon the number and types of vehicles using such roads and their applicable toll regimes. Traffic volume is directly and indirectly affected by a number of factors, such as the availability, quality, proximity and toll rate differentials of alternative roads, competition from new roads and other means of transport, fall-behind-schedule development in the peripheral areas such as the opening of connecting interchanges, fuel prices and suspension of operation due to material accidents. The Group's operating results may also be affected by capital expenditure requirements for ongoing repair, maintenance, renewal and expansion of the toll roads. In view of these risks, the Group has established effective internal control systems on toll collection, repair, maintenance and capital expenditure investment. By making use of advanced technology, the Group is able to optimise the traffic capacity of the roads. Although there may be uncertainties brought about by changes in government policies, such as the review of toll rates by the PRC government, including, for example, the toll fee discount for travelling at designated time zone of certain expressways imposed by the PRC government to enhance efficiency and utilisation of toll roads in the PRC, the Group strives to maintain good communication with the government authorities and negotiate with government authorities for compensation or financial support in relation to major governmental policies impacting toll revenue. The Group also actively explores opportunities provided by the national development strategies such as Guangdong-Hong Kong-Macao Greater Bay Area. The operation of toll roads is also dependent on natural factors, such as the occurrence of natural disasters and adverse weather, which are beyond the control of the Group. In view of these risks, the Group has adopted climate resilient materials and carried out regular inspection and maintenance works. Contingency plans and internal procedures have also been formed in case of adverse weather. Notwithstanding such measures, there can be no assurance that the operation of the Group's roads projects will not be adversely affected by the aforementioned factors, which may in turn adversely affect the results and operations of the Group's roads business.

The ability of the Group's roads business to evaluate and assess the profitability of potential road projects is also impacted by the uncertainty of traffic flow in an operating area. Factors affecting traffic flow include but are not limited to the economic activities of the area, traffic control policies and roads network planning by the government, and the existence of competing roads. Although the Group's roads business endeavours to conduct detailed studies on targeted areas such as economic growth, transportation needs and traffic forecast by professional bodies, and also adopts a holistic review mechanism in relation to the reasonableness of financial assumptions used in investment models, there can be no assurance that the actual results will not differ significantly from those assumptions and estimates or that unexpected changes from the external environment will not occur, which may affect the project profitability and result in deviation from the desired return of investment and in turn, adversely affect the results and operations of the Group's road business.

Insurance

The Group's insurance segment provides a comprehensive range of life insurance products, accidents and health products to individual and institutional clients from a diverse portfolio.

The Group's insurance business faces intense competition. The ability of the Group's insurance business to compete is driven by a number of factors, including premiums charged, product features, investment performance, scale, experience, distribution, reputation and actual or perceived financial strength. The insurance and investment product markets are constantly evolving in response to shifts in the preferences of customers, changes in regulation and technological developments, and the Group's insurance business must respond appropriately and in a timely manner to these changes to remain competitive. For example, during the coronavirus ("**COVID-19**") pandemic, resident customers have avoided face-to-face meetings as a precautionary measure and non-resident customers have not been able to travel to Hong Kong to purchase life insurance policies, and the trend of digital transformation has since accelerated. Any such change in customer preferences, regulations, industry standards or other competitive factors may require the Group's insurance business to re-evaluate its business model and to adopt significant changes to its strategies and business plan. Inability to adapt to these changes could have a material adverse effect on the business, financial condition and results of operations of the Group's insurance business.

The Group's insurance business is affected by the macro-environment, including wider social, economic, political, regulatory, competitive or technological trends and the outbreak of severe communicable diseases and pandemics such as the COVID-19 pandemic. The occurrence of contingent events that have a significant impact, such as sharp declines in customer income due to a severe deterioration in economic conditions, radical changes in relevant government policies, loss of customer confidence in the insurance industry due to the weakening of the financial strength of one or more insurance companies, or the severe weakening of the financial strength of the Group's insurance business, may trigger higher surrenders of insurance policies. In such circumstances, the Group's insurance business may be required to dispose of its investment assets, possibly at unfavourable prices, in order to make the significant amount of surrender payments, which could materially and adversely affect the business, financial condition and results of operations of the Group's insurance business. Difficult macroeconomic conditions could also reduce demand for the products and services of the Group's insurance business, reduce the returns from, or give rise to defaults or losses in, the investment portfolio of the Group's insurance business, and otherwise have a material adverse effect on the business, financial condition and results of operations of the Group's insurance business. If interest rates increase further in the future, surrenders and withdrawals of insurance policies and contracts may increase as policyholders seek other investments with higher perceived returns. This process may result in cash outflows and may require the Group to sell investment assets at a time when the prices of those assets are adversely affected by the increase in market interest rates, which may result in realised capital losses. Any economic instability or downturn in the global economy and any sustained volatility in the global financial markets is likely to have a negative impact on the insurance sector over time and may consequently have a negative impact on the business, financial condition and results of operations of the Group's insurance business.

The performance of the Group's insurance business is also affected by misconduct behaviour or fraud of its agents and brokers. Such misconduct or fraud may include violation of laws, misrepresenting the features of products or misappropriation of client funds. Although the Group established the relevant governance and mechanism to prevent, detect and monitor misconduct and fraud issues as well as provides corresponding training and guideline to agents or partners, there is no assurance that measures adopted by the Group will detect and deter such misconduct or fraud, and there is no assurance that any such misconduct or fraud would not have a material adverse effect on the reputation, business, financial condition and results of operations of the Group's insurance business.

The Group's insurance business is highly regulated and changes to regulation of its businesses or failure to comply with such regulations or applicable solvency ratios and capital requirements may adversely affect the financial condition and results of operations of the Group's insurance business. The Group's insurance business is subject to laws, rules and regulations across all aspects of its business. In particular, the solvency ratio of the Group's insurance business is affected by a number of factors, including the profit margin of its products, returns on its assets and investments, interest rates, underwriting and acquisition costs, and policyholder and shareholder dividends. Failure to comply with any applicable laws, rules and regulations, applicable solvency ratio and capital requirements and international prudential frameworks, including as a result of changes to rules and regulations or the changing interpretation thereof by relevant regulators, could result in fines, suspension of business licences or, in extreme cases, business licence revocation, each of which would have adversely impact the business, financial condition and results of operations of the Group's insurance business. In order to comply with applicable solvency ratio and capital requirements, the Group's insurance business may need to raise or inject additional capital to meet its solvency ratio and capital requirements and/or change its business strategy, including the types of products it sells, rate of growth of its business and its capital management, which could also have a material adverse effect on the business, financial condition and results of operations of the Group's insurance business.

A reduction or perceived reduction in the reputation or financial strength of the Group's insurance business could result in a loss of business and adversely affect its results of operations. Policyholders' and other counterparties' confidence in the financial strength of an insurance company may be affected by any actual or perceived reduction in the financial strength of the Group's insurance business, whether due to a credit rating downgrade of the Group's insurance business, a significant reduction in the solvency ratio of the Group's insurance business or some other factor. This could in turn result in, increased policy surrenders, an adverse impact on new sales, increased pricing pressure on products and services, increased borrowing costs and loss of support from distributors and counterparties such as reinsurers, which could all materially and adversely affect the business, financial condition and results of operations of the Group's insurance business.

Logistics

The Group's logistics segment engages in the operation of logistics centres and a pivotal rail container terminal network. The operation of these logistics facilities in the Mainland and Hong Kong may be adversely affected by many factors, such as changes in government regulation and policy, inclement weather, aging of facilities, market competition and the general downturn of the logistics sector. Income received from rental incomes of the logistics centres and facilities may be adversely affected by many factors, such as increase in warehouse supply, slowdown in the domestic and international economic activities and changes in government policies. A high vacancy rate in some of the cities' surrounding areas in the Mainland has further intensified competition in the warehouse leasing markets. The Group's logistics segment focuses on the sustainability of the logistics business through proactive leasing strategies and diversification of customers' portfolio. The Group also implements comprehensive risk management strategies to maintain resilience in face of economic uncertainties. Notwithstanding these initiatives, the Group's logistics segment may not be able to effectively mitigate the aforementioned risks, any of which could have a material adverse effect on the business, results of operations and financial position of the Group's logistics business.

Furthermore, warehouse leasing businesses of the Group's logistics businesses may be affected by credit risks, particularly in the uncertain economy. While the Group has implemented credit control measures such as close monitoring of rental arrears, outstanding receivables, upfront rental deposit and tenants' credit review, there can be no assurance that such credit control measures will be able to effectively mitigate the aforementioned risks, any of which could have a material adverse effect on the business, results of operations and financial position of the Group's logistics business.

Construction

The Group's construction segment provides professional design, piling and foundation, site investigation, civil engineering, management services, and construction services to a wide range of private clients (including developers), institutions and government in Hong Kong.

The government construction projects of the Group's construction segment are affected by government investment plans and its ability to secure funding approvals from the legislature. Its private sector projects may be adversely affected by the downturn and slowdown in any of the industries served by the Group's construction segment, leading to a decrease in potential construction projects as well as project delays or cancellations. The macro-environment, including but not limited to, fluctuations in mortgage and interest rates, inflation, demographic trends, epidemics and pandemics, socio-political and geopolitical trends, rivalry among competitors, supply of skilled labour and material prices, may also impact the performance and growth of the Group's construction business. Negative public perception of the construction quality and structural safety of certain construction projects in Hong Kong by property developers and contractors may also have a negative impact on the construction industry as a whole, which may result in higher costs and slower construction rates and in turn, adversely affect the results and operations of the Group's construction business.

Construction site related incidents, including accidents affecting the health and safety of employees and workers and substandard product quality could severely affect business operations and reputation. As the number of occupational fatalities have remained at a high level in recent years, the Labour Department of the Government of the Hong Kong Special Administrative Region has submitted proposals to the Legislative Council of the Government of the Hong Kong Special Administrative Region, including to increase the penalties of occupation safety and health legislation in Hong Kong to strengthen the deterrent effect of the penalties. The Group's construction business adopts mitigating measures in respect of construction market trend monitoring, cost control and quality improvement and project selection and diversification. The Group's construction business also implements strict health and safety measures, supplemented with periodic training and safety performance assessment by independent consultants. Furthermore, the Group's construction business has a steadfast commitment to product quality, with the application of a quality management system and the adoption of various construction technologies, such as Building Information Modelling. Notwithstanding such measures, there can be no assurance that the Group's construction projects will not be adversely affected by the aforementioned factors, which may in turn adversely affect the results and operations of the Group's construction business.

The Group's construction business mainly engages consultants and sub-contractors to provide various services including design, construction, piling and foundation, site investigation, civil engineering, building and property fitting-out work, interior decoration, installation of air conditioning units and elevators, etc. There is no assurance that the services rendered by any consultant or sub-contractor engaged by the Group's construction business will be satisfactory. The Group is also exposed to the risk that consultants and sub-contractors may require additional capital to complete an engagement in excess of the price originally tendered and the Group's construction business may have to bear additional costs as a result. In addition, although the Group provides career development programmes to its employees and expands recruitment to overseas candidates to attract and retain experienced personnel, there is no assurance that the Group will be able to retain or attract talent due to talent competition and decrease talent pool as a result of ageing of workforce in construction businesses.

The proposed inclusion of new contract clauses for security of payment in government projects may lead to unnecessary dispute and proceedings with certain consultants and sub-contractors, which may in return increase the cost of operation of the Group's construction business.

Furthermore, if credit facilities provided by banks become less readily available, there is a risk that the Group's major consultants and sub-contractors may experience financial or other difficulties which may affect their ability to discharge their obligations, thus delaying the completion of the Group's projects and/or resulting in additional costs for the Group. The timely performance by these consultants and sub-contractors may also be affected by natural and human factors such as natural disasters, adverse weather, strikes and other industrial or labour disturbances, terrorists, government-imposed constraints, civil disturbances, accidents or breakages of machinery or equipment, failure of suppliers, interruption or delays in transportation, all of which are beyond the control of the Group. Any of these factors could adversely affect the business, financial condition and operating results of the Group's construction business.

Construction costs are one of the main components of the cost of sales of the Group. Construction costs encompass all costs for the design and construction of a project, including payments to consultants and sub-contractors, costs of construction materials, foundation and substructure, fittings, facilities for utilities and related infrastructure such as roads and pipelines and costs related to industrial safety and environmental protection, etc. The general economic trend of increased inflationary risk may have an impact on the construction costs and a wider impact on other costs of the Group's construction business. Historically, construction material costs, labour costs and sub-contracting cost have been the principal driver of the construction costs of the Group's construction business projects. In recent years, the price of commodities (including fuel, steel, other metal, concrete, timber and glass) has been highly volatile and associated construction material prices have shown fluctuating trends both in the domestic and the international markets. The Group manages the price fluctuation, among other things, by procurement of principal construction materials, such as steel and concrete, for the Group's construction business projects at pre-determined prices to the extent practicable to cover the demands of contracts or projects awarded. Besides, these fluctuating trends in prices may create availability constraints and may also have an adverse impact on the production schedule and costs of the Group's construction business.

Construction costs may also fluctuate as a result of the price of outsourced construction work, although some of the building material price fluctuations may be passed through to the clients with cost plus contracts. The Group manages the cost of outsourced construction work through a process of tenders. However, should existing consultants or sub-contractors fail to perform under their contracts, the Group's construction business may be required to pay more to consultants or sub-contractors under replacement contracts. Therefore, the profit margin of the Group's construction business is sensitive to changes in the market prices for construction materials and failure by contractors to perform their contracts and such profit margins will be adversely affected if the Group's construction business cannot pass all of the increased costs onto its customers.

Facilities Management

The Group's facilities management segment manages exhibition centres in the Mainland and Hong Kong, operates a chain of free duty retail stores, a hospital and provides medical and clinical healthcare services in Hong Kong.

The Group's facilities management of HKCEC may be adversely affected by factors such as social incidents, pandemics, space constraints, fierce competition from other exhibition venues in Hong Kong, Shanghai, Shenzhen and other major Asian cities, continuous increase in operating costs, inadequate supply of skilled service staff and the changing needs for trade shows and exhibitions. Costs of operation may also be impacted by any change in laws and regulations applicable to the HKCEC or other businesses of the Group, such as any change in cybersecurity regulations which imposes additional monitoring and system security related requirements. The Group's facilities management business continues to explore new exhibition themes and attract international exhibitions and conferences to Hong Kong during off peak seasons. A wide range of effective cost control initiatives are established to reduce the risk of rising cost of operation. The Group has also implemented a range of measures to attract talent and reduce talent loss, such as regular review of remuneration package and job secondment or rotation policies to enhance employees' career development. Notwithstanding such measures, there can be no assurance that the results and operation of the Group's facilities management business will not be adversely affected by the aforementioned factors.

The Group's free duty business may be adversely affected by changes in government policies relating to domestic and cross-border duties on liquor and tobacco. Revenue of the Group's free duty business is dependent upon the volume and spending power of cross border tourists and travellers, any significant changes in travel policies, an epidemic or pandemic and/or activities due to socio-political or other developments, may affect the footfall in the retail outlets and cause fluctuations in the revenue of the Group's free duty business. There can be no assurance that the operation of the Group's free duty business will not be adversely affected by the aforementioned factors.

The Group's facilities management of GHK Hospital, is subject to extensive government regulations and media and public scrutiny. Any failure to comply with laws and regulations and safety and care requirements could adversely affect the business, results and reputation of the Group's facilities management business. Additionally, doctors and other medical professionals, together with the Group, could become the subject of claims, complaints and regulatory investigations arising from service failures or medical disputes.

As a hospital offering many specialties, GHK Hospital faces and closely monitors its clinical and safety risks. To ensure proper competency and experience of its doctors, GHK Hospital has applied a strict accreditation system through its medical board. The medical board is chaired by and mainly composed of appointees from the Li Ka Shing Faculty of Medicine of The University of Hong Kong, GHK Hospital's clinical partner. There are regular competency assessments and ongoing training for medical and nursing staff. A clinical governance committee is set up to regularly review the clinical quality risks and mitigation measures. Various committees and task forces such as Medication Safety Committee and Patient Fall Prevention Task Force are established to specifically deal with the major clinical risks identified. The Group's healthcare business is subject to competition from other healthcare services providers for qualified medical professionals. Continuous and focused recruitment, together with retention and training/development programmes are in place to ensure the availability of sufficient qualified and skilled professionals needed for the delivery of high standard clinical services. Notwithstanding such measures, there can be no assurance that the operation of GHK Hospital will not be adversely affected by the aforementioned factors, which may in turn adversely affect the results and operations of the Group's healthcare business.

Strategic Investments

The Group invests in the stock and capital markets through investments in, among other things, equities, bonds, private equity funds and pre-IPO financing of companies in a variety of businesses and industries. These investments are affected by factors particular to the specific industries as well as external and global factors, including but not limited to the performance of global financial markets which are generally sensitive to economic conditions, investment sentiment and fluctuations in interest rates. In view of these risks, the Group adopts careful and pragmatic investment strategies and maintains a balanced and diversified portfolio to manage the risks effectively. Notwithstanding such measures, there can be no assurance that the Group's investments will not be adversely affected by the aforementioned factors, which may in turn adversely affect the results and operations of the strategic investments business and therefore the Group.

Risks relating to accidents or other hazards

The Group maintains insurance coverage in respect of the properties under construction, third party liabilities and employer's liabilities, being the contractor all-risks insurances and employee compensation insurances, which are in accordance with what it believes to be in line with industry standards. However, the Group may become subject to liability for hazards which it cannot insure against or which it may elect not to insure against because of high premium costs or other reasons. In particular, the Group's insurance policies generally do not cover certain types of losses incurred due to hazards such as war, civil disorder, acts of terrorism, and other natural disasters. Any such losses may significantly affect the Group's business operation and the Group may not have sufficient funds to replace any property destroyed as a result of such hazards. In addition, any payments the Group makes to cover any losses, damages or liabilities could have a material adverse effect on its business, financial condition and operating results. Further, notwithstanding the Group's insurance coverage, any damage to the Group's buildings, facilities, equipment, or other properties as a result of occurrences such as fires, floods, water damage, explosions, power losses, typhoons and other natural disasters may have a material adverse effect on the Group's business, financial condition and operating results. In addition, extreme weather conditions, which are becoming more frequent, may cause significant damage to the Group's construction projects. Although these damages are typically covered by contractors-all-risk insurance, the premiums for such insurance policies are becoming increasingly expensive.

Furthermore, whilst every care is taken by the Group and its employees in the selection and supervision of its independent contractors, accidents and other incidents, such as theft, may occur from time to time. Such accidents or incidents may expose the Group to liability or other claims by its customers and other third parties. Although the Group believes that it has adequate insurance arrangements in place to cover such eventualities, it is possible that accidents or incidents could occur which are not covered by these arrangements. The occurrence of any such accidents or incidents which are not covered by insurance could adversely affect the business, financial condition and operating results of the Group. It is also possible that litigants may seek to hold the Group responsible for the actions of its independent contractors, which may in turn adversely affect the operating costs of the Group.

Risks relating to cyber-attacks or other security breaches of the Group's computer systems

The Group maintains confidential and proprietary information on its computer systems and relies on sophisticated technologies to maintain the security of such information. The Group's computer systems have been, and will likely continue to be, subject to computer viruses or other malicious codes, unauthorised access, cyber-attacks or other computer-related penetrations. Administrative and technical controls and other preventative actions taken by the Group to reduce the risk of cyber-incidents and protect the Group's information technology may be insufficient to prevent physical and electronic break-ins, cyber-attacks or other security breaches to its computer systems. Any such breaches could cause significant interruptions in the Group's operations, and the failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to its customers, could harm the Group's reputation, subject the Group to regulatory sanctions and legal claims, lead to a loss of customers and revenue and otherwise adversely affect the Group's business, financial condition or results of operations.

Legal and regulatory considerations

The operations of the Group are subject to various laws and regulations of Hong Kong, the Mainland and other jurisdictions in which the Group's operations are located. From time to time, changes in laws and regulations or the implementation thereof may require the Group to obtain additional approvals and licences from the relevant authorities for the conduct of its operations. In such event, the Group may incur additional expenses to comply with such requirements. This will in turn affect the Group's financial performance as its business costs will increase.

Furthermore, there can be no assurance that such approvals or licences will be granted to the Group promptly or at all. If the Group experiences delays in obtaining, or is unable to obtain, such required approvals or licences, this may have a material adverse impact on the business, financial condition or operating results of the Group.

Environmental liability exposure

Environmental protection is governed by environmental protection laws and a number of related laws and regulations covering air pollution, air quality, water and ocean pollution, noise pollution, and hazardous substances. Local governments are encouraged to supplement the central government's regulations with local regulations and standards to suit the local situations. In addition, joint venture enterprises may be subject to a number of regulations specifically applicable to infrastructure companies. Although these laws and regulations relate principally to pollution and hazardous substances, the Group's projects may still have an impact on the natural environment due to the presence of expressways and large-scale works involved in maintaining and repairing expressways.

The Group has established environmental protection systems to treat certain of its waste materials. The Group also believes that the environmental protection facilities and systems of its joint venture are adequate for it to comply with the applicable environmental protection regulations. However, there is no assurance that the authorities will not impose additional regulation in the future, which would require additional expenditure. Accordingly, there is no assurance that such laws and regulations regulating environmental protection will not change which may have an adverse impact on the Group's financial condition and operating results.

Outbreaks and spread of contagious diseases

The outbreak of an infectious disease such as the H5N1 virus or "Avian Influenza A", influenza A/H1N1 virus, Severe Acute Respiratory Syndrome, Ebola, Middle East Respiratory Syndrome and COVID-19 in the Mainland, Hong Kong, Southeast Asia and/or other parts of the world, together with any resulting pandemic-containment measures, including restrictions on travel including restrictions on travel or movement, imposition of lockdowns or quarantines, social distancing requirements and/or mandatory suspension of business operations, could have a negative impact on the economy and business activities and could thereby adversely impact the Group's business, financial condition and operating results.

If travel restrictions are imposed, both locally and cross-border, traffic volumes may be adversely affected and result in lower revenues for the Group's various businesses, including roads, insurance, construction, and facilities management. For instance, toll fee exemption for vehicles travelling on all toll roads in the Mainland was implemented from 17 February 2020 to 5 May 2020 during the COVID-19 pandemic, which in turn affected the business operations, financial condition and operating results of the Group's roads segment.

In addition, there have been sporadic outbreaks of the H5N1 virus or "Avian Influenza A" among birds, in particular poultry, as well as some isolated cases of transmission of the virus to humans. There have also been outbreaks among humans of the influenza A/H1N1 virus globally. There can be no assurance that there will not be a serious outbreak of another contagious disease in Hong Kong or the Mainland in the future, or that the precautionary measures taken in response to such contagious disease, would not disrupt the operations and business of the Group. If such an outbreak were to occur, it may have a material adverse impact on the business, financial condition or operating results of the Group.

External risks

A natural disaster, catastrophe or other event could result in severe personal injury, property damage and environmental damage, which may curtail the Group's operations, cause delays in estimated completion dates for projects and materially adversely affect its cash flows and, accordingly, adversely affect its ability to service debt. The Group's operations are based in jurisdictions which are exposed to potential natural disasters including, but not limited to, typhoons, storms, floods, tsunami and earthquakes. If any of the Group's developments are damaged by severe weather or any other disaster, accident, catastrophe or other event, the Group's operations may be significantly interrupted.

Market sentiments are affected by adverse conditions such as inflationary pressures from rising food and commodity prices and the expected increase in demand and cost of oil, on the back of political unrest in the Middle East.

The occurrence or continuance of any of these or similar events could increase the costs associated with the Group's operations and reduce its ability to operate its businesses at their intended capacities, thereby reducing revenue. Risks of substantial increases in costs and liabilities are inherent in the Group's principal operations and there can be no assurance that significant additional costs and liabilities will not be incurred, including those relating to claims for damages to property or persons.

Global economic factors

Economic developments inside and outside Hong Kong and the Mainland could adversely affect different business sectors in Hong Kong and the Mainland. The global economic slowdown and turmoil in the global financial markets beginning in the second half of 2008 had, and continue to have, a negative impact on the global economy. In 2011, the global economy was overshadowed by the wide-ranging and complex effects arising from the worsening European sovereign debt crisis, the continued slow recovery of the United States economy and the escalating political instability in the Middle East and North Africa. More recently, the uncertainty arising from the ongoing military conflict between Russia and Ukraine and Israel and Palestine, China-United States tensions, the political instability in the Korean Peninsula, a slump in commodity prices, fears of a slowdown in the PRC economy and interest rate adjustments in the United States have resulted in instability and volatility in the capital markets. Furthermore, fears over a trade war between the United States and the PRC, with the United States imposing tariffs on PRC products from July 2018 and retaliatory tariffs imposed by the PRC, have caused greater volatility in global markets. Additionally, the EU-UK Trade and Cooperation Agreement which was reached on 24 December 2020 and came into force on 1 May 2021 may lead to further developments in global markets. These events have had and continue to have a significant adverse impact on the global credit and financial markets as a whole.

Any deterioration in the financial markets may contribute to a slowdown in the global economy, including in the growth forecasts, and may lead to significant declines in employment, household wealth, consumer demand and lending. In addition, changes in the global credit and financial markets have recently significantly diminished the availability of credit and led to an increase in the cost of financing. The Group may face difficulty accessing the financial markets, which could make it more difficult or expensive to obtain funding in the future. There can be no assurance that the Group will be able to raise finance at a reasonable cost. Moreover, if conditions worsen or a global crisis recurs, this may adversely affect the availability, terms and cost of borrowing in the future, including any financing necessary to fund the Group's capital expenditures or future acquisitions. Any disruption in the Group's ability to renew existing credit facilities or obtain new borrowings on acceptable terms may adversely affect its financial condition and cash flows as the Group relies on bank borrowings for a portion of its working capital and capital expenditure requirements. There can be no assurance that the Group will be able to raise finance at a reasonable cost. In addition, Hong Kong stock market prices have experienced significant volatility which may continue to affect the value, and any return from the sale, of the Group's investments in companies listed on the Hong Kong Stock Exchange or any other stock exchange.

Tariff determination

Tariff and fees charged by the Group for its toll roads and rail container terminal network are set by the various government authorities. Factors that these government authorities take into account when considering rate changes may include construction costs, prospective recovery periods of investment, loan repayment terms, inflation rates, operating and maintenance costs, affordability and usage. Reductions in or cessation of tariffs and fees charged by the Group's projects may adversely affect the Group's operating results. To mitigate these risks, the Group maintains close communication with the government authorities and monitors any changes in the relevant policies. While the relevant government authorities have in the past approved applications for tariff and service fee increases made by the Group's projects, there can be no assurance that the relevant local authorities will approve any future request in a timely manner or at all or that the relevant local authorities or any other governmental authority will not at any time request a tariff or service fee reduction. Reductions in or cessation of tariffs, toll rates or concession period may adversely affect the Group's operating results.

Limited availability of funds

The Group's businesses may require substantial capital investment, particularly for its infrastructure-related businesses. The Group has historically required, and expects to continue to require, additional external financing to fund working capital and capital expenditures, to support the future growth of its business and/or to refinance existing debt obligations. The Group's ability to arrange external financing and the cost of such financing are dependent on numerous factors, including general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investor confidence in the Group, success of its businesses, provisions of tax and securities laws that may be applicable to the Group's efforts to raise capital and political and economic conditions in Hong Kong and the Mainland.

There can be no assurance that additional financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on favourable terms. Any increase in interest rates would increase the cost of borrowing and could adversely affect the Group's operating results.

Joint venture risks

Co-operation and agreement among the Group and its joint venture partners on its existing or any future projects is an important factor for the smooth operation and financial success of such projects. The Group's joint ventures are subject to risks associated with the possibility that the joint venture partners may: (i) have economic or business interests or goals that are inconsistent with those of the Group; (ii) be unable or unwilling to fulfil their obligations under the relevant joint venture or other agreements; or (iii) experience financial or other difficulties. While the Group has, in most cases, through contractual provisions and/or appointment of representatives, the ability to control or influence most material decisions relating to its joint ventures, the Group may not be able to control the decision-making process of the joint ventures at all times without the support of the joint venture partners and, in some cases, it does not have majority control of the joint venture. Although the Group does not currently experience any significant problems with its joint venture partners, no assurance can be given that disputes among the Group and its joint venture partners or among the partners will not arise in the future that could adversely affect such projects.

Concession, franchise and licence risks

The Group operates and manages certain franchise businesses such as providing facilities services in respect of HKCEC and operating duty free tobacco and alcohol sales under franchise and licence agreements. The Group also has roads projects operating under concessions in the Greater China region. There can be no assurance that renewals of concession, franchise and licence periods can be obtained or that if renewed, that the terms of such concession, franchise and licence will not be on terms less favourable than currently obtained by the Group.

Control of NWS

With effect from 17 November 2023, Chow Tai Fook Capital Limited has become the ultimate holding company of NWS, and Chow Tai Fook Enterprises Limited ("**CTF Enterprises**") has become an intermediate holding company of NWS. New World Development Company Limited ("NWD"), of which CTF Enterprises is its substantial shareholder, was the ultimate holding company of the Company before 17 November 2023. As at 30 June 2024, CTF Enterprises is a private company indirectly owned as to approximately 81.03 per cent. by Chow Tai Fook Capital Limited ("**CTFC**"), a company which is held as to approximately 48.98 per cent. and approximately 46.56 per cent. by Cheng Yu Tung Family (Holdings) Limited ("**CYTFH**") and Cheng Yu Tung Family (Holdings II) Limited ("**CYTFH-II**") respectively. Both CYTFH and CYTFH-II are controlled by the family members of the late Dato' Dr. Cheng Yu Tung (the "**Cheng Family**"). The Cheng Family are therefore able to exert considerable influence over the management and affairs of NWS and its subsidiaries. As a result, transactions between NWS and other companies in which the Cheng Family has an interest may be subject to disclosure requirements under the Listing Rules and may also require approval from the shareholders of NWS. NWS will comply with the relevant requirements under the Listing Rules in respect of the transactions between the Group and NWD and its subsidiaries, and between the Group and CTF Enterprises and its subsidiaries.

Holding company structure

The Issuer is an indirect wholly owned subsidiary of NWS formed for the principal purpose of issuing senior notes and will on-lend the entire proceeds from the issue of the Notes to NWS. The Issuer does not and will not have any net assets other than such on-lent loans and its ability to make payments under the Notes depends on timely payments under such loans. In the event that NWS does not make such payments due to limitation in such loans or other agreements, lack of available cash flow or other factors, the Issuer's ability to make payments under the Notes may be adversely affected.

NWS' subsidiaries, joint ventures and associated companies are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to NWS

As a holding company, NWS depends on the receipt of dividends and the interest and principal payments on intercompany loans or advances from NWS' subsidiaries, joint ventures and associated companies to satisfy NWS' obligations, including NWS' obligations under the Guarantee of the Notes. The ability of NWS' subsidiaries, joint ventures and associated companies to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the constitutional documents of these companies, applicable laws and restrictions contained in the debt instruments of such companies. For example, the joint venture agreements or constitutional documents of NWS' joint ventures and associated companies generally require the votes of both joint venture partners to approve dividend distributions. NWS cannot assure that its subsidiaries, joint ventures and associated companies will have distributable earnings or will be permitted to distribute their distributable earnings to NWS as it anticipates, or at all. In addition, dividends payable to NWS by these companies are limited by the percentage of NWS' equity ownership in these companies. Further, if any of these companies raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to NWS to make payments on the Notes. These factors could reduce the payments that NWS receives from its subsidiaries, joint ventures and associated companies, which would restrict NWS' ability to meet its payment obligations under the Guarantee of the Notes.

Laws and regulations in the Mainland permit payment of dividends only out of accumulated profits as determined in accordance with China accounting standards and regulations, which may differ from profits determined in accordance with HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. NWS' subsidiaries, joint ventures and associated companies in the Mainland are also required to set aside a portion of their post-tax profits according to China accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. In addition, dividends paid by NWS' subsidiaries, joint ventures and associated companies in the Mainland to their non-Mainland tax resident enterprise parent ("**non-TRE parent**") will be subject to a 10 per cent. withholding income tax, unless there is a tax treaty between the Mainland and the jurisdiction in which the non-TRE parent is a tax resident, which specifically reduces such withholding income tax. Pursuant to a double tax avoidance arrangement between Hong Kong and the Mainland together with related implementation rules, if a non-TRE parent is a Hong Kong tax resident and directly holds a 25 per cent. or more interest in a Mainland tax resident enterprise for at least 12 consecutive months immediately prior to receiving the dividends, and the non-TRE parent qualifies as a beneficial owner of the dividend income, subject to certain other requirements in the Mainland, this withholding income tax rate may be lowered to 5 per cent. ("**tax treaty benefit**"). Under the prevailing tax regulations in the Mainland, the non-TRE parent should self-assess its eligibility to enjoy the tax treaty benefit on dividends; and if the non-TRE parent considers itself qualified for the tax treaty benefit, it can perform record filing and enjoy the treaty benefit directly, and retain the evidential documentation for subsequent examination by the in-charge Chinese tax bureau. The Mainland's tax authorities have the discretion to assess the applicable tax rate on a case-by-case basis with reference to the prevailing circulars and implementation rules issued by the State Taxation Administration of the PRC from time to time. NWS cannot provide assurance that the Mainland's tax authorities will grant approvals on the 5 per cent. withholding income tax rate on dividends received by NWS' subsidiaries in Hong Kong from NWS' investments in the Mainland. As a result of such factors, the Group could face difficulties in making payments required by the Notes or satisfying obligations under the Guarantee of the Notes.

Furthermore, in practice, the market interest rate that NWS' subsidiaries, joint ventures and associated companies in the Mainland may pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. The interest rates (if any) on shareholders' loans paid by NWS' subsidiaries, joint ventures and associated companies, therefore, may be lower than the interest rate for the Notes. NWS' non-Mainland tax resident subsidiaries are also required to bear a 10 per cent. (or 7 per cent., if the interest is paid by a Mainland tax resident to a Hong Kong tax resident) withholding income tax on the interest paid under any shareholders' loans. Regulations in the Mainland require approval by the State Administration of Foreign Exchange ("**SAFE**") before any of NWS' non-Mainland tax resident subsidiaries may make shareholders' loans in foreign currencies to NWS' subsidiaries, joint ventures or associated companies in the Mainland and require such loans to be registered with the SAFE. Prior to payment of interest or repayment of principal on any such shareholders' loan, NWS' subsidiaries, joint ventures or associated companies in the Mainland must present evidence of payment of withholding income tax on the interest payable and evidence of registration of loans with the SAFE, as well as any other documents that the SAFE or its local branch may require.

The implementation of new accounting standards with effect from 1 July 2023 renders the Group's historical financial information as of and for the years ended 30 June 2023 and 2022 and as of and for the six months ended 31 December 2023 and 2022 not directly comparable

With effect on accounting periods beginning on or after 1 July 2023, the Group has adopted a new accounting standard and certain amendments to standards (together, the "**New Standards**"). HKFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and replaced the previous HKFRS 4. The Group also changed the presentation of its condensed consolidated statement of financial position in Interim Financial Statements that provides relevant, comparable and understandable information to present all assets and liabilities in the order of liquidity in accordance with HKAS 1 "Presentation of Financial Statements", having taken into account the characteristics of insurance contracts and expectation on the scaling of assets and liabilities of its insurance business with the adoption of HKFRS 17 due to the capitalization of future profits in the contractual service margin as liabilities and natural business growth. Please refer to note 2 of the Interim Financial Statements for a detailed discussion on the impact of the adoption of the New Standards. The Group has restated the comparative figures in the Interim Financial Statements due to the adoption of HKFRS 17 and change in presentation above-mentioned. As a result, the Group's historical financial information as of and for the years ended 30 June 2023 and 2022 and as of and for the six months ended 31 December 2023 and 2022 may not be directly comparable. Investors must therefore exercise caution when making comparisons of any such data when evaluating the Group's financial condition and results of operations.

Financial and insurance risks

The Group's activities expose it to a variety of financial risks, including: market risk (interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk. The Group is also exposed to insurance risk relating to the activities of its insurance business.

(a) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. The Group's interest bearing assets on a floating rate basis mainly include cash deposits and amounts due from associated companies and joint ventures. The Group's borrowings on a floating rate basis will be affected by fluctuation of prevailing market interest rates and will expose the Group to cash flow interest rate risk. Cross currency swap contracts and interest rate swap contracts are used to hedge against part of the Group's underlying interest rate exposures.

The Group is also exposed to fair value interest rate risk mainly in relation to the bond investments classified as financial assets at FVOCI and derivative financial instruments. Fair value interest rate risk is the risk that the fair value of the future cash flows of the financial instruments will fluctuate because of changes in market interest rates.

The Group's interest risk policy requires it to manage the interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments.

Variable interest bearing financial assets and liabilities are mainly subject to an interest re-pricing risk of one year or below.

(b) Foreign exchange risk

The Group operates mainly in Hong Kong and the Mainland. Entities within the Group are exposed to foreign exchange risk from future commercial transactions and monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency.

The Group's foreign currency exposure arises from commercial transactions and monetary assets and liabilities that are denominated in foreign currencies other than its functional currency. The Group monitors and controls this foreign exchange risk by entering into foreign exchange forward contracts and cross currency swaps contracts to cover its major foreign currency exposure. Besides, the Group also manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and will consider entering into forward foreign exchange contracts and cross currency swaps contracts to reduce the exposure should the need arises.

(c) Price risk

The Group is exposed to securities price risk because the Group held listed and unlisted investments of which the fair value are subject to changes in market prices. Gains and losses arising from changes in the fair value of financial assets at FVOCI and FVPL are dealt with in other comprehensive income or consolidated income statement respectively. The performance of the Group's listed and unlisted investments are monitored regularly, together with an assessment of their relevance to the Group's strategic plans.

(d) Credit risk

The credit risk of the Group mainly arises from debt instruments, deposits with banks, trade, premium and other receivables and balances receivable from group companies, including amounts due from associated companies and joint ventures. The Group considers the probability of default from initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis by closely monitoring against established credit policies in each of its business.

Deposits with banks are mainly placed with high-credit-quality financial institutions and the balances are considered to be of low credit risk. Debt instruments are limited to financial institutions or investment counterparties with high quality. Aaa and AAA are the highest credit ratings in the Moody's and Standard & Poor's credit rating systems respectively. The Group classifies its investment in bonds below ratings of Baa3 and BBB- in the Moody's and Standard & Poor's credit rating systems respectively as non-investment grade bonds. As at 30 June 2023, the amount of the non-investment grade bonds held by the Group was approximately 2.0 per cent. of its invested assets, compared to 2.2 per cent. as at 30 June 2022.

For trade receivables, retention money receivables and contract assets in relation to provision of services and infrastructure operations, expected credit loss allowance had been provided under lifetime expected credit loss assessment on individual basis with reference to the historical credit loss experience with counterparties and ageing analysis, adjusted for forward-looking factors specific to the counterparties and the economic environment. There is no concentration of credit risk with respect to trade receivables, retention money receivables and contract assets from third party customers as the customer bases are widely dispersed in different industries.

In addition, the Group monitors the exposure to credit risk in respect of the financial assistance provided to associated companies and joint ventures through exercising joint control or influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis. The Group determines the probability of default and recovery rate based on the underlying financial information, the actual and expected changes in business performance and general market default and recovery rate. The Group has also considered the forwarding-looking information by incorporating a set of different economic scenarios.

(e) Liquidity risk

Prudent liquidity risk management includes managing the profile of debt maturities and funding sources, maintaining sufficient cash and marketable securities, and ensuring the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. It is the policy of the Group to regularly monitor current and expected liquidity requirements and to ensure that adequate funding is available for operating, investing and financing activities. The Group also maintains undrawn committed credit facilities to further reduce liquidity risk in meeting funding requirements.

The major liquidity risks the Group's insurance business confronts are the daily calls on its available cash resources in respect of claims arising from insurance and investment contracts and the maturity of debt instruments. The Group's insurance business manages liquidity through its liquidity risk policy which includes determining what constitutes liquidity risk and the minimum proportion of funds to meet emergency calls, the setting up of contingency funding plans, specifying the sources of funding and the events that would trigger the plan, specifying the concentration of funding sources, the reporting of liquidity risk exposures and breaches to the monitoring authority, monitoring the compliance with liquidity risk policy and the reviewing of liquidity risk policy for pertinence and changing environment.

(f) Asset liability management framework

In respect of the Group's insurance business, financial risks also arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risks that the Group's insurance business faces due to the nature of its investments and liabilities are interest rate risk and duration risk. The Group's insurance business manages these positions within an asset liability management ("**ALM**") framework that has been developed to achieve long term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of ALM is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. ALM also forms an integral part of the insurance risk management policy in order to ensure in each period sufficient cash flows are available to meet liabilities arising from insurance and investment contracts.

(g) Insurance risk

The Group's insurance business is in the business of insuring against the risk of mortality, morbidity, disability, critical illness, accidents and related risks. The Group's insurance business retains a maximum of U.S.$150,000 for each risk it insures, with the excess being reinsured through surplus treaties, coinsurance treaties, facultative reinsurance, catastrophe treaties and quota share arrangements with reputable international reinsurers. Consequently, total claims payable in any given year can be predicted with a higher degree of precision. As part of the quality control process, the Group's insurance business regularly invites reinsurers to audit its underwriting and claim practices and procedures, to ensure that it meets the highest industry standards.

Legislation enacted in the BVI as to Economic Substance may affect the Group's operations

Pursuant to the Economic Substance (Companies and Limited Partnerships) Act, 2018 of the BVI (the "**BVI ES Act**") that came into force on 1 January 2019, a "legal entity" carrying on "holding business" (which is one of the "relevant activities" as defined in the BVI ES Act and means purely holding equity participations in other entities and only earning dividends and capital gains), is required to establish economic substance in the BVI unless it is tax resident in another jurisdiction (which is not on Annex 1 to the EU list of non-cooperative jurisdictions for tax purposes). According to the BVI ES Act, a business company may be considered as outside the definition of "holding business" if it carries on any other business (for example, owns properties), even if part of its business is holding equity participants in other entities and earning dividends and capital gains.

To the extent any BVI company is a legal entity carrying on "holding business", such BVI company may need to comply with existing statutory obligations and it will need to have in the BVI adequate employees and premises for holding equitable interests or shares and, where it manages those equitable interests or shares, it will need to have adequate employees and premises for carrying out that management. To the extent that the Group is required to increase economic substance in the BVI to satisfy the requirements as set out in the BVI ES Act, it could result in additional costs that could adversely affect the Group's financial condition or results of operations. In the event that any of the Group's BVI companies is required to have economic substance in the BVI according to the BVI ES Act but fails to satisfy such requirements, such BVI companies may be liable to financial and other penalties in accordance with the BVI ES Act.

Risks Relating to the Mainland

Political, legal and economic risks

A significant portion of the Group's operations are located in the Mainland. NWS expects that the Group will make further investments in the Mainland, and that the Group's assets in the Mainland will continue to account for a sizeable share of its overall profit base. The trading and financial condition, operating results and future prospects of the Group depend to a large extent on the success of the Group's operations in the Mainland and are subject, to a significant degree, to the political and economic situation and legal developments in the Mainland.

The economy in the Mainland differs from the economies of most developed countries in many respects, including, but not limited to:

- extent of government involvement;
- level of development;
- growth rate;
- economic and political structure;
- control of foreign exchange;
- allocation of resources; and
- regulation of capital reinvestment.

While the economy in the Mainland has experienced significant growth in the past, growth has been uneven, both geographically and among the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall economy in the Mainland but may also have a negative effect on the Group's operations. For example, the Group's business and financial condition may be adversely affected by the government's control over capital investments or any changes in tax regulations or foreign exchange controls that are applicable to it.

The economy in the Mainland has been transitioning from a planned economy to a more market-oriented economy. For the past three decades, the PRC government has implemented economic reform measures emphasising the utilisation of market forces in economic development. However, the PRC government continues to play a significant role in regulating the development of industries in the Mainland by imposing top-down policies. It also exercises significant control over economic growth in the Mainland through the allocation of resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. There is no assurance that future changes in political, economic and social conditions, laws, regulations and policies in the Mainland will not have a material adverse effect on the Group's current or future business and financial condition.

The legal system in the Mainland is continuously evolving and laws in the Mainland may not be interpreted and enforced in a consistent manner

The legal system in the Mainland is a civil law system. Unlike the common law system, the civil law system is based on written statutes in which decided legal cases have little value as precedents. Since 1979, the PRC government has begun to promulgate a comprehensive system of laws and has introduced many new laws and regulations to provide general guidance on economic and business practices in the Mainland and to regulate foreign investment. Progress has been made in the promulgation of laws and regulations dealing with economic matters such as corporate organisation and governance, foreign investment, commerce, taxation and trade. The promulgation of new changes to existing laws and the abrogation of local regulations by national laws could have a negative impact on the business and prospects of the Group. In addition, as these laws, regulations and legal requirements are relatively recent, their interpretation and enforcement may involve significant uncertainty. The interpretation of the laws in the Mainland may be subject to policy changes, which reflect domestic political changes. As the legal system develops, the promulgation of new laws, changes to existing laws and the pre-emption of local regulations by national laws may have an adverse effect on the Group's business and financial condition.

The Group may experience delays or difficulties in obtaining PRC government approvals

The Group has investments in several associated companies and joint ventures formed to develop, own and/or operate infrastructure projects in the Mainland. Infrastructure projects involve a complex and lengthy process of formal and governmental authorisations, permits and approvals as well as significant administrative and logistical difficulties concerning acquisition and usage of land use rights. There can be no assurance that such approvals will be obtained either in the terms applied for or at all. There is also no guarantee in relation to any other possible future projects that requisite approvals for the project can be obtained at the necessary time. These infrastructure projects have been and may in the future be subject to certain risks, including changes in governmental regulations and economic policies, including, among other things, regulations and policies restricting construction of public infrastructure and related limitations on extensions of credit, building material shortages, increases in labour and material costs, changes in general economic and credit conditions and the illiquidity of land and other property. Delays in the process of obtaining, or a failure to obtain, the requisite licences, permits or approvals from government agencies or authorities can also increase the cost or delay or prevent the commercial operation of a business, which could adversely affect the financial performance of the Group's infrastructure projects in the Mainland. The acquisition or transfer of interests in such projects is also usually subject to governmental approvals, which can impact on the Group's ability to acquire or dispose of projects.

The Group's Mainland-sourced income is subject to withholding tax in the Mainland under the PRC Enterprise Income Tax Law

NWS is a Bermuda holding company with a significant portion of its operations conducted through its operating investment entities in the Mainland. Under the PRC Enterprise Income Tax Law (the "**EIT Law**"), and its implementation regulations, both of which became effective on 1 January 2008, Mainland-sourced income of foreign enterprises, such as dividends paid by a Mainland tax resident subsidiary to its overseas parent, is generally subject to a 10 per cent. withholding income tax, unless there is a tax treaty between the Mainland and the jurisdiction in which the overseas parent is incorporated, which specifically exempts or reduces such withholding income tax. In addition, the EIT Law provides that an enterprise established outside the Mainland whose "de facto management body" is located in the Mainland is considered a "tax resident enterprise" and will generally be subject to the uniform 25 per cent. enterprise income tax rate. If the Group or any of its overseas incorporated subsidiaries is considered a Mainland "tax resident enterprise" for purposes of the enterprise income tax in the Mainland, any dividends distributed from the Group's Mainland tax resident enterprise to the Group or its overseas incorporated subsidiaries could be exempt from the withholding income tax in the Mainland; however, the Group or any of its overseas incorporated subsidiaries will be subject to the uniform 25 per cent. enterprise income tax rate as to its global income.

Regulations of direct investment and loans by offshore holding companies to entities in the Mainland may delay or limit the Group from making additional capital contributions or loans to the Group's subsidiaries, joint ventures and associated companies in the Mainland

Any capital contributions or loans that the Group's offshore holding companies make to its subsidiaries, joint ventures and associated companies in the Mainland with foreign investment ("**foreign-invested PRC entities**") are subject to PRC regulations. For example, any of the Group's loans to its foreign-invested PRC entities, including any loans from the proceeds of the issue of the Notes, cannot exceed the difference between the total amount of investment the Group's foreign-invested PRC entity is approved to make under relevant PRC laws and the respective registered capital of the Group's foreign-invested PRC entities, and must be registered with the local branch of the SAFE as a procedural matter. In addition, the Group's capital contributions to its foreign-invested PRC entities must be approved by the National Development and Reform Commission, the Ministry of Commerce, the SAFE or other relevant regulatory authority of the PRC or their local counterparts. The Group cannot provide assurance that it will be able to obtain these approvals on a timely basis, or at all. If the Group fails to obtain such approvals, the Group's ability to make equity contributions or provide loans to its foreign-invested PRC entities or to fund their operations may be negatively affected, which could adversely affect their liquidity and ability to fund their working capital and expansion projects and meet their obligations and commitments.

Risks Relating to the Notes

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular and any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The Notes and the Guarantee of the Notes will be structurally subordinated to subsidiary debt

NWS' operations are principally conducted through its subsidiaries, associated companies and joint ventures. Accordingly, NWS is and will be dependent on the operations of its subsidiaries, associated companies and joint ventures to service its indebtedness, including interest and principal on the Notes. The Notes and the Guarantee of the Notes will be structurally subordinated to the claims of all holders of debt securities and other creditors, including trade creditors, of NWS' subsidiaries, and to all secured creditors of NWS. In the event of an insolvency, bankruptcy, liquidation, reorganisation, dissolution or winding up of the business of any subsidiary of NWS, creditors of such subsidiary generally will have the right to be paid in full before any distribution is made to NWS.

The Issuer is a special purpose entity

The Issuer is a special purpose entity incorporated in the BVI for the principal purpose of issuing senior notes (see "*Holding company structure*" above). On certain dates, including the occurrence of an early redemption event and on the Maturity Date of the Notes, the Issuer may, and at will be the Maturity Date, required to redeem all of the Notes. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Notes by the Issuer would constitute an event of default under the Notes, which may also constitute a default under the terms of other indebtedness of the Group.

If the Issuer and the Guarantor are unable to comply with the restrictions and covenants in their respective debt agreements, there could be a default under the terms of these agreements, which could cause repayment of their respective debt to be accelerated

If the Issuer and the Guarantor are unable to comply with their respective current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Issuer and the Guarantor, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, some of the Issuer's or the Guarantor's debt agreements, contain cross-acceleration or cross-default provisions. As a result, the Issuer's or the Guarantor's default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Notes, or result in a default under the Issuer's or the Guarantor's other debt agreements. If any of these events occur, the Issuer and the Guarantor cannot assure holders that their respective assets and cash flows would be sufficient to repay in full all of their respective indebtedness, or that the Issuer and the Guarantor would be able to find alternative financing. Even if they could obtain alternative financing, they cannot assure holders that it would be on terms that are favourable or acceptable to them.

The Notes contain provisions regarding modification and waivers which may affect the rights of Holders

The Conditions contain provisions for calling meetings of Holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders, including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority. In addition, a resolution in writing signed by or on behalf of the Holders of not less than 90 per cent. of the aggregate principal amount of Notes outstanding shall for all purposes be as valid and effective as if it were an Extraordinary Resolution passed at a meeting of Holders duly convened and held.

The Conditions also provide that the Conditions, the Deed of Covenant, the Agency Agreement and the Deed of Guarantee may be amended without the consent of the Holders to correct a manifest error. Any such modification shall be binding on the Holders.

Majority interests in meetings of holders of the Notes

The Conditions contain provisions for calling meetings of holders of the Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the *Notes* including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority.

The Notes will be represented by a Global Note Certificate and holders of a beneficial interest in the Global Note Certificate must rely on the procedures of the relevant Clearing System(s)

The Notes will be represented by a Global Note Certificate. Such Global Note Certificate will be deposited with a common depositary for Euroclear and Clearstream (each of Euroclear and Clearstream and, a "**Clearing System**"). Except in the circumstances described in the Global Note Certificate, investors will not be entitled to receive the Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Note Certificate. While the Notes are represented by a Global Note Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by a Global Note Certificate, the Issuer, or failing which, the Guarantor will discharge its payment obligations under the Notes by making payments to the relevant Clearing System for distribution to their account holders.

A holder of a beneficial interest in a Global Note Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the Notes. Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Note Certificate.

Holders of beneficial interests in the Global Note Certificate will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies.

The Issuer may issue additional Notes in the future

The Issuer may, from time to time, and without prior consultation of the Holders, create and issue further Notes (see "*Terms and Conditions of the Notes – Condition 14 (Further Issues)*") or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Notes.

An active trading market for the Notes may not develop

The Notes are a new issue of securities for which there is currently no trading market. Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only. No assurance can be given that the application for the listing will be successful or that an active trading market for the Notes will develop or as to the liquidity or sustainability of any such market, the ability of Holders to sell their Notes or the price at which Holders will be able to sell their Notes. The Joint Lead Managers are not obliged to make a market in the Notes and any such market making, if commenced, may be discontinued at any time at the discretion of the Joint Lead Managers.

The liquidity and price of the Notes following the offering may be volatile

If an active trading market for the Notes were to develop, the price and trading volume of the Notes may be highly volatile. The Notes may trade at prices that are higher or lower than the price at which the Notes have been issued. The price at which the Notes trade depends on many factors, including:

- prevailing interest rates and interest rate volatility;
- the Group's results of operations, financial condition and future prospects;
- changes in the real property industry and competition;
- the market conditions for similar securities; and
- general economic conditions.

Any such developments may result in large and sudden changes in the trading volume and price of the Notes. There can be no assurance that these developments will not occur in the future.

A change in English law which governs the Notes may adversely affect Noteholders

The Conditions are governed by English law in effect as at the date of issue of the Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

The insolvency laws of the BVI, Bermuda and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Notes are familiar

As the Issuer is incorporated under the laws of the BVI and the Guarantor is incorporated under the laws of Bermuda, any insolvency proceedings relating to the Issuer or the Guarantor, even if brought in other jurisdictions, would likely involve the BVI or, as the case may be, Bermuda insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Notes are familiar.

Investors in the Notes may be subject to foreign exchange risk

The Notes are denominated and payable in U.S. dollars. An investor who measures investment returns by reference to a currency other than U.S. dollars will be subject to foreign exchange risks by virtue of an investment in the Notes, due to, among other things, economic, political and other factors over which neither the Issuer nor the Guarantor has any control. Depreciation of the U.S. dollar against such currency could cause a decrease in the effective yield of the Notes for an investor and could result in a loss when the return on the Notes is translated into such currency. Conversely, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Notes in the event of an appreciation.

TERMS AND CONDITIONS OF THE NOTES

The following, subject to amendment and save for the paragraphs in italics, are the Terms and Conditions of the Notes, substantially as they will appear on the reverse of each of the definitive certificates evidencing the Notes.

The U.S.$[●] [●] per cent. guaranteed senior notes due [●] (the "**Notes**", which expression includes any further notes issued pursuant to Condition 14 (*Further issues*) and forming a single series therewith) of CELESTIAL DYNASTY LIMITED (the "**Issuer**") are constituted by a deed of covenant dated on or about [●] (as amended and/or supplemented from time to time, the "**Deed of Covenant**") entered into by the Issuer and are the subject of (a) a deed of guarantee dated on or about [●] (as amended and/or supplemented from time to time, the "**Deed of Guarantee**") entered into by NWS Holdings Limited (the "**Guarantor**") and (b) a fiscal agency agreement dated on or about [●] (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, the Guarantor, The Hongkong and Shanghai Banking Corporation Limited as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), The Hongkong and Shanghai Banking Corporation Limited as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), the transfer agent named therein (the "**Transfer Agent**", which expression includes any successor or additional transfer agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agent(s) appointed from time to time in connection with the Notes). References herein to the "**Agents**" are to the Registrar, the Fiscal Agent, the Transfer Agent and the Paying Agent(s) and any reference to an "**Agent**" is to any one of them. Certain provisions of these terms and conditions (the "**Conditions**") are summaries of the Agency Agreement, the Deed of Guarantee and the Deed of Covenant and subject to their detailed provisions. The Holders (as defined in Condition 3(a) (*Register, Title and Transfers — Register*)) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement, the Deed of Guarantee and the Deed of Covenant applicable to them. Copies of the Agency Agreement, the Deed of Guarantee and the Deed of Covenant are available for inspection by Holders with prior written notice and proof of holding during normal business hours at the principal office for the time being of the Fiscal Agent, being at the date hereof Level 26, HSBC Main Building, 1 Queen's Road Central, Hong Kong and at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which is set out below.

1. **Form and Denomination**

The Notes are in registered form in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each, an "**Authorised Denomination**").

2. **Status of the Notes and the Guarantee of the Notes**

(a) *Status of the Notes*: The Notes constitute direct, general, unsecured, unconditional and unsubordinated obligations of the Issuer which rank *pari passu* and without any preference among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(b) *Guarantee of the Notes*: The Guarantor has, in the Deed of Guarantee, unconditionally and irrevocably guaranteed the due and punctual payment of all sums payable by the Issuer in respect of the Notes. This guarantee (the "**Guarantee of the Notes**") constitutes a direct, general, unsecured, unconditional and unsubordinated obligations of the Guarantor which ranks at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

3. **Register, Title and Transfers**

(a) *Register*: The Registrar will maintain a register (the "**Register**") in respect of the Notes outside the United Kingdom in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly. A certificate (each, a "**Certificate**") will be issued to each Holder in respect of its registered holding. Each Certificate will be numbered serially with an identifying number which will be recorded in the Register.

*Upon issue, the Notes will be represented by a Global Note Certificate deposited with and registered in the name of a nominee of a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). The Conditions are modified by certain provisions contained in the Global Note Certificate. See "The Global Note Certificate".*

(b) *Title*: The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

(c) *Transfers*: Subject to paragraphs (f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*) below, a Note may be transferred upon surrender of the relevant Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided, however, that** a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Denominations. Where not all the Notes represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Notes will be issued to the transferor. No transfer of title to a Note will be valid unless and until entered on the Register.

Transfers of interests in the Notes evidenced by the Global Note Certificate will be effected in accordance with the rules of the relevant clearing systems.

(d) *Registration and delivery of Certificates*: Within five business days of the surrender of a Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day, excluding a Saturday and a Sunday, on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

Except in the limited circumstances described herein (see "The Global Note Certificate"), owners of interests in the Notes will not be entitled to receive physical delivery of Certificates.

(e) *No charge*: The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(f) *Closed periods*: Holders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

(g) *Regulations concerning transfers and registration*: All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The parties to the Agency Agreement may agree, without the consent of the Holders, to any modifications to any provisions thereof (including the regulations concerning the transfer of Notes). A copy of the current regulations will be e-mailed (free of charge) by the Registrar to any Holder who requests in writing a copy of such regulations.

4. **Negative Pledge**

So long as any Note remains outstanding (as defined in the Agency Agreement), neither the Issuer nor the Guarantor shall, and the Issuer and the Guarantor shall procure that none of the Guarantor's Material Subsidiaries (other than Listed Material Subsidiaries) will, create or permit to subsist any Security Interest, other than Permitted Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution of the Noteholders.

In these Conditions:

"**Extraordinary Resolution**" has the meaning given in the Agency Agreement;

"**Listed Material Subsidiary**" means any Material Subsidiary, the shares of which are at the relevant time listed on The Stock Exchange of Hong Kong Limited, or any other stock exchange;

"**Material Subsidiary**" means any Subsidiary of the Guarantor:

(i) whose gross revenue (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) or whose gross assets (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) represent not less than 10 per cent. of the consolidated gross revenue, or, as the case may be, the consolidated gross assets of the Guarantor and its Subsidiaries taken as a whole, all as calculated respectively by reference to the latest audited or reviewed financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited or reviewed consolidated financial statements of the Guarantor, provided that:

   (A) in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited or reviewed consolidated financial statements of the Guarantor relate for the purpose of applying each of the foregoing tests, the reference to the Guarantor's latest audited or reviewed consolidated financial statements shall be deemed to be a reference to such audited or reviewed financial statements as if such Subsidiary had been shown therein by reference to its then latest relevant audited or reviewed financial statements, adjusted as deemed appropriate by the auditor for the time being, after consultation with the Guarantor;

   (B) if at any relevant time in relation to the Guarantor or any Subsidiary no financial statements are prepared and audited, its gross revenue and gross assets (consolidated, if applicable) shall be determined on the basis of pro forma consolidated financial statements (consolidated, if applicable) prepared for this purpose; and

   (C) if the financial statements of any Subsidiary (not being a Subsidiary referred to in proviso (A) above) are not consolidated with those of the Guarantor, then the determination of whether or not such Subsidiary is a Material Subsidiary shall be based on a pro forma consolidation of its financial statements (consolidated, if appropriate) with the consolidated financial statements (determined on the basis of the foregoing) of the Guarantor; or

(ii) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon (a) in the case of a transfer by a Material Subsidiary, the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary; and (b) the transferee Subsidiary shall immediately become a Material Subsidiary, provided that on or after the date on which the relevant financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of sub-paragraph (a) above.

A report by two of the directors of the Guarantor that in their opinion (making such adjustments (if any) as they shall deem appropriate) a Subsidiary is or is not or was or was not at any particular time or during any particular period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Guarantor and the Noteholders;

"**Permitted Security Interest**" means (i) any Security Interest over any assets (or related documents of title) purchased by the Issuer, the Guarantor or any Material Subsidiary as security for all or part of the purchase price of such assets and any substitute Security Interest created on those assets in connection with the refinancing (together with interest, fees and other charges attributable to such refinancing) of the indebtedness secured on those assets; and (ii) any Security Interest over any assets (or related documents of title) purchased by the Issuer, the Guarantor or any Material Subsidiary subject to such Security Interest and any substitute Security Interest created on those assets in connection with the refinancing (together with interest, fees and other charges attributable to such refinancing) of the indebtedness secured on those assets;

"**Relevant Indebtedness**" means any indebtedness in the form of and represented by debentures, loan stock, bonds, notes, bearer participation certificates, depository receipts, certificates of deposit or other similar securities or instruments or by bills of exchange drawn or accepted for the purpose of raising money which are, or are issued with the intention on the part of the issuer thereof that they should be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or on any other securities market (whether or not initially distributed by way of private placement) having an original maturity of more than one year from its date of issue but shall not include indebtedness under any secured transferable loan facility (which term shall, for the avoidance of doubt, mean any agreement for or in respect of indebtedness for borrowed money entered into with one or more banks and/or financial institutions whereunder rights and (if any) obligations may be assigned and/or transferred);

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction; and

"**Subsidiary**" in relation to any person, means any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity or any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the laws, regulations or generally accepted accounting principles of Hong Kong from time to time, should have its accounts consolidated with those of that person.

5. **Interest**

The Notes bear interest from [●] (the "**Issue Date**") at the rate of [●] per cent. per annum, (the "**Rate of Interest**") payable semi-annually in arrear on [●] and [●] in each year in equal instalments (each, an "**Interest Payment Date**"), subject as provided in Condition 7 (*Payments*).

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven (7) days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable on each Interest Payment Date shall be U.S.$ [●] in respect of each Note of U.S.$200,000 denomination and U.S.$[●] in respect of each Note of U.S.$1,000 denomination. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the Authorised Denomination of such Note divided by the Calculation Amount, where:

"**Calculation Amount**" means U.S.$1,000;

"**Calculation Period**" means the relevant period for which interest is to be calculated from (and including) the first day in such period to (but excluding) the last day in such period; and

"**Day Count Fraction**" means, in respect of any period, the number of days in the relevant period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30.

6. **Redemption and Purchase**

(a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on [●] (the "**Maturity Date**"), subject as provided in Condition 7 (*Payments*).

(b) *Redemption at the option of the Issuer*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time on or after [●] up to (but excluding) the Maturity Date, on the Issuer giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes at their principal amount, together with interest accrued and unpaid to the date fixed for redemption).

(c) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable), the Registrar and the Fiscal Agent at their principal amount, together with interest accrued and unpaid to the date fixed for redemption, if:

(i)

(A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after [●]; and

(B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(ii)

(A) the Guarantor has or (if a demand was made under the Guarantee of the Notes) would become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) or the Guarantee of the Notes, or the Guarantor has or will become obliged to make any such withholding or deductions as to referred to in Condition 8 (*Taxation*) or the Guarantee of the Notes as the case may be, from any amount paid by it to the Issuer in order to enable the Issuer to make a payment of principal or interest in respect of the Notes, in either case as a result of any change in, or amendment to, the laws or regulations of Bermuda, Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after [●]; and

(B) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.

Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver or procure that there is delivered to the Fiscal Agent and made available for inspection by the Holders:

(A) a certificate, signed by two directors of the Issuer, stating that the circumstances referred to in (i)(A) and (i)(B) above prevail and setting out the details of such circumstances or (as the case may be) a certificate, signed by two directors of the Guarantor stating that the circumstances referred to in (ii)(A) and (ii)(B) above prevail and setting out the details of such circumstances; and

(B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment, provided that the Fiscal Agent may accept such certificate or opinion without further investigation or enquiry.

Upon the expiry of any such notice as is referred to in this Condition 6(c), the Issuer shall be bound to redeem the Notes in accordance with this Condition 6(c).

(d) *Redemption for Change of Control:* At any time following the occurrence of a Change of Control, the Holder of each Note will have the right, at such Holder's option, to require the Issuer to redeem all but not some only of that Holder's Notes on the Change of Control Put Date at their principal amount, together with accrued and unpaid interest (if any) up to, but excluding the Change of Control Put Date. To exercise such right, the Holder of the relevant Note must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "**Put Exercise Notice**"), together with the Note or the Note Certificates (in the case of Registered Notes) evidencing the Notes to be redeemed by not later than 60 days following a Change of Control, or, if later, 60 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 15 (Notices). The "**Change of Control Put Date**" shall be the fourteenth day after the expiry of such period of 60 days as referred to above.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes subject to the Put Exercise Notices delivered as aforesaid on the Change of Control Put Date.

The Issuer shall give notice to Noteholders and the Fiscal Agent in accordance with Condition 15 (*Notices*) by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by Holders of their rights to require redemption of the Notes pursuant to this Condition 6(d).

In this Condition 6(d):

A "**Change of Control**" occurs when:

(i) any Person or Persons acting together acquires Control of the Guarantor if such Person or Persons does not or do not have, and would not be deemed to have, Control of the Guarantor on the Issue Date;

(ii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of its assets to any other Person, unless the consolidation, merger, sale or transfer will not result in the other Person or Persons acquiring Control over the Guarantor or the successor entity; or

(iii) one or more Persons acquires the beneficial ownership of all or substantially all of the Guarantor's issued share capital;

"**Control**" means the acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of the Guarantor or the right to appoint and/or remove all or the majority of the members of the Guarantor's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise and the terms "**Controlling**" and "**Controlled**" shall have meanings correlative to the foregoing;

a "**Person**", includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include members of the board of directors of the Guarantor (or their respective heirs, executors or assigns) or any other governing board and does not include the wholly owned direct or indirect Subsidiaries of the Guarantor; and

(e) *No other redemption*: The Issuer shall not be entitled to redeem the Notes and shall have no obligation to make any payment of principal in respect of the Notes otherwise than as provided in Conditions 6(a) to 6(d) above.

(f) *Purchase*: The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price.

(g) *Cancellation*: All Notes so redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries shall be cancelled and may not be reissued or resold.

The Agent shall not be required to take any steps to ascertain whether any event as provided in Conditions 6(b) to 6(d) above has occurred.

7. Payments

(a) *Principal*: Payments of principal shall be made in U.S. dollars upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

(b) *Interest*: Payments of interest shall be made in U.S. dollars upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

(c) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*). No commissions or expenses shall be charged to the Holders in respect of such payments.

(d) *Payments on business days*: Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made:

(i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent; and

(ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a business day.

In this paragraph, "**business day**" means any day, other than a Saturday and a Sunday, on which banks are open for general business (including dealings in foreign currencies) in New York City, Hong Kong and, in the case of surrender (or, in the case of part payment only, endorsement) of a Certificate, in the place in which the Certificate is surrendered (or, as the case may be, endorsed).

So long as the Notes are represented by the Global Note Certificate, each payment will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date of payment, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

(e) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Certificate.

(f) *Record date*: Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**").

8. Taxation

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands, Bermuda, Hong Kong or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is as required by law. In that event the Issuer or (as the case may be) the Guarantor shall pay such additional amounts as will result in receipt by the Holders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

(a) held by a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note; or

(b) where (in the case of a payment of principal or interest on redemption) the relevant Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Certificate on the last day of such period of 30 days.

In these Conditions, "**Relevant Date**" means whichever is the later of:

(1) the date on which the payment in question first becomes due; and

(2) if the full amount payable has not been received in New York City by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Holders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 8 (*Taxation*).

If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than the British Virgin Islands, Bermuda or Hong Kong, respectively, references in these Conditions to the British Virgin Islands, Bermuda or Hong Kong shall be construed as references to the British Virgin Islands, Bermuda or Hong Kong (as the case may be) and/or such other jurisdiction.

The Agent shall not be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, the Guarantor, any Holder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

9. **Events of Default**

If any of the following events occurs:

(a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes within seven (7) days after the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within fourteen (14) days of the due date for payment thereof; or

(b) *Breach of other obligations*: the Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Notes, the Deed of Covenant or the Guarantee of the Notes and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer and the Guarantor by Noteholders holding five (5) per cent. or more of the principal amount of the Notes outstanding, has been delivered to the Issuer and the Guarantor or to the Specified Office of the Fiscal Agent; or

(c) *Cross-default of Issuer, Guarantor or Material Subsidiary*:

(i) any indebtedness of the Issuer, the Guarantor or any of their respective Material Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;

(ii) any indebtedness of the Issuer, the Guarantor or any of their respective Material Subsidiaries becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer, the Guarantor or (as the case may be) the relevant Material Subsidiary or any person entitled to such indebtedness; or

(iii) the Issuer, the Guarantor or any of their respective Material Subsidiaries fails to pay when due or (as the case may be) within any originally applicable grace period any amount payable by it under any guarantee of any indebtedness;

provided that the amount of indebtedness referred to in sub paragraph (i) and/or sub paragraph (ii) above and/or the amount payable under any guarantee referred to in sub paragraph (iii) above, individually or in the aggregate, exceeds HK$200,000,000 (or its equivalent in any other currency or currencies on the basis of the middle spot rate for the relevant currency against the Hong Kong dollar as quoted by any leading bank on the day on which a calculation is made under this Condition 9(c) (*Cross-default of Issuer, Guarantor or Material Subsidiary*)); or

(d) *Unsatisfied judgment*: exceeding HK$200,000,000 (or its equivalent in any other currency or currencies on the basis of the middle spot rate for the relevant currency against the Hong Kong dollar as quoted by any leading bank on the day on which a calculation is made under this Condition 9(d) (*Unsatisfied judgment*)) is rendered against a material part of the property, assets or turnover of the Issuer, the Guarantor or any Material Subsidiary and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a material part of the undertaking, assets and revenues of the Issuer, the Guarantor or any Material Subsidiary and such possession or appointment continues for a period of 30 days after the date thereof; or

(f) *Insolvency etc*: (i) the Issuer, the Guarantor or any Material Subsidiary becomes insolvent or is unable to pay its debts as they fall due; (ii) an administrator or liquidator of the Issuer, the Guarantor or any Material Subsidiaries or the whole or a substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any Material Subsidiaries is appointed; or (iii) the Issuer, the Guarantor or any Material Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of all or a substantial part of its indebtedness or any guarantee of any indebtedness given by it; or

(g) *Winding up etc*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, the Guarantor or any Material Subsidiary (otherwise than, in the case of a Subsidiary of the Issuer or a Subsidiary of the Guarantor, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent) or the Issuer, the Guarantor or any of the Material Subsidiaries ceases to carry on all or the substantial part of its business (otherwise than, in the case of a Subsidiary of the Issuer or a Subsidiary of the Guarantor, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent or as a result of disposal on arm's length terms or as approved by an Extraordinary Resolution of the Noteholders); or

(h) *Analogous event*: any event occurs which under the laws of the British Virgin Islands, Bermuda or Hong Kong has an analogous effect to any of the events referred to in Conditions 9(d) (*Unsatisfied judgment*) to 9(g) (*Winding up etc.*); or

(i) *Failure to take action etc*: any action, condition or thing at any time required to be taken fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Notes, the Deed of Covenant and the Deed of Guarantee; (ii) to ensure that those obligations are legal, valid, binding and enforceable; and (iii) to make the Notes, the Deed of Covenant or the Deed of Guarantee admissible in evidence in the courts of the British Virgin Islands, Bermuda and England is not taken, fulfilled or done; or

(j) *Unlawfulness*: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any of its obligations under or in respect of the Notes, the Deed of Covenant or the Deed of Guarantee; or

(k) *Guarantee not in force:* the Guarantee of the Notes is not (or is claimed by the Guarantor not to be) in full force and effect,

then Noteholders holding not less than five (5) per cent. of the aggregate principal amount of the outstanding Notes may, by written notice addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor or to the Specified Office of the Fiscal Agent, declare the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued and unpaid interest (if any) without further action or formality. Notice of any such declaration shall promptly be given to all other Noteholders.

The Agents need not do anything to ascertain whether any Event of Default has occurred and will not be responsible to Noteholders or any other person for any loss arising from any failure by it to do so, and, unless and until the Agent otherwise has notice in writing to the contrary, the Agent may assume that (i) no such event has occurred; and (ii) that the Issuer is performing all of its obligations under the Agency Agreement and the Conditions.

10. **Prescription**

Claims for principal and interest on redemption shall become void unless the relevant Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

11. **Replacement of Certificates**

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12. **Agents**

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligations towards or relationship of agency or trust for or with any of the Holders.

The initial Agents and their initial Specified Offices are listed below. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar, fiscal agent, agent bank and additional or successor paying agent and transfer agent; **provided, however, that** the Issuer and the Guarantor shall at all times maintain a fiscal agent and a registrar.

Notice of any change in any of the Agents or in their Specified Office shall promptly be given to the Holders.

13. **Meetings of Holders; Modification**

(a) *Meetings of Holders*: The Agency Agreement contains provisions for convening meetings of Holders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) and shall be convened by them upon the request in writing of Holders holding not less than 10 per cent. of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Holders whatever the principal amount of the Notes held or represented; **provided, however, that** certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes, to amend the terms of the Guarantee of the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**")) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Holders at which two or more persons holding or representing not less than 66 per cent. or, at any adjourned meeting, 33 per cent. of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Holders, whether present or not.

In addition:

(i) a resolution in writing signed by or on behalf of Holders of not less than 90 per cent. of the aggregate principal amount of Notes for the time being outstanding will take effect as if it were an Extraordinary Resolution, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders (a "**Written Resolution**"); and

(ii) a resolution passed by way of electronic consents through the clearing systems by or on behalf of Holders of not less than 75 per cent. in aggregate principal amount of Notes for the time being outstanding (an "**Electronic Consent**") will take effect as if it were an Extraordinary Resolution, in each case whether or not relating to a Reserved Matter.

A Written Resolution and/or an Electronic Consent will be binding on all Holders whether or not they participated in such Written Resolution and/or Electronic Consent, as the case may be.

So long as the Notes are represented by the Global Note Certificate and the Global Note Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System, notices to Holders may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled account holders in substitution for notification as required by these Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

(b) *Modification*: The Notes, these Conditions, the Deed of Covenant and the Deed of Guarantee may be amended without the consent of the Holders to modify any provision of a formal, minor or technical nature or to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer and the Guarantor shall not agree, without the consent of the Holders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Holders.

14. **Further Issues**

The Issuer may (with the prior written consent of the Guarantor) from time to time, without the consent of the Holders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

15. **Notices**

Notices to the Holders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

So long as the Global Note Certificate is held in its entirety on behalf of Euroclear and Clearstream any notice to the Holders shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

16. **Governing Law and Jurisdiction**

(a) *Governing law*: The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by, and construed in accordance with, English law.

(b) *Jurisdiction*: The Issuer:

(i) agrees for the benefit of the Holders that the courts of England shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including any non-contractual obligation arising out of or in connection with the Notes);

(ii) agrees that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; and

(iii) has designated a company in England to accept service of any process on its behalf.

THE GLOBAL NOTE CERTIFICATE

The Global Note Certificate contains provisions which apply to the Notes in respect of which the Global Note Certificate is issued, some of which modify the effect of the Conditions set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:

The Notes will be represented by a Global Note Certificate which will be registered in the name of HSBC Nominees (Hong Kong) Limited as nominee for, and deposited with, a common depositary for Euroclear and Clearstream.

Under the Global Note Certificate, the Issuer, for value received, promises to pay the principal sum and interest on such principal sum in arrear on the dates and at the rate(s) specified in the Conditions, together with any additional amounts payable in accordance with the Conditions, all subject to and in accordance with the Conditions.

The Global Note Certificate will become exchangeable in whole, but not in part, for individual note certificates ("**Individual Note Certificates**") if:

(a) Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or

(b) any of the circumstances described in Condition 9 (*Event of Default*) occurs.

Whenever the Global Note Certificate is to be exchanged for Individual Note Certificates, such Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered Holder of the Global Note Certificate, Euroclear and/or Clearstream, to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Note Certificate at the Specified Office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any Holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

In addition, the Global Note Certificate will contain provisions which modify the Conditions as they apply to the Notes evidenced by the Global Note Certificate. The following is a summary of certain of those provisions:

Record date: Notwithstanding Condition 7(f) (*Payments – Record date*), so long as the Global Note Certificate is held on behalf of Euroclear, Clearstream or any other clearing system (an "**Alternative Clearing System**"), each payment in respect of the Global Note Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment, where "**Clearing System Business Day**" means day on which each clearing system for which the Global Note Certificate is being held is open for business.

Notices: Notwithstanding Condition 15 (*Notices*), so long as the Global Note Certificate is held on behalf of Euroclear, Clearstream or an Alternative Clearing System, notices to Holders of Notes represented by the Global Note Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream or (as the case may be) such Alternative Clearing System.

Exercise of Change of Control Put Option: In order to exercise the option contained in Condition 6(d) (*Redemption for Change of Control*) (the "**Change of Control Put Option**"), the Holder must, within the period specified in the Conditions for the deposit of the relevant Note Certificate and the Put Exercise Notice, give the Put Exercise Notice to any Paying Agent specifying the principal amount of Notes in respect of which the Change of Control Put Option is being exercised. Any such notice shall be irrevocable and may not be withdrawn.

Determination of entitlement: The Global Note Certificate is evidence of entitlement only and is not a document of title. Entitlements are determined in accordance with the Register and only the Holder is entitled to payment in respect of the Global Note Certificate.

USE OF PROCEEDS

The net proceeds from the issue of the Notes after deduction of underwriting commissions and expenses are estimated to be approximately U.S.$[●] and will be on-lent by the Issuer to the Guarantor to be used for the Group's general corporate purposes.

CAPITALISATION AND INDEBTEDNESS

Capitalisation and Indebtedness of the Guarantor

As at 31 December 2023, NWS had authorised share capital of HK$6,000,000,000 divided into 6,000,000,000 ordinary shares of HK$1.00 each and issued and fully paid-up share capital of HK$3,911,910,349 consisting of 3,911,910,349 ordinary shares of HK$1.00 each.

The following table sets forth NWS' condensed consolidated total capitalisation and indebtedness as at 31 December 2023 and as adjusted for the issue of the Notes. This table should be read in conjunction with the financial statements and the accompanying notes included elsewhere in this Offering Circular.

	As at 31 December 2023		
	Actual	**As Adjusted**	**As Adjusted**
	(HK$ million)		*(U.S.$ million)* (1)
Borrowings and other interest-bearing liabilities(2)	34,419.5	34,419.5	4,412.8
Notes to be issued (3)	-	[●]	[●]
	34,419.5	[●]	[●]
Shareholders' funds			
Share capital	3,911.9	3,911.9	501.5
Reserves(4)	41,923.8	41,923.8	5,374.9
	45,835.7	45,835.7	5,876.4
Perpetual capital securities	2,099.2	2,099.2	269.1
Total capitalisation(5)	82,354.4	[●]	[●]

Notes:

(1) A rate of HK$7.8 to U.S.$1.00 was adopted for the conversion of Hong Kong dollars to U.S. dollars.

(2) On 21 December 2023, the Group issued a notice of redemption to redeem in whole, but not in part, the U.S.$1,300 million 5.75 per cent. senior perpetual capital securities (the "**2019 Perpetual Capital Securities**") which remained outstanding on 31 January 2024 at their outstanding principal amount of U.S$1,091.1 million, together with distribution accrued to such date (the "**Redemption**"). As such, the Group derecognized the 2019 Perpetual Capital Securities as equity and included the payment obligation as a financial liability under "borrowings and other interest-bearing liabilities" as at 31 December 2023. The Redemption completed on 31 January 2024, which was financed partly by internal resources and partly by external borrowings.

(3) Notes to be issued represent the aggregate principal amount of the Notes, without taking into account, and before deduction of underwriting fees and commissions and other estimated transaction expenses payable.

(4) On 27 February 2024, the board of directors of the Guarantor has resolved to declare an interim ordinary dividend of HK$0.30 per share and a one-off special dividend of HK$1.79 per share, together with a scrip dividend scheme. On 19 April 2024, the Guarantor has paid approximately HK$7.6 billion to its shareholders who have elected to receive the relevant dividends wholly or partly in cash.

(5) Total capitalisation represents borrowings and other interest-bearing liabilities, shareholders' funds, perpetual capital securities and Notes to be issued on an as adjusted basis.

Reference is made to the circular dated 18 March 2024 issued by NWS in relation to the scrip dividend scheme for the interim ordinary dividend and special dividend for the year ending 30 June 2024. On 19 April 2024, NWS has issued and allotted 85,629,736 scrip shares to shareholders of NWS who elected to receive the relevant dividends wholly or partly in scrip form. As at the date of this Offering Circular, NWS had authorised share capital of HK$6,000,000,000 divided into 6,000,000,000 ordinary shares of HK$1.00 each and issued and fully paid-up share capital of HK$3,997,540,085 consisting of 3,997,540,085 ordinary shares of HK$1.00 each.

Other than as disclosed above, there has not been any material change in the Group's total capitalisation and indebtedness since 31 December 2023.

Capitalisation and Indebtedness of the Issuer

As at the date of this Offering Circular, the authorised share capital of the Issuer was U.S.$50,000 divided into 50,000 shares at U.S.$1.00 each, of which one share is held by a direct wholly owned subsidiary of NWS representing the entire issued capital of the Issuer. On 27 June 2019, the Issuer issued U.S.$650,000,000 4.25 per cent. guaranteed senior notes due 2029, of which U.S.$243,649,000 remained outstanding as at the date of this Offering Circular.

DESCRIPTION OF THE ISSUER

Formation

CELESTIAL DYNASTY LIMITED is a limited liability company incorporated under the BVI Business Companies Act, 2004 of the BVI (BVI Company Number: 1999570). It was incorporated in the BVI on 27 November 2018. Its registered office is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, BVI. The Issuer is an indirect wholly owned subsidiary of NWS.

Business Activity

The Issuer was established with full capacity to carry on or undertake any business or activity, do any act or enter into any transaction with full rights, powers and privileges in accordance with its memorandum of association. The Issuer does not sell any products or provide any services and it has undertaken no business activities since the date of its incorporation, other than those incidental to its incorporation and establishment as an indirect wholly owned subsidiary of NWS and those incidental to the issuance of securities and/or notes from time to time.

Financial Statements

Under the BVI laws, although the Issuer is required to file with its registered agent an annual financial return which comprises the balance sheet or statement of financial position and the income statement, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep proper books of account as are necessary to give a true and fair view of the state of the Issuer's affairs and to explain its transactions.

The Issuer is also required to file an annual return containing prescribed financial information with its registered agent within nine months after the end of the financial year to which the annual return relates. The annual return as filed will not be publicly available.

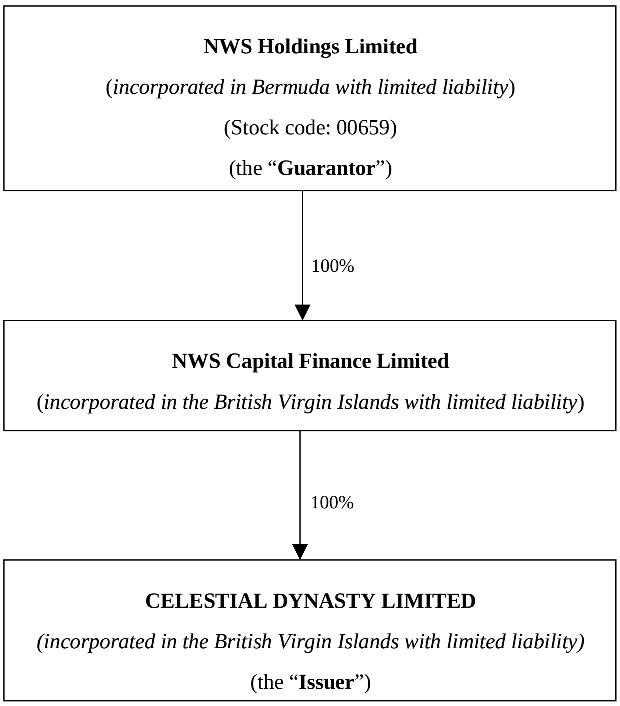
Directors and Officers

As of the date of this Offering Circular, the directors of the Issuer are Mr. Ho Gilbert Chi Hang and Mr. Lam Jim and each of their business addresses is c/o NWS at 21/F, NCB Innovation Centre, 888 Lai Chi Kok Road, Cheung Sha Wan, Kowloon, Hong Kong. None of the directors of the Issuer holds any shares or options to acquire shares of the Issuer.

The Issuer does not have any employees and has no subsidiaries.

Corporate Structure

The following is a simplified corporate structure as at the date of this Offering Circular:



DESCRIPTION OF THE GUARANTOR

Introduction

NWS is a limited liability company incorporated under the Companies Act 1981 of Bermuda (Bermuda Company Number: 22286). It was incorporated in Bermuda on 3 September 1996 and listed on the Hong Kong Stock Exchange in 1997 (HKSE stock code: 659). With effect from 17 November 2023, CTFC has become the ultimate holding company of NWS, and CTF Enterprises has become an intermediate holding company of NWS. The Group has a diversified portfolio of market-leading businesses, predominantly in Hong Kong and the Mainland. The Group's principal businesses include toll roads, insurance, logistics, construction and facilities management. Through the Group's sustainable business model, it is committed to creating more value for all stakeholders and the community. As at 9 August 2024, based on the closing price of its shares on the Hong Kong Stock Exchange, NWS had a market capitalisation of approximately HK$28.46 billion.

The principal business activities of the Group are as follows:

- *Roads:* As at 31 December 2023, the Group has 15 road projects in strategic locations in the Mainland, namely, Guangdong, Zhejiang, Guangxi, Shanxi, Tianjin, Hubei and Hunan, covering approximately 940 km in length.

- *Insurance:* The Group's insurance segment provides diversified insurance and financial planning products and services to individuals and institutions through CTF Life, formerly known as FTLife Insurance Company Limited.

- *Logistics:* The Group owns ATL in Hong Kong and logistics properties in the Mainland, offering a gross leasable area of approximately 5.9 million sq. ft. and 6.5 million sq. ft. respectively as at 31 December 2023. In addition, through CUIRC, a joint venture enterprise, the Group operates a large-scale pivotal rail container terminal network across the Mainland.

- *Construction:* The Group's construction segment is principally engaged in building construction and related businesses in Hong Kong through the NWS Construction Group.

- *Facilities Management:* The Group manages and operates HKCEC, one of the largest and most prominent convention and exhibition venues in Asia, provides both local and overseas customers with a comprehensive range of services and facilities to support the events and activities hosted at the venue. Through its free duty business, the Group owns and operates three outlets at land border crossings, offering a vast selection of duty-free tobacco, liquor and other general merchandise to travellers. The Group formed a joint venture with IHH to establish GHK Hospital, which provides a comprehensive range of clinical services spanning more than 35 specialties and subspecialties. The business venture of the Group and IHH, Parkway Medical, opened two clinics and a clinical laboratory in Hong Kong to support the growth of GHK Hospital.

- *Strategic Investments:* The Group's strategic investments segment includes investments which have strategic value to the Group and have growth potential, as well as certain investments which management believe can create value for the shareholders of NWS.

- *Disposed/discontinued businesses:* During FY2023, Goshawk, a joint venture whose equity interest is 50 per cent. indirectly held by the Group, completed the disposal of its aircraft leasing business, and Aviation is no longer a reportable segment. On 16 May 2022, Goshawk entered into an agreement with SMBC pursuant to which Goshawk agreed to dispose of substantially all of its commercial aircraft leasing business to SMBC via the sale of entire equity interest in GML, except for six aircraft associated with Russian lessees. Completion of the disposal took place on 21 December 2022. The aggregate sum of consideration received by Goshawk on completion is approximately U.S.$1.6 billion, 50 per cent. of which (i.e. U.S.$0.8 billion) was attributable to the Group in accordance with its shareholding interest.

For the six months ended 31 December 2023, the Group reported consolidated revenue, AOP and profit attributable to shareholders of NWS approximately HK$13,978.5 million, HK$2,134.0 million and HK$1,008.8 million respectively, as compared to approximately HK$13,105.9 million, HK$1,791.6 million and HK$853.1 million respectively, for the six months ended 31 December 2022, which has been restated owing to the adoption of HKFRS 17.

(a) ***Competitive Strengths***

The Group is committed to optimising its business portfolio to achieve sustainable long-term growth, prudent risk management and create value for all stakeholders.

The key competitive strengths of the Group include:

- **Broad business footprint across industries with stable and resilient earnings**

The Group has an extensive and broad portfolio of established businesses across different industries with stable and resilient earnings. including 15 toll roads in the Mainland with an average daily traffic flow of over 1.9 million for the six months ended 31 December 2023; a leading construction group in Hong Kong with a long standing history; a life insurance company in Hong Kong regulated by the Hong Kong Insurance Authority (the "**HKIA**") with nearly 40 years of operating history; and investments and operations in logistics properties and facilities management businesses with unique assets in its respective segment.

Business diversification allows the Group to generate a stable and growing source of recurring earnings whilst at the same time minimising risks from unforeseen market changes. The benefit of the well diversified portfolio has shown its resilience and strength during the unprecedented challenges caused by COVID-19 where even with significant disruption to the Group's businesses, such as a toll fee exemption period in the Mainland, border closures and various degrees of social distancing measures imposed by various governments which had immense impact on facilities management businesses (operation of HKCEC and the Group's duty free business), the stable performance from construction and logistics were able to offset and cushion some of the disruptions and negative impact on the Group's performance.

Furthermore, each of the Group's businesses is driven by distinct and end-market factors, which can be as diverse as economic activity, travel demand and construction spending in a given geographic area. Given the geographic diversity inherent in the Group's diverse business portfolio, the Group is less susceptible to any single trend affecting a given sector or geographic area. The Group's businesses are considered to exhibit high visibility characteristics.

- **Resilient portfolio of businesses with strong cash flow visibility**

  The Group's business portfolio is resilient in nature, resulting in highly stable and predictable cash flow. Certain of the Group's businesses, such as roads, are based on long-term concessions, which grant the right to the Group to operate in a given geographic area for a fixed period of time. As of 31 December 2023, the overall average remaining concession period of the Group's road portfolio is approximately 12 years. The Group's insurance business, CTF Life, is an insurance company in Hong Kong which focuses on long-term life, a wide range of insurance and financial planning products which provide strong recurring cash flow and income. Logistics (warehousing) and construction are underpinned by a range of contracts lengths, where lease rates and progress payments are agreed in advance and are relatively predictable.

- **Proven track record of streamlining business portfolio and capital deployment targeting businesses with sustainable recurring income**

  The Group has a proven track record of developing, investing, managing and rotating out of various businesses while generating stable and growing recurring income. Over the past years, the Group strategically built out its Roads and Construction segments while also expanding into new businesses such as the insurance sector. The completion of the acquisition of CTF Life on 1 November 2019, a quality Hong Kong life insurance company, has also added fresh growth impetus to the Group. The Group considers the sustainable growth prospects and recurring income characteristics of CTF Life as an insurance business to be highly complementary with the Group's existing business portfolio of stable businesses with recurring cash flow.

  The Group has also demonstrated a strong track record in recycling and recuperating capital after the series of non-core asset disposals since the year ended 30 June 2019 and the completion of the disposal of commercial aircraft leasing business in the first half of FY2023. These optimise the Group's business portfolio and create long-term value for shareholders.

  The Group's investment acumen and management capability is exemplified by the position of its toll roads business, being one of the largest foreign toll roads operators in the Mainland, the Group's construction business being one of the most prominent construction companies in Hong Kong and, according to data released by the HKIA, the Group's insurance business ranked 10th amongst Hong Kong life insurance companies by Annual Premium Equivalent ("**APE**") in the first nine months of 2023. Within the Group's strategic portfolio, ATL is the world's largest multi-level industrial building with ramp-in facilities and has been a leader in large-scale warehouse in Hong Kong.

- **Well capitalised balance sheet with proactive financial management and diversified sources of funding**

  The Group's funding and treasury policy is designed to maintain a diversified and balanced debt profile and financing structure. The Group operates a centralised treasury function to monitor its cash position, cash flow and debt profile as well as optimise its funding cost efficiency. In order to maintain financial flexibility with adequate liquidity for the Group's operations, potential investments and growth plans, the Group has built a strong base of funding resources, optimises its capital structure and expands its sources of funding from time to time to include perpetual capital securities, debt issuances in the capital markets, and bank borrowings, for which the proportion will change depending on financial market conditions. The capital structure of the Group was 42 per cent. debt and 58 per cent. equity as at 31 December 2023, compared with 30 per cent. debt and 70 per cent. equity as at 30 June 2023 (restated after the adoption of HKFRS 17). The increase in debt proportion is principally due to reclassification of the Group's outstanding 2019 Perpetual Capital Securities from equity to debt following the issuance of redemption notice on 21 December 2023. This increased the Group's net gearing ratio from eight per cent. as at 30 June 2023 (restated after the adoption of HKFRS 17) to 30 per cent. as at 31 December 2023. As at 31 December 2023, the Group's total cash and bank balances amounted to HK$20,070.5 million, compared with HK$19,255.9 million as at 30 June 2023. The Group had unutilised committed banking facilities of approximately HK$10.3 billion as of 31 December 2023. In order to mitigate the risk of escalating interest rates of Hong Kong dollar borrowings and the negative impact on the Group's equity resulting from depreciation of RMB against Hong Kong dollar, the Group further optimised its debt profile and further increased its RMB borrowings to total debts through issuance of Panda Bonds, raising other new RMB loans and entering into cross currency swap contracts. RMB debt accounted for 49 per cent. of the Group's total debt as at 31 December 2023, with an increase from 43 per cent. as at 30 June 2023. As at 31 December 2023 (excluding the 2019 Perpetual Capital Securities which was redeemed on 31 January 2024), the Group also has an evenly distributed debt maturity profile which will minimise any refinancing risks with 11 per cent., 35 per cent., 38 per cent. and 16 per cent. total debt maturing due over the next 12 months, the second year, the third to fifth year and after the fifth year respectively.

The Group is well-supported by both local and international banks. The Group maintains a close relationship with over 20 banks in Hong Kong for arranging clean bilateral facilities.

(b) ***Strategy***

The Group's overall strategic objective is to build a resilient portfolio with sustainable long-term growth whilst optimising its businesses and assets through non-core disposal, which provides the Group with an opportunity to recycle and redeploy capital to where the Group considers there to be greater growth potential. The Group seeks to develop and synergise business segments that nurture corporate integrity and attain total customer satisfaction by hiring and training talent and fostering employee pride within the Group, which is the bedrock to building the Group's brand as a world-class corporate. The Group is committed to delivering value to shareholders and building a solid foundation with sustainable growth through efficient capital and asset allocation. To remain both robust and resilient in an ever-changing business environment, the Group intends to stay focused on enhancing the profitability and optimising the business portfolio. The Group also focus on maintaining long-term growth and recurring income generating potential. The Group intends to achieve its objectives by executing the following business strategies:

- *Upheld a discerning investment approach to enhance long-term growth*: The Group continues to grow its operations by acquiring value accretive projects within its current range of businesses, including roads, logistics and construction. Investment in these profitable and cash generating projects provide a steadily growing and diversified source of income to the Group.

- *Diversified and balanced debt profile*: The Group proactively manages its debt profile to cater for the fast-changing environment, particularly in light of the current high interest rate environment. The Group also adopts a prudent approach to monitor the currency composition of the Group's debt profile.

- *Portfolio Optimisation:* The Group identifies high-quality investments that it expects to generate stable recurring income. The Group also disposes of non-core assets or assets that had encountered fundamental change in their operating environment in order to redeploy capital. Leveraging its extensive experience in investing in and operating a diversified portfolio of businesses, the Group believes it is well-positioned to identify suitable opportunities and make prudent and selective investments.

The following tables set forth the revenue and AOP/(AOL) for the business segments of the Group for the periods indicated.

	For the year ended 30 June (Audited)			
	2023		2022	
	(HK$ million)	*Proportion (per cent.)*	*(HK$ million)*	*Proportion (per cent.)*
Revenue				
Roads	2,731.8	6.0	2,717.5	8.7
Insurance	20,988.2	46.4	12,373.6	39.7
Logistics	139.5	0.3	11.8	0.0
Construction	19,638.5	43.5	15,240.9	49.0
Facilities Management	1,715.0	3.8	794.8	2.6
Strategic Investments	0.8	0.0	-	-
	45,213.8	100.0	31,138.6	100.0
AOP/(AOL)				
Roads	1,532.8	37.4	1,709.9	39.1
Insurance	1,204.5	29.4	1,074.9	24.6
Logistics	752.0	18.4	592.6	13.5
Construction	745.5	18.2	912.2	20.9
Facilities Management	(61.9)	(1.5)	(409.5)	(9.4)
Strategic Investments	(75.7)	(1.9)	(141.7)	(3.2)
Disposed/discontinued businesses				
Aviation	-	-	511.5	11.7
Environment	-	-	121.0	2.8
	4,097.2	100.0	4,370.9	100.0

	For the six months ended 31 December			
	2023 (Unaudited but reviewed)		2022 (Restated)	
	(HK$ million)	*Proportion (per cent.)*	*(HK$ million)*	*Proportion (per cent.)*
Revenue				
Roads	1,468.4	10.5	1,317.4	10.1
Insurance	1,616.9	11.6	1,353.9	10.3
Logistics	84.3	0.6	63.4	0.5
Construction	9,375.5	67.1	9,840.8	75.1
Facilities Management	1,433.4	10.2	529.9	4.0
Strategic Investments	-	-	0.5	0.0
	13,978.5	100.0	13,105.9	100.0
AOP/(AOL)				
Roads	816.7	38.3	684.5	38.2
Insurance	413.0	19.4	230.6	12.9
Logistics	356.8	16.7	417.7	23.3

	For the six months ended 31 December			
	2023 (Unaudited but reviewed)		2022 (Restated)	
	(HK$ million)	*Proportion (per cent.)*	*(HK$ million)*	*Proportion (per cent.)*
Construction	394.7	18.5	416.3	23.2
Facilities Management	124.2	5.8	(127.8)	(7.1)
Strategic Investments	28.6	1.3	170.3	9.5
	2,134.0	100.0	1,791.6	100.0

The Group has a well-established presence in Hong Kong and the Mainland. The Group had a total AOP of HK$2.1 billion for the six months ended 31 December 2023, compared to HK$1.8 billion for the six months ended 31 December 2022, which has been restated owing to the adoption of HKFRS 17. For FY2023, the Group's total AOP by geographic region includes Hong Kong (59 per cent.) and Mainland China (41 per cent.), as compared with the year ended 30 June 2022 with Hong Kong (42 per cent.) and Mainland China (41 per cent.).

The Group's business segments comprise of investments in and/or operation of toll roads, insurance, logistics, construction, facilities management and strategic investments. The majority of the Group's assets are primarily located in Hong Kong and the Mainland.

Roads

For the six months ended 31 December 2023, sequential economic recovery after the relaxation of COVID-19 containment measures in the Mainland continued to bode well for the Group's Roads segment, enabling it to offset negative impact from RMB depreciation and temporary traffic control during the Asian Games that affected the performance of Hangzhou Ring Road. Like-for-like traffic flow and toll revenue grew by 18 per cent. and 20 per cent. year-on-year, respectively, during the six months ended 31 December 2023, and exceeded the pre-COVID-19 level (first half of the financial year ended 30 June 2020) by 12 per cent. and 5 per cent., respectively. Total AOP of the Roads segment increased by 19 per cent. year-on-year to HK$816.7 million. Excluding RMB depreciation, underlying AOP of the Roads segment increased by 24 per cent. compared with the six months ended 31 December 2022.

The Group's major expressways, namely Hangzhou Ring Road, Tangjin Expressway (Tianjin North Section), Guangzhou City Northern Ring Road, Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) and the three expressways in Central region (namely Suiyuenan Expressway, Sui-Yue Expressway and Changliu Expressway), contributed close to 90 per cent. of the Roads segment's AOP. Like-for-like traffic flow of these expressways grew by 14 per cent. year-on-year, displaying a respectable rebound notwithstanding the aforementioned negative impact.

For the six months ended 31 December 2023, the Group increased its stake in Shenzhen-Huizhou Expressway (Huizhou Section) by around 5.2 per cent. to 38.5 per cent. in September 2023 after the extension of the concession period for 13 years with a view to benefitting from the positive outlook for the expressway driven by the increasing traffic flow and the flourishing Greater Bay Area. Besides, the concession period of the two toll roads in Shanxi namely Roadway No. 309 (Changzhi Section) and Taiyuan-Changzhi Roadway (Changzhi Section), expired by the end of 2023, and from which the impact on the Roads segment is considered immaterial as the contribution from these two roads was insignificant to the overall Roads segment's AOP. Meanwhile, the expansion works of Guangzhou-Zhaoqing Expressway and Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) are in progress, and the expressways are eligible to apply for extension of concession period upon expansion completion.

As at 31 December 2023, the overall average remaining concession period of the Group's road portfolio further increased to 12 years after the expiry of the two roads in Shanxi.

The following table sets forth details of the Group's roads projects as at 30 June 2023:

	Length	NWS' form of investment	NWS' attributable interest (per cent.)	Operation date	Expiry date	Location
Guangzhou City Northern Ring Road	22 km	CJV	65.29	1/1994	2023[(1)]	Guangdong

	Length	NWS' form of investment	NWS' attributable interest (per cent.)	Operation date	Expiry date	Location
Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section)..	8.6 km (Section 1) 49.59 km (Section 2)	CJV	25	12/1999	2030	Guangdong
Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Northern Section)...	27 km	CJV	15	12/2005	2032	Guangdong
Guangzhou-Zhaoqing Expressway	48 km (Phase 1); 5.39 km (Phase 2)	CJV	25	9/2002 (Phase 1); 9/2010 (Phase 2)	2031	Guangdong
Shenzhen-Huizhou Expressway (Huizhou Section)	34.7 km	CJV	33.33	6/1993	2036	Guangdong
Guangzhou Dongxin Expressway..........................	46.22 km	Equity	45.9	12/2010	2035	Guangdong
Guangzhou City Nansha Port Expressway	72.4 km	Equity	22.5	12/2004	2030	Guangdong
Guangxi Guiwu Expressway.................................	198 km	Equity	40	4/2015	2045	Guangxi
Hangzhou Ring Road..	103.4 km	Equity	100	1/2005	2029	Zhejiang
Shanxi Taiyuan-Gujiao Roadway (Gujiao Section)	36.02 km	CJV	60*	4/1999	2025	Shanxi
Roadway No.309 (Changzhi Section)....................	22.2 km	CJV	60*	7/2000	2023(2)	Shanxi
Taiyuan-Changzhi Roadway (Changzhi Section)...	18.3 km	CJV	60*	8/2000	2023(3)	Shanxi
Tangjin Expressway (Tianjin North Section).........	43.45 km (Section 1); 17.22 km (Section 2)	CJV	60#	12/1998 (Section 1); 12/2000 (Section 2)	2040	Tianjin
Hubei Suiyuenan Expressway................................	98.06 km	EJV	30	3/2010	2040	Hubei
Hubei Laogu Expressway......................................	39.28 km	EJV	1	5/2020	2050	Hubei
Hunan Sui-Yue Expressway	24.08 km	Equity	100	12/2011	2039	Hunan
Hunan Changliu Expressway.................................	65.00 km	Equity	100	10/2013	2044	Hunan

Notes:

"**CJV**" means co-operative joint venture company

"**EJV**" means equity joint-venture company

"*" means cash sharing ratio of 90 per cent. for the first 12 years from the operation date and thereafter 60 per cent.

"**#**" means cash sharing ratio of 90 per cent. for the first 15 years from the operation date and thereafter 60 per cent.

Notes:

(1) The concession period for Guangzhou City Northern Ring Road expired in March 2024.

(2) The concession period for Roadway No.309 (Changzhi Section) expired in December 2023.

(3) The concession period for Taiyuan-Changzhi Roadway (Changzhi Section) expired in December 2023.

Insurance

Owing to the adoption of HKFRS 17, the financial results of the Insurance segment for the six months ended 31 December 2022 have been restated.

The Group's Insurance segment managed to achieve a noticeable growth in AOP for the six months ended 31 December 2023, attributable to the increase in contractual service margin release due to business growth, higher investment return on surplus assets and one-off impact due to the adoption of HKFRS 17. Under HKFRS 17, AOP of the Insurance segment for the six months ended 31 December 2023 was HK$413.0 million, representing a 79 per cent. year-on-year growth. Excluding the one-off impact due to the adoption of HKFRS 17, AOP of the Insurance segment would increase by 22 per cent. year-on-year.

CTF Life's attractive product offerings, release of pent-up demand from Mainland visitors after the reopening of the border, coupled with its marketing efforts, fostered the remarkable growth in CTF Life's overall APE by 188 per cent. year-on-year to HK$2,097.0 million for the six months ended 31 December 2023. Mainland visitors accounted for over 50 per cent. of the overall APE for the six months ended 31 December 2023, well above the pre-COVID-19 level. Gross written premium increased by 21 per cent. year-on-year to HK$7,659.3 million. Value of New Business ("**VONB**"), spurred by the stellar growth in APE, surged by 207 per cent. year-on-year to HK$677.8 million for the six months ended 31 December 2023, while VONB margin (representing VONB as a percentage of APE) improved to 32 per cent. (for the six months ended 31 December 2022: 30 per cent.). Overall investment income of CTF Life's investment portfolio (taking into account only dividend and interest income) further improved to 3.8 per cent. per annum for the six months ended 31 December 2023 (for the six months ended 31 December 2022: 3.6 per cent. per annum). In the first nine months of 2023, CTF Life's ranking among Hong Kong life insurance companies by APE stood at 10th.

CTF Life launched "MyWealth Savings Insurance Plan" ("**MyWealth**") in August 2023 and has been well received by customers. MyWealth is a savings insurance plan with reversionary bonus and terminal bonus. The plan's special features, including flexible "Wealth Accumulation Switching Option" that allows customers to choose their level of savings and investment in their policy among the three pre-set switching options based on their financial needs at different life stages, "Currency Switching Option" with total eight currencies for customers to switch, "Policy Split Option", "Dual Succession" and other advantages, allow customers to formulate their plan from wealth accumulation to asset allocation and legacy planning.

CTF Life maintained healthy financial position for the six months ended 31 December 2023. As at 31 December 2023, CTF Life's solvency ratio was 314 per cent., well above the minimum industry regulatory requirement of 150 per cent. Embedded value continued to benefit from the strong VONB and expected return on existing business in the six months ended 31 December 2023, increasing by 4 per cent. from 30 June 2023 to HK$20.1 billion, despite the negative impact driven by unfavourable equity performance. Moody's has continued to maintain the insurance financial strength rating of CTF Life at A3/Stable, while Fitch Ratings has affirmed CTF Life's A- insurer financial strength rating with stable rating outlook.

With effect from 1 July 2024, the solvency regime has changed from the Hong Kong Insurance Ordinance basis to Hong Kong Risk Based Capital ("**HKRBC**") basis. Based on CTF Life's internal assessment, the HKRBC solvency ratio was 272 per cent. as at 31 December 2023, which is well above the 100 per cent. Prescribed Capital Requirement under HKRBC regime.

For the six months ended 31 December 2023, CTF Life obtained a number of awards that endorse CTF Life's effort to promote ESG, including the Corporate Financial Education & ESG Leadership — Gold Award for six consecutive years and the Best Corporate Financial Education & ESG Leadership of the Year at the IFPHK Financial Education & ESG Leadership Awards 2023, the "Excellent ESG Project" Award at the ESG Excellence Awards 2023 organized jointly by Economic Digest and the Centre for Business Sustainability of CUHK Business School, as well as the Appreciation Certificate on ESG for the second consecutive year at the FinTech Awards 2023 by ET Net.

Logistics

The Group's Logistics segment registered stable operating performance during the six months ended 31 December 2023. Yet, the absence of revaluation gain for ATL and logistics properties in the Mainland within Logistics Asset & Management ("**LA&M**") for the six months ended 31 December 2023, along with the decline in AOP contribution from CUIRC, led to a drop in overall Logistics segment's AOP by 15 per cent. year-on-year to HK$356.8 million. Excluding the revaluation gain in the six months ended 31 December 2022, AOP of the Logistics segment would increase by 4 per cent. year-on-year, and AOP of LA&M would increase by 8 per cent. year-on-year.

LA&M encompasses ATL in Hong Kong and logistics properties in the Mainland with gross leasable area of approximately 5.9 million sq. ft. and 6.5 million sq. ft, respectively, as at 31 December 2023. For the six months ended 31 December 2023, solid demand for ATL's quality warehouse space underpinned its resilient rental performance. As at 31 December 2023, occupancy rate of ATL remained at almost fully let level of 98.9 per cent. (30 June 2023: 99.8 per cent.), with average rent rising 3 per cent. year-on-year. For the six months ended 31 December 2023, ATL contributed over 70 per cent. of the Logistics segment's AOP. In the Mainland, occupancy rate of the five logistics properties in Chengdu and Wuhan was 87.2 per cent. as at 31 December 2023 (30 June 2023: 90.1 per cent.). The logistics property in Chengdu, which was newly completed in January 2023, continued to ramp up, with occupancy rate improving to 84.8 per cent. as at 31 December 2023 (30 June 2023: 51.2 per cent.), while the logistics property in Suzhou that was acquired in June 2023 managed to maintain its occupancy rate at 100.0 per cent. as at 31 December 2023 (30 June 2023: 100.0 per cent.). Logistics properties in the Mainland collectively accounted for close to 15 per cent. of the Logistics segment's AOP for the six months ended 31 December 2023.

Strong demand for multimodal transportation services and increase in terminal capacity continued to benefit CUIRC operationally during the six months ended 31 December 2023, with throughput increasing by 20 per cent. year-on-year to 3,282,000 TEUs. Yet, owing to negative factors, including RMB depreciation, increase in operating expenses and decrease in other income, CUIRC saw an 18 per cent. year-on-year decline in AOP during the six months ended 31 December 2023. For the six months ended 31 December 2023, the expansion of Xi'an terminal handling capacity is on the way, while the doubling of Tianjin terminal handling capacity has commenced.

The following table sets forth details of the Group's logistics projects as at 30 June 2023:

	Gross Leasable Area (sq m)	**NWS' form of investment**	**NWS' attributable interest (per cent.)**	**Operation date**	**Expiry date**	**Location**
ATL Logistics Centre Hong Kong Limited	551,846	Equity	56	2/1987 (Phase 1); 3/1988 (Phase 2); 2/1992 (Phase 3); 1/1994 (Phase 4); 11/1994 (Phase 5)	2047	Hong Kong
Chengdu Dasheng Logistics Co. Ltd.	53,042	Equity	100	6/2019	2063	Chengdu
Jialong (Chengdu) Warehouse Co. Ltd.	77,783	Equity	100	9/2014 (Phase 1); 4/2018 (Phase 2)	2062	Chengdu
Jiaxin (Chengdu) Warehouse Co. Ltd.	27,599	Equity	100	2/2018	2064	Chengdu
	39,711 (subject to final design)			TBC	2065	
Chengdu Jiachao Warehouse Co. Ltd.	71,413	Equity	100	9/2015 (Phase 1); 12/2015 (Phase 2); 11/2016 (Phase 3)	2064	Chengdu
Jiayao (Chengdu) Warehouse Co. Ltd.	92,602	Equity	100	8/2022	2069	Chengdu
Wuhan Jiamai Warehouse Co. Ltd..........................	169,091	Equity	100	12/2015 (Phase 1); 5/2016 (Phase 2); 6/2021 (Phase 3)	2064	Wuhan
Suzhou Greenland Platinum Election e-commerce Co. Ltd.	75,164	Equity	90	6/2021	2068	Suzhou

	Handling Capacity	**NWS' form of investment**	**NWS' attributable interest (per cent.)**	**Location and operation date**	**Expiry date**
CUIRC	6.6 million TEUs pa	EJV	30	1/2008 (Kunming); 12/2009 (Chongqing); 3/2010 (Chengdu); 4/2010 (Zhengzhou); 7/2010 (Dalian); 8/2010 (Qingdao); 8/2010 (Wuhan);	2057

12/2010 (Xian); 1/2011 (Ningbo); 1/2011 (Tianjin); 6/2017 (Urumqi)

6/2019 (Qinzhou); 12/2021 (Guangzhou)

Notes:

"**EJV**" means equity joint venture company.

Construction

The Group's Construction segment is principally engaged in building construction and related businesses in Hong Kong through NWS Construction Group. The Group's Construction segment also has an 11.5 per cent. interest in Wai Kee. For the six months ended 31 December 2023, NWS Construction Group's AOP remained relatively stable at HK$394.7 million. Major projects of NWS Construction Group during the six months ended 31 December 2023 included commercial and residential developments at Kai Tak, office development at 2 Murray Road, Central and Immigration Headquarters at Tseung Kwan O.

NWS Construction Group's technical expertise and proven track record have defied the keen competition in the construction industry in Hong Kong. For the six months ended 31 December 2023, new contracts secured by NWS Construction Group increased by 207 per cent. year-on-year to HK$12.4 billion. As at 31 December 2023, NWS Construction Group's gross value contracts on hand amounted to approximately HK$61.9 billion, rising nine per cent. from 30 June 2023, while remaining works to be completed increased by 14 per cent. from 30 June 2023 to around HK$28.8 billion. About 66 per cent. of the remaining works to be completed were from the private sector, which included both commercial and residential, while the remaining 34 per cent. were from government and institutional related projects. Key projects awarded during the six months ended 31 December 2023 included main contract works for commercial development at Caroline Hill Road in Causeway Bay, SOUTHSIDE Package Six property development and subsidized sale flats development at Anderson Road Quarry Site R2-4, as well as excavation, lateral support, foundation and pile cap works for residential and commercial development at Kai Hing Road, Kowloon Bay.

Facilities Management

Business performance of HKCEC and Free Duty maintained its recovery trajectory for the six months ended 31 December 2023. Coupled with the further narrowing of AOL of GHK Hospital, AOP of the Facilities Management segment was HK$124.2 million for the six months ended 31 December 2023, versus an AOL of HK$127.8 million in the six months ended 31 December 2022.

HKCEC's performance gained more steam in the six months ended 31 December 2023, bolstered by the return of large-scale international and regional exhibitions and events as well as new events, supporting a turnaround to AOP versus an AOL in the six months ended 31 December 2022. For the six months ended 31 December 2023, number of events rose by 7 per cent. year-on-year to 437 and total patronage surged by 15 per cent. year-on-year to 3.9 million.

Since the turnaround to AOP from AOL in the second half of FY2023, Free Duty has been maintaining its recovery momentum. For the six months ended 31 December 2023, sales performance of outlets at Lok Ma Chau and Lo Wu continued to ramp up after the reopening of the border between Hong Kong and the Mainland, and collectively providing positive contribution to the Group. Coupled with the continuous AOP growth of Hong Kong-Zhuhai-Macao Bridge outlet, Free Duty recorded a slight AOP for the six months ended 31 December 2023, compared with an AOL for the six months ended 31 December 2022.

Further ramp up of operations continued to boost the performance of GHK Hospital for the six months ended 31 December 2023. Underpinned by the growth of number of inpatients, outpatients and day cases by 31 per cent., 12 per cent. and one per cent., respectively, revenue saw a decent growth for the six months ended 31 December 2023 and AOL further narrowed. EBITDA for the six months ended 31 December 2023 grew by 284 per cent. year-on-year, with EBITDA margin continuing to improve. As at 31 December 2023, number of regular utilized bed was 290 (30 June 2023: 276), and average occupancy rate was 64 per cent. In October 2023, Parkway Medical, which focuses on ancillary healthcare services with an aim to support the growth of GHK Hospital, opened a new clinic in Wong Chuk Hang that provides a full spectrum of services, including specialist, imaging and health screening, to expand service network to island south.

Strategic Investments

This segment includes investments with strategic value to the Group and with growth potential, which will enhance and create value for the Group's shareholders. AOP for the six months ended 31 December 2023 was HK$28.6 million (For the six months ended 31 December 2022: HK$170.3 million), which mainly comprised the share of results, net fair value change, interest and dividend income from various investments. The decline in AOP was mainly attributable to the net fair value losses on certain projects and the decline in operating performance of the businesses of certain investments due to the challenging business environment.

Disposed/ discontinued businesses

The Group's Aviation segment engaged in commercial aircraft leasing business through its full service leasing platform Goshawk. In December 2022, Goshawk completed the disposal of substantially all of its commercial aircraft leasing business, except for six aircraft associated with Russian lessees, via the sale of GML. The total consideration was approximately US$1.6 billion with an enterprise value of about US$6.7 billion, 50 per cent. of which (approximately U.S.$0.8 billion) was attributable to the Group in accordance with its shareholding interest. The completion of the disposal has further strengthened the Group's financial position and provide the Group with more financial flexibility, and at the same time facilitated further improvement in the Group risk profile via the reduction of its exposure in interest rate risk and potential geopolitical risk.

Insurance

The Group is covered by insurance policies arranged through reputable insurance agents or brokers which cover fire, flood, riot, strike, malicious damage, other material damage to property, additional expenditure and public liability.

The Group believes that its properties are covered with adequate insurance provided by reputable independent insurance companies and with commercially reasonable deductibles and limits on coverage. Notwithstanding the Group's insurance coverage, damage to the Group's buildings, facilities, equipment, or other properties as a result of occurrences such as fire, floods, water damage, explosion, power loss, typhoons and other natural disasters could nevertheless have a material adverse effect on the Group's financial condition and operating results.

Government Regulations

The operations of the Group are subject to various laws and regulations of Hong Kong, the Mainland and the other countries and regions in which it has operations. The Group's projects require government permits, some of which may take longer to obtain than others. The Group's projects are subject to routine inspections by government officials with regard to various safety and environmental issues. NWS considers that the Group is in compliance in all material respects with government safety regulations currently in effect.

The Group has not experienced significant problems with government regulations with regard to these issues, and is not aware of any pending government legislation that might have a material adverse effect on its projects.

Environmental Matters

NWS considers that the Group is in compliance in all material respects with applicable environmental regulations in Hong Kong and the Mainland. NWS is not aware of any material environmental proceeding or investigation to which it is or might become a party.

Legal Proceedings

The Group is involved in litigation as part of its day to day business although neither NWS nor any of its subsidiaries is involved in any litigation which would have a material adverse effect on the business or financial position of the Group as a whole.

Employees

As at 31 December 2023, approximately 14,500 staff were employed by entities under the Group's management of which approximately 3,500 staff were employed in Hong Kong.

Recent Developments

Redemption of Senior Perpetual Capital Securities

On 21 December 2023, Celestial Miles Limited, an indirect wholly owned subsidiary of NWS, issued a notice of redemption of the outstanding U.S.$1,019,144,000 2019 Perpetual Capital Securities (ISIN: XS1940852145; Common Code: 194085214). The redemption was completed on 31 January 2024 and there are no outstanding 2019 Perpetual Capital Securities in issue.

Listing of the 2019 Perpetual Capital Securities on the Hong Kong Stock Exchange was withdrawn with effect upon close of business on 8 February 2024.

Issuance of Scrip Dividend Shares

On 27 February 2024, NWS announced the declaration of special dividend for the six months ended 31 December 2023 with scrip option in conjunction with interim dividend. On 19 April 2024, NWS has issued and allotted 85,629,736 scrip shares to shareholders of NWS who elected to receive the relevant dividends wholly or partly in scrip form. As at the date of this Offering Circular, NWS had authorised share capital of HK$6,000,000,000 divided into 6,000,000,000 ordinary shares of HK$1.00 each and issued and fully paid-up share capital of HK$3,997,540,085 consisting of 3,997,540,085 ordinary shares of HK$1.00 each.

Issuance of 2024 Medium-term Green Notes Series 1 (Bond Connect)

On 21 March 2024, NWS completed the issuance of the 2024 Medium-term Green Notes Series 1 (Bond Connect) in the PRC in the aggregate principal amount of RMB100 million (the "**Green Panda Bonds**"). The proceeds will be used for capital expenditures (including asset improvements or additions), repayment of principal and interest of interest-bearing liabilities and replenishment of working capital (including but not limited to property service fees, on-site operating and maintenance fees, management company expenses and professional services fees) of logistics green warehousing projects. The Green Panda Bonds will mature on 21 March 2027.

Rebranding of CTF Life

On 29 April 2024, FTLife Insurance Company Limited announced a change in its company name to Chow Tai Fook Life Insurance Company Limited, strengthening collaboration with CTF Enterprises. The name change has been made effective since July 2024. The business operations of CTF Life remains consistent with FTLife Insurance Company Limited and the name change has no impact on the collaboration model with its business partners and day-to-day management and operation of existing policies, including protection, benefits, fees and returns.

Signing of a Memorandum of Understanding between Caritas – Hong Kong and Parkway Medical

On 23 May 2024, Caritas – Hong Kong ("**Caritas**") and Parkway Medical signed a memorandum of understanding ("**MOU**") on the redevelopment project of Precious Blood Hospital (Caritas). Key strategies of the MOU include providing more affordable and high-quality private healthcare services and actively participating in Public-Private Partnership Programmes to provide timely care for patients and relieve pressure on services of public hospitals. The redevelopment outlined by the MOU will be implemented in phases, with a focus on creation of a new inpatient clinical space in the initial phase.

Application to the China Securities Regulatory Commission and The Shanghai Stock Exchange for Registration and Proposed Issue of Corporate Bonds

On 17 June 2024, NWS made an application to the China Securities Regulatory Commission (the "**CSRC**") and the Shanghai Stock Exchange (the "**SSE**") in the PRC for registration of corporate bonds in an aggregate amount of not more than RMB5 billion, to be issued by NWS in multiple tranches as and when appropriate within two years from the receipt of the notice of acceptance of registration from the CSRC (the "**Application**"). As at the date of this Offering Circular, the Application is being processed. Issuances pursuant to the Application is expected to expand the Group's source of funding and can act as a natural hedge against the currency exchange fluctuations in RMB and reduce the Group's exposure to related foreign exchange risks.

Acquisition of Hsin Chong Aster Building Services Limited

On 22 July 2024, Power Might Enterprises Limited (an indirect wholly-owned subsidiary of NWS) (the "**Purchaser**"), Efficient League Limited and Golden Celosia Limited (together, the "**Vendors**") and a subsidiary of CTFH (as the Vendor Guarantor) entered into a sale and purchase agreement, pursuant to which the Vendors conditionally agreed to sell, and the Purchaser conditionally agreed to purchase from the Vendors the entire issued share capital of Hsin Chong Aster Building Services Limited (the "**Target Company**") at an initial consideration of HK$508,600,000 to be adjusted in accordance with a performance bonus and adjustment mechanism. Golden Celosia Limited also conditionally agreed to sell and assign, and the Purchaser conditionally agreed to purchase and take assignment of, a shareholder's loan with the principal amount of HK$30,000,000 in the consideration of HK$30,000,000 plus interests accrued thereupon up to the completion date. The total consideration for the aforementioned purchase of the entire issued share capital of the Target Company and purchase and assignment of the shareholder's loan shall be subject to a cap of HK$1,000,000,000. The Target Company is a leading contractor in providing comprehensive electrical and mechanical engineering ("**E&M**") services, and offers a full spectrum of solutions, including heating, ventilation and air conditioning systems, fire services, electrical installations and other E&M solutions. Upon completion, the Target Company will become an indirect wholly-owned subsidiary of the Group.

Profit attributable to shareholders of NWS for the year ended 30 June 2024

On 5 August 2024, NWS announced that based on the preliminary review of the unaudited consolidated management accounts of the Group for the year ended 30 June 2024 and the information available as at the date of the said announcement, the profit attributable to shareholders for the year ended 30 June 2024 (the "**Profit for FY2024**") is expected to record an amount in the range of approximately HK$2.0 billion to HK$2.2 billion, representing an increase of no less than 33 per cent. as compared to the restated profit attributable to shareholders for FY2023 (the "**Restated Profit for FY2023**"). The Restated Profit for FY2023 would be an amount in the range of approximately HK$1.4 billion to HK$1.5 billion, being adjusted from the profit attributable to shareholders for FY2023 of HK$2.0 billion as stated in the 2023 annual report of NWS ("**2023 Annual Report**"), due to the adoption of HKFRS 17. The Profit for FY2024 and Restated Profit for FY2023 are both subject to adjustments and finalization upon completion of audit conducted by PricewaterhouseCoopers, Certified Public Accountants, the independent auditor of NWS.

The expected increase in the Profit for FY2024 as compared to the Restated Profit for FY2023 is primarily due to (i) a noticeable increase in the AOP of the Group's Insurance segment in FY2024; (ii) an expected turnaround from AOL to AOP in the Group's Facilities Management segment; (iii) the steady growth of the Group's Roads segment and Logistics segment; (iv) a decrease in net impairments and provisions of certain of the Group's investments and a decrease in profit attributable to holders of perpetual capital securities; and (v) the above to be partly offset by a net loss on fair value of certain investment properties and increase in net finance costs of corporate office in FY2024.

Potential investors should exercise caution when using such data to evaluate the Group's expected profit attributable to shareholders and results of operations for the year ended 30 June 2024. The above information has not been reviewed or audited by the independent auditor of NWS or reviewed by the audit committee of NWS, and only represents a preliminary assessment based on the information available as at 5 August 2024, which may differ from the actual performance of the Group for the financial year ended 30 June 2024.

PRINCIPAL SHAREHOLDERS

As at 31 December 2023, each of CYTFH and CYTFH-II, through CTFC, a company in which each of them held more than one-third of its issued shares, was deemed to be interested in approximately 77.83 per cent. of the total issued shares of NWS. Both CYTFH and CYTFH-II are controlled by the Cheng Family. CTF Enterprises, an intermediate holding company of NWS, is indirectly owned as to approximately 81.03 per cent. by CTFC.

Certain transactions may occur between NWS and/or its subsidiaries and CTF Enterprises, or entities associated with CTF Enterprises which are connected persons of NWS under the Listing Rules. Certain connected transactions in the future, although entered into on an arm's length basis, will, depending on the nature and the size of each such transaction, be subject to certain disclosure requirements and/or the approval by the shareholders of NWS in a general meeting, in which CTF Enterprises and its associates (as defined under the Listing Rules) will abstain from voting, and other requirements under the Listing Rules.

See note 33 to the condensed consolidated interim financial statements of NWS for the six months ended 31 December 2023 for details of related party transactions.

As at 31 December 2023, so far as are known to the directors of NWS, the following parties (other than a director or chief executive of NWS) were recorded in the register kept by NWS under Section 336 of the SFO as being directly or indirectly interested or deemed to be interested in 5 per cent. or more of the issued share capital of NWS:

	Number of shares			
Name	**Beneficial interests**	**Corporate interests**	**Total**	**Approximate percentage to the issued share capital of NWS as at 31 December 2023**
CYTFH	-	3,044,748,215[(1)]	3,044,748,215	77.83 per cent.
CYTFH-II	-	3,044,748,215 [(2)]	3,044,748,215	77.83 per cent.
CTFC	-	3,044,748,215 [(3)]	3,044,748,215	77.83 per cent.
Chow Tai Fook (Holding) Limited ("**CTFH**") ...	-	3,044,748,215 [(4)]	3,044,748,215	77.83 per cent.
CTF Enterprises..	97,034,424	2,925,701,291[(5)]	3,022,735,715	77.27 per cent.
Century Acquisition Limited ("**CAL**")	2,925,701,291	-	2,925,701,291	74.79 per cent.

Notes:

(1) CYTFH held approximately 48.98 per cent. direct interest in CTFC and was accordingly deemed to have an interest in the shares deemed to be interested by CTFC.

(2) CYTFH-II held approximately 46.65 per cent. direct interest in CTFC and was accordingly deemed to have an interest in the shares deemed to be interested by CTFC.

(3) CTFC held approximately 81.03 per cent. direct interest in CTFH and was accordingly deemed to have an interest in the shares deemed to be interested by CTFH.

(4) CTFH held 100 per cent. direct interest in CTF Enterprises and was accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF. CTFH also held 99.90 per cent. direct interest in Chow Tai Fook Nominee Limited and was accordingly deemed to have an interest in the 22,012,500 shares interested by Chow Tai Fook Nominee Limited.

(5) CTF Enterprises held 100 per cent. direct interest in CAL and was accordingly deemed to have an interest in the shares interested by CAL.

(6) All the interests stated above represented long positions.

Save as disclosed above, there was no other interest recorded in the register that was required to be kept under Section 336 of the SFO as at 31 December 2023.

DIRECTORS OF THE GUARANTOR

Directors

The following list sets forth the names of the directors of NWS (the "**Directors**").

Executive Directors

Dr. Cheng Kar Shun, Henry (*Chairman*)

Mr. Cheng Chi Ming, Brian (*Co-Chief Executive Officer*)

Mr. Ho Gilbert Chi Hang (*Co-Chief Executive Officer*)

Mr. Lam Jim (*Chief Financial Officer*)

Mr. Cheng Chi Leong, Christopher

Non-executive Directors

Dr. Cheng Chi Kong, Adrian

Mr. William Junior Guilherme Doo

(alternate director to Mr. William Junior Guilherme Doo: Mr. Lam Wai Hon, Patrick)

Mr. Tsang On Yip, Patrick

Independent Non-executive Directors

Mr. Shek Lai Him, Abraham

Mr. Lee Yiu Kwong, Alan

Mrs. Oei Wai Chi Grace Fung

Mr. Wong Kwai Huen, Albert

Professor Chan Ka Keung, Ceajer

Ms. Ng Yuen Ting, Yolanda

The biographies of the Directors as at the date of this Offering Circular are as follows:

DR. CHENG KAR SHUN, HENRY GBM, GBS, aged 77, was appointed as Executive Director in March 2000 and became the Chairman from March 2001. He is also the Chairman of the Executive Committee of the Company and a director of a subsidiary of the Group. Dr Cheng is the Chairman and an executive director of NWD and Chow Tai Fook Jewellery Group Limited, the Chairman and a non-executive director of FSE Lifestyle Services Limited and i-CABLE Communications Limited, all being listed public companies in Hong Kong. He was a non-executive director of DTXS Silk Road Investment Holdings Company Limited (resigned on 19 March 2021), as well as the Chairman and a non-executive director of New World Department Store China Limited (resigned on 13 May 2021), both being listed public companies in Hong Kong. Dr Cheng is also a director and the Honorary Chairman of New World China Land Limited and a director of several substantial shareholders of the Company, namely CYTFH, CYTFH-II, CTFC, CTFH and CTF Enterprises. Dr Cheng is the Chairman of the Advisory Council for The Better Hong Kong Foundation. He was a Standing Committee Member of the Twelfth Chinese People's Political Consultative Conference of the People's Republic of China. Dr Cheng was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal in 2001 and 2017 respectively by the Government of the HKSAR. Dr Cheng is the father of Dr Cheng Chi Kong, Adrian, Mr Cheng Chi Ming, Brian and Mr Cheng Chi Leong, Christopher, and the uncle of Mr William Junior Guilherme Doo and the spouse of Mr Tsang On Yip, Patrick.

MR. CHENG CHI MING, BRIAN, aged 41, joined the Company in January 2008 and was appointed as Executive Director in July 2009 and Co-Chief Executive Officer in January 2024. He is also a member of the Executive Committee, the Nomination Committee, the Remuneration Committee and the Environmental, Social and Governance Committee of the Company. He is also a director of certain subsidiaries of the Group. He is mainly responsible for overseeing the infrastructure business and the merger and acquisition affairs of the Group. Mr Cheng is a non-executive director of NWD and the Chairman and a non-executive director of Integrated Waste Solutions Group Holdings Limited, both being listed public companies in Hong Kong. He is a director of PBA

International Pte. Ltd. and a number of companies in Mainland China. He was also a non-executive director of Haitong International Securities Group Limited (resigned on 13 March 2024) (the company was delisted from the Hong Kong Stock Exchange on 11 January 2024) and Wai Kee Holdings Limited (resigned on 26 June 2024) (a listed public company in Hong Kong). Mr Cheng is currently a member of the Fourteenth Shanghai Municipal Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. Before joining the Company, Mr Cheng had been working as a research analyst in the Infrastructure and Conglomerates sector for CLSA Asia-Pacific Markets. Mr Cheng holds a Bachelor of Science degree from Babson College in Massachusetts, USA. Mr Cheng is the son of Dr Cheng Kar Shun, Henry, the brother of Dr Cheng Chi Kong, Adrian and Mr Cheng Chi Leong, Christopher, the cousin of Mr William Junior Guilherme Doo and cousin-in-law of Mr Tsang On Yip, Patrick.

MR. HO GILBERT CHI HANG, aged 47, joined the Company as senior director in January 2018 and has been serving as Executive Director since July 2018. He was appointed as Chief Operating Officer in February 2022 and Co-Chief Executive Officer in January 2024. He is a member of the Executive Committee, the Nomination Committee, the Remuneration Committee and the Environmental, Social and Governance Committee of the Company. He is also a director of certain subsidiaries of the Group. Prior to joining the Group, Mr Ho was a director and/or senior executive in several Hong Kong listed public companies. He was the senior investment director of NWD and an executive director of New World Strategic Investment Limited. He was also a partner of an international law firm Fried, Frank, Harris, Shriver & Jacobson LLP. Mr Ho is an independent non-executive director of Asia Allied Infrastructure Holdings Limited and Kam Hing International Holdings Limited, and a non-executive director of Shoucheng Holdings Limited, all being listed public companies in Hong Kong. He was also a non-executive director of Wai Kee Holdings Limited (resigned on 26 June 2024) (a listed public company in Hong Kong). He is the Vice Chairman of the China Committee of Hong Kong General Chamber of Commerce, the Vice Chairperson of the Chamber of Hong Kong Listed Companies, the Deputy Chairman of the Greater Bay Area Committee of CPA Australia, a member of the Hong Kong Logistics Development Council, a member of the Advisory Council on Career Development of Hong Kong University of Science and Technology, and a standing committee member of the Youth Federation of Inner Mongolia. He was also a committee member of the Industry Advisory Committee of Insurance Authority from June 2020 to May 2022 and a committee member of the Chinese People's Political Consultative Conference of Shenyang from December 2007 to December 2021. Mr Ho holds a Bachelor of Commerce degree and a Bachelor of Laws degree from the University of Sydney, Australia and was admitted as a solicitor in New South Wales, Australia and England and Wales and as a solicitor and barrister in the High Court of Australia. He is also a fellow member of CPA Australia.

MR. LAM JIM, aged 53, was appointed as Executive Director in January 2024 and is a member of the Executive Committee and the Environmental, Social and Governance Committee of the Company. Mr Lam joined the Company in January 2021 as Group Chief Financial Officer and is responsible for overseeing the overall finance and accounting functions of the Group. He is also director of certain subsidiaries of the Group. Before joining the Company, he was the director of Finance and Accounts of NWD, a listed public company in Hong Kong. Prior to working with the New World Group, Mr Lam was the chief financial officer of ANTA Sports Products Limited as well as an executive director and the chief financial officer of SOHO China Limited, both being listed public companies in Hong Kong. Mr Lam is a member of the HKICPA. He holds a Bachelor of Business Administration degree from The Chinese University of Hong Kong and a Master of Science degree in Accounting and Finance from The London School of Economics and Political Science. Mr Lam is also a seasoned investor relations professional with a strong equity research background. He was awarded the Hong Kong Investor Relations Association's Best IR by CFO Large Cap, Institutional Investor's Best CFOs by Buy-side (Consumer Discretionary) and Best CFOs by Sell-side (Industrials), as well as Finance Asia's Best CFO HKSAR.

MR. CHENG CHI LEONG, CHRISTOPHER, aged 35, was appointed as Executive Director on 1 December 2020 and is a member of the Executive Committee of the Company. He is also a director of certain subsidiaries of the Group. He has been with the Company since January 2019 and is mainly responsible for overseeing the business development and strategic investments of the Group. Mr Cheng is a director and Deputy Chief Executive Officer of CTF Enterprises (a substantial shareholder of the Company). He is also a non-executive director of Giordano International Limited, a listed public company in Hong Kong (appointed on 3 April 2024). Mr. Cheng is currently a member of the thirteenth Zhejiang Provincial Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. Prior to joining the Company, Mr Cheng had worked in the venture capital and hedge fund industry for a number of years and has in-depth experience in portfolio management of global equities with focus on Asian developed markets, management of various hedge funds, trade bookings and executions on a variety of products and has substantial experience in corporate finance. Mr Cheng holds a Bachelor of Arts in Economics Degree from Harvard University. He is the son of Dr Cheng Kar Shun, Henry, the brother of Dr Cheng Chi Kong, Adrian and Mr Cheng Chi Ming, Brian, the cousin of Mr William Junior Guilherme Doo and cousin-in-law of Mr Tsang On Yip, Patrick.

DR. CHENG CHI KONG, ADRIAN SBS, JP**,** aged 44, was appointed as Executive Director in October 2019 and re-designated as Non-executive Director in January 2024. He is the Executive Vice-Chairman and Chief Executive Officer of NWD, the Chairman and non-executive director of New World Department Store China Limited and Arta TechFin Corporation Limited and an executive director of Chow Tai Fook Jewellery Group Limited, all being listed public companies in Hong Kong. Dr Cheng is a director and the Executive Chairman of New World China Land Limited and the Chairman of New World Group Charity Foundation Limited. He is also a director of CTFH and CTF Enterprises, both being substantial shareholders of the Company. Dr Cheng was a non-executive director of New Century Healthcare Holding Co. Limited (resigned on 1 June 2022), a non-executive director of Giordano International Limited (resigned on 1 December 2022) and a non-executive director and a Co-Chairman of Meta Media Holdings Limited (resigned on 5 October 2023), all being listed public companies in Hong Kong. Dr Cheng serves as a member of the 14th National Committee of the Chinese People's Political Consultative Conference of The People's Republic of China, a Vice-President of All-China General Chamber of Industry and Commerce, the Chairman of the Mega Arts and Cultural Events Committee, a board member of the Hong Kong Financial Services Development Council and the chair of the board of Hong Kong Academy for Wealth Legacy, a non-official member of the Task Force on Promoting and Branding Hong Kong, and a member of the United Nations Economic and Social Commission for Asia and Pacific (ESCAP) Sustainable Business Network (ESBN) Executive Council and the chair of the ESBN Task Force on Innovation. He is the Vice-Chairman of CTF Education Group, the Honorary Chairman of K11 Art Foundation, the founder of The WEMP Foundation and the Chairman of China Young Leaders Foundation. Dr Cheng was appointed as Justice of the Peace since 2016 and was awarded the Silver Bauhinia Star in 2022 by the Government of the Hong Kong Special Administrative Region. He was made an Officier de l'Ordre des Arts et des Lettres in 2017 and Officier de l'Ordre National du Mérite in 2022 by the French Government. Dr Cheng holds a Bachelor of Arts Degree (cum laude) from Harvard University, and received the Honorary Doctorate of Humanities from the Savannah College of Art and Design in 2014. He was conferred an Honorary Fellowship by Lingnan University in 2014, an Honorary University Fellowship by the University of Hong Kong in 2022 and an Honorary Fellowship by the Hong Kong University of Science and Technology in 2023. Prior to joining NWD in 2006, Dr Cheng worked in a major international bank and has substantial experience in corporate finance. He is the son of Dr Cheng Kar Shun, Henry, the brother of Mr Cheng Chi Ming, Brian and Mr Cheng Chi Leong, Christopher, the cousin of Mr William Junior Guilherme Doo and cousin-in-law of Mr Tsang On Yip, Patrick.

MR. WILLIAM JUNIOR GUILHERME DOO BBS, JP, aged 50, was appointed as Director in December 2005 and was re-designated from Executive Director to Non-executive Director in July 2014. Mr Doo is an executive director of FSE Lifestyle Services Limited and an independent non-executive director of The Bank of East Asia, Limited, both being listed public companies in Hong Kong. He is also an independent director of Shengyi Technology Co., Ltd., a listed company in Shanghai (appointed on 5 June 2024). Mr Doo is a solicitor admitted in the HKSAR and is currently a non-practising solicitor in England and Wales. He had legal practice experience in one of the largest global law firms specializing in finance and corporate transactions. He is a member of the 14th National Committee of the Chinese People's Political Consultative Conference of The People's Republic of China. Mr Doo has been appointed as Justice of the Peace and was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region. Mr Doo is the nephew of Dr Cheng Kar Shun, Henry, the cousin of Dr Cheng Chi Kong, Adrian, Mr Cheng Chi Ming, Brian and Mr Cheng Chi Leong, Christopher and the cousin-in-law of Mr Tsang On Yip, Patrick.

MR. LAM WAI HON, PATRICK, aged 61, was appointed as Executive Director in January 2003 and was re-designated as Non-executive Director in January 2016, and retired on 25 November 2020. He was appointed as an alternate director to Mr William Junior Guilherme Doo, a Non-executive Director of the Company, on 25 November 2020. Mr Lam is currently an executive director and the Chief Executive Officer of FSE Holdings Limited. He is also an executive director, an Executive Vice-Chairman of the board of directors and the Chief Executive Officer of FSE Lifestyle Services Limited, a listed public company in Hong Kong. Mr Lam is a fellow of the HKICPA, the Institute of Chartered Accountants in England and Wales and the Chartered Professional Accountants of Ontario, Canada. He is Acting Chairman of the Asia Advisory Board of Ivey Business School of Western University, Canada, a founding director of the University of Edinburgh Hong Kong Foundation, and a member of the Hong Kong Essex Global Leader Network, University of Essex. As well, Mr Lam is a Governor of the Canadian Chamber of Commerce in Hong Kong. In 2021, he was made a Chevalier of the Order of National Merit of Finance in recognition of his contribution to France.

MR. TSANG ON YIP, PATRICK BBS, aged 52, was appointed as a Non-executive Director in January 2024. Mr Tsang is the chief executive officer and director of CTF Enterprises, a director of CAL and a director of CTFH, each a holding company and substantial shareholder of the Company. He is also the Chairman and a non-executive director of Giordano International Limited, a Vice Chairman and an executive director of i-CABLE Communications Limited, an executive director of Melbourne Enterprises Limited and UMP Healthcare Holdings Limited, and a non-executive director of SJM Holdings Limited, all of which are listed public companies in Hong Kong. Mr Tsang was a non-executive director of Greenheart Group Limited and Integrated Waste Solutions Group Holdings Limited, all of which are listed public companies in Hong Kong, until his retirement from the office in May 2022 and August 2022 respectively. Mr Tsang is a director of Cheng Yu Tung Foundation Limited, the founder and a director of CTFE Social Solutions Limited, a governor of Chow Tai Fook Charity Foundation Limited, a member of Election Committee of the HKSAR, and a Vice Chairman of Employers' Federation of Hong Kong. He has been a member of the 14th Beijing Municipal Committee of the Chinese People's Political Consultative Conference since 2023. Mr Tsang was awarded the Bronze Bauhinia Star in 2023 by the Government of the HKSAR. Mr Tsang obtained a Bachelor of Arts degree in Economics from Columbia

College of Columbia University in New York, USA. New York, USA. Mr Tsang's spouse is a niece of Dr Cheng Kar Shun, Henry, and he is a cousin-in-law of Dr Cheng Chi Kong, Adrian, Mr Cheng Chi Ming, Brian, Mr Cheng Chi Leong, Christopher and Mr William Junior Guilherme Doo.

MR. SHEK LAI HIM, ABRAHAM GBS, JP, aged 79, was appointed as Independent Non-executive Director in September 2004 and is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Mr Shek is an independent non-executive director of Alliance International Education Leasing Holdings Limited (formerly known as International Alliance Financial Leasing Co., Ltd.), China Resources Building Materials Technology Holdings Limited (formerly known as China Resources Cement Holdings Limited), Chuang's China Investments Limited (also acts as Honorary Chairman), Chuang's Consortium International Limited, Cosmopolitan International Holdings Limited, CSI Properties Limited, Everbright Grand China Assets Limited, Far East Consortium International Limited, Hao Tian International Construction Investment Group Limited, ITC Properties Group Limited (also acts as Vice Chairman), Lai Fung Holdings Limited, Paliburg Holdings Limited and Shin Hwa World Limited (formerly known as Landing International Development Limited), and an executive director and the Chairman of Goldin Financial Holdings Limited (in liquidation and delisted from the Hong Kong Stock Exchange on 31 October 2023), all being listed public companies in Hong Kong. He is also an independent non-executive director of Eagle Asset Management (CP) Limited (the manager of Champion Real Estate Investment Trust) and Regal Portfolio Management Limited (the manager of Regal Real Estate Investment Trust), both of the trusts are listed on the Hong Kong Stock Exchange. Mr Shek is an independent non-executive director of Lifestyle International Holdings Limited (the company was delisted from the Hong Kong Stock Exchange on 20 December 2022). He was also an independent non-executive director of SJM Holdings Limited (retired on 28 May 2021) and Country Garden Holdings Company Limited (resigned on 15 March 2024), both being listed public companies in Hong Kong. Mr Shek was a member of the Legislative Council for the HKSAR representing real estate and construction functional constituency from 2000 to 2021. He was appointed as Justice of the Peace in 1995 and was awarded the Gold Bauhinia Star in 2013. Mr Shek graduated from the University of Sydney with Bachelor of Arts and attained a Juris Doctor degree of The City University of Hong Kong.

MR. LEE YIU KWONG, ALAN, aged 80, was appointed as Independent Non-executive Director in October 2012 and he is also the Chairman of the Nomination Committee and a member of the Audit Committee, the Remuneration Committee and the Environmental, Social and Governance Committee of the Company. Mr Lee is an independent non-executive director of a subsidiary of the Group. He is the former Chief Executive Officer of CSX World Terminals Hong Kong Limited and ATL Logistics Centre Hong Kong Limited. Mr Lee has over 40 years of shipping and logistics experience, including over 15 years of international experience working in the United States, the Netherlands, Malaysia, Singapore and Thailand. Mr Lee is the former Chairman of Hong Kong Container Terminal Operators Association. He was also a committee member of Hong Kong Business Advisory Committee, Logistics Advisory Committee of Hong Kong Trade Development Council, Hong Kong Port Development Council, Hong Kong Logistics Development Council and the Sailors Home and Missions to Seamen Hong Kong. Mr Lee is an accountant by training and has over six years of experience at KPMG.

MRS. OEI WAI CHI, GRACE FUNG, aged 71, was appointed as Independent Non-executive Director in January 2016 and is also a member of the Environmental, Social and Governance Committee of the Company. She is currently the Chairperson of Ronald McDonald House Charities in Hong Kong since September 2008 and she has been elected to the global board of trustees of Ronald McDonald House Charities in Chicago since 1 January 2015. Mrs Oei had worked in investment banking and wholesale banking for 36 years. She was the Vice Chairman, Corporate & Institutional Clients, at Standard Chartered Bank, Hong Kong when she retired from the bank in November 2014. Before joining Standard Chartered Bank in 2002, she had worked with UBS for nine years including service as Managing Director responsible for corporate finance and fixed income. During her service with UBS, Mrs Oei had regional responsibilities for institutional sales, fixed income, supervising a team in Hong Kong and Singapore which covered 13 countries in Asia (excluding Japan). Her team advised central banks and other institutional investors in Asia on fixed income investments and hedging strategies for interest rates and currencies. Mrs Oei had taken on a number of public service responsibilities over the years, including as a member of the Takeovers and Mergers Panel and the Takeovers Appeal Committee of the Securities and Futures Commission and a member of the Finance Committee of the Hong Kong Housing Authority. Mrs Oei graduated from the London School of Economics and Political Science, London University, with a BSc (Econ) degree, majoring in Accounting and Finance.

MR. WONG KWAI HUEN, ALBERT SBS, BBS, JP, aged 72, was appointed as Independent Non-executive Director in July 2018 and is also the Chairman of the Environmental, Social and Governance Committee of the Company. He is currently the principal of Huen Wong & Co. He was the principal of Fried, Frank, Harris, Shriver & Jacobson (China Offices) and has served as its Managing Partner in Asia from 2006 until 2011. He is also an independent non-executive director of Hua Hong Semiconductor Limited and Vinda International Holdings Limited, both being listed public companies in Hong Kong. He was an independent non-executive director of China Oilfield Services Limited (retired on 1 June 2022), a listed public company in Hong Kong. Mr Wong holds a Bachelor of Arts degree from The Chinese University of Hong Kong and a Bachelor of Laws degree from the University of London, United Kingdom. He is admitted as a solicitor in Hong Kong, the United Kingdom and Singapore. Mr Wong is the Honorary Chairman of Hong Kong International Arbitration Centre. He is also the Chairman of the Board of Review (Inland Revenue Ordinance) and the Board of Directors of HKBU Chinese Medicine Hospital Company Limited and the Honorary Legal Adviser of Hong Kong Business Accountants Association. He was formerly the President of the Law Society of Hong Kong and the Inter-Pacific Bar Association, Chairman of the Copyright Tribunal, Honorary Adviser of Financial Reporting Council and a council member of The Hong Kong Institute of Directors. Mr Wong holds the posts of honorary lecturer, external examiner and professorships at The University of Hong Kong, The Chinese University of Hong Kong, City University of Hong Kong, The Hang Seng University of Hong Kong and Hong Kong Shue Yan University. He was appointed as Justice of the Peace in 2010 and was awarded the Bronze Bauhinia Star and Silver Bauhinia Star by the Government of the HKSAR in 2014 and 2022 respectively.

PROFESSOR CHAN KA KEUNG, CEAJER GBS, SBS, JP, aged 67, was appointed as Independent Non-executive Director on 1 January 2022 and is also the Chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee of the Company. Prof. K.C. Chan is the Chairman and a non-executive director of WeLab Bank Limited and Senior Advisor of WeLab Holdings Limited, a leading fintech company in Asia with one of the first virtual banks established in Hong Kong. He is also an independent non-executive director of Langham Hospitality Investments and Langham Hospitality Investments Limited, Guotai Junan International Holdings Limited and China Overseas Land & Investment Limited, all being listed companies in Hong Kong, as well as an independent non-executive director of Eagle Asset Management (CP) Limited (as manager of Champion Real Estate Investment Trust which is listed in Hong Kong) (appointed on 14 April 2023). Prof. K.C. Chan is an independent non-executive director of Greater Bay Area Homeland Investments Limited. He was also the independent non-executive director of USPACE Technology Group Limited (formerly known as Hong Kong Aerospace Technology Group Limited) (resigned on 28 November 2023), whose shares are listed on the Hong Kong Stock Exchange. Prof. K.C. Chan was appointed as the Secretary for Financial Services and the Treasury of the Government of the Hong Kong Special Administrative Region from July 2007 to June 2017. Prior to that, he was Dean of Business and Management in the Hong Kong University of Science and Technology ("HKUST"). He is currently Adjunct Professor at HKUST Business School. Prof. K.C. Chan received his bachelor's degree in economics from Wesleyan University and his M.B.A. and Ph.D. in finance from the University of Chicago. He specialized in assets pricing, evaluation of trading strategies and market efficiency and has published numerous articles on these topics. Prof. K.C. Chan is a member of the Competition Commission and a director of the One Country Two Systems Research Institute. In the past, he held a number of public service positions including Chairman of the Consumer Council, a director of the Hong Kong Futures Exchange, non-executive director of The Hong Kong Mortgage Corporation Limited, and a member of the Commission on Strategic Development, Commission on Poverty, the Exchange Fund Advisory Committee, the Hang Seng Index Advisory Committee and the Hong Kong Council for Academic Accreditation.

MS. NG YUEN TING, YOLANDA MH, aged 49, was appointed as Independent Non-executive Director on 1 December 2022 and is also a member of the Environmental, Social and Governance Committee of the Company. She is a media veteran and multi-channel network (MCN) incubator, and holds a number of public service positions. Ms Ng is currently a board member of the West Kowloon Cultural District Authority ("**WKCDA**") and the Hong Kong Palace Museum and chairs the WKCDA's Working Group on Youth and Community Engagement. She is also Co-Chairperson of the Cultural and Art Committee of Hong Kong Women Professionals and Entrepreneurs Association, Advisor for Our Hong Kong Foundation, General Secretary of Cultural Power and a member of the Hong Kong Public Governance Association and Mega Arts and Cultural Events Committee. Ms Ng served as a Wan Chai District councilor for 12 years from 2008-2019 and was Chairperson of the Cultural and Sports Committee of the Wan Chai District Council. Ms Ng is an active member of the creative and media industries and at present a programme host of Radio Television Hong Kong ("**RTHK**"). Previously she was a journalist, a programme host, and playwright for radio drama and new media programmes. Ms Ng hosted various current affairs programmes on RTHK and HK Open TV. Her numerous published works cover such contemporary themes as women's societal and community engagement, memoirs and culture of Hong Kong and social issues of teenage pregnancy.

Directors' Interests in Securities

As at 31 December 2023, the Directors had the following interests in the shares, underlying shares and debentures of NWS and its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register maintained by NWS pursuant to Section 352 of the SFO:

(a) ***Long position in shares***

	Number of shares				Approximate percentage to the total issued shares of the relevant company as at 31 December 2023
	Personal interests	**Family interests**	**Corporate interests**	**Total**	
Associated corporation					
CTFJ					
(Ordinary shares)					
Dr. Cheng Kar Shun, Henry	--	420,000[1]	--	420,000	0.004 per cent.
Dr. Cheng Chi Kong, Adrian....................................	--	-	20,000[2]	20,000	0.000 per cent.

Notes:

(1) The shares were held by the spouse of Dr. Cheng Kar Shun, Henry.

(2) The shares were held by a company wholly owned by Dr. Cheng Chi Kong, Adrian.

(b) ***Long position in underlying shares – share options***

	Date of grant	**Exercisable period**	**Number of share options as at 1 July 2023**	**Number of share options cancelled during the period (Note 3)**	**Exercise price per share**
		(Notes)			*HK$*
NWS					
Dr. Cheng Kar Shun, Henry	25 July 2022	(2)	10,990,000	(10,990,000)	7.830
Mr. Ma Siu Cheung	25 July 2022	(2)	7,693,000	(7,693,000)	7.830
Mr. Ho Gilbert Chi Hang..................	25 July 2022	(2)	7,418,250	(7,418,250)	7.830
Dr. Cheng Chi Kong, Adrian	25 July 2022	(2)	5,495,000	(5,495,000)	7.830
Mr. Cheng Chi Ming, Brian..............	25 July 2022	(2)	6,868,750	(6,868,750)	7.830
Mr. Cheng Chi Leong, Christopher...	25 July 2022	(2)	6,868,750	(6,868,750)	7.830
Mr. To Hin Tsun, Gerald	25 July 2022	(2)	769,300	(769,300)	7.830
Mr. Dominic Lai	25 July 2022	(2)	769,300	(769,300)	7.830
Mr. William Junior Guilherme Doo..	25 July 2022	(2)	769,300	(769,300)	7.830
Mr. Shek Lai Him, Abraham	25 July 2022	(2)	1,648,500	(1,648,500)	7.830
Mr. Lee Yiu Kwong, Alan	25 July 2022	(2)	1,648,500	(1,648,500)	7.830
Mrs. Oei Wai Chi Grace Fung	25 July 2022	(2)	1,648,500	(1,648,500)	7.830
Mr. Wong Kwai Huen, Albert	25 July 2022	(2)	1,648,500	(1,648,500)	7.830
Professor Chan Ka Keung, Ceajer	25 July 2022	(2)	1,648,500	(1,648,500)	7.830

Notes:

(1) The closing price per share on the trading day immediately before the date of grant was HK$7.75.

(2) Details of the vesting schedule are as follows:

(i)	15% of the share options granted (First Tranche)	25 August 2022	From 25 August 2022 to 24 July 2032
(ii)	15% of the share options granted (Second Tranche)	25 July 2023	From 25 July 2023 to 24 July 2032

(iii)	20% of the share options granted (Third Tranche)	25 July 2024	From 25 July 2024 to 24 July 2032 #
(iv)	50% of the share options granted (Fourth Tranche	25 July 2025	From 25 July 2025 to 24 July 2032 #

Reference was made to the Composite Document dated 13 October 2023 jointly issued by CTF Enterprises, CAL (the Offeror) and NWS ("Composite Document") in relation to, inter alia, the offer to cancel all the outstanding share options of NWS ("NWS Option Offer"). As the Offeror has gained control of NWS after the completion of disposal of shares of NWS held by NWD and its subsidiaries on 17 November 2023, the Third Tranche and Fourth Tranche of share options became exercisable for a period of six months from 18 November 2023 to 17 May 2024 pursuant to the rules of the share option scheme of NWS. To the extent these share options have not been so exercised, they will lapse upon the expiry of such six-month period.

(3) The share options were cancelled by NWS on 23 November 2023 after the directors of NWS had validly tendered their acceptance of the NWS Option Offer in respect of the share options held by them. Please refer to the Composite Document and the announcement dated 23 November 2023 jointly issued by CTF Enterprises, CAL and NWS for details.

(4) The cash consideration paid by each of the directors for the grant of share options is HK$10.

(5) Dr Cheng Kar Shun, Henry is the father of Dr Cheng Chi Kong, Adrian, Mr Cheng Chi Ming, Brian and Mr Cheng Chi Leong, Christopher and the uncle of Mr William Junior Guilherme Doo.

Save as disclosed above, as at 31 December 2023, none of the Directors or chief executive of NWS had or was deemed to have any interest or short position in the shares, underlying shares and debentures of NWS and any of its associated corporations as defined in the SFO that were required to be entered into the register kept by NWS pursuant to Section 352 of the SFO or were required to be notified to NWS and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 of the Listing Rules.

EXCHANGE RATES

The HK dollar is freely convertible into the U.S. dollar. Since 1983, the HK dollar has been linked to the U.S. dollar at the rate of HK$7.80 to U.S.$1.00. The Basic Law of Hong Kong (the "**Basic Law**"), which came into effect on 1 July 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The market exchange rate of the HK dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate system which applies to the issuance and withdrawal of Hong Kong currency in circulation, the market exchange rate has not deviated significantly from the level of HK$7.80 to U.S.$1.00. The Hong Kong government has indicated its intention to maintain the link at that rate. In May 2005, the Hong Kong Monetary Authority broadened the 22-year-old trading band from the original rate of HK$7.80 per U.S. dollar to a rate range of HK$7.75 to HK$7.85 per U.S. dollar. Under the Basic Law, the HK dollar will continue to circulate and remain freely convertible. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the HK dollar will remain freely convertible into other currencies, including the U.S. dollar. However, there is no assurance that the Hong Kong government will maintain the link at HK$7.80 to U.S.$1.00, or at all.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfers in HK dollars for the periods indicated:

	Noon Buying Rate[1]			
Period	**Low**	**Average**	**High**	**Period End**
		(HK$ per U.S.$1.00)		
2012	7.7493	7.7569	7.7699	7.7507
2013	7.7503	7.7565	7.7654	7.7539
2014	7.7495	7.7545	7.7669	7.7531
2015	7.7495	7.7524	7.7686	7.7507
2016	7.7505	7.7620	7.8270	7.7534
2017	7.7540	7.7926	7.8267	7.8128
2018	7.8043	7.8376	7.8499	7.8305
2019	7.7850	7.8335	7.8499	7.7894
2020	7.7498	7.7559	7.7951	7.7534
2021	7.7515	7.7727	7.8034	7.7996
2022	7.7693	7.8306	7.8499	7.8015
2023	7.7920	7.8292	7.8499	7.8109
2024				
January	7.8065	7.8164	7.8263	7.8175
February	7.8185	7.8218	7.8286	7.8286
March	7.8198	7.8230	7.8289	7.8259
April	7.8210	7.8305	7.8368	7.8210
May	7.7979	7.8119	7.8234	7.8199
June	7.8042	7.8100	7.8198	7.8083
July	7.8058	7.8095	7.8138	7.8117

Source: www.federalreserve.gov

Notes:

(6) Exchange rates between Hong Kong dollars and U.S. dollars represent the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.

TAXATION

The following summary of certain Hong Kong consequences of the purchase, ownership and disposition of the Notes and certain other relevant issues are based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or any persons acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes.

Prospective investors considering the purchase of the Notes should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

Hong Kong

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**Inland Revenue Ordinance**") as it is currently applied by the Inland Revenue Department, interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, professional or business carried on in Hong Kong in the following circumstances:

(a) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong, notwithstanding that the moneys in respect of which the interest is received or accrues are made available outside of Hong Kong; or

(b) interest on the Notes is derived from Hong Kong and is received by or accrues to a company carrying on a trade, profession or business in Hong Kong; or

(c) interest on the Notes is derived from Hong Kong and is received by or accrues to a person other than a company (such as a partnership), carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business.

Gains or profits derived from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sums are revenue in nature and have a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of the Notes will be subject to profits tax.

In addition, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 of Hong Kong (the "**Amendment Ordinance**") came into effect on 1 January 2023. Under the Amendment Ordinance, certain foreign-sourced interest on the Notes accrued to an MNE entity (as defined in the Amendment Ordinance) carrying on a trade, profession or business in Hong Kong is regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when it is received in Hong Kong. The Amendment Ordinance also provides for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

Stamp duty

No stamp duty is payable on the issue or transfer of the Notes.

FATCA Withholding

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining "foreign passthru payment" and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

British Virgin Islands

The Issuer and all dividends, interest, rents, royalties, compensations and other amounts paid by the Issuer to persons who are not persons resident in the BVI are exempt from the provisions of the Income Tax Act in the BVI, and any capital gains realised by persons who are not persons resident in the BVI with respect to any shares. Debt obligations, or other securities of the Issuer are exempt from all forms of taxation in the BVI.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the BVI with respect to any shares, debt obligations or other securities of the Issuer.

There are currently no withholding taxes or exchange control regulations in the BVI applicable to the Issuer or its members.

Bermuda

Tax

Under the current Bermuda legislation, there is no withholding tax, capital gains tax, income or profits tax, capital transfer tax, estate duty or inheritance tax payable in Bermuda by the Guarantor or any shareholders who are not ordinarily resident in Bermuda. Furthermore, the Guarantor has obtained from the Minister of Finance in Bermuda, under the Exempted Undertakings Tax Protection Act 1966 (as amended), an assurance that in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any tax described herein shall not, until 31 March 2035, be applicable to the Guarantor or to any of its operation or the shares, debentures or other obligations of the Guarantor, except insofar as such tax or duty applies to persons as are ordinarily resident in Bermuda or tax payable in accordance with the provisions of the Land Tax Act 1967 or otherwise payable in relation to the land leased to the Guarantor.

Stamp duty

As an exempted company, the Guarantor is exempt from all stamp duties except on transactions involving "Bermuda property". This term relates essentially to real and personal property physically situated in Bermuda, including shares in local (as opposed to exempted) companies. None of the Guarantor, its shareholders and the holders of the Notes, as the case may be (other than persons ordinarily resident in Bermuda), are subject to stamp duty or other similar duty in relation to the Notes (including the transfer thereof).

SUBSCRIPTION AND SALE

The Issuer and the Guarantor entered into a subscription agreement with the Joint Lead Managers dated [●] 2024 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Issuer agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed severally but not jointly, to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Notes indicated in the following table at an issue price of [●] per cent. of their principal amount (the "**Issue Price**") in the amount set forth below. Any subsequent offering of the Notes to investors may be at a price different from such Issue Price.

	Principal amount to be subscribed
Crédit Agricole Corporate and Investment Bank	U.S$ [●]
UBS AG Hong Kong Branch	U.S.$[●]
DBS Bank Ltd.	U.S$ [●]
The Hongkong and Shanghai Banking Corporation Limited	U.S.$[●]
Merrill Lynch (Asia Pacific) Limited	U.S$ [●]
Mizuho Securities Asia Limited	U.S$ [●]
Morgan Stanley & Co. International plc	U.S.$[●]
Total	U.S.$[●]

The Subscription Agreement provides that Issuer and the Guarantor will jointly indemnify each of the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Notes. The Subscription Agreement provides that the obligations of each of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers and certain of their respective affiliates may have performed certain investment banking and advisory services for the Issuer, the Guarantor and/or their respective affiliates from time to time for which it has received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer, the Guarantor and/or their affiliates in the ordinary course of their business.

The Joint Lead Managers or certain of their affiliates may purchase the Notes for asset management and/or proprietary purposes but not with a view to distribution.

The Joint Lead Managers or their respective affiliates may purchase the Notes for its own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of Issuer, the Guarantor and/or their respective subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Notes).

In connection with the issue of the Notes, the Stabilising Manager may over-allot Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail, but in so doing, the Stabilising Manager shall act as principal and not as agent of the Issuer or the Guarantor. However, there is no assurance that Stabilising Manager will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Stabilising Manager.

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Notes is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

General

No action has been or will be taken in any jurisdiction by the Issuer, the Guarantor or the Joint Lead Managers that would permit a public offering of the Notes, or possession or distribution of this Offering Circular or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

United States

The Notes and the Guarantee of the Notes have not been, and will not be, registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any applicable U.S. state law. Each Joint Lead Manager has represented that it has not offered or sold, and has agreed that it will not offer or sell, any Notes and the Guarantee of the Notes constituting part of its allotment within the United States, and any offers and sales will be made in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, none of the Joint Lead Managers, their affiliates or any persons acting on their behalf have engaged in, or will engage in, any directed selling efforts with respect to the Notes and the Guarantee of the Notes. Terms used in these paragraphs have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Notes and the Guarantee of the Notes, an offer or sale of the Notes and the Guarantee of the Notes within the United States by any "dealer" (as defined in the Securities Act), whether or not participating in the offering, may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of EU MiFID II; and/or

(ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II.

United Kingdom

Prohibition of Sales to UK Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the United Kingdom. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the United Kingdom by virtue of the EUWA; and/or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the United Kingdom by virtue of the EUWA.

Other regulatory restrictions

Each Joint Lead Manager has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each Joint Lead Manager has represented, warranted and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document or otherwise, any Notes other than:

   (i) to "Professional Investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or

   (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of the laws of Hong Kong (the "**C (WUMP) O**") and which do not constitute an offer to the public within the meaning of the C (WUMP) O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong or otherwise is or contains an invitation to the public (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to "professional investors" as defined in the SFO and any rules made under the SFO.

The People's Republic of China

Each Joint Lead Manager has represented, warranted and undertaken that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

SINGAPORE SFA PRODUCT CLASSIFICATION *– In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "**FIEA**") and, accordingly, each Joint Lead Manager has represented, warranted and undertaken that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan. For the purposes of this paragraph, "**Japanese Person**" shall mean any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No 228 of 1949, as amended)).

British Virgin Islands

Each Joint Lead Manager has represented, warranted and undertaken that the Notes have not been and will not be offered to members of the public or any other person in the British Virgin Islands.

Bermuda

Each Joint Lead Manager has represented, warranted and undertaken that the Notes have not been and will not be offered to members of the public or any other person in Bermuda.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct — Important Notice to CMIs (including private banks)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the Guarantor, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer, the Guarantor or any CMI (including its group companies) and inform the Joint Lead Managers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any UK MiFIR product governance language set out elsewhere in this Offering Circular.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer or the Guarantor. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Notes.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Joint Lead Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Notes, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Joint Lead Manager(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code); and
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: GCDCM.execution@ca-cib.com, HKG-Syndicate@ca-cib.com, sh-asia-ccs-dcm-filing@ubs.com, DCMOmnibus@dbs.com, hk_syndicate_omnibus@hsbc.com.hk, bofa_dcm_syndicate_pb_orders@bofa.com, Omnibus_Bond@hk.mizuho-sc.com and omnibus_debt@morganstanley.com.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Guarantor, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Joint Lead Managers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Joint Lead Manager with such evidence within the timeline requested.

By placing an order, prospective investors (including any underlying investors in relation to omnibus orders) are deemed to represent to the Joint Lead Managers that it is not a Sanctions Restricted Person. A "Sanctions Restricted Person" means an individual or entity (a "**Person**"): (a) that is, or is directly or indirectly owned or controlled by a Person that is, described or designated in (i) the most current "Specially Designated Nationals and Blocked Persons" list (which as of the date hereof can be found at: http://www.treasury.gov/ofac/downloads/sdnlist.pdf) or (ii) the Foreign Sanctions Evaders List (which as of the date hereof can be found at: http://www.treasury.gov/ofac/downloads/fse/fselist.pdf) or (iii) the most current "Consolidated list of persons, groups and entities subject to EU financial sanctions" (which as of the date hereof can be found at: https://data.europa.eu/data/datasets/consolidated-list-of-persons-groups-and-entities-subject-to-eu-financial-sanctions?locale=en); or (b) that is otherwise the subject of any sanctions administered or enforced by any Sanctions Authority, other than solely by virtue of the following (i) - (vi) to the extent that it will not result in violation of any sanctions by the CMIs: (i) their inclusion in the most current "Sectoral Sanctions Identifications" list (which as of the date hereof can be found at: https://www.treasury.gov/ofac/downloads/ssi/ssilist.pdf) (the "**SSI List"**), (ii) their inclusion in Annexes 3, 4, 5 and 6 of Council Regulation No. 833/2014, as amended by Council Regulation No. 960/2014 (the "**EU Annexes"**), (iii) their inclusion in any other list maintained by a Sanctions Authority, with similar effect to the SSI List or the EU Annexes, (iv) them being the subject of restrictions imposed by the U.S. Department of Commerce's Bureau of Industry and Security ("**BIS**") under which BIS has restricted exports, re-exports or transfers of certain controlled goods, technology or software to such individuals or entities; (v) them being an entity listed in the Annex to the new Executive Order of 3 June 2021 entitled "Addressing the Threat from Securities Investments that Finance Certain Companies of the People's Republic of China" (known as the Non-SDN Chinese Military-Industrial Complex Companies List), which amends the Executive Order 13959 of 12 November 2020 entitled "Addressing the threat from Securities Investments that Finance Chinese Military Companies"; or (vi) them being subject to restrictions imposed on the operation of an online service, Internet application or other information or communication services in the United States directed at preventing a foreign government from accessing the data of U.S. persons; or (c) that is located, organized or a resident in a comprehensively sanctioned country or territory, including Cuba, Iran, North Korea, Syria, the Crimea region of Ukraine, the Donetsk's People's Republic or Luhansk People's Republic. "Sanctions Authority" means: (a) the United Nations; (b) the United States; (c) the European Union (or any of its member states); (d) the United Kingdom; (e) the People's Republic of China; (f) any other equivalent governmental or regulatory authority, institution or agency which administers economic, financial or trade sanctions; and (g) the respective governmental institutions and agencies of any of the foregoing including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury, the United States Department of State, the United States Department of Commerce and His Majesty's Treasury.

GENERAL INFORMATION

1. **Clearing Systems:** The Notes have been accepted for clearance through Euroclear and Clearstream under Common Code number 287715323 and the International Securities Identification Number for the Notes is XS2877153234.

2. **Listing of Notes:** Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only and such permission is expected to become effective on or about [●] 2024.

3. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue of and performance of its obligations under the Notes. The issue of the Notes was authorised by resolutions passed by the board of directors of the Issuer on 5 August 2024. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the issue of and performance of its obligations under the Guarantee of the Notes. The Guarantee of the Notes was authorised by resolutions passed by the executive committee to the board of directors of the Guarantor on 5 August 2024.

4. **No Material Adverse Change:** Except as disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position or prospects of the Issuer, the Guarantor and the Group since 30 June 2023.

5. **Litigation:** None of the Issuer, the Guarantor or their respective subsidiaries is involved in any litigation or arbitration proceedings that either the Issuer or the Guarantor believes are material in the context of the Notes nor is the Issuer or the Guarantor aware that any such proceedings are pending or threatened.

6. **Available Documents:** Copies of the Audited Consolidated Financial Statements and the Interim Financial Information and copies of the Agency Agreement, Deed of Guarantee and the Deed of Covenant will be available for inspection by the Holders from the Issue Date, at the specified office of the Fiscal Agent during normal business hours with proof of holding and prior written notice or via e-mail written request to hkcorporate.trust.queries@hsbc.com.hk, so long as any of the Notes is outstanding.

7. **Auditor:** The Audited Consolidated Financial Statements have been audited by PricewaterhouseCoopers, Certified Public Accountants, in accordance with Hong Kong Standards on Auditing issued by the HKICPA, and the Interim Financial Information have been reviewed, by PricewaterhouseCoopers, Certified Public Accountants, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

8. **Legal Entity Identifier:** The Legal Entity Identifier of the Issuer is 254900A85ZVOMCLC2410.

INDEX TO FINANCIAL STATEMENTS

The following are extracted from the audited consolidated financial statements of the Guarantor for the years ended 30 June 2022 and 30 June 2023, together with the independent auditor's report as they appear in the 2022 annual report of the Guarantor ("**2022 Annual Report**") and the 2023 Annual Report, respectively.

References to page numbers in the audited consolidated financial statements refer to the original page numbers in the 2022 Annual Report and 2023 Annual Report, as the case may be, and cross-references to page numbers included in the independent auditor's report are to such original page numbering.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GUARANTOR AS AT AND FOR THE YEAR ENDED 30 JUNE 2022

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GUARANTOR AS AT AND FOR THE YEAR ENDED 30 JUNE 2023

The following are extracted from the condensed consolidated interim financial statements of the Guarantor as at and for the six months ended 31 December 2023, together with the independent auditor's review report as they appear in the 2024 interim report of the Guarantor ("**2024 Interim Report**").

References to page numbers in the condensed consolidated interim financial statements refer to the original page numbers in the 2024 Interim Report, and cross-references to page numbers included in the independent auditor's review report are to such original page numbering.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE GUARANTOR AS AT AND FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

羅兵咸永道

To the shareholders of NWS Holdings Limited
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of NWS Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 186 to 330, comprise:

- the consolidated statement of financial position as at 30 June 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

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

- Fair value measurement of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss
- Assessment on (a) valuation of insurance contract liabilities and (b) amortization of value of business acquired and deferred acquisition costs
- Valuation of investment properties held by the Group and its joint venture

Key Audit Matters	How our audit addressed the Key Audit Matters

(i) Fair value measurement of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss
 	
(Refer to notes 5(a), 25, 26 and 31 to the consolidated financial statements)
 	
As at 30 June 2022, the Group's financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss (including those classified as investments related to unit-linked contracts) amounted to HK$41,584 million and HK$21,577 million respectively.
 	
Management determined the fair value of these investments at the end of reporting period as follows:
 	
• For investments with quoted market prices, management determined the fair value based on quoted market prices;
 	
• For investments in unlisted investment funds, management determined the fair value based on the latest fund statements obtained from respective fund managers. Management discussed with respective fund managers to understand the performance of the underlying investments in the investment funds and fair value measurement basis used in estimating the fair value of the investment funds as stated in the fund statements;
 	
• For investments in unlisted equity and debt instruments with recent transactions, management determined the fair value with reference to recent transaction prices of these financial assets; and
	Our procedures to assess management's judgements in respect of the fair value measurement of investment funds and equity and debt instruments included:
	
	• We obtained an understanding of the management's controls and processes of fair value measurement of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors;
	
	• We performed control testing over the investment system and evaluated and validated management's control procedures over investment cycle on a sample basis where applicable;
	
	• We performed the following work in relation to fair value measurement of investment funds or equity and debt instruments:
	
	  • For investments with quoted market prices, we checked fair value determined by management against the quoted market prices or quotes obtained from independent sources;
	
	  • For investments in unlisted investment funds, we obtained fund statements from fund managers and selected a sample of investments to (i) enquire fund managers on the performance of the underlying investments in the investment funds and the methodologies and key assumptions used in determining the fair value as stated in the fund statements; and (ii) assess management basis on the determination of fair value of the unlisted investment funds;

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matters	How our audit addressed the Key Audit Matters
(i) Fair value measurement of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss (continued) • For investments in unlisted equity and debt instruments without quoted market prices and recent transactions, management determined fair values of these investments by using appropriate valuation techniques, such as discounted cash flow and quantitative assessments with reference to market comparable or market indices with consideration to the latest business development of the investee companies. Independent external valuer has been involved in determining the fair value, where appropriate. We focused on this area because of the financial significance of the balances and management judgements involved in determining the fair values of these financial assets.	• For investments in unlisted equity and debt instruments with recent transactions, we agreed, on a sample basis, to the evidence of recent transaction prices of those financial assets; and • For investments in unlisted equity and debt instruments without quoted market prices and recent transactions, with the support from our in-house valuation experts, if applicable, we (i) evaluated the competence, capabilities and objectivity of the independent valuer if independent valuer was involved; and (ii) assessed, on a sample basis, the appropriateness of methodologies and key assumptions used in the fair value measurement of these financial assets, and the reasonableness of the key observable and unobservable inputs used in the valuation by comparing assumptions used against appropriate third party pricing sources such as public stock prices and bond yields. Based on the procedures performed above, we found judgements exercised by management in the fair value measurement of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss to be reasonable.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matters	How our audit addressed the Key Audit Matters
(ii) Assessment on (a) valuation of insurance contract liabilities and (b) amortization of value of business acquired and deferred acquisition costs	
(a) Valuation of insurance contract liabilities (Refer to notes 5(c), 31 and 41 to the consolidated financial statements) The Group had insurance contract liabilities (including those classified as liabilities related to unit-linked contracts) of HK$44,892 million as at 30 June 2022, representing approximately 47% of the Group's total liabilities. The valuation of insurance contract liabilities requires the use of appropriate actuarial methodologies and various economic and operational assumptions that are subject to a high degree of management's judgements. The key assumptions used in measuring the insurance contract liabilities include discount rates, mortality rates, lapse rates and expenses. We focused on this area due to significant management judgements and estimates required in the valuation of insurance contract liabilities at the end of reporting period.	We involved our in-house actuarial experts in performing the following audit procedures: • We obtained an understanding of the management's controls and processes of valuation of insurance contract liabilities and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • We evaluated whether the methodologies were consistent with recognized actuarial practices in the insurance industry. We built independent models to test, on a sampling basis, the algorithm within the actuarial models applied; • We assessed the reasonableness of the key assumptions made by management including discount rates, mortality rates, lapse rates and expenses based on the Group's own historical data and experience study, market-observable data, and our industry knowledge and experience; • We performed analysis of the movements in insurance contract liabilities to assess whether the changes were in line with our understanding of the assumptions and any developments and changes during the period; and • We reviewed the calculation of the liability adequacy test to assess the adequacy of insurance contract liabilities. Based on the procedures performed above, we found the methodologies and assumptions used by management in the valuation of insurance contract liabilities to be reasonable.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matters	How our audit addressed the Key Audit Matters
(ii) Assessment on (a) valuation of insurance contract liabilities and (b) amortization of value of business acquired and deferred acquisition costs (continued)	
(b) Amortization of value of business acquired and deferred acquisition costs (Refer to notes 5(d), 20 and 22 to the consolidated financial statements) As at 30 June 2022, the carrying amount of value of business acquired ("VOBA") and deferred acquisition costs ("DAC") amounting to HK$5,240 million and HK$2,335 million respectively. Amortization of VOBA and DAC amounting to HK$155 million and HK$524 million, respectively, was recognized in the consolidated income statement for the year ended 30 June 2022. VOBA is amortized over the estimated life of the contracts in the acquired portfolio on a systematic basis primarily based on expected future profits which involved significant management judgements and estimates. DAC of new business is amortized according to the expected future premiums or expected future profits, which are projected based on the Group's best estimate assumptions and actual persistency. We focused on this area due to the high degree of management judgements and estimates required.	• We obtained an understanding of the management's controls and processes of amortization of value of business acquired and deferred acquisition costs and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • With the assistance of our in-house actuarial experts, we evaluated the basis of amortization of VOBA and DAC determined by management and assessed the reasonableness of assumptions used by management, including discount rates, mortality rates, lapse rates and expenses in determining the expected future profits. Based on the procedures performed above, we found the assumptions used in the amortization of VOBA and DAC to be appropriate.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matters	How our audit addressed the Key Audit Matters
(iii) Valuation of investment properties held by the Group and its joint venture Refer to notes 5(b), 16 and 24 to the consolidated financial statements. As at 30 June 2022, the investment properties held by the Group were stated at fair value of HK$4,842 million. The Group also shared significant interest in investment properties held by its joint venture of HK$8,345 million. Independent external valuers were engaged to determine the fair value of investment properties held by the Group and its joint venture as at 30 June 2022, where considered necessary. Fair value was generally derived by the income approach and where appropriate, by the direct comparison method. Income approach was based on either the capitalization of the net income and reversionary income potential by adopting appropriate capitalization rates and prevailing market rents or discounted cash flow forecast. Direct comparison method was based on comparable market transactions, as adjusted by the property-specific qualitative factors. We focused on this area due to the fact that there are significant judgements and estimation uncertainty involved in the valuation of investment properties.	Our procedures in relation to the valuation of investment properties included: • We understood management's controls and processes for determining the valuation of investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the level of other inherent risk factors; • We evaluated the competence, capability and objectivity of the independent external valuers; • We obtained the valuation reports and discuss the valuation methodologies and key assumptions adopted with the independent external valuers; • We, on a sample basis, involved our in-house valuation experts and assessed the appropriateness of valuation methodologies and the reasonableness of the key assumptions used in the valuation of investment properties, based on our knowledge of the property industry, research evidence of capitalization rates, prevailing market rents and comparable market transactions for similar properties, where applicable; and • We tested, on a sample basis, the data used in the valuation of investment properties, including rental rates from existing tenancies, by agreeing to the underlying agreements with the tenants. Based on the procedures performed, we found the methodologies used in preparing the valuations were appropriate and the key assumptions were supportable in light of available evidence.

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Chu Ho Kwan Raphael.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 September 2022

Consolidated Income Statement

For the year ended 30 June

	Note	**2022 HK$'m**	2021 HK$'m (restated)
Continuing operations			
Revenue	6	**31,138.6**	28,197.3
Cost of sales	7, 9	**(27,609.3)**	(24,406.1)
Other income and gains, net	8	**966.6**	1,948.5
Selling and marketing expenses	7	**(1,290.9)**	(969.0)
General and administrative expenses	7	**(1,918.2)**	(1,810.6)
Overlay approach adjustments on financial assets	8(a)	**1,845.9**	(1,270.6)
Operating profit	7	**3,132.7**	1,689.5
Finance costs	11	**(760.1)**	(838.7)
Share of results of			
Associated companies	6(c)	**340.5**	311.6
Joint ventures	6(c)	**(254.9)**	1,280.6
Profit before income tax		**2,458.2**	2,443.0
Income tax expenses	12	**(576.2)**	(691.2)
Profit from continuing operations		**1,882.0**	1,751.8
Discontinued operations			
Profit/(loss) from discontinued operations	33(a)	**302.3**	(43.8)
Profit for the year		**2,184.3**	1,708.0
Profit/(loss) attributable to			
Shareholders of the Company			
From continuing operations		**1,284.5**	1,157.3
From discontinued operations		**302.3**	(43.8)
		1,586.8	1,113.5
Holders of perpetual capital securities		**583.1**	583.1
Non-controlling interests		**14.4**	11.4
		2,184.3	1,708.0
Basic earnings/(loss) per share attributable to			
shareholders of the Company	14		
From continuing operations		**HK$0.33**	HK$0.30
From discontinued operations		**HK$0.08**	(HK$0.01)
		HK$0.41	HK$0.29

Consolidated Statement of Comprehensive Income

For the year ended 30 June

	Note	**2022 HK$'m**	2021 HK$'m (restated)
Profit for the year		**2,184.3**	1,708.0
Other comprehensive (loss)/income			
Items that will not be reclassified to profit or loss			
Net fair value change on equity instruments as financial assets at FVOCI		**137.2**	76.5
Remeasurement of post-employment benefit obligation		**(6.2)**	25.2
Share of gain arising from revaluation of a logistic property held by a joint venture upon reclassification to investment property, net of tax	37(b)	**6,312.1**	–
Items that have been reclassified/may be subsequently reclassified to profit or loss			
Net fair value change on debt instruments as financial assets at FVOCI and other net movement	37(a)	**(7,041.1)**	(1,677.3)
Release of reserve upon disposal of debt instruments as financial assets at FVOCI		**(137.6)**	(40.7)
Release of reserves upon disposal of subsidiaries		**–**	71.4
Release of reserves upon disposal/partial disposal of interests in associated companies		**1.3**	(61.6)
Release of reserve upon disposal of interest in a joint venture		**–**	(93.8)
Release of reserve upon deconsolidation of a subsidiary		**–**	(10.3)
Release of reserves upon disposal of assets held-for-sale		**(81.9)**	–
Share of other comprehensive loss of associated companies		**(29.0)**	(3.3)
Cash flow/fair value hedges		**(357.4)**	242.7
Amount reported in other comprehensive income applying overlay approach adjustments on financial assets	8(a)	**(1,845.9)**	1,270.6
Currency translation differences		**(797.7)**	2,922.9
Other comprehensive (loss)/income for the year, net of tax		**(3,846.2)**	2,722.3
Total comprehensive (loss)/income for the year		**(1,661.9)**	4,430.3
Total comprehensive (loss)/income attributable to			
Shareholders of the Company			
From continuing operations		**(2,399.8)**	3,319.8
From discontinued operations	33(b)	**141.6**	495.1
		(2,258.2)	3,814.9
Holders of perpetual capital securities		**583.1**	583.1
Non-controlling interests		**13.2**	32.3
		(1,661.9)	4,430.3

Consolidated Statement of Financial Position

As at 30 June

	Note	2022 HK$'m	2021 HK$'m (restated)
ASSETS			
Non-current assets			
Investment properties	16	**4,842.2**	1,681.4
Property, plant and equipment	17	**1,315.7**	1,186.0
Intangible concession rights	18	**13,081.9**	14,355.6
Intangible assets	19	**5,890.1**	5,916.2
Value of business acquired	20	**5,239.8**	5,395.1
Right-of-use assets	21	**1,360.7**	1,359.9
Deferred acquisition costs	22	**2,335.0**	1,711.5
Associated companies	23	**6,443.4**	6,052.8
Joint ventures	24	**15,413.5**	10,806.0
Financial assets at FVOCI	25	**38,500.3**	42,889.2
Financial assets at FVPL	26	**11,052.2**	12,551.8
Derivative financial instruments	27	**64.5**	658.2
Other non-current assets	28	**1,728.5**	1,947.7
		107,267.8	106,511.4
Current assets			
Inventories	29	**170.0**	207.0
Trade, premium and other receivables	30	**14,217.1**	15,162.2
Investments related to unit-linked contracts	31(a)	**8,649.2**	10,770.2
Financial assets at FVOCI	25	**3,083.5**	1,898.1
Financial assets at FVPL	26	**1,903.2**	471.9
Derivative financial instruments	27	**27.4**	801.8
Cash and bank balances	32	**13,452.6**	10,804.6
		41,503.0	40,115.8
Assets held-for-sale	34	**–**	5,945.7
Total assets		**148,770.8**	152,572.9
EQUITY			
Share capital	36	**3,911.1**	3,911.1
Reserves	37	**39,397.4**	44,002.3
Shareholders' funds		**43,308.5**	47,913.4
Perpetual capital securities	38	**10,528.5**	10,528.5
Non-controlling interests		**50.1**	12.1
Total equity		**53,887.1**	58,454.0

Consolidated Statement of Financial Position

As at 30 June

	Note	**2022** **HK$'m**	2021 HK$'m (restated)
LIABILITIES			
Non-current liabilities			
Borrowings and other interest-bearing liabilities	39	**18,323.2**	23,229.4
Deferred tax liabilities	40	**1,787.2**	1,925.4
Insurance and investment contract liabilities	41	**16,470.0**	18,143.5
Liabilities related to unit-linked contracts	31(b)	**190.8**	180.8
Derivative financial instruments	27	**172.3**	102.5
Lease liabilities	42	**901.6**	1,079.4
Other non-current liabilities	43	**95.8**	102.5
		37,940.9	44,763.5
Current liabilities			
Borrowings and other interest-bearing liabilities	39	**5,267.7**	2,118.6
Insurance and investment contract liabilities	41	**31,734.4**	24,359.3
Liabilities related to unit-linked contracts	31(b)	**8,645.1**	10,770.2
Trade, other payables and payables to policyholders	44	**10,403.5**	11,333.2
Lease liabilities	42	**223.1**	227.3
Taxation		**669.0**	546.8
		56,942.8	49,355.4
Total liabilities		**94,883.7**	94,118.9
Total equity and liabilities		**148,770.8**	152,572.9

Dr Cheng Kar Shun, Henry
Director

Mr Ma Siu Cheung
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

HK$'m	Note	Shareholders' funds Share capital	Share premium	Revenue reserve	Other reserves	Total	Perpetual capital securities	Non-controlling interests	Total
At 1 July 2021, restated		**3,911.1**	**17,821.5**	**24,915.6**	**1,265.2**	**47,913.4**	**10,528.5**	**12.1**	**58,454.0**
Total comprehensive income/(loss) for the year	37	**–**	**–**	**1,867.0**	**(4,125.2)**	**(2,258.2)**	**583.1**	**13.2**	**(1,661.9)**
Contributions by/(distribution to) owners									
Dividends paid to									
Shareholders of the Company	13, 37	**–**	**–**	**(2,346.7)**	**–**	**(2,346.7)**	**–**	**–**	**(2,346.7)**
Non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**(6.1)**	**(6.1)**
Distribution to perpetual capital securities holders		**–**	**–**	**–**	**–**	**–**	**(583.1)**	**–**	**(583.1)**
Deregistration of a subsidiary		**–**	**–**	**–**	**–**	**–**	**–**	**30.9**	**30.9**
Transfer of reserves	37	**–**	**–**	**(29.2)**	**29.2**	**–**	**–**	**–**	**–**
Total transactions with owners		**–**	**–**	**(2,375.9)**	**29.2**	**(2,346.7)**	**(583.1)**	**24.8**	**(2,905.0)**
At 30 June 2022		**3,911.1**	**17,821.5**	**24,406.7**	**(2,830.8)**	**43,308.5**	**10,528.5**	**50.1**	**53,887.1**

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

HK$'m	Note	Shareholders' funds: Share capital	Share premium	Revenue reserve	Other reserves	Total	Perpetual capital securities	Non-controlling interests	Total
At 1 July 2020		3,911.1	17,821.5	25,749.3	(1,114.9)	46,367.0	10,528.5	562.2	57,457.7
Total comprehensive income for the year, restated	37	–	–	1,467.1	2,347.8	3,814.9	583.1	32.3	4,430.3
Contributions by/(distribution to) owners									
Dividends paid to									
Shareholders of the Company	37	–	–	(2,268.5)	–	(2,268.5)	–	–	(2,268.5)
Non-controlling interests		–	–	–	–	–	–	(26.3)	(26.3)
Distribution to perpetual capital securities holders		–	–	–	–	–	(583.1)	–	(583.1)
Deconsolidation of a subsidiary		–	–	–	–	–	–	(556.1)	(556.1)
Transfer of reserves	37	–	–	(32.3)	32.3	–	–	–	–
Total transactions with owners		–	–	(2,300.8)	32.3	(2,268.5)	(583.1)	(582.4)	(3,434.0)
At 30 June 2021, restated		3,911.1	17,821.5	24,915.6	1,265.2	47,913.4	10,528.5	12.1	58,454.0

Consolidated Statement of Cash Flows

For the year ended 30 June

	Note	2022 HK$'m	2021 HK$'m
Cash flows from operating activities			
Net cash generated from operations	49(a)	**10,168.3**	8,391.3
Finance costs paid		**(691.4)**	(858.1)
Interest received		**1,991.3**	1,855.3
Dividends received from financial assets in relation to insurance business and investments related to unit-linked contracts		**265.4**	223.4
Hong Kong profits tax paid		**(156.8)**	(220.7)
Mainland China and overseas taxation paid		**(473.1)**	(482.4)
Net cash generated from operating activities before net purchase of financial assets in relation to insurance business		**11,103.7**	8,908.8
Purchases of financial assets in relation to insurance business		**(18,742.0)**	(13,965.4)
Disposal of financial assets in relation to insurance business		**12,186.5**	4,953.7
		(6,555.5)	(9,011.7)
Net cash generated from/(used in) operating activities		**4,548.2**	(102.9)
Cash flows from investing activities			
Dividends received from associated companies	23(h)	**463.5**	436.3
Dividends received from joint ventures	24(f)	**1,655.9**	910.6
(Increase)/decrease in investments in and advances to associated companies		**(340.0)**	870.6
Decrease in investments in and advances to joint ventures		**110.4**	471.4
Disposal of subsidiaries, net of cash disposed of	49(b)	**–**	5,083.4
Deconsolidation of a subsidiary		**–**	(1,104.5)
Proceeds received from disposal/partial disposal of interests in associated companies and a joint venture		**6,011.1**	934.8
Additions of investment properties	16	**(3,150.1)**	–
Additions of intangible assets, property, plant and equipment and right-of-use assets	17, 19, 21(b)	**(679.9)**	(403.8)
Purchases of financial assets at FVOCI		**(142.4)**	(508.2)
Purchases of financial assets at FVPL		**(3,702.7)**	(1,599.0)
Disposal of financial assets at FVOCI		**141.3**	17.4
Disposal of financial assets at FVPL		**2,375.8**	1,076.4
Disposal of intangible assets and property, plant and equipment		**0.8**	9.2
Settlement of derivative financial instruments		**28.2**	(340.5)
Dividends received from financial assets at FVOCI and financial assets at FVPL		**67.7**	84.2
Increase in short-term bank deposits maturing after more than three months		**(0.1)**	(0.1)
Decrease in pledged deposits		**–**	10.0
Increase in other non-current assets		**(22.9)**	(8.1)
Net cash generated from investing activities		**2,816.6**	5,940.1

Consolidated Statement of Cash Flows

For the year ended 30 June

	Note	2022 HK$'m	2021 HK$'m
Cash flows from financing activities			
New bank loans and other borrowings	49(c)	**5,895.7**	1,860.1
Repayment of bank loans and other borrowings	49(c)	**(4,517.5)**	(6,106.7)
Redemption of fixed rate bonds	49(c)	**(2,199.6)**	(112.0)
Repayment of financing received under a financial reinsurance arrangement	49(c)	**(59.2)**	(91.1)
Distribution to perpetual capital securities holders		**(583.1)**	(583.1)
Capital element of lease liabilities payments	49(c)	**(236.3)**	(301.1)
Decrease in cash collateral received from counterparties	49(c)	**(598.1)**	(948.0)
Repayment of loan from non-controlling interests	49(c)	**–**	(6.5)
Dividends paid to shareholders of the Company	37	**(2,346.7)**	(2,268.5)
Dividends paid to non-controlling interests		**(6.1)**	(26.3)
Net cash used in financing activities		**(4,650.9)**	(8,583.2)
Net increase/(decrease) in cash and cash equivalents		**2,713.9**	(2,746.0)
Cash and cash equivalents at the beginning of year		**10,844.0**	13,367.6
Currency translation differences		**(91.8)**	222.4
Cash and cash equivalents at the end of year		**13,466.1**	10,844.0
Analysis of cash and cash equivalents			
Cash and bank balances	32	**13,452.6**	10,804.6
Cash and bank balances attributable to investments related to unit-linked contracts	31(a)	**27.3**	53.1
Short-term bank deposits maturing after more than three months	32	**(13.8)**	(13.7)
		13,466.1	10,844.0

1 GENERAL INFORMATION

NWS Holdings Limited is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries include:

(i) the development of, investment in and/or operation of roads, commercial aircraft leasing, construction and insurance; and

(ii) the investment in and/or operation of logistics and facilities management projects.

The Company has its listing on the Main Board of Hong Kong Stock Exchange.

The consolidated financial statements were approved for issuance by the Board on 30 September 2022.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and interpretations (collectively, the "HKFRS") issued by the HKICPA. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, certain financial assets and financial liabilities (including derivative financial instruments) which have been measured at fair value.

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

As analyzed in note 6(b), the Group is in net current liabilities position of HK$15,439.8 million as at 30 June 2022 which is mainly due to the classification of the full surrender value of insurance and investment contract liabilities of HK$31,734.4 million (note 41) as current liabilities at the reporting date. The Group, before taking into account the insurance business, is in net current assets position as at 30 June 2022.

Under Hong Kong Accounting Standard 1 "Presentation of Financial Statements", liability is classified as current if there is no unconditional right by the issuer to defer the settlement for at least 12 months after the reporting period. The unavoidable payment obligation exists if all the policyholders choose to exercise their surrender option at the reporting date and accordingly the full surrender value of insurance and investment contract liabilities is classified as current liabilities as at the year end. However, management considered the likelihood for all policyholders to exercise the surrender option and leading to the settlement of the aforesaid liabilities within one year is low. Based on historical pattern, management considered the amount of insurance contract liabilities expected to be settled within one year is HK$4,120.1 million as detailed in the liquidity risk table in note 4(c).

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Taking into consideration the expected settlement pattern for insurance contract liabilities, it is reasonable to expect that the Group will have adequate resources to meet its liabilities in the next 12 months as and when they fall due and to continue in operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparing the consolidated financial statements.

(a) Adoption of amendments to standards

During FY2022, the Group has adopted the following amendments to standards which are relevant to the Group's operations and are mandatory for FY2022:

HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions beyond 30 June 2021
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2

The adoption of the amendments to standards does not have significant effect on the results and financial position of the Group.

(b) Standard, amendments to standards and interpretation which are not yet effective

The following new standard, amendments to standards and interpretation are mandatory for accounting period beginning on or after 1 July 2022 or later periods but which the Group has not early adopted:

HKFRS 17 and HKFRS 17 (Amendments)	Insurance Contracts
HKFRS 3 (Amendments)	Reference to the Conceptual Framework
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current
HKAS 1 (Amendments) and HKFRS Practice Statement 2	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract
HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HKFRSs Amendments	Annual Improvements to HKFRSs 2018-2020 Cycle
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(b) Standard, amendments to standards and interpretation which are not yet effective (continued)

HKFRS 17 "Insurance Contracts" ("HKFRS 17") and HKFRS 17 (Amendments)

HKFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard and will replace the current HKFRS 4 "Insurance Contracts" ("HKFRS 4"). HKFRS 17 includes some fundamental differences to current accounting treatment in both insurance contracts measurement and profit recognition. Besides, HKFRS 17 requires more granular information as well as extensive disclosures.

Under HKFRS 17, a comprehensive model (general model) is introduced to measure insurance contracts liabilities based on a discounted cash flow model with a risk adjustment and deferral of unearned profits.

The major impacts from the adoption of HKFRS 17 are highlighted as follows:

(i) Insurance segment revenue presented in consolidated income statement under HKFRS 17 excludes any investment component, an amount that the policyholder will be repaid in all circumstances as required by the insurance contract, regardless of whether an insured event occurs.

(ii) In accordance with HKFRS 17, the estimated unearned future profits from in-force insurance contracts will be included in the measurement of insurance contract liabilities in the consolidated statement of financial position as the contractual service margin and will be gradually recognized in Insurance segment revenue in the consolidated income statement based on the services provided over the coverage period of the insurance contract.

In October 2020, HKFRS 17 (Amendments) was issued to address concerns and implementation challenges that were identified after HKFRS 17 was published and to defer the effective date of HKFRS 17 (incorporating the amendments) to accounting period beginning on or after 1 January 2023. The implementation of this standard involves significant enhancements to the information technology, actuarial and finance systems and the Group is undertaking active assessments with the assistance of external consultants and taking steps to get ready for adoption of HKFRS 17 in accordance with the required timeline. The assessment of the impacts on the Group's consolidated financial statements is still in progress and it is expected to have impacts on revenue and results of the Group's insurance business. Although the work is well advanced as of the date of this annual report, it is not yet practicable to reliably quantify them.

Except for HKFRS 17 above, the Group has commenced the assessment on the impact of adoption of all other amendments to standards and interpretation, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the consolidated financial statements.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(c) Restatements of comparative figures

In December 2020, the Group reclassified its entire shareholding interest in Wai Kee from an associated company to an asset held-for-sale. In April 2021, the Group disposed of half of its shareholding interest in Wai Kee and the remaining interest continued to be an asset held-for-sale.

During the second half of FY2022, the Group ceased to classify its remaining interest held in Wai Kee as held-for-sale since the criteria in HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" ("HKFRS 5") were no longer met. As such, the Group retrospectively as from the date of its classification as held-for-sale accounted for the remaining interest held in Wai Kee as an associated company using equity method in accordance with HKAS 28 "Investment in Associates and Joint Ventures".

The comparative figures in the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of changes in equity have been restated accordingly to present the remaining interest held in Wai Kee as if it was an associated company since December 2020.

The following table shows the adjustments recognized for each individual financial statement line item. Financial statement line items that were not affected by the changes have not been included.

	As previously stated HK$'m	Adjustments HK$'m	As restated HK$'m
Consolidated income statement (extract)			
For the year ended 30 June 2021			
Continuing operations			
Other income and gains, net	2,026.9	(78.4)	1,948.5
Share of results of associated companies	266.2	45.4	311.6
Consolidated statement of comprehensive income (extract)			
For the year ended 30 June 2021			
Other comprehensive income			
Currency translation differences	2,889.9	33.0	2,922.9
Consolidated statement of financial position (extract)			
As at 30 June 2021			
Assets			
Associated companies	5,673.6	379.2	6,052.8
Assets held-for-sale	6,324.9	(379.2)	5,945.7
Equity			
Reserves			
– Exchange reserve	754.3	33.0	787.3
– Revenue reserve	24,948.6	(33.0)	24,915.6

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted for the preparation of the consolidated financial statements, which have been consistently applied to all the years presented, are set out as below:

(a) Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to 30 June.

(i) Subsidiaries

Subsidiaries are entities in which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognized in the consolidated income statement.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in the consolidated income statement. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

(i) Subsidiaries (continued)

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Inter-group transactions, balances and unrealized gains or losses on transactions between group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

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

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to the consolidated income statement.

In the Company's statement of financial position, interests in subsidiaries are stated at cost less impairment losses. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

(ii) Associated companies

An associated company is a company other than a subsidiary and a joint venture, in which the Group has significant influence exercised through representatives on the board of directors.

The Group's interests in associated companies include the loans and advances to the associated companies which, in substance, form part of the Group's interests in the associated companies. The provision of loans and advances to the associated companies are a form of commercial arrangement between the parties to the associated companies to finance the development of projects and viewed as a means by which the Group invests in the relevant projects.

Investments in associated companies are accounted for by the equity method of accounting and are initially recognized at cost. The Group's investments in associated companies include goodwill (net of any accumulated impairment loss) identified on acquisition. The interests in associated companies also include long-term interests that, in substance, form part of the Group's net investment in associated companies.

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

Unrealized gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

For equity accounting purpose, accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains or losses arising from investments in associated companies are recognized in the consolidated income statement.

The cost of an associated company acquired in stages is measured as the sum of consideration paid for each purchase plus a share of investee's profits and other equity movements.

The Group ceases to use the equity method from the date an investment ceases to be an associated company that is the date on which the Group ceases to have significant influence over the associated company or on the date it is classified as held-for-sale.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

(iii) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control and over which none of the participating parties has unilateral control.

Investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has.

(1) Joint operations

Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. Investments in joint operations are accounted for such that each joint operator recognizes its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

(2) Joint ventures

A joint venture is a joint arrangement whereby the parties have rights to the net assets of the arrangement.

The Group's interests in joint ventures include the loans and advances to the joint ventures which, in substance, form part of the Group's interests in the joint ventures. The provision of loans and advances to the joint ventures is a form of commercial arrangement between the parties to the joint ventures to finance the development of projects are viewed as a means by which the Group invests in the relevant projects.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income.

When the Group's share of losses of a joint venture equals or exceeds its interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of that joint venture.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

(iii) Joint arrangements (continued)

(2) Joint ventures (continued)

The share of post-acquisition results and reserves is based on the relevant profit sharing ratios which vary according to the nature of the joint ventures set out as follows:

- Equity joint ventures
  Equity joint ventures are joint ventures in respect of which the capital contribution ratios of the venturers are defined in the joint venture contracts and the profit sharing ratios of the venturers are in proportion to the capital contribution ratios.

- Co-operative joint ventures
  Co-operative joint ventures are joint ventures in respect of which the profit sharing ratios of the venturers and share of net assets upon the expiration of the joint venture periods are not in proportion to their capital contribution ratios but are as defined in the joint venture contracts.

- Companies limited by shares
  Companies limited by shares are limited liability companies in respect of which each shareholder's beneficial interests therein is in accordance with the amount of the voting share capital held thereby.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

For equity accounting purpose, accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Non-controlling interests

Non-controlling interests are the equity in a subsidiary which is not attributable, directly or indirectly, to a parent. The Group treats transactions with non-controlling interests (namely, acquisitions of additional interests and disposals of partial interests in subsidiaries that do not result in a loss of control) as transactions with equity owners of the Group. For purchases of additional interests in subsidiaries from non-controlling shareholders, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of partial interests to non-controlling shareholders are also recorded in equity.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Intangible assets

(i) Goodwill

Goodwill arising on acquisitions of subsidiaries is included in intangible assets. Goodwill arising on acquisitions of associated companies and joint ventures is included in interests in associated companies and joint ventures respectively and is tested for impairment as part of overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of all or part of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGU") for the purpose of testing for impairment. The allocation is made to those CGU or groups of CGU that are expected to benefit from the business combination in which the goodwill arose.

(ii) Operating right

Operating right primarily resulted from the acquisition of right to operate facilities management businesses. Separately acquired operating rights are initially recognized at cost. Operating rights acquired in a business combination are initially recognized at fair value at the acquisition date. Operating right is carried at cost less accumulated amortization and impairment. Amortization is calculated using the straight-line method to allocate the cost over the period of the operating right.

(iii) Intangible concession rights

The Group has entered into various service concessions ("Service Concessions") with local government authorities for its participation in the development, financing, operation and maintenance of infrastructural projects ("Infrastructures"). The Group carries out the construction or upgrade work of Infrastructures from the granting authorities in exchange for the right to operate the Infrastructures concerned and the right to charge users of the respective Infrastructures. The fees collected during the operating periods are attributable to the Group. The relevant Infrastructures are required to be returned to the local government authorities upon the expiry of the operating rights without significant compensation to the Group.

The Group applies the intangible asset model to account for the Infrastructures where they are paid by the users of the Infrastructures and the concession grantors (the respective local governments) have not provided any contractual guarantees in respect of the amounts of construction costs incurred to be recoverable. The consideration to be received during the construction or upgrade period is classified as contract assets and reclassified as intangible concession rights upon completion.

Land use rights acquired in conjunction with the Service Concessions which the Group has no discretion or latitude to deploy for other services other than the use in the Service Concessions are treated as intangible assets acquired under the Service Concessions.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Intangible assets (continued)

(iii) Intangible concession rights (continued)

Amortization of intangible concession rights is calculated to allocate their costs, where applicable, on an economic usage basis for roads whereby the amount of amortization is provided based on the ratios of actual volume compared to the total projected volume or on a straight-line basis for water treatment plant over the periods which the Group is granted the rights to operate these Infrastructures. The total projected volume of the respective Infrastructures is reviewed regularly with reference to both internal and external sources of information and appropriate adjustments will be made should there be a material change.

(iv) Other intangible assets

Other intangible assets mainly represent for computer software. Expenditure on development activities is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalized includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalized development costs are stated at cost less accumulated amortization and impairment losses.

Amortization of intangible assets with finite useful lives is charged to consolidated income statement on a straight-line basis over the assets' estimated useful lives or 3 to 5 years, whichever is shorter.

(d) Revenue recognition

Revenue is recognized when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time. Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the good or service transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the good or service.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

Incremental costs incurred to obtain a contract, if recoverable, are capitalized as contract assets and subsequently amortized when the related revenue is recognized.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Revenue recognition (continued)

The Group's recognition policies on revenue from contracts with customers, other sources of revenue and other income are further described as follows:

(i) Toll revenue

Toll revenue from road operations is recognized at a point in time when services are rendered.

(ii) Service fee income

Property and facilities management service fees and property letting agency fee are recognized over time and at a point in time respectively when services are rendered.

(iii) Rental income

Rental income from investment properties is recognized on a straight-line basis over the terms of the lease agreements.

(iv) Construction revenue

Revenue from construction service contract is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation using input method.

(v) Sales of goods

Income from sales of goods is recognized at a point in time when the goods are delivered to customers and title has passed.

(vi) Interest income

Interest income is recognized on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues to unwind the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

(vii) Dividend income

Dividend income is recognized when the right to receive payment is established.

(viii) Premiums related to insurance business

Premiums arising from insurance contracts in respect of traditional policies and group policies are recognized as income when they fall due, whereas those in respect of universal life and unit-linked contracts are accounted for as they are received.

Premiums on reinsurance contracts held which related to direct insurance contracts are recognized in the consolidated income statement in the same accounting period as the premiums for the direct insurance contracts to which they relate.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Revenue recognition (continued)

(ix) Fees and commission income related to insurance business

Insurance and investment contract policyholders are charged for policy administration services and investment management services. The policy administration fee is recognized as revenue over time when services are rendered. Investment management fees related to asset management services are recognized over time when services are rendered.

(e) Government grants

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

(f) Leases

The Group leases various land, office buildings and premises. Rental contracts are made for a range of fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognized as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities primarily include the net present value of the fixed payments, less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following items:

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leases (continued)

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less.

Some leases contain variable payment terms that are linked to sales generated. Variable lease payments that depend on sales are recognized in the consolidated income statement in the period in which the condition that triggers those payments occurs. Most leases are subject to fixed payments.

(g) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value. Fair value is determined by professional valuation or estimation by management conducted at the end of each reporting period. Changes in fair values are recognized in the consolidated income statement.

Property that is being constructed or developed for future use as investment property is stated at fair value.

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

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If a property becomes an investment property because its use has been changed, any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognized in equity as a revaluation of property, plant and equipment. However, if a fair value gives rise to a reversal of the previous impairment loss, the write-back is recognized in the consolidated income statement.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the carrying amount of the assets or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of replaced part is derecognized. All other repairs and maintenance costs are charged in the consolidated income statement during the period in which they are incurred. The carrying amount of an asset is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(i) Assets under construction

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

(ii) Depreciation

No depreciation is provided in respect of construction in progress until such time when the relevant assets are completed and available for intended use.

Depreciation of property, plant and equipment are calculated to allocate their cost to their estimated residual values over their estimated useful lives or lease terms, using the straight-line method, at the following annual rates:

Properties	2.5% – 5%
Other plant and equipment	4% – 50%
Motor vehicles	20% – 25%

The residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

(iii) Gain or loss on disposal

The gain or loss on disposal of property, plant and equipment is determined by comparing the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in the consolidated income statement.

(i) Impairment of interests in associated companies, joint ventures and other non-financial assets

Non-financial assets that have an indefinite useful life (e.g. goodwill) or have not yet been available for use are not subject to amortization and are tested annually for impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount. An impairment loss is recognized in the consolidated income statement for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and value in use. Impairment losses on goodwill are not reversed. For the purpose of assessing impairment, assets are grouped as CGU for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and

- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in consolidated income statement or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity instruments at FVOCI.

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

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in consolidated income statement.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Investments and other financial assets (continued)

(iii) Measurement (continued)

(1) Debt instruments

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

Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on investment in a debt instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in consolidated income statement when the asset is derecognized or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

Financial assets at FVOCI

Assets that are held for collection of contractual cash flows and for sale where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses, interest income and foreign exchange gains and losses which are recognized in consolidated income statement. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to consolidated income statement and recognized in "other income and gains, net". Interest income from these financial assets is included in interest income using the effective interest rate method. Foreign exchange gains and losses and impairment loss are presented in "other income and gains, net".

Financial assets at FVPL

Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on investments in debt instruments that is subsequently measured at FVPL and is not part of a hedging relationship is recognized in consolidated income statement and presented net within "other income and gains, net" in the period in which it arises.

(2) Equity instruments

The Group subsequently measures all investments in equity instruments at fair value. Where the Group's management has elected to present fair value gains and losses on investments in equity instruments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the consolidated income statement following the derecognition of the investment. Dividends from such investments continue to be recognized in consolidated income statement as "other income and gains, net" when the Group's right to receive payments is established.

Changes in the fair value of investments in equity instruments at FVPL recognized in "other income and gains, net" in the consolidated income statement. Investments in equity instruments at FVOCI are not subject to impairment assessment.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of financial assets

The Group's financial assets measured at amortized cost, including trade and other receivables, amounts receivable from associated companies and joint ventures, cash and bank balances, and debt instruments as financial assets at FVOCI, as well as contract assets are subject to expected credit loss model under HKFRS 9 "Financial Instruments" ("HKFRS 9").

For trade receivables, retention money receivables and contract assets, the Group applies the simplified approach for provision for expected credit losses prescribed by HKFRS 9, which requires the use of the lifetime expected credit loss provision for these assets.

For all other instruments, the Group measures the loss allowance equal to 12-month expected credit loss, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime expected credit loss. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 4(b) details how the Group determines whether there has been a significant increase in credit risk.

(l) Deferred income

Deferred income is included in both current and non-current liabilities and is credited to the consolidated income statement on a straight-line basis over the concession periods.

(m) Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with the cash flows of recognized assets or liabilities or highly probable forecast transactions (cash flow hedges) or the changes in fair value of recognized assets or liabilities (fair value hedges).

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

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 27. Movements in the hedge reserve in shareholders' equity are shown in note 37. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Derivative financial instruments and hedging activities (continued)

(i) Cash flow hedges that qualify for hedge accounting

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

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

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognized in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item (aligned time value) are recognized in other comprehensive income and accumulated in the costs of hedging reserve within equity.

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

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

- Where the hedged item subsequently results in the recognition of a non-financial asset, both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of such asset. The deferred amounts are ultimately recognized in consolidated income statement as the hedged item affects profit or loss.

- The gain or loss relating to the effective portion of the hedging instruments is recognized in consolidated income statement at the same time as expense on the hedged items.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Derivative financial instruments and hedging activities (continued)

(ii) Fair value hedges

Change in the fair value on hedging instrument is recognized in other comprehensive income and accumulated in the fair value hedge reserve within equity when the hedged item is an equity instrument for which the Group has elected to presents changes in fair value in other comprehensive income.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in the consolidated income statement.

(n) Trade and other receivables

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

Trade and other receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. The Group's impairment policies are further described in notes 3(k) and 4(b).

(o) Inventories

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realizable value. Cost is determined using the weighted average or the first-in first-out methods depending on the operating segments. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(p) Contracts assets and contract liabilities

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

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

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of trade receivables as described in notes 3(k) and 4(b). Contract liabilities are recognized as revenue when the Group transfers the goods or services to the customers and therefore satisfied its performance obligation.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Contracts assets and contract liabilities (continued)

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

(q) Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. For assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment properties that are carried at fair value, would continue to be measured in accordance with the policies set-out elsewhere in note 3.

A remeasurement loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increase in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative remeasurement loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset (or disposal group) is recognized at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated income statement and the consolidated statement of comprehensive income.

(r) Cash and cash equivalents

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(t) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(u) Share capital and perpetual capital securities

Ordinary shares are classified as equity.

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

Perpetual capital securities with no contractual obligation to repay its principal or to pay any distribution are classified as part of equity.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Contingent liabilities and contingent assets

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

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

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

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

(w) Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the regions where the Group, associated companies and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Current and deferred income tax (continued)

Deferred income tax

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

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated companies and joint ventures except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

(x) Borrowing costs

Borrowing costs incurred for the construction of any qualifying assets are capitalized during the construction period when the asset is being prepared for its intended use. Other borrowing costs are expensed as incurred.

(y) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates prevailing at the end of the reporting period are recognized in the consolidated income statement.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Foreign currencies (continued)

(ii) Transactions and balances (continued)

Translation differences on financial assets and liabilities held at FVPL are recognized in consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equity instruments classified as financial assets at FVOCI, are included in other comprehensive income.

(iii) Group companies

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

(1) assets and liabilities for each statement of financial position presented are translated at the exchange rate prevailing at the date of that consolidated statement of financial position;

(2) income and expenses for each income statement are translated at the average exchange rate during the period covered by the consolidated income statement; and

(3) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in equity.

(iv) Disposal of foreign operation and partial disposal

On the disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to the consolidated income statement.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Employee benefits

(i) Employee leave entitlements

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

(ii) Bonus plans

Provision for bonus plans are recognized when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions to defined contribution plans including the Mandatory Provident Fund Scheme ("MPF") and employee pension schemes established by municipal governments in the Mainland are expensed as incurred. Contributions are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions, where applicable.

(iv) Defined benefit plans

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of services and compensation.

The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to other comprehensive income in the period in which they arise.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Employee benefits (continued)

(v) Share-based compensation

The Group operates equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of share options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted at the date of grant, excluding the impact of any non-market vesting conditions. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision of original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

At the expiration of options, the accumulated balance of special reserve recognized for those options is reclassified to revenue reserve.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(aa) Borrowings and other interest-bearing liabilities

Borrowings and other interest-bearing liabilities are recognized initially at fair value, net of transaction costs incurred. Borrowings and other interest-bearing liabilities are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement or capitalized as stated in note 3(x) over the period of the borrowings using the effective interest method.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) Segment reporting

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

Segment assets consist primarily of property, plant and equipment, investment properties, intangible concession rights, intangible assets, VOBA, right-of-use assets, DAC, financial assets at FVOCI, financial assets at FVPL, derivative financial instruments, other non-current assets, investments related to unit-linked contracts, inventories, receivables and cash and bank balances. Segment liabilities primarily comprise payables, other non-current liabilities, insurance and investment contracts liabilities, liabilities related to unit-linked contracts, taxation, borrowings and other interest-bearing liabilities, derivative financial instruments, deferred tax liabilities and lease liabilities. Additions to non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets, VOBA and DAC comprise additions to investment properties, property, plant and equipment, intangible concession rights, intangible assets and right-of-use assets.

(ac) Insurance and investment contracts

(i) Product classification

The Group's insurance business issues contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts for which the Group has accepted significant insurance risk from policyholders providing insurance coverage at the inception of the contract. As a general guideline, the Group determines whether it has significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur. The Group also accepts financial risk on insurance contracts. Financial risk is the risk of a possible future change in a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variables.

Investment contracts are those contracts for which the Group has not accepted significant insurance risk but accepts financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ac) Insurance and investment contracts (continued)

(ii) Insurance contract liabilities

Insurance contract liabilities represent net future policy liabilities as determined by the appointed actuary of the Group using a net level premium approach.

The provision for life insurance contracts with fixed level premiums is calculated on the basis of the prospective actuarial valuation method where the assumptions used depend on the circumstances prevailing. The liability is determined as the sum of the expected discounted value of the benefit payments, less the expected discounted value of the theoretical premiums that would be required to meet the benefits, based on the valuation assumptions as to discount rates, mortality and morbidity rates, lapse and partial lapse rates, persistency, expenses, inflation, policy dividend and fund growth rate that are appropriate at the time of valuation. Changes to the liabilities at each reporting date are recorded in the consolidated income statement or other comprehensive income for the year as appropriate.

For insurance contracts that are yearly renewable, which mainly correspond to products with pure risk coverage such as accident benefit, dread disease, medical insurance and disability insurance, the liabilities for the unexpired risks carried at the end of the reporting period are determined using unearned gross premiums approach.

The liability is derecognized when the contract expires, is discharged or is cancelled.

(iii) Investment contract liabilities

Liabilities for investment contracts are carried at fair values.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the consolidated statements of financial position.

The liability is derecognized when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value cannot be less than the surrender value.

(iv) Reinsurance

The Group cedes insurance risk in the normal course of business for its insurance contracts. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the insurance contract liabilities and are in accordance with the reinsurance contract and are accounted for in the same period as the underlying claim.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the consolidated income statement for the year.

Reinsurance arrangements do not relieve the Group from its obligations to policyholders.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ac) Insurance and investment contracts (continued)

(v) VOBA

VOBA, in respect of a portfolio of long-term insurance and investment contracts, is an intangible asset that reflects the estimated fair value of in-force contracts in acquisition of an insurance company and represents the portion of the purchase price that is allocated to the value of the right to receive future cash flows from the business in-force at the acquisition date. VOBA is based on actuarially determined projections, by each block of business, of future policy and contract charges, premiums, mortality and morbidity, separate account performance, surrenders, operating expenses, investment returns and other factors. VOBA is amortized over the estimated life of the contracts in the acquired portfolio on a systematic basis primarily based on expected future profits. The carrying value of VOBA is reviewed annually for impairment and any reduction is charged to the consolidated income statement.

(vi) DAC

The direct acquisition costs and a portion of indirect acquisition costs relating to the production of new business are deferred so far as there are sufficient margins in the future profits of the new business to fund the amortization of DAC. DAC include first year commissions and other costs related to the acquisition of new business. All other acquisition costs and all maintenance costs are expensed as and when incurred. The Group has adopted an approach by which DAC of new business is amortized according to the expected future premiums or expected future profits, which are projected based on the Group’s best estimate assumptions and actual persistency.

(vii) Liability adequacy test

A liability adequacy test is performed at each reporting date to verify whether the insurance contract liabilities, net of DAC and VOBA, are adequate using current estimates of future cash flows under the insurance contracts. The liability value is adjusted if insufficient to meet future obligations, taking into account the future premiums, investment income, benefits and expenses and cash flows from embedded options and guarantees. If the test shows that a deficiency exists, the shortfall is immediately recorded in the consolidated income statement for the year.

(viii) Benefits and insurance claims

Death claims and surrenders are recorded when notifications have been received. Maturities and annuity payments are recorded when due.

Ceded reinsurance recoveries are accounted for in the same period as the underlying claim.

(ix) Commissions and bonuses

Commissions and bonuses payable to agents for the first policy year are included as a component of DAC.

Commissions from reinsurance policies that transfer underwriting risk are recognized as income at the same time as the reinsurance premiums are accounted for.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ac) Insurance and investment contracts (continued)

(x) Premium receivables

Premium receivables represent premiums which are due for payment. The Group normally allows policyholders to make payment within a grace period of one month from the due date. The grace period may be extended by management purely on a discretionary basis. Insurance policies continue in force if default premiums are settled before the expiry of the grace period.

Premium receivables are stated at amortized cost using the effective interest rate method less provision for impairment.

(xi) Application of overlay approach in accordance with HKFRS 4 (Amendments)

The Group elected to apply an "overlay approach" in accordance with HKFRS 4 (Amendments) "Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts" which allows the Group to reclassify fair value gain or loss from consolidated income statement to other comprehensive income for those designated eligible financial assets previously classified as available-for-sale financial assets under HKAS 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39") but currently classified as financial assets at FVPL under HKFRS 9.

(ad) Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the consolidated financial statements in the financial period when the dividends are approved by the Company's shareholders and/or directors, where appropriate.

(ae) Financial guarantee contracts

The Group accounts for its financial guarantee contracts as insurance contracts.

The Group assesses at the end of each reporting period the liabilities under its insurance contracts using current estimates of future cash flows. Changes in carrying amount of these insurance liabilities are recognized in the consolidated income statement.

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION

The Group's activities expose it to a variety of financial risks: market risk (interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk. The Group is also exposed to insurance risk relating to the activities of its insurance business.

The Group has centralized treasury function for all of its subsidiaries in a manner consistent with the overall policies of the Group.

(a) Market risk

(i) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. The Group's interest bearing assets on a floating rate basis mainly include cash deposits and amounts due from associated companies and joint ventures. The Group's borrowings are mainly on a floating rate basis, which will be affected by fluctuation of prevailing market interest rates and will expose the Group to cash flow interest rate risk.

The Group is also exposed to fair value interest risk mainly in relation to the bond investments classified as financial assets at FVOCI and derivative financial instruments. Fair value interest rate risk is the risk that the fair value of the future cash flows of the financial instruments will fluctuate because of changes in market interest rates.

The Group's interest risk policy requires it to manage the interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments.

Variable interest bearing financial assets and liabilities are mainly subject to an interest re-pricing risk of one year or below.

If interest rates had been 100 basis points (2021: 100 basis points) higher/lower with all other variables held constant, the Group's profit for the year would have been HK$92.7 million lower/higher (2021: HK$79.3 million lower/higher) respectively and the Group's other reserves would have been HK$5.0 billion lower/higher (2021: HK$6.3 billion lower/higher) respectively.

The sensitivity analysis has been determined assuming that the change in interest rates had occurred throughout the year and had been applied to calculate the exposure to interest rate risk for financial instruments in existence at the end of the reporting period. The 100 basis points increase or decrease represents a reasonably possible change in those interest rates which have the most impact on the Group over the period until the end of the next reporting period. Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments. Changes in market interest rates also affect the fair values of bond investment classified as financial assets at FVOCI and fair values of derivative financial instruments. As a consequence, they are included in the calculation of sensitivities.

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(a) Market risk (continued)

(ii) Foreign exchange risk

The Group operates mainly in Hong Kong and the Mainland. Entities within the Group are exposed to foreign exchange risk from future commercial transactions and monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency.

The Group's foreign currency exposure arises from that are denominated in foreign currencies other than its functional currency. The Group monitors and controls this foreign exchange risk by entering into foreign exchange forward contracts and cross currency swaps contracts to cover its major foreign currency exposure. Besides, the Group also manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and will consider to enter into foreign forward exchange contracts and cross currency swaps contracts to reduce the exposure should the need arises.

As at 30 June 2022, the Group's entities with functional currency of Hong Kong dollar had net monetary assets denominated in United States dollar of HK$15,371.6 million (2021: HK$23,527.1 million). Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to the United States dollar, management therefore considers that there is no significant foreign exchange risk with respect to the United States dollar.

As at 30 June 2022, the Group's entities with functional currency of Hong Kong dollar had net monetary assets denominated in Renminbi of HK$63.8 million (2021: HK$96.4 million) which the related foreign exchange risk has not been hedged. If Hong Kong dollar had strengthened/weakened by 5% against Renminbi with all other variables held constant, the Group's profit for the year would have been HK$3.2 million (2021: HK$4.8 million) lower/higher respectively.

This sensitivity analysis ignores any offsetting foreign exchange factors and has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period. The stated change represents reasonably next possible changes in foreign exchange rates over the period until the end of the next reporting period. Foreign exchange risk arises on account of monetary assets and liabilities being denominated in a currency that is not the functional currency, differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(a) Market risk (continued)

(iii) Price risk

The Group is exposed to securities price risk because the Group held listed and unlisted investments of which the fair value are subject to changes in market prices. Gains and losses arising from changes in the fair value of financial assets at FVOCI and FVPL are dealt with in other comprehensive income or consolidated income statement respectively. The performance of the Group's listed and unlisted investments are monitored regularly, together with an assessment of their relevance to the Group's strategic plans.

As at 30 June 2022, if the price of listed and unlisted investments, classified as financial assets at FVOCI (note 25) and financial assets at FVPL (note 26), excluding the bond investments, had been 25% higher/lower with all other variables held constant and did not assume the application of "overlay approach" as described in note 3(ac)(xi), the Group's FVOCI reserve would have been HK$445.6 million (2021: HK$619.2 million) higher/lower respectively and profit for the year would have been HK$2,699.9 million (2021: HK$2,811.5 million) higher/lower respectively. If the price of the abovementioned investments had been 25% higher/lower with all other variables held constant but assumed the "overlay approach" was applied, the Group's FVOCI reserves would have been HK$2,105.5 million (2021: HK$2,377.9 million) higher/lower respectively and the profit for the year would have been HK$1,040.0 million (2021: HK$1,052.8 million) higher/lower respectively. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

(b) Credit risk

The credit risk of the Group mainly arises from debt instruments, deposits with banks, trade, premium and other receivables, and balances receivable from group companies, including amounts due from associated companies and joint ventures.

The Group consider the probability of default from initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis by close monitoring against established credit policies in each of its business. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the assets, generally on individual basis, as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. The following indicators are generally incorporated:

- External credit rating (if any);
- Average default rate by independent external parties;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparties' ability to meet their obligations; and
- Significant actual and expected changes in the performance and behavior of the counterparties, including changes in the payment status of counterparties in the Group and changes in the operating results of the counterparties.

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(b) Credit risk (continued)

A default on a financial asset is when the counterparty fails to make contractual payments when they fall due. Financial assets are considered to be credit-impaired and written off there is no reasonable expectation of recovery.

Deposits with banks are mainly placed with high-credit-quality financial institutions and the balances are considered to be of low credit risk. Debt instruments are limited to financial institutions or investment counterparties with high quality. Aaa and AAA are the highest credit ratings in the Moody's and Standard & Poor's credit rating systems respectively. The Group classifies its investment in bonds below ratings of Baa3 and BBB- in the Moody's and Standard & Poor's credit rating systems respectively as non-investment grade bonds. As at 30 June 2022, the amount of the non-investment grade bonds held by the Group was approximately 2.2% (2021: 3.2%) of its invested assets.

For trade receivables, retention money receivables and contract assets in relation to provision of services and infrastructure operations, expected credit loss allowance has been provided under lifetime expected credit loss assessment on individual basis with reference to the historical credit loss experience with counterparties and ageing analysis, adjusted for forward-looking factors specific to the counterparties and the economic environment. There is no concentration of credit risk with respect to trade receivables, retention money receivables and contract assets from third party customers as the customer bases are widely dispersed in different industries.

To determine expected credit loss, the Group refers to probability of default and recovery rate tables from Moody's study, which are derived based on default history of obligors with the same credit rating. The Group has also considered the forward-looking information by incorporating a set of weighted average different economic scenarios developed by Moody's.

In relation to premium receivables from insurance business, the credit risk in respect of policyholder balances, incurred on the non-payment of premiums or contributions, will only persist during the grace period specified in the policy documents or trust deed on the expiry of which either the premium is paid or the policy will be terminated or changed to reduced paid-up or term cover according to the provision of the policy.

In addition, the Group monitors the exposure to credit risk in respect of the financial assistance provided to associated companies and joint ventures through exercising joint control or influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis. The Group determines the probability of default and recovery rate based on the underlying financial information, the actual and expected changes in business performance and general market default and recovery rate. The Group has also considered the forwarding-looking information by incorporating a set of different economic scenarios.

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(b) Credit risk (continued)

Impairment on debt instruments, cash and bank balances, financial assistance provided to associated companies and joint ventures, other receivables and other non-current assets is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then loss allowance is measured as lifetime expected credit losses.

The maximum exposure to credit risk is represented by the carrying amount of financial assets in the consolidated statement of financial position after deducting any loss allowance.

(c) Liquidity risk

Prudent liquidity risk management includes managing the profile of debt maturities and funding sources, maintaining sufficient cash and marketable securities, and ensuring the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. It is the policy of the Group to regularly monitor current and expected liquidity requirements and to ensure that adequate funding is available for operating, investing and financing activities. The Group also maintains undrawn committed credit facilities to further reduce liquidity risk in meeting funding requirements (including financing for the Group's capital commitments as detailed in note 47). The directors of the Company are of the view that the Group has sufficient resources to meet the Group's commitments and liabilities as and when they fall due.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date, except for the liabilities related to unit-linked contracts where these unit-linked contracts typically include options for policyholders to surrender early, often subject to surrender or other penalties. The Group's investments related to unit-linked contracts are held for backing the liabilities to the policyholders.

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(c) Liquidity risk (continued)

The amounts disclosed in the table are the contractual undiscounted cash outflow/(inflows).

As at 30 June 2022

Non-derivative financial liabilities

HK$'m	Note	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years	Over 5 years	Unit-linked
Trade payables	44	633.8	633.8	633.8	–	–	–
Retention money payables and other payables		7,108.9	7,108.9	6,581.2	522.7	5.0	–
Payables to policyholders	44	1,774.2	1,774.2	1,774.2	–	–	–
Amounts due to non-controlling interests	44	107.8	107.8	107.8	–	–	–
Amounts due to associated companies	44	9.1	9.1	9.1	–	–	–
Amounts due to joint ventures	44	1.2	1.2	1.2	–	–	–
Liabilities related to unit-linked contracts – Investment contract liabilities	31(b)	8,160.9	8,160.9	–	–	–	8,160.9
Borrowings and other interest-bearing liabilities	39	23,590.9	25,771.0	5,836.1	15,890.5	4,044.4	–
Loans from non-controlling interests	43	24.4	24.4	–	24.4	–	–
Lease liabilities	42	1,124.7	1,250.5	262.4	782.6	205.5	–

Derivative financial liabilities

HK$'m	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years	Over 5 years
Derivative financial liabilities (net settlement)	173.3	27.2	146.1	–
Derivative financial liabilities (gross settlement)				
Cash inflow	(1,241.1)	(58.6)	(363.3)	(819.2)
Cash outflow	1,264.1	62.0	363.9	838.2
	23.0	3.4	0.6	19.0

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(c) Liquidity risk (continued)

As at 30 June 2021

Non-derivative financial liabilities

HK$'m	Note	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years	Over 5 years	Unit-linked
Trade payables	44	627.9	627.9	627.8	0.1	–	–
Retention money payables and other payables		8,198.8	8,198.8	6,976.7	1,222.1	–	–
Payables to policyholders	44	1,709.6	1,709.6	1,709.6	–	–	–
Amounts due to non-controlling interests	44	146.2	146.2	110.3	35.9	–	–
Amounts due to associated companies	44	6.0	6.0	6.0	–	–	–
Amounts due to joint ventures	44	56.4	56.4	56.4	–	–	–
Liabilities related to unit-linked contracts – Investment contract liabilities	31(b)	10,142.5	10,142.5	–	–	–	10,142.5
Borrowings and other interest-bearing liabilities	39	25,348.0	28,411.5	2,613.0	17,147.6	8,650.9	–
Loans from non-controlling interests	43	25.0	25.0	–	25.0	–	–
Lease liabilities	42	1,306.7	1,474.1	272.6	836.8	364.7	–

Derivative financial liabilities

HK$'m	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years	Over 5 years
Derivative financial liabilities (net settlement)	103.8	27.5	106.2	(29.9)
Derivative financial liabilities (gross settlement)				
Cash inflow	(520.1)	(246.1)	(274.0)	–
Cash outflow	521.4	246.7	274.7	–
	1.3	0.6	0.7	–

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(c) Liquidity risk (continued)

The major liquidity risks the Group's insurance business confronts are the daily calls on its available cash resources in respect of claims arising from insurance and investment contracts and the maturity of debt instruments.

The Group's insurance business manages liquidity through its liquidity risk policy which includes determining what constitutes liquidity risk and the minimum proportion of funds to meet emergency calls, the setting up of contingency funding plans, specifying the sources of funding and the events that would trigger the plan, specifying the concentration of funding sources, the reporting of liquidity risk exposures and breaches to the monitoring authority, monitoring the compliance with liquidity risk policy and the reviewing of liquidity risk policy for pertinence and changing environment.

The table below presents the estimated amounts (on a discounted basis) and timing of cash outflow/(inflow) arising from liabilities under insurance contracts, projected based on the Group's best estimate assumptions. The Group's insurance business has to meet daily calls on its cash resources, notably from claims arising on its insurance contracts and early surrender of policies for surrender value. There is therefore a risk that cash will not be available to settle liabilities when due at a reasonable cost. The Group's insurance business manages this risk by monitoring and setting an appropriate level of cash position to settle these liabilities.

As at 30 June 2022

HK$'m	Note	**Total discounted cash flow**	**Within 1 year**	**Over 1 year but within 5 years**	**Over 5 years**
Insurance contract liabilities	41(a)	**48,199.0**	**4,120.1**	**(343.0)**	**44,421.9**

As at 30 June 2021

HK$'m	Note	Total discounted cash flow	Within 1 year	Over 1 year but within 5 years	Over 5 years
Insurance contract liabilities	41(a)	42,497.5	3,861.4	(2,280.9)	40,917.0

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(d) Asset liability management framework

The Group's insurance business exposes to financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risks that the Group's insurance business faces due to the nature of its investments and liabilities are interest rate risk and duration risk. The Group's insurance business manages these positions within an asset liability management ("ALM") framework that has been developed to achieve long term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of ALM is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders.

ALM also forms an integral part of the insurance risk management policy in order to ensure in each period sufficient cash flows are available to meet liabilities arising from insurance and investment contracts.

(e) Regulatory framework of the Group's insurance business

The operations of the Group's insurance business are subject to local regulatory requirements in Hong Kong. The Group's insurance business is required to maintain an appropriate solvency position to meet unforeseen liabilities arising from economic shocks and/or natural disasters.

(f) Capital management

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

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders' returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. In order to maintain or adjust the capital structure, the Group may issue or repurchase shares, issue perpetual capital securities or raise new debt financing.

The Net Gearing Ratios as at 30 June were as follows:

	Note	**2022** **HK$'m**	2021 HK$'m
Total borrowings and other interest-bearing liabilities	39	**(23,590.9)**	(25,348.0)
Add: Cash and bank balances	32	**13,452.6**	10,804.6
Net Debt		**(10,138.3)**	(14,543.4)
Total equity		**53,887.1**	58,454.0
Net Gearing Ratio		**19%**	25%

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(f) Capital management (continued)

The decrease of Net Debt was primarily resulted from proceeds received from the disposals of interests in SUEZ NWS, XCTG and certain non-core investments, as well as net operating cash inflow and dividends received from associated companies and joint ventures, net of investments made and payments of dividends.

The Group's insurance business has an internal risk management framework for identifying risks to its business it exposed to. The internal framework estimates and indicates how much capital is needed to mitigate the risk of insolvency.

The Group's insurance business always maintains a solvency position higher than 150% of the solvency margin required by the Insurance Authority ("IA") to ensure an adequate surplus position. Further objectives are set by the Group's insurance business to maintain a strong credit rating and healthy capital ratios in order to support its business.

The Group's insurance business manages its capital requirements by assessing probable shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Group's insurance business activities.

The Group's insurance business fully complied with capital requirements imposed by the IA throughout the period since acquisition to the reporting date.

(g) Insurance risk

The Group's insurance business is in the business of insuring against the risk of mortality, morbidity, disability, critical illness, accidents and related risks. The Group's insurance business retains a maximum of US$150,000 for each risk it insures, with the excess being reinsured through surplus treaties, coinsurance treaties, facultative reinsurance, catastrophe treaties and quota share arrangements with reputable international reinsurers. Consequently, total claims payable in any given year can be predicted with a higher degree of precision. As part of the quality control process, the Group's insurance business regularly invites reinsurers to audit its underwriting and claim practices and procedures, to ensure that it meets the highest industry standards.

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(g) Insurance risk (continued)

As at 30 June 2022

HK$'m	**Insurance contract liabilities excluding policyholders' dividends and bonuses** (note 41(b))	**Reinsurer's share of insurance contract liabilities**	**Net liabilities excluding policyholders' dividend and bonuses**
Type of products			
Whole life	**41,125.2**	**(1.3)**	**41,123.9**
Term	**103.2**	**(0.3)**	**102.9**
Dread disease	**2,337.2**	**–**	**2,337.2**
Medical	**270.6**	**–**	**270.6**
Disability	**10.1**	**(0.1)**	**10.0**
Accident	**25.5**	**–**	**25.5**
	43,871.8	**(1.7)**	**43,870.1**
Coinsurance liabilities	**345.0**	**–**	**345.0**
	44,216.8	**(1.7)**	**44,215.1**

As at 30 June 2021

HK$'m	Insurance contract liabilities excluding policyholders' dividends and bonuses (note 41(b))	Reinsurer's share of insurance contract liabilities	Net liabilities excluding policyholders' dividend and bonuses
Type of products			
Whole life	35,999.2	(1.2)	35,998.0
Term	102.4	(0.3)	102.1
Dread disease	2,092.0	(0.1)	2,091.9
Medical	245.1	–	245.1
Disability	10.7	–	10.7
Accident	24.1	(0.1)	24.0
	38,473.5	(1.7)	38,471.8
Coinsurance liabilities	363.0	–	363.0
	38,836.5	(1.7)	38,834.8

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(g) Insurance risk (continued)

(i) Key assumptions

Liabilities on insurance contracts offered by the Group are predominantly conventional whole life insurance for which premiums are paid for a limited period of time or the whole of life, with fixed benefits paid upon death and surrender benefits increasing with the duration of policy.

Some plans provide for guaranteed periodic payments. Most of the whole life insurance products are entitled to annual dividends and some with terminal dividend upon policy termination.

The key assumptions used for the determination of future liabilities for most products is detailed below:

As at 30 June 2022

Mortality rates	For products with full underwriting, 59% of 2001 Hong Kong Assured Life Mortality tables for males and females, with selection factor 50% at year 1 and 75% at year 2. For products without full underwriting, 59% of 2001 Hong Kong Assured Life Mortality tables for males and females.
Discount rates	Range between 2.10% and 4.25%, depending on the insurance plan policies
Lapse rates	Based on Group's experience
Expenses	Based on Group's experience

As at 30 June 2021

Mortality rates	For products with full underwriting, 62% of 2001 Hong Kong Assured Life Mortality tables for males and females, with selection factor 50% at year 1 and 75% at year 2. For products without full underwriting, 62% of 2001 Hong Kong Assured Life Mortality tables for males and females.
Discount rates	Range between 2.00% and 4.10%, depending on the insurance plan policies
Lapse rates	Based on Group's experience
Expenses	Based on Group's experience

The method of calculating the liabilities is the net level premium reserve, with an adjustment to remove premium deficiency.

The Group's actual claims compared to the mortality experience assumed in the calculation of future insurance contract liabilities, for the current year, is 83% (2021: 73%).

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(g) Insurance risk (continued)

(ii) Sensitivities

The sensitivity analyzes below have been determined based on reasonably possible changes in the respective key assumptions occurring at the end of the reporting period, while holding all the other assumptions constant.

As at 30 June 2022

	Assumption change	**(Decrease)/ increase in profit for the year and equity HK$'m**
Mortality rates	**+10%**	**(232.0)**
Discount rates	**-50 basis points**	**(2,463.9)**
Lapse rates	**+20%**	**253.7**
Expenses	**+10%**	**(65.3)**

As at 30 June 2021

	Assumption change	(Decrease)/ increase in profit for the year and equity HK$'m
Mortality rates	+10%	(230.7)
Discount rates	-50 basis points	(2,442.6)
Lapse rates	+20%	253.2
Expenses	+10%	(59.6)

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(h) Fair value estimation

The carrying amounts and fair value disclosures of the financial instruments of the Group are as follows:

(i) Listed investments are stated at market prices. The quoted market price used for financial assets held by the Group is the bid price at the end of the reporting period. Unlisted investments are stated at fair values which are estimated using other prices observed in recent transactions or valuation techniques when the market is not readily available.

(ii) The fair value of long-term financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(iii) The carrying values of bank balances, receivables, payables and short-term borrowings approximate their fair values due to the short-term maturities of these assets and liabilities.

(iv) The following table presents the Group's financial instruments, including financial assets at FVOCI, financial assets at FVPL, derivative financial instruments, investments related to unit-linked contracts, investment contract liabilities and liabilities related to united-linked contracts, that are measured at fair value at 30 June 2022 and 30 June 2021 respectively:

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

Management determined the fair value of these financial assets within Level 2 and Level 3 as follows:

- The fair value of forward starting swap contracts and forward exchange contracts is determined by discounting the contractual future cash flows. The discount rate used is derived from the relevant swap curve as at the reporting date, with potential adjustment made for various collateralization agreement when appropriate;
- The fair value of cross currency swap contracts is determined by discounting the contractual future cash flows. The exchange rate and discount rate used are derived from the relevant foreign exchange forward rates and swap curve as at the reporting date, with potential adjustment made for various collateralization agreement when appropriate;

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(h) Fair value estimation (continued)

(iv) (continued)

- For investments in unlisted investment funds, management discussed with the respective fund managers to understand the performance of the underlying investments and fair value measurement basis conducted by the respective fund managers in order to evaluate whether the fair values as stated in the fund statements at the end of reporting period is appropriate;

- For investments in equity and debt instruments with recent transactions, management determined the fair value at the end of reporting period with reference to recent transaction prices of these financial assets. Investments in bonds are classified as Level 2 financial instruments if there was no active market for such instruments;

- For investments in equity and debt instruments without recent transactions, management has established fair values of these investments by using appropriate valuation techniques such as discounted cash flow with the credit risk of the issuer taken into consideration for investments in bonds and the purchase price paid by the Group with consideration to the latest financial information, movement of market comparable/market indices and the latest business development of the investee companies, where applicable. Independent external valuer has been involved in determining the fair value, when appropriate; and

- The fair values of the investment contract liabilities and liabilities related to unit-linked contracts are determined with reference to the accumulation value.

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(h) Fair value estimation (continued)

(iv) (continued)

As at 30 June 2022

HK$'m	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at FVOCI				
– Equity instruments	1,763.8	–	18.5	1,782.3
– Debt instruments	30,049.5	9,752.0	–	39,801.5
Financial assets at FVPL				
– Equity instruments	1,654.7	117.0	299.9	2,071.6
– Debt instruments	696.3	384.4	1,646.7	2,727.4
– Investment funds	4,037.0	–	4,119.4	8,156.4
Derivative financial instruments	–	91.9	–	91.9
Investments related to unit-linked contracts				
– Investment funds	8,621.9	–	–	8,621.9
	46,823.2	10,345.3	6,084.5	63,253.0
Liabilities				
Derivative financial instruments	–	(172.7)	–	(172.7)
Investment contract liabilities	–	(5.4)	–	(5.4)
Liabilities related to unit-linked contracts				
– Investments contract liabilities	–	(8,160.9)	–	(8,160.9)
	–	(8,339.0)	–	(8,339.0)

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(h) Fair value estimation (continued)

(iv) (continued)

As at 30 June 2021

HK$'m	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at FVOCI				
– Equity instruments	2,404.1	–	72.7	2,476.8
– Debt instruments	29,260.2	13,050.3	–	42,310.5
Financial assets at FVPL				
– Equity instruments	333.6	117.0	276.5	727.1
– Debt instruments	–	385.1	1,361.2	1,746.3
– Investment funds	7,213.7	–	3,336.6	10,550.3
Derivative financial instruments	–	658.2	801.8	1,460.0
Investments related to unit-linked contracts				
– Investment funds	10,717.1	–	–	10,717.1
	49,928.7	14,210.6	5,848.8	69,988.1
Liabilities				
Derivative financial instruments	–	(102.8)	–	(102.8)
Investment contract liabilities	–	(5.3)	–	(5.3)
Liabilities related to unit-linked contracts				
– Investments contract liabilities	–	(10,142.5)	–	(10,142.5)
	–	(10,250.6)	–	(10,250.6)

During the year, there were transfer of debt instruments as financial assets at FVOCI relating to the Group's insurance business with fair value of HK$427.6 million from Level 2 to Level 1 (2021: HK$3,106.8 million from Level 2 to Level 1) fair value hierarchy classifications. Assets are transferred into or out of Level 1 based on whether they are transacted with sufficient frequency and volume in an active market.

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(h) Fair value estimation (continued)

(iv) (continued)

The following table presents the changes in Level 3 financial instruments for FY2022:

HK$'m	Financial assets at FVOCI	Financial assets at FVPL	Derivative financial assets	Total
	Assets			
As at 1 July 2021	**72.7**	**4,974.3**	**801.8**	**5,848.8**
Translation differences	**–**	**(18.6)**	**–**	**(18.6)**
Purchases	**–**	**3,086.9**	**–**	**3,086.9**
Disposals/derecognized	**–**	**(2,211.7)**	**–**	**(2,211.7)**
Net fair value changes recognized in other comprehensive income	**(54.2)**	**–**	**(801.8)**	**(856.0)**
Net fair value changes recognized in consolidated income statement	**–**	**235.1**	**–**	**235.1**
As at 30 June 2022	**18.5**	**6,066.0**	**–**	**6,084.5**
Net unrealized fair value changes recognized in consolidated income statement relating to balances held as at 30 June 2022	**–**	**189.5**	**–**	**189.5**

The following table presents the changes/transfers in Level 3 financial instruments for FY2021:

HK$'m	Financial assets at FVOCI	Financial assets at FVPL	Derivative financial assets	Total	Derivative financial liabilities
	Assets				Liabilities
As at 1 July 2020	–	3,772.8	478.9	4,251.7	(1.4)
Transfer to Level 1	–	(46.4)	–	(46.4)	–
Transfer from Level 2	89.7	312.0	–	401.7	–
Translation differences	–	13.4	–	13.4	–
Purchases/issues	–	2,195.3	–	2,195.3	(280.0)
Disposals/settlement	–	(1,622.7)	–	(1,622.7)	280.0
Net fair value changes recognized in other comprehensive income	(17.0)	–	322.9	305.9	–
Net fair value changes recognized in consolidated income statement	–	349.9	–	349.9	1.4
As at 30 June 2021	72.7	4,974.3	801.8	5,848.8	–
Net unrealized fair value changes recognized in consolidated income statement relating to balances held as at 30 June 2021	–	128.4	–	128.4	–

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(h) Fair value estimation (continued)

(iv) (continued)

Level 3 financial instruments comprise investment funds, unlisted debt and equity instruments and derivative financial assets/(liabilities). The fair value of these financial instruments is determined by using valuation techniques as detailed above.

Level 3 derivative financial asset as at 30 June 2021 represented a put option to sell or dispose of an investment in equity instrument held by the Group. The fair value of the put option was estimated by an independent external valuer. Valuation techniques used involved the use of current market based or independently sourced market parameters such as interest rates, currency rates and option volatilities. Fair value measurement of the underlying equity instrument was negatively correlated with valuation of the put option. Details of the put option were set out in note 27(c).

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group has considered the existing and potential impacts arising from the COVID-19 when preparing the consolidated financial statements. Assumptions and estimates are based on circumstances and conditions available when the consolidated financial statements were prepared and in particular, assumed that the current market condition as a result of the COVID-19 is not a long-term norm. Given the severity, duration and economic consequences of the COVID-19 are uncertain, actual results may differ significantly from those assumptions and estimates. The Group will remain alert and cautious on the ongoing development of COVID-19 that may cause further volatility and uncertainty in the global financial market, economy and business environment, and will take necessary measures to address the impact arising therefrom.

The estimates and assumptions that have a significant effect on carrying amounts of assets and liabilities are as follows:

(a) Fair value of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss

For financial assets at FVOCI and financial assets at FVPL with quoted market price, management determined fair value based on quoted market price. The fair value of those financial assets at FVOCI or FVPL that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods as detailed in note 4(h)(iv).

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Valuation of investment properties

The fair value of each investment property is individually determined at the end of each reporting period by management or by independent external valuers based on a market value assessment. Fair value is based on active market prices and adjusted if necessary for any difference in nature, location or conditions of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets, income capitalization approach or other approaches where appropriate. These methodologies are based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cash flow profile. The fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

As at 30 June 2022, if the market value of investment properties had been 5% (2021: 5%) higher/lower with all other variables held constant, the carrying value of the Group's investment properties would have been HK$242.1 million (2021: HK$84.1 million) higher/lower respectively and the Group's share of carrying value of the investment property held by interest in a joint venture would have been HK$417.2 million (2021: nil) higher/lower respectively.

(c) Estimate of life insurance contract liabilities

The estimation of the ultimate liabilities arising from claims made under life insurance contracts is one of the most critical accounting estimate for the Group's insurance business. There are sources of uncertainty that need to be considered in the estimation of the liabilities that the Group will ultimately pay for those claims.

The valuation of insurance contract liabilities requires the use of appropriate actuarial methodologies and also various economic and operational assumptions. The assumptions used in measuring the insurance contract liabilities include discount rates, mortality and morbidity rates, lapse and partial lapse rates, persistency, expenses, inflation, policy dividend and fund growth rate. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard industry and national mortality tables that reflect historical mortality experience, adjusted, where appropriate, to reflect the Group's unique risk exposure. The estimated number of deaths determines the value of possible future benefits to be paid out which will be factored into ensuring sufficient cover by reserves, which in return is monitored against the current and future premiums. Lapse rates are based on the historical experience of the Group. Expenses are based on the renewal compensation cost structure and the maintenance expenses level of the Group. Discount rates are based on the investment strategy of the Group, with due regard to the expected recurring return on assets backing the insurance contracts.

Estimates for discount rates, mortality rates, lapse rates and expenses are determined at the date of acquisition, where applicable, and at the inception of the contract and are used to calculate the liability over the term of the contract. At each reporting date, these estimates are reassessed for adequacy with margin and changes will be reflected in adjustments to the liability.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) Amortization of DAC and VOBA

The Group adopted an approach by which DAC of new business is amortized according to the expected future premiums or expected future profits, which are projected based on the Group's best estimate assumptions and actual persistency. Assumptions as to projected future premiums or expected future profits are made at the date of policy issue and are applied during the lives of the contracts consistently. VOBA is amortized over the estimated life of the contracts in the acquired portfolio on a systematic basis primarily based on expected future profits. Judgements are exercised in making appropriate estimate of future premiums or expected future profits.

(e) Product classification of insurance business

Contracts are classified as insurance contracts where they transfer significant insurance risk from the holder of the contract to the Group. The Group's accounting policy for the classification of insurance and investment contracts is discussed in more detail in note 3(ac)(i).

There are a number of contracts sold where the Group exercises judgement about the level of insurance risk transferred. Typically, these are contracts which contain a significant savings component. The level of insurance risk is assessed by considering whether there are any scenarios with commercial substance in which the Group is required to pay significant additional benefits. These benefits are those which exceed the amounts payable if no insured event were to occur. These additional amounts include claims liability and assessment costs, but exclude the loss of the ability to charge the holder of the contract for future services.

(f) Impairment of the Group's investments in associated companies and joint ventures

In accordance with the requirements under HKAS 28 "Investments in Associates and Joint Ventures" and HKAS 36 "Impairment of Assets", management regularly reviews whether there are any indications of impairment of the Group's investments in associated companies and joint ventures based on value in use calculations or fair value less cost of disposal approach. In determining the value in use, management assesses the present value of estimated future cash flows expected to arise from their businesses. Estimates and judgements are applied in determining these future cash flows and discount rate. The assumptions include discount rate and future revenue growth, which would be affected by selling price, market development and other relevant economic factors.

Investment in Goshawk

The Group holds 50% equity interest in Goshawk, a joint venture which is principally engaged in aircraft leasing. Since March 2022, various countries have imposed sanctions against Russia and Goshawk has terminated the leases with the Russian airlines. As at 30 June 2022 and up to the date of this annual report, Goshawk's six aircraft retained in Russia.

While Goshawk holds title to these aircraft, it is uncertain whether and when Goshawk will be able to regain possession of these aircraft from the Russian airline customers. If returned, the value of the aircraft will highly depend on the conditions upon repossession which is unclear. As a result, a full impairment of its net exposure (representing the carrying amount of these aircraft assets less the release of related maintenance reserve and security deposits) has been made by Goshawk for aircraft retained in Russia, of which an impairment loss (net of tax) of HK$752.8 million was shared by the Group in FY2022.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(g) Impairment of property, plant and equipment, goodwill and financial assets at FVOCI and amortized cost

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts of property, plant and equipment have been determined based on the higher of their fair values less costs of disposal and value in use, taking into account the latest market information and past experience.

The Group tests annually whether goodwill has suffered any impairment according to its recoverable amount determined by the CGU based on either fair value less cost of disposal or value in use calculations whichever is higher. These calculations require the use of estimates which are subject to changes of economic environment in future.

The loss allowances for financial assets at FVOCI and amortized cost are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(h) Provision for onerous contract

The provision for onerous contract is based on the difference between the total expected cash inflow and the total value of future cash outflow (expenses including overhead expenses) the Group is obligated to make for the remaining term of the contracts. Considerable amounts of estimates and judgements are required in assessing the expected cash inflow and outflow in the future. Where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, onerous contract provision is recognized.

An onerous contract provision of HK$230.0 million was recognized in the year ended 30 June 2020 for the Group's duty free business in view of impact on financial performance and market condition arising from COVID-19 pandemic. The Group has performed an updated assessment as at 30 June 2022 and reversed the full provision of HK$230.0 million (notes 6(a)(i) and 8). The key assumptions used in assessing provision include estimated revenue growth. The assumptions used are highly judgemental and sensitive to the provision amount. Any changes in any of the key assumptions used would result in increase or decrease in provision.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(i) Estimated volume of Infrastructures of public services

The amortization for intangible concession rights and impairment assessment of Infrastructures for public services using discounted cash flow model are affected by the estimated volume for public services, such as toll roads. Management performs annual reviews to assess the appropriateness of estimated volume by making reference to independent professional studies, if necessary.

The traffic volume is directly and indirectly affected by a number of factors, including the availability, quality, proximity and toll rate differentials of alternative roads and the existence of other means of transportation. The growth of the traffic flow is also highly tied to the future economic and transportation network development of the area in which the Infrastructures serve. The growth in future traffic flow projected by the management is highly dependent on the realization of the aforementioned factors.

(j) Estimate of revenue for construction contracts

For revenue from construction work that is recognized over time, the Group recognizes such revenue by reference to the progress of satisfying the performance obligation at the reporting date. This is measured based on the Group's costs incurred up to the reporting date and budgeted costs which depict the Group's performance towards satisfying the performance obligation. Significant estimates and judgements are required in determining the accuracy of the budgets. In making the above estimation, the Group conducts periodic review on the budgets and makes reference to past experience and work of internal quantity surveyors.

(k) Classification of property, plant and equipment and investment properties

The Group classifies property, plant and equipment and investment properties based on whether the property is more likely to earn rental and whether the ancillary services are significant to the arrangement as a whole after taking into consideration of the latest income mix and business model of the property, and the relevant market trend.

6 REVENUE AND SEGMENT INFORMATION

The Group's revenue from continuing operations is analyzed as follows:

2022 **HK$'m**	**Hong Kong**	**Mainland China**	**Total**
Roads	**–**	**2,717.5**	**2,717.5**
Construction	**15,240.9**	**–**	**15,240.9**
Insurance	**12,373.6**	**–**	**12,373.6**
Logistics	**–**	**11.8**	**11.8**
Facilities Management	**745.6**	**49.2**	**794.8**
	28,360.1	**2,778.5**	**31,138.6**

2021 HK$'m	Hong Kong	Mainland China	Total
Roads	–	3,033.2	3,033.2
Construction	15,114.1	–	15,114.1
Insurance	9,640.6	–	9,640.6
Facilities Management	355.8	53.6	409.4
	25,110.5	3,086.8	28,197.3

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Revenue from insurance business is further analyzed as follows:

	2022 **HK$'m**	2021 HK$'m
Gross premiums on insurance contracts	**12,041.1**	9,291.6
Less: premiums ceded to reinsurers	**(391.7)**	(385.3)
Premiums, net of reinsurance	**11,649.4**	8,906.3
Fee income on insurance and investment contracts	**628.6**	677.2
Reinsurance commission income and refund	**85.4**	46.1
Fee on referral business and commission income for general insurance and MPF	**10.2**	10.6
Others	**–**	0.4
Fee and commission income	**724.2**	734.3
	12,373.6	9,640.6

Management has determined the operating segments based on the reports reviewed by the Executive Committee of the Company that are used to make strategic decisions. The Executive Committee reviews the Group's internal reporting in order to assess performance and allocate resources. The Executive Committee considers the businesses of the Group from product and service perspectives, which comprised (i) Roads; (ii) Aviation; (iii) Construction; (iv) Insurance; (v) Logistics; (vi) Facilities Management; (vii) Strategic Investments; (viii) Environment; and (ix) Transport. The results of the Environment segment and Transport segment are presented as discontinued operations in accordance with HKFRS 5 as detailed in note 33.

The Executive Committee assesses the performance of the operating segments based on a measure of Attributable Operating Profit (including share of results from associated companies and joint ventures). This measurement basis excludes the effects of corporate office and non-operating items. Corporate interest income, finance costs and expenses are not allocated to segments.

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) The information of the reportable segments provided to the Executive Committee for FY2022 and related comparative figures is as follows:

	Continuing operations			
HK$'m	**Roads**	**Aviation**	**Construction**	**Insurance**
2022				
Total revenue	**2,717.5**	**–**	**15,240.9**	**12,375.4**
Inter-segment	**–**	**–**	**–**	**(1.8)**
Revenue – external	**2,717.5**	**–**	**15,240.9**	**12,373.6**
Revenue from contracts with customers				
Recognized at a point in time	**2,717.5**	**–**	**–**	**–**
Recognized over time	**–**	**–**	**15,240.9**	**724.2**
	2,717.5	**–**	**15,240.9**	**724.2**
Revenue from other sources	**–**	**–**	**–**	**11,649.4**
	2,717.5	**–**	**15,240.9**	**12,373.6**
Attributable Operating Profit/(Loss)				
Company and subsidiaries	**923.0**	**–**	**798.2**	**1,074.9**
Associated companies	**191.5**	**–**	**114.0**	**–**
Joint ventures	**595.4**	**511.5**	**–**	**–**
	1,709.9	**511.5**	**912.2**	**1,074.9**
Reconciliation – corporate office and non-operating items				
Remeasurement, impairments and provisions, net				
Net gain on disposal of projects, net of tax				
Net gain on fair value of derivative financial instruments				
Net gain on redemption of senior notes				
Interest income				
Finance costs				
Expenses and others				
Profit for the year after tax and non-controlling interests				
Profit attributable to holders of perpetual capital securities				
Profit attributable to shareholders				

(i) The amount mainly represents share of remeasurement/impairment losses, expected credit loss provision and aircraft repossession/recovery costs of Goshawk of HK$1,897.1 million (net of tax) (included in "share of results of joint ventures" and detailed in note 24(b)) and impairment loss for investment in Wai Kee of HK$109.9 million (included in "other income and gains, net" and detailed in notes 8 and 23(e)), offset by the reversal of provision for onerous contract of HK$230.0 million (included in "other income and gains, net" and detailed in notes 5(h) and 8).

(ii) The finance costs recognized in the consolidated income statement for FY2022 from continuing operations is HK$760.1 million, in which the above HK$424.9 million represents corporate office finance costs and HK$335.2 million is recognized as part of Attributable Operating Profit in various reportable segments.

Logistics	Facilities Management	Strategic Investments	Subtotal	Discontinued operation Environment	Total
11.8	794.9	–	31,140.5	–	31,140.5
–	(0.1)	–	(1.9)	–	(1.9)
11.8	794.8	–	31,138.6	–	31,138.6
–	186.0	–	2,903.5	–	2,903.5
–	608.8	–	16,573.9	–	16,573.9
–	794.8	–	19,477.4	–	19,477.4
11.8	–	–	11,661.2	–	11,661.2
11.8	794.8	–	31,138.6	–	31,138.6
(4.0)	(254.2)	(300.6)	2,237.3	–	2,237.3
0.8	(162.4)	206.3	350.2 (c)	121.0	471.2
595.8	7.1	(47.4)	1,662.4 (c)	–	1,662.4
592.6	(409.5)	(141.7)	4,249.9	121.0	4,370.9
					(1,816.9) (i)
					243.9
					78.2
					97.5
					49.9
					(424.9) (ii)
					(428.7)
					2,169.9
					(583.1)
					1,586.8

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) The information of the reportable segments provided to the Executive Committee for FY2022 and related comparative figures is as follows (continued):

	Continuing operations				
HK$'m	**Roads**	**Aviation**	**Construction**	**Insurance**	
2022					
Depreciation of property, plant and equipment	**54.3**	**–**	**51.3**	**42.8**	
Depreciation of right-of-use assets	**0.8**	**–**	**33.6**	**120.0**	
Amortization of intangible concession rights	**962.2**	**–**	**–**	**–**	
Amortization of intangible assets	**–**	**–**	**–**	**51.8**	
Amortization of VOBA	**–**	**–**	**–**	**155.3**	
Interest income	**(46.9)**	**–**	**(1.8)**	**(1,639.0)**	
Finance costs	**154.2**	**–**	**56.9**	**94.6**	
Income tax expenses/(credit)	**402.9**	**–**	**141.7**	**77.3**	
Overlay approach adjustments on financial assets	**–**	**–**	**–**	**(1,845.9)**	
Net loss on fair value of financial assets at FVPL	**–**	**–**	**1.7**	**1,120.1**	
Additions to non-current assets (remark)	**170.9**	**–**	**412.8**	**781.8**	
At 30 June 2022					
Company and subsidiaries	**15,987.9**	**6,166.6**	**7,342.3**	**78,746.1**	
Associated companies	**2,855.3**	**–**	**381.8**	**–**	
Joint ventures	**3,822.9**	**301.0**	**–**	**–**	
Total assets	**22,666.1**	**6,467.6**	**7,724.1**	**78,746.1**	**(b)**
Total liabilities	**5,632.2**	**–**	**6,741.5**	**62,731.8**	**(b)**

Remark: Being additions to non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, VOBA and DAC.

					Discontinued operation	
Logistics	Facilities Management	Strategic Investments	Corporate	Subtotal	Environment	Total
0.2	102.1	–	6.3	257.0	–	257.0
1.1	95.2	–	13.3	264.0	–	264.0
–	–	–	–	962.2	–	962.2
–	31.2	–	–	83.0	–	83.0
–	–	–	–	155.3	–	155.3
(0.5)	(28.3)	(85.4)	(49.9)	(1,851.8)	–	(1,851.8)
–	28.4	1.1	424.9	760.1	–	760.1
(0.1)	(40.5)	19.2	(24.3)	576.2	–	576.2
–	–	–	–	(1,845.9)	–	(1,845.9)
–	–	206.1	–	1,327.9	–	1,327.9
2,099.6	72.9	0.3	360.3	3,898.6	–	3,898.6
2,248.3	3,516.1	7,583.6	5,323.0	126,913.9	–	126,913.9
318.2	294.1	2,591.4	2.6	6,443.4	–	6,443.4
9,278.3	13.1	1,987.3	10.9	15,413.5	–	15,413.5
11,844.8	3,823.3	12,162.3	5,336.5	148,770.8	–	148,770.8
143.0	1,054.9	127.1	18,453.2	94,883.7	–	94,883.7

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) The information of the reportable segments provided to the Executive Committee for FY2022 and related comparative figures is as follows (continued):

	Continuing operations			
HK$'m	Roads	Aviation	Construction	Insurance
2021 (restated)				
Total revenue	3,033.2	–	15,114.1	9,641.8
Inter-segment	–	–	–	(1.2)
Revenue – external	3,033.2	–	15,114.1	9,640.6
Revenue from contracts with customers				
Recognized at a point in time	3,033.2	–	–	–
Recognized over time	–	–	15,114.1	734.3
	3,033.2	–	15,114.1	734.3
Revenue from other source	–	–	–	8,906.3
	3,033.2	–	15,114.1	9,640.6
Attributable Operating Profit/(Loss)				
Company and subsidiaries	955.6	–	780.2	971.7
Associated companies	205.1	–	191.5	–
Joint ventures	646.8	496.0	0.3	–
	1,807.5	496.0	972.0	971.7
Reconciliation – corporate office and non-operating items				
Net loss on fair value of investment properties				
Remeasurement, impairments and provisions				
Net gain on disposal of projects, net of tax				
Net loss on fair value of derivative financial instruments				
Interest income				
Finance costs				
Expenses and others				
Profit for the year after tax and non-controlling interests				
Profit attributable to holders of perpetual capital securities				
Profit attributable to shareholders				

(iii) The amount mainly represented remeasurement/impairment loss for investment in Wai Kee of HK$1,430.3 million (restated, included in "other income and gains, net" and detailed in note 8) and for investment in Derun Environment of HK$228.1 million (included in "profit/(loss) from discontinued operations" and detailed in note 33), share of impairment loss, expected credit loss provision and aircraft repossession/recovery costs of Goshawk of HK$553.3 million (net of tax) (included in "share of results of joint ventures" and detailed in note 24(b)), impairment loss related to certain associated companies of HK$248.0 million in aggregate as well as certain other expected credit loss provision.

(iv) The finance costs recognized in the consolidated income statement for FY2021 from continuing operations and discontinued operations was HK$838.7 million and HK$5.7 million (note 33(a)) respectively, in which the above HK$483.4 million represented corporate office finance costs and HK$361.0 million was recognized as part of Attributable Operating Profit in various reportable segments.

Logistics	Facilities Management	Strategic Investments	Subtotal		Discontinued operations: Environment	Discontinued operations: Transport	Total	
–	409.5	–	28,198.6		–	655.1	28,853.7	
–	(0.1)	–	(1.3)		–	–	(1.3)	
–	409.4	–	28,197.3		–	655.1	28,852.4	
–	134.6	–	3,167.8		–	614.7	3,782.5	
–	274.8	–	16,123.2		–	40.4	16,163.6	
–	409.4	–	19,291.0		–	655.1	19,946.1	
–	–	–	8,906.3		–	–	8,906.3	
–	409.4	–	28,197.3		–	655.1	28,852.4	
(2.4)	(437.7)	469.8	2,737.2		5.0	(3.5)	2,738.7	
101.4	(217.5)	144.7	425.2	(c)	144.4	8.3	577.9	
564.0	5.9	124.9	1,837.9	(c)	94.9	–	1,932.8	
663.0	(649.3)	739.4	5,000.3		244.3	4.8	5,249.4	
							(13.2)	
							(2,608.1)	(iii)
							9.3	
							(59.1)	
							37.5	
							(483.4)	(iv)
							(435.8)	
							1,696.6	
							(583.1)	
							1,113.5	

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) The information of the reportable segments provided to the Executive Committee for FY2022 and related comparative figures is as follows (continued):

	Continuing operations			
HK$'m	Roads	Aviation	Construction	Insurance
2021				
Depreciation of property, plant and equipment	50.8	–	49.7	42.9
Depreciation of right-of-use assets	0.7	–	34.6	118.4
Amortization of intangible concession rights	1,052.5	–	–	–
Amortization of intangible assets	–	–	–	37.9
Amortization of VOBA	–	–	–	256.4
Interest income	(37.3)	–	(2.2)	(1,428.3)
Finance costs	168.3	–	56.0	99.0
Income tax expenses/(credit)	486.8	–	141.7	72.0
Overlay approach adjustments on financial assets	–	–	–	1,270.6
Net gain on fair value of financial assets at FVPL	–	–	–	(1,478.4)
Additions to non-current assets (remark)	121.5	–	128.7	114.2
At 30 June 2021 (restated)				
Company and subsidiaries	16,351.4	6,168.0	6,280.0	84,705.6
Associated companies	2,808.1	–	449.0	–
Joint ventures	4,312.4	1,198.7	–	–
Total assets	23,471.9	7,366.7	6,729.0	84,705.6
Total liabilities	6,175.0	–	6,679.6	60,509.6

Remark: Being additions to non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, VOBA and DAC.

					Discontinued operations		
Logistics	Facilities Management	Strategic Investments	Corporate	Subtotal	Environment	Transport	Total
–	116.0	0.1	6.5	266.0	–	111.1	377.1
–	99.8	–	18.1	271.6	–	31.9	303.5
–	–	–	–	1,052.5	–	–	1,052.5
–	31.2	–	–	69.1	–	–	69.1
–	–	–	–	256.4	–	–	256.4
–	(35.8)	(112.0)	(37.5)	(1,653.1)	(5.0)	(0.2)	(1,658.3)
–	31.7	0.3	483.4	838.7	–	5.7	844.4
10.1	(65.2)	41.2	4.6	691.2	–	(52.7)	638.5
–	–	–	–	1,270.6	–	–	1,270.6
–	–	(458.3)	–	(1,936.7)	–	–	(1,936.7)
–	23.5	1.7	16.9	406.5	–	66.7	473.2
1,851.8	3,936.1	7,608.0	4,758.7	131,659.6	4,054.5	–	135,714.1
–	310.7	2,482.5	2.5	6,052.8	–	–	6,052.8
3,029.0	5.9	2,249.7	10.3	10,806.0	–	–	10,806.0
4,880.8	4,252.7	12,340.2	4,771.5	148,518.4	4,054.5	–	152,572.9
65.3	1,340.2	122.7	19,226.5	94,118.9	–	–	94,118.9

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Additional information of assets and liabilities by the following line items:

At 30 June 2022

HK$'m	Non-insurance and corporate	Insurance	Total
Assets			
Investment properties	4,153.3	688.9	4,842.2
Intangible concession rights	13,081.9	–	13,081.9
Intangible assets	156.8	5,733.3	5,890.1
Value of business acquired	–	5,239.8	5,239.8
Deferred acquisition costs	–	2,335.0	2,335.0
Associated companies	6,443.4	–	6,443.4
Joint ventures	15,413.5	–	15,413.5
Financial assets at FVOCI	1,032.8	40,551.0	41,583.8
Financial assets at FVPL	5,146.8	7,808.6	12,955.4
Derivative financial instruments	27.4	64.5	91.9
Trade, premium and other receivables	13,471.1	746.0	14,217.1
Investments related to unit-linked contracts	–	8,649.2	8,649.2
Cash and bank balances	7,861.5	5,591.1	13,452.6
Others	3,236.2	1,338.7	4,574.9
	70,024.7	78,746.1	148,770.8
Represented by			
Non-current assets	46,595.7	60,672.1	107,267.8
Current assets	23,429.0	18,074.0	41,503.0
	70,024.7	78,746.1	148,770.8
Liabilities			
Borrowings and other interest-bearing liabilities	21,338.8	2,252.1	23,590.9
Insurance and investment contract liabilities	–	48,204.4	48,204.4
Liabilities related to unit-linked contracts	–	8,835.9	8,835.9
Trade, other payables and payables to policyholders	7,817.1	2,586.4	10,403.5
Others	2,996.0	853.0	3,849.0
	32,151.9	62,731.8	94,883.7
Represented by			
Non-current liabilities	20,509.8	17,431.1	37,940.9
Current liabilities	11,642.1	45,300.7	56,942.8
	32,151.9	62,731.8	94,883.7
Net current assets/(liabilities) (note 2)	11,786.9	(27,226.7)	(15,439.8)

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(c) Reconciliation of Attributable Operating Profit from continuing operations of associated companies and joint ventures to the consolidated income statement:

HK$'m	Note	Associated companies 2022	Associated companies 2021 (restated)	Joint ventures 2022	Joint ventures 2021
Attributable Operating Profit		**350.2**	425.2	**1,662.4**	1,837.9
Corporate and non-operating items					
– Remeasurement/impairment loss, expected credit loss provision and/or aircraft repossession/ recovery costs	23(e), 24(b)	**–**	(120.0)	**(1,897.1)**	(553.3)
– Others		**(9.7)**	6.4	**(20.2)**	(4.0)
Share of results of associated companies and joint ventures		**340.5**	311.6	**(254.9)**	1,280.6

(d) Information by geographical areas:

HK$'m	Non-current assets (remark) 2022	Non-current assets (remark) 2021
Hong Kong	**10,789.0**	9,743.8
Mainland China	**15,669.6**	14,722.6
Others	**32.0**	32.7
	26,490.6	24,499.1

The operations of the Group's infrastructure businesses in Mainland China are undertaken mainly through associated companies and joint ventures, the results of which are accounted for by the equity method of accounting.

The Group's share of revenue of associated companies and joint ventures from continuing operations are as follows:

HK$'m	Note	Associated companies 2022	Associated companies 2021 (restated)	Joint ventures 2022	Joint ventures 2021
Hong Kong		**3,349.1**	2,989.2	**741.8**	734.7
Mainland China		**1,458.9**	1,279.0	**12,408.0**	9,274.0
Global and others		**739.4**	842.5	**5,595.2**	5,736.5
	23(k), 24(i)	**5,547.4**	5,110.7	**18,745.0**	15,745.2

Remark: Being balance of non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, VOBA and DAC.

7 OPERATING PROFIT

Operating profit of the Group from continuing operations is arrived at after crediting and charging the following:

	Note	2022 HK$'m	2021 HK$'m
Crediting			
Gross rental income from investment properties		**67.3**	49.5
Less: outgoings		**(16.6)**	(11.2)
		50.7	38.3
Charging			
Auditors' remuneration		**22.4**	19.1
Cost of inventories sold		**57.9**	32.0
Cost of construction		**12,495.4**	12,436.8
Claims and benefits, net of reinsurance		**11,436.7**	8,331.3
Depreciation of property, plant and equipment	17	**257.0**	266.0
Depreciation of right-of-use assets	21(c)	**264.0**	271.6
Amortization of intangible concession rights	18	**962.2**	1,052.5
Amortization of intangible assets	19	**83.0**	69.1
Amortization of VOBA	20	**155.3**	256.4
Agency commission and allowances, net of change in deferred acquisition costs	(a)	**1,171.4**	856.3
Expenses on short-term leases		**20.3**	15.6
Expenses on variable lease payments		**75.1**	57.2
Staff costs (including directors' emoluments (note 15))	10	**2,609.8**	2,442.2
Other costs and expenses		**1,207.9**	1,079.6
		30,818.4	27,185.7
Represented by			
Cost of sales	9	**27,609.3**	24,406.1
Selling and marketing expenses		**1,290.9**	969.0
General and administrative expenses		**1,918.2**	1,810.6
		30,818.4	27,185.7

(a) The amount includes amortization of deferred acquisition costs arising from insurance business of HK$524.2 million (2021: HK$367.0 million) (note 22).

8 OTHER INCOME AND GAINS, NET

	Note	2022 HK$'m	2021 HK$'m (restated)
Continuing operations			
Credits/(charges) associated with liabilities related to unit-linked contracts		**2,198.8**	(2,171.0)
Reversal of provision for onerous contract	5(h), 6(a)(i)	**230.0**	–
Net profit on disposal of debt instruments as financial assets at FVOCI		**137.6**	40.7
Profit on disposal/partial disposal of interests in associated companies		**118.6**	69.0
Gain on redemption of fixed rate bonds	49(c)	**117.0**	–
Net gain/(loss) on fair value of derivative financial instruments		**55.7**	(59.1)
Profit on disposal of interest in a joint venture		**–**	40.4
Interest income			
– Debt instruments as financial assets at FVOCI		**1,625.5**	1,392.0
– Bank deposits and others		**226.3**	261.1
Dividend income		**323.1**	190.4
Other income		**106.2**	40.3
Net exchange gain		**85.8**	47.1
Net (loss)/gain associated with investments related to unit-linked contracts		**(2,201.6)**	2,187.9
Net (loss)/gain on fair value of financial assets at FVPL	(a)	**(1,327.9)**	1,936.7
Loss on disposal of an asset held-for-sale	34	**(56.0)**	–
Impairment/remeasurement loss related to associated companies	6(a)(i), (iii), 23(e)	**(109.9)**	(1,558.3)
Net loss on fair value of investment properties	16	**–**	(13.2)
Expected credit loss provision			
– Trade, premium and other receivables	30(e)	**(229.5)**	(418.4)
– Debt instruments as financial assets at FVOCI		**(333.1)**	(37.1)
		966.6	1,948.5

(a) The Group elected to apply the "overlay approach" in accordance with HKFRS 4 (Amendments) "Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts" which allows the Group to reclassify fair value gain or loss from consolidated income statement to other comprehensive income for those designated eligible financial assets previously classified as available-for-sale financial assets under HKAS 39 but currently classified as financial assets at FVPL under HKFRS 9. The designated financial assets applying the overlay approach are equity instruments and investment funds that are managed as underlying assets backing the insurance contracts issued.

The net loss on fair value of financial assets at FVPL of HK$1,327.9 million (2021: net gain of HK$1,936.7 million) includes (i) a net fair value loss of HK$1,845.9 million (2021: net gain of HK$1,270.6 million) arising from those designated financial assets held by insurance business applying the overlay approach; and (ii) the remaining net fair value gain of HK$518.0 million (2021: HK$666.1 million) arising from other financial assets held by insurance business which are not eligible for the overlay approach or financial assets not related to insurance business. The net fair value loss of HK$1,845.9 million (note 37) (2021: net gain of HK$1,270.6 million) was then reclassified from consolidated income statement to other comprehensive income as overlay approach adjustments for the designated financial assets.

9 COST OF SALES

The Group's cost of sales from continuing operations is analyzed as follows:

	Note	2022 HK$'m	2021 HK$'m
Cost of inventories sold		**57.9**	32.0
Cost of construction	(a)	**12,495.4**	12,436.8
Cost of services rendered		**3,464.0**	3,349.6
Claims and benefits, net of reinsurance	(b)	**11,436.7**	8,331.3
Amortization of VOBA	20	**155.3**	256.4
		27,609.3	24,406.1

(a) Cost of construction mainly represents subcontractor's costs and material costs.

(b) Details of claims and benefits, net of reinsurance are shown below:

	2022 HK$'m	2021 HK$'m
Claims	**1,074.2**	880.0
Reinsurers' and coinsurers' share of claims	**(341.7)**	(233.0)
Claims, net of reinsurers' and coinsurers' share	**732.5**	647.0
Surrenders, annuities and maturities	**1,297.1**	1,083.4
Reinsurers' and coinsurers' share	**39.0**	(7.9)
	1,336.1	1,075.5
Policyholders' dividends and interests	**389.8**	368.7
Incentives to policyholders	**289.3**	280.6
Increase in insurance contract liabilities	**8,689.0**	5,959.5
Total claims and benefits, net of reinsurance	**11,436.7**	8,331.3

The increase is mainly due to (i) growth of in-force business with regard to higher premium received during FY2022, (ii) higher net claims incurred compared to FY2021 as well as (iii) additional increase in insurance contract liabilities with respect to increase in realized investment income. The increase in insurance contract liabilities includes an estimate of future dividend payments to the policyholders of participating products which is partly determined based on the investment income arising from participating fund assets, whereas the corresponding investment income is recognized in "other income and gains, net" and is not netted in the "cost of sales" for presentation purpose.

10 STAFF COSTS

(a) Staff costs

	Note	2022 HK$'m	2021 HK$'m
Continuing operations			
Wages, salaries and other benefits		**2,472.9**	2,312.1
Pension costs – defined contribution plans		**135.2**	128.1
Pension costs – defined benefits plans		**1.7**	2.0
	7	**2,609.8**	2,442.2

Directors' emoluments are included in staff costs.

Subsidies received from Employment Support Scheme launched by the Hong Kong Government amounting to HK$25.0 million for FY2022 (2021: HK$131.1 million) are netted off in total staff costs.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2021: three) directors whose emoluments are reflected in note 15(a). The emoluments of the remaining three individuals (2021: two) during the year are as follows:

	2022 HK$'m	2021 HK$'m
Fees	**0.1**	0.1
Basic salaries, allowances and other benefits	**36.5**	12.7
Discretionary bonuses	**20.2**	17.9
Employer's contribution to retirement benefits schemes	**1.0**	1.1
	57.8	31.8

The emoluments of the individuals fell within the following bands:

	Number of individual(s)	
	2022	2021
Emolument band (HK$)		
12,000,001–12,500,000	**–**	1
12,500,001–13,000,000	**1**	–
15,500,001–16,000,000	**1**	–
19,000,001–19,500,000	**–**	1
29,000,001–29,500,000	**1**	–

10 STAFF COSTS (CONTINUED)

(c) Emoluments of senior management

Other than the emoluments of five highest paid individuals and directors disclosed in notes 10(b) and 15(a) respectively, the emoluments of the senior management fell within the following bands:

	Number of individual(s)	
	2022	2021
Emolument band (HK$)		
1,500,001–2,000,000	**1**	–
2,500,001–3,000,000	**–**	2
3,000,001–3,500,000	**–**	1
4,000,001–4,500,000	**1**	2
4,500,001–5,000,000	**2**	–
6,000,001–6,500,000	**1**	–

11 FINANCE COSTS

	Note	**2022 HK$'m**	2021 HK$'m
Continuing operations			
Interest on borrowings and other interest-bearing liabilities		**338.9**	397.5
Interest on fixed rate bonds		**278.8**	294.3
Interest on lease liabilities	49(c)	**46.3**	53.0
Others		**96.1**	93.9
		760.1	838.7

12 INCOME TAX EXPENSES

Hong Kong profits tax is provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits for the year. Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profits for the year at the rates of tax prevailing in the regions in which the Group operates. These rates range from 12% to 28% (2021: 12% to 28%). Withholding tax on dividends is mainly provided at the rate of 5% or 10% (2021: 5% or 10%).

The assessable profits of the Group's insurance business are computed in accordance with the special provisions of the Hong Kong Inland Revenue Ordinance ("IRO"). Profits tax for the long-term insurance business, as defined by IRO, is computed at a rate of 16.5% of 5% of net premiums (gross premiums received less reinsurance premiums ceded) of the life insurance business in accordance with Section 23(1)(a) of IRO.

The amount of income tax from continuing operations charged to the consolidated income statement represents:

	Note	**2022** **HK$'m**	2021 HK$'m
Current income tax			
Hong Kong profits tax		**262.6**	224.4
Mainland China and overseas taxation		**502.5**	628.6
Deferred income tax credit	40	**(188.9)**	(161.8)
		576.2	691.2

Share of taxation of associated companies and joint ventures from continuing operations of HK$110.9 million (2021: HK$151.0 million) and HK$277.3 million (2021: HK$339.7 million) respectively are included in the consolidated income statement as share of results of associated companies and joint ventures respectively.

Dividends withholding tax from continuing operations of HK$67.4 million (2021: HK$124.1 million) is included in the above income tax charge.

12 INCOME TAX EXPENSES (CONTINUED)

The tax expenses from continuing operations on the Group's profit before income tax differ from the theoretical amount that would arise using the profits tax rate of Hong Kong as follows:

	2022 HK$'m	2021 HK$'m (restated)
Profit before income tax	**2,458.2**	2,443.0
Excluding share of results of associated companies	**(340.5)**	(311.6)
Excluding share of results of joint ventures	**254.9**	(1,280.6)
	2,372.6	850.8
Calculated at a taxation rate of 16.5% (2021: 16.5%)	**391.5**	140.4
Effect of different taxation rates in other countries	**106.2**	127.7
Tax on 5% of net premium of life insurance business	**104.9**	73.1
Results of life insurance business not taxable at the statutory rate	**(181.5)**	(177.4)
Income not subject to taxation	**(137.2)**	(101.7)
Expenses not deductible for taxation purposes	**177.4**	464.2
Tax losses not recognized	**86.9**	28.0
Utilization of previously unrecognized tax losses	**(3.4)**	(0.7)
Withholding tax	**81.2**	130.1
Over-provisions in prior years	**(47.8)**	(1.8)
Others	**(2.0)**	9.3
Income tax expenses	**576.2**	691.2

13 DIVIDENDS

	2022 HK$'m	2021 HK$'m
Interim dividend paid of HK$0.30 (2021: HK$0.29) per share	**1,173.4**	1,134.2
Final dividend proposed of HK$0.31 (2021: paid of HK$0.30) per share	**1,212.2**	1,173.3
	2,385.6	2,307.5

At the meeting held on 30 September 2022, the Board recommended a final dividend of HK$0.31 per share. This proposed dividend has not been recognized as a dividend payable in these consolidated financial statements but will be reflected as an appropriation of the retained profits in the consolidated financial statements for FY2023.

Subject to the passing of the relevant resolution at the 2022 AGM, it is expected that the final dividend will be paid on or about 16 December 2022.

14 EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share from continuing operations is based on profit attributable to shareholders of the Company arising from the continuing operations of HK$1,284.5 million (2021 restated: HK$1,157.3 million) and on the weighted average of 3,911,137,849 (2021: 3,911,137,849) ordinary shares outstanding during the year.

The calculation of basic earnings/(loss) per share from discontinued operations is based on the profit attributable to shareholders of the Company arising from the discontinued operations of HK$302.3 million (2021: loss of HK$43.8 million) and on the weighted average ordinary shares outstanding during the year as abovementioned.

There is no dilutive potential ordinary share outstanding for FY2022 and FY2021.

15 BENEFITS AND INTERESTS OF DIRECTORS

(a) The aggregate amounts of emoluments of the directors of the Company are as follows:

	Note	**2022** **HK$'m**	2021 HK$'m
Remunerations	(i)	**84.8**	69.4

Remuneration package, including director's fee, basic salaries, allowances and other benefits, discretionary bonuses, employer's contribution to retirement benefits scheme and share option benefits (if any), is determined according to individual performance, job responsibility and seniority, and is reviewed with reference to market conditions.

During this year, the Group did not pay the directors any inducement to join or upon joining the Group, or as compensation for loss of office. No director waived or agreed to waive any emoluments during the year.

15 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) The aggregate amounts of emoluments of the directors of the Company are as follows (continued):

(i) The remunerations of individual directors are set out below:

	As director#		As management##			
Name of director	Fees HK$'m	Allowances and other benefits HK$'m	Basic salaries, allowances and other benefits HK$'m	Employer's contribution to retirement benefits schemes HK$'m	2022 Total HK$'m	2021 Total HK$'m
Dr Cheng Kar Shun, Henry	0.69	0.03	10.86	0.63	**12.21**	9.13
Mr Ma Siu Cheung	1.17	0.11	12.62	0.37	**14.27**	10.29
Mr Ho Gilbert Chi Hang	0.98	0.06	9.48	0.58	**11.10**	8.70
Dr Cheng Chi Kong, Adrian	0.60	0.06	7.33	0.55	**8.54**	8.23
Mr Cheung Chin Cheung*	0.41	0.08	7.34	0.55	**8.38**	7.84
Mr Cheng Chi Ming, Brian	0.68	0.07	7.52	0.57	**8.84**	8.19
Mr Chow Tak Wing**	0.39	0.07	8.71	0.27	**9.44**	7.84
Mr Cheng Chi Leong, Christopher	0.30	0.06	6.84	0.26	**7.46**	3.79
Mr To Hin Tsun, Gerald	0.30	0.06	–	–	**0.36**	0.37
Mr Dominic Lai	0.43	0.09	–	–	**0.52**	0.53
Mr Tsang Yam Pui***	–	–	–	–	**–**	0.37
Mr Lam Wai Hon, Patrick****	–	–	–	–	**–**	0.39
Mr William Junior Guilherme Doo	0.35	0.06	–	–	**0.41**	0.42
Mr Kwong Che Keung, Gordon	0.63	0.09	–	–	**0.72**	0.74
Dr Cheng Wai Chee, Christopher**	0.47	0.09	–	–	**0.56**	0.57
Mr Shek Lai Him, Abraham	0.52	0.09	–	–	**0.61**	0.62
Mr Lee Yiu Kwong, Alan	0.43	0.09	–	–	**0.52**	0.53
Mrs Oei Wai Chi Grace Fung	0.39	0.08	–	–	**0.47**	0.48
Mr Wong Kwai Huen, Albert	0.34	0.06	–	–	**0.40**	0.41
Professor Chan Ka Keung, Ceajer*****	–	–	–	–	**–**	–
	9.08	1.25	70.70	3.78	**84.81**	69.44

* Resigned on 1 July 2022

** Resigned on 1 January 2022

*** Resigned on 1 January 2021

**** Retired as a non-executive director and was appointed as the alternate director to Mr William Junior Guilherme Doo, both on 25 November 2020

***** Appointed on 1 January 2022

The amount represented emoluments paid in respect of a person's services as a director, whether of the Company or its subsidiary undertakings.

The amount represented emoluments paid in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings and included basic salaries, discretionary bonuses, employer's contribution to retirement benefit scheme, allowances and other benefits.

15 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

On 24 April 2020, a master services agreement (the "DOO Master Services Agreement") was entered into between the Company and Mr Doo Wai Hoi, William ("Mr Doo") whereby each of the Company and Mr Doo agreed to, and agreed to procure that members of the Group or the Services Group (being Mr Doo and any company which is a direct or indirect 30%-controlled company of Mr Doo, and the subsidiaries of such companies) (to the extent practicable), engage relevant members of the Services Group or the Group to provide certain operational services to relevant members of the Group or the Services Group during the term of the DOO Master Services Agreement. Mr Doo is the father of Mr William Junior Guilherme Doo, brother-in-law of Dr Cheng Kar Shun, Henry, and uncle of Dr Cheng Chi Kong, Adrian, Mr Cheng Chi Ming, Brian and Mr Cheng Chi Leong, Christopher, all of whom except for Mr Doo are directors of the Company.

The DOO Master Services Agreement has an initial term of three years commencing from 1 July 2020. For the year ended 30 June 2022, the approximate total contract sum was HK$1,055.5 million (2021: HK$936.0 million).

Save as mentioned above, no other significant transactions, arrangements or contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

16 INVESTMENT PROPERTIES

HK$'m	Note	Commercial properties in Hong Kong	Commercial properties in Macau	Commercial properties in Mainland China	Residential properties in Mainland China	Total
At 1 July 2021		**1,644.0**	**31.4**	**–**	**6.0**	**1,681.4**
Additions	(c), (d)	**1,054.1**	**–**	**2,096.0**	**–**	**3,150.1**
Translation differences		**–**	**–**	**10.9**	**(0.2)**	**10.7**
At 30 June 2022		**2,698.1**	**31.4**	**2,106.9**	**5.8**	**4,842.2**

HK$'m	Note	Commercial properties in Hong Kong	Commercial properties in Macau	Residential properties in Mainland China	Total
At 1 July 2020		1,658.0	31.4	13.7	1,703.1
Fair value changes	8	(14.0)	–	0.8	(13.2)
Transfer to property, plant and equipment	17	–	–	(9.0)	(9.0)
Translation differences		–	–	0.5	0.5
At 30 June 2021		1,644.0	31.4	6.0	1,681.4

The investment properties of the Group measured at fair value are categorized as Level 3 in the fair value hierarchy. The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There was no transfer among Levels 1, 2 and 3 fair value hierarchy during the year.

(a) Valuation process of the Group

The investment properties were revalued on 30 June 2022 by independent, professionally qualified valuers, Knight Frank Petty Limited and Jones Lang LaSalle Corporate Appraisal and Advisory Limited, based on a market value assessment or income approach as detailed in note 5(b).

The Group's management reviews the valuations performed by the independent valuers for financial reporting purposes. Discussions of valuation processes and results are held between the management and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

16 INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation methods

Fair values of certain commercial properties in Hong Kong, Macau and Mainland China are generally derived using the income capitalization method. This valuation method is based on the capitalization of the net income and reversionary income potential by adopting appropriate capitalization rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

Fair values of the residential properties in Mainland China and certain commercial properties in Hong Kong are derived using the sales comparison method. This valuation method is based on comparing the properties to be valued directly with other comparable properties transacted and/or asking prices. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the properties under consideration.

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

(c) In May 2022, the Group entered into the share purchase agreements to acquire the entire equity interests of a portfolio of property investment companies and investment holding companies ("Assets Co") and the entire amount of shareholders' loans owed by the Assets Co at an aggregate consideration of RMB2,290.0 million (equivalent to approximately HK$2,663.0 million), subject to adjustments. Assets Co mainly consist of five completed logistics properties in operation and one property under development located in Chengdu and Wuhan and the logistics properties are held for long-term rental yield, accordingly, such logistics properties are accounted for as investment properties.

In June 2022, the acquisitions of five operating logistics properties were completed. The remaining one is yet to complete as of the date of this annual report and is estimated to be completed by the end of 2022.

(d) During the year, the Group acquired the office units on 18th–21st floors and car parking spaces of No. 888 Lai Chi Kok Road, Kowloon, Hong Kong at the aggregate purchase price of approximately HK$1,367 million and HK$81 million respectively. Certain floors of the office units and car parking spaces are held for long-term rental yield purpose and HK$1,054.1 million was included as investment properties, while the remaining floor of office units and car parking spaces are for self-occupation and accounted for as property, plant and equipment and/or right-of-use assets.

16 INVESTMENT PROPERTIES (CONTINUED)

(e) Significant unobservable inputs used to determine fair value

	Fair value at 30 June 2022 HK$'m	Fair value at 30 June 2021 HK$'m	Valuation methods	Unobservable inputs	**Range of unobservable inputs for 2022**	Range of unobservable inputs for 2021	Note
Commercial properties in Hong Kong	**1,644.0**	1,644.0	Income capitalization	Capitalization rate	**4.2%–5.2%**	4.2%-5.2%	(i)
				Average monthly rental	**HK$40–HK$340/sq ft HK$3,600 per carpark space**	HK$40–HK$440/sq ft HK$3,600 per carpark space	(ii)
	1,054.1	–	Sales comparison	Property specific adjusting factor	**0.90–1.10**	N/A	(ii)
Commercial properties in Macau	**31.4**	31.4	Income capitalization	Capitalization rate	**1.9%–3.0%**	1.9%–3.0%	(i)
				Average monthly rental	**HK$30–HK$34/sq ft HK$3,500 per carpark space**	HK$30–HK$34/sq ft HK$3,500 per carpark space	(ii)
Commercial properties in Mainland China	**2,106.9**	–	Income capitalization	Capitalization rate	**5.5%–6.0%**	N/A	(i)
				Average daily rental	**RMB0.67–RMB1.05/sq m**	N/A	(ii)
Residential properties in Mainland China	**5.8**	6.0	Sales comparison	Property specific adjusting factor	**1.00–1.05**	1.00–1.05	(ii)
	4,842.2	1,681.4					

Notes: Descriptions of the sensitivity in unobservable inputs and inter-relationship:

(i) The fair value measurement is negatively correlated to the unobservable input that the lower the factor will result in a higher fair value.

(ii) The fair value measurement is positively correlated to the unobservable input that the higher the factor will result in a higher fair value.

16 INVESTMENT PROPERTIES (CONTINUED)

(f) Particulars of major investment properties held by the Group as at 30 June 2022 are as follows:

	Address	Type of use	Land lease expiry
(i)	Shopping arcade and car parking spaces of Hong Kong Convention and Exhibition Centre, No. 1 Harbour Road, Wan Chai, Hong Kong	Retail, meeting rooms and carparks	2060
(ii)	Office units on 18th-20th floors and car parking spaces of NCB Innovation Centre, No. 888 Lai Chi Kok Road, Kowloon, Hong Kong	Offices and carparks	2067
(iii)	No.633 Huiyuan Road, Shuangliu District, Chengdu City, Sichuan Province	Logistics centre	2063
(iv)	No.333 4th Road South, Chengdu Economic & Technological Development Zone (Longquanyi District), Chengdu City, Sichuan Province	Logistics centre	2062
(v)	No.3300 Xichuang Avenue, Puxing Town, Xinjin County, Chengdu City, Sichuan Province	Logistics centre	2064/2065
(vi)	No.1199 Tuoyuan Road, Xindu Town, Xindu District, Chengdu City, Sichuan Province	Logistics centre	2064
(vii)	North side of Tongjiang 2nd Road, Shamao Street, Hannan District, Wuhan City, Hubei Province	Logistics centre	2064

17 PROPERTY, PLANT AND EQUIPMENT

HK$'m	Note	Land and properties	Other plant and equipment	Motor vehicles	Total
Cost					
At 1 July 2021		**107.4**	**2,888.0**	**28.2**	**3,023.6**
Additions		**145.5**	**257.8**	**–**	**403.3**
Disposals		**–**	**(36.9)**	**(0.1)**	**(37.0)**
Translation differences		**(0.2)**	**(12.4)**	**–**	**(12.6)**
At 30 June 2022		**252.7**	**3,096.5**	**28.1**	**3,377.3**
Accumulated depreciation and impairment					
At 1 July 2021		**22.0**	**1,792.1**	**23.5**	**1,837.6**
Depreciation	7	**3.4**	**251.0**	**2.6**	**257.0**
Impairment		**–**	**9.0**	**–**	**9.0**
Disposals		**–**	**(36.1)**	**(0.1)**	**(36.2)**
Translation differences		**–**	**(5.8)**	**–**	**(5.8)**
At 30 June 2022		**25.4**	**2,010.2**	**26.0**	**2,061.6**
Net book value					
At 30 June 2022		**227.3**	**1,086.3**	**2.1**	**1,315.7**

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

HK$'m	Note	Land and properties	Other plant and equipment	Construction in progress	Buses, vessels and other motor vehicles	Total
Cost						
At 1 July 2020		1,132.5	2,958.9	102.0	4,011.7	8,205.1
Additions		–	261.6	57.3	6.4	325.3
Disposal of subsidiaries	49(b)	(1,035.0)	(215.9)	(112.1)	(4,029.1)	(5,392.1)
Deconsolidation of a subsidiary		–	(5.0)	–	–	(5.0)
Transfer from investment properties	16	9.0	–	–	–	9.0
Disposals		–	(150.7)	–	(5.9)	(156.6)
Transfers		–	2.3	(47.2)	44.9	–
Translation differences		0.9	36.8	–	0.2	37.9
At 30 June 2021		107.4	2,888.0	–	28.2	3,023.6
Accumulated depreciation and impairment						
At 1 July 2020		274.1	1,733.6	–	1,315.9	3,323.6
Depreciation	(a)	8.1	265.1	–	103.9	377.1
Disposal of subsidiaries	49(b)	(260.2)	(77.2)	–	(1,392.4)	(1,729.8)
Deconsolidation of a subsidiary		–	(0.1)	–	–	(0.1)
Disposals		–	(143.4)	–	(4.1)	(147.5)
Translation differences		–	14.1	–	0.2	14.3
At 30 June 2021		22.0	1,792.1	–	23.5	1,837.6
Net book value						
At 30 June 2021		85.4	1,095.9	–	4.7	1,186.0

(a) The amount represented depreciation charge of HK$377.1 million which included HK$266.0 million (note 7) arising from continuing operations and HK$111.1 million arising from discontinued operations.

18 INTANGIBLE CONCESSION RIGHTS

	Note	2022 HK$'m	2021 HK$'m
Cost			
At beginning of year		**24,571.2**	22,418.0
Translation differences		**(576.3)**	2,153.2
At end of year		**23,994.9**	24,571.2
Accumulated amortization and impairment			
At beginning of year		**10,215.6**	8,334.1
Amortization	7	**962.2**	1,052.5
Translation differences		**(264.8)**	829.0
At end of year		**10,913.0**	10,215.6
Net book value			
At end of year	(a)	**13,081.9**	14,355.6

(a) Intangible concession rights refer to the Group's investment in the Roads segment. Amortization of intangible concession rights is included in the cost of sales in the consolidated income statement.

19 INTANGIBLE ASSETS

HK$'m	Note	**Goodwill**	**Operating right and others**	**Total**
Cost				
At 1 July 2021		**5,595.0**	**780.7**	**6,375.7**
Additions		**–**	**62.0**	**62.0**
Disposals		**–**	**(6.3)**	**(6.3)**
At 30 June 2022		**5,595.0**	**836.4**	**6,431.4**
Accumulated amortization and impairment				
At 1 July 2021		**15.4**	**444.1**	**459.5**
Amortization	7	**–**	**83.0**	**83.0**
Disposals		**–**	**(1.2)**	**(1.2)**
At 30 June 2022		**15.4**	**525.9**	**541.3**
Net book value				
At 30 June 2022		**5,579.6**	**310.5**	**5,890.1**

HK$'m	Note	Goodwill	Operating right and others	Total
Cost				
At 1 July 2020		5,981.9	702.2	6,684.1
Additions		–	78.5	78.5
Disposal of subsidiaries	49(b)	(386.9)	–	(386.9)
At 30 June 2021		5,595.0	780.7	6,375.7
Accumulated amortization and impairment				
At 1 July 2020		402.3	375.0	777.3
Amortization	7	–	69.1	69.1
Disposal of subsidiaries	49(b)	(386.9)	–	(386.9)
At 30 June 2021		15.4	444.1	459.5
Net book value				
At 30 June 2021		5,579.6	336.6	5,916.2

19 INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill

A summary of the goodwill allocation to segment is presented below:

HK$'m	Hong Kong	Mainland China	Total
At 30 June 2022			
Roads	**–**	**3.3**	**3.3**
Insurance	**5,576.3**	**–**	**5,576.3**
	5,576.3	**3.3**	**5,579.6**
At 30 June 2021			
Roads	–	3.3	3.3
Insurance	5,576.3	–	5,576.3
	5,576.3	3.3	5,579.6

Impairment tests for goodwill

Goodwill is allocated to the Group's CGU identified according to country of operation and business segment. For the purpose of impairment test, the recoverable amount of the business unit is determined based on either fair value less costs of disposal or value in use calculations whichever is higher.

For Insurance segment, annual growth rates for value of new business being 21% to 30% for the first five projection years and steady growth rate of 5% for the next five projection years are determined by considering both internal and external factors. Discount rate of 7.75% was used to reflect specific risk relating to such business. The assessment indicated no impairment is required on the carrying value of goodwill of Insurance segment as at 30 June 2022.

The assumptions used in the carrying value assessment are highly judgmental, and heavily dependent on the discount rate used and value of new business projection. For example, any increase in the risk premium or any decrease in the value of new business projection with other variables remain constant, if adopted, would result in decrease in the recoverable amount as determined by the value in use calculation. A reasonably possible change in assumption would not result in impairment and as such disclosure of sensitivity analysis is not considered necessary.

(b) Operating right and others

Operating right was primarily resulted from the acquisition of right to operate facilities management business and is amortized over the period of the operating right. Other intangible asset mainly represents computer software under the Group's Insurance segment and is amortized over a period of 3 to 5 years or the estimated useful life, whichever is shorter. Operating right and other intangible assets are tested for impairment when there is indication of impairment.

(c) Amortization

Amortization of intangible assets is included in the cost of sales and general and administrative expenses in the consolidated income statement.

20 VALUE OF BUSINESS ACQUIRED

	Note	2022 HK$'m	2021 HK$'m
At beginning of the year		**5,395.1**	5,651.5
Amortization	7, 9	**(155.3)**	(256.4)
At end of year		**5,239.8**	5,395.1

21 RIGHT-OF-USE ASSETS

	2022 HK$'m	2021 HK$'m
Leasehold land	**409.8**	209.6
Buildings, plant and equipment	**411.8**	527.3
Others	**539.1**	623.0
	1,360.7	1,359.9

(a) Rental contracts capitalized as right-of-use assets are typically made for fixed periods range from 18 months to 19 years (2021: 21 months to 19 years) for buildings, plant and equipment and others, but may have extension options which majority of these options are exercisable only by the Group and not by the respective lessors. Lease term for leasehold land ranges from 32 years to 125 years (2021: same).

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

(b) During the year, additions to the right-of-use assets are HK$283.2 million (2021: HK$69.4 million) of which HK$214.6 million (2021: nil) is relating to acquisition of the office units as set out in note 16(d).

(c) Depreciation of right-of-use assets from continuing operations are as follows:

	Note	2022 HK$'m	2021 HK$'m
Leasehold land		**20.8**	20.1
Buildings, plant and equipment		**159.2**	167.5
Others		**84.0**	84.0
	7	**264.0**	271.6

22 DEFERRED ACQUISITION COSTS

	Note	2022 HK$'m	2021 HK$'m
At beginning of the year		**1,711.5**	688.2
Additions of new business		**1,147.7**	1,390.3
Amortization	7(a)	**(524.2)**	(367.0)
At end of year		**2,335.0**	1,711.5

23 ASSOCIATED COMPANIES

	Note	2022 HK$'m	2021 HK$'m (restated)
Group's share of net assets, including goodwill			
Listed shares – Hong Kong	(a), (d)	**1,482.8**	1,457.3
Listed shares – overseas	(a)	**654.4**	628.1
Unlisted shares	(b)	**4,080.4**	3,737.4
		6,217.6	5,822.8
Amounts receivable			
Gross amount	(f)	**1,850.5**	1,704.7
Less: provision	(g)	**(1,624.7)**	(1,474.7)
	(c), (e)	**6,443.4**	6,052.8

(a) As at 30 June 2022, the share of market value of the Group's listed associated companies amounts to HK$1,685.6 million (2021 restated: HK$2,473.5 million).

(b) As at 30 June 2022, the Group has provided a pledge over its 30% equity interest in an associated company which owns and operates Suiyuenan Expressway with carrying amount of approximately HK$1,702.8 million (2021: HK$1,679.9 million) as security for a bank loan borrowed by that associated company.

(c) As at 30 June 2022, the carrying amount mainly represents the Group's investments in various roads, logistics, healthcare, strategic investments and other projects.

(d) During the year, the Group reclassified an investment from an asset held-for-sale to interest in associated companies. Details are set out in note 2(c).

(e) Management regularly reviews whether there are any indications of impairment of the Group's investments in associated companies. Management is of the view that there is no impairment of the Group's investments in associated companies as at 30 June 2022 except for an impairment loss of HK$109.9 million (note 6(a)(i) and 8) was recognized in "other income and gains, net" from continuing operations in the consolidated income statement (2021 restated: an aggregate impairment/remeasurement loss of HK$1,678.3 million, of which HK$1,558.3 million (note 8) was recognized in "other income and gains, net" from continuing operations in the consolidated income statement whereas HK$120.0 million (note 6(c)) was shared by the Group and included in "share of results of associated companies" from continuing operations in the consolidated income statement).

23 ASSOCIATED COMPANIES (CONTINUED)

(f) Amounts receivable are analyzed as follows:

	Note	2022 HK$'m	2021 HK$'m
Interest bearing	(i)	**1,704.7**	1,704.7
Non-interest bearing		**145.8**	–
		1,850.5	1,704.7

(i) The balance includes an amount of HK$104.7 million (2021: HK$104.7 million) which carries interest at 8% per annum, an aggregate amount of HK$1,600.0 million (2021: HK$1,600.0 million) which carries interest at 6-month HIBOR plus a margin of 1.3% per annum.

The amounts are not repayable within the next 12 months from the end of the reporting period. As at 30 June 2022, the above amounts are not materially different from their fair values.

(g) During the current year, provision for amounts receivable from certain associated companies of HK$150.0 million (2021: HK$215.0 million) is recognized by the Group, representing the Group's share of results from respective associated companies against the investment in associated companies.

(h) Dividend income from associated companies for the current year is HK$187.1 million (2021 restated: HK$375.0 million). The amount of dividend income received during the current year amounting to HK$463.5 million (2021: HK$436.3 million) is disclosed in the consolidated statement of cash flows.

(i) Details of principal associated companies are given in note 55. The directors of the Company are of the view that as at 30 June 2022, there is no individual associated company that was material to the Group.

(j) Financial guarantee contracts relating to associated companies are disclosed in note 48.

(k) The Group's share of revenue and results of associated companies from continuing operations are summarized below:

	Note	2022 HK$'m	2021 HK$'m (restated)
Revenue	6(d)	**5,547.4**	5,110.7
Profit for the year		**340.5**	311.6
Other comprehensive (loss)/income for the year		**(85.4)**	669.0
Total comprehensive income for the year		**255.1**	980.6

23 ASSOCIATED COMPANIES (CONTINUED)

(l) The Group's share of assets and liabilities of associated companies are summarized below:

	2022 HK$'m	2021 HK$'m (restated)
Non-current assets	**8,335.8**	8,003.6
Current assets	**3,769.5**	3,328.5
Current liabilities	**(2,163.4)**	(1,852.1)
Non-current liabilities	**(5,648.1)**	(5,223.7)
Net assets	**4,293.8**	4,256.3

24 JOINT VENTURES

	Note	2022 HK$'m	2021 HK$'m
Co-operative joint ventures			
Cost of investment less provision, including goodwill		**731.0**	860.6
Share of undistributed post-acquisition results		**1,942.7**	2,285.8
Amounts receivable	(d)	**13.4**	30.1
		2,687.1	3,176.5
Equity joint ventures			
Group's share of net assets, including goodwill	(b)	**2,569.7**	3,459.3
Companies limited by shares			
Group's share of net assets, including goodwill	(c)	**8,644.1**	2,624.5
Amounts receivable			
Gross amount	(d)	**2,902.5**	2,953.7
Less: provision	(e)	**(1,389.9)**	(1,408.0)
		10,156.7	4,170.2
	(a)	**15,413.5**	10,806.0

(a) As at 30 June 2022, the carrying amount mainly represents the Group's investments in various roads, logistics, commercial aircraft leasing and other projects. Except for note 24(b) below, management is of the view that there is no material impairment of the Group's investments in joint ventures as at 30 June 2022.

24 JOINT VENTURES (CONTINUED)

(b) Goshawk is principally engaged in the commercial aircraft leasing business. As mentioned in note 5(f), as of 30 June 2022 and up to the date of this report, six Goshawk's aircraft remain in Russia and it is unlikely to regain possession of these aircraft in the near term, full impairment of its net exposure has been made for aircraft retained in Russia. As a result, the Group shared an impairment loss (net of tax) of HK$752.8 million in FY2022.

In May 2022, Goshawk and SMBC Aviation Capital Limited ("SMBC") entered into an agreement ("Transaction Agreement") and pursuant to which Goshawk has agreed to, at completion, effectively dispose of its interest in its commercial aircraft leasing platform to SMBC, comprising substantially all of the assets, liabilities and contracts of the business, excluding the six aircraft leased to Russian airlines. Goshawk reclassified the assets and liabilities to be sold to SMBC as held-for-sale. Upon the reclassification, the carrying values have been further remeasured with reference to the sale consideration under the Transaction Agreement. Accordingly, the Group's share of remeasurement loss of HK$992.5 million was recognized in the consolidated income statement in FY2022.

Before the reclassification of relevant assets and liabilities as held-for-sale, management has carried out an impairment assessment on the carrying value of Goshawk's aircraft portfolio. Impairment arises when an aircraft's carrying amount exceeds its recoverable amount. As such, an impairment loss on Goshawk's aircraft portfolio (net of tax) of HK$76.8 million was shared by the Group in FY2022, excluding the aforementioned impairment made for aircraft retained in Russia (2021: the Group's share of impairment loss on Goshawk aircraft portfolio (net of tax) amounted to HK$347.1 million).

Besides, the Group also shares an expected credit loss provision on account receivables and aircraft repossession/recovery costs (net of tax) of HK$75.0 million (2021: HK$206.2 million) from Goshawk in FY2022. The key assumptions used in the expected credit loss assessment include the credit rating of airlines and provision rate.

The aggregated total of remeasurement/impairment loss, expected credit loss provision and aircraft repossession/recovery costs of Goshawk (net of tax) abovementioned amounted to HK$1,897.1 million (2021: HK$553.3 million) and is included in "share of results of joint ventures". As at 30 June 2022, the carrying amount of the investment in Goshawk of HK$297.9 million (2021: HK$1,195.1 million) is included as interest in joint ventures.

(c) As detailed in note 37(b), a logistics property held by a joint venture was reclassified by the Group from property, plant and equipment to investment property during the year. The Group's share of other comprehensive income for the year and net assets of the joint venture was increased by the share of revaluation gain (net of tax) of HK$6,312.1 million (net of tax) of the logistics property. As at 30 June 2022, the Group's share of fair value of such logistic property amounted to HK$8,344.5 million.

24 JOINT VENTURES (CONTINUED)

(d) Amounts receivable are analyzed as follows:

	Note	**2022** **HK$'m**	2021 HK$'m
Interest bearing	(i)	**417.1**	473.1
Non-interest bearing	(ii)	**2,498.8**	2,510.7
		2,915.9	2,983.8

(i) The balance includes an amount of HK$13.4 million (2021: HK$30.1 million) which carries interest at Hong Kong prime rate, an amount of HK$235.3 million (2021: HK$241.0 million) which carries interest at 90% of over-five-year Renminbi benchmark lending rate published by People's Bank of China and an amount of HK$168.4 million (2021: HK$202.0 million) which carries interest at 4% per annum.

(ii) The balance includes an amount of HK$197.5 million (2021: HK$197.5 million) which has been subordinated to certain indebtedness of a joint venture.

As at 30 June 2022, the carrying amounts of the amounts receivable are not materially different from their fair values.

(e) During the current year, reversal of provision for amounts receivable from certain joint ventures of HK$23.6 million (2021: provision of HK$20.7 million) is recognized by the Group, representing the Group's share of results from respective joint ventures against the investment in joint ventures.

(f) Dividend income from joint ventures for the current year is HK$1,481.9 million (2021: HK$998.6 million). The amount of dividend income received during the current year amounting to HK$1,655.9 million (2021: HK$910.6 million) is disclosed in the consolidated statement of cash flows.

(g) Details of principal joint ventures are given in note 56. The directors of the Company are of the view that as at 30 June 2022, there is no individual joint venture that was material to the Group.

(h) Financial guarantee contracts relating to joint ventures are disclosed in note 48.

(i) The Group's share of revenue and results of joint ventures from continuing operations are summarized below:

	Note	**2022** **HK$'m**	2021 HK$'m
Revenue	6(d)	**18,745.0**	15,745.2
(Loss)/profit for the year		**(254.9)**	1,280.6
Other comprehensive income for the year	24(c)	**6,577.1**	776.2
Total comprehensive income for the year		**6,322.2**	2,056.8

24 JOINT VENTURES (CONTINUED)

(j) The Group's share of assets and liabilities of joint ventures are summarized below:

	2022 HK$'m	2021 HK$'m
Non-current assets	**20,239.9**	42,134.8
Current assets	**32,465.0**	7,193.7
Current liabilities	**(33,607.8)**	(15,414.3)
Non-current liabilities	**(6,772.8)**	(26,265.4)
Net assets	**12,324.3**	7,648.8

25 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Note	2022 HK$'m	2021 HK$'m
Equity instruments			
Listed in Hong Kong		**1,731.0**	2,363.6
Listed in overseas		**32.8**	40.5
Unlisted	(a)	**18.5**	72.7
		1,782.3	2,476.8
Debt instruments			
Listed in Hong Kong		**7,762.0**	8,428.0
Listed in overseas		**29,514.8**	30,781.3
Unlisted	(a)	**2,524.7**	3,101.2
	(b)	**39,801.5**	42,310.5
	(c)	**41,583.8**	44,787.3
Represented by			
Non-current assets		**38,500.3**	42,889.2
Current assets		**3,083.5**	1,898.1
		41,583.8	44,787.3

25 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

(a) Unlisted investments are stated at fair values which are determined using valuation techniques as detailed in note 4(h)(iv).

(b) A maturity profile of the debt instruments is as follows:

	2022 HK$'m	2021 HK$'m
Within one year	**2,062.6**	523.1
In the second to fifth year	**991.2**	1,788.0
After the fifth year	**36,747.7**	39,999.4
	39,801.5	42,310.5

(c) The financial assets at FVOCI are denominated in the following currencies:

	2022 HK$'m	2021 HK$'m
Hong Kong dollar	**4,196.4**	6,078.6
United States dollar	**37,387.4**	38,708.7
	41,583.8	44,787.3

26 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	2022 HK$'m	2021 HK$'m
Equity instruments			
Listed in Hong Kong		**1,496.2**	134.4
Listed in overseas		**158.5**	199.2
Unlisted	(a)	**416.9**	393.5
		2,071.6	727.1
Debt instruments			
Listed in Hong Kong		**266.2**	–
Listed in overseas		**424.8**	–
Unlisted	(a)	**2,036.4**	1,746.3
	(b),(c)	**2,727.4**	1,746.3
Investment funds			
Listed		**2,369.5**	4,009.5
Unlisted	(a)	**5,786.9**	6,540.8
		8,156.4	10,550.3
	(d)	**12,955.4**	13,023.7
Represented by			
Non-current assets		**11,052.2**	12,551.8
Current assets		**1,903.2**	471.9
		12,955.4	13,023.7

Financial assets at FVPL related to unit-linked contracts are detailed in note 31(a).

As mentioned in note 3(ac)(xi), the Group elected to apply the overlay approach for certain designated eligible financial assets according to HKFRS 4 (Amendment), the financial assets elected by the Group applying the overlay approach are equity instruments and investment funds that are managed as underlying assets supporting the insurance contracts issued and those fair values are generally expected to be volatile. The designated eligible financial assets applying the overlay approach, which are included in the financial assets at FVPL, at the end of the reporting period are analyzed below:

	2022 HK$'m	2021 HK$'m
Equity instruments	**1,392.5**	107.4
Investment funds	**5,982.5**	7,863.2
	7,375.0	7,970.6

26 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

During the current year, the total amount of overlay approach adjustments reclassified between consolidated income statement and other comprehensive income was derived from:

	Note	2022 HK$'m	2021 HK$'m
The amount of (losses)/gains reported in profit or loss and presented in consolidated income statement within "other income and gains, net" for the designated financial assets under HKFRS 9		**(992.3)**	1,462.6
Overlay approach adjustments on financial assets in consolidated income statement	8(a)	**1,845.9**	(1,270.6)
The amount of gains that would have been reported in consolidated income statement for the designated financial assets as if HKAS 39 had been applied		**853.6**	192.0

(a) Unlisted investments are stated at fair values which are determined using valuation techniques as detailed in note 4(h)(iv).

(b) As at 30 June 2022, the Group holds certain investment funds with aggregate fair value of HK$2,851.0 million (2021: HK$2,319.7 million) which are managed by the general partner while the Group participated in the funds as a limited partner. Management considered that the Group has neither significant influence nor joint control over the fund and therefore it is classified as financial assets at FVPL.

(c) As at 30 June 2022, the Group holds participating shares of an investment fund with fair value of HK$1,189.8 million (2021: HK$776.7 million). Given all relevant investment decision making power is rested with the management shareholder and investment manager. There is no mechanism in place that allow participating shareholder to participate in investment related decision making. Management considered that the Group has neither significant influence nor joint control over this investment and therefore accounted for this investment as financial assets at FVPL.

(d) The financial assets at FVPL are denominated in the following currencies:

	2022 HK$'m	2021 HK$'m
Hong Kong dollar	**4,292.5**	1,740.3
United States dollar	**7,355.8**	10,672.5
Renminbi	**1,172.2**	471.4
Pound Sterling	**97.5**	97.5
Euro	**36.9**	41.3
Others	**0.5**	0.7
	12,955.4	13,023.7

27 DERIVATIVE FINANCIAL INSTRUMENTS

	Note	2022 HK$'m	2021 HK$'m
Derivative financial assets			
Cross currency swaps	(a)	**0.8**	16.3
Interest rate swaps	(b)	**63.7**	641.9
Foreign currency forward contracts		**27.4**	–
Put option	(c)	**–**	801.8
		91.9	1,460.0
Represented by			
Non-current assets		**64.5**	658.2
Current assets		**27.4**	801.8
		91.9	1,460.0
Derivative financial liabilities			
Cross currency swaps	(a)	**(172.7)**	(102.8)
Represented by			
Non-current liabilities		**(172.3)**	(102.5)
Current liabilities	44	**(0.4)**	(0.3)
		(172.7)	(102.8)

(a) Cross currency swaps

As at 30 June 2022, the Group has certain cross currency swap contracts designated as cash flow hedges against its foreign currency risk in respect of cash flows from certain bond investments and bank loan with total notional amount of US$116.3 million (2021: US$150.7 million) and HK$1,005.7 million (2021: HK$1,005.7 million), respectively and with maturities ranging from 2022 to 2037 (2021: 2021 to 2037). These cross currency swap contracts are entered with several counterparties over the counter. The Group seeks to hedge the foreign currency risk by the exchange of payments denominated in targeted currency, and applies a hedge ratio of 1:1. The existence of an economic relationship between the cross currency swap contracts and the highly probable forecast transactions/actual transaction is determined based on their currency amounts and the timing of their respective cash flows. The terms of the cross currency swap contracts have been negotiated to match the terms of the underlying bond investments and bank loan. The cash flow hedges were assessed to be highly effective and the related cumulative gains in the hedge reserve amounted to HK$49.4 million (2021: losses of HK$40.6 million).

27 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(b) Interest rate swaps

As at 30 June 2022, the Group's insurance business has certain forward starting swap contracts designated as cash flow hedges against its interest rate risk in respect of bonds to be purchased in the future. Under the contracts, the Group's insurance business will be entitled to receive fixed rate of around 4% to 5% per annum, and required to pay floating rate of 3-month LIBOR, in US$ published by the British Banker's Association. The total notional amount was US$100 million (2021: US$295 million). The cash flow hedge was assessed to be highly effective and the related cumulative losses in the hedge reserve amounted to HK$78.1 million (2021: gains of HK$47.5 million).

The Group's insurance business seeks to hedge the interest rate risk by the exchange of payments benchmarked against the targeted fixed interest rate. The Group's insurance business applies an approximate hedge ratio of 1:1 and determines the existence of an economic relationship between the forward starting swap contracts and the debt security investments by matching their critical terms, including the reference interest rates and interest payments.

As at 30 June 2022, the Group's insurance business received HK$46.7 million (2021: HK$640.9 million) cash and bank balance from counterparties (note 39) as collateral which are repayable on demand. Interest is calculated on overnight federal fund rate and payable to counterparties.

(c) Put option

As at 30 June 2021, the Group's insurance business held a put option which is carried at fair value of HK$801.8 million. The Group has the right to sell or dispose of an investment in equity instrument held by the Group at a specified price within a specified transaction period. As at 30 June 2021, the fair value of the underlying equity investment which was classified as financial assets at FVOCI amounted to HK$220.4 million. During FY2022, the Group exercised the right to dispose of the underlying equity investment at the specified price pursuant to the put option. Full amount of consideration was settled.

28 OTHER NON-CURRENT ASSETS

	Note	**2022** **HK$'m**	2021 HK$'m
Security deposits		**0.2**	400.7
Deferred tax assets	40	**139.1**	56.6
Policy loans		**543.4**	506.4
Consideration receivable		**658.5**	639.8
Others		**387.3**	344.2
		1,728.5	1,947.7

29 INVENTORIES

	2022 HK$'m	2021 HK$'m
Raw materials and consumables	**19.2**	13.5
Finished goods	**150.8**	193.5
	170.0	207.0

30 TRADE, PREMIUM AND OTHER RECEIVABLES

	Note	2022 HK$'m	2021 HK$'m
Trade receivables	(a)	**1,723.7**	1,313.2
Premium receivables		**230.1**	288.4
Other receivables, deposits and prepayments	(b)	**2,410.7**	4,055.0
Retention money receivables		**1,830.8**	1,533.6
Contract assets	35	**1,078.5**	870.6
Amounts due from associated companies	(c)	**249.3**	246.2
Amounts due from joint ventures	(c), (d)	**6,694.0**	6,855.2
	(e)	**14,217.1**	15,162.2

(a) The ageing analysis of trade receivables based on invoice date is as follows:

	2022 HK$'m	2021 HK$'m
Under 3 months	**1,572.1**	1,205.6
4 to 6 months	**81.3**	28.5
Over 6 months	**70.3**	79.1
	1,723.7	1,313.2

(b) The balance includes construction related receivables amounting to HK$868.3 million (2021: HK$1,280.5 million) which have not yet been billed at year end.

(c) As at 30 June 2022, the amounts due from associated companies and joint ventures of the Group are interest free, unsecured and repayable on demand or within the next 12 months from the end of the reporting period except for an amount of HK$523.5 million (2021: HK$498.0 million) due from a joint venture which carries compound interest at 5% per annum.

30 TRADE, PREMIUM AND OTHER RECEIVABLES (CONTINUED)

(d) The balance mainly includes advances to Goshawk amounting to HK$6,166.6 million which are interest free, unsecured and repayable within the next 12 months from the end of reporting period (2021: HK$6,168.0 million which are interest free, unsecured and repayable on demand, except for HK$6,166.6 million which are repayable within the next 12 months from the end of reporting period). The Group applies 12-month expected credit loss model under HKFRS 9 and considers there is no significant increase in credit risk since initial recognition. As at 30 June 2022, loss allowance of HK$8.0 million (2021: HK$8.0 million) is recognized. The amount is expected to be recovered after the completion of disposal of aircraft leasing business by Goshawk as detailed in note 24(b).

(e) The Group has various credit policies for different business operations depending on the requirements of the markets and businesses in which the subsidiaries operate. Retention money receivables in respect of construction services are settled in accordance with the terms of respective contracts and majority of the balances are expected to settle beyond one year after the year end.

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected credit loss allowance for trade receivables, retention money receivables and contract assets. In relation to premium receivables, other receivables, deposits and amounts due from associated companies and joint ventures, the expected credit loss allowances are measured as either 12-month or lifetime expected credit loss. The movement of loss allowances are as follows:

HK$'m	Note	**Trade receivables**	**Other receivables and deposits**	**Retention money receivables**	**Contract assets**	**Amount due from joint ventures**	**Total**
As at 1 July 2021		**41.4**	**347.7**	**60.8**	**–**	**8.0**	**457.9**
Increase in loss allowance recognized in consolidated income statement	8	**137.7**	**36.9**	**52.7**	**50.9**	**–**	**278.2**
Unused amount reversed	8	**(40.0)**	**(8.7)**	**–**	**–**	**–**	**(48.7)**
Amount written off		**–**	**(178.3)**	**–**	**–**	**–**	**(178.3)**
As at 30 June 2022		**139.1**	**197.6**	**113.5**	**50.9**	**8.0**	**509.1**

HK$'m	Note	Trade receivables	Other receivables and deposits	Retention money receivables	Amount due from joint ventures	Total
As at 1 July 2020		–	39.5	–	–	39.5
Increase in loss allowance recognized in consolidated income statement	8	41.4	325.5	60.8	8.0	435.7
Unused amount reversed	8	–	(17.3)	–	–	(17.3)
As at 30 June 2021		41.4	347.7	60.8	8.0	457.9

30 TRADE, PREMIUM AND OTHER RECEIVABLES (CONTINUED)

(e) (continued)

During the current year, management has assessed the expected credit loss on performing financial assets based on methodology set out in note 4(b) and HK$73.3 million (2021: HK$32.1 million) expected credit loss provision has been made. For non-performing assets including trade receivables, other receivables, retention money receivables and contract assets of certain construction projects, management has assessed the expected credit loss based on lifetime expected credit loss approach with reference to the creditability of the specific counterparties, HK$204.9 million (2021: HK$254.0 million) expected credit loss provision has been made and HK$40.0 million (2021: nil) has been reversed based on amount recovered during the year. In FY2021, management has assessed the expected credit loss on certain interest receivable amounting to HK$149.6 million (before provision) based on lifetime expected credit loss approach with reference to the creditability of the counterparties and provided full amount of expected credit loss provision, the amount is fully written off in the current year.

(f) Included in the Group's trade, premium and other receivables are HK$7,868.0 million (2021: HK$8,791.4 million) denominated in United States dollar, HK$268.4 million (2021: HK$314.0 million) denominated in Renminbi. The remaining balances are mainly denominated in Hong Kong dollar.

31 INVESTMENTS/LIABILITIES RELATED TO UNIT-LINKED CONTRACTS

(a) Investments related to unit-linked contracts are analyzed as follows:

	2022 **HK$'m**	2021 HK$'m
Financial assets at FVPL – Investment funds, at fair value	**8,621.9**	10,717.1
Cash and bank balances	**27.3**	53.1
	8,649.2	10,770.2

The classification and measurement of financial assets at FVPL related to unit-linked contracts are in accordance with HKFRS 9.

(b) Liabilities related to unit-linked contracts are analyzed as follows:

	2022 **HK$'m**	2021 HK$'m
Insurance contract liabilities	**675.0**	808.5
Investment contract liabilities	**8,160.9**	10,142.5
	8,835.9	10,951.0
Represented by		
Non-current liabilities	**190.8**	180.8
Current liabilities	**8,645.1**	10,770.2
	8,835.9	10,951.0

32 CASH AND BANK BALANCES

	2022 **HK$'m**	2021 HK$'m
Time deposits – maturing within three months	**2,341.2**	2,929.3
Time deposits – maturing after more than three months	**13.8**	13.7
Other cash at bank and on hand	**11,097.6**	7,861.6
	13,452.6	10,804.6

The effective interest rate on time deposits is 1.2% (2021: 0.1%) per annum; these deposits have an average maturity of 14 days (2021: 11 days).

The balances include HK$3,785.7 million (2021: HK$2,251.8 million) which are kept in the bank accounts opened with banks in Mainland China where the remittance of funds is subject to foreign exchange control.

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

	2022 **HK$'m**	2021 HK$'m
Hong Kong dollar	**3,795.1**	2,837.9
Renminbi	**3,856.8**	2,397.5
United States dollar	**5,706.7**	5,484.2
Euro	**59.8**	48.0
Macau Pataca	**15.8**	11.4
Others	**18.4**	25.6
	13,452.6	10,804.6

33 DISCONTINUED OPERATIONS

During FY2021, the Group completed the disposal of its entire interest in the transport business and planned to recover a significant part of the carrying amount of environment business principally through sale rather than through continuing use, as detailed below. Their results are presented separately as one-line item below profit from continuing operations as "discontinued operations" in the consolidated income statement in accordance with HKFRS 5.

Environment segment

In December 2020, the Group reached an advanced stage of negotiation of the disposal of the Group's 42% interest in SUEZ NWS (an associated company of the Group) and 100% interest in NWS HKI (which indirectly holds 12.55% effective interest in Derun Environment) (collectively, the "Environment Disposal Group"). As such, the interest in the Environment Disposal Group was reclassified as assets held-for-sale.

In January 2021, the Group entered into conditional sale and purchase agreements for the disposal of the Environment Disposal Group together with the inter-company payable by NWS HKI to the Company at an aggregate consideration of HK$6,533.0 million. The disposal related to NWS HKI was completed in May 2021 and the Group recognized a remeasurement loss of HK$228.1 million (note 33(a)) in FY2021. The Group's interest in SUEZ NWS was classified an asset held-for-sale as at 30 June 2021 with carrying amount of HK$4,054.5 million (note 34).

Completion of the disposal of interest in SUEZ NWS took place in November 2021. During FY2022, the Group recognized an aggregate net disposal gain of HK$181.3 million with regard to the Environment Disposal Group, and together with the dividend income received from SUEZ NWS of HK$121.0 million, the "profit from discontinued operations" in the consolidated income statement amounted to HK$302.3 million.

Transport segment

During FY2021, the Group entered into (i) a sale and purchase agreement with Bravo Transport Holdings Limited to dispose of the entire issued share capital of NWS Transport (an indirect wholly-owned subsidiary of the Company) at the consideration of HK$3,200.0 million (subject to instalment arrangements and adjustments); and (ii) a sale and purchase agreement with Chu Kong Shipping Enterprises (Holdings) Company Limited to dispose of its remaining 40% interest in New World First Ferry Services Limited (collectively, "Transport Disposal"). Both transactions were completed during FY2021 and the Group ceased to operate the transport business. The Group has recognized an aggregate net loss on Transport Disposal of HK$64.8 million (note 33(a)) in the consolidated income statement for the FY2021. The assets and liabilities of NWS Transport at the date of completion of disposal were included in note 49(b).

33 DISCONTINUED OPERATIONS (CONTINUED)

An analysis of the results, total comprehensive income and cash flows relating to the discontinued operations is set out below:

(a) Results from discontinued operations

	Note	**2022 HK$'m**	2021 HK$'m
Revenue		–	655.1
Cost of sales		–	(791.8)
Other income and gains, net		**121.0**	126.0
Selling and marketing expenses		–	(1.5)
General and administrative expenses		–	(33.4)
Operating profit/(loss)		**121.0**	(45.6)
Finance costs	6(a)(iv)	–	(5.7)
Share of results of			
Associated companies		–	152.8
Joint venture		–	94.9
Profit before income tax		**121.0**	196.4
Income tax credit		–	52.7
		121.0	249.1
Remeasurement loss upon reclassification as held-for-sale	6(a)(iii)	–	(228.1)
Net profit/(loss) on disposal of discontinued operations		**181.3**	(64.8)
Profit/(loss) for the year from discontinued operations		**302.3**	(43.8)

33 DISCONTINUED OPERATIONS (CONTINUED)

(b) Total comprehensive income from discontinued operations

	2022 HK$'m	2021 HK$'m
Profit/(loss) for the year from discontinued operations	**302.3**	(43.8)
Other comprehensive (loss)/income		
Net fair value changes on equity instruments as financial assets at FVOCI	**–**	1.9
Remeasurement of post-employment benefit obligation	**–**	3.1
Release of reserve upon disposal of subsidiaries	**–**	99.1
Release of reserves upon disposal of interest in an associated company	**–**	(1.5)
Release of reserve upon disposal of an asset held-for-sale	**(160.7)**	–
Cash flow hedges	**–**	41.6
Currency translation differences	**–**	394.7
Other comprehensive (loss)/income for the year, net of tax	**(160.7)**	538.9
Total comprehensive income for the year from discontinued operations	**141.6**	495.1

(c) Cash flows from discontinued operations

	2022 HK$'m	2021 HK$'m
Net cash generated from operating activities	**–**	151.1
Net cash generated from investing activities	**121.0**	858.5
Net cash generated from financing activities	**–**	17.8
Net cash from discontinued operations	**121.0**	1,027.4

In addition to above, consideration received from disposals of discontinued operations, net of cash disposed of, amounted to HK$4,032.9 million during the year (2021: HK$4,758.2 million).

34 ASSETS HELD-FOR-SALE

As detailed in note 33, the Group's entire interest in SUEZ NWS was classified as an asset held-for-sale as at 30 June 2021 with carrying amount of HK$4,054.5 million. Completion of the disposal of interest in SUEZ NWS took place in November 2021.

In June 2021, the Group entered into a framework agreement for the proposed disposal of its entire 20% interest in XCTG (an associated company of the Group) at a cash consideration of RMB1,568.0 million (equivalent to approximately HK$1,877.8 million). Accordingly, the Group's interest in XCTG was reclassified as an asset held-for-sale as at 30 June 2021 and was measured at the lower of carrying amount and fair value less costs to sell. A conditional sale and purchase agreement for this disposal was subsequently entered into in August 2021 and the disposal of interest in XCTG was completed in October 2021 with a disposal loss of HK$56.0 million (note 8) recognized as "other income and gains, net" from continuing operations in the consolidated income statement in FY2022.

The assets classified as held-for-sale, which have been presented separately in the consolidated statement of financial position, are as follows:

	2022 **HK$'m**	2021 HK$'m (restated)
Assets		
Associated companies	**–**	5,945.0
Trade and other receivables	**–**	0.7
	–	5,945.7

35 CONTRACT ASSETS AND CONTRACT LIABILITIES

Contract assets and contract liabilities are related to the Group's construction business, details are as follows:

	Note	**2022** **HK$'m**	2021 HK$'m
Contract assets	30	**1,078.5**	870.6
Contract liabilities	44	**(606.4)**	(447.3)
		472.1	423.3

The following table shows the amount of the revenue recognized in the current reporting period relates to contract liability balance at the beginning of the year and the amount relates to performance obligations that were satisfied in previous years:

	2022 **HK$'m**	2021 HK$'m
Revenue recognized that was included in the contract liability balance at the beginning of the year	**394.7**	1,209.9
Revenue recognized from performance obligations satisfied/partially satisfied in previous years	**612.0**	289.4

35 CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

The following table shows the amount of unsatisfied performance obligations:

	2022 HK$'m	2021 HK$'m
Expected to be recognized within one year	**18,289.7**	14,972.1
Expected to be recognized after one year	**18,793.1**	13,257.4
	37,082.8	28,229.5

36 SHARE CAPITAL

	Ordinary Shares	
	No. of shares	**HK$'m**
Authorized		
At 1 July 2021 and 30 June 2022	**6,000,000,000**	**6,000.0**
Issued and fully paid		
At 1 July 2021 and 30 June 2022	**3,911,137,849**	**3,911.1**

Share option scheme

The share option scheme adopted by the Company on 21 November 2011 (the "2011 Share Option Scheme") was valid and effective for a period of ten years from the date of adoption. The 2011 Share Option Scheme expired on 21 November 2021.

The Company adopted a new share option scheme on 23 November 2021, which is valid and effective for a period of ten years from the date of adoption. The Board may, at their discretion, grant options to any eligible participant as defined under the share option schemes to subscribe for the shares of the Company.

There were no share options of the Company granted during the current year or outstanding as at 30 June 2022 and 30 June 2021 under the share option schemes of the Company.

37 RESERVES

HK$'m	Note	Share premium	Special reserves	Property revaluation reserve	Hedge reserves	FVOCI reserve (non-recycling)	FVOCI reserve (recycling)	Exchange reserve	Revenue reserve	Total
At 1 July 2021, restated		17,821.5	492.7	23.2	74.9	(1,028.7)	915.8	787.3	24,915.6	44,002.3
Profit attributable to shareholders of the Company		–	–	–	–	–	–	–	1,586.8	1,586.8
Dividends paid to shareholders of the Company		–	–	–	–	–	–	–	(2,346.7)	(2,346.7)
Release of reserves upon partial disposal of interests in an associated company		–	–	–	–	–	–	1.3	–	1.3
Release of reserves upon disposal of assets held-for-sale		–	–	–	–	–	–	(82.9)	1.0	(81.9)
Release of reserve upon disposal of equity instruments as financial assets at FVOCI		–	–	–	–	(634.1)	–	–	634.1	–
Release of reserve upon disposal of debt instruments as financial assets at FVOCI		–	–	–	–	–	(137.6)	–	–	(137.6)
Net fair value changes on equity instruments as financial assets at FVOCI										
Company and subsidiaries		–	–	–	–	38.4	–	–	–	38.4
Associated company		–	–	–	–	98.8	–	–	–	98.8
Net fair value change on debt instruments as financial assets at FVOCI and other net movement	(a)	–	–	–	–	–	(7,041.1)	–	–	(7,041.1)
Amount reported in other comprehensive income applying overlay approach adjustments on financial assets	8(a)	–	–	–	–	–	(1,845.9)	–	–	(1,845.9)
Currency translation differences										
Company and subsidiaries		–	–	–	–	–	–	(417.7)	–	(417.7)
Associated companies		–	–	–	–	–	–	(156.5)	–	(156.5)
Joint ventures		–	–	–	–	–	–	(222.3)	–	(222.3)
Share of gain arising from revaluation of a logistic property held by a joint venture upon reclassification to investment property, net of tax	(b)	–	–	6,312.1	–	–	–	–	–	6,312.1
Share of other comprehensive (loss)/income of associated companies		–	(22.8)	–	–	43.7	–	–	(49.9)	(29.0)
Cash flow/fair value hedges										
Company and subsidiaries		–	–	–	(545.9)	–	–	–	(298.8)	(844.7)
Joint venture		–	–	–	487.3	–	–	–	–	487.3
Remeasurement of post-employment benefit obligation		–	–	–	–	–	–	–	(6.2)	(6.2)
Transfer of reserves		–	29.2	–	–	–	–	–	(29.2)	–
At 30 June 2022		17,821.5	499.1	6,335.3	16.3	(1,481.9)	(8,108.8)	(90.8)	24,406.7	39,397.4

(a) The amounts represent net fair value changes of financial assets at FVOCI for the current year recognized in consolidated statement of comprehensive income, in which net fair value changes of debt instruments were mainly relating to investments held by the Group's insurance business. The fair value of the Group's bond investments classified as financial assets at FVOCI fluctuates with changes in market interest rates. Such fair value changes are dealt with in FVOCI reserve (recycling).

(b) As detailed in note 24(c), a logistic property held by a joint venture was reclassified by the Group from property, plant and equipment to investment property during the year. Upon reclassification, the difference between the fair value and carrying value of the property shared by the Group was HK$6,312.1 million (net of tax) and has been dealt with in property revaluation reserve.

37 RESERVES (CONTINUED)

HK$'m	Note	Share premium	Special reserves	Property revaluation reserve	Hedge reserves	FVOCI reserve (non-recycling)	FVOCI reserve (recycling)	Exchange reserve	Revenue reserve	Total
At 1 July 2020		17,821.5	504.9	23.2	(265.4)	(814.5)	1,363.2	(1,926.3)	25,749.3	42,455.9
Profit attributable to shareholders of the Company, restated		–	–	–	–	–	–	–	1,113.5	1,113.5
Dividends paid to shareholders of the Company		–	–	–	–	–	–	–	(2,268.5)	(2,268.5)
Release of reserves upon disposal/ partial disposal of interests in associated companies		–	(46.3)	–	(1.5)	–	–	(56.6)	42.8	(61.6)
Release of reserve upon disposal of interest in a joint venture		–	–	–	–	–	–	(93.8)	–	(93.8)
Release of reserves upon disposal of subsidiaries		–	4.7	–	99.1	(297.5)	–	(27.7)	292.8	71.4
Release of reserve upon disposal of equity instruments as financial assets at FVOCI		–	–	–	–	6.8	–	–	(6.8)	–
Release of reserve upon disposal of debt instruments as financial assets at FVOCI		–	–	–	–	–	(40.7)	–	–	(40.7)
Release of reserve upon deconsolidation of a subsidiary		–	–	–	–	–	–	(10.3)	–	(10.3)
Net fair value changes on equity instruments as financial assets at FVOCI										
Company and subsidiaries		–	–	–	–	62.8	–	–	–	62.8
Associated company		–	–	–	–	11.8	–	–	–	11.8
Joint venture		–	–	–	–	1.9	–	–	–	1.9
Net fair value change on debt instruments as financial assets at FVOCI and other net movement	(a)	–	–	–	–	–	(1,677.3)	–	–	(1,677.3)
Amount reported in other comprehensive income applying overlay approach adjustments on financial assets	8(a)	–	–	–	–	–	1,270.6	–	–	1,270.6
Currency translation differences										
Company and subsidiaries		–	–	–	–	–	–	1,186.6	–	1,186.6
Associated companies, restated		–	–	–	–	–	–	965.0	–	965.0
Joint ventures		–	–	–	–	–	–	750.4	–	750.4
Share of other comprehensive loss of associated companies		–	(2.9)	–	–	–	–	–	(0.4)	(3.3)
Cash flow/fair value hedges										
Company and subsidiaries		–	–	–	(26.6)	–	–	–	–	(26.6)
Associated company		–	–	–	(0.5)	–	–	–	–	(0.5)
Joint venture		–	–	–	269.8	–	–	–	–	269.8
Remeasurement of post-employment benefit obligation		–	–	–	–	–	–	–	25.2	25.2
Transfer of reserves		–	32.3	–	–	–	–	–	(32.3)	–
At 30 June 2021, restated		17,821.5	492.7	23.2	74.9	(1,028.7)	915.8	787.3	24,915.6	44,002.3

(a) The amounts represented net fair value changes of financial assets at FVOCI for the last year recognized in consolidated statement of comprehensive income, in which net fair value changes on debt instruments are mainly relating to investments held by the Group's insurance business.

37 RESERVES (CONTINUED)

Special reserves include statutory reserves which are created in accordance with the relevant laws of the Mainland and/or terms of the joint venture agreements of subsidiaries and joint ventures established in the Mainland and are required to be retained in the financial statements of these subsidiaries and joint ventures for specific purposes. Special reserves also include capital redemption reserve and contributed surplus. Hedge reserves include (i) cash flow hedge reserve arising from interest rate swaps and cross currency swaps and (ii) fair value hedge reserve arising from a put option.

38 PERPETUAL CAPITAL SECURITIES

The balance represents US$1,000 million and US$300 million 5.75% senior perpetual capital securities issued by the Group in January 2019 and July 2019 respectively which were consolidated as a single series. The senior perpetual capital securities are listed on the Hong Kong Stock Exchange and have no maturity date. The Group has the right to redeem the securities from the holders and the payments of distribution can be deferred at the discretion of the Group. The securities are classified as equity in the consolidated financial statements of the Group.

39 BORROWINGS AND OTHER INTEREST-BEARING LIABILITIES

	Note	**2022 HK$'m**	2021 HK$'m
Non-current			
Unsecured long-term bank loans	(a), (b)	**15,593.7**	16,167.7
Unsecured fixed rate bonds	(c)	**2,594.4**	6,864.7
Financing received under a financial reinsurance arrangement	(d)	**135.1**	197.0
		18,323.2	23,229.4
Current			
Current portion of unsecured long-term bank loans	(a), (b)	**3,150.7**	1,297.1
Unsecured fixed rate bonds	(c)	**1,970.1**	–
Unsecured short-term bank loans		**–**	94.0
Financing received under a financial reinsurance arrangement	(d)	**100.2**	86.5
Cash collateral received for cross currency swap and forward starting interest rate swap contracts	27(b)	**46.7**	640.9
Unsecured other borrowings		**–**	0.1
		5,267.7	2,118.6
		23,590.9	25,348.0

39 BORROWINGS AND OTHER INTEREST-BEARING LIABILITIES (CONTINUED)

(a) Unsecured long-term bank loans

	2022 HK$'m	2021 HK$'m
Unsecured long-term bank loans	**18,744.4**	17,464.8
Amounts repayable within one year included in current liabilities	**(3,150.7)**	(1,297.1)
	15,593.7	16,167.7

The maturity of unsecured long-term bank loans is as follows:

	2022 HK$'m	2021 HK$'m
Within one year	**3,150.7**	1,297.1
In the second year	**3,103.8**	4,131.2
In the third to fifth year	**11,353.9**	9,187.5
After the fifth year	**1,136.0**	2,849.0
	18,744.4	17,464.8

As at 30 June 2022, the Group's long-term bank loans of HK$18.744 billion (2021: HK$17.465 billion) are exposed to interest rate risk of contractual repricing dates falling within one year. Cross currency swaps contracts are used to hedge against part of the Group's underlying interest rate exposures.

(b) The effective interest rates of bank loans at the end of the reporting period were as follows:

	2022	2021
Hong Kong dollar	**1.74%**	1.19%
Renminbi	**4.19%**	4.22%

39 BORROWINGS AND OTHER INTEREST-BEARING LIABILITIES (CONTINUED)

(c) Fixed rate bonds

Fixed rate bonds represent the following:

- US$650.0 million bonds issued in June 2019 at a price 99.718% of the principal amount bearing a coupon rate of 4.25% per annum. These bonds are unsecured, have maturity of ten years falling due 2029 and listed on the Hong Kong Stock Exchange. The effective interest rate applied is 4.42% per annum. During the year, US$300.0 million (2021: US$14.1 million) in aggregate principal amount of the bonds were redeemed and cancelled by the Group. As at 30 June 2022, US$335.9 million (2021: US$635.9 million) in aggregate principal amount of the bonds remains outstanding; and

- US$250.0 million bonds issued in April 2013 at a price 99.272% of the principal amount bearing a coupon rate of 4.125% per annum. These bonds are unsecured, will fully mature in April 2023 and listed on the Main Board of the Singapore Exchange Securities Trading Limited. The effective interest rate applied is 3.58% per annum.

As at 30 June 2022, the fair value of the bonds amounted to US$555.5 million (equivalent to approximately HK$4,344.1 million) (2021: US$921.2 million (equivalent to approximately HK$7,175.8 million)) which is based on the quoted market prices.

(d) The Group had a financial reinsurance arrangement with a reinsurer. Under the financial reinsurance arrangement, the Group had received an up-front fee of US$103 million at finance cost of 3-month HIBOR plus 2.975% per annum. The fair value of the financing approximately equals to the corresponding carrying value.

(e) Other than fixed rate bonds in note (c) above, the carrying amounts of the borrowings and other interest-bearing liabilities approximate their fair values.

(f) The carrying amounts of the borrowings and other interest-bearing liabilities are denominated in the following currencies (after taken into account cross currency swaps contracts entered):

	2022 **HK$'m**	2021 HK$'m
Hong Kong dollar	**15,386.4**	13,778.7
United States dollar	**4,846.5**	7,765.9
Renminbi	**3,358.0**	3,780.2
Euro	**–**	23.2
	23,590.9	25,348.0

40 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when the taxes relate to the same tax authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated statement of financial position.

	Note	**2022 HK$'m**	2021 HK$'m
Deferred tax assets	28	**139.1**	56.6
Deferred tax liabilities		**(1,787.2)**	(1,925.4)
		(1,648.1)	(1,868.8)
At beginning of year		**(1,868.8)**	(2,263.1)
Translation differences		**31.8**	(135.5)
Disposal of subsidiaries	49(b)	**–**	295.6
Amount credited to other comprehensive income		**–**	19.7
Net amount credited to the consolidated income statement	12, (a)	**188.9**	214.5
At end of year		**(1,648.1)**	(1,868.8)

(a) The amount in FY2021 represents deferred tax credit of HK$214.5 million which includes HK$161.8 million (note 12) arising from continuing operations and HK$52.7 million arising from discontinued operations.

(b) Deferred income tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefits through the future taxable profits are probable. The Group has unrecognized tax losses of HK$1,998.3 million (2021: HK$1,632.6 million) to be carried forward against future taxable income. These tax losses have no expiry dates except for the tax losses of HK$32.4 million (2021: nil) which will expire at various dates up to and including 2027.

(c) As at 30 June 2022, the aggregate amount of unrecognized deferred tax liabilities associated with investments in subsidiaries totalled approximately HK$153.3 million (2021: HK$112.7 million). For this unrecognized amount, the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

40 DEFERRED INCOME TAX (CONTINUED)

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

Deferred tax assets

	Tax losses		Other deductible temporary differences		Total	
HK$'m	**2022**	2021	**2022**	2021	**2022**	2021
At beginning of year	**67.2**	0.7	**34.8**	62.6	**102.0**	63.3
Translation differences	**–**	–	**(0.7)**	3.5	**(0.7)**	3.5
Disposal of subsidiaries	**–**	–	**–**	(19.7)	**–**	(19.7)
Credited to other comprehensive income	**–**	–	**–**	19.7	**–**	19.7
Credited/(charged) to the consolidated income statement	**38.5**	66.5	**35.9**	(31.3)	**74.4**	35.2
At end of year	**105.7**	67.2	**70.0**	34.8	**175.7**	102.0

Deferred tax liabilities

	Accelerated tax depreciation		Amortization of concession rights		Undistributed profits of subsidiaries, associated companies and joint ventures		Others		Total	
HK$'m	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
At beginning of year	**(50.5)**	(413.8)	**(1,373.2)**	(1,374.0)	**(264.5)**	(244.5)	**(282.6)**	(294.1)	**(1,970.8)**	(2,326.4)
Translation differences	**–**	0.2	**29.9**	(131.5)	**2.6**	(7.7)	**–**	–	**32.5**	(139.0)
Disposal of subsidiaries	**–**	311.3	**–**	–	**–**	4.0	**–**	–	**–**	315.3
Credited/(charged) to the consolidated income statement	**7.4**	51.8	**102.1**	132.3	**(1.4)**	(16.3)	**6.4**	11.5	**114.5**	179.3
At end of year	**(43.1)**	(50.5)	**(1,241.2)**	(1,373.2)	**(263.3)**	(264.5)	**(276.2)**	(282.6)	**(1,823.8)**	(1,970.8)

41 INSURANCE AND INVESTMENT CONTRACT LIABILITIES

	Note	2022 HK$'m	2021 HK$'m
Insurance contract liabilities	(a), (b)	**48,199.0**	42,497.5
Investment contract liabilities		**5.4**	5.3
		48,204.4	42,502.8
Represented by			
Non-current liabilities		**16,470.0**	18,143.5
Current liabilities	2	**31,734.4**	24,359.3
		48,204.4	42,502.8

Insurance and investment contract liabilities related to unit-linked contracts are detailed in note 31(b).

(a) The maturity profile of insurance contract liabilities, which is presented on a discounted basis and projected according to the Group's best estimate on the timing of future cash flows based on historical settlement pattern, is stated as below:

	Note	2022 HK$'m	2021 HK$'m
Payable within one year		**4,120.1**	3,861.4
Payable after one year		**44,078.9**	38,636.1
	4(c)	**48,199.0**	42,497.5

(b) Insurance contract liabilities comprised:

	Note	2022 HK$'m	2021 HK$'m
Liabilities for guaranteed benefits		**43,801.6**	38,404.1
Liabilities for coinsurance payments		**345.0**	363.0
Provision for annual dividends		**70.2**	69.4
Insurance contract liabilities excluding policyholders' dividends and bonuses	4(g)	**44,216.8**	38,836.5
Policyholders' dividends and bonuses		**3,982.2**	3,661.0
Total insurance contract liabilities		**48,199.0**	42,497.5

41 INSURANCE AND INVESTMENT CONTRACT LIABILITIES (CONTINUED)

Movements in the relevant insurance contract liabilities/reinsurer's share of liabilities are as follows:

HK$'m	Insurance contract liabilities	Coinsurance liabilities	Insurance contract liabilities excluding policyholders' dividends and bonuses	Reinsurers' share of liabilities	Net liabilities excluding policyholders' dividends and bonuses
At 1 July 2021	**38,473.5**	**363.0**	**38,836.5**	**(1.7)**	**38,834.8**
Premiums received	**7,083.0**	**(50.3)**	**7,032.7**	**(312.3)**	**6,720.4**
Liabilities incurred for death, surrender and maturity	**(2,506.7)**	**29.0**	**(2,477.7)**	**341.8**	**(2,135.9)**
Benefit and claim experience variations	**(463.3)**	**(21.3)**	**(484.6)**	**(29.5)**	**(514.1)**
Investment income variations	**(674.0)**	**12.0**	**(662.0)**	**–**	**(662.0)**
Investment income	**1,750.3**	**–**	**1,750.3**	**–**	**1,750.3**
Financing cost for coinsurance	**–**	**12.6**	**12.6**	**–**	**12.6**
Adjustment due to change in reserve assumptions	**(140.1)**	**–**	**(140.1)**	**–**	**(140.1)**
Translation differences	**349.1**	**–**	**349.1**	**–**	**349.1**
At 30 June 2022	**43,871.8**	**345.0**	**44,216.8**	**(1.7)**	**44,215.1**

HK$'m	Insurance contract liabilities	Coinsurance liabilities	Insurance contract liabilities excluding policyholders' dividends and bonuses	Reinsurers' share of liabilities	Net liabilities excluding policyholders' dividends and bonuses
At 1 July 2020	31,315.7	244.7	31,560.4	(24.4)	31,536.0
Premiums received	8,629.0	(27.1)	8,601.9	(305.6)	8,296.3
Liabilities incurred for death, surrender and maturity	(2,096.5)	24.0	(2,072.5)	231.2	(1,841.3)
Benefit and claim experience variations	(190.3)	(10.2)	(200.5)	99.3	(101.2)
Investment income variations	(487.0)	7.6	(479.4)	(0.2)	(479.6)
Investment income	1,438.5	–	1,438.5	–	1,438.5
Financing cost for coinsurance	–	10.7	10.7	–	10.7
Adjustment due to change in reserve assumptions	(179.0)	–	(179.0)	–	(179.0)
Others	–	113.3	113.3	–	113.3
Translation differences	43.1	–	43.1	(2.0)	41.1
At 30 June 2021	38,473.5	363.0	38,836.5	(1.7)	38,834.8

Investment income and investment income variations mainly correspond to the investment income on the assets backing the insurance contract liabilities and variations of such investment income against the interest accretion on the insurance contract liabilities, respectively.

42 LEASE LIABILITIES

The maturity of lease liabilities is as follows:

	2022 HK$'m	2021 HK$'m
Within one year	**223.1**	227.3
In the second year	**213.2**	199.9
In the third to fifth year	**488.8**	530.9
After the fifth year	**199.6**	348.6
	1,124.7	1,306.7
Represented by		
Non-current liabilities	**901.6**	1,079.4
Current liabilities	**223.1**	227.3
	1,124.7	1,306.7

For the year ended 30 June 2022, the total cash outflow for leases, which comprise payments for lease liabilities, short-term leases and variable leases, was HK$377.9 million (2021: HK$451.4 million).

43 OTHER NON-CURRENT LIABILITIES

	Note	2022 HK$'m	2021 HK$'m
Long service payment obligations		**5.7**	4.8
Deferred income		**15.9**	22.7
Loans from non-controlling interests	(a)	**24.4**	25.0
Others		**49.8**	50.0
		95.8	102.5

(a) The loans are interest free, unsecured and not repayable within one year.

44 TRADE, OTHER PAYABLES AND PAYABLES TO POLICYHOLDERS

	Note	2022 HK$'m	2021 HK$'m
Trade payables	(a)	**633.8**	627.9
Payables to policyholders	45	**1,774.2**	1,709.6
Other payables and accruals	(b)	**5,801.3**	6,976.7
Retention money payables		**1,469.3**	1,362.8
Contract liabilities	35	**606.4**	447.3
Derivative financial instruments	27	**0.4**	0.3
Amounts due to non-controlling interests	(c)	**107.8**	146.2
Amounts due to associated companies	(c)	**9.1**	6.0
Amounts due to joint ventures	(c)	**1.2**	56.4
		10,403.5	11,333.2

(a) The ageing analysis of trade payables based on invoice date is as follows:

	2022 HK$'m	2021 HK$'m
Under 3 months	**615.2**	606.4
4 to 6 months	**5.2**	4.0
Over 6 months	**13.4**	17.5
	633.8	627.9

(b) The balance includes construction related accruals and provisions amounting to HK$3,341.7 million (2021: HK$3,496.3 million).

(c) The amounts payable are interest free, unsecured and have no fixed repayment terms.

(d) Included in the Group's trade, other payables and payables to policyholders are HK$1,664.2 million (2021: HK$2,212.2 million) denominated in United States dollar and HK$837.8 million (2021: HK$995.9 million) denominated in Renminbi. The remaining balances are mainly denominated in Hong Kong dollar.

45 PAYABLES TO POLICYHOLDERS

	2022 HK$'m	2021 HK$'m
Claims payable	**352.3**	274.2
Premium deposits	**1,232.6**	1,262.6
Other payables	**189.3**	172.8
	1,774.2	1,709.6

The carrying amounts disclosed above reasonably approximate their fair values as at 30 June 2022.

Claims payable represents provision for claims reported by policyholders and claims incurred but not reported, while premium deposits represent amounts left in deposits with the Group for the payment of future premiums. Both balances are expected to be settled or utilized within the next 12 months from the end of the reporting period.

46 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets in the consolidated statement of financial position include financial assets at FVOCI, financial assets at FVPL, amounts receivables from associated companies and joint ventures, derivative financial instruments, trade, premium and other receivables, investments related to unit-linked contracts and cash and bank balances. All these financial assets are carried at amortized cost using the effective interest method except for the "financial assets at FVOCI", "financial assets at FVPL", "derivative financial instruments" and financial assets at FVPL under "investments related to unit-linked contracts" which are carried at fair value.

Financial liabilities in the consolidated statement of financial position include borrowings and other interest-bearing liabilities, investment contract liabilities, liabilities related to unit-linked contracts, derivative financial instruments, lease liabilities and trade, other payables and payables to policyholders. All these financial liabilities are carried at amortized cost using the effective interest method except for the "derivative financial instruments", "investment contract liabilities" and investment contract liabilities under "liabilities related to unit-linked contracts" which are carried at fair value.

47 COMMITMENTS

(a) The outstanding commitments for capital expenditure are as follows:

	Note	2022 HK$'m	2021 HK$'m
Contracted but not provided for			
Property, plant and equipment		**132.3**	178.9
Investment properties		**571.3**	–
Intangible concession rights		**192.9**	178.8
Intangible assets		**6.2**	620.5
Capital contributions to/acquisition of associated companies and joint ventures	(i), (ii)	**2,443.3**	287.4
Investment funds, financial and other investments		**1,440.5**	944.0
		4,786.5	2,209.6

(i) The Group has been committed to providing sufficient funds in the form of advances, capital and loan contributions to certain associated companies and joint ventures to finance relevant projects. The Group estimates that the share of projected funds requirements of these projects would be approximately HK$205.2 million (2021: HK$287.4 million) which represents the attributable portion of the capital and loan contributions to be made to the associated companies and joint ventures.

(ii) On 26 April 2022, NWS (Guangdong) Investment Co. Ltd., an indirect wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Logan Transport Group Co., Ltd and its subsidiary, which was superseded by a new conditional sale and purchase agreement on 5 September 2022, pursuant to which the Group agreed to acquire 40% equity interest in Guangxi Logan Guiwu Expressway Co., Ltd (which wholly owns the concession right to operate Guigang-Wuzhou Expressway) and related creditor's right and dividend receivable at the total consideration of RMB1,902.4 million (equivalent to approximately HK$2,238.1 million). The acquisition is yet to complete up to the date of this annual report. Upon completion, the Group's 40% equity interest in Guiwu Expressway will be accounted for as a joint venture.

47 COMMITMENTS (CONTINUED)

(b) The Group's share of commitments for capital expenditure committed by the joint ventures not included above are as follows:

	2022 HK$'m	2021 HK$'m
Contracted but not provided for		
Property, plant and equipment	**8,758.5**	8,321.5

(c) Future minimum rental payments receivable

The future minimum rental payments receivable under non-cancellable operating leases are as follows:

	2022 HK$'m	2021 HK$'m
In the first year	**141.2**	14.2
In the second year	**117.1**	0.5
In the third year	**84.6**	–
In the fourth year	**77.8**	–
In the fifth year	**59.2**	–
After the fifth year	**122.0**	–
	601.9	14.7

The Group's operating leases terms range from 1 to 15 years (2021: 1 to 5 years).

48 FINANCIAL GUARANTEE CONTRACTS

The Group's financial guarantee contracts are as follows:

	2022 HK$'m	2021 HK$'m
Guarantees for credit facilities granted to		
Associated companies	**1,520.4**	1,736.8
Joint ventures	**1,950.0**	2,145.0
	3,470.4	3,881.8

In addition, the Company and NWD, through their respective wholly-owned subsidiaries, provided a joint and several guarantee in favour of the Hong Kong Government for the punctual, true and faithful performance and observance by KTSPL under the contract entered into between the Hong Kong Government and KTSPL for the design, construction and operation of Kai Tak Sports Park. Taking into consideration the deed of counter-indemnity which has been entered into, the Group's guarantee towards KTSPL is up to the extent of 25% of the contract sum or an amount of approximately HK$7.5 billion as at 30 June 2022 and 30 June 2021. KTSPL is an associated company of the Group in which the Group has a 25% interest.

Under the Transaction Agreement and the related transaction documents in relation to the disposal of aircraft leasing business by Goshawk to SMBC (detailed in note 24(b)), the Group provides a financial guarantee to support the performance of Goshawk of its payment obligation to satisfy claims that may be brought by SMBC against Goshawk. The Group's potential liability under the financial guarantee is limited to a total amount of US$197.1 million (equivalent to approximately HK$1,537.4 million) as at 30 June 2022.

49 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to net cash generated from operations:

	2022 HK$'m	2021 HK$'m (restated)
Operating profit from continuing and discontinued operations	**3,435.0**	1,351.0
Depreciation and amortization	**1,721.5**	2,058.6
Overlay approach adjustments on financial assets	**(1,845.9)**	1,270.6
Net profit on disposal of debt instruments as financial assets at FVOCI	**(137.6)**	(40.7)
Net loss/(gain) associated with investments related to unit-linked contracts	**2,201.6**	(2,187.9)
Reversal of provision for onerous contract	**(230.0)**	–
Gain on redemption of fixed rate bonds	**(117.0)**	–
Loss on disposal of subsidiaries	**–**	87.7
Net (gain)/loss on fair value of derivative financial instruments	**(55.7)**	59.1
Net loss/(gain) on fair value of financial assets at FVPL	**1,327.9**	(1,936.7)
Interest income	**(1,851.8)**	(1,658.3)
Dividend income	**(444.1)**	(190.4)
Profit on disposal/partial disposal of interest in associated companies	**(118.6)**	(66.5)
Loss/(profit) on disposal of interest in a joint venture	**–**	(40.4)
Profit on disposal of assets held-for-sale	**(213.0)**	–
Impairment/remeasurement loss related to associated companies/ assets held-for-sale	**197.6**	1,786.4
Net loss on fair value of investment properties	**–**	13.2
Expected credit loss provision on debt instruments as financial assets at FVOCI and trade, premium and other receivables	**562.6**	455.5
Net exchange (gain)/loss	**(56.7)**	33.5
Other non-cash items	**8.8**	(8.4)
Operating profit before working capital changes	**4,384.6**	986.3
Decrease in inventories	**37.0**	51.2
Decrease in security deposits	**400.5**	–
Decrease in trade, premium and other receivables	**65.3**	709.3
Decrease in trade, other payables and payables to policyholders	**(673.1)**	(765.5)
Decrease in amounts due to non-controlling interests	**(4.9)**	(18.4)
Increase in deferred acquisition costs	**(623.5)**	(1,023.3)
Increase in insurance and investment contract liabilities	**8,980.7**	6,404.0
(Decrease)/increase in liabilities related to unit-linked contracts	**(2,137.5)**	1,695.3
Purchases of financial assets at FVPL associated with investments related to unit-linked contracts	**(3,704.5)**	(5,892.2)
Disposal of financial assets at FVPL associated with investments related to unit-linked contracts	**3,597.6**	6,267.3
Changes in balances with associated companies, joint ventures and related companies	**(159.9)**	(12.5)
Others	**6.0**	(10.2)
Net cash generated from operations	**10,168.3**	8,391.3

49 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Disposal of subsidiaries

For FY2021, the Group disposed of its entire issued share capital of NWS Transport and NWS HKI as disclosed in note 33 as well as a subsidiary which principally held a strategic investment as financial assets at FVPL. The net assets of these subsidiaries at the date of completion of disposal and net loss on disposal of subsidiaries recognized during FY2021 were set out as below:

	Note	2021 HK$'m
Net assets disposed of		
Property, plant and equipment	17	3,662.3
Right-of-use assets		401.8
Joint ventures		2,143.2
Financial assets at FVOCI		267.9
Financial assets at FVPL		468.0
Inventories		70.4
Trade, premium and other receivables		426.3
Cash and bank balances		234.6
Lease liabilities	49(c)	(405.5)
Derivative financial instruments		(118.8)
Other non-current liabilities		(47.1)
Borrowings and other interest-bearing liabilities	49(c)	(598.8)
Trade, other payables and payables to policyholders		(775.6)
Taxation		(0.6)
Deferred tax liabilities	40	(295.6)
		5,432.5
Net loss on disposals	(i)	(87.7)
Release of reserves upon disposal		71.4
		5,416.2
Represented by		
Cash consideration received		5,318.0
Consideration receivable by instalments included as other non-current assets		626.7
Other payables		(248.5)
Vendor cash flow subsidy settled		(280.0)
		5,416.2

(i) The amount for FY2021 represented net loss on disposals of HK$87.7 million arising from discontinued operations.

49 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Disposal of subsidiaries (continued)

Analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	2021 HK$'m
Cash consideration received	5,318.0
Cash and bank balances disposed of	(234.6)
	5,083.4

(c) Reconciliation of liabilities arising from financing activities:

HK$'m	Note	Bank loans and other interest-bearing liabilities	Fixed rate bonds	Loans from non-controlling interests	Lease liabilities	Total
At 1 July 2021		**18,483.3**	**6,864.7**	**25.0**	**1,306.7**	**26,679.7**
Cash flows from financing activities						
Drawdown		**5,895.7**	**–**	**–**	**–**	**5,895.7**
Repayment		**(4,576.7)**	**(2,199.6)**	**–**	**–**	**(6,776.3)**
Decrease in cash collateral received from counterparties		**(598.1)**	**–**	**–**	**–**	**(598.1)**
Capital element of lease liabilities payments		**–**	**–**	**–**	**(236.3)**	**(236.3)**
New leases entered/lease modified		**–**	**–**	**–**	**54.4**	**54.4**
Interest expenses of lease liabilities	11	**–**	**–**	**–**	**46.3**	**46.3**
Interest element of lease liabilities payments		**–**	**–**	**–**	**(46.3)**	**(46.3)**
Gain on redemption of fixed rate bonds	8	**–**	**(117.0)**	**–**	**–**	**(117.0)**
Translation differences		**(242.1)**	**20.8**	**(0.6)**	**(0.1)**	**(222.0)**
Other non-cash movements		**64.3**	**(4.4)**	**–**	**–**	**59.9**
At 30 June 2022		**19,026.4**	**4,564.5**	**24.4**	**1,124.7**	**24,740.0**

49 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities (continued):

HK$'m	Note	Bank loans and other interest-bearing liabilities	Fixed rate bonds	Loans from non-controlling interests	Lease liabilities	Total
At 1 July 2020		23,982.0	6,973.7	28.9	1,952.4	32,937.0
Disposal of subsidiaries	49(b)	(598.8)	–	–	(405.5)	(1,004.3)
Cash flows from financing activities						
Drawdown		1,860.1	–	–	–	1,860.1
Repayment		(6,197.8)	(112.0)	(6.5)	–	(6,316.3)
Decrease in cash collateral received from counterparties		(948.0)	–	–	–	(948.0)
Capital element of lease liabilities payments		–	–	–	(301.1)	(301.1)
New leases entered/lease modified		–	–	–	58.9	58.9
Interest expenses of lease liabilities	(i)	–	–	–	56.9	56.9
Interest element of lease liabilities payments		–	–	–	(56.1)	(56.1)
Translation differences		324.9	3.3	2.6	1.2	332.0
Other non-cash movements		60.9	(0.3)	–	–	60.6
At 30 June 2021		18,483.3	6,864.7	25.0	1,306.7	26,679.7

(i) The amount represented interest expenses of HK$56.9 million which included HK$53.0 million (note 11) arising from continuing operations and HK$3.9 million arising from discontinued operations.

50 RELATED PARTY TRANSACTIONS

(a) The following is a summary of significant related party transactions during the year carried out in the normal course of the Group's business:

	Note	**2022** **HK$'m**	2021 HK$'m
Transactions with affiliated companies	(i)		
Provision of other services	(iii)	**0.6**	4.0
Interest income	(iv)	**77.8**	96.4
Management fee income	(v)	**4.3**	2.3
Rental and other related expenses	(vi)	**(1.9)**	–
Other expenses	(viii)	**(138.6)**	(199.5)
Transactions with other related parties	(i)		
Provision of construction work services	(ii)	**288.4**	805.8
Provision of other services	(iii)	**44.4**	39.1
Interest income	(iv)	**121.3**	73.5
Rental, other related expenses and additions to right-of-use assets	(vi)	**(51.4)**	(33.9)
Mechanical and electrical engineering services	(vii)	**(952.6)**	(881.4)
Other expenses	(viii)	**(138.2)**	(84.2)

(i) Affiliated companies include associated companies and joint ventures of the Group. Related parties are subsidiaries, associated companies and joint ventures of NWD and CTF Enterprises as well as Mr Doo Wai Hoi, William ("Mr Doo") and his associates which are not companies within the Group. NWD is the ultimate holding company of the Company and CTF Enterprises is a substantial shareholder of NWD. Mr Doo is the Vice-chairman and a non-executive director of NWD and is the father of Mr William Junior Guilherme Doo, a non-executive director of the Company.

(ii) Revenue from the provision of construction work services was charged in accordance with the relevant contracts. Revenue from provision of construction work services to KTSPL, which is both a subsidiary of NWD and also an associated company of the Group, was presented under "Transactions with other related parties" only.

(iii) The Group provided various kinds of services including facilities management, property management and other services to certain affiliated companies and related parties. The services were provided and charged in accordance with the relevant contracts.

(iv) Interest income was charged at relevant interest rates as specified in notes 23, 24 and 30 on the outstanding balances due from the affiliated companies or relevant yield on investments in debt instruments.

(v) Management fee was charged at rates in accordance with the relevant contracts.

(vi) Rental and other related expenses were charged and additions to right-of-use assets were measured in accordance with the respective tenancy agreements.

50 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (continued)

(vii) Mechanical and electrical engineering services were charged in accordance with the relevant contracts.

(viii) Other expenses include purchase of construction materials, laundry, security and guarding, landscaping, cleaning, property management and other services. The services were charged in accordance with the relevant contracts.

(b) Key management compensation

No significant compensation arrangement has been entered into with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in note 15.

(c) During FY2021, FTLife Insurance, a wholly-owned subsidiary of the Company, subscribed for senior unsubordinated and unsecured notes in the principal amount of HK$1,000.0 million issued by NWD (MTN), a wholly-owned subsidiary of NWD, as part of its investment portfolio. These notes are bearing a coupon rate of 4.79% per annum, having maturity of 30 years and listed on the Hong Kong Stock Exchange.

As at 30 June 2022, the outstanding principal amount was HK$2,500.0 million (2021: HK$2,500.0 million) and fair value of these notes was HK$1,947.1 million (2021: HK$2,693.7 million) which was included in the consolidated statement of financial position of the Group as financial assets at FVOCI.

(d) In September 2021, the Group entered into formal sale and purchase agreements with Good Sense Development Limited (an indirect wholly-owned subsidiary of NWD) for the acquisition of the office units on 18th-21st floors of No. 888 Lai Chi Kok Road, Kowloon, Hong Kong at the aggregate purchase price of approximately HK$1,367 million. In addition, the Group shall be entitled to (i) priority to purchase up to nine parking spaces for each floor purchased at a price of not higher than HK$1.5 million per parking space and (ii) leasing benefits offered by the vendor under which the Group entered into tenancy agreements as landlord for these properties at pre-determined annual rent and has the option to terminate the relevant tenancy agreement for a pre-determined amount to be received according to when the termination of the relevant tenancy agreement(s) occurs. The transactions for office units above and for the additional purchase of car parking spaces at HK$81 million are completed during the year.

(e) The amounts of outstanding balances with associated companies, joint ventures and non-controlling interests are disclosed in notes 23, 24, 30, 43 and 44, and the pledge of the Group's equity interest in an associated company as security for a bank loan of the associated company is disclosed in note 23(b).

51 COMPARATIVE FIGURES

Certain comparative figures have been reclassified or extended to conform with the current year's presentation.

52 ULTIMATE HOLDING COMPANY

The directors regard NWD, a company incorporated in Hong Kong and listed on the Hong Kong Stock Exchange, as being the ultimate holding company. The Company is held by NWD and certain of its subsidiaries.

53 COMPANY STATEMENT OF FINANCIAL POSITION

	2022 HK$'m	2021 HK$'m
ASSETS		
Non-current assets		
Property, plant and equipment	**6.1**	9.9
Subsidiaries	**7,893.4**	7,893.4
Right-of-use assets	**–**	9.2
Other non-current asset	**3.3**	3.3
	7,902.8	7,915.8
Current assets		
Trade and other receivables	**62,745.9**	63,266.0
Cash and bank balances	**1,204.6**	1,556.8
	63,950.5	64,822.8
Total assets	**71,853.3**	72,738.6
EQUITY		
Share capital	**3,911.1**	3,911.1
Reserves	**42,230.9**	42,377.7
Total equity	**46,142.0**	46,288.8
LIABILITIES		
Current liabilities		
Trade and other payables	**25,711.3**	26,440.3
Lease liabilities	**–**	9.5
	25,711.3	26,449.8
Total liabilities	**25,711.3**	26,449.8
Total equity and liabilities	**71,853.3**	72,738.6

Dr Cheng Kar Shun, Henry
Director

Mr Ma Siu Cheung
Director

53 COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)

Reserves

HK$'m	Share premium	Contributed surplus	Special reserves	Revenue reserve	Total
At 1 July 2021	**17,821.5**	**237.3**	**1.1**	**24,317.8**	**42,377.7**
Profit for the year	**–**	**–**	**–**	**2,199.9**	**2,199.9**
Dividends	**–**	**–**	**–**	**(2,346.7)**	**(2,346.7)**
At 30 June 2022	**17,821.5**	**237.3**	**1.1**	**24,171.0**	**42,230.9**
At 1 July 2020	17,821.5	237.3	1.1	23,540.2	41,600.1
Profit for the year	–	–	–	3,046.1	3,046.1
Dividends	–	–	–	(2,268.5)	(2,268.5)
At 30 June 2021	17,821.5	237.3	1.1	24,317.8	42,377.7

The contributed surplus of the Company represents the difference between the nominal value of the ordinary share capital issued by the Company and the consolidated net asset value of the subsidiaries acquired at the date of acquisition pursuant to the group reorganization implemented in 1997. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of contributed surplus in certain circumstances.

54 PRINCIPAL SUBSIDIARIES

The directors of the Company were of the view that as at 30 June 2022, there was no individual subsidiary that had non-controlling interests that were material to the Group.

As at 30 June 2022

	Issued and fully paid up share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Amount HK$		
Incorporated and operate in Hong Kong				
Anway Limited	1	1	100.0	Duty free operation and general trading
Billionoble Investment Limited	4,998	4,998	100.0	Investment holding
	2*	2	100.0	
Chinese Future Limited	1,300,000,000	1,300,000,000	100.0	Investment holding
Dynamic Ally Limited	1	1	100.0	Investment holding
Earning Star Limited	1	1	100.0	Investment holding
Ever Honour (Hong Kong) Limited	1	1	100.0	Property investment
Goodman Chengdu Developments No.2 Limited	99[i]	99	100.0	Investment holding
	1[ii]	1		
Goodman Chengdu Developments No.3 Limited	99[i]	99	100.0	Investment holding
	1[ii]	1		
Goodman Chengdu Longquan Logistics Development Limited	99[i]	99	100.0	Investment holding
	1[ii]	1		
Goodman Hong Kong (Hubei) Developments No.1 Limited	99[i]	99	100.0	Investment holding
	1[ii]	1		
Grace Crystal Limited	1	1	100.0	Investment holding
Grand Express International Limited	1	1	100.0	Investment holding
Hip Hing Builders Company Limited	40,000	40,000,000	100.0	Construction
	10,000*	10,000,000	100.0	
Hip Hing Construction Company Limited	400,000	40,000,000	100.0	Construction and civil engineering
	600,000*	60,000,000	100.0	
Hip Hing Engineering Company Limited	2,000,000	200,000,000	100.0	Building construction
Hong Kong Convention and Exhibition Centre (Management) Limited	3	3	100.0	Management of HKCEC
	1*	1	100.0	
Hong Kong Exhibition and Convention Venue Management China Limited	1	1	100.0	Investment holding
i-Residence Management Limited	1	1	100.0	Property management and consultancy
Kiu Lok Property Services (China) Limited	2	2	100.0	Property agency, management and consultancy
	2*	2	100.0	
Modern Elite (Hong Kong) Limited	1	1	100.0	Property investment
New Advent Limited	1	1	100.0	Property investment
New World – Guangdong Highway Investments Co. Limited	999,900	99,990,000	100.0	Investment holding
	100*	10,000	50.0	
New World Port Investments Limited	2	2	100.0	Investment holding
NWS (Finance) Limited	2	2	100.0	Financial services
NWS Holdings (Finance) Limited	1	1	100.0	Financing

54 PRINCIPAL SUBSIDIARIES (CONTINUED)

As at 30 June 2022

	Issued and fully paid up share capital# Number	Amount HK$	Approximate percentage of shares held by the Group	Principal activities
Incorporated and operate in Hong Kong (continued)				
NWS Infrastructure Renewables (Italy) Limited	1	1	100.0	Investment holding
^^NWS Modern Logistics (Hong Kong) Limited	1	1	100.0	Investment holding, operating modern logistics business
Polytown Company Limited	2	20	100.0	Property investment, operation, marketing, promotion and management of HKCEC
	100,000*	1,000,000	100.0	
Profit Now Limited	1	1	100.0	Investment holding
Qin Hen Goodman Hong Kong (Chengdu) Developments No.1 Limited	99[i]	99	100.0	Investment holding
	1[ii]	1		
Sky Connection Limited	100	100	100.0	Duty free operation and general trading
True Hope Investment Limited	299,999,998	299,999,998	100.0	Investment holding
	2*	2	100.0	
Tycoon Estate Investments (HK) Limited	1	1	100.0	Property holding
Urban Parking Limited	15,000,000	15,000,000	100.0	Carpark management
Vibro Construction Company Limited	1,630,000	163,000,000	100.0	Civil engineering
	20,000*	2,000,000	100.0	
Vibro (H.K.) Limited	20,000,004	60,328,449	99.8 (a)	Piling, ground investigation and civil engineering
Wisemec Enterprises Limited	2	2	100.0	Investment holding

	Issued share capital# Number	Par value per share	Approximate percentage of shares held by the Group	Principal activities
Incorporated in Bermuda and operates in Hong Kong				
FTLife Insurance Company Limited	506,100,141	US$1	100.0	Life insurance
	9,000,000[§]	US$1	100.0	
	10,000,000[§§]	US$1	100.0	

54 PRINCIPAL SUBSIDIARIES (CONTINUED)

As at 30 June 2022

	Issued share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Par value per share		
Incorporated in the Cayman Islands and operates in Hong Kong				
NWS Service Management Limited	1,323,943,165	HK$0.10	100.0	Investment holding
Incorporated in the Cayman Islands				
Chinese Future Corporation	1,000,000	US$0.01	100.0	Investment holding
Incorporated in the British Virgin Islands and operate in Hong Kong				
Bellwood Group Limited	100	US$1	100.0	Investment holding
Best Star (BVI) Investments Limited	1	US$1	100.0	Investment holding
Busy Bee Global Limited	1	US$1	100.0	Investment holding
Celestial Dynasty Limited	1	US$1	100.0	Bond issuer
Celestial Miles Limited	1	US$1	100.0	Bond issuer
Century Charm Global Limited	1	US$1	100.0	Investment holding
Creo Capital Limited	1	US$1	100.0	Investment holding
Economic Velocity Limited	1	US$1	100.0	Investment holding
Glorious Hope Limited	1	US$1	100.0	Investment holding
Hetro Limited	101	US$1	100.0	Investment holding
Lucky Strong Limited	1	US$1	100.0	Investment holding
Noonday Limited	100	US$1	100.0	Investment holding
NWS Financial Management Services Limited	1	US$1	100.0	Investment holding
NWS Infrastructure Management Limited	2	US$1	100.0	Investment holding
NWS Infrastructure Roads Limited	1	US$1	100.0	Investment holding
NWS Ports Management Limited	2	US$1	100.0	Investment holding
Quality Vibe Limited	1	US$1	100.0	Investment holding
Utmost Best Limited	1	US$1	100.0	Investment holding
Incorporated in the British Virgin Islands				
FTL Capital Limited	1	US$1	100.0	Bond issuer
Gravy Train Investments Limited	1	US$1	100.0	Investment holding
Ideal Global International Limited	1	US$1	100.0	Investment holding
Moscan Developments Limited	1	US$1	100.0	Investment holding
Natal Global Limited	1	US$1	100.0	Investment holding
NWS CON Limited	1	HK$1	100.0	Investment holding
NWS Construction Limited	190,000	US$0.1	100.0	Investment holding
	7,150**	US$0.1	–	
	5,121***	US$0.1	–	
NWS Infrastructure Power Limited	1	US$1	100.0	Investment holding
NWS Infrastructure Water Limited	1	US$1	100.0	Investment holding
Right Heart Associates Limited	4	US$1	100.0	Investment holding
Righteous Corporation	1	US$1	100.0	Investment holding

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54 PRINCIPAL SUBSIDIARIES (CONTINUED)

As at 30 June 2022

	Amount of fully paid up capital	Approximate percentage of attributable interest to the Group	Principal activities
Incorporated and operate in Mainland China			
^Chengdu Dasheng Logistics Co. Ltd.	RMB82,000,000	100.0	Operation of logistics property
^Chengdu Jiachao Warehouse Co. Ltd.	RMB96,000,000	100.0	Operation of logistics property
++Hunan NWS Expressway Management Co., Ltd.	RMB1,600,000,000	100.0	Operation of toll road
^Jialong (Chengdu) Warehouse Co. Ltd.	USD18,500,000	100.0	Operation of logistics property
^Jiaxin (Chengdu) Warehouse Co. Ltd.	USD16,000,000	100.0	Operation of logistics property
^NWS Modern Logistics (Shenzhen) Limited	RMB260,000,000	100.0	Investment holding
^NWS (Guangdong) Investment Company Limited	RMB4,034,853,600	100.0	Investment holding
+Shanxi Xinda Highways Limited	RMB49,000,000	60.0 (b)	Operation of toll road
+Shanxi Xinhuang Highways Limited	RMB56,000,000	60.0 (b)	Operation of toll road
^Wuhan Jiamai Warehouse Co. Ltd.	USD30,000,000	100.0	Operation of logistics property
^Xiamen Creo Capital Investment Company Limited	RMB200,000,000	100.0	Investment holding
@Zhejiang NWS Expressway Co., Ltd.	US$320,590,000	100.0	Operation of toll road
++Zhiyi (Hangzhou) Service Area Management Limited	RMB3,000,000	100.0	Provision of commercial complex, catering, hotel and property management
Incorporated and operate in Macau			
Hip Hing Engineering (Macau) Company Limited	MOP100,000	100.0	Construction
Vibro (Macau) Limited	MOP1,000,000	99.8 (a)	Foundation works

54 PRINCIPAL SUBSIDIARIES (CONTINUED)

As at 30 June 2022

	Amount of fully paid up capital	Approximate percentage of attributable interest to the Group	Principal activities
Incorporated and operates in Italy			
NWS Infrastructure Renewables (Italy) S.r.l.	EUR10,000	100.0	Investment holding

Ordinary shares, unless otherwise stated
* Non-voting deferred shares
** Redeemable, non-convertible and non-voting A preference shares
*** Redeemable, non-convertible and non-voting B preference shares
^ Registered as wholly foreign owned enterprises under PRC law
@ Registered as sino-foreign equity joint venture under PRC law
+ Registered as sino-foreign cooperative joint venture under PRC law
++ Registered as limited company under PRC law
§ Class A redeemable preference shares (non-convertible)
§§ Class C redeemable preference shares (convertible)
^^ Name changed on 21 September 2021
i Class B ordinary shares
ii Class A special voting share

(a) The approximate percentage of shares held by non-controlling interests is 0.2%

(b) Cash sharing ratio of 90% (percentage for non-controlling interest is 10%) for the first 12 years from the operation date and thereafter 60% (percentage for non-controlling interest is 40%)

55 PRINCIPAL ASSOCIATED COMPANIES

The list of principal associated companies which are accounted for by the equity method of accounting as at 30 June 2022 is as follows:

	Issued and fully paid up share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Amount HK$		
Incorporated and operate in Hong Kong				
GHK Hospital Limited	10	10	40.0	Healthcare
Joy Fortune Investments Limited	10,000	10,000	50.0	Investment holding
Kai Tak Sports Park Limited	300	906,666,900	25.0	To develop and operate Kai Tak Sports Park
Quon Hing Concrete Company Limited	200,000	20,000,000	50.0	Production and sales of ready-mixed concrete
Yargoon Company Limited	150,000	15,000,000	42.0	Operating a quarry mill and trading in aggregates and stonefines
Shoucheng Holdings Limited	7,282,547,194	12,546,847,000	11.5 (a)	Investment holding

	Issued and fully paid up share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Amount		
Incorporated and operates in Singapore				
PBA International Pte. Ltd.	10,932	Singapore dollar 24,242,000	20.0	Development and manufacturing of advanced robotics

	Issued share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Par value per share		
Incorporated in Bermuda and operates in Hong Kong				
Wai Kee Holdings Limited	793,124,034	HK$0.10	11.5 (a)	Construction
Incorporated in Cyprus and operates in South Africa				
Tharisa plc	299,618,997	US$0.001	12.9 (a)	Chrome and platinum group metals mining, processing and trading

55 PRINCIPAL ASSOCIATED COMPANIES (CONTINUED)

The list of principal associated companies which are accounted for by the equity method of accounting as at 30 June 2022 is as follows (continued):

	Amount of fully paid capital	Approximate percentage of attributable interest to the Group	Principal activities
Incorporated and operate in Mainland China			
Hangzhou Ring Road Expressway Petroleum Development Co., Ltd.	RMB10,000,000	39.0 (c)	Operation of gasoline station
Hubei Laogu Expressway Development Co., Ltd.	RMB616,161,616	1.0 (b), (d)	Operation of toll road
NWS Asset Management (Hainan) Company Limited	RMB1,000,000,000	50.0 (b)	Asset management
Hubei Suiyuenan Expressway Co., Ltd.	RMB1,770,000,000	30.0 (b)	Operation of toll road
Hunan Daoyue Expressway Industry Co., Ltd.	RMB600,950,000	40.0 (b)	Operation of toll road
WorldEx Supply Chain Technology (Shanghai) Co., Limited	RMB81,452,529	10.1 (a), (b)	Operation of comprehensive logistics business
Zhaoqing Yuezhao Expressway Co., Ltd.	RMB818,300,000	25.0 (c)	Operation of toll road

Ordinary shares, unless otherwise stated

(a) The directors of the Company considered the Group has significant influence over these companies through its representative on the board of directors of these companies

(b) Percentage of equity interest

(c) Percentage of interest in ownership and profit sharing

(d) The directors of the Company considered the Group has significant influence over the company through its representative on the board of directors and the potential voting right of the company

56 PRINCIPAL JOINT VENTURES

The list of principal joint ventures which are accounted for by the equity method of accounting as at 30 June 2022 is as follows:

	Amount of fully paid up capital	Approximate percentage of attributable interest to the Group	Principal activities
Incorporated and operate in Mainland China			
Beijing-Zhuhai Expressway Guangzhou-Zhuhai Section Company Limited	RMB580,000,000	25.0 (a)	Operation of toll road
China United International Rail Containers Co., Limited	RMB4,200,000,000	30.0 (b)	Operation of rail container terminals and related business
Guangzhou Northring Intelligent Transportation Technology Company Limited	US$19,255,000	65.3 (a), (d)	Operation of toll road
Guangzhou Pearl River Electric Power Fuel Co., Ltd.	RMB613,361,800	35.0 (b)	Wholesale, assembling and storage of fuel
Guoneng Chengdu Jintang Power Generation Co., Ltd.	RMB924,000,000	35.0 (a)	Generation and supply of electricity
Huizhou City Huixin Expressway Company Limited	RMB34,400,000	50.0 (a)	Investment holding
Tianjin Xinzhan Expressway Company Limited	RMB2,539,100,000	60.0 (c), (d)	Operation of toll road
Incorporated and operates in Italy			
ForVEI II S.r.l.	EUR20,000	40.0	Investment holding and operation of solar power assets

	Issued and fully paid up share capital#		Approximate percentage of share held by the Group	Principal activities
	Number	Amount HK$		
Incorporated and operate in Hong Kong				
ATL Logistics Centre Hong Kong Limited	100,000'A'	100,000	56.0 (d)	Operation of cargo handling and storage facilities
	20,000'B'**	20,000	79.6	
	54,918*	54,918	–	
Goodman China (Western) Limited	100	100	50.0	Investment holding
Wincon International Limited	300,000,000	300,000,000	50.0	Investment holding

56 PRINCIPAL JOINT VENTURES (CONTINUED)

The list of principal joint ventures which are accounted for by the equity method of accounting as at 30 June 2022 is as follows (continued):

	Issued share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Par value per share		
Incorporated in the British Virgin Islands				
Success Concept Investments Limited	1,000	US$1	90.0 (d)	Investment holding
Incorporated and operates in the Netherlands				
Hyva I B.V.	19,000	EUR1	50.0	Manufacturing and supply of components used in hydraulic loading and unloading systems

	Issued share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Par value per share		
Incorporated in the Cayman Islands and operates globally				
Goshawk Aviation Limited	362,026,264 preference shares	US$0.001	50.0	Commercial aircraft leasing and management

Ordinary shares, unless otherwise stated
* Non-voting deferred shares
** Non-voting preference shares

(a) Percentage of interest in ownership and profit sharing

(b) Percentage of equity interest

(c) Cash sharing ratio of 90% for the first 15 years from the operation date and thereafter 60%

(d) The directors of the Company considered the Group does not have unilateral control governing the financial and operating activities over these joint ventures

羅兵咸永道

To the shareholders of NWS Holdings Limited
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of NWS Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 138 to 277, comprise:

- the consolidated statement of financial position as at 30 June 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

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

- Fair value measurement of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss
- Assessment on (a) valuation of insurance contract liabilities and (b) amortization of value of business acquired and deferred acquisition costs
- Valuation of investment properties held by the Group and its joint venture

Key Audit Matters	How our audit addressed the Key Audit Matters

(i) Fair value measurement of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss
 	
(Refer to notes 5, 26, 27 and 32 to the consolidated financial statements)
 	
As at 30 June 2023, the Group's financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss (including those classified as investments related to unit-linked contracts) amounted to HK$43,174 million and HK$23,927 million respectively.
 	
Management determined the fair value of these investments at the end of reporting period as follows:
 	
• For investments with quoted market prices, management determined the fair value based on quoted market prices;
 	
• For investments in unlisted investment funds, management determined the fair value based on the latest fund statements obtained from respective fund managers. Management discussed with respective fund managers to understand the performance of the underlying investments in the investment funds and fair value measurement basis used in estimating the fair value of the investment funds as stated in the fund statements;
 	
• For investments in unlisted equity and debt instruments with recent transactions, management determined the fair value with reference to recent transaction prices of these financial assets; and
	Our procedures to assess management's judgements in respect of the fair value measurement of investment funds and equity and debt instruments included:
	
	• We obtained an understanding of the management's controls and processes of fair value measurement of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors;
	
	• We performed control testing over the information technology system related to investment, where applicable, and evaluated and validated management's control procedures over investment cycle on a sample basis where applicable;
	
	• We performed the following work in relation to fair value measurement of investment funds or equity and debt instruments:
	
	  • For investments with quoted market prices, we checked, on a sample basis, fair value determined by management against the quoted market prices or quotes obtained from independent sources;
	
	  • For investments in unlisted investment funds, we obtained fund statements from fund managers and selected a sample of investments to (i) enquire fund managers on the performance of the underlying investments in the investment funds and the methodologies and key assumptions used in determining the fair value as stated in the fund statements and (ii) assess management basis on the determination of fair value of the unlisted investment funds;

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matters	How our audit addressed the Key Audit Matters
(i) Fair value measurement of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss (continued) • For investments in unlisted equity and debt instruments without quoted market prices and recent transactions, management determined fair values of these investments by using appropriate valuation techniques, such as discounted cash flow and quantitative assessments with reference to market comparable or market indices with consideration to the latest business development of the investee companies. Independent external valuer has been involved in determining the fair value, where appropriate. We focused on this area because of the financial significance of the balances and management judgements involved in determining the fair values of these financial assets.	• For investments in unlisted equity and debt instruments with recent transactions, we agreed, on a sample basis, to the evidence of recent transaction prices of those financial assets; and • For investments in unlisted equity and debt instruments without quoted market prices and recent transactions, with the support from our in-house valuation experts, if applicable, we (i) evaluated the competence, capabilities and objectivity of the independent valuer if independent valuer was involved, and (ii) assessed, on a sample basis, the appropriateness of methodologies and key assumptions used in the fair value measurement of these financial assets, and the reasonableness of the key inputs used in the valuation by comparing key assumptions used against appropriate third party pricing sources such as public stock prices of comparable companies and bond yields of comparable debt instruments or by assessing the reasonableness and appropriateness of the market comparable/market indices used. Based on the procedures performed above, we found judgements exercised by management in the fair value measurement of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss to be reasonable.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matters	How our audit addressed the Key Audit Matters
(ii) Assessment on (a) valuation of insurance contract liabilities and (b) amortization of value of business acquired and deferred acquisition costs	
(a) valuation of insurance contract liabilities (Refer to notes 5, 32 and 41 to the consolidated financial statements) The Group had insurance contract liabilities (including those classified as liabilities related to unit-linked contracts) of HK$58,741 million as at 30 June 2023, representing approximately 53% of the Group's total liabilities. The valuation of insurance contract liabilities requires the use of appropriate actuarial methodologies and various economic and operational assumptions that are subject to a high degree of management's judgements. The key assumptions used in measuring the insurance contract liabilities include discount rates, mortality rates, lapse rates and expenses. We focused on this area due to significant management judgements and estimates required in the valuation of insurance contract liabilities at the end of reporting period.	We involved our in-house actuarial experts in performing the following audit procedures: • We obtained an understanding of the management's controls and processes of valuation of insurance contract liabilities and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • We evaluated whether the methodologies were consistent with recognized actuarial practices in the insurance industry. We built independent models to test, on a sampling basis, the algorithm within the actuarial models applied; • We assessed the reasonableness of the key assumptions used by management including discount rates, mortality rates, lapse rates and expenses based on the Group's own historical data and experience study, market-observable data, and our industry knowledge and experience; • We performed analysis of the movements in insurance contract liabilities to assess whether the changes were in line with our understanding of the key assumptions used in the valuation and any developments and changes during the period; and • We reviewed the calculation of the liability adequacy test to assess the adequacy of insurance contract liabilities. Based on the procedures performed above, we found the methodologies and key assumptions used by management in the valuation of insurance contract liabilities to be reasonable.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matters	How our audit addressed the Key Audit Matters
(ii) Assessment on (a) valuation of insurance contract liabilities and (b) amortization of value of business acquired and deferred acquisition costs (continued)	
(b) amortization of value of business acquired and deferred acquisition costs (Refer to notes 5(d), 20 and 22 to the consolidated financial statements) As at 30 June 2023, the carrying amount of value of business acquired ("VOBA") and deferred acquisition costs ("DAC") amounting to HK$5,108 million and HK$2,498 million respectively. Amortization of VOBA and DAC amounting to HK$132 million and HK$658 million, respectively, was recognized in the consolidated income statement for the year ended 30 June 2023. VOBA is amortized over the estimated life of the contracts in the acquired portfolio on a systematic basis primarily based on expected future profits which involved significant management judgements and estimates. DAC of new business is amortized according to the expected future premiums or expected future profits, which are projected based on the Group's best estimate assumptions and actual persistency. We focused on this area due to the high degree of management judgements and estimates required.	• We obtained an understanding of the management's controls and processes of amortization of value of business acquired and deferred acquisition costs and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • With the assistance of our in-house actuarial experts, we evaluated the basis of amortization of VOBA and DAC determined by management and assessed the reasonableness of key assumptions used by management, including discount rates, mortality rates, lapse rates and expenses in determining the expected future premiums or expected future profits. Based on the procedures performed above, we found the key assumptions used in the amortization of VOBA and DAC to be appropriate.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matters	How our audit addressed the Key Audit Matters
(iii) Valuation of investment properties held by the Group and its joint venture Refer to notes 5(b), 16 and 24 to the consolidated financial statements. As at 30 June 2023, the investment properties held by the Group were stated at fair value of HK$5,875 million. The Group also shared significant interest in investment properties held by its joint venture of HK$8,401 million. Independent external valuers were engaged to determine the fair value of investment properties held by the Group and its joint venture as at 30 June 2023, where considered necessary. Fair value was generally derived by the income approach and where appropriate, by the sales comparison method. Income approach was based on either the capitalization of the net income and reversionary income potential by adopting appropriate capitalization rates and prevailing market rents or discounted cash flow forecast. Sales comparison method was based on comparable market transactions, as adjusted by the property-specific qualitative factors. We focused on this area due to the fact that there are significant judgements and estimation uncertainty involved in the valuation of investment properties.	Our procedures in relation to the valuation of investment properties included: • We understood management's controls and processes for determining the valuation of investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the level of other inherent risk factors; • We evaluated the competence, capability and objectivity of the independent external valuers; • We obtained the valuation reports and discuss the valuation methodologies and key assumptions used with the independent external valuers; • We, on a sample basis, involved our in-house valuation experts and assessed the appropriateness of valuation methodologies and the reasonableness of the key assumptions used in the valuation of investment properties, based on our knowledge of the property industry, research evidence of capitalization rates, prevailing market rents and comparable market transactions for similar properties, where applicable; and • We tested, on a sample basis, the data used in the valuation of investment properties, including rental rates from existing tenancies, by agreeing to the underlying agreements with the tenants. Based on the procedures performed, we found the methodologies used in preparing the valuations were appropriate and the key assumptions used in the valuation were supportable in light of available evidence.

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Chu Ho Kwan Raphael.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 September 2023

Consolidated Income Statement

For the year ended 30 June

	Note	2023 HK$'m	2022 HK$'m
Continuing operations			
Revenue	6	**45,213.8**	31,138.6
Cost of sales	7, 9	**(40,011.1)**	(27,609.3)
Other income and gains, net	8	**1,487.4**	966.6
Selling and marketing expenses	7	**(1,906.7)**	(1,290.9)
General and administrative expenses	7	**(2,043.4)**	(1,918.2)
Overlay approach adjustments on financial assets	8(a)	**687.5**	1,845.9
Operating profit	7	**3,427.5**	3,132.7
Finance costs	11	**(938.2)**	(760.1)
Share of results of			
Associated companies	6(c)	**176.8**	340.5
Joint ventures	6(c)	**754.1**	(254.9)
Profit before income tax		**3,420.2**	2,458.2
Income tax expenses	12	**(757.3)**	(576.2)
Profit from continuing operations		**2,662.9**	1,882.0
Discontinued operations			
Profit from discontinued operations	34(a)	**–**	302.3
Profit for the year		**2,662.9**	2,184.3
Profit attributable to			
Shareholders of the Company			
From continuing operations		**2,026.7**	1,284.5
From discontinued operations		**–**	302.3
		2,026.7	1,586.8
Holders of perpetual capital securities		**612.0**	583.1
Non-controlling interests		**24.2**	14.4
		2,662.9	2,184.3
Basic and diluted earnings per share attributable to shareholders of the Company	14		
From continuing operations		**HK$0.55**	HK$0.33
From discontinued operations		**–**	HK$0.08
		HK$0.55	HK$0.41

Consolidated Statement of Comprehensive Income

For the year ended 30 June

	Note	**2023 HK$'m**	2022 HK$'m
Profit for the year		**2,662.9**	2,184.3
Other comprehensive (loss)/income			
Items that will not be reclassified to profit or loss			
Net fair value change on equity instruments as financial assets at FVOCI		**(358.8)**	137.2
Remeasurement of post-employment benefit obligation		**2.2**	(6.2)
Share of gain arising from revaluation of a logistic property held by a joint venture upon reclassification to investment property, net of tax	37(b)	**–**	6,312.1
Items that have been reclassified/may be subsequently reclassified to profit or loss			
Net fair value change on debt instruments as financial assets at FVOCI and other net movement	37(a)	**(705.9)**	(7,041.1)
Release of reserve upon disposal of debt instruments as financial assets at FVOCI		**6.1**	(137.6)
Release of reserve upon partial disposal of interest in an associated company		**–**	1.3
Release of reserve upon disposal of interest in a joint venture		**(6.4)**	–
Release of reserves upon disposal of assets held-for-sale		**–**	(81.9)
Share of other comprehensive income/(loss) of associated companies		**0.2**	(29.0)
Cash flow/fair value hedges		**134.1**	(357.4)
Amount reported in other comprehensive income applying overlay approach adjustments on financial assets	8(a)	**(687.5)**	(1,845.9)
Currency translation differences		**(1,753.8)**	(797.7)
Other comprehensive loss for the year, net of tax		**(3,369.8)**	(3,846.2)
Total comprehensive loss for the year		**(706.9)**	(1,661.9)
Total comprehensive (loss)/income attributable to			
Shareholders of the Company			
From continuing operations		**(1,337.5)**	(2,399.8)
From discontinued operations	34(b)	**–**	141.6
		(1,337.5)	(2,258.2)
Holders of perpetual capital securities		**612.0**	583.1
Non-controlling interests		**18.6**	13.2
		(706.9)	(1,661.9)

Consolidated Statement of Financial Position

As at 30 June

	Note	**2023 HK$'m**	2022 HK$'m
ASSETS			
Non-current assets			
Investment properties	16	**5,875.0**	4,842.2
Property, plant and equipment	17	**1,317.0**	1,315.7
Intangible concession rights	18	**13,306.4**	13,081.9
Intangible assets	19	**5,863.2**	5,890.1
Value of business acquired	20	**5,107.9**	5,239.8
Right-of-use assets	21	**1,192.2**	1,360.7
Deferred acquisition costs	22	**2,498.2**	2,335.0
Associated companies	23	**4,708.3**	6,443.4
Joint ventures	24	**17,773.3**	15,413.5
Debt instruments as financial assets at amortized cost	25	**6,895.0**	–
Financial assets at FVOCI	26	**39,953.6**	38,500.3
Financial assets at FVPL	27	**13,344.8**	11,052.2
Derivative financial instruments	28	**273.1**	64.5
Other non-current assets	29	**1,361.4**	1,728.5
		119,469.4	107,267.8
Current assets			
Inventories	30	**239.6**	170.0
Trade, premium and other receivables	31	**9,176.1**	14,217.1
Investments related to unit-linked contracts	32(a)	**8,940.1**	8,649.2
Financial assets at FVOCI	26	**3,220.7**	3,083.5
Financial assets at FVPL	27	**1,657.8**	1,903.2
Derivative financial instruments	28	**14.7**	27.4
Cash and bank balances	33	**19,255.9**	13,452.6
		42,504.9	41,503.0
Total assets		**161,974.3**	148,770.8
EQUITY			
Share capital	36	**3,910.5**	3,911.1
Reserves	37	**35,826.2**	39,397.4
Shareholders' funds		**39,736.7**	43,308.5
Perpetual capital securities	38	**10,353.6**	10,528.5
Non-controlling interests		**50.8**	50.1
Total equity		**50,141.1**	53,887.1

As at 30 June

	Note	2023 HK$'m	2022 HK$'m
LIABILITIES			
Non-current liabilities			
Borrowings and other interest-bearing liabilities	39	**22,048.3**	18,323.2
Deferred tax liabilities	40	**1,678.8**	1,787.2
Insurance and investment contract liabilities	41	**16,049.1**	16,470.0
Liabilities related to unit-linked contracts	32(b)	**192.0**	190.8
Derivative financial instruments	28	**203.9**	172.3
Lease liabilities	42	**729.6**	901.6
Other non-current liabilities	43	**287.1**	95.8
		41,188.8	37,940.9
Current liabilities			
Borrowings and other interest-bearing liabilities	39	**1,748.6**	5,267.7
Insurance and investment contract liabilities	41	**46,219.6**	31,734.4
Liabilities related to unit-linked contracts	32(b)	**8,936.5**	8,645.1
Trade, other payables and payables to policyholders	44	**12,790.8**	10,403.1
Derivative financial instruments	28	**12.7**	0.4
Lease liabilities	42	**233.8**	223.1
Taxation		**702.4**	669.0
		70,644.4	56,942.8
Total liabilities		**111,833.2**	94,883.7
Total equity and liabilities		**161,974.3**	148,770.8

Dr Cheng Kar Shun, Henry
Director

Mr Ma Siu Cheung
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

HK$'m	Note	Shareholders' funds: Share capital	Shareholders' funds: Share premium	Shareholders' funds: Revenue reserve	Shareholders' funds: Other reserves	Shareholders' funds: Total	Perpetual capital securities	Non-controlling interests	Total
At 1 July 2022		3,911.1	17,821.5	24,406.7	(2,830.8)	43,308.5	10,528.5	50.1	53,887.1
Total comprehensive income/(loss) for the year	37	–	–	2,037.0	(3,374.5)	(1,337.5)	612.0	18.6	(706.9)
(Distribution to)/contributions by owners									
Dividends paid to									
Shareholders of the Company	13, 37	–	–	(2,385.3)	–	(2,385.3)	–	–	(2,385.3)
Non-controlling interests		–	–	–	–	–	–	(40.8)	(40.8)
Distribution to perpetual capital securities holders		–	–	–	–	–	(656.8)	–	(656.8)
Share repurchase	36	(0.7)	(4.9)	–	–	(5.6)	–	–	(5.6)
Share options									
Value of services provided		–	–	–	51.8	51.8	–	–	51.8
New shares issued		0.1	0.4	–	–	0.5	–	–	0.5
Issuance of perpetual capital securities	38	–	–	–	–	–	2,092.0	–	2,092.0
Transaction cost in relation to issuance of perpetual capital securities		–	–	(19.8)	–	(19.8)	–	–	(19.8)
Redemption of perpetual capital securities	38	–	–	124.1	–	124.1	(2,222.1)	–	(2,098.0)
Consolidation of a subsidiary		–	–	–	–	–	–	22.9	22.9
Transfer of reserves	37	–	–	(453.2)	453.2	–	–	–	–
Total transactions with owners		(0.6)	(4.5)	(2,734.2)	505.0	(2,234.3)	(786.9)	(17.9)	(3,039.1)
At 30 June 2023		3,910.5	17,817.0	23,709.5	(5,700.3)	39,736.7	10,353.6	50.8	50,141.1

For the year ended 30 June 2022

HK$'m	Note	Shareholders' funds: Share capital	Share premium	Revenue reserve	Other reserves	Total	Perpetual capital securities	Non-controlling interests	Total
At 1 July 2021		3,911.1	17,821.5	24,915.6	1,265.2	47,913.4	10,528.5	12.1	58,454.0
Total comprehensive income/(loss) for the year	37	–	–	1,867.0	(4,125.2)	(2,258.2)	583.1	13.2	(1,661.9)
(Distribution to)/contributions by owners									
Dividends paid to									
Shareholders of the Company	37	–	–	(2,346.7)	–	(2,346.7)	–	–	(2,346.7)
Non-controlling interests		–	–	–	–	–	–	(6.1)	(6.1)
Distribution to perpetual capital securities holders		–	–	–	–	–	(583.1)	–	(583.1)
Deregistration of a subsidiary		–	–	–	–	–	–	30.9	30.9
Transfer of reserves	37	–	–	(29.2)	29.2	–	–	–	–
Total transactions with owners		–	–	(2,375.9)	29.2	(2,346.7)	(583.1)	24.8	(2,905.0)
At 30 June 2022		3,911.1	17,821.5	24,406.7	(2,830.8)	43,308.5	10,528.5	50.1	53,887.1

Consolidated Statement of Cash Flows

For the year ended 30 June

	Note	2023 HK$'m	2022 HK$'m
Cash flows from operating activities			
Net cash generated from operations	49(a)	**18,887.2**	10,168.3
Finance costs paid		**(853.0)**	(691.4)
Interest received		**2,259.9**	1,991.3
Dividends received from financial assets in relation to insurance business and investments related to unit-linked contracts		**355.7**	265.4
Hong Kong profits tax paid		**(195.9)**	(156.8)
Mainland China and overseas taxation paid		**(645.2)**	(473.1)
Net cash generated from operating activities before net purchase of financial assets in relation to insurance business		**19,808.7**	11,103.7
Purchases of financial assets in relation to insurance business		**(36,440.0)**	(18,742.0)
Disposal of financial assets in relation to insurance business		**21,916.7**	12,186.5
		(14,523.3)	(6,555.5)
Net cash generated from operating activities		**5,285.4**	4,548.2
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired	50	**(405.6)**	–
Dividends received from associated companies	23(h)	**258.6**	463.5
Dividends received from joint ventures	24(h)	**863.3**	1,655.9
Increase in investments in and advances to associated companies		**(223.3)**	(340.0)
Decrease in investments in and advances to joint ventures		**4,000.4**	110.4
Proceeds received from disposal/partial disposal of interests in associated companies, joint ventures and subsidiaries		**594.8**	6,011.1
Additions of investment properties	16	**(1,189.4)**	(3,150.1)
Additions of property, plant and equipment, intangible concession rights, intangible assets and right-of-use assets	17, 18, 19, 21(b)	**(516.8)**	(679.9)
Purchases of debt instruments as financial assets at amortized cost		**(138.8)**	–
Purchases of financial assets at FVOCI		**–**	(142.4)
Purchases of financial assets at FVPL		**(440.3)**	(3,702.7)
Disposal of debt instruments as financial assets at amortized cost		**88.9**	–
Disposal of financial assets at FVOCI		**50.7**	141.3
Disposal of financial assets at FVPL		**1,383.1**	2,375.8
Disposal of property, plant and equipment		**3.9**	0.8
Settlement of derivative financial instruments		**92.7**	28.2
Dividends received from financial assets at FVOCI and financial assets at FVPL		**11.6**	67.7
Increase in time deposits with original maturity more than three months		**(1.0)**	(0.1)
Decrease/(increase) in other non-current assets		**8.0**	(22.9)
Net cash generated from investing activities		**4,440.8**	2,816.6

For the year ended 30 June

	Note	2023 HK$'m	2022 HK$'m
Cash flows from financing activities			
Issuance of new shares from share options exercised		**0.5**	–
Share repurchase	36	**(5.6)**	–
New bank loans and other borrowings	49(b)	**8,051.7**	5,895.7
Issuance of fixed rate bonds	49(b)	**1,674.1**	–
Repayment of bank loans and other borrowings	49(b)	**(7,379.0)**	(4,517.5)
Redemption of fixed rate bonds	49(b)	**(2,585.1)**	(2,199.6)
Repayment of financing received under a financial reinsurance arrangement	49(b)	**(53.1)**	(59.2)
Distribution to perpetual capital securities holders		**(656.8)**	(583.1)
Proceeds from issuance of perpetual capital securities, net of transaction costs	38	**2,072.2**	–
Redemption of perpetual capital securities	38	**(2,098.0)**	–
Capital element of lease liabilities payments	49(b)	**(237.4)**	(236.3)
Decrease in cash collateral received from counterparties	49(b)	**(26.7)**	(598.1)
Repayment of loan from non-controlling interest	49(b)	**(10.5)**	–
Dividends paid to shareholders of the Company	37	**(2,385.3)**	(2,346.7)
Dividends paid to non-controlling interests		**(40.8)**	(6.1)
Net cash used in financing activities		**(3,679.8)**	(4,650.9)
Net increase in cash and cash equivalents		**6,046.4**	2,713.9
Cash and cash equivalents at the beginning of year		**13,466.1**	10,844.0
Currency translation differences		**(254.6)**	(91.8)
Cash and cash equivalents at the end of year		**19,257.9**	13,466.1
Analysis of cash and cash equivalents			
Cash and bank balances	33	**19,255.9**	13,452.6
Cash and bank balances attributable to investments related to unit-linked contracts	32(a)	**15.7**	27.3
Time deposits with original maturity more than three months	33	**(13.7)**	(13.8)
		19,257.9	13,466.1

1 GENERAL INFORMATION

NWS Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries include the development of, investment in and/or operation of toll roads, construction, insurance, logistics and facilities management businesses.

The Company has its listing on the Main Board of Hong Kong Stock Exchange.

The consolidated financial statements were approved for issuance by the Board on 29 September 2023.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and interpretations (collectively, the "HKFRS") issued by the HKICPA. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, certain financial assets and financial liabilities (including derivative financial instruments) which have been measured at fair value.

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

As analyzed in note 6(b), the Group is in net current liabilities position of HK$28,139.5 million as at 30 June 2023 which is mainly due to the classification of the full surrender value of insurance and investment contract liabilities of HK$46,219.6 million (note 41) as current liabilities at the reporting date. The Group, before taking into account the insurance business, is in net current assets position as at 30 June 2023.

Under HKAS 1 "Presentation of Financial Statements", liability is classified as current if there is no unconditional right by the issuer to defer the settlement for at least 12 months after the reporting period. The unavoidable payment obligation exists if all the policyholders choose to exercise their surrender option at the reporting date and accordingly the full surrender value of insurance and investment contract liabilities is classified as current liabilities as at the year end. However, management considered the likelihood for all policyholders to exercise the surrender option and leading to the settlement of the aforesaid liabilities within one year is low. Based on historical pattern, management considered the amount of insurance contract liabilities expected to be settled within one year is HK$4,837.6 million as detailed in the liquidity risk table in note 4(c).

Taking into consideration the expected settlement pattern for insurance contract liabilities, it is reasonable to expect that the Group will have adequate resources to meet its liabilities in the next 12 months as and when they fall due and to continue in operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparing the consolidated financial statements.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(a) Adoption of amendments to standards

During FY2023, the Group has adopted the following amendments to standards which are relevant to the Group's operations and are mandatory for FY2023:

HKFRS 3 (Amendments)	Reference to the Conceptual Framework
HKAS 16 (Amendments)	Property, Plant and Equipment — Proceeds before Intended Use
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract
HKFRSs Amendments	Annual Improvements to HKFRSs 2018–2020 Cycle
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

The adoption of the amendments to standards does not have significant effect on the results and financial position of the Group.

(b) Standard, amendments to standards and interpretation which are not yet effective

The following new standard, amendments to standards and interpretation are mandatory for accounting period beginning on or after 1 July 2023 or later periods but which the Group has not early adopted:

HKFRS 17 and HKFRS 17 (Amendments)	Insurance Contracts
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current
HKAS 1 (Amendments)	Non-current Liabilities with Covenants
HKAS 1 (Amendments) and HKFRS Practice Statement 2	Disclosure of Accounting Policies
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKAS 12 (Amendments)	International Tax Reform — Pillar Two Model Rules
HKAS 21 (Amendments)	Lack of Exchangeability
HK Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(b) Standard, amendments to standards and interpretation which are not yet effective (continued)

HKFRS 17 and HKFRS 17 (Amendments)

HKFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard and will replace the current HKFRS 4. HKFRS 17 includes some fundamental differences to current accounting treatment in both insurance contracts measurement and profit recognition. Besides, HKFRS 17 requires more granular information as well as extensive disclosures.

Under HKFRS 17, a comprehensive model (general model) is introduced to measure insurance contracts based on the estimates of the present value of future cash flows with a risk adjustment (the fulfilment cash flows) and the unearned profits (the contractual service margin).

In October 2020, HKFRS 17 (Amendments) was issued to address concerns and implementation challenges that were identified after HKFRS 17 was published and to defer the effective date of HKFRS 17 (incorporating the amendments) to accounting period beginning on or after 1 January 2023. The implementation of HKFRS 17 involves significant enhancements to the information technology, actuarial and finance systems. The Group has formulated the accounting policies and developed the model and systems to accommodate the transition.

The Group has preliminarily estimated the key financial impacts on the adoption of HKFRS 17 as follows:

(i) Insurance segment revenue presented in the consolidated income statement under HKFRS 17 represents the changes in the insurance contract liabilities for the remaining coverage that relates to services for which the Group expects to receive consideration. Investment component in insurance contracts, an amount that the policyholder will be repaid in all circumstances as required by the insurance contract, regardless of whether an insured event occurs, are excluded from profit or loss.

The recognition of insurance revenue and insurance service expenses in the consolidated income statement is based on the concept of services provided during the reporting period.

Under HKFRS 17, the Group's Insurance segment revenue from long-term life insurance contracts and the Group's AOP of Insurance segment for FY2023 are expected to decrease when compared with the current HKFRS 4 basis.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(b) Standard, amendments to standards and interpretation which are not yet effective (continued)

HKFRS 17 and HKFRS 17 (Amendments) (continued)

(ii) Insurance contract liabilities in the consolidated statement of financial position comprise the fulfilment cash flows and the contractual service margin. The fulfilment cash flows, including the expected present value of future cash flows and explicit risk adjustment, are remeasured in every reporting period while the contractual service margin, representing the estimate of unearned profitability of the insurance contracts, is gradually recognized in Insurance segment revenue in the consolidated income statement based on the services provided over the coverage period of the insurance contract. Certain changes in the expected present value of future cash flows are adjusted against the contractual service margin and thereby recognized in profit or loss over the remaining coverage period.

HKFRS 17 significantly reduces accounting mismatch between financial assets and insurance contract liabilities, with mechanisms to adjust insurance contract liabilities considering market fluctuation from assets. Based on the financial position as at 30 June 2022 and 30 June 2023, the Group estimates that the total equity of the Group's insurance business would increase with the transition to HKFRS 17.

The preliminary estimates of the key financial impacts are based on the information available and underlying assumptions made at the date of this report which are subject to review or audit by independent auditor of the Company. Actual results may differ from these estimates.

Except for HKFRS 17 above, the Group has commenced the assessment on the impact of adoption of all other amendments to standards and interpretation, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the consolidated financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted for the preparation of the consolidated financial statements, which have been consistently applied to all the years presented, are set out as below:

(a) Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to 30 June.

(i) Subsidiaries

Subsidiaries are entities in which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognized in the consolidated income statement.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in the consolidated income statement. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

(i) Subsidiaries (continued)

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment property which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Inter-group transactions, balances and unrealized gains or losses on transactions between group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

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

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to the consolidated income statement.

In the Company's statement of financial position, interests in subsidiaries are stated at cost less impairment losses. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

(ii) Associated companies

An associated company is a company other than a subsidiary and a joint venture, in which the Group has significant influence exercised through representatives on the board of directors.

The Group's interests in associated companies include the loans and advances to the associated companies which, in substance, form part of the Group's interests in the associated companies. The provision of loans and advances to the associated companies are a form of commercial arrangement between the parties to the associated companies to finance the development of projects and viewed as a means by which the Group invests in the relevant projects.

Investments in associated companies are accounted for by the equity method of accounting and are initially recognized at cost. The Group's investments in associated companies include goodwill (net of any accumulated impairment loss) identified on acquisition. The interests in associated companies also include long-term interests that, in substance, form part of the Group's net investment in associated companies.

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

Unrealized gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

For equity accounting purpose, accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains or losses arising from investments in associated companies are recognized in the consolidated income statement.

The cost of an associated company acquired in stages is measured as the sum of consideration paid for each purchase plus a share of investee's profits and other equity movements.

The Group ceases to use the equity method from the date an investment ceases to be an associated company that is the date on which the Group ceases to have significant influence over the associated company or on the date it is classified as held-for-sale.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

(iii) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control and over which none of the participating parties has unilateral control.

Investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has.

(1) Joint operations

Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. Investments in joint operations are accounted for such that each joint operator recognizes its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

(2) Joint ventures

A joint venture is a joint arrangement whereby the parties have rights to the net assets of the arrangement.

The Group's interests in joint ventures include the loans and advances to the joint ventures which, in substance, form part of the Group's interests in the joint ventures. The provision of loans and advances to the joint ventures is a form of commercial arrangement between the parties to the joint ventures to finance the development of projects are viewed as a means by which the Group invests in the relevant projects.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income.

When the Group's share of losses of a joint venture equals or exceeds its interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of that joint venture.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

(iii) Joint arrangements (continued)

(2) Joint ventures (continued)

The share of post-acquisition results and reserves is based on the relevant profit sharing ratios which vary according to the nature of the joint ventures set out as follows:

- Equity joint ventures
  Equity joint ventures are joint ventures in respect of which the capital contribution ratios of the venturers are defined in the joint venture contracts and the profit sharing ratios of the venturers are in proportion to the capital contribution ratios.

- Co-operative joint ventures
  Co-operative joint ventures are joint ventures in respect of which the profit sharing ratios of the venturers and share of net assets upon the expiration of the joint venture periods are not in proportion to their capital contribution ratios but are as defined in the joint venture contracts.

- Companies limited by shares
  Companies limited by shares are limited liability companies in respect of which each shareholder's beneficial interests therein is in accordance with the amount of the voting share capital held thereby.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

For equity accounting purpose, accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Non-controlling interests

Non-controlling interests are the equity in a subsidiary which is not attributable, directly or indirectly, to a parent company. The Group treats transactions with non-controlling interests (namely, acquisitions of additional interests and disposals of partial interests in subsidiaries that do not result in a loss of control) as transactions with equity owners of the Group. For purchases of additional interests in subsidiaries from non-controlling shareholders, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of partial interests to non-controlling shareholders are also recorded in equity.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Intangible assets

(i) Goodwill

Goodwill arising on acquisitions of subsidiaries is included in intangible assets. Goodwill arising on acquisitions of associated companies and joint ventures is included in interests in associated companies and joint ventures respectively and is tested for impairment as part of overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of all or part of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGU") for the purpose of testing for impairment. The allocation is made to those CGU or groups of CGU that are expected to benefit from the business combination in which the goodwill arose.

(ii) Operating right

Operating right primarily resulted from the acquisition of right to operate facilities management businesses. Separately acquired operating rights are initially recognized at cost. Operating rights acquired in a business combination are initially recognized at fair value at the acquisition date. Operating right is carried at cost less accumulated amortization and impairment. Amortization is calculated using the straight-line method to allocate the cost over the period of the operating right.

(iii) Intangible concession rights

The Group has entered into various service concessions ("Service Concessions") with local government authorities for its participation in the development, financing, operation and maintenance of infrastructural projects ("Infrastructures"). The Group carries out the construction or upgrade work of Infrastructures from the granting authorities in exchange for the right to operate the Infrastructures concerned and the right to charge users of the respective Infrastructures. The fees collected during the operating periods are attributable to the Group. The relevant Infrastructures are required to be returned to the local government authorities upon the expiry of the operating rights without significant compensation to the Group.

The Group applies the intangible asset model to account for the Infrastructures where they are paid by the users of the Infrastructures and the concession grantors (the respective local governments) have not provided any contractual guarantees in respect of the amounts of construction costs incurred to be recoverable. The consideration to be received during the construction or upgrade period is classified as contract assets and reclassified as intangible concession rights upon completion.

Land use rights acquired in conjunction with the Service Concessions which the Group has no discretion or latitude to deploy for other services other than the use in the Service Concessions are treated as intangible assets acquired under the Service Concessions.

Amortization of intangible concession rights is calculated to allocate their costs, where applicable, on an economic usage basis for roads whereby the amount of amortization is provided based on the ratios of actual volume compared to the total projected volume. The total projected volume of the respective Infrastructures is reviewed regularly with reference to both internal and external sources of information and appropriate adjustments will be made should there be a material change.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Intangible assets (continued)

(iv) Other intangible assets

Other intangible assets mainly represent for computer software. Expenditure on development activities is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalized includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalized development costs are stated at cost less accumulated amortization and impairment losses.

Amortization of intangible assets with finite useful lives is charged to consolidated income statement on a straight-line basis over the assets' estimated useful lives or 3 to 5 years, whichever is shorter.

(d) Revenue recognition

Revenue is recognized when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time. Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the good or service transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the good or service.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

Incremental costs incurred to obtain a contract, if recoverable, are capitalized as contract assets and subsequently amortized when the related revenue is recognized.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Revenue recognition (continued)

The Group's recognition policies on revenue from contracts with customers, other sources of revenue and other income are further described as follows:

(i) Toll revenue

Toll revenue from road operations is recognized at a point in time when services are rendered.

(ii) Service fee income

Property and facilities management service fees and property letting agency fee are recognized over time and at a point in time respectively when services are rendered.

(iii) Rental income

Rental income from investment properties is recognized on a straight-line basis over the terms of the lease agreements.

(iv) Construction revenue

Revenue from construction service contract is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation using input method.

(v) Sales of goods

Income from sales of goods is recognized at a point in time when the goods are delivered to customers and title has passed.

(vi) Interest income

Interest income is recognized on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues to unwind the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

(vii) Dividend income

Dividend income is recognized when the right to receive payment is established.

(viii) Premiums related to insurance business

Premiums arising from insurance contracts in respect of traditional policies and group policies are recognized as income when they fall due, whereas those in respect of universal life and unit-linked contracts are accounted for as they are received.

Premiums on reinsurance contracts held which related to direct insurance contracts are recognized in the consolidated income statement in the same accounting period as the premiums for the direct insurance contracts to which they relate.

(ix) Fees and commission income related to insurance business

Insurance and investment contract policyholders are charged for policy administration services and investment management services. The policy administration fee is recognized as revenue over time when services are rendered. Investment management fees related to asset management services are recognized over time when services are rendered.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Government grants

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

(f) Leases

The Group leases various land, office buildings and premises. Rental contracts are made for a range of fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognized as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities primarily include the net present value of the fixed payments, less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following items:

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

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less.

Some leases contain variable payment terms that are linked to sales generated. Variable lease payments that depend on sales are recognized in the consolidated income statement in the period in which the condition that triggers those payments occurs. Most leases are subject to fixed payments.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investment properties

Investment property, principally comprising land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value. Fair value is determined by professional valuation or estimation by management conducted at the end of each reporting period. Changes in fair values are recognized in the consolidated income statement.

Property that is being constructed or developed for future use as investment property is stated at fair value.

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

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If a property becomes an investment property because its use has been changed, any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognized in equity as a revaluation of property, plant and equipment. However, if a fair value gives rise to a reversal of the previous impairment loss, the write-back is recognized in the consolidated income statement.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the carrying amount of the assets or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of replaced part is derecognized. All other repairs and maintenance costs are charged in the consolidated income statement during the period in which they are incurred. The carrying amount of an asset is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(i) Assets under construction

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

(ii) Depreciation

No depreciation is provided in respect of construction in progress until such time when the relevant assets are completed and available for intended use.

Depreciation of property, plant and equipment are calculated to allocate their cost to their estimated residual values over their estimated useful lives or lease terms, using the straight-line method, at the following annual rates:

Properties	2.5%–5%
Other plant and equipment	4%–50%
Motor vehicles	20%–25%

The residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

(iii) Gain or loss on disposal

The gain or loss on disposal of property, plant and equipment is determined by comparing the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in the consolidated income statement.

(i) Impairment of interests in associated companies, joint ventures and other non-financial assets

Non-financial assets that have an indefinite useful life (e.g. goodwill) or have not yet been available for use are not subject to amortization and are tested annually for impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount. An impairment loss is recognized in the consolidated income statement for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and value in use. Impairment losses on goodwill are not reversed. For the purpose of assessing impairment, assets are grouped as CGU for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and

- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in consolidated income statement or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity instruments at FVOCI.

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

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in consolidated income statement.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Investments and other financial assets (continued)

(iii) Measurement (continued)

(1) Debt instruments

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

Amortized cost
Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on investment in a debt instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in consolidated income statement when the asset is derecognized or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

Financial assets at FVOCI
Assets that are held for collection of contractual cash flows and for sale where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses, interest income and foreign exchange gains and losses which are recognized in consolidated income statement. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to consolidated income statement and recognized in "other income and gains, net". Interest income from these financial assets is included in interest income using the effective interest rate method. Foreign exchange gains and losses and impairment loss are presented in "other income and gains, net".

Financial assets at FVPL
Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on investments in debt instruments that is subsequently measured at FVPL and is not part of a hedging relationship is recognized in consolidated income statement and presented net within "other income and gains, net" in the period in which it arises.

(2) Equity instruments

The Group subsequently measures all investments in equity instruments at fair value. Where the Group's management has elected to present fair value gains and losses on investments in equity instruments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the consolidated income statement following the derecognition of the investment. Dividends from such investments continue to be recognized in consolidated income statement as "other income and gains, net" when the Group's right to receive payments is established.

Changes in the fair value of investments in equity instruments at FVPL recognized in "other income and gains, net" in the consolidated income statement. Investments in equity instruments at FVOCI are not subject to impairment assessment.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of financial assets

The Group's financial assets measured at amortized cost, including trade and other receivables, amounts receivable from associated companies and joint ventures and cash and bank balances, debt instruments as financial assets at FVOCI, as well as contract assets are subject to expected credit loss model under HKFRS 9 "Financial Instruments" ("HKFRS 9").

For trade receivables, retention money receivables and contract assets, the Group applies the simplified approach for provision for expected credit losses prescribed by HKFRS 9, which requires the use of the lifetime expected credit loss provision for these assets.

For all other instruments, the Group measures the loss allowance equal to 12-month expected credit loss, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime expected credit loss. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 4(b) details how the Group determines whether there has been a significant increase in credit risk.

(l) Deferred income

Deferred income is included in both current and non-current liabilities and is credited to the consolidated income statement on a straight-line basis over the concession periods.

(m) Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with the cash flows of recognized assets or liabilities or highly probable forecast transactions (cash flow hedges) or the changes in fair value of recognized assets or liabilities (fair value hedges).

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

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 28. Movements in the hedge reserve in shareholders' equity are shown in note 37. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Derivative financial instruments and hedging activities (continued)

(i) Cash flow hedges that qualify for hedge accounting

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

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

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognized in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item (aligned time value) are recognized in other comprehensive income and accumulated in the costs of hedging reserve within equity.

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

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

- Where the hedged item subsequently results in the recognition of a non-financial asset, both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of such asset. The deferred amounts are ultimately recognized in consolidated income statement as the hedged item affects profit or loss.

- The gain or loss relating to the effective portion of the hedging instruments is recognized in consolidated income statement at the same time as expense on the hedged items.

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

(ii) Fair value hedges

Change in the fair value on hedging instrument is recognized in other comprehensive income and accumulated in the fair value hedge reserve within equity when the hedged item is an equity instrument for which the Group has elected to presents changes in fair value in other comprehensive income.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Derivative financial instruments and hedging activities (continued)

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in the consolidated income statement.

(n) Trade and other receivables

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

Trade and other receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. The Group's impairment policies are further described in notes 3(k) and 4(b).

(o) Inventories

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realizable value. Cost is determined using the weighted average or the first-in first-out methods depending on the operating segments. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(p) Contracts assets and contract liabilities

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

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

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of trade receivables as described in notes 3(k) and 4(b). Contract liabilities are recognized as revenue when the Group transfers the goods or services to the customers and therefore satisfied its performance obligation.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. For assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment properties that are carried at fair value, would continue to be measured in accordance with the policies set-out elsewhere in note 3.

A remeasurement loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increase in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative remeasurement loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset (or disposal group) is recognized at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated income statement and the consolidated statement of comprehensive income.

(r) Cash and cash equivalents

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

(s) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(u) Share capital and perpetual capital securities

Ordinary shares are classified as equity.

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

Perpetual capital securities with no contractual obligation to repay its principal or to pay any distribution are classified as part of equity.

(v) Contingent liabilities and contingent assets

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the regions where the Group, associated companies and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

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

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated companies and joint ventures except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

(x) Borrowing costs

Borrowing costs incurred for the construction of any qualifying assets are capitalized during the construction period when the asset is being prepared for its intended use. Other borrowing costs are expensed as incurred.

(y) Foreign currencies

(i) Functional and presentation currency

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Foreign currencies (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates prevailing at the end of the reporting period are recognized in the consolidated income statement.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation differences on financial assets and liabilities held at FVPL are recognized in consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equity instruments classified as financial assets at FVOCI, are included in other comprehensive income.

(iii) Group companies

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

(1) assets and liabilities for each statement of financial position presented are translated at the exchange rate prevailing at the date of that consolidated statement of financial position;

(2) income and expenses for each income statement are translated at the average exchange rate during the period covered by the consolidated income statement; and

(3) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in equity.

(iv) Disposal of foreign operation and partial disposal

On the disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to the consolidated income statement.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Employee benefits

(i) Employee leave entitlements

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

(ii) Bonus plans

Provision for bonus plans are recognized when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions to defined contribution plans including the Mandatory Provident Fund Scheme ("MPF") and employee pension schemes established by municipal governments in the Mainland are expensed as incurred. Contributions are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions, where applicable.

(iv) Defined benefit plans

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of services and compensation.

The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to other comprehensive income in the period in which they arise.

(v) Share-based compensation

The Group operates equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of share options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted at the date of grant, excluding the impact of any non-market vesting conditions. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision of original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

At the expiration of options, the accumulated balance of special reserve recognized for those options is reclassified to revenue reserve.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Borrowings and other interest-bearing liabilities

Borrowings and other interest-bearing liabilities are recognized initially at fair value, net of transaction costs incurred. Borrowings and other interest-bearing liabilities are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement or capitalized as stated in note 3(x) over the period of the borrowings using the effective interest method.

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

(ab) Segment reporting

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

Segment assets consist primarily of investment properties, property, plant and equipment, intangible concession rights, intangible assets, VOBA, right-of-use assets, DAC, debt instruments as financial assets at amortized cost, financial assets at FVOCI, financial assets at FVPL, derivative financial instruments, other non-current assets, investments related to unit-linked contracts, inventories, receivables and cash and bank balances. Segment liabilities primarily comprise payables, other non-current liabilities, insurance and investment contract liabilities, liabilities related to unit-linked contracts, taxation, borrowings and other interest-bearing liabilities, derivative financial instruments, deferred tax liabilities and lease liabilities. Additions to non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, VOBA and DAC comprise additions to investment properties, property, plant and equipment, intangible concession rights, intangible assets and right-of-use assets.

(ac) Insurance and investment contracts

(i) Product classification

The Group's insurance business issues contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts for which the Group has accepted significant insurance risk from policyholders providing insurance coverage at the inception of the contract. As a general guideline, the Group determines whether it has significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur. The Group also accepts financial risk on insurance contracts. Financial risk is the risk of a possible future change in a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variables.

Investment contracts are those contracts for which the Group has not accepted significant insurance risk but accepts financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ac) Insurance and investment contracts (continued)

(ii) Insurance contract liabilities

Insurance contract liabilities represent net future policy liabilities as determined by the appointed actuary of the Group using a net level premium approach.

The provision for life insurance contracts with fixed level premiums is calculated on the basis of the prospective actuarial valuation method where the assumptions used depend on the circumstances prevailing. The liability is determined as the sum of the expected discounted value of the benefit payments, less the expected discounted value of the theoretical premiums that would be required to meet the benefits, based on the valuation assumptions as to discount rates, mortality and morbidity rates, lapse and partial lapse rates, persistency, expenses, inflation, policy dividend and fund growth rate that are appropriate at the time of valuation. Changes to the liabilities at each reporting date are recorded in the consolidated income statement or other comprehensive income for the year as appropriate.

For insurance contracts that are yearly renewable, which mainly correspond to products with pure risk coverage such as accident benefit, dread disease, medical insurance and disability insurance, the liabilities for the unexpired risks carried at the end of the reporting period are determined using unearned gross premiums approach.

The liability is derecognized when the contract expires, is discharged or is cancelled.

(iii) Investment contract liabilities

Liabilities for investment contracts are carried at fair values.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the consolidated statements of financial position.

The liability is derecognized when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value cannot be less than the surrender value.

(iv) Reinsurance

The Group cedes insurance risk in the normal course of business for its insurance contracts. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the insurance contract liabilities and are in accordance with the reinsurance contract and are accounted for in the same period as the underlying claim.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the consolidated income statement for the year.

Reinsurance arrangements do not relieve the Group from its obligations to policyholders.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ac) Insurance and investment contracts (continued)

(v) VOBA

VOBA, in respect of a portfolio of long-term insurance and investment contracts, is an intangible asset that reflects the estimated fair value of in-force contracts in acquisition of an insurance company and represents the portion of the purchase price that is allocated to the value of the right to receive future cash flows from the business in-force at the acquisition date. VOBA is based on actuarially determined projections, by each block of business, of future policy and contract charges, premiums, mortality and morbidity, separate account performance, surrenders, operating expenses, investment returns and other factors. VOBA is amortized over the estimated life of the contracts in the acquired portfolio on a systematic basis primarily based on expected future profits. The carrying value of VOBA is reviewed annually for impairment and any reduction is charged to the consolidated income statement.

(vi) DAC

The direct acquisition costs and a portion of indirect acquisition costs relating to the production of new business are deferred so far as there are sufficient margins in the future profits of the new business to fund the amortization of DAC. DAC include first year commissions and other costs related to the acquisition of new business. All other acquisition costs and all maintenance costs are expensed as and when incurred. The Group has adopted an approach by which DAC of new business is amortized according to the expected future premiums or expected future profits, which are projected based on the Group's best estimate assumptions and actual persistency.

(vii) Liability adequacy test

A liability adequacy test is performed at each reporting date to verify whether the insurance contract liabilities, net of DAC and VOBA, are adequate using current estimates of future cash flows under the insurance contracts. The liability value is adjusted if insufficient to meet future obligations, taking into account the future premiums, investment income, benefits and expenses and cash flows from embedded options and guarantees. If the test shows that a deficiency exists, the shortfall is immediately recorded in the consolidated income statement for the year.

(viii) Benefits and insurance claims

Death claims and surrenders are recorded when notifications have been received. Maturities and annuity payments are recorded when due.

Ceded reinsurance recoveries are accounted for in the same period as the underlying claim.

(ix) Commissions and bonuses

Commissions and bonuses payable to agents for the first policy year are included as a component of DAC.

Commissions from reinsurance policies that transfer underwriting risk are recognized as income at the same time as the reinsurance premiums are accounted for.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ac) Insurance and investment contracts (continued)

(x) Premium receivables

Premium receivables represent premiums which are due for payment. The Group normally allows policyholders to make payment within a grace period of one month from the due date. The grace period may be extended by management purely on a discretionary basis. Insurance policies continue in force if default premiums are settled before the expiry of the grace period.

Premium receivables are stated at amortized cost using the effective interest rate method less provision for impairment.

(xi) Application of overlay approach in accordance with HKFRS 4 (Amendments)

The Group elected to apply an "overlay approach" in accordance with HKFRS 4 (Amendments) "Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts" ("HKFRS 4 (Amendments)") which allows the Group to reclassify fair value gain or loss from consolidated income statement to other comprehensive income for those designated eligible financial assets previously classified as available-for-sale financial assets under HKAS 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39") but currently classified as financial assets at FVPL under HKFRS 9.

(ad) Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the consolidated financial statements in the financial period when the dividends are approved by the Company's shareholders and/or directors, where appropriate.

(ae) Financial guarantee contracts

The Group accounts for its financial guarantee contracts as insurance contracts.

The Group assesses at the end of each reporting period the liabilities under its insurance contracts using current estimates of future cash flows. Changes in carrying amount of these insurance liabilities are recognized in the consolidated income statement.

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION

The Group's activities expose it to a variety of financial risks: market risk (interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk. The Group is also exposed to insurance risk relating to the activities of its insurance business.

The Group has centralized treasury function for all of its subsidiaries in a manner consistent with the overall policies of the Group.

(a) Market risk

(i) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. The Group's interest bearing assets on a floating rate basis mainly include cash deposits and amounts due from associated companies and joint ventures. The Group's borrowings are mainly on a floating rate basis, which will be affected by fluctuation of prevailing market interest rates and will expose the Group to cash flow interest rate risk. Cross currency swap contracts and interest rate swap contracts are used to hedge against part of the Group's underlying interest rate exposures.

The Group is also exposed to fair value interest rate risk mainly in relation to the bond investments classified as financial assets at FVOCI and derivative financial instruments. Fair value interest rate risk is the risk that the fair value of the future cash flows of the financial instruments will fluctuate because of changes in market interest rates.

The Group's interest risk policy requires it to manage the interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments.

Variable interest bearing financial assets and liabilities are mainly subject to an interest re-pricing risk of one year or below.

If interest rates had been 100 basis points (2022: 100 basis points) higher/lower with all other variables held constant, the Group's profit for the year would have been HK$80.9 million lower/higher (2022: HK$92.7 million lower/higher) respectively and the Group's other reserves would have been HK$4.9 billion lower/higher (2022: HK$5.0 billion lower/higher) respectively.

The sensitivity analysis has been determined assuming that the change in interest rates had occurred throughout the year and had been applied to calculate the exposure to interest rate risk for financial instruments in existence at the end of the reporting period. The 100 basis points increase or decrease represents a reasonably possible change in those interest rates which have the most impact on the Group over the period until the end of the next reporting period. Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments. Changes in market interest rates also affect the fair values of bond investment classified as financial assets at FVOCI and fair values of derivative financial instruments. As a consequence, they are included in the calculation of sensitivities.

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(a) Market risk (continued)

(ii) Foreign exchange risk

The Group operates mainly in Hong Kong and the Mainland. Entities within the Group are exposed to foreign exchange risk from future commercial transactions and monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency.

The Group's foreign currency exposure arises from that are denominated in foreign currencies other than its functional currency. The Group monitors and controls this foreign exchange risk by entering into foreign exchange forward contracts and cross currency swap contracts to cover its major foreign currency exposure. Besides, the Group also manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and will consider to enter into foreign forward exchange contracts and cross currency swap contracts to reduce the exposure should the need arises.

As at 30 June 2023, the Group's entities with functional currency of Hong Kong dollar had net monetary assets denominated in United States dollar of HK$7,835.0 million (2022: HK$15,371.6 million). Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to the United States dollar, management therefore considers that there is no significant foreign exchange risk with respect to the United States dollar.

As at 30 June 2023, the Group's entities with functional currency of Hong Kong dollar had net monetary liabilities denominated in Renminbi of HK$313.9 million (2022: net monetary assets of HK$63.8 million) which the related foreign exchange risk has not been hedged. If Hong Kong dollar had strengthened/weakened by 5% against Renminbi with all other variables held constant, the Group's profit for the year would have been HK$15.7 million higher/lower (2022: HK$3.2 million lower/higher) respectively.

This sensitivity analysis ignores any offsetting foreign exchange factors and has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period. The stated change represents reasonably possible changes in foreign exchange rates over the period until the end of the next reporting period. Foreign exchange risk arises on account of monetary assets and liabilities being denominated in a currency that is not the functional currency, and differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(a) Market risk (continued)

(iii) Price risk

The Group is exposed to securities price risk because the Group held listed and unlisted investments of which the fair value are subject to changes in market prices. Gains and losses arising from changes in the fair value of financial assets at FVOCI and FVPL are dealt with in other comprehensive income or consolidated income statement respectively. The performance of the Group's listed and unlisted investments are monitored regularly, together with an assessment of their relevance to the Group's strategic plans.

As at 30 June 2023, if the price of listed and unlisted investments, classified as financial assets at FVOCI (note 26) and financial assets at FVPL (note 27), excluding the bond investments, had been 25% higher/lower with all other variables held constant and did not assume the application of "overlay approach" as described in note 3(ac)(xi), the Group's FVOCI reserve would have been HK$355.7 million (2022: HK$445.6 million) higher/lower respectively and profit for the year would have been HK$3,174.3 million (2022: HK$2,699.9 million) higher/lower respectively. If the price of the abovementioned investments had been 25% higher/lower with all other variables held constant but assumed the "overlay approach" was applied, the Group's FVOCI reserve would have been HK$2,706.9 million (2022: HK$2,105.5 million) higher/lower respectively and the profit for the year would have been HK$823.1 million (2022: HK$1,040.0 million) higher/lower respectively. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

(b) Credit risk

The credit risk of the Group mainly arises from debt instruments, deposits with banks, trade, premium and other receivables, and balances receivable from group companies, including amounts due from associated companies and joint ventures.

The Group consider the probability of default from initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis by close monitoring against established credit policies in each of its business. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the assets, generally on individual basis, as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. The following indicators are generally incorporated:

- External credit rating (if any);
- Average default rate by independent external parties;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparties' ability to meet their obligations; and
- Significant actual and expected changes in the performance and behavior of the counterparties, including changes in the payment status of counterparties in the Group and changes in the operating results of the counterparties.

A default on a financial asset is when the counterparty fails to make contractual payments when they fall due. Financial assets are considered to be credit-impaired and written off there is no reasonable expectation of recovery.

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(b) Credit risk (continued)

Deposits with banks are mainly placed with high-credit-quality financial institutions and the balances are considered to be of low credit risk. Debt instruments are limited to financial institutions or investment counterparties with high quality. Aaa and AAA are the highest credit ratings in the Moody's and Standard & Poor's credit rating systems respectively. The Group classifies its investment in bonds below ratings of Baa3 and BBB- in the Moody's and Standard & Poor's credit rating systems respectively as non-investment grade bonds. As at 30 June 2023, the amount of the non-investment grade bonds held by the Group was approximately 2.0% (2022: 2.2%) of its invested assets.

For trade receivables, retention money receivables and contract assets in relation to provision of services and infrastructure operations, expected credit loss allowance has been provided under lifetime expected credit loss assessment on individual basis with reference to the historical credit loss experience with counterparties and ageing analysis, adjusted for forward-looking factors specific to the counterparties and the economic environment. There is no concentration of credit risk with respect to trade receivables, retention money receivables and contract assets from third party customers as the customer bases are widely dispersed in different industries.

To determine expected credit loss, the Group mainly refers to probability of default and recovery rate tables from Moody's study, which are derived based on default history of obligors with the same credit rating. The Group has also considered the forward-looking information by incorporating a set of weighted average different economic scenarios developed by Moody's.

In relation to premium receivables from insurance business, the credit risk in respect of policyholder balances, incurred on the non-payment of premiums or contributions, will only persist during the grace period specified in the policy documents or trust deed on the expiry of which either the premium is paid or the policy will be terminated or changed to reduced paid-up or term cover according to the provision of the policy.

In addition, the Group monitors the exposure to credit risk in respect of the financial assistance provided to associated companies and joint ventures through exercising joint control or influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis. The Group determines the probability of default and recovery rate based on the underlying financial information, the actual and expected changes in business performance and general market default and recovery rate. The Group has also considered the forwarding-looking information by incorporating a set of different economic scenarios.

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(b) Credit risk (continued)

Impairment on debt instruments, cash and bank balances, financial assistance provided to associated companies and joint ventures, other receivables and other non-current assets is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then loss allowance is measured as lifetime expected credit losses.

The maximum exposure to credit risk is represented by the carrying amount of financial assets in the consolidated statement of financial position.

(c) Liquidity risk

Prudent liquidity risk management includes managing the profile of debt maturities and funding sources, maintaining sufficient cash and marketable securities, and ensuring the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. It is the policy of the Group to regularly monitor current and expected liquidity requirements and to ensure that adequate funding is available for operating, investing and financing activities. The Group also maintains undrawn committed credit facilities to further reduce liquidity risk in meeting funding requirements (including financing for the Group's capital commitments as detailed in note 47). The directors of the Company are of the view that the Group has sufficient resources to meet the Group's commitments and liabilities as and when they fall due.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date, except for the liabilities related to unit-linked contracts where these unit-linked contracts typically include options for policyholders to surrender early, often subject to surrender or other penalties. The Group's investments related to unit-linked contracts are held for backing the liabilities to the policyholders.

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(c) Liquidity risk (continued)

The amounts disclosed in the table are the contractual undiscounted cash outflow/(inflow).

As at 30 June 2023

Non-derivative financial liabilities

HK$'m	Note	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years	Over 5 years	Unit-linked
Trade payables	44	1,270.9	1,270.9	1,270.9	–	–	–
Retention money payables and other payables		8,909.0	8,909.0	7,285.1	1,618.4	5.5	–
Payables to policyholders	44	1,734.3	1,734.3	1,734.3	–	–	–
Amounts due to non-controlling interests	44	108.1	108.1	108.1	–	–	–
Amounts due to associated companies	44	14.0	14.0	14.0	–	–	–
Amount due to a joint venture	44	240.9	240.9	240.9	–	–	–
Liabilities related to unit-linked contracts — Investment contract liabilities	32(b)	8,445.5	8,445.5	–	–	–	8,445.5
Borrowings and other interest-bearing liabilities	39	23,796.9	27,395.0	2,899.3	19,780.0	4,715.7	–
Loan from non-controlling interest	43	13.4	13.4	–	13.4	–	–
Lease liabilities	42	963.4	1,053.1	266.8	690.9	95.4	–

Derivative financial liabilities

HK$'m	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years	Over 5 years
Derivative financial liabilities (net settlement)	222.5	28.5	193.1	0.9
Derivative financial liabilities (gross settlement)				
Cash inflow	(206.5)	(132.0)	(74.5)	–
Cash outflow	217.4	142.9	74.5	–
	10.9	10.9	–	–

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(c) Liquidity risk (continued)

As at 30 June 2022

Non-derivative financial liabilities

HK$'m	Note	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years	Over 5 years	Unit-linked
Trade payables	44	633.8	633.8	633.8	–	–	–
Retention money payables and other payables		7,108.9	7,108.9	6,581.2	522.7	5.0	–
Payables to policyholders	44	1,774.2	1,774.2	1,774.2	–	–	–
Amounts due to non-controlling interests	44	107.8	107.8	107.8	–	–	–
Amounts due to associated companies	44	9.1	9.1	9.1	–	–	–
Amount due to a joint venture	44	1.2	1.2	1.2	–	–	–
Liabilities related to unit-linked contracts – Investment contract liabilities	32(b)	8,160.9	8,160.9	–	–	–	8,160.9
Borrowings and other interest-bearing liabilities	39	23,590.9	25,771.0	5,836.1	15,890.5	4,044.4	–
Loan from non-controlling interest	43	24.4	24.4	–	24.4	–	–
Lease liabilities	42	1,124.7	1,250.5	262.4	782.6	205.5	–

Derivative financial liabilities

HK$'m	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years	Over 5 years
Derivative financial liabilities (net settlement)	173.3	27.2	146.1	–
Derivative financial liabilities (gross settlement)				
Cash inflow	(1,241.1)	(58.6)	(363.3)	(819.2)
Cash outflow	1,264.1	62.0	363.9	838.2
	23.0	3.4	0.6	19.0

The major liquidity risks the Group's insurance business confronts are the daily calls on its available cash resources in respect of claims arising from insurance and investment contracts and the maturity of debt instruments.

The Group's insurance business manages liquidity through its liquidity risk policy which includes determining what constitutes liquidity risk and the minimum proportion of funds to meet emergency calls, the setting up of contingency funding plans, specifying the sources of funding and the events that would trigger the plan, specifying the concentration of funding sources, the reporting of liquidity risk exposures and breaches to the monitoring authority, monitoring the compliance with liquidity risk policy and the reviewing of liquidity risk policy for pertinence and changing environment.

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(c) Liquidity risk (continued)

The table below presents the estimated amounts (on a discounted basis) and timing of cash outflow/(inflow) arising from liabilities under insurance contracts, projected based on the Group's best estimate assumptions. The Group's insurance business has to meet daily calls on its cash resources, notably from claims arising on its insurance contracts and early surrender of policies for surrender value. There is therefore a risk that cash will not be available to settle liabilities when due at a reasonable cost. The Group's insurance business manages this risk by monitoring and setting an appropriate level of cash position to settle these liabilities.

As at 30 June 2023

HK$'m	Note	**Total discounted cash flow**	**Within 1 year**	**Over 1 year but within 5 years**	**Over 5 years**
Insurance contract liabilities	41(a)	**62,263.5**	**4,837.6**	**2,296.8**	**55,129.1**

As at 30 June 2022

HK$'m	Note	Total discounted cash flow	Within 1 year	Over 1 year but within 5 years	Over 5 years
Insurance contract liabilities	41(a)	48,199.0	4,120.1	(343.0)	44,421.9

(d) Asset liability management framework

The Group's insurance business exposes to financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risks that the Group's insurance business faces due to the nature of its investments and liabilities are interest rate risk and duration risk. The Group's insurance business manages these positions within an asset liability management ("ALM") framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of ALM is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders.

ALM also forms an integral part of the insurance risk management policy in order to ensure in each period sufficient cash flows are available to meet liabilities arising from insurance and investment contracts.

(e) Regulatory framework of the Group's insurance business

The operations of the Group's insurance business are subject to local regulatory requirements in Hong Kong. The Group's insurance business is required to maintain an appropriate solvency position to meet unforeseen liabilities arising from economic shocks and/or natural disasters.

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(f) Capital management

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

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders' returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. In order to maintain or adjust the capital structure, the Group may issue or repurchase shares, issue perpetual capital securities or raise new debt financing.

The Net Gearing Ratios as at 30 June were as follows:

	Note	**2023** **HK$'m**	2022 HK$'m
Total borrowings and other interest-bearing liabilities	39	**(23,796.9)**	(23,590.9)
Add: Cash and bank balances	33	**19,255.9**	13,452.6
Net Debt		**(4,541.0)**	(10,138.3)
Total equity		**50,141.1**	53,887.1
Net Gearing Ratio		**9%**	19%

The decrease in Net Debt was mainly due to repayment from Goshawk following its receipt of disposal proceeds from the disposal of its commercial aircraft leasing business, disposals of certain non-core investments, net operating cash inflow as well as dividends received from associated companies and joint ventures, net of investments made and payments of dividends.

The Group's insurance business has an internal risk management framework for identifying risks to its business it exposed to. The internal framework estimates and indicates how much capital is needed to mitigate the risk of insolvency.

The Group's insurance business aims at maintaining a solvency ratio higher than 150% that required by the Insurance Authority ("IA") to ensure an adequate solvency position. Further objectives are set by the Group's insurance business to maintain a strong credit rating and healthy capital ratios in order to support its business.

The Group's insurance business manages its capital requirements by assessing probable shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Group's insurance business activities.

The Group's insurance business fully complied with capital requirements imposed by the IA throughout the reporting period.

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(g) Insurance risk

The Group's insurance business is in the business of insuring against the risk of mortality, morbidity, disability, critical illness, accidents and related risks. The Group's insurance business retains a maximum of US$150,000 for each risk it insures, with the excess being reinsured through surplus treaties, coinsurance treaties, facultative reinsurance, catastrophe treaties and quota share arrangements with reputable international reinsurers. Consequently, total claims payable in any given year can be predicted with a higher degree of precision. As part of the quality control process, the Group's insurance business regularly invites reinsurers to audit its underwriting and claim practices and procedures, to ensure that it meets the highest industry standards.

As at 30 June 2023

HK$'m	Insurance contract liabilities excluding policyholders' dividends and bonuses (note 41(b))	Reinsurer's share of insurance contract liabilities	Net liabilities excluding policyholders' dividend and bonuses
Type of products			
Whole life	54,837.2	(1.3)	54,835.9
Term	99.0	(0.3)	98.7
Dread disease	2,492.6	(0.1)	2,492.5
Medical	292.2	–	292.2
Disability	9.3	–	9.3
Accident	26.1	–	26.1
	57,756.4	(1.7)	57,754.7
Coinsurance liabilities	301.2	–	301.2
	58,057.6	(1.7)	58,055.9

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(g) Insurance risk (continued)

As at 30 June 2022

HK$'m	Insurance contract liabilities excluding policyholders' dividends and bonuses (note 41(b))	Reinsurer's share of insurance contract liabilities	Net liabilities excluding policyholders' dividend and bonuses
Type of products			
Whole life	41,125.2	(1.3)	41,123.9
Term	103.2	(0.3)	102.9
Dread disease	2,337.2	–	2,337.2
Medical	270.6	–	270.6
Disability	10.1	(0.1)	10.0
Accident	25.5	–	25.5
	43,871.8	(1.7)	43,870.1
Coinsurance liabilities	345.0	–	345.0
	44,216.8	(1.7)	44,215.1

(i) Key assumptions

Liabilities on insurance contracts offered by the Group are predominantly conventional whole life insurance for which premiums are paid for a limited period of time or the whole of life, with fixed benefits paid upon death and surrender benefits increasing with the duration of policy.

Some plans provide for guaranteed periodic payments. Most of the whole life insurance products are entitled to annual dividends and some with terminal dividend upon policy termination.

The key assumptions used for the determination of future liabilities for most products are detailed below:

As at 30 June 2023

Mortality rates	For products with full underwriting, 85% 2018 Hong Kong Assured Life Mortality tables for males and females, with selection factor 50% at year 1 and 75% at year 2. For products without full underwriting, 85% 2018 Hong Kong Assured Life Mortality tables for males and females.
Discount rates	Range between 2.20% and 4.25%, depending on the insurance plan policies
Lapse rates	Based on Group's experience
Expenses	Based on Group's experience

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(g) Insurance risk (continued)

(i) Key assumptions (continued)

As at 30 June 2022

Mortality rates	For products with full underwriting, 59% 2001 Hong Kong Assured Life Mortality tables for males and females, with selection factor 50% at year 1 and 75% at year 2. For products without full underwriting, 59% 2001 Hong Kong Assured Life Mortality tables for males and females.
Discount rates	Range between 2.10% and 4.25%, depending on the insurance plan policies
Lapse rates	Based on Group's experience
Expenses	Based on Group's experience

The method of calculating the liabilities is the net level premium reserve, with an adjustment to remove premium deficiency.

The Group's actual claims compared to the mortality experience assumed in the calculation of future insurance contract liabilities, for the current year, is 78% (2022: 83%).

(ii) Sensitivities

The sensitivity analyzes below have been determined based on reasonably possible changes in the respective key assumptions occurring at the end of the reporting period, while holding all the other assumptions constant.

As at 30 June 2023

	Assumption change	**(Decrease)/ increase in profit for the year and equity HK$'m**
Mortality rates	**+10%**	**(237.3)**
Discount rates	**-50 basis points**	**(2,617.8)**
Lapse rates	**+20%**	**265.1**
Expenses	**+10%**	**(74.2)**

As at 30 June 2022

	Assumption change	(Decrease)/ increase in profit for the year and equity HK$'m
Mortality rates	+10%	(232.0)
Discount rates	-50 basis points	(2,463.9)
Lapse rates	+20%	253.7
Expenses	+10%	(65.3)

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(h) Fair value estimation

The carrying amounts and fair value disclosures of the financial instruments of the Group are as follows:

(i) Listed investments are stated at market prices. The quoted market price used for financial assets held by the Group is the bid price at the end of the reporting period. Unlisted investments are stated at fair values which are based on quoted market price or estimated using other prices observed in recent transactions or valuation techniques when the market is not readily available.

(ii) The fair value of unlisted long-term financial assets and liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(iii) The carrying values of bank balances, short-term receivables and payables approximate their fair values due to the short-term maturities of these assets and liabilities.

(iv) The carrying value of debt instruments as financial assets at amortized cost approximates its fair value.

(v) The following table presents the Group's financial instruments, including "financial assets at FVOCI", "financial assets at FVPL", "derivative financial instruments", financial assets at FVPL under "investments related to unit-linked contracts", "investment contract liabilities" and investment contract liabilities under "liabilities related to unit-linked contracts", that are measured at fair value at 30 June 2023 and 30 June 2022 respectively:

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

Management determined the fair value of these financial assets within Level 2 and Level 3 as follows:

- The fair value of forward starting swap contracts and forward exchange contracts is determined by discounting the contractual future cash flows. The discount rate used is derived from the relevant swap curve as at the reporting date, with potential adjustment made for various collateralization agreement when appropriate;
- The fair value of cross currency swap contracts is determined by discounting the contractual future cash flows. The exchange rate and discount rate used are derived from the relevant foreign exchange forward rates and swap curve as at the reporting date, with potential adjustment made for various collateralization agreement when appropriate;
- For investments in unlisted investment funds, management discussed with the respective fund managers to understand the performance of the underlying investments and fair value measurement basis conducted by the respective fund managers in order to evaluate whether the fair values as stated in the fund statements at the end of reporting period is appropriate;

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(h) Fair value estimation (continued)

(v) (continued)

- For investments in equity and debt instruments with recent transactions, management determined the fair value at the end of reporting period with reference to recent transaction prices of these financial assets. Investments in bonds are classified as Level 2 financial instruments if there was no active market for such instruments;

- For investments in equity and debt instruments without recent transactions, management has established fair values of these investments by using appropriate valuation techniques such as discounted cash flow with the credit risk of the issuer taken into consideration for investments in bonds and the purchase price paid by the Group with consideration to the latest financial information, movement of market comparable/market indices and the latest business development of the investee companies, where applicable. Independent external valuer has been involved in determining the fair value, when appropriate; and

- The fair values of "investment contract liabilities" and investment contract liabilities under "liabilities related to unit-linked contracts" are determined with reference to the accumulation value.

As at 30 June 2023

HK$'m	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at FVOCI				
— Equity instruments	1,358.6	–	64.2	1,422.8
— Debt instruments	29,988.3	11,763.2	–	41,751.5
Financial assets at FVPL				
— Equity instruments	1,247.6	117.0	209.5	1,574.1
— Debt instruments	807.6	–	1,602.1	2,409.7
— Investment funds	7,334.8	–	3,684.0	11,018.8
Derivative financial instruments	–	287.8	–	287.8
Investments related to unit-linked contracts				
— Investment funds	8,924.4	–	–	8,924.4
	49,661.3	12,168.0	5,559.8	67,389.1
Liabilities				
Derivative financial instruments	–	(216.6)	–	(216.6)
Investment contract liabilities	–	(5.2)	–	(5.2)
Liabilities related to unit-linked contracts				
— Investments contract liabilities	–	(8,445.5)	–	(8,445.5)
	–	(8,667.3)	–	(8,667.3)

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(h) Fair value estimation (continued)

(v) (continued)

As at 30 June 2022

HK$'m	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at FVOCI				
— Equity instruments	1,763.8	–	18.5	1,782.3
— Debt instruments	30,049.5	9,752.0	–	39,801.5
Financial assets at FVPL				
— Equity instruments	1,654.7	117.0	299.9	2,071.6
— Debt instruments	696.3	384.4	1,646.7	2,727.4
— Investment funds	4,037.0	–	4,119.4	8,156.4
Derivative financial instruments	–	91.9	–	91.9
Investments related to unit-linked contracts				
— Investment funds	8,621.9	–	–	8,621.9
	46,823.2	10,345.3	6,084.5	63,253.0
Liabilities				
Derivative financial instruments	–	(172.7)	–	(172.7)
Investment contract liabilities	–	(5.4)	–	(5.4)
Liabilities related to unit-linked contracts				
— Investments contract liabilities	–	(8,160.9)	–	(8,160.9)
	–	(8,339.0)	–	(8,339.0)

During the year, there were transfer of debt instruments as financial assets at FVOCI relating to the Group's insurance business with fair value of HK$2,280.6 million from Level 1 to Level 2 (2022: HK$427.6 million from Level 2 to Level 1) fair value hierarchy classifications. Assets are transferred into or out of Level 1 based on whether they are transacted with sufficient frequency and volume in an active market.

4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(h) Fair value estimation (continued)

(v) (continued)

The following table presents the changes in Level 3 financial instruments:

HK$'m	**Assets** **Financial assets at FVOCI**	**Financial assets at FVPL**	**Total**
As at 1 July 2022	**18.5**	**6,066.0**	**6,084.5**
Translation differences	**–**	**(91.8)**	**(91.8)**
Purchases	**–**	**1,023.7**	**1,023.7**
Disposals/derecognized	**–**	**(1,121.1)**	**(1,121.1)**
Net fair value change recognized in other comprehensive income	**45.7**	**–**	**45.7**
Net fair value change recognized in consolidated income statement	**–**	**(381.2)**	**(381.2)**
As at 30 June 2023	**64.2**	**5,495.6**	**5,559.8**
Net unrealized fair value change recognized in consolidated income statement relating to balances held as at 30 June 2023	**–**	**(405.4)**	**(405.4)**

HK$'m	Assets Financial assets at FVOCI	Financial assets at FVPL	Derivative financial assets	Total
As at 1 July 2021	72.7	4,974.3	801.8	5,848.8
Translation differences	–	(18.6)	–	(18.6)
Purchases	–	3,086.9	–	3,086.9
Disposals/derecognized	–	(2,211.7)	–	(2,211.7)
Net fair value change recognized in other comprehensive income	(54.2)	–	(801.8)	(856.0)
Net fair value change recognized in consolidated income statement	–	235.1	–	235.1
As at 30 June 2022	18.5	6,066.0	–	6,084.5
Net unrealized fair value change recognized in consolidated income statement relating to balances held as at 30 June 2022	–	189.5	–	189.5

Level 3 financial instruments comprise investment funds, unlisted debt and equity instruments and derivative financial assets. The fair value of these financial instruments is determined by using valuation techniques as detailed above.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Group and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstance. The estimates and assumptions that have a significant effect on carrying amounts of assets and liabilities are as follows:

(a) Fair value of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss

For financial assets at FVOCI and financial assets at FVPL with quoted market price, management determined fair value based on quoted market price. The fair value of those financial assets at FVOCI or FVPL that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods as detailed in note 4(h)(v).

(b) Valuation of investment properties

The fair value of each investment property is individually determined at the end of each reporting period by management or by independent external valuers based on sales comparison method. Fair value is based on active market prices and adjusted if necessary for any difference in nature, location or conditions of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets, income approach or other approaches where appropriate. These methodologies are based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cash flow profile. The fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

As at 30 June 2023, if the market value of investment properties had been 5% (2022: 5%) higher/lower with all other variables held constant, the carrying value of the Group's investment properties would have been HK$293.8 million (2022: HK$242.1 million) higher/lower respectively and the Group's share of carrying value of the investment property held by interest in a joint venture would have been HK$420.0 million (2022: HK$417.2 million) higher/lower respectively.

(c) Estimate of life insurance contract liabilities

The estimation of the ultimate liabilities arising from claims made under life insurance contracts is one of the most critical accounting estimate for the Group's insurance business. There are sources of uncertainty that need to be considered in the estimation of the liabilities that the Group will ultimately pay for those claims.

The valuation of insurance contract liabilities requires the use of appropriate actuarial methodologies and also various economic and operational assumptions. The assumptions used in measuring the insurance contract liabilities include discount rates, mortality and morbidity rates, lapse and partial lapse rates, persistency, expenses, inflation, policy dividend and fund growth rate. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard industry and national mortality tables that reflect historical mortality experience, adjusted, where appropriate, to reflect the Group's unique risk exposure. The estimated number of deaths determines the value of possible future benefits to be paid out which will be factored into ensuring sufficient cover by reserves, which in return is monitored against the current and future premiums. Lapse rates are based on the historical experience of the Group. Expenses are based on the renewal compensation cost structure and the maintenance expenses level of the Group. Discount rates are based on the investment strategy of the Group, with due regard to the expected recurring return on assets backing the insurance contracts.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Estimate of life insurance contract liabilities (continued)

Estimates for discount rates, mortality rates, lapse rates and expenses are determined at the date of acquisition, where applicable, and at the inception of the contract and are used to calculate the liability over the term of the contract. At each reporting date, these estimates are reassessed for adequacy with margin and changes will be reflected in adjustments to the liability.

(d) Amortization of DAC and VOBA

The Group adopted an approach by which DAC of new business is amortized according to the expected future premiums or expected future profits, which are projected based on the Group's best estimate assumptions and actual persistency. Assumptions as to projected future premiums or expected future profits are made at the date of policy issue and are applied during the lives of the contracts consistently. VOBA is amortized over the estimated life of the contracts in the acquired portfolio on a systematic basis primarily based on expected future profits. Judgements are exercised in making appropriate estimate of future premiums or expected future profits.

(e) Product classification of insurance business

Contracts are classified as insurance contracts where they transfer significant insurance risk from the holder of the contract to the Group. The Group's accounting policy for the classification of insurance and investment contracts is discussed in more detail in note 3(ac)(i).

There are a number of contracts sold where the Group exercises judgement about the level of insurance risk transferred. Typically, these are contracts which contain a significant savings component. The level of insurance risk is assessed by considering whether there are any scenarios with commercial substance in which the Group is required to pay significant additional benefits. These benefits are those which exceed the amounts payable if no insured event were to occur. These additional amounts include claims liability and assessment costs, but exclude the loss of the ability to charge the holder of the contract for future services.

(f) Impairment of the Group's investments in associated companies and joint ventures

In accordance with the requirements under HKAS 28 "Investments in Associates and Joint Ventures" and HKAS 36 "Impairment of Assets", management regularly reviews whether there are any indications of impairment of the Group's investments in associated companies and joint ventures and assessed the recoverable amounts based on value in use calculations or fair value less cost of disposal approach where necessary. In determining the value in use, management assesses the present value of estimated future cash flows expected to arise from their businesses. Estimates and judgements are applied in determining these future cash flows and discount rate. The assumptions include discount rate and future revenue growth, which would be affected by selling price, market development and other relevant economic factors.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(g) Impairment of property, plant and equipment, goodwill and financial assets at FVOCI and amortized cost

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts of property, plant and equipment have been determined based on the higher of their fair values less costs of disposal and value in use, taking into account the latest market information and past experience.

The Group tests annually whether goodwill has suffered any impairment according to its recoverable amount determined by the CGU based on either fair value less cost of disposal or value in use calculations whichever is higher. These calculations require the use of estimates which are subject to changes of economic environment in future.

The loss allowances for financial assets at FVOCI and amortized cost are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(h) Estimated volume of Infrastructures of public services

The amortization for intangible concession rights and impairment assessment of Infrastructures for public services using discounted cash flow model are affected by the estimated volume for public services, such as toll roads. Management performs annual reviews to assess the appropriateness of estimated volume by making reference to independent professional studies, if necessary.

The traffic volume is directly and indirectly affected by a number of factors, including the availability, quality, proximity and toll rate differentials of alternative roads and the existence of other means of transportation. The growth of the traffic flow is also highly tied to the future economic and transportation network development of the area in which the Infrastructures serve. The growth in future traffic flow projected by the management is highly dependent on the realization of the aforementioned factors.

(i) Estimate of revenue for construction contracts

For revenue from construction work that is recognized over time, the Group recognizes such revenue by reference to the progress of satisfying the performance obligation at the reporting date. This is measured based on the Group's costs incurred up to the reporting date and budgeted costs which depict the Group's performance towards satisfying the performance obligation. Significant estimates and judgements are required in determining the accuracy of the budgets. In making the above estimation, the Group conducts periodic review on the budgets and makes reference to past experience and work of internal quantity surveyors.

(j) Classification of property, plant and equipment and investment properties

The Group classifies property, plant and equipment and investment properties based on whether the property is more likely to earn rental and whether the ancillary services are significant to the arrangement as a whole after taking into consideration of the latest income mix and business model of the property, and the relevant market trend.

6 REVENUE AND SEGMENT INFORMATION

The Group's revenue from continuing operations is analyzed as follows:

2023 **HK$'m**	**Hong Kong**	**Mainland China**	**Total**
Roads	**–**	**2,731.8**	**2,731.8**
Construction	**19,638.5**	**–**	**19,638.5**
Insurance	**20,988.2**	**–**	**20,988.2**
Logistics	**–**	**139.5**	**139.5**
Facilities Management	**1,685.1**	**29.9**	**1,715.0**
Strategic Investments	**–**	**0.8**	**0.8**
	42,311.8	**2,902.0**	**45,213.8**

2022 HK$'m	Hong Kong	Mainland China	Total
Roads	–	2,717.5	2,717.5
Construction	15,240.9	–	15,240.9
Insurance	12,373.6	–	12,373.6
Logistics	–	11.8	11.8
Facilities Management	745.6	49.2	794.8
Strategic Investments	–	–	–
	28,360.1	2,778.5	31,138.6

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Revenue from insurance business is further analyzed as follows:

	2023 **HK$'m**	2022 HK$'m
Gross premiums on insurance contracts	**20,797.5**	12,041.1
Less: premiums ceded to reinsurers	**(424.8)**	(391.7)
Premiums, net of reinsurance	**20,372.7**	11,649.4
Fee income on insurance and investment contracts	**558.1**	628.6
Reinsurance commission income and refund	**52.8**	85.4
Fee on referral business and commission income for general insurance and MPF	**4.6**	10.2
Fee and commission income	**615.5**	724.2
	20,988.2	12,373.6

Management has determined the operating segments based on the reports reviewed by the Executive Committee of the Company that are used to make strategic decisions. The Executive Committee reviews the Group's internal reporting in order to assess performance and allocate resources. The Executive Committee considers the businesses of the Group from product and service perspectives, which comprised (i) Roads; (ii) Construction; (iii) Insurance; (iv) Logistics; (v) Facilities Management; (vi) Strategic Investments; (vii) Aviation; and (viii) Environment. In FY2022, the result of the "Environment" segment was presented as discontinued operations in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" ("HKFRS 5") as detailed in note 34.

The Executive Committee assesses the performance of the operating segments based on a measure of Attributable Operating Profit (including share of results from associated companies and joint ventures). This measurement basis excludes the effects of corporate office and non-operating items. Corporate interest income, finance costs and expenses are not allocated to segments.

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) The information of the reportable segments provided to the Executive Committee for FY2023 and related comparative figures is as follows:

	Continuing operations	
HK$'m	**Roads**	**Construction**
2023		
Total revenue	**2,731.8**	**19,662.4**
Inter-segment	**–**	**(23.9)**
Revenue — external	**2,731.8**	**19,638.5**
Revenue from contracts with customers		
Recognized at a point in time	**2,731.8**	**–**
Recognized over time	**–**	**19,638.5**
	2,731.8	**19,638.5**
Revenue from other sources	**–**	**–**
	2,731.8	**19,638.5**
Attributable Operating Profit/(Loss)		
Company and subsidiaries	**784.1**	**727.3**
Associated companies	**207.9**	**18.2**
Joint ventures	**540.8**	**–**
	1,532.8	**745.5**
Reconciliation — corporate office and non-operating items		
Net gain on fair value of investment properties		
Impairments		
Net loss on disposal of projects, net of tax		
Net gain on fair value of derivative financial instruments		
Net gain on redemption of senior notes		
Interest income		
Finance costs		
Share-based payment		
Net exchange loss		
Expenses and others		
Profit for the year after tax and non-controlling interests		
Profit attributable to holders of perpetual capital securities		
Profit attributable to shareholders of the Company		

(i) The amount mainly represents share of impairment loss related to Hyva Global B.V. of HK$310.7 million (included in "share of results of joint ventures" and detailed in note 24(c)) as well as impairment loss for investment in Wai Kee of HK$74.1 million (included in "other income and gains, net" and detailed in notes 23(d)).

(ii) The finance costs recognized in the consolidated income statement for FY2023 from continuing operations is HK$938.2 million, in which the above HK$633.7 million represents corporate office finance costs and HK$304.5 million is recognized as part of Attributable Operating Profit in various reportable segments.

Insurance	Logistics	Facilities Management	Strategic Investments	Aviation	Total	
20,989.6	139.5	1,730.7	0.8	–	45,254.8	
(1.4)	–	(15.7)	–	–	(41.0)	
20,988.2	139.5	1,715.0	0.8	–	45,213.8	
–	–	797.1	–	–	3,528.9	
615.5	–	917.9	0.8	–	21,172.7	
615.5	–	1,715.0	0.8	–	24,701.6	
20,372.7	139.5	–	–	–	20,512.2	
20,988.2	139.5	1,715.0	0.8	–	45,213.8	
1,204.5	85.8	118.6	(107.8)	–	2,812.5	
–	(12.2)	(180.0)	162.0	–	195.9	(c)
–	678.4	(0.5)	(129.9)	–	1,088.8	(c)
1,204.5	752.0	(61.9)	(75.7)	–	4,097.2	
					5.2	
					(490.8)	(i)
					(64.6)	
					67.9	
					88.6	
					95.0	
					(633.7)	(ii)
					(51.8)	
					(45.5)	
					(428.8)	
					2,638.7	
					(612.0)	
					2,026.7	

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6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) The information of the reportable segments provided to the Executive Committee for FY2023 and related comparative figures is as follows: (continued)

	Continuing operations		
HK$'m	**Roads**	**Construction**	**Insurance**
2023			
Depreciation of property, plant and equipment	89.7	52.0	45.9
Depreciation of right-of-use assets	1.0	35.5	107.9
Amortization of intangible concession rights	1,039.4	–	–
Amortization of intangible assets	–	–	63.3
Amortization of VOBA	–	–	131.9
Interest income	(68.4)	(15.4)	(2,114.2)
Finance costs	136.1	49.8	90.7
Income tax expenses/(credit)	386.6	153.4	170.5
Overlay approach adjustments on financial assets	–	–	(687.5)
Net loss on fair value of financial assets at FVPL	–	2.1	778.0
Additions to non-current assets [ε]	2,538.2	63.0	150.1
At 30 June 2023			
Company and subsidiaries	15,745.2	8,990.1	91,331.4
Associated companies	2,190.7	255.3	–
Joint ventures	5,709.7	–	–
Total assets	23,645.6	9,245.4	91,331.4 (b)
Total liabilities	5,896.8	8,388.9	75,577.3 (b)

[ε] Represented non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, VOBA and DAC.

[γ] Presented for comparative purpose only, "Aviation" is no longer a reportable segment in FY2023.

Logistics	Facilities Management	Strategic Investments	Aviation [γ]	Corporate	Total
0.5	96.3	0.4	–	13.0	297.8
1.0	92.5	–	–	7.8	245.7
–	–	–	–	–	1,039.4
–	31.2	–	–	–	94.5
–	–	–	–	–	131.9
(1.6)	(79.7)	(97.9)	–	(95.0)	(2,472.2)
1.2	26.5	0.2	–	633.7	938.2
10.6	10.0	29.7	–	(3.5)	757.3
–	–	–	–	–	(687.5)
–	–	67.5	–	–	847.6
1,199.3	56.4	6.0	–	41.8	4,054.8
3,371.7	4,060.2	5,814.3	0.3	10,179.5	139,492.7
281.4	206.2	1,771.9	–	2.8	4,708.3
9,476.1	–	2,246.7	332.0	8.8	17,773.3
13,129.2	4,266.4	9,832.9	332.3	10,191.1	161,974.3
423.4	1,470.2	136.1	244.1	19,696.4	111,833.2

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6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) The information of the reportable segments provided to the Executive Committee for FY2023 and related comparative figures is as follows: (continued)

	Continuing operations		
HK$'m	Roads	Construction	Insurance
2022			
Total revenue	2,717.5	15,240.9	12,375.4
Inter-segment	–	–	(1.8)
Revenue — external	2,717.5	15,240.9	12,373.6
Revenue from contracts with customers			
Recognized at a point in time	2,717.5	–	–
Recognized over time	–	15,240.9	724.2
	2,717.5	15,240.9	724.2
Revenue from other sources	–	–	11,649.4
	2,717.5	15,240.9	12,373.6
Attributable Operating Profit/(Loss)			
Company and subsidiaries	923.0	798.2	1,074.9
Associated companies	191.5	114.0	–
Joint ventures	595.4	–	–
	1,709.9	912.2	1,074.9
Reconciliation — corporate office and non-operating items			
Remeasurement, impairments and provisions, net			
Net gain on disposal of projects, net of tax			
Net gain on fair value of derivative financial instruments			
Net gain on redemption of senior notes			
Interest income			
Finance costs			
Net exchange loss			
Expenses and others			
Profit for the year after tax and non-controlling interests			
Profit attributable to holders of perpetual capital securities			
Profit attributable to shareholders of the Company			

(iii) The amount mainly represented share of remeasurement/impairment losses, expected credit loss provision and aircraft repossession/recovery costs of Goshawk of HK$1,897.1 million (net of tax) (included in "share of results of joint ventures" and detailed in note 24(d)) and impairment loss for investment in Wai Kee of HK$109.9 million (included in "other income and gains, net" and detailed in note 23(d)), offset by the reversal of provision for onerous contract of HK$230.0 million (included in "other income and gains, net" and note 8)

(iv) The finance costs recognized in the consolidated income statement for FY2022 from continuing operations is HK$760.1 million, in which the above HK$424.9 million represented corporate office finance costs and HK$335.2 million was recognized as part of Attributable Operating Profit in various reportable segments.

Logistics	Facilities Management	Strategic Investments	Aviation	Subtotal	Discontinued operations Environment	Total	
11.8	794.9	–	–	31,140.5	–	31,140.5	
–	(0.1)	–	–	(1.9)	–	(1.9)	
11.8	794.8	–	–	31,138.6	–	31,138.6	
–	186.0	–	–	2,903.5	–	2,903.5	
–	608.8	–	–	16,573.9	–	16,573.9	
–	794.8	–	–	19,477.4	–	19,477.4	
11.8	–	–	–	11,661.2	–	11,661.2	
11.8	794.8	–	–	31,138.6	–	31,138.6	
(4.0)	(254.2)	(300.6)	–	2,237.3	–	2,237.3	
0.8	(162.4)	206.3	–	350.2 (c)	121.0	471.2	
595.8	7.1	(47.4)	511.5	1,662.4 (c)	–	1,662.4	
592.6	(409.5)	(141.7)	511.5	4,249.9	121.0	4,370.9	
						(1,816.9)	(iii)
						243.9	
						78.2	
						97.5	
						49.9	
						(424.9)	(iv)
						(3.4)	
						(425.3)	
						2,169.9	
						(583.1)	
						1,586.8	

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) The information of the reportable segments provided to the Executive Committee for FY2023 and related comparative figures is as follows: (continued)

	Continuing operations			
HK$'m	Roads	Construction	Insurance	Logistics
2022				
Depreciation of property, plant and equipment	54.3	51.3	42.8	0.2
Depreciation of right-of-use assets	0.8	33.6	120.0	1.1
Amortization of intangible concession rights	962.2	–	–	–
Amortization of intangible assets	–	–	51.8	–
Amortization of VOBA	–	–	155.3	–
Interest income	(46.9)	(1.8)	(1,639.0)	(0.5)
Finance costs	154.2	56.9	94.6	–
Income tax expenses/(credit)	402.9	141.7	77.3	(0.1)
Overlay approach adjustments on financial assets	–	–	(1,845.9)	–
Net loss on fair value of financial assets at FVPL	–	1.7	1,120.1	–
Additions to non-current assets [ε]	170.9	412.8	781.8	2,099.6
At 30 June 2022				
Company and subsidiaries	15,987.9	7,342.3	78,746.1	2,248.3
Associated companies	2,855.3	381.8	–	318.2
Joint ventures	3,822.9	–	–	9,278.3
Total assets	22,666.1	7,724.1	78,746.1	11,844.8
Total liabilities	5,632.2	6,741.5	62,731.8	143.0

[ε] Represented non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, VOBA and DAC.

Facilities Management	Strategic Investments	Aviation	Corporate	Subtotal	Discontinued operations Environment	Total
102.1	–	–	6.3	257.0	–	257.0
95.2	–	–	13.3	264.0	–	264.0
–	–	–	–	962.2	–	962.2
31.2	–	–	–	83.0	–	83.0
–	–	–	–	155.3	–	155.3
(28.3)	(85.4)	–	(49.9)	(1,851.8)	–	(1,851.8)
28.4	1.1	–	424.9	760.1	–	760.1
(40.5)	19.2	–	(24.3)	576.2	–	576.2
–	–	–	–	(1,845.9)	–	(1,845.9)
–	206.1	–	–	1,327.9	–	1,327.9
72.9	0.3	–	360.3	3,898.6	–	3,898.6
3,516.1	7,583.6	6,166.6	5,323.0	126,913.9	–	126,913.9
294.1	2,591.4	–	2.6	6,443.4	–	6,443.4
13.1	1,987.3	301.0	10.9	15,413.5	–	15,413.5
3,823.3	12,162.3	6,467.6	5,336.5	148,770.8	–	148,770.8
1,054.9	127.1	–	18,453.2	94,883.7	–	94,883.7

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Additional information of assets and liabilities by the following line items:

At 30 June 2023

HK$'m	Non-insurance and corporate	Insurance	Total
Assets			
Investment properties	5,167.4	707.6	5,875.0
Intangible concession rights	13,306.4	–	13,306.4
Intangible assets	125.5	5,737.7	5,863.2
Value of business acquired	–	5,107.9	5,107.9
Deferred acquisition costs	–	2,498.2	2,498.2
Associated companies	4,708.3	–	4,708.3
Joint ventures	17,773.3	–	17,773.3
Debt instruments as financial assets at amortized cost	55.2	6,839.8	6,895.0
Financial assets at FVOCI	987.9	42,186.4	43,174.3
Financial assets at FVPL	4,093.5	10,909.1	15,002.6
Trade, premium and other receivables	8,448.9	727.2	9,176.1
Investments related to unit-linked contracts	–	8,940.1	8,940.1
Cash and bank balances	12,901.3	6,354.6	19,255.9
Others	3,075.2	1,322.8	4,398.0
	70,642.9	91,331.4	161,974.3
Represented by			
Non-current assets	47,408.9	72,060.5	119,469.4
Current assets	23,234.0	19,270.9	42,504.9
	70,642.9	91,331.4	161,974.3
Liabilities			
Borrowings and other interest-bearing liabilities	23,229.0	567.9	23,796.9
Insurance and investment contract liabilities	–	62,268.7	62,268.7
Liabilities related to unit-linked contracts	–	9,128.5	9,128.5
Trade, other payables and payables to policyholders	10,050.0	2,740.8	12,790.8
Others	2,976.9	871.4	3,848.3
	36,255.9	75,577.3	111,833.2
Represented by			
Non-current liabilities	23,940.0	17,248.8	41,188.8
Current liabilities	12,315.9	58,328.5	70,644.4
	36,255.9	75,577.3	111,833.2
Net current assets/(liabilities) (note 2)	10,918.1	(39,057.6)	(28,139.5)

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(c) Reconciliation of Attributable Operating Profit from continuing operations of associated companies and joint ventures to the consolidated income statement:

		Associated companies		Joint ventures	
HK$'m	Note	**2023**	2022	**2023**	2022
Attributable Operating Profit		**195.9**	350.2	**1,088.8**	1,662.4
Corporate and non-operating items					
— Gain on disposal	24(d)	**–**	–	**92.7**	–
— Remeasurement, impairments and provisions, net	24(d)	**–**	–	**(386.7)**	(1,897.1)
— Others		**(19.1)**	(9.7)	**(40.7)**	(20.2)
Share of results of associated companies and joint ventures		**176.8**	340.5	**754.1**	(254.9)

(d) Information by geographical areas:

	Non-current assets [ε]	
HK$'m	**2023**	2022
Hong Kong	**10,580.8**	10,789.0
Mainland China	**16,943.3**	15,669.6
Others	**29.7**	32.0
	27,553.8	26,490.6

The Group's share of revenue of associated companies and joint ventures from continuing operations are as follows:

		Associated companies		Joint ventures	
HK$'m	Note	**2023**	2022	**2023**	2022
Hong Kong		**4,380.4**	3,349.1	**747.0**	741.8
Mainland China		**1,175.1**	1,458.9	**8,350.9**	12,408.0
Global and others		**895.0**	739.4	**2,810.2**	5,595.2
	23(k), 24(k)	**6,450.5**	5,547.4	**11,908.1**	18,745.0

[ε] Represented non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, VOBA and DAC.

7 OPERATING PROFIT

Operating profit of the Group from continuing operations is arrived at after crediting and charging the following:

	Note	2023 HK$'m	2022 HK$'m
Crediting			
Gross rental income from investment properties		**218.5**	67.3
Less: outgoings		**(56.9)**	(16.6)
		161.6	50.7
Charging			
Auditors' remuneration			
— Provision for current year		**32.7**	23.0
— Under/(over)-provision for prior years		**2.1**	(0.6)
Cost of inventories sold		**507.4**	57.9
Cost of construction	9(a)	**17,132.1**	12,495.4
Claims and benefits, net of reinsurance	9(b)	**18,260.7**	11,436.7
Depreciation of property, plant and equipment	17	**297.8**	257.0
Depreciation of right-of-use assets	21(c)	**245.7**	264.0
Amortization of intangible concession rights	18	**1,039.4**	962.2
Amortization of intangible assets	19	**94.5**	83.0
Amortization of VOBA	20	**131.9**	155.3
Agency commission and allowances, net of change in deferred acquisition costs	(a)	**1,749.5**	1,171.4
Expenses on short-term leases		**20.1**	20.3
Expenses on variable lease payments		**170.9**	75.1
Staff costs (including directors' emoluments (note 15) and share-based payment)	10(a)	**2,995.5**	2,609.8
Other costs and expenses		**1,280.9**	1,207.9
		43,961.2	30,818.4
Represented by			
Cost of sales	9	**40,011.1**	27,609.3
Selling and marketing expenses		**1,906.7**	1,290.9
General and administrative expenses		**2,043.4**	1,918.2
		43,961.2	30,818.4

(a) The amount includes amortization of deferred acquisition costs arising from insurance business of HK$658.1 million (2022: HK$524.2 million) (note 22).

8 OTHER INCOME AND GAINS, NET

	Note	2023 HK$'m	2022 HK$'m
Continuing operations			
Net gain/(loss) associated with investments related to unit-linked contracts		**257.7**	(2,201.6)
Gain on redemption of fixed rate bonds	49(b)	**90.5**	117.0
Net gain on fair value of derivative financial instruments		**67.9**	55.7
Net gain on fair value of investment properties	16	**59.5**	–
Profit on disposal/partial disposal of interests in associated companies		**–**	118.6
Reversal of provision for onerous contract	6(a)(iii)	**–**	230.0
Interest income			
— Debt instruments as financial assets at FVOCI		**1,923.6**	1,625.5
— Debt instruments as financial assets at amortized cost		**124.3**	–
— Bank deposits and others		**424.3**	226.3
Dividend income		**290.8**	323.1
Other income		**151.3**	106.2
Net exchange (loss)/gain		**(129.5)**	85.8
Net loss on fair value of financial assets at FVPL	(a)	**(847.6)**	(1,327.9)
(Charges)/credits associated with liabilities related to unit-linked contracts		**(250.5)**	2,198.8
Impairment loss related to associated companies	23(d)	**(104.1)**	(109.9)
Loss on disposal of interest in a joint venture		**(101.9)**	–
Net (loss)/profit on disposal of debt instruments as financial assets at FVOCI		**(6.1)**	137.6
Loss on disposal of an asset held-for-sale		**–**	(56.0)
Expected credit loss provision, net of reversal			
— Debt instruments as financial assets at FVOCI		**(511.6)**	(333.1)
— Debt instruments as financial assets at amortized cost		**(10.4)**	–
— Trade, premium and other receivables	31(e)	**59.2**	(229.5)
		1,487.4	966.6

(a) The Group elected to apply the "overlay approach" in accordance with HKFRS 4 (Amendments) which allows the Group to reclassify fair value gain or loss from consolidated income statement to other comprehensive income for those designated eligible financial assets previously classified as available-for-sale financial assets under HKAS 39 but currently classified as financial assets at FVPL under HKFRS 9. The designated financial assets applying the overlay approach are equity instruments and investment funds that are managed as underlying assets backing the insurance contracts issued.

The net loss on fair value of financial assets at FVPL of HK$847.6 million (2022: HK$1,327.9 million) includes (i) a net fair value loss of HK$687.5 million (2022: HK$1,845.9 million) arising from those designated financial assets held by insurance business applying the overlay approach; and (ii) the remaining net fair value loss of HK$160.1 million (2022: net gain of HK$518.0 million) arising from other financial assets held by insurance business which are not eligible for the overlay approach or financial assets not related to insurance business. The net fair value loss of HK$687.5 million (2022: HK$1,845.9 million) (note 37) was then reclassified from consolidated income statement to other comprehensive income as overlay approach adjustments for the designated financial assets.

9 COST OF SALES

The Group's cost of sales from continuing operations is analyzed as follows:

	Note	2023 HK$'m	2022 HK$'m
Cost of inventories sold		**507.4**	57.9
Cost of construction	(a)	**17,132.1**	12,495.4
Cost of services rendered		**3,979.0**	3,464.0
Claims and benefits, net of reinsurance	(b)	**18,260.7**	11,436.7
Amortization of VOBA	20	**131.9**	155.3
		40,011.1	27,609.3

(a) Cost of construction mainly represents subcontractor's costs and material costs.

(b) Details of claims and benefits, net of reinsurance are shown below:

	Note	2023 HK$'m	2022 HK$'m
Claims		**1,102.9**	1,074.2
Reinsurers' and coinsurers' share of claims		**(331.4)**	(341.7)
Claims, net of reinsurers' and coinsurers' share		**771.5**	732.5
Surrenders, annuities and maturities		**1,178.0**	1,297.1
Reinsurers' and coinsurers' share		**18.7**	39.0
		1,196.7	1,336.1
Policyholders' dividends and interests		**432.9**	389.8
Incentives to policyholders		**1,142.7**	289.3
Increase in insurance contract liabilities		**14,716.9**	8,689.0
Total claims and benefits, net of reinsurance	7	**18,260.7**	11,436.7

10 STAFF COSTS

(a) Staff costs

	Note	2023 HK$'m	2022 HK$'m
Continuing operations			
Wages, salaries and other benefits		**2,800.5**	2,472.9
Share-based payment	37	**51.8**	–
Pension costs — defined contribution plans		**141.6**	135.2
Pension costs — defined benefits plans		**1.6**	1.7
	7	**2,995.5**	2,609.8

Directors' emoluments are included in staff costs.

Subsidies received from Employment Support Scheme launched by the Hong Kong Government amounting to HK$8.1 million for FY2023 (2022: HK$25.0 million) are netted off in total staff costs.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2022: two) directors whose emoluments are reflected in note 15(a). The emoluments of the remaining one (2022: three) individual(s) during the year are as follows:

	2023 HK$'m	2022 HK$'m
Fees	**0.1**	0.1
Basic salaries, allowances and other benefits	**5.7**	36.5
Discretionary bonuses	**6.8**	20.2
Employer's contribution to retirement benefits schemes	**0.6**	1.0
Share-based payment	**0.4**	–
	13.6	57.8

The emoluments of the individual(s) fell within the following bands:

	Number of individual(s)	
	2023	2022
Emolument band (HK$)		
12,500,001 – 13,000,000	**–**	1
13,500,001 – 14,000,000	**1**	–
15,500,001 – 16,000,000	**–**	1
29,000,001 – 29,500,000	**–**	1

The aggregate value of deemed share options benefits of the five highest paid individuals during FY2023 amounts to HK$21.1 million (2022: nil).

10 STAFF COSTS (CONTINUED)

(c) Emoluments of senior management

Other than the emoluments of five highest paid individuals and directors disclosed in notes 10(b) and 15(a) respectively, the emoluments of the senior management fell within the following bands:

	Number of individual(s)	
	2023	2022
Emolument band (HK$)		
1,500,001 – 2,000,000	**–**	1
2,000,001 – 2,500,000	**1**	–
4,000,001 – 4,500,000	**–**	1
4,500,001 – 5,000,000	**–**	2
5,000,001 – 5,500,000	**3**	–
6,000,001 – 6,500,000	**1**	1
7,500,001 – 8,000,000	**1**	–

11 FINANCE COSTS

	Note	**2023 HK$'m**	2022 HK$'m
Continuing operations			
Interest on borrowings and other interest-bearing liabilities		**651.5**	338.9
Interest on fixed rate bonds		**161.6**	278.8
Interest on lease liabilities	49(b)	**40.6**	46.3
Others		**84.5**	96.1
		938.2	760.1

12 INCOME TAX EXPENSES

Hong Kong profits tax is provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits for the year. Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profits for the year at the rates of tax prevailing in the regions in which the Group operates. These rates range from 12% to 28% (2022: 12% to 28%). Withholding tax on dividends is mainly provided at the rate of 5% or 10% (2022: 5% or 10%).

The assessable profits of the Group's insurance business are computed in accordance with the special provisions of the Hong Kong Inland Revenue Ordinance ("IRO"). Profits tax for the long-term insurance business, as defined by IRO, is computed at a rate of 16.5% of 5% of net premiums (gross premiums received less reinsurance premiums ceded) of the life insurance business in accordance with Section 23(1)(a) of IRO.

12 INCOME TAX EXPENSES (CONTINUED)

The amount of income tax expenses from continuing operations charged to the consolidated income statement represents:

	Note	2023 HK$'m	2022 HK$'m
Current income tax			
Hong Kong profits tax		**344.5**	262.6
Mainland China and overseas taxation		**556.2**	502.5
Deferred income tax credit	40	**(143.4)**	(188.9)
		757.3	576.2

Share of taxation of associated companies and joint ventures from continuing operations of HK$124.4 million (2022: HK$110.9 million) and HK$462.2 million (2022: HK$277.3 million) respectively are included in the consolidated income statement as share of results of associated companies and joint ventures respectively.

The tax expenses from continuing operations on the Group's profit before income tax differ from the theoretical amount that would arise using the profits tax rate of Hong Kong as follows:

	2023 HK$'m	2022 HK$'m
Profit before income tax	**3,420.2**	2,458.2
Excluding share of results of associated companies	**(176.8)**	(340.5)
Excluding share of results of joint ventures	**(754.1)**	254.9
	2,489.3	2,372.6
Calculated at a taxation rate of 16.5% (2022: 16.5%)	**410.7**	391.5
Effect of different taxation rates in other countries	**108.7**	106.2
Tax on 5% of net premium of life insurance business	**176.5**	104.9
Results of life insurance business not taxable at the statutory rate	**(239.9)**	(181.5)
Income not subject to taxation	**(81.7)**	(137.2)
Expenses not deductible for taxation purposes	**248.4**	177.4
Tax losses not recognized	**22.6**	86.9
Utilization of previously unrecognized tax losses	**(0.6)**	(3.4)
Withholding tax	**100.1**	81.2
Under/(over)-provisions in prior years	**3.3**	(47.8)
Others	**9.2**	(2.0)
Income tax expenses	**757.3**	576.2

13 DIVIDENDS

	2023 HK$'m	2022 HK$'m
Interim dividend paid of HK$0.30 (2022:HK$0.30) per share	**1,173.1**	1,173.4
Final dividend proposed of HK$0.31 (2022: paid of HK$0.31) per share	**1,212.4**	1,212.2
	2,385.5	2,385.6

At the meeting held on 29 September 2023, the Board recommended a final dividend of HK$0.31 per share. This proposed dividend has not been recognized as a dividend payable in these consolidated financial statements but will be reflected as an appropriation of the retained profits in the consolidated financial statements for FY2024.

Subject to the passing of the relevant resolution at the 2023 AGM, it is expected that the final dividend will be paid on or about 7 December 2023.

14 EARNINGS PER SHARE

The calculation of basic earnings per share from continuing operations is based on earnings of HK$2,150.8 million (2022: HK$1,284.5 million), which comprised profit attributable to shareholders of the Company arising from continuing operations of HK$2,026.7 million (2022: HK$1,284.5 million) and gain on redemption of perpetual capital securities of HK$124.1 million (note 37) (2022: nil); on the weighted average of 3,910,515,912 (2022: 3,911,137,849) ordinary shares outstanding during the year.

For FY2022, the calculation of basic earnings per share from discontinued operations was based on profit attributable to shareholders of the Company arising from discontinued operations of HK$302.3 million and on the weighted average of 3,911,137,849 ordinary shares outstanding during FY2022.

The share options of the Company had an anti-dilutive effect on the basic earnings per share for FY2023 as the adjusted exercise price of the share options is above the average market price of the ordinary shares during the outstanding period, and therefore were not included in the calculation of diluted earnings per share. There was no potential dilutive ordinary share outstanding during FY2022.

15 BENEFITS AND INTERESTS OF DIRECTORS

(a) The aggregate amounts of emoluments of the directors of the Company are as follows:

	Note	2023 HK$'m	2022 HK$'m
Remunerations	(i)	**77.0**	84.8

In addition to above, the Company has granted share options to directors of the Company during FY2023. The value of deemed share options benefits amounted to HK$36.2 million (2022: nil).

Remuneration package, including director's fee, basic salaries, allowances and other benefits, discretionary bonuses, employer's contribution to retirement benefits scheme and share option benefits (if any), is determined according to individual performance, job responsibility and seniority, and is reviewed with reference to market conditions.

During this year, the Group did not pay the directors any inducement to join or upon joining the Group, or as compensation for loss of office. No director waived or agreed to waive any emoluments during the year.

15 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) The aggregate amounts of emoluments of the directors of the Company are as follows: (continued)

(i) The remunerations of individual directors are set out below:

	As director#		As management##			
Name of director	Fees HK$'m	Allowances and other benefits HK$'m	Basic salaries, allowances and other benefits HK$'m	Employer's contribution to retirement benefits schemes HK$'m	2023 Total HK$'m	2022 Total HK$'m
Dr Cheng Kar Shun, Henry	0.68	0.04	14.31	0.64	**15.67**	12.21
Mr Ma Siu Cheung	1.21	0.11	13.54	0.39	**15.25**	14.27
Mr Ho Gilbert Chi Hang	1.04	0.09	10.47	0.63	**12.23**	11.10
Dr Cheng Chi Kong, Adrian	0.60	0.06	8.45	0.56	**9.67**	8.54
Mr Cheung Chin Cheung*	–	–	–	–	**–**	8.38
Mr Cheng Chi Ming, Brian	0.68	0.07	9.61	0.60	**10.96**	8.84
Mr Chow Tak Wing**	–	–	–	–	**–**	9.44
Mr Cheng Chi Leong, Christopher	0.30	0.05	8.07	0.27	**8.69**	7.46
Mr To Hin Tsun, Gerald	0.30	0.05	–	–	**0.35**	0.36
Mr Dominic Lai	0.43	0.09	–	–	**0.52**	0.52
Mr Lam Wai Hon, Patrick***	–	–	–	–	**–**	–
Mr William Junior Guilherme Doo	0.35	0.08	–	–	**0.43**	0.41
Mr Kwong Che Keung, Gordon****	0.41	0.06	–	–	**0.47**	0.72
Dr Cheng Wai Chee, Christopher**	–	–	–	–	**–**	0.56
Mr Shek Lai Him, Abraham	0.52	0.09	–	–	**0.61**	0.61
Mr Lee Yiu Kwong, Alan	0.52	0.10	–	–	**0.62**	0.52
Mrs Oei Wai Chi Grace Fung	0.39	0.09	–	–	**0.48**	0.47
Mr Wong Kwai Huen, Albert	0.38	0.07	–	–	**0.45**	0.40
Professor Chan Ka Keung, Ceajer*****	0.48	0.09	–	–	**0.57**	–
Ms Ng Yuen Ting, Yolanda******	0.03	0.01	–	–	**0.04**	–
	8.32	1.15	64.45	3.09	**77.01**	84.81

* Resigned on 1 July 2022

** Resigned on 1 January 2022

*** Being the alternate director to Mr William Junior Guilherme Doo

**** Retired as an independent non-executive director on 21 November 2022

***** Appointed on 1 January 2022

****** Appointed on 1 December 2022

The amount represented emoluments paid in respect of a person's services as a director, whether of the Company or its subsidiary undertakings.

The amount represented emoluments paid in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings and included basic salaries, discretionary bonuses, employer's contribution to retirement benefit scheme, allowances and other benefits.

15 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) The aggregate amounts of emoluments of the directors of the Company are as follows: (continued)

(ii) The deemed share option benefits of individual directors are set out below:

Name of director	**2023** **HK$'m**	2022 HK$'m
Dr Cheng Kar Shun, Henry	**6.91**	–
Mr Ma Siu Cheung	**4.83**	–
Mr Ho Gilbert Chi Hang	**4.66**	–
Dr Cheng Chi Kong, Adrian	**3.45**	–
Mr Cheng Chi Ming, Brian	**4.33**	–
Mr Cheng Chi Leong, Christopher	**4.32**	–
Mr To Hin Tsun, Gerald	**0.48**	–
Mr Dominic Lai	**0.48**	–
Mr William Junior Guilherme Doo	**0.48**	–
Mr Kwong Che Keung, Gordon	**1.04**	–
Mr Shek Lai Him, Abraham	**1.03**	–
Mr Lee Yiu Kwong, Alan	**1.04**	–
Mrs Oei Wai Chi Grace Fung	**1.03**	–
Mr Wong Kwai Huen, Albert	**1.04**	–
Professor Chan Ka Keung, Ceajer	**1.03**	–
	36.15	–

The deemed share option benefits are calculated in accordance with the requirement as stipulated in HKFRS 2 "Share-based payment". None of the directors of the Company has exercised the share options during the year.

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

On 24 April 2020, a master services agreement (the "DOO Master Services Agreement") was entered into between the Company and Mr Doo Wai Hoi, William ("Mr Doo") whereby each of the Company and Mr Doo agreed to, and agreed to procure that members of the Group or the Services Group (as defined in the Doo Master Services Agreement) (to the extent practicable), engage relevant members of the Services Group or the Group to provide certain operational services to relevant members of the Group or the Services Group during the term of the DOO Master Services Agreement. Mr Doo is the father of Mr William Junior Guilherme Doo, brother-in-law of Dr Cheng Kar Shun, Henry, and uncle of Dr Cheng Chi Kong, Adrian, Mr Cheng Chi Ming, Brian and Mr Cheng Chi Leong, Christopher, all of whom (except Mr Doo) are directors of the Company. The DOO Master Services Agreement has an initial term of three years commencing from 1 July 2020. During FY2023, the approximate total contract sum was HK$1,803.9 million (2022: HK$1,055.5 million).

In view of the expiry of the DOO Master Services Agreement on 30 June 2023, a new master services agreement was entered into between the Company and Mr Doo on 28 April 2023 (the "New DOO Master Services Agreement") whereby each of the Company and Mr Doo agreed to, and agreed to procure that members of the Group or the Services Group (as defined in the New DOO Master Services Agreement) (to the extent practicable), engage relevant members of the Services Group or the Group to provide certain operational services to relevant members of the Group or the Services Group during the term of the New DOO Master Services Agreement. The New DOO Master Services Agreement has an initial term of three years commencing from 1 July 2023.

Save as mentioned above, no other significant transactions, arrangements or contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

16 INVESTMENT PROPERTIES

HK$'m	Note	**Commercial properties in Hong Kong**	**Commercial properties in Macau**	**Commercial properties in Mainland China**	**Residential properties in Mainland China**	**Total**
At 1 July 2022		**2,698.1**	**31.4**	**2,106.9**	**5.8**	**4,842.2**
Additions	(c)	**–**	**–**	**1,189.4**	**–**	**1,189.4**
Fair value changes	8	**26.9**	**(3.0)**	**35.6**	**–**	**59.5**
Translation differences		**–**	**–**	**(215.6)**	**(0.5)**	**(216.1)**
At 30 June 2023		**2,725.0**	**28.4**	**3,116.3**	**5.3**	**5,875.0**

HK$'m	Note	Commercial properties in Hong Kong	Commercial properties in Macau	Commercial properties in Mainland China	Residential properties in Mainland China	Total
At 1 July 2021		1,644.0	31.4	–	6.0	1,681.4
Additions	(c), (d)	1,054.1	–	2,096.0	–	3,150.1
Translation differences		–	–	10.9	(0.2)	10.7
At 30 June 2022		2,698.1	31.4	2,106.9	5.8	4,842.2

The investment properties of the Group measured at fair value are categorized as Level 3 in the fair value hierarchy. The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There was no transfer among Levels 1, 2 and 3 fair value hierarchy during the year.

(a) Valuation process of the Group

The investment properties were revalued on 30 June 2023 by independent, professionally qualified valuers, Knight Frank Petty Limited and Colliers International (Hong Kong) Limited, based on sales comparison or income approach as detailed in note 5(b).

The Group's management reviews the valuations performed by the independent valuers for financial reporting purposes. Discussions of valuation processes and results are held between the management and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

16 INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation methods

Fair values of certain commercial properties in Hong Kong, Macau and Mainland China are generally derived using the income capitalization method. This valuation method is based on the capitalization of the net income and reversionary income potential by adopting appropriate capitalization rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

Fair values of the residential properties in Mainland China and certain commercial properties in Hong Kong are derived using the sales comparison method. This valuation method is based on comparing the properties to be valued directly with other comparable properties transacted and/or asking prices. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the properties under consideration.

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

(c) In May 2022, the Group entered into the share purchase agreements to acquire the entire equity interests in and the related shareholders' loans of a portfolio of property investment companies and investment holding companies which mainly consist of six logistics properties in operation or under development located in Chengdu and Wuhan. The acquisitions of five logistics properties at HK$2,096.0 million were completed in June 2022 and the acquisition of the sixth logistics property at HK$559.2 million was also completed in January 2023.

In February 2023, the Group entered into a sale and purchase agreement to acquire 90% equity interest in a company which held a logistics property in Suzhou Industrial Park. Completion of the acquisition of the logistics property at HK$630.2 million took place in June 2023.

These logistics properties are held for long-term rental yield and accounted for as investment properties accordingly.

(d) During FY2022, the Group acquired the office units on 18th–21st floors and car parking spaces of No. 888 Lai Chi Kok Road, Kowloon, Hong Kong at the aggregate purchase price of HK$1,367 million and HK$81 million respectively. Certain floors of the office units and car parking spaces are held for long-term rental yield purpose and HK$1,054.1 million was included as investment properties, while the remaining floor of office units and car parking spaces are for self-occupation and accounted for as property, plant and equipment and/or right-of-use assets.

16 INVESTMENT PROPERTIES (CONTINUED)

(e) Significant unobservable inputs used to determine fair value

	Fair value at 30 June 2023 HK$'m	Fair value at 30 June 2022 HK$'m	Valuation methods	Unobservable inputs	**Range of unobservable inputs for 2023**	Range of unobservable inputs for 2022	Note
Commercial properties in Hong Kong	**1,629.0**	1,644.0	Income capitalization	Capitalization rate	**4.2%-5.2%**	4.2%-5.2%	(i)
				Average monthly rental	**HK$50-HK$300/sq ft HK$3,850 per carpark space**	HK$40-HK$340/sq ft HK$3,600 per carpark space	(ii)
	1,096.0	1,054.1	Sales comparison	Property specific adjusting factor	**0.85-1.10**	0.90-1.10	(ii)
Commercial properties in Macau	**28.4**	31.4	Income capitalization	Capitalization rate	**1.9%-3.0%**	1.9%-3.0%	(i)
				Average monthly rental	**HK$27-HK$31/sq ft HK$3,500 per carpark space**	HK$30-HK$34/sq ft HK$3,500 per carpark space	(ii)
Commercial properties in Mainland China	**3,116.3**	2,106.9	Income capitalization	Capitalization rate	**5.5%-6.0%**	5.5%-6.0%	(i)
				Average daily rental	**RMB0.73-RMB1.40/sq m**	RMB0.67-RMB1.05/sq m	(ii)
Residential properties in Mainland China	**5.3**	5.8	Sales comparison	Property specific adjusting factor	**1.00-1.10**	1.00-1.05	(ii)
	5,875.0	4,842.2					

Notes: Descriptions of the sensitivity in unobservable inputs and inter-relationship:

(i) The fair value measurement is negatively correlated to the unobservable input that the lower the factor will result in a higher fair value.

(ii) The fair value measurement is positively correlated to the unobservable input that the higher the factor will result in a higher fair value.

16 INVESTMENT PROPERTIES (CONTINUED)

(f) Particulars of major investment properties held by the Group as at 30 June 2023 are as follows:

	Address	Type of use	Land lease expiry
(i)	Shopping arcade units and car parking spaces of Hong Kong Convention and Exhibition Centre, No.1 Harbour Road, Wan Chai, Hong Kong	Retail, meeting rooms and carparks	2060
(ii)	Office units on 18th-20th floors and car parking spaces of NCB Innovation Centre, No. 888 Lai Chi Kok Road, Kowloon, Hong Kong	Offices and carparks	2067
(iii)	No.633 Huiyuan Road, Shuangliu District, Chengdu City, Sichuan Province	Logistics centre	2063
(iv)	No.333 4th Road South, Chengdu Economic & Technological Development Zone (Longquanyi District), Chengdu City, Sichuan Province	Logistics centre	2062
(v)	No.3300 Xichuang Avenue, Puxing Town, Xinjin County, Chengdu City, Sichuan Province	Logistics centre	2064/2065
(vi)	No.1199 Tuoyuan Road, Xindu Town, Xindu District, Chengdu City, Sichuan Province	Logistics centre	2064
(vii)	No.525 Fuhai Road & No.920 Zhantan Road, Xindu District, Chengdu City, Sichuan Province	Logistics centre	2069
(viii)	North side of Tongjiang 2nd Road, Shamao Street, Hannan District, Wuhan City, Hubei Province	Logistics centre	2064
(ix)	No.92 Jinjiang Road, Suzhou Industrial Park, Suzhou, Jiangsu Province	Logistics centre	2068

17 PROPERTY, PLANT AND EQUIPMENT

HK$'m	Note	Land and properties	Other plant and equipment	Motor vehicles	Total
Cost					
At 1 July 2022		252.7	3,096.5	28.1	3,377.3
Acquisition of a subsidiary	50	–	35.4	–	35.4
Additions		–	303.5	2.7	306.2
Disposals		–	(89.1)	(1.5)	(90.6)
Translation differences		(0.8)	(56.5)	(0.2)	(57.5)
At 30 June 2023		251.9	3,289.8	29.1	3,570.8
Accumulated depreciation and impairment					
At 1 July 2022		25.4	2,010.2	26.0	2,061.6
Depreciation	7	6.8	289.6	1.4	297.8
Disposals		–	(82.3)	(1.5)	(83.8)
Translation differences		(0.1)	(21.5)	(0.2)	(21.8)
At 30 June 2023		32.1	2,196.0	25.7	2,253.8
Net book value					
At 30 June 2023		219.8	1,093.8	3.4	1,317.0

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

HK$'m	Note	Land and properties	Other plant and equipment	Motor vehicles	Total
Cost					
At 1 July 2021		107.4	2,888.0	28.2	3,023.6
Additions		145.5	257.8	–	403.3
Disposals		–	(36.9)	(0.1)	(37.0)
Translation differences		(0.2)	(12.4)	–	(12.6)
At 30 June 2022		252.7	3,096.5	28.1	3,377.3
Accumulated depreciation and impairment					
At 1 July 2021		22.0	1,792.1	23.5	1,837.6
Depreciation	7	3.4	251.0	2.6	257.0
Impairment		–	9.0	–	9.0
Disposals		–	(36.1)	(0.1)	(36.2)
Translation differences		–	(5.8)	–	(5.8)
At 30 June 2022		25.4	2,010.2	26.0	2,061.6
Net book value					
At 30 June 2022		227.3	1,086.3	2.1	1,315.7

18 INTANGIBLE CONCESSION RIGHTS

	Note	2023 HK$'m	2022 HK$'m
Cost			
At beginning of year		**23,994.9**	24,571.2
Acquisition of a subsidiary	50	**2,231.8**	–
Additions		**142.9**	–
Translation differences		**(2,032.0)**	(576.3)
At end of year		**24,337.6**	23,994.9
Accumulated amortization and impairment			
At beginning of year		**10,913.0**	10,215.6
Amortization	7	**1,039.4**	962.2
Translation differences		**(921.2)**	(264.8)
At end of year		**11,031.2**	10,913.0
Net book value			
At end of year	(a)	**13,306.4**	13,081.9

(a) Intangible concession rights refer to the Group's investment in the Roads segment. Amortization of intangible concession rights is included in the cost of sales in the consolidated income statement.

19 INTANGIBLE ASSETS

HK$'m	Note	**Goodwill**	**Operating right and others**	**Total**
Cost				
At 1 July 2022		**5,595.0**	**836.4**	**6,431.4**
Additions		**–**	**67.7**	**67.7**
Translation differences		**(0.7)**	**–**	**(0.7)**
At 30 June 2023		**5,594.3**	**904.1**	**6,498.4**
Accumulated amortization and impairment				
At 1 July 2022		**15.4**	**525.9**	**541.3**
Amortization	7	**–**	**94.5**	**94.5**
Translation differences		**(0.6)**	**–**	**(0.6)**
At 30 June 2023		**14.8**	**620.4**	**635.2**
Net book value				
At 30 June 2023		**5,579.5**	**283.7**	**5,863.2**

HK$'m	Note	Goodwill	Operating right and others	Total
Cost				
At 1 July 2021		5,595.0	780.7	6,375.7
Additions		–	62.0	62.0
Disposal		–	(6.3)	(6.3)
At 30 June 2022		5,595.0	836.4	6,431.4
Accumulated amortization and impairment				
At 1 July 2021		15.4	444.1	459.5
Amortization	7	–	83.0	83.0
Disposal		–	(1.2)	(1.2)
At 30 June 2022		15.4	525.9	541.3
Net book value				
At 30 June 2022		5,579.6	310.5	5,890.1

19 INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill

A summary of the goodwill allocation to segment is presented below:

HK$'m	Hong Kong	Mainland China	Total
At 30 June 2023			
Roads	**–**	**3.2**	**3.2**
Insurance	**5,576.3**	**–**	**5,576.3**
	5,576.3	**3.2**	**5,579.5**

HK$'m	Hong Kong	Mainland China	Total
At 30 June 2022			
Roads	–	3.3	3.3
Insurance	5,576.3	–	5,576.3
	5,576.3	3.3	5,579.6

Impairment tests for goodwill

Goodwill is allocated to the Group's CGU identified according to country of operation and business segment. For the purpose of impairment test, the recoverable amount of the business unit is determined based on either fair value less costs of disposal or value in use calculations whichever is higher.

For Insurance segment, discount rate of 7.75% was used to reflect specific risk relating to such business and a 5% growth rate for future new business cash flows beyond five years was used to extrapolate the present value of expected future new business. The assessment indicated no impairment is required on the carrying value of goodwill of Insurance segment as at 30 June 2023.

The assumptions used in the carrying value assessment are highly judgmental, and heavily dependent on the discount rate used and value of new business projection. For example, any increase in the risk premium or any decrease in the value of new business projection with other variables remain constant, if adopted, would result in decrease in the recoverable amount as determined by the value in use calculation. A reasonably possible change in assumption would not result in impairment and as such disclosure of sensitivity analysis is not considered necessary.

(b) Operating right and others

Operating right was primarily resulted from the acquisition of right to operate facilities management business and is amortized over the period of the operating right. Other intangible asset mainly represents computer software under the Group's Insurance segment and is amortized over a period of 3 to 5 years or the estimated useful life, whichever is shorter. Operating right and other intangible assets are tested for impairment when there is indication of impairment.

(c) Amortization

Amortization of intangible assets is included in the cost of sales and general and administrative expenses in the consolidated income statement.

20 VALUE OF BUSINESS ACQUIRED

	Note	2023 HK$'m	2022 HK$'m
At beginning of the year		**5,239.8**	5,395.1
Amortization	7, 9	**(131.9)**	(155.3)
At end of year		**5,107.9**	5,239.8

21 RIGHT-OF-USE ASSETS

	2023 HK$'m	2022 HK$'m
Leasehold land	**395.6**	409.8
Buildings, plant and equipment	**341.5**	411.8
Others	**455.1**	539.1
	1,192.2	1,360.7

(a) Rental contracts capitalized as right-of-use assets are typically made for fixed periods range from 13 months to 19 years (2022: 18 months to 19 years) for buildings, plant and equipment and others, but may have extension options which majority of these options are exercisable only by the Group and not by the respective lessors. Lease term for leasehold land ranges from 32 years to 125 years (2022: same).

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

(b) During the year, additions to the right-of-use assets are HK$81.4 million (2022: HK$283.2 million, of which HK$214.6 million was related to acquisition of the office units as detailed in note 16(d)).

(c) Depreciation of right-of-use assets from continuing operations are as follows:

	Note	2023 HK$'m	2022 HK$'m
Leasehold land		**25.4**	20.8
Buildings, plant and equipment		**136.3**	159.2
Others		**84.0**	84.0
	7	**245.7**	264.0

22 DEFERRED ACQUISITION COSTS

	Note	2023 HK$'m	2022 HK$'m
At beginning of the year		**2,335.0**	1,711.5
Additions of new business		**821.3**	1,147.7
Amortization	7(a)	**(658.1)**	(524.2)
At end of year		**2,498.2**	2,335.0

23 ASSOCIATED COMPANIES

	Note	2023 HK$'m	2022 HK$'m
Group's share of net assets, including goodwill			
Listed shares — Hong Kong	(a)	**1,120.2**	1,482.8
Listed shares — overseas	(a)	**660.1**	654.4
Unlisted shares	(b), (e)	**2,781.8**	4,080.4
		4,562.1	6,217.6
Amounts receivable			
Gross amount	(f)	**1,925.6**	1,850.5
Less: provision	(g)	**(1,779.4)**	(1,624.7)
	(c), (d)	**4,708.3**	6,443.4

(a) As at 30 June 2023, the share of market value of the Group's listed associated companies amounts to HK$1,954.3 million (2022: HK$1,685.6 million).

(b) As at 30 June 2022, the Group had provided a pledge over its 30% equity interest in an associated company which owns and operates an expressway in Hubei with carrying amount of HK$1,702.8 million as security for a bank loan made by that associated company. The bank loan was fully repaid and the pledge was released during FY2023.

(c) As at 30 June 2023, the carrying amount mainly represents the Group's investments in various roads, logistics, healthcare, strategic investments and other projects.

(d) During FY2023, impairment losses related to associated companies of HK$104.1 million (2022: HK$109.9 million) (note 8) was recognized by the Group and included in "other income and gains, net", which mainly included an impairment loss for investment in Wai Kee of HK$74.1 million (2022: HK$109.9 million) whereas its recoverable amount was determined primarily based on fair value less cost of disposal approach and taking into consideration the share of market value of the listed shares held by the Group.

Except for above, management is of the view that there is no material impairment of the Group's investments in associated companies as at 30 June 2023.

(e) During FY2023, the Group has further acquired 60% equity interest of Hunan Daoyue (a 40% indirect associated company of the Company which is principally engaged in the management and operation of Sui-Yue Expressway). Hunan Daoyue become an indirect wholly-owned subsidiary of the Company. Details of the acquisition were set out in note 50.

23 ASSOCIATED COMPANIES (CONTINUED)

(f) Amounts receivable are analyzed as follows:

	Note	2023 HK$'m	2022 HK$'m
Interest bearing	(i)	**1,704.7**	1,704.7
Non-interest bearing		**220.9**	145.8
		1,925.6	1,850.5

(i) The balance includes an amount of HK$104.7 million (2022: HK$104.7 million) which carries interest at 8% per annum and an amount of HK$1,600.0 million (2022: HK$1,600.0 million) which carries interest at 6-month HIBOR plus a margin of 1.3% per annum.

As at 30 June 2023, the above amounts are not materially different from their fair values.

(g) During the current year, provision for amounts receivable from certain associated companies of HK$154.7 million (2022: HK$150.0 million) is recognized by the Group, representing the Group's share of results from respective associated companies against the investment in these associated companies.

(h) Dividend income from associated companies for the current year is HK$201.9 million (2022: HK$187.1 million). The amount of dividend income received during the current year amounting to HK$258.6 million (2022: HK$463.5 million) is disclosed in the consolidated statement of cash flows.

(i) Details of principal associated companies are given in note 56. The directors of the Company are of the view that as at 30 June 2023, there is no individual associated company that was material to the Group.

(j) Financial guarantees relating to associated companies are disclosed in note 48.

(k) The Group's share of revenue and results of associated companies from continuing operations are summarized below:

	Note	2023 HK$'m	2022 HK$'m
Revenue	6(d)	**6,450.5**	5,547.4
Profit for the year		**176.8**	340.5
Other comprehensive loss for the year		**(574.4)**	(85.4)
Total comprehensive (loss)/income for the year		**(397.6)**	255.1

23 ASSOCIATED COMPANIES (CONTINUED)

(l) The Group's share of assets and liabilities of associated companies are summarized below:

	2023 HK$'m	2022 HK$'m
Non-current assets	**6,110.5**	8,335.8
Current assets	**3,621.6**	3,769.5
Current liabilities	**(2,421.4)**	(2,163.4)
Non-current liabilities	**(4,782.5)**	(5,648.1)
Net assets	**2,528.2**	4,293.8

24 JOINT VENTURES

	Note	2023 HK$'m	2022 HK$'m
Co-operative joint ventures			
Group's share of net assets, including goodwill		**2,637.4**	2,673.7
Amounts receivable	(f)	**21.7**	13.4
		2,659.1	2,687.1
Equity joint ventures			
Group's share of net assets, including goodwill		**5,020.0**	2,569.7
Amounts receivable	(f)	**248.0**	–
	(b)	**5,268.0**	2,569.7
Companies limited by shares			
Group's share of net assets, including goodwill	(e)	**8,369.4**	8,644.1
Amounts receivable			
Gross amount	(f)	**2,815.6**	2,902.5
Less: provision	(g)	**(1,338.8)**	(1,389.9)
		9,846.2	10,156.7
	(a), (c), (d)	**17,773.3**	15,413.5

(a) As at 30 June 2023, the carrying amount mainly represents the Group's investments in various roads, logistics, strategic investments and other projects.

(b) The balance as at 30 June 2023 included 40% equity interest in Guiwu Expressway acquired by the Group during FY2023 as detailed in note 47(a)(ii).

24 JOINT VENTURES (CONTINUED)

(c) The share of results of joint ventures from continuing operations in FY2023 includes the Group's share of impairment of Hyva Global B.V. (in which the Group indirectly holds approximately 39% effective equity interest) of HK$310.7 million (note 6(a)(i)). Hyva Global B.V. is principally engaged in manufacturing and supply of components used in hydraulic loading and unloading systems.

In view of the slow recovery of global economy from the down-turn in previous years and the competitive market environment in the Mainland, management of Hyva Global B.V. has carried out assessment on the recoverability of the carrying value of its certain assets. For its intangible assets, impairment arises when the carrying amount exceeds its recoverable amount (which is the higher of fair value less cost of disposal and value in use) which was determined using discounted cash flow method and the assessment are based on key assumptions such as revenue projection, terminal growth rate and discount rate.

Except for above, management is of the view that there is no material impairment of the Group's investments in joint ventures as at 30 June 2023.

(d) In May 2022, Goshawk (a joint venture principally engaged in aircraft leasing industry in which the Group holds 50% equity interest) and SMBC entered into an agreement ("Transaction Agreement") and pursuant to which Goshawk has agreed to, at completion, effectively dispose of its interest in its commercial aircraft leasing platform to SMBC, comprising substantially all of the assets, liabilities and contracts of the business, excluding the six aircraft leased to Russian airlines. Goshawk reclassified the assets and liabilities to be sold to SMBC as held-for-sale during FY2022. Upon the reclassification, the carrying values were remeasured by Goshawk with reference to the sale consideration under the Transaction Agreement. For the six aircraft retained in Russia, the management considered that it was unlikely to regain possession of these aircraft in the near term, full impairment of its net exposure was made for these aircraft.

As a result, the share of results of joint ventures from continuing operations included the Group's share of remeasurement/impairment loss, expected credit loss provision and aircraft repossession/recovery costs for Goshawk (net of tax) in aggregate of HK$1,897.1 million (note 6(a)(iii)) during FY2022.

The transaction was completed on 21 December 2022 at a consideration of approximately US$1.6 billion (the Group's attributable portion: US$0.8 billion) with a disposal gain of HK$92.7 million (note 6(c)) shared by the Group and included in "share of results of joint ventures" during FY2023.

(e) As at 30 June 2023, the Group's share of fair value of an investment property held by a joint venture amounted to HK$8,400.5 million (2022: HK$8,344.5 million).

24 JOINT VENTURES (CONTINUED)

(f) Amounts receivable are analyzed as follows:

	Note	2023 HK$'m	2022 HK$'m
Interest bearing	(i)	**402.1**	417.1
Non-interest bearing	(ii)	**2,683.2**	2,498.8
		3,085.3	2,915.9

(i) The balance includes an amount of HK$21.7 million (2022: HK$13.4 million) which carries interest at Hong Kong prime rate, an amount of HK$162.2 million (2022: HK$235.3 million) which carries interest at 90% of over-five-year Renminbi benchmark lending rate published by People's Bank of China and an amount of HK$218.2 million (2022: HK$168.4 million) which carries interest at 4% per annum.

(ii) The balance includes an amount of HK$197.5 million (2022: HK$197.5 million) which has been subordinated to certain indebtedness of a joint venture.

As at 30 June 2023, the carrying amounts of the amounts receivable are not materially different from their fair values.

(g) During the current year, net provision for amounts receivable from certain joint ventures of HK$5.7 million (2022: net reversal of HK$23.6 million) is recognized by the Group, representing the Group's share of results from respective joint ventures against the investment in these joint ventures.

(h) Dividend income from joint ventures for the current year is HK$962.7 million (2022: HK$1,481.9 million). The amount of dividend income received during the current year amounting to HK$863.3 million (2022: HK$1,655.9 million) is disclosed in the consolidated statement of cash flows.

(i) Details of principal joint ventures are given in note 57. The directors of the Company are of the view that as at 30 June 2023, there is no individual joint venture that was material to the Group.

(j) Financial guarantees relating to joint ventures are disclosed in note 48.

(k) The Group's share of revenue and results of joint ventures from continuing operations are summarized below:

	Note	2023 HK$'m	2022 HK$'m
Revenue	6(d)	**11,908.1**	18,745.0
Profit/(loss) for the year		**754.1**	(254.9)
Other comprehensive (loss)/income for the year	37(b)	**(290.0)**	6,577.1
Total comprehensive income for the year		**464.1**	6,322.2

24 JOINT VENTURES (CONTINUED)

(l) The Group's share of assets and liabilities of joint ventures are summarized below:

	2023 HK$'m	2022 HK$'m
Non-current assets	**24,955.6**	20,239.9
Current assets	**5,005.2**	32,465.0
Current liabilities	**(5,127.4)**	(33,607.8)
Non-current liabilities	**(10,369.9)**	(6,772.8)
Net assets	**14,463.5**	12,324.3

25 DEBT INSTRUMENTS AS FINANCIAL ASSETS AT AMORTIZED COST

	2023 HK$'m	2022 HK$'m
Listed in Hong Kong	**489.4**	–
Listed overseas	**6,350.3**	–
Unlisted	**55.3**	–
	6,895.0	–
Represented by		
Non-current assets	**6,895.0**	–

(a) The debt instruments as financial assets at amortized cost are denominated in the following currencies:

	2023 HK$'m	2022 HK$'m
Hong Kong dollar	**9.6**	–
United States dollar	**6,885.4**	–
	6,895.0	–

26 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Note	**2023 HK$'m**	2022 HK$'m
Equity instruments			
Listed in Hong Kong		**1,334.2**	1,731.0
Listed overseas		**24.4**	32.8
Unlisted	(a)	**64.2**	18.5
		1,422.8	1,782.3
Debt instruments			
Listed in Hong Kong		**7,074.5**	7,762.0
Listed overseas		**29,721.6**	29,514.8
Unlisted	(a)	**4,955.4**	2,524.7
	(b)	**41,751.5**	39,801.5
	(c)	**43,174.3**	41,583.8
Represented by			
Non-current assets		**39,953.6**	38,500.3
Current assets		**3,220.7**	3,083.5
		43,174.3	41,583.8

(a) Unlisted investments are stated at fair values which are determined using valuation techniques as detailed in note 4(h)(v).

(b) A maturity profile of the debt instruments is as follows:

	2023 HK$'m	2022 HK$'m
Within one year	**2,551.9**	2,062.6
In the second to fifth year	**2,139.2**	991.2
After the fifth year	**37,060.4**	36,747.7
	41,751.5	39,801.5

(c) The financial assets at FVOCI are denominated in the following currencies:

	2023 HK$'m	2022 HK$'m
Hong Kong dollar	**3,281.3**	4,196.4
United States dollar	**39,893.0**	37,387.4
	43,174.3	41,583.8

27 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	2023 HK$'m	2022 HK$'m
Equity instruments			
Listed in Hong Kong		**1,107.4**	1,496.2
Listed overseas		**140.2**	158.5
Unlisted	(a)	**326.5**	416.9
		1,574.1	2,071.6
Debt instruments			
Listed in Hong Kong		**135.2**	266.2
Listed overseas		**613.1**	424.8
Unlisted	(a)	**1,661.4**	2,036.4
		2,409.7	2,727.4
Investment funds			
Listed		**4,471.0**	2,369.5
Unlisted	(a)	**6,547.8**	5,786.9
	(b), (c)	**11,018.8**	8,156.4
	(d)	**15,002.6**	12,955.4
Represented by			
Non-current assets		**13,344.8**	11,052.2
Current assets		**1,657.8**	1,903.2
		15,002.6	12,955.4

Financial assets at FVPL related to unit-linked contracts are detailed in note 32(a).

As mentioned in note 3(ac)(xi), the Group elected to apply the overlay approach for certain designated eligible financial assets according to HKFRS 4 (Amendments), the financial assets elected by the Group applying the overlay approach are equity instruments and investment funds that are managed as underlying assets supporting the insurance contracts issued and those fair values are generally expected to be volatile. The designated eligible financial assets applying the overlay approach, which are included in the financial assets at FVPL, at the end of the reporting period are analyzed below:

	2023 HK$'m	2022 HK$'m
Equity instruments	**998.4**	1,392.5
Investment funds	**9,591.3**	5,982.5
	10,589.7	7,375.0

27 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

During the current year, the total amount of overlay approach adjustments reclassified between consolidated income statement and other comprehensive income was derived from:

	Note	**2023 HK$'m**	2022 HK$'m
The amount of losses reported in profit or loss and presented in consolidated income statement within "other income and gains, net" for the designated financial assets under HKFRS 9		**(608.1)**	(992.3)
Overlay approach adjustments on financial assets in consolidated income statement	8(a)	**687.5**	1,845.9
The amount of gains that would have been reported in consolidated income statement for the designated financial assets as if HKAS 39 had been applied		**79.4**	853.6

(a) Unlisted investments are stated at fair values which are estimated using a variety of valuation methods as detailed in note 4(h)(v).

(b) As at 30 June 2023, the Group holds certain investment funds with aggregate fair value of HK$3,055.0 million (2022: HK$2,851.0 million) which are managed by general partners while the Group participated in the funds as a limited partner. Management considered that the Group has neither significant influence nor joint control over these funds and therefore accounted for as financial assets at FVPL.

(c) As at 30 June 2023, the Group holds participating shares of investment funds with aggregate fair value of HK$553.2 million (2022: HK$1,189.8 million). Given all relevant investment decision making power is rested with the management shareholder and investment manager, there is no mechanism in place that allow participating shareholder to participate in investment related decision making. Management considered that the Group has neither significant influence nor joint control over these funds and therefore accounted for as financial assets at FVPL.

(d) The financial assets at FVPL are denominated in the following currencies:

	2023 HK$'m	2022 HK$'m
Hong Kong dollar	**4,120.1**	4,292.5
United States dollar	**9,496.4**	7,355.8
Renminbi	**1,158.7**	1,172.2
Euro	**129.4**	36.9
Pound Sterling	**97.5**	97.5
Others	**0.5**	0.5
	15,002.6	12,955.4

28 DERIVATIVE FINANCIAL INSTRUMENTS

	Note	2023 HK$'m	2022 HK$'m
Derivative financial assets			
Cross currency swaps	(a)	**270.0**	0.8
Interest rate swaps	(b)	**3.2**	63.7
Foreign currency forward contracts		**10.3**	27.4
Option contracts		**4.3**	–
		287.8	91.9
Represented by			
Non-current assets		**273.1**	64.5
Current assets		**14.7**	27.4
		287.8	91.9
Derivative financial liabilities			
Cross currency swaps	(a)	**(203.9)**	(172.7)
Foreign currency forward contracts		**(9.9)**	–
Option contracts		**(2.8)**	–
		(216.6)	(172.7)
Represented by			
Non-current liabilities		**(203.9)**	(172.3)
Current liabilities		**(12.7)**	(0.4)
		(216.6)	(172.7)

(a) Cross currency swaps

As at 30 June 2023, the Group has certain cross currency swap contracts designated as cash flow hedges against its foreign currency risk in respect of cash flows from certain bond investments, bank loans and fixed rate bonds with total notional amount of US$113.2 million (2022: US$116.3 million), HK$5,505.7 million (2022: HK$1,005.7 million) and US$120.0 million (2022: nil), respectively and with maturities ranging from 2023 to 2037 (2022: 2022 to 2037). These cross currency swap contracts are entered with several counterparties over-the-counter. The Group seeks to hedge the foreign currency risk by the exchange of payments denominated in targeted currency, and applies a hedge ratio of 1:1. The existence of an economic relationship between the cross currency swap contracts and the highly probable forecast transactions/ actual transaction is determined based on their currency amounts and the timing of their respective cash flows. The tenor of the cross currency swap contracts have been negotiated to match the terms of the underlying bond investments, bank loans and fixed rate bonds. The cash flow hedges were assessed to be highly effective and the related cumulative gains in the hedge reserve amounted to HK$163.2 million (2022: HK$49.4 million).

28 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(b) Interest rate swaps

As at 30 June 2023, the Group's insurance business has certain forward starting swap contracts designated as cash flow hedges against its interest rate risk in respect of bonds to be purchased in the future. Under the contracts, after the forward date, the Group's insurance business will be entitled to receive fixed rate of around 4% to 5% per annum, and required to pay floating rate of 3-month LIBOR, in US$ published by the British Banker's Association. The total notional amount was US$20 million (2022: US$100 million). The Group's insurance business seeks to hedge the interest rate risk by the exchange of payments benchmarked against the targeted fixed interest rate. The Group's insurance business applies an approximate hedge ratio of 1:1 and determines the existence of an economic relationship between the forward starting swap contracts and the debt security investments by matching their critical terms, including the currency and forward date. The cash flow hedge was assessed to be highly effective and the related cumulative losses in the hedge reserve amounted to HK$12.8 million (2022: HK$78.1 million).

29 OTHER NON-CURRENT ASSETS

	Note	**2023 HK$'m**	2022 HK$'m
Deferred tax assets	40	**136.5**	139.1
Policy loans		**615.9**	543.4
Consideration receivable		**269.7**	658.5
Others		**339.3**	387.5
		1,361.4	1,728.5

30 INVENTORIES

	2023 HK$'m	2022 HK$'m
Raw materials and consumables	**21.0**	19.2
Finished goods	**218.6**	150.8
	239.6	170.0

31 TRADE, PREMIUM AND OTHER RECEIVABLES

	Note	2023 HK$'m	2022 HK$'m
Trade receivables	(a)	**2,093.9**	1,723.7
Premium receivables		**206.8**	230.1
Other receivables, deposits and prepayments	(b)	**1,610.3**	2,410.7
Retention money receivables		**2,175.2**	1,830.8
Contract assets	35	**1,919.8**	1,078.5
Amounts due from associated companies	(c)	**450.8**	249.3
Amounts due from joint ventures	(c), (d)	**719.3**	6,694.0
	(e)	**9,176.1**	14,217.1

(a) The ageing analysis of trade receivables based on invoice date is as follows:

	2023 HK$'m	2022 HK$'m
Under 3 months	**2,016.3**	1,572.1
4 to 6 months	**8.7**	81.3
Over 6 months	**68.9**	70.3
	2,093.9	1,723.7

(b) The balance includes construction related receivables amounting to HK$637.5 million (2022: HK$868.3 million) which have not yet been billed at year end.

(c) As at 30 June 2023, the amounts due from associated companies and joint ventures of the Group are interest free, unsecured and repayable on demand or within the next 12 months from the end of the reporting period except for an amount of HK$550.3 million (2022: HK$523.5 million) due from a joint venture which carries compound interest at 5% per annum and an amount of HK$93.6 million (2022: nil) due from a joint venture which carries interest at Secured Overnight Financing Rate administered by the Federal Reserve Bank of New York plus 12.15% per annum.

(d) Included in the balance as at 30 June 2022 was advances to Goshawk of HK$6,166.6 million which was fully settled in December 2022 upon the completion of disposal of aircraft leasing business by Goshawk as detailed in note 24(d).

31 TRADE, PREMIUM AND OTHER RECEIVABLES (CONTINUED)

(e) The Group has various credit policies for different business operations depending on the requirements of the markets and businesses in which the subsidiaries operate. Retention money receivables in respect of construction services are settled in accordance with the terms of respective contracts and majority of the balances are expected to settle beyond one year after the year end.

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected credit loss allowance for trade receivables, retention money receivables and contract assets. In relation to premium receivables, other receivables, deposits and amounts due from associated companies and joint ventures, the expected credit loss allowances are measured as either 12-month or lifetime expected credit loss. The movement of loss allowances are as follows:

HK$'m	Note	**Trade receivables**	**Other receivables and deposits**	**Retention money receivables**	**Contract assets**	**Amounts due from joint ventures**	**Total**
As at 1 July 2022		**139.1**	**197.6**	**113.5**	**50.9**	**8.0**	**509.1**
Expected credit loss provision recognized	8	**33.4**	**65.5**	**25.2**	**10.5**	**–**	**134.6**
Reversals	8	**(132.1)**	**(13.2)**	**(1.9)**	**(38.6)**	**(8.0)**	**(193.8)**
As at 30 June 2023		**40.4**	**249.9**	**136.8**	**22.8**	**–**	**449.9**

HK$'m	Note	Trade receivables	Other receivables and deposits	Retention money receivables	Contract assets	Amounts due from joint ventures	Total
As at 1 July 2021		41.4	347.7	60.8	–	8.0	457.9
Expected credit loss provision recognized	8	137.7	36.9	52.7	50.9	–	278.2
Reversals	8	(40.0)	(8.7)	–	–	–	(48.7)
Amount written off		–	(178.3)	–	–	–	(178.3)
As at 30 June 2022		139.1	197.6	113.5	50.9	8.0	509.1

31 TRADE, PREMIUM AND OTHER RECEIVABLES (CONTINUED)

(e) (continued)

During the current year, management has assessed the expected credit loss on performing financial assets based on methodology set out in note 4(b) and HK$134.6 million (2022: HK$73.3 million) expected credit loss provision has been made. For non-performing assets including trade receivables, other receivables, retention money receivables and contract assets of certain construction projects, management has assessed the expected credit loss based on lifetime expected credit loss approach with reference to the creditability of the specific counterparties, HK$172.6 million expected credit loss provision has been reversed based on amount recovered during the year (2022: HK$204.9 million expected credit loss provision has been made and HK$40.0 million has been reversed).

(f) Included in the Group's trade, premium and other receivables are HK$1,411.9 million (2022: HK$7,868.0 million) denominated in United States dollar and HK$235.2 million (2022: HK$268.4 million) denominated in Renminbi. The remaining balances are mainly denominated in Hong Kong dollar.

32 INVESTMENTS/LIABILITIES RELATED TO UNIT-LINKED CONTRACTS

(a) Investments related to unit-linked contracts are analyzed as follows:

	2023 HK$'m	2022 HK$'m
Financial assets at FVPL — Investment funds, at fair value	**8,924.4**	8,621.9
Cash and bank balances	**15.7**	27.3
	8,940.1	8,649.2

The classification and measurement of financial assets at FVPL related to unit-linked contracts are in accordance with HKFRS 9.

(b) Liabilities related to unit-linked contracts are analyzed as follows:

	2023 HK$'m	2022 HK$'m
Insurance contract liabilities	**683.0**	675.0
Investment contract liabilities	**8,445.5**	8,160.9
	9,128.5	8,835.9
Represented by		
Non-current liabilities	**192.0**	190.8
Current liabilities	**8,936.5**	8,645.1
	9,128.5	8,835.9

33 CASH AND BANK BALANCES

	2023 **HK$'m**	2022 HK$'m
Time deposits — with original maturity within three months	**9,771.8**	2,341.2
Time deposits — with original maturity more than three months	**13.7**	13.8
Other cash at bank and on hand	**9,470.4**	11,097.6
	19,255.9	13,452.6

The effective interest rate on time deposits is 4.27% (2022: 1.2%) per annum; these deposits have an average maturity of 26 days (2022: 14 days).

The balances include HK$1,846.1 million (2022: HK$3,785.7 million) which are kept in the bank accounts opened with banks in the Mainland where the remittance of funds is subject to foreign exchange control.

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

	2023 **HK$'m**	2022 HK$'m
Hong Kong dollar	**11,771.2**	3,795.1
United States dollar	**3,764.2**	5,706.7
Renminbi	**3,667.4**	3,856.8
Euro	**30.2**	59.8
Macau Pataca	**3.4**	15.8
Others	**19.5**	18.4
	19,255.9	13,452.6

34 DISCONTINUED OPERATIONS

During FY2021, the Group entered into conditional sale and purchase agreements for the disposal of the Group's 42% interest in SUEZ NWS (an associated company of the Group) and 100% interest in NWS HKI (which indirectly holds 12.55% effective interest in Derun Environment) (collectively, the "Environment Disposal Group") together with the inter-company payable by NWS HKI to the Company at an aggregate consideration of HK$6,533.0 million. As such, the interest in the Environment Disposal Group was reclassified as assets held-for-sale and their results were presented separately as one-line item below profit from continuing operations as "discontinued operations" in the consolidated income statement in accordance with HKFRS 5. The disposal related to NWS HKI was completed in May 2021, while completion of the disposal of interest in SUEZ NWS took place in November 2021.

During FY2022, the Group recognized an aggregate net disposal gain of HK$181.3 million with regard to the Environment Disposal Group, and together with the dividend income received from SUEZ NWS of HK$121.0 million, the "profit from discontinued operations" in the consolidated income statement amounted to HK$302.3 million.

An analysis of the results, total comprehensive income and cash flows relating to discontinued operations is set out below:

(a) Results from discontinued operations

	2022 HK$'m
Other income and gains, net	121.0
Net profit on disposal of discontinued operations	181.3
Profit for the year from discontinued operations	302.3

(b) Total comprehensive income from discontinued operations

	2022 HK$'m
Profit for the year from discontinued operations	302.3
Other comprehensive loss	
Release of reserve upon disposal of an asset held-for-sale	(160.7)
Other comprehensive loss for the year, net of tax	(160.7)
Total comprehensive income for the year from discontinued operations	141.6

34 DISCONTINUED OPERATIONS (CONTINUED)

(c) Cash flows from discontinued operations

	2022 HK$'m
Net cash generated from investing activities	121.0
Net cash from discontinued operations	121.0

In addition to above, consideration received from disposals of discontinued operations, net of cash disposed of, amounted to HK$4,032.9 million during FY2022.

35 CONTRACT ASSETS AND CONTRACT LIABILITIES

Contract assets and contract liabilities are related to the Group's construction business, details are as follows:

	Note	**2023 HK$'m**	2022 HK$'m
Contract assets	31	**1,919.8**	1,078.5
Contract liabilities	44	**(324.3)**	(606.4)
		1,595.5	472.1

The following table shows the amount of the revenue recognized in the current reporting period relates to contract liability balance at the beginning of the year and the amount relates to performance obligations that were satisfied in previous years:

	2023 HK$'m	2022 HK$'m
Revenue recognized that was included in the contract liability balance at the beginning of the year	**584.2**	394.7
Revenue recognized from performance obligations satisfied/partially satisfied in previous years	**1,297.2**	612.0

The following table shows the amount of unsatisfied performance obligations:

	2023 HK$'m	2022 HK$'m
Expected to be recognized within one year	**15,910.5**	18,289.7
Expected to be recognized after one year	**9,471.2**	18,793.1
	25,381.7	37,082.8

36 SHARE CAPITAL

	Ordinary shares	
	No. of shares	**HK$'m**
Authorized		
At 1 July 2021, 30 June 2022, and 30 June 2023	**6,000,000,000**	**6,000.0**
Issued and fully paid		
At 1 July 2021 and 30 June 2022	**3,911,137,849**	**3,911.1**
Exercise of share options	**54,500**	**0.1**
Share repurchase	**(710,000)**	**(0.7)**
At 30 June 2023	**3,910,482,349**	**3,910.5**

During FY2023, 710,000 ordinary shares of the Company were repurchased at prices ranging from HK$7.78 to HK$7.90 per share. The total amount paid for the repurchase was HK$5.6 million. All shares repurchased have been cancelled during the year.

Share Option Scheme

The Group operates equity-settled, share-based compensation plans. A new share option scheme was adopted by the Company on 23 November 2021 (the "2021 Share Option Scheme"), which is valid and effective for a period of ten years from the date of adoption. The Board may, at their discretion, grant options to any eligible participant as defined under the 2021 Share Option Scheme to subscribe for the shares of the Company.

On 25 July 2022, 85,978,050 share options were granted to directors of the Company and certain eligible participants at the exercise price of HK$7.83 per share. The share options granted have a vesting period of 1 month to 3 years and will be vested according to the 2021 Share Option Scheme and the terms of grant provided that for the vesting to occur the grantee has to remain as an eligible participant on such vesting date. Such share options will expire on 24 July 2032.

36 SHARE CAPITAL (CONTINUED)

Share Option Scheme (continued)

Movements in the number of share options during FY2023 are as follows:

	Note	Number of options	Weighted average exercise price of each category HK$
Outstanding as at 1 July 2022		–	–
Granted	(a)	85,978,050	7.83
Exercised		(54,500)	7.83
Lapsed/cancelled		(1,419,400)	7.83
Outstanding as at 30 June 2023		**84,504,150**	**7.83**
Exercisable as at 30 June 2023		**12,647,655**	**7.83**

(a) The fair value of the share options determined at the date of grant using the binomial option pricing model in accordance with HKFRS 2 "Share-based Payment" was HK$1.16 and HK$1.08 per share option granted to the directors of the Company and other eligible participants respectively. Value is determined based on market closing price per ordinary share of the Company at HK$7.78 at the date of grant, the risk-free rate of 2.68% per annum with reference to the market yield rate prevailing on the Hong Kong government bond with maturity nearest to the expiry date of share options, expected volatility of 30% based on an approximately ten-year period historical share price volatility, assuming dividend yield of 8% per annum based on the management's best estimate having taken into consideration the dividend policy of the Company and an expected option life of ten years.

37 RESERVES

HK$'m	Note	Share premium	Special reserves	Property revaluation reserve	Hedge reserves	FVOCI reserve (non-recycling)	FVOCI reserve (recycling)	Exchange Reserve	Revenue reserve	Total
At 1 July 2022		17,821.5	499.1	6,335.3	16.3	(1,481.9)	(8,108.8)	(90.8)	24,406.7	39,397.4
Profit attributable to shareholders of the Company		–	–	–	–	–	–	–	2,026.7	2,026.7
Dividends paid to shareholders of the Company	13	–	–	–	–	–	–	–	(2,385.3)	(2,385.3)
Release of reserve upon disposal of interest in a joint venture		–	–	–	–	–	–	(6.4)	–	(6.4)
Release of reserve upon disposal of debt instruments as financial assets at FVOCI		–	–	–	–	–	6.1	–	–	6.1
Net fair value changes on equity instruments as financial assets at FVOCI										
Company and subsidiaries		–	–	–	–	(214.3)	–	–	–	(214.3)
Associated company		–	–	–	–	(144.5)	–	–	–	(144.5)
Net fair value change on debt instruments as financial assets at FVOCI and other net movement	(a)	–	–	–	–	–	(705.9)	–	–	(705.9)
Amount reported in other comprehensive income applying overlay approach adjustments on financial assets	8(a)	–	–	–	–	–	(687.5)	–	–	(687.5)
Currency translation differences										
Company and subsidiaries		–	–	–	–	–	–	(1,079.3)	–	(1,079.3)
Associated companies		–	–	–	–	–	–	(430.3)	–	(430.3)
Joint ventures		–	–	–	–	–	–	(238.6)	–	(238.6)
Share options										
Value of services provided										
Company and subsidiaries	10(a)	–	51.8	–	–	–	–	–	–	51.8
New shares issued		0.4	–	–	–	–	–	–	–	0.4
Share of other comprehensive income/(loss) of associated companies		–	5.6	–	–	21.3	–	(34.8)	8.1	0.2
Cash flow hedges										
Company and subsidiaries		–	–	–	179.1	–	–	–	–	179.1
Joint venture		–	–	–	(45.0)	–	–	–	–	(45.0)
Share repurchase		(4.9)	–	–	–	–	–	–	–	(4.9)
Remeasurement of post-employment benefit obligation		–	–	–	–	–	–	–	2.2	2.2
Redemption of perpetual capital securities	14	–	–	–	–	–	–	–	124.1	124.1
Transaction cost in relation to the issuance of perpetual capital securities		–	–	–	–	–	–	–	(19.8)	(19.8)
Transfer of reserve upon disposal of equity instruments as financial assets at FVOCI		–	–	–	–	448.7	–	–	(448.7)	–
Other transfer of reserves		–	4.5	–	–	–	–	–	(4.5)	–
At 30 June 2023		17,817.0	561.0	6,335.3	150.4	(1,370.7)	(9,496.1)	(1,880.2)	23,709.5	35,826.2

37 RESERVES (CONTINUED)

HK$'m	Note	Share premium	Special reserves	Property revaluation reserve	Hedge reserves	FVOCI reserve (non-recycling)	FVOCI reserve (recycling)	Exchange reserve	Revenue reserve	Total
At 1 July 2021		17,821.5	492.7	23.2	74.9	(1,028.7)	915.8	787.3	24,915.6	44,002.3
Profit attributable to shareholders of the Company		–	–	–	–	–	–	–	1,586.8	1,586.8
Dividends paid to shareholders of the Company		–	–	–	–	–	–	–	(2,346.7)	(2,346.7)
Release of reserve upon partial disposal of interest in an associated company		–	–	–	–	–	–	1.3	–	1.3
Release of reserves upon disposal of assets held-for-sale		–	–	–	–	–	–	(82.9)	1.0	(81.9)
Release of reserve upon disposal of debt instruments as financial assets at FVOCI		–	–	–	–	–	(137.6)	–	–	(137.6)
Net fair value change on equity instruments as financial assets at FVOCI										
Company and subsidiaries		–	–	–	–	38.4	–	–	–	38.4
Associated company		–	–	–	–	98.8	–	–	–	98.8
Net fair value change on debt instruments as financial assets at FVOCI and other net movement	(a)	–	–	–	–	–	(7,041.1)	–	–	(7,041.1)
Amount reported in other comprehensive income applying overlay approach adjustments on financial assets	8(a)	–	–	–	–	–	(1,845.9)	–	–	(1,845.9)
Currency translation differences										
Company and subsidiaries		–	–	–	–	–	–	(417.7)	–	(417.7)
Associated companies		–	–	–	–	–	–	(156.5)	–	(156.5)
Joint ventures		–	–	–	–	–	–	(222.3)	–	(222.3)
Share of gain arising from revaluation of a logistic property held by a joint venture upon reclassification to investment property, net of tax	(b)	–	–	6,312.1	–	–	–	–	–	6,312.1
Share of other comprehensive (loss)/income of associated companies		–	(22.8)	–	–	43.7	–	–	(49.9)	(29.0)
Cash flow/fair value hedges										
Company and subsidiaries		–	–	–	(545.9)	–	–	–	(298.8)	(844.7)
Joint venture		–	–	–	487.3	–	–	–	–	487.3
Remeasurement of post-employment benefit obligation		–	–	–	–	–	–	–	(6.2)	(6.2)
Transfer of reserve upon disposal of equity instruments as financial assets at FVOCI		–	–	–	–	(634.1)	–	–	634.1	–
Transfer of reserves		–	29.2	–	–	–	–	–	(29.2)	–
At 30 June 2022		17,821.5	499.1	6,335.3	16.3	(1,481.9)	(8,108.8)	(90.8)	24,406.7	39,397.4

37 RESERVES (CONTINUED)

(a) The amounts mainly represent net fair value change of financial assets at FVOCI recognized in consolidated statement of comprehensive income, in which net fair value change of debt instruments were mainly relating to investments held by the Group's insurance business. The fair value of the Group's bond investments classified as financial assets at FVOCI fluctuates with changes in market interest rates. Such fair value change is dealt within FVOCI reserve (recycling).

(b) A logistic property held by a joint venture was reclassified by the Group from property, plant and equipment to investment property during FY2022. Upon reclassification, the difference between the fair value and carrying value of the property shared by the Group was HK$6,312.1 million (net of tax) and had been dealt within property revaluation reserve.

Special reserves include statutory reserves which are created in accordance with the relevant laws of the Mainland and/or terms of the joint venture agreements of subsidiaries and joint ventures established in the Mainland and are required to be retained in the financial statements of these subsidiaries and joint ventures for specific purposes. Special reserves also include capital redemption reserve, contributed surplus and share option reserve.

38 PERPETUAL CAPITAL SECURITIES

The balance at the beginning of FY2023 represented US$1,000.0 million and US$300.0 million 5.75% senior perpetual capital securities issued by the Group in January 2019 and July 2019 respectively which were consolidated as a single series (the "2019 Perpetual Capital Securities"). The securities are listed on the Hong Kong Stock Exchange and have no maturity date.

In December 2022, the Group tendered offer to purchase for cash for the 2019 Perpetual Capital Securities. Upon settlement of the tender offer, US$280.9 million in aggregate principal amount of the securities were purchased and redeemed by the Group and cancelled pursuant to the terms and conditions of the securities. As at 30 June 2023, US$1,019.1 million in aggregate principal amount of the 2019 Perpetual Capital Securities remains outstanding.

In December 2022, the Group issued US$268.2 million in aggregate principal amount of senior perpetual capital securities with floating coupon to a private investor. The proceeds of the newly issued perpetual capital securities are for financing of the repurchase of the 2019 Perpetual Capital Securities.

These securities are perpetual and the payments of distribution can be deferred at the discretion of the Group. The securities are classified as equity in the consolidated financial statements of the Group.

39 BORROWINGS AND OTHER INTEREST-BEARING LIABILITIES

	Note	2023 HK$'m	2022 HK$'m
Non-current			
Secured long-term bank loans	(a), (b)	**4,077.5**	–
Unsecured long-term bank loans	(b)	**14,362.3**	15,593.7
Unsecured fixed rate bonds	(c)	**3,495.0**	2,594.4
Financing received under a financial reinsurance arrangement	(d)	**113.5**	135.1
		22,048.3	18,323.2
Current			
Current portion of secured long-term bank loans	(a), (b)	**264.0**	–
Current portion of unsecured long-term bank loans	(b)	**1,382.9**	3,150.7
Unsecured fixed rate bonds	(c)	**–**	1,970.1
Financing received under a financial reinsurance arrangement	(d)	**81.8**	100.2
Cash collateral received for cross currency swap and forward starting interest rate swap contracts	(e)	**19.9**	46.7
		1,748.6	5,267.7
		23,796.9	23,590.9

(a) As at 30 June 2023, the Group's intangible concession rights of two expressways in Hunan with net book value of HK$6,666.2 million (2022: nil) and certain investment properties in Hong Kong and Suzhou with balance of HK$1,313.9 million (2022: nil) were pledged as securities for these bank loans.

(b) Long-term bank loans

	2023 HK$'m	2022 HK$'m
Long-term bank loans	**20,086.7**	18,744.4
Amounts repayable within one year included in current liabilities	**(1,646.9)**	(3,150.7)
	18,439.8	15,593.7

The maturity of long-term bank loans is as follows:

	2023 HK$'m	2022 HK$'m
Within one year	**1,646.9**	3,150.7
In the second year	**10,521.0**	3,103.8
In the third to fifth year	**5,520.6**	11,353.9
After the fifth year	**2,398.2**	1,136.0
	20,086.7	18,744.4

39 BORROWINGS AND OTHER INTEREST-BEARING LIABILITIES (CONTINUED)

(b) Long-term bank loans (continued)

The effective interest rates of bank loans at the end of the reporting period were as follows (after taken into account cross currency swap contracts entered):

	2023	2022
Hong Kong dollar	**5.89%**	1.74%
Renminbi	**3.77%**	4.19%

(c) Fixed rate bonds

Fixed rate bonds represent the following:

(i) US$650.0 million bonds issued in June 2019 at a price 99.718% of the principal amount bearing a coupon rate of 4.25% per annum. These bonds are unsecured, have maturity of ten years falling due 2029 and listed on the Hong Kong Stock Exchange. The effective interest rate applied is 4.42% per annum. During the year, US$92.3 million (2022: US$300.0 million) in aggregate principal amount of the bonds were redeemed and cancelled by the Group. As at 30 June 2023, US$243.6 million (2022: US$335.9 million) in aggregate principal amount of the bonds remains outstanding; and

(ii) RMB1,500.0 million bonds issued in May 2023 at a price of 100.0% of the principal amount bearing a coupon rate of 3.90% per annum. These bonds are unsecured, have maturity of three years falling due 2026 and traded on the China Interbank Bond Market.

As at 30 June 2022, the balance included US$250.0 million bonds issued in April 2013 at a price 99.272% of the principal amount bearing a coupon rate of 4.125% per annum and listed on the Main Board of the Singapore Exchange Securities Trading Limited. These bonds were matured and redeemed in April 2023.

As at 30 June 2023, the fair value of the bonds amounted to HK$3,229.0 million (2022: HK$4,344.1 million) which is based on the quoted market prices.

(d) The Group had a financial reinsurance arrangement with a reinsurer. Under the financial reinsurance arrangement, the Group had received an up-front fee of US$103 million at finance cost of 3-month HIBOR plus 2.975% per annum.

(e) The Group's insurance business received cash and bank balance from counterparties as collateral which are repayable on demand. Interest is calculated on Overnight Federal Funds Rate and payable to counterparties.

(f) Other than fixed rate bonds in note (c) above, the carrying amounts of the borrowings and other interest-bearing liabilities approximate their fair values.

(g) The carrying amounts of the borrowings and other interest-bearing liabilities are denominated in the following currencies (after taken into account cross currency swap contracts entered):

	2023 **HK$'m**	2022 HK$'m
Hong Kong dollar	**12,504.4**	15,386.4
Renminbi	**10,129.4**	3,358.0
United States dollar	**1,163.1**	4,846.5
	23,796.9	23,590.9

40 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when the taxes relate to the same tax authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated statement of financial position.

	Note	**2023 HK$'m**	2022 HK$'m
Deferred tax assets	29	**136.5**	139.1
Deferred tax liabilities		**(1,678.8)**	(1,787.2)
		(1,542.3)	(1,648.1)
At beginning of year		**(1,648.1)**	(1,868.8)
Translation differences		**113.9**	31.8
Acquisition of a subsidiary	50	**(154.3)**	–
Consolidation of a subsidiary		**2.8**	–
Net amount credited to the consolidated income statement	12	**143.4**	188.9
At end of year		**(1,542.3)**	(1,648.1)

(a) Deferred income tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefits through the future taxable profits are probable. The Group has unrecognized tax losses of HK$2,283.7 million (2022: HK$1,998.3 million) to be carried forward against future taxable income. These tax losses have no expiry dates except for the tax losses of HK$283.5 million (2022: HK$32.4 million) which will expire at various dates up to and including 2028 (2022: 2027).

(b) As at 30 June 2023, the aggregate amount of unrecognized deferred tax liabilities associated with investments in subsidiaries totalled HK$76.2 million (2022: HK$153.3 million). For this unrecognized amount, the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

40 DEFERRED INCOME TAX (CONTINUED)

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

Deferred tax assets

HK$'m	Tax losses 2023	Tax losses 2022	Other deductible temporary differences 2023	Other deductible temporary differences 2022	Total 2023	Total 2022
At beginning of year	**105.7**	67.2	**70.0**	34.8	**175.7**	102.0
Translation differences	**(0.1)**	–	**(1.7)**	(0.7)	**(1.8)**	(0.7)
Consolidation of a subsidiary	**2.8**	–	**–**	–	**2.8**	–
(Charged)/credited to the consolidated income statement	**(8.6)**	38.5	**(21.6)**	35.9	**(30.2)**	74.4
At end of year	**99.8**	105.7	**46.7**	70.0	**146.5**	175.7

Deferred tax liabilities

HK$'m	Note	Accelerated tax depreciation 2023	Accelerated tax depreciation 2022	Amortization of concession rights 2023	Amortization of concession rights 2022	Undistributed profits of subsidiaries, associated companies and joint ventures 2023	Undistributed profits of subsidiaries, associated companies and joint ventures 2022	Others 2023	Others 2022	Total 2023	Total 2022
At beginning of year		**(43.1)**	(50.5)	**(1,241.2)**	(1,373.2)	**(263.3)**	(264.5)	**(276.2)**	(282.6)	**(1,823.8)**	(1,970.8)
Translation differences		**–**	–	**101.6**	29.9	**13.6**	2.6	**0.5**	–	**115.7**	32.5
Acquisition of a subsidiary	50	**–**	–	**(154.3)**	–	**–**	–	**–**	–	**(154.3)**	–
Credited/(charged) to the consolidated income statement		**10.4**	7.4	**114.0**	102.1	**51.1**	(1.4)	**(1.9)**	6.4	**173.6**	114.5
At end of year		**(32.7)**	(43.1)	**(1,179.9)**	(1,241.2)	**(198.6)**	(263.3)	**(277.6)**	(276.2)	**(1,688.8)**	(1,823.8)

41 INSURANCE AND INVESTMENT CONTRACT LIABILITIES

	Note	2023 HK$'m	2022 HK$'m
Insurance contract liabilities	(a), (b)	**62,263.5**	48,199.0
Investment contract liabilities		**5.2**	5.4
		62,268.7	48,204.4
Represented by			
Non-current liabilities		**16,049.1**	16,470.0
Current liabilities	2	**46,219.6**	31,734.4
		62,268.7	48,204.4

Insurance and investment contract liabilities related to unit-linked contracts are detailed in note 32(b).

(a) The maturity profile of insurance contract liabilities, which is presented on a discounted basis and projected according to the Group's best estimate on the timing of future cash flows based on historical settlement pattern, is stated as below:

	Note	2023 HK$'m	2022 HK$'m
Payable within one year		**4,837.6**	4,120.1
Payable after one year		**57,425.9**	44,078.9
	4(c)	**62,263.5**	48,199.0

(b) Insurance contract liabilities comprised:

	Note	2023 HK$'m	2022 HK$'m
Liabilities for guaranteed benefits		**57,690.2**	43,801.6
Liabilities for coinsurance payments		**301.2**	345.0
Provision for annual dividends		**66.2**	70.2
Insurance contract liabilities excluding policyholders' dividends and bonuses	4(g)	**58,057.6**	44,216.8
Policyholders' dividends and bonuses		**4,205.9**	3,982.2
Total insurance contract liabilities		**62,263.5**	48,199.0

41 INSURANCE AND INVESTMENT CONTRACT LIABILITIES (CONTINUED)

Movements in the relevant insurance contract liabilities/reinsurer's share of liabilities are as follows:

HK$'m	Insurance contract liabilities	Coinsurance liabilities	Insurance contract liabilities excluding policyholders' dividends and bonuses	Reinsurers' share of liabilities	Net liabilities excluding policyholders' dividends and bonuses
At 1 July 2022	43,871.8	345.0	44,216.8	(1.7)	44,215.1
Premiums received	15,690.7	(61.1)	15,629.6	(341.7)	15,287.9
Liabilities incurred for death, surrender and maturity	(2,505.2)	28.8	(2,476.4)	303.0	(2,173.4)
Benefit and claim experience variations	7.4	(36.5)	(29.1)	38.7	9.6
Investment income variations	(1,005.0)	11.3	(993.7)	–	(993.7)
Investment income	2,240.6	–	2,240.6	–	2,240.6
Financing cost for coinsurance	–	13.7	13.7	–	13.7
Adjustment due to change in reserve assumptions	(491.5)	–	(491.5)	–	(491.5)
Translation differences	(52.4)	–	(52.4)	–	(52.4)
At 30 June 2023	**57,756.4**	**301.2**	**58,057.6**	**(1.7)**	**58,055.9**

HK$'m	Insurance contract liabilities	Coinsurance liabilities	Insurance contract liabilities excluding policyholders' dividends and bonuses	Reinsurers' share of liabilities	Net liabilities excluding policyholders' dividends and bonuses
At 1 July 2021	38,473.5	363.0	38,836.5	(1.7)	38,834.8
Premiums received	7,083.0	(50.3)	7,032.7	(312.3)	6,720.4
Liabilities incurred for death, surrender and maturity	(2,506.7)	29.0	(2,477.7)	341.8	(2,135.9)
Benefit and claim experience variations	(463.3)	(21.3)	(484.6)	(29.5)	(514.1)
Investment income variations	(674.0)	12.0	(662.0)	–	(662.0)
Investment income	1,750.3	–	1,750.3	–	1,750.3
Financing cost for coinsurance	–	12.6	12.6	–	12.6
Adjustment due to change in reserve assumptions	(140.1)	–	(140.1)	–	(140.1)
Translation differences	349.1	–	349.1	–	349.1
At 30 June 2022	43,871.8	345.0	44,216.8	(1.7)	44,215.1

Investment income and investment income variations mainly correspond to the investment income on the assets backing the insurance contract liabilities and variations of such investment income against the interest accretion on the insurance contract liabilities, respectively.

42 LEASE LIABILITIES

The maturity of lease liabilities is as follows:

	2023 HK$'m	2022 HK$'m
Within one year	**233.8**	223.1
In the second year	**220.9**	213.2
In the third to fifth year	**414.1**	488.8
After the fifth year	**94.6**	199.6
	963.4	1,124.7
Represented by		
Non-current liabilities	**729.6**	901.6
Current liabilities	**233.8**	223.1
	963.4	1,124.7

For the year ended 30 June 2023, the total cash outflow for leases, which comprise payments for lease liabilities, short-term leases and variable leases, was HK$452.5 million (2022: HK$377.9 million).

43 OTHER NON-CURRENT LIABILITIES

	Note	2023 HK$'m	2022 HK$'m
Long service payment obligations		**10.9**	5.7
Deferred income		**14.2**	15.9
Loan from non-controlling interest	(a)	**13.4**	24.4
Others		**248.6**	49.8
		287.1	95.8

(a) The loan is interest free, unsecured and not repayable within one year.

44 TRADE, OTHER PAYABLES AND PAYABLES TO POLICYHOLDERS

	Note	**2023 HK$'m**	2022 HK$'m
Trade payables	(a)	**1,270.9**	633.8
Payables to policyholders	45	**1,734.3**	1,774.2
Other payables and accruals	(b)	**7,309.1**	5,801.3
Retention money payables		**1,789.2**	1,469.3
Contract liabilities	35	**324.3**	606.4
Amounts due to non-controlling interests	(c)	**108.1**	107.8
Amounts due to associated companies	(c)	**14.0**	9.1
Amount due to a joint venture	(c)	**240.9**	1.2
		12,790.8	10,403.1

(a) The ageing analysis of trade payables based on invoice date is as follows:

	2023 HK$'m	2022 HK$'m
Under 3 months	**1,241.1**	615.2
4 to 6 months	**11.7**	5.2
Over 6 months	**18.1**	13.4
	1,270.9	633.8

(b) The balance includes construction related accruals and provisions amounting to HK$4,384.8 million (2022: HK$3,341.7 million).

(c) The amounts payable are interest free, unsecured and have no fixed repayment terms.

(d) Included in the Group's trade, other payables and payables to policyholders are HK$1,977.3 million (2022: HK$1,664.2 million) denominated in United States dollar and HK$903.1 million (2022: HK$837.8 million) denominated in Renminbi. The remaining balances are mainly denominated in Hong Kong dollar.

45 PAYABLES TO POLICYHOLDERS

	Note	**2023** **HK$'m**	2022 HK$'m
Claims payable		**321.9**	352.3
Premium deposits		**1,253.5**	1,232.6
Other payables		**158.9**	189.3
	44	**1,734.3**	1,774.2

Claims payable represents provision for claims reported by policyholders and claims incurred but not reported, while premium deposits represent amounts left in deposits with the Group for the payment of future premiums.

46 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets in the consolidated statement of financial position include debt instruments as financial assets at amortized cost, financial assets at FVOCI, financial assets at FVPL, amounts receivables from associated companies and joint ventures, derivative financial instruments, trade, premium and other receivables, investments related to unit-linked contracts and cash and bank balances. All these financial assets are carried at amortized cost using the effective interest method except for the "financial assets at FVOCI", "financial assets at FVPL", "derivative financial instruments" and financial assets at FVPL under "investments related to unit-linked contracts" which are carried at fair value.

Financial liabilities in the consolidated statement of financial position include borrowings and other interest-bearing liabilities, investment contract liabilities, investment contract liabilities under "liabilities related to unit-linked contracts", derivative financial instruments, lease liabilities and trade, other payables and payables to policyholders. All these financial liabilities are carried at amortized cost using the effective interest method except for the "derivative financial instruments", "investment contract liabilities" and investment contract liabilities under "liabilities related to unit-linked contracts" which are carried at fair value.

47 COMMITMENTS

(a) The outstanding commitments for capital expenditure are as follows:

	Note	2023 HK$'m	2022 HK$'m
Contracted but not provided for			
Property, plant and equipment		**114.8**	132.3
Investment properties		**–**	571.3
Intangible concession rights		**–**	192.9
Intangible assets		**15.3**	6.2
Capital contributions to/acquisition of associated companies and joint ventures	(i), (ii)	**1,514.0**	2,443.3
Investment funds, financial and other investments		**1,512.0**	1,440.5
		3,156.1	4,786.5

(i) The Group has been committed to providing sufficient funds in the form of advances, capital and loan contributions to certain associated companies and joint ventures to finance relevant projects. The Group estimates that the share of projected funds requirements of these projects would be HK$1,514.0 million (2022: HK$205.2 million) which represents the attributable portion of the capital and loan contributions to be made to the associated companies and joint ventures.

(ii) The balance as at 30 June 2022 included the Group's commitment in the acquisition of 40% equity interest in Guiwu Expressway and related creditor's right and dividend receivable at the total consideration of RMB1,902.4 million (equivalent to HK$2,238.1 million). Completion of the acquisition took place in November 2022 and the Group accounted for its 40% equity interest in Guiwu Expressway as a joint venture since then.

47 COMMITMENTS (CONTINUED)

(b) The Group's share of commitments for capital expenditure committed by the joint ventures not included above are as follows:

	2023 HK$'m	2022 HK$'m
Contracted but not provided for		
Property, plant and equipment	**135.7**	8,758.5
Others	**17.6**	–
	153.3	8,758.5

(c) Future minimum rental payments receivable

The future minimum rental payments receivable under non-cancellable operating leases are as follows:

	2023 HK$'m	2022 HK$'m
In the first year	**166.8**	141.2
In the second year	**125.5**	117.1
In the third year	**114.6**	84.6
In the fourth year	**95.2**	77.8
In the fifth year	**70.6**	59.2
After the fifth year	**133.0**	122.0
	705.7	601.9

The Group's operating leases terms range from 1 month to 15 years (2022: 1 to 15 years).

48 FINANCIAL GUARANTEES

The Group's financial guarantees are as follows:

	2023 HK$'m	2022 HK$'m
Guarantees for credit facilities granted to		
Associated companies	**1,520.0**	1,520.4
Joint ventures	**620.1**	1,950.0
	2,140.1	3,470.4

In addition, the Company and NWD, through their respective wholly-owned subsidiaries, provided a joint and several guarantee in favour of the Hong Kong Government for the punctual, true and faithful performance and observance by KTSPL under the contract entered into between the Hong Kong Government and KTSPL for the design, construction and operation of Kai Tak Sports Park. Taking into consideration the deed of counter-indemnity which has been entered into, the Group's guarantee towards KTSPL is up to the extent of 25% of the contract sum or an amount of approximately HK$7.5 billion as at 30 June 2023 and 30 June 2022. KTSPL is an associated company of the Group in which the Group has a 25% interest.

Under the main Transaction Agreement and the related transaction documents in relation to the disposal of aircraft leasing business by Goshawk to SMBC (detailed in note 24(d)), the Group provides a financial guarantee to support the performance of Goshawk of its payment obligation to satisfy claims that may be brought by SMBC against Goshawk. The Group's potential liability under the financial guarantee is limited to a total amount of US$197.1 million (equivalent to HK$1,537.4 million) as at 30 June 2023 and 30 June 2022.

49 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to net cash generated from operations:

	2023 HK$'m	2022 HK$'m
Operating profit from continuing and discontinued operations	**3,427.5**	3,435.0
Depreciation and amortization	**1,809.3**	1,721.5
Overlay approach adjustments on financial assets	**(687.5)**	(1,845.9)
Net loss/(profit) on disposal of debt instruments as financial assets at FVOCI	**6.1**	(137.6)
Net (gain)/loss associated with investments related to unit-linked contracts	**(257.7)**	2,201.6
Reversal of provision for onerous contract	**–**	(230.0)
Gain on redemption of fixed rate bonds	**(90.5)**	(117.0)
Net gain on fair value of derivative financial instruments	**(67.9)**	(55.7)
Net loss on fair value of financial assets at FVPL	**847.6**	1,327.9
Interest income	**(2,472.2)**	(1,851.8)
Dividend income	**(290.8)**	(444.1)
Profit on disposal/partial disposal of interests in associated companies	**–**	(118.6)
Loss on disposal of interest in a joint venture	**101.9**	–
Net profit on disposal of assets held-for-sale/ discontinued operations	**–**	(125.3)
Impairment loss related to associated companies	**104.1**	109.9
Net gain on fair value of investment properties	**(59.5)**	–
Expected credit loss provision, net of reversal	**462.8**	562.6
Share-based payment	**51.8**	–
Net exchange gain	**(4.2)**	(56.7)
Other non-cash items	**(1.9)**	8.8
Operating profit before working capital changes	**2,878.9**	4,384.6
(Increase)/decrease in inventories	**(69.6)**	37.0
Decrease in security deposits	**–**	400.5
(Increase)/decrease in trade, premium and other receivables	**(1,107.5)**	65.3
Increase/(decrease) in trade, other payables and payables to policyholders	**2,221.3**	(673.1)
Increase in deferred acquisition costs	**(163.2)**	(623.5)
Increase in insurance and investment contract liabilities	**14,951.0**	8,980.7
Increase/(decrease) in liabilities related to unit-linked contracts	**617.0**	(2,137.5)
Purchases of financial assets at FVPL associated with investments related to unit-linked contracts	**(4,291.6)**	(3,704.5)
Disposal of financial assets at FVPL associated with investments related to unit-linked contracts	**3,853.6**	3,597.6
Changes in balances with associated companies, joint ventures and related companies	**(36.0)**	(159.9)
Changes in balances with non-controlling interests	**32.3**	(4.9)
Others	**1.0**	6.0
Net cash generated from operations	**18,887.2**	10,168.3

49 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities:

HK$'m	Note	Bank loans and other interest-bearing liabilities	Fixed rate bonds	Loan from non-controlling interest	Lease liabilities	Total
At 1 July 2022		19,026.4	4,564.5	24.4	1,124.7	24,740.0
Cash flows from financing activities						
Drawdown/issuance		8,051.7	1,674.1	–	–	9,725.8
Repayment/redemption		(7,432.1)	(2,585.1)	(10.5)	–	(10,027.7)
Decrease in cash collateral received from counterparties		(26.7)	–	–	–	(26.7)
Capital element of lease liabilities payments		–	–	–	(237.4)	(237.4)
New leases entered/lease modified		–	–	–	76.6	76.6
Interest on lease liabilities	11	–	–	–	40.6	40.6
Interest element of lease liabilities payments		–	–	–	(40.6)	(40.6)
Gain on redemption of fixed rate bonds	8	–	(90.5)	–	–	(90.5)
Acquisition of a subsidiary	50	986.4	–	–	–	986.4
Translation differences		(358.9)	(62.5)	(0.5)	(0.5)	(422.4)
Other non-cash movements		55.1	(5.5)	–	–	49.6
At 30 June 2023		**20,301.9**	**3,495.0**	**13.4**	**963.4**	**24,773.7**

49 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities: (continued)

HK$'m	Note	Bank loans and other interest-bearing liabilities	Fixed rate bonds	Loan from non-controlling interest	Lease liabilities	Total
At 1 July 2021		18,483.3	6,864.7	25.0	1,306.7	26,679.7
Cash flows from financing activities						
Drawdown		5,895.7	–	–	–	5,895.7
Repayment/redemption		(4,576.7)	(2,199.6)	–	–	(6,776.3)
Decrease in cash collateral received from counterparties		(598.1)	–	–	–	(598.1)
Capital element of lease liabilities payments		–	–	–	(236.3)	(236.3)
New leases entered/lease modified		–	–	–	54.4	54.4
Interest on lease liabilities	11	–	–	–	46.3	46.3
Interest element of lease liabilities payments		–	–	–	(46.3)	(46.3)
Gain on redemption of fixed rate bonds	8	–	(117.0)	–	–	(117.0)
Translation differences		(242.1)	20.8	(0.6)	(0.1)	(222.0)
Other non-cash movements		64.3	(4.4)	–	–	59.9
At 30 June 2022		19,026.4	4,564.5	24.4	1,124.7	24,740.0

50 BUSINESS COMBINATION

In December 2022, NWS Guangdong, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement to acquire 60% equity interest in Hunan Daoyue. Hunan Daoyue was previously accounted for as an associated company as NWS Guangdong held 40% of its equity interest since the first acquisition in December 2018. The acquisition of 60% equity interest was completed in April 2023 at a consideration (after adjustments) of RMB523.1 million (equivalent to HK$587.7 million) and Hunan Daoyue was accounted for as an indirect wholly-owned subsidiary of the Company since then.

(a) The fair value of assets acquired and liabilities assumed based on provisional assessment at the date of acquisition are as follows:

	HK$'m
Consideration (after adjustments)	
Cash	**499.5**
Consideration payables	**88.2**
	587.7
Equity interest held by the Group previously accounted for as an associated company	**573.9**
	1,161.6

	Note	Provisional fair value HK$'m
Property, plant and equipment	17	**35.4**
Intangible concession rights	18	**2,231.8**
Trade and other receivables		**3.6**
Cash and bank balances		**93.9**
Borrowings	49(b)	**(986.4)**
Deferred tax liabilities	40	**(154.3)**
Other payables and accruals		**(57.4)**
Taxation		**(5.0)**
Identifiable assets acquired and liabilities assumed		**1,161.6**

	HK$'m
Consideration settled in cash during the year	**499.5**
Cash and cash equivalents of the subsidiary acquired	**(93.9)**
Net cash outflow on acquisition during the year	**405.6**

(b) The acquired business contributed revenue of HK$55.2 million and net profit of HK$11.6 million to the Group from the date of acquisition to 30 June 2023. If the acquisition had occurred at the beginning of the current reporting period, consolidated revenue and consolidated profit for the year would have been increased by HK$161.0 million and HK$16.1 million respectively.

51 RELATED PARTY TRANSACTIONS

(a) The following is a summary of significant related party transactions during the year carried out in the normal course of the Group's business:

	Note	2023 HK$'m	2022 HK$'m
Transactions with affiliated companies	(i)		
Provision of other services	(iii)	**0.6**	0.6
Interest income	(iv)	**125.9**	77.8
Management fee income	(v)	**15.4**	4.3
Rental and other related expenses	(vi)	**(2.0)**	(1.9)
Other expenses	(viii)	**(400.2)**	(138.6)
Transactions with other related parties	(i)		
Provision of construction work services	(ii)	**404.1**	288.4
Provision of other services	(iii)	**64.2**	44.4
Interest income	(iv)	**121.3**	121.3
Rental, other related expenses and additions to right-of-use assets	(vi)	**(17.4)**	(51.4)
Mechanical and electrical engineering services	(vii)	**(1,984.8)**	(952.6)
Other expenses	(viii)	**(189.6)**	(138.2)

(i) Affiliated companies include associated companies and joint ventures of the Group. Other related parties are subsidiaries, associated companies and joint ventures of NWD and Chow Tai Fook Enterprises Limited as well as Mr Doo Wai Hoi, William ("Mr Doo") and his associates which are not companies within the Group. NWD is the ultimate holding company of the Company and Chow Tai Fook Enterprises Limited is a substantial shareholder of NWD. Mr Doo is the Vice-chairman and a non-executive director of NWD and is the father of Mr William Junior Guilherme Doo, a non-executive director of the Company.

(ii) Revenue from the provision of construction work services was charged in accordance with the relevant contracts. Revenue from provision of construction work services to KTSPL, which is both a subsidiary of NWD and also an associated company of the Group, was presented under "Transactions with other related parties" only.

(iii) The Group provided various kinds of services including facilities management, property management and other services to certain affiliated companies and related parties. The services were provided and charged in accordance with the relevant contracts.

(iv) Interest income was charged at relevant interest rates as specified in notes 23, 24 and 31 on the outstanding balances due from the affiliated companies or relevant yield on investments in debt instruments.

(v) Management fee was charged at rates in accordance with the relevant contracts.

(vi) Rental and other related expenses were charged and additions to right-of-use assets were measured in accordance with the respective tenancy agreements.

51 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (continued)

(vii) Mechanical and electrical engineering services were charged in accordance with the relevant contracts.

(viii) Other expenses include purchase of construction materials, laundry, security and guarding, landscaping, cleaning, property management and other services. The services were charged in accordance with the relevant contracts.

(b) Key management compensation

No significant compensation arrangement has been entered into with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in note 15.

(c) As at 30 June 2023, the Group held senior unsubordinated and unsecured notes in the aggregate principal amount of HK$2,500.0 million (2022: HK$2,500.0 million) issued by NWD (MTN) Limited, a wholly-owned subsidiary of NWD. These notes are bearing coupon rates ranging from 4.79% to 4.89% per annum, having maturity of 30 years falling due on 2049 to 2051, and listed on the Hong Kong Stock Exchange.

As at 30 June 2023, the fair value of these notes included as financial assets at FVOCI is HK$1,589.2 million (2022: HK$1,947.1 million).

(d) In September 2021, the Group entered into formal sale and purchase agreements with Good Sense Development Limited (an indirect wholly-owned subsidiary of NWD) for the acquisition of the office units on 18th-21st floors of No. 888 Lai Chi Kok Road, Kowloon, Hong Kong at the aggregate purchase price of HK$1,367 million. In addition, the Group shall be entitled to (i) priority to purchase up to nine parking spaces for each floor purchased at a price of not higher than HK$1.5 million per parking space and (ii) leasing benefits offered by the vendor under which the Group entered into tenancy agreements as landlord for these properties at pre-determined annual rent and has the option to terminate the relevant tenancy agreement for a pre-determined amount to be received according to when the termination of the relevant tenancy agreement(s) occurs. The transactions for office units above and for the additional purchase of car parking spaces at HK$81 million were completed during FY2022.

(e) The amounts of outstanding balances with associated companies, joint ventures and non-controlling interests are disclosed in notes 23, 24, 31, 43 and 44. The pledge of the Group's equity interest in an associated company as security for a bank loan made by that associated company as at 30 June 2022 is disclosed in note 23(b).

52 COMPARATIVE FIGURES

Certain comparative figures have been reclassified or extended to conform with current year's presentation.

53 ULTIMATE HOLDING COMPANY

The directors regard NWD, a company incorporated in Hong Kong and listed on the Hong Kong Stock Exchange, as being the ultimate holding company. The Company is held by NWD and certain of its subsidiaries.

54 COMPANY STATEMENT OF FINANCIAL POSITION

	2023 HK$'m	2022 HK$'m
ASSETS		
Non-current assets		
Property, plant and equipment	**38.9**	6.1
Subsidiaries	**18,720.8**	7,893.4
Other non-current asset	**3.3**	3.3
	18,763.0	7,902.8
Current assets		
Trade and other receivables	**42,067.9**	62,745.9
Cash and bank balances	**7,863.4**	1,204.6
	49,931.3	63,950.5
Total assets	**68,694.3**	71,853.3
EQUITY		
Share capital	**3,910.5**	3,911.1
Reserves	**42,679.7**	42,230.9
Total equity	**46,590.2**	46,142.0
LIABILITIES		
Non-current liabilities		
Fixed rate bonds	**1,611.1**	–
	1,611.1	–
Current liabilities		
Trade and other payables	**20,493.0**	25,711.3
	20,493.0	25,711.3
Total liabilities	**22,104.1**	25,711.3
Total equity and liabilities	**68,694.3**	71,853.3

Dr Cheng Kar Shun, Henry
Director

Mr Ma Siu Cheung
Director

54 COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)

Reserves

HK$'m	Share premium	Contributed surplus	Special reserves	Revenue reserve	Total
At 1 July 2022	**17,821.5**	**237.3**	**1.1**	**24,171.0**	**42,230.9**
Profit for the year	**–**	**–**	**–**	**2,786.8**	**2,786.8**
Share options					
Value of services provided					
Company and subsidiaries	**–**	**–**	**51.8**	**–**	**51.8**
New shares issued	**0.4**	**–**	**–**	**–**	**0.4**
Share repurchase	**(4.9)**	**–**	**–**	**–**	**(4.9)**
Dividends	**–**	**–**	**–**	**(2,385.3)**	**(2,385.3)**
At 30 June 2023	**17,817.0**	**237.3**	**52.9**	**24,572.5**	**42,679.7**

HK$'m	Share premium	Contributed surplus	Special reserves	Revenue reserve	Total
At 1 July 2021	17,821.5	237.3	1.1	24,317.8	42,377.7
Profit for the year	–	–	–	2,199.9	2,199.9
Dividends	–	–	–	(2,346.7)	(2,346.7)
At 30 June 2022	17,821.5	237.3	1.1	24,171.0	42,230.9

The contributed surplus of the Company represents the difference between the nominal value of the ordinary share capital issued by the Company and the consolidated net asset value of the subsidiaries acquired at the date of acquisition pursuant to the group reorganization implemented in 1997. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of contributed surplus in certain circumstances.

55 PRINCIPAL SUBSIDIARIES

The directors of the Company were of the view that as at 30 June 2023, there was no individual subsidiary that had non-controlling interests that were material to the Group.

As at 30 June 2023

	Issued and fully paid up share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Amount HK$		
Incorporated and operate in Hong Kong				
Anway Limited	1	1	100.0	Duty free operation and general trading
Billionoble Investment Limited	4,998	4,998	100.0	Investment holding
	2*	2	100.0	
Chinese Future Limited	1,300,000,000	1,300,000,000	100.0	Investment holding
Earning Star Limited	1	1	100.0	Investment holding
Ever Honour (Hong Kong) Limited	1	1	100.0	Property investment
Goodman Chengdu Developments No.2 Limited	99[i]	99	100.0	Investment holding
	1[ii]	1		
Goodman Chengdu Developments No.3 Limited	99[i]	99	100.0	Investment holding
	1[ii]	1		
Goodman Chengdu Developments No.4 Limited	99[i]	99	100.0	Investment holding
	1[ii]	1		
Goodman Chengdu Longquan Logistics Development Limited	99[i]	99	100.0	Investment holding
	1[ii]	1		
Goodman Hong Kong (Hubei) Developments No.1 Limited	99[i]	99	100.0	Investment holding
	1[ii]	1		
Grace Crystal Limited	1	1	100.0	Investment holding
Grand Express International Limited	1	1	100.0	Investment holding
Hip Hing Builders Company Limited	40,000	40,000,000	100.0	Construction
	10,000*	10,000,000	100.0	
Hip Hing Construction Company Limited	400,000	40,000,000	100.0	Construction and civil engineering
	600,000*	60,000,000	100.0	
Hip Hing Engineering Company Limited	2,000,000	200,000,000	100.0	Building construction
Hong Kong Convention and Exhibition Centre (Management) Limited	3	3	100.0	Management of HKCEC
	1*	1	100.0	
Hong Kong Exhibition and Convention Venue Management China Limited	1	1	100.0	Investment holding
i-Residence Management Limited	1	1	100.0	Property management and consultancy
Kiu Lok Property Services (China) Limited	2	2	100.0	Property agency, management and consultancy
	2*	2	100.0	
Modern Elite (Hong Kong) Limited	1	1	100.0	Property investment
New Advent Limited	1	1	100.0	Property investment
New World - Guangdong Highway Investments Co. Limited	999,900	99,990,000	100.0	Investment holding
	100*	10,000	50.0	

55 PRINCIPAL SUBSIDIARIES (CONTINUED)
As at 30 June 2023

	Issued and fully paid up share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Amount HK$		
Incorporated and operate in Hong Kong (continued)				
New World Port Investments Limited	2	2	100.0	Investment holding
NWS (Finance) Limited	2	2	100.0	Financial services
NWS Holdings (Finance) Limited	1	1	100.0	Financing
NWS Infrastructure Renewables (Italy) Limited	1	1	100.0	Investment holding
NWS Modern Logistics (Hong Kong) Limited	1	1	100.0	Investment holding, operating modern logistics business
Polytown Company Limited	2	20	100.0	Property investment, operation, marketing, promotion and management of HKCEC
	100,000*	1,000,000	100.0	
Profit Now Limited	1	1	100.0	Investment holding
Qin Hen Goodman Hong Kong (Chengdu) Developments No.1 Limited	99[i]	99	100.0	Investment holding
	1[ii]	1		
Sky Connection Limited	100	100	100.0	Duty free operation and general trading
True Hope Investment Limited	299,999,998	299,999,998	100.0	Investment holding
	2*	2	100.0	
Tycoon Estate Investments (HK) Limited	1	1	100.0	Property investment
Urban Parking Limited	15,000,000	15,000,000	100.0	Carpark management
Vibro Construction Company Limited	1,630,000	163,000,000	100.0	Civil engineering
	20,000*	2,000,000	100.0	
Vibro (H.K.) Limited	20,000,004	60,328,449	99.8 (a)	Piling, ground investigation and civil engineering
Wisemec Enterprises Limited	2	2	100.0	Investment holding

	Issued share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Par value per share		
Incorporated in Bermuda and operates in Hong Kong				
FTLife Insurance Company Limited	506,100,141	US$1	100.0	Life insurance
	9,000,000§	US$1	100.0	
	10,000,000§§	US$1	100.0	

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55 PRINCIPAL SUBSIDIARIES (CONTINUED)
As at 30 June 2023

	Issued share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Par value per share		
Incorporated in the Cayman Islands and operates in Hong Kong				
NWS Service Management Limited	1,323,943,165	HK$0.10	100.0	Investment holding
Incorporated in the Cayman Islands				
Chinese Future Corporation	1,000,000	US$0.01	100.0	Investment holding
Incorporated in the British Virgin Islands and operate in Hong Kong				
Bellwood Group Limited	100	US$1	100.0	Investment holding
Best Star (BVI) Investments Limited	1	US$1	100.0	Investment holding
Busy Bee Global Limited	1	US$1	100.0	Investment holding
Celestial Dynasty Limited	1	US$1	100.0	Bond issuer
Celestial Miles Limited	1	US$1	100.0	Bond issuer
Century Charm Global Limited	1	US$1	100.0	Investment holding
Creo Capital Limited	1	US$1	100.0	Investment holding
Economic Velocity Limited	1	US$1	100.0	Investment holding
Eminent Circle Ventures Limited	1	US$1	100.0	Investment holding
Glorious Hope Limited	1	US$1	100.0	Investment holding
Hetro Limited	101	US$1	100.0	Investment holding
Lucky Strong Limited	1	US$1	100.0	Investment holding
Noonday Limited	100	US$1	100.0	Investment holding
NWS Financial Management Services Limited	1	US$1	100.0	Investment holding
NWS Infrastructure Management Limited	2	US$1	100.0	Investment holding
NWS Infrastructure Roads Limited	1	US$1	100.0	Investment holding
NWS Ports Management Limited	2	US$1	100.0	Investment holding
Quality Vibe Limited	1	US$1	100.0	Investment holding
Utmost Best Limited	1	US$1	100.0	Investment holding

55 PRINCIPAL SUBSIDIARIES (CONTINUED)

As at 30 June 2023

	Issued share capital[#]		Approximate percentage of shares held by the Group	Principal activities
	Number	Par value per share		
Incorporated in the British Virgin Islands				
Gravy Train Investments Limited	1	US$1	100.0	Investment holding
Ideal Global International Limited	1	US$1	100.0	Investment holding
Moscan Developments Limited	1	US$1	100.0	Investment holding
Natal Global Limited	1	US$1	100.0	Investment holding
NWS CON Limited	1	HK$1	100.0	Investment holding
NWS Construction Limited	190,000	US$0.1	100.0	Investment holding
	6,550**	US$0.1	–	
	4,875***	US$0.1	–	
NWS Infrastructure Power Limited	1	US$1	100.0	Investment holding
Right Heart Associates Limited	4	US$1	100.0	Investment holding
Righteous Corporation	1	US$1	100.0	Investment holding

55 PRINCIPAL SUBSIDIARIES (CONTINUED)

As at 30 June 2023

	Amount of fully paid up capital	Approximate percentage of attributable interest to the Group	Principal activities
Incorporated and operate in Mainland China			
^Chengdu Dasheng Logistics Co. Ltd.	RMB82,000,000	100.0	Operation of logistics property
^Chengdu Jiachao Warehouse Co. Ltd.	RMB96,000,000	100.0	Operation of logistics property
++Hunan Daoyue Expressway Industry Co., Ltd.	RMB600,950,000	100.0 (c)	Operation of toll road
++Hunan NWS Expressway Management Co., Ltd.	RMB1,600,000,000	100.0	Operation of toll road
^Jialong (Chengdu) Warehouse Co. Ltd.	USD18,500,000	100.0	Operation of logistics property
^Jiayao (Chengdu) Warehouse Co., Ltd.	USD20,000,000	100.0	Operation of logistics property
^Jiaxin (Chengdu) Warehouse Co. Ltd.	USD16,000,000	100.0	Operation of logistics property
^NWS Modern Logistics (Shenzhen) Limited	RMB729,144,444	100.0	Investment holding
^NWS Modern Logistics (Suzhou) Limited	RMB287,001,369	100.0	Investment holding
^NWS (Guangdong) Investment Company Limited	RMB5,319,853,600	100.0	Investment holding
+Shanxi Xinda Highways Limited	RMB49,000,000	60.0 (b)	Operation of toll road
+Shanxi Xinhuang Highways Limited	RMB56,000,000	60.0 (b)	Operation of toll road
^Suzhou Greenland Platinum Election e-commerce Co., Ltd.	RMB260,000,000	90.0	Operation of logistics property
^Wuhan Jiamai Warehouse Co. Ltd.	USD30,000,000	100.0	Operation of logistics property
^Xiamen Creo Capital Investment Company Limited	RMB360,000,000	100.0	Investment holding
@Zhejiang NWS Expressway Co., Ltd.	US$320,590,000	100.0	Operation of toll road
++Zhiyi (Hangzhou) Service Area Management Limited	RMB3,000,000	100.0	Provision of commercial complex, catering, hotel and property management
Incorporated and operate in Macau			
Hip Hing Engineering (Macau) Company Limited	MOP100,000	100.0	Construction
Vibro (Macau) Limited	MOP1,000,000	99.8 (a)	Foundation works

55 PRINCIPAL SUBSIDIARIES (CONTINUED)

As at 30 June 2023

	Amount of fully paid up capital	Approximate percentage of attributable interest to the Group	Principal activities
Incorporated and operates in Italy			
NWS Infrastructure Renewables (Italy) S.r.l.	EUR153,023	100.0	Investment holding

#	Ordinary shares, unless otherwise stated
*	Non-voting deferred shares
**	Redeemable, non-convertible and non-voting A preference shares
***	Redeemable, non-convertible and non-voting B preference shares
^	Registered as wholly foreign owned enterprises under PRC law
@	Registered as sino-foreign equity joint venture under PRC law
+	Registered as sino-foreign cooperative joint venture under PRC law
++	Registered as limited company under PRC law
§	Class A redeemable preference shares (non-convertible)
§§	Class C redeemable preference shares (convertible)
i	Class B ordinary shares
ii	Class A special voting share

(a) The approximate percentage of shares held by non-controlling interests is 0.2%

(b) Cash sharing ratio of 90% (percentage for non-controlling interest is 10%) for the first 12 years from the operation date and thereafter 60% (percentage for non-controlling interest is 40%)

(c) During FY2023, the Group has further acquired 60% equity interest of Hunan Daoyue as set out in note 50. Hunan Daoyue become an indirect wholly-owned subsidiary of the Company since the date of completion of acquisition

56 PRINCIPAL ASSOCIATED COMPANIES

The list of principal associated companies which are accounted for by the equity method of accounting as at 30 June 2023 is as follows:

	Issued and fully paid up share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Amount HK$		
Incorporated and operate in Hong Kong				
GHK Hospital Limited	10	10	40.0	Healthcare
Joy Fortune Investments Limited	10,000	10,000	50.0	Investment holding
Kai Tak Sports Park Limited	300	906,666,900	25.0	To develop and operate Kai Tak Sports Park
Quon Hing Concrete Company Limited	200,000	20,000,000	50.0	Production and sales of ready-mixed concrete
Yargoon Company Limited	150,000	15,000,000	42.0	Operating a quarry mill and trading in aggregates and stonefines
Shoucheng Holdings Limited	7,412,575,440	12,994,847,000	11.3 (a)	Investment holding

	Issued and fully paid up share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Amount		
Incorporated and operates in Singapore				
PBA International Pte. Ltd.	10,932	Singapore dollar 24,242,000	20.0	Development and manufacturing of advanced robotics

	Issued and fully paid up share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Par value per share		
Incorporated in Bermuda and operates in Hong Kong				
Wai Kee Holdings Limited	793,124,034	HK$0.10	11.5 (a)	Construction
Incorporated in Cyprus and operates in South Africa				
Tharisa plc	299,794,034	US$0.001	12.9 (a)	Chrome and platinum group metals mining, processing and trading

56 PRINCIPAL ASSOCIATED COMPANIES (CONTINUED)

The list of principal associated companies which are accounted for by the equity method of accounting as at 30 June 2023 is as follows: (continued)

	Amount of fully paid capital	Approximate percentage of attributable interest to the Group	Principal activities
Incorporated and operate in Mainland China			
Hangzhou Ring Road Expressway Petroleum Development Co., Ltd.	RMB10,000,000	39.0 (c)	Operation of gasoline station
Hubei Laogu Expressway Development Co., Ltd.	RMB616,161,616	1.0 (b), (d)	Operation of toll road
Hubei Suiyuenan Expressway Co., Ltd.	RMB1,770,000,000	30.0 (b)	Operation of toll road
WorldEx Supply Chain Technology (Shanghai) Co., Limited	RMB81,452,529	10.1 (a), (b)	Operation of comprehensive logistics business
Zhaoqing Yuezhao Expressway Co., Ltd.	RMB818,300,000	25.0 (c)	Operation of toll road

Ordinary shares, unless otherwise stated

(a) The directors of the Company considered the Group has significant influence over these companies through its representative on the board of directors of these companies

(b) Percentage of equity interest

(c) Percentage of interest in ownership and profit sharing

(d) The directors of the Company considered the Group has significant influence over the company through its representative on the board of directors and the potential voting right of the company

57 PRINCIPAL JOINT VENTURES

The list of principal joint ventures which are accounted for by the equity method of accounting as at 30 June 2023 is as follows:

	Amount of fully paid capital	Approximate percentage of attributable interest to the Group	Principal activities
Incorporated and operate in Mainland China			
Beijing-Zhuhai Expressway Guangzhou-Zhuhai Section Company Limited	RMB933,880,002	25.0 (a)	Operation of toll road
China United International Rail Containers Co., Limited	RMB4,200,000,000	30.0 (b)	Operation of rail container terminals and related business
Guangxi Logan Guiwu Expressway Co., Ltd	RMB200,000,000	40.0 (b)	Operation of toll road
Guangzhou Northring Intelligent Transportation Technology Company Limited	US$19,255,000	65.3 (a), (d)	Operation of toll road
Jiangsu JD-Link International Logistics Co., Ltd.	RMB87,247,436	12.0 (d)	Operation of comprehensive logistics business
Huizhou City Huixin Expressway Company Limited	RMB34,400,000	50.0 (a)	Investment holding
NWS Asset Management (Hainan) Company Limited	RMB1,000,000,000	80.0 (b), (d)	Distressed asset management
Tianjin Xinzhan Expressway Company Limited	RMB2,539,100,000	60.0 (c), (d)	Operation of toll road
Zhejiang Tangshi Supply Chain Management Co., Ltd.	RMB69,444,444	10.0 (d)	Operation of comprehensive logistics business
Incorporated and operates in Italy			
ForVEI II S.r.l.	EUR20,000	40.0	Investment holding and operation of solar power assets

57 PRINCIPAL JOINT VENTURES (CONTINUED)

The list of principal joint ventures which are accounted for by the equity method of accounting as at 30 June 2023 is as follows: (continued)

	Issued and fully paid up share capital#		Approximate percentage of share held by the Group	Principal activities
	Number	Amount HK$		
Incorporated and operate in Hong Kong				
ATL Logistics Centre Hong Kong Limited	100,000'A'	100,000	56.0 (d)	Operation of cargo handling and storage facilities
	20,000'B'**	20,000	79.6	
	54,918*	54,918	–	
Goodman China (Western) Limited	100	100	50.0	Investment holding
Wincon International Limited	300,000,000	300,000,000	50.0	Investment holding

	Issued share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Par value per share		
Incorporated in the British Virgin Islands				
Success Concept Investments Limited	1,000	US$1	90.0 (d)	Investment holding
Incorporated and operates in the Netherlands				
Hyva I B.V.	19,000	EUR1	50.0	Manufacturing and supply of components used in hydraulic loading and unloading systems

57 PRINCIPAL JOINT VENTURES (CONTINUED)

The list of principal joint ventures which are accounted for by the equity method of accounting as at 30 June 2023 is as follows: (continued)

	Issued share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Par value per share		
Incorporated in the Cayman Islands and operates globally				
Goshawk Aviation Limited	362,026,264 preference shares	US$0.001	50.0	Commercial aircraft leasing and management

Ordinary shares, unless otherwise stated
* Non-voting deferred shares
** Non-voting preference shares

(a) Percentage of interest in ownership and profit sharing

(b) Percentage of equity interest

(c) Cash sharing ratio of 90% for the first 15 years from the operation date and thereafter 60%

(d) The directors of the Company considered the Group have joint control governing the financial and operating activities over these joint ventures

Independent Auditor's Review Report

羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF NWS HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial statements set out on pages 17 to 71, which comprises the condensed consolidated statement of financial position of NWS Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 31 December 2023 and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising material accounting policy information and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these interim financial statements in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements of the Group are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 February 2024

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Condensed Consolidated Income Statement

	Note	(Unaudited) For the six months ended 31 December 2023 HK$'m	2022 HK$'m (restated)
Revenue			
Non-insurance		**12,361.6**	11,752.0
Insurance		**1,616.9**	1,353.9
	6	**13,978.5**	13,105.9
Cost of sales	7, 9	**(10,804.4)**	(10,600.1)
Insurance service expenses, net	7	**(1,253.1)**	(922.7)
Net income/(expenses) from reinsurance contracts held		**79.5**	(4.3)
Net insurance finance (expenses)/income		**(1,332.9)**	2,065.2
Other income and gains/(losses), net	8	**1,625.4**	(1,907.8)
Selling and marketing expenses	7	**(84.5)**	(46.7)
General and administrative expenses	7	**(490.1)**	(531.6)
Operating profit	7	**1,718.4**	1,157.9
Finance costs		**(537.5)**	(464.4)
Share of results of			
Associated companies	6(b)	**43.3**	106.6
Joint ventures	6(b)	**475.5**	645.4
Profit before income tax		**1,699.7**	1,445.5
Income tax expenses	10	**(359.6)**	(286.1)
Profit for the period		**1,340.1**	1,159.4
Profit attributable to			
Shareholders of the Company		**1,008.8**	853.1
Holders of perpetual capital securities		**311.9**	295.8
Non-controlling interests		**19.4**	10.5
		1,340.1	1,159.4
Basic and diluted earnings per share attributable to shareholders of the Company	11	**HK$0.28**	HK$0.25

Condensed Consolidated Statement of Comprehensive Income

	(Unaudited) For the six months ended 31 December	
	2023	2022
	HK$'m	HK$'m (restated)
Profit for the period	**1,340.1**	1,159.4
Other comprehensive income/(loss)		
Items that will not be reclassified to profit or loss		
Net fair value change on equity instruments as financial assets at fair value through other comprehensive income ("FVOCI")	**(92.5)**	(176.8)
Remeasurement of post-employment benefit obligation	**0.3**	(0.3)
Items that have been reclassified/may be subsequently reclassified to profit or loss		
Net fair value change on debt instruments as financial assets at FVOCI and other net movement	**227.8**	(517.2)
Release of reserve upon disposal of interest in a joint venture	**–**	(6.4)
Share of other comprehensive loss of associated companies	**(4.9)**	(8.5)
Cash flow hedges	**(54.3)**	(31.7)
Net insurance finance income/(expenses)	**49.6**	(109.2)
Currency translation differences	**174.5**	(1,176.9)
Other comprehensive income/(loss) for the period, net of tax	**300.5**	(2,027.0)
Total comprehensive income/(loss) for the period	**1,640.6**	(867.6)
Total comprehensive income/(loss) attributable to		
Shareholders of the Company	**1,308.2**	(1,172.8)
Holders of perpetual capital securities	**311.9**	295.8
Non-controlling interests	**20.5**	9.4
	1,640.6	(867.6)

Condensed Consolidated Statement of Financial Position

	Note	**As at 31 December 2023 HK$'m (Unaudited)**	As at 30 June 2023 HK$'m (restated)	As at 1 July 2022 HK$'m (restated)
ASSETS				
Intangible assets	12	**5,957.1**	5,863.2	5,890.1
Intangible concession rights	13	**13,042.6**	13,306.4	13,081.9
Investment properties	14	**5,878.1**	5,875.0	4,842.2
Property, plant and equipment	15	**1,220.9**	1,317.0	1,315.7
Right-of-use assets		**1,080.4**	1,192.2	1,360.7
Associated companies	16	**4,652.6**	4,708.3	6,443.4
Joint ventures	17	**17,508.2**	17,773.3	15,413.5
Insurance contract assets	26	**1,181.9**	1,160.3	–
Reinsurance contract assets	26	**121.0**	28.5	–
Debt instruments as financial assets at amortized cost	18	**1,362.1**	55.2	–
Financial assets at FVOCI	19	**11,274.9**	11,384.1	12,111.0
Financial assets at fair value through profit or loss ("FVPL")	20	**60,490.7**	53,742.6	42,428.2
Derivative financial instruments		**214.9**	287.8	91.9
Inventories		**289.0**	239.6	170.0
Trade and other receivables	21	**9,527.1**	9,375.6	14,816.6
Investments related to unit-linked contracts	22(a)	**8,876.9**	8,940.1	8,649.2
Cash and bank balances		**20,070.5**	19,255.9	13,452.6
Total assets		**162,748.9**	154,505.1	140,067.0
EQUITY				
Share capital	23	**3,911.9**	3,910.5	3,911.1
Reserves	24	**41,923.8**	41,427.6	44,544.9
Shareholders' funds		**45,835.7**	45,338.1	48,456.0
Perpetual capital securities	25	**2,099.2**	10,353.6	10,528.5
Non-controlling interests		**71.2**	50.8	50.1
Total equity		**48,006.1**	55,742.5	59,034.6
LIABILITIES				
Deferred tax liabilities		**1,377.9**	1,412.5	1,514.3
Insurance contract liabilities	26	**62,299.9**	56,414.4	41,012.0
Reinsurance contract liabilities	26	**–**	12.2	56.1
Financial liabilities related to unit-linked contracts	22(b)	**4,222.8**	4,424.6	4,603.3
Borrowings and other interest-bearing liabilities	27	**34,419.5**	23,796.9	23,590.9
Derivative financial instruments		**281.6**	216.6	172.7
Trade and other payables	28	**10,819.6**	10,819.6	8,289.4
Lease liabilities		**849.2**	963.4	1,124.7
Taxation		**472.3**	702.4	669.0
Total liabilities		**114,742.8**	98,762.6	81,032.4
Total equity and liabilities		**162,748.9**	154,505.1	140,067.0

Condensed Consolidated Statement of Changes in Equity

		(Unaudited) For the six months ended 31 December 2023							
		Shareholders' funds							
HK$'m	Note	Share capital	Share premium	Revenue reserve	Other reserves	Total	Perpetual capital securities	Non-controlling interests	Total
As at 30 June 2023, previously stated		3,910.5	17,817.0	23,709.5	(5,700.3)	39,736.7	10,353.6	50.8	50,141.1
Adoption of HKFRS 17	2(b)	–	–	(712.2)	6,313.6	5,601.4	–	–	5,601.4
As at 30 June 2023, restated		3,910.5	17,817.0	22,997.3	613.3	45,338.1	10,353.6	50.8	55,742.5
Adoption of HKFRS 17	2(b)	–	–	(863.6)	1,142.6	279.0	–	–	279.0
As at 1 July 2023		3,910.5	17,817.0	22,133.7	1,755.9	45,617.1	10,353.6	50.8	56,021.5
Total comprehensive income for the period		–	–	1,009.1	299.1	1,308.2	311.9	20.5	1,640.6
(Distribution to)/contributions by owners									
Dividend paid to									
Shareholders of the Company	24, 29	–	–	(1,212.7)	–	(1,212.7)	–	–	(1,212.7)
Non-controlling interests		–	–	–	–	–	–	(0.1)	(0.1)
Distribution to perpetual capital securities holders		–	–	–	–	–	(323.8)	–	(323.8)
Share options									
Value of services provided		–	–	–	44.4	44.4	–	–	44.4
New shares issued		1.4	9.8	–	–	11.2	–	–	11.2
Share of reserve of a joint venture		–	–	–	(35.2)	(35.2)	–	–	(35.2)
Derecognition of perpetual capital securities as equity	25	–	–	102.7	–	102.7	(8,242.5)	–	(8,139.8)
Transfer of reserves	24	–	–	89.3	(89.3)	–	–	–	–
Total transactions with owners		1.4	9.8	(1,020.7)	(80.1)	(1,089.6)	(8,566.3)	(0.1)	(9,656.0)
As at 31 December 2023		3,911.9	17,826.8	22,122.1	1,974.9	45,835.7	2,099.2	71.2	48,006.1

		(Unaudited and restated) For the six months ended 31 December 2022							
		Shareholders' funds							
HK$'m	Note	Share capital	Share premium	Revenue reserve	Other reserves	Total	Perpetual capital securities	Non-controlling interests	Total
As at 30 June 2022, previously stated		3,911.1	17,821.5	24,406.7	(2,830.8)	43,308.5	10,528.5	50.1	53,887.1
Adoption of HKFRS 17	2(b)	–	–	(211.9)	5,359.4	5,147.5	–	–	5,147.5
As at 1 July 2022, restated		3,911.1	17,821.5	24,194.8	2,528.6	48,456.0	10,528.5	50.1	59,034.6
Total comprehensive income/(loss) for the period		–	–	860.2	(2,033.0)	(1,172.8)	295.8	9.4	(867.6)
(Distribution to)/contributions by owners									
Dividend paid to									
Shareholders of the Company	29	–	–	(1,212.2)	–	(1,212.2)	–	–	(1,212.2)
Non-controlling interests		–	–	–	–	–	–	(22.6)	(22.6)
Distribution to perpetual capital securities holders		–	–	–	–	–	(340.6)	–	(340.6)
Share repurchase		(0.7)	(4.9)	–	–	(5.6)	–	–	(5.6)
Share options									
Value of services provided		–	–	–	32.0	32.0	–	–	32.0
Issuance of perpetual capital securities		–	–	–	–	–	2,092.0	–	2,092.0
Transaction cost in relation to issuance of perpetual capital securities		–	–	(19.8)	–	(19.8)	–	–	(19.8)
Redemption of perpetual capital securities		–	–	124.1	–	124.1	(2,222.1)	–	(2,098.0)
Transfer of reserves		–	–	(362.6)	362.6	–	–	–	–
Total transactions with owners		(0.7)	(4.9)	(1,470.5)	394.6	(1,081.5)	(470.7)	(22.6)	(1,574.8)
As at 31 December 2022, restated		3,910.4	17,816.6	23,584.5	890.2	46,201.7	10,353.6	36.9	56,592.2

Condensed Consolidated Statement of Cash Flows

	Note	(Unaudited) For the six months ended 31 December 2023 HK$'m	2022 HK$'m (restated)
Cash flows from operating activities			
Net cash generated from operations	32	**6,646.6**	5,231.5
Finance costs paid		**(458.4)**	(419.8)
Interest received		**1,371.1**	1,012.1
Dividends received from financial assets in relation to insurance business and investments related to unit-linked contracts		**208.7**	174.7
Hong Kong profits tax paid		**(345.3)**	(104.7)
Mainland China and overseas taxation paid		**(276.3)**	(339.6)
Net cash generated from operating activities before net purchase of financial assets in relation to insurance business		**7,146.4**	5,554.2
Purchases of financial assets in relation to insurance business		**(30,790.9)**	(14,568.3)
Disposal of financial assets in relation to insurance business		**23,414.1**	9,718.6
		(7,376.8)	(4,849.7)
Net cash (used in)/generated from operating activities		**(230.4)**	704.5
Cash flows from investing activities			
Dividends received from associated companies and joint ventures		**743.4**	501.2
Increase in investments in and advances to associated companies		**(26.2)**	(212.5)
Decrease in investments in and advances to joint ventures		**60.0**	4,074.0
Additions of intangible assets, intangible concession rights and property, plant and equipment		**(254.1)**	(377.8)
Purchases of debt instruments as financial assets at amortized cost		**(49.9)**	(138.8)
Purchases of financial assets at FVPL		**(217.0)**	(135.3)
Disposal of debt instruments as financial assets at amortized cost		**39.0**	–
Disposal of financial assets at FVOCI		**–**	50.7
Disposal of financial assets at FVPL		**46.6**	1,399.7
Settlement of derivative financial instruments		**9.5**	35.3
Proceeds received from disposals of interests in associated companies and joint ventures		**6.3**	179.8
Dividends received from financial assets at FVOCI and financial assets at FVPL		**1.9**	9.6
Others		**(4.3)**	5.7
Net cash generated from investing activities		**355.2**	5,391.6

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	Note	(Unaudited) For the six months ended 31 December 2023 HK$'m	2022 HK$'m (restated)
Cash flows from financing activities			
Issuance of new shares from share options exercised		**11.2**	–
Share repurchase		**–**	(5.6)
New bank loans and other borrowings		**5,140.9**	2,776.8
Issuance of fixed rate bonds	27(c)	**2,137.6**	–
Repayment of bank loans and other borrowings		**(4,947.6)**	(2,101.3)
Redemption of fixed rate bonds		**–**	(622.7)
Repayment of financing received under a financial reinsurance arrangement		**(41.8)**	(31.2)
Distribution to perpetual capital securities holders		**(323.8)**	(340.6)
Proceeds from issuance of perpetual capital securities, net of transaction costs		**–**	2,072.2
Redemption of perpetual capital securities		**–**	(2,098.0)
Capital elements of lease liabilities payments		**(125.7)**	(121.8)
Dividend paid to shareholders of the Company	29	**(1,212.7)**	(1,212.2)
Dividend paid to non-controlling interests		**(0.1)**	(22.6)
Increase/(decrease) in cash collateral received from counterparties		**3.6**	(24.5)
Net cash from/(used in) financing activities		**641.6**	(1,731.5)
Net increase in cash and cash equivalents		**766.4**	4,364.6
Cash and cash equivalents at the beginning of the period		**19,257.9**	13,466.1
Currency translation differences		**55.4**	(118.5)
Cash and cash equivalents at the end of the period		**20,079.7**	17,712.2
Analysis of cash and cash equivalents			
Cash and bank balances		**20,070.5**	17,691.9
Cash and bank balances attributable to investments related to unit-linked contracts	22(a)	**22.9**	34.1
Time deposits with original maturity more than three months		**(13.7)**	(13.8)
		20,079.7	17,712.2

1. GENERAL INFORMATION

NWS Holdings Limited is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries include the development of, investment in and/or operation of toll roads, insurance, logistics, construction and facilities management businesses.

The Company has its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The unaudited condensed consolidated interim financial statements (the "interim financial statements") were approved for issuance by the Board on 27 February 2024.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix D2 of the Listing Rules. The interim financial statements should be read in conjunction with the annual financial statements for the FY2023.

The accounting policies used in the preparation of the interim financial statements are consistent with those set out in the annual report for FY2023 except as described in note 2(a), 2(b), 2(c) and 3 below.

(a) Adoption of new standard and amendments to standards

During the Current Period, the Group has adopted the following new standard and amendments to standards which are relevant to the Group's operations and are mandatory for the financial year ending 30 June 2024 ("FY2024"):

HKFRS 17 and HKFRS 17 (Amendments)	Insurance Contracts
HKAS 1 (Amendments) and HKFRS Practice Statement 2	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKAS 12 (Amendments)	International Tax Reform — Pillar Two Model Rules

Except for HKFRS 17 as detailed below, the adoption of the amendments to standards does not have significant effect on the results and financial position of the Group.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(b) Adoption of HKFRS 17 "Insurance Contracts"

HKFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and replaced the previous HKFRS 4 "Insurance Contracts" ("HKFRS 4"). Under HKFRS 17, a comprehensive model (general measurement model) is introduced to measure insurance contracts based on the estimates of the present value of future cash flows with a risk adjustment (the fulfilment cash flows) and the unearned profits (the contractual service margin ("CSM")). The fulfilment cash flows are the current estimates of the future cash flows that the Group expects to collect from premiums and payout for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts. The CSM represents the estimate of unearned profits of the insurance contracts, and is systematically recognized in insurance revenue based on the services provided over the coverage period of the insurance contract. Details of the change in accounting policies and critical accounting estimates and judgements are set out in notes 3 and 4 respectively.

Transition

The Group adopted HKFRS 17 on 1 July 2023 (i.e. the date of initial adoption) and has applied the full retrospective approach on transition to all contracts issued on or after 1 July 2022 (i.e. the transition date). For contracts issued prior to 1 July 2022, fair value approach was applied as obtaining reasonable and supportable information to apply the full retrospective approach was impracticable without undue cost or effort (e.g. assumptions that would have been made in an earlier period and information is only available at higher levels of aggregation).

Under fair value approach, the Group determined the CSM to be the difference between the fair value of a group of insurance contracts, and its fulfilment cash flows at 1 July 2022. The fair value of an insurance contract is the price that a market participant would be willing to pay to assume the obligation and the remaining risks of the in-force contracts as at the transition date. Assumptions about expected future cash flows and risk allowances to determine the fair value of the insurance contracts were adjusted for the market participant's view, as required by HKFRS 13 "Fair Value Measurement". The entire amount of the CSM of the Group at 1 July 2022 are attributable to the insurance contracts applying the fair value approach.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(b) Adoption of HKFRS 17 "Insurance Contracts" (continued)

Transition (continued)

Redesignation of financial assets at the date of initial application of HKFRS 17

The Group has adopted HKFRS 9 "Financial Instruments" ("HKFRS 9") before 1 July 2023. In accordance with HKFRS 17, the Group reassessed its business models for managing financial assets and redetermined the classification of financial assets if they are connected with contracts within the scope of HKFRS 17 at the date of initial application of HKFRS 17 on 1 July 2023. The Group has applied the classification overlay for the purpose of presenting comparative information. The classification overlay is based on how the Group expects the financial assets would be designated at the date of initial application of HKFRS 17.

The following table presents the carrying amount of financial assets by measurement categories before and after the date of initial application of HKFRS 17 on 1 July 2023.

	As at 30 June 2023 HK$'m (previously stated)	Adjustments HK$'m	As at 30 June 2023 HK$'m (restated)	Adjustments HK$'m	As at 1 July 2023 HK$'m (restated)
Debt instruments as financial assets at amortized cost	**6,895.0**	**(6,839.8)**	**55.2**	**1,299.6**	**1,354.8**
Financial assets at FVOCI	**43,174.3**	**(31,790.2)**	**11,384.1**	**(2,787.7)**	**8,596.4**
Financial assets at FVPL	**15,002.6**	**38,740.0**	**53,742.6**	**1,767.1**	**55,509.7**

Debt instruments are reclassified to FVPL out of FVOCI or amortized cost categories and equity instruments are reclassified to FVPL out of FVOCI category as for eliminating accounting mismatch on connected insurance contract liabilities.

Debt instruments are reclassified to amortized cost out of FVOCI category as a result of reassessment on their business model on the basis of facts and circumstances that exist at 1 July 2023.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(b) Adoption of HKFRS 17 "Insurance Contracts" (continued)

Transition (continued)

Overall effect on adoption of HKFRS 17

The Group has applied the transition provisions in HKFRS 17 and has not disclosed the impact of the adoption of HKFRS 17 on each financial statement line item. The tables show the impact on adoption of HKFRS 17 on total equity of the Group.

	As at 30 June 2022 HK$'m (previously stated)	Adjustments HK$'m	As at 1 July 2022 HK$'m (restated)
Total equity	**53,887.1**	**5,147.5**	**59,034.6**

	As at 30 June 2023 HK$'m (previously stated)	Adjustments HK$'m	As at 1 July 2023 HK$'m (restated)
Total equity	**50,141.1**	**5,880.4**	**56,021.5**

HKFRS 17 significantly reduces the accounting mismatch between financial assets and insurance contract liabilities, with mechanisms to adjust insurance contract liabilities considering market fluctuation from assets. As a result, insurance contract liabilities under HKFRS 17 were significantly reduced when compared with the previous HKFRS 4 basis, leading to the increase in total equity upon transition.

In addition, deferred acquisition costs, value of business acquired for insurance contracts (and the related deferred tax liabilities) as well as other receivables and payables under previous accounting practices including premium receivable, policy loans and payable to policyholders are derecognized on transition date and are remeasured in the insurance contracts liabilities under HKFRS 17. Insurance and investment contracts liabilities (including unit-linked contracts) under previous accounting practices are also reassessed if they meet the definition of insurance contracts under HKFRS 17, which are recalculated with the new measurement models.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(c) Change in presentation of condensed consolidated statement of financial position

The Group, taken into account the characteristics of insurance contracts and expectation on the scaling of assets and liabilities of its insurance business with the adoption of HKFRS 17 due to the capitalization of future profits in the CSM as liabilities and natural business growth, changes the presentation of its condensed consolidated statement of financial position in the Current Period that provides relevant, comparable and understandable information to present all assets and liabilities in the order of liquidity in accordance with HKAS 1 "Presentation of Financial Statements". The comparative figures have been restated accordingly.

(d) Amendments to standards and interpretation which are not yet effective

The following amendments to standards and interpretation are mandatory for accounting period beginning on or after 1 July 2024 or later periods but which the Group has not early adopted:

HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current
HKAS 1 (Amendments)	Non-current Liabilities with Covenants
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements
HKAS 21 (Amendments)	Lack of Exchangeability
HK Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The Group has commenced the assessment on the impact of adoption of the amendments to standards and interpretation, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the consolidated financial statements.

3. CHANGE IN ACCOUNTING POLICIES

As explained in note 2(b) above, the Group has adopted HKFRS 17 which resulted in change in accounting policies used in the preparation of the consolidated financial statements.

Accounting policies applied from 1 July 2023

Insurance contracts, investment contracts with discretionary participating features ("DPF") and reinsurance contracts held

The Group uses different measurement approaches, depending on the type of contract, as follows:

	Product classification	Measurement model
Insurance contracts issued		
Traditional life and annuities participating contracts	Insurance contracts or investment contracts with DPF	Variable Fee Approach ("VFA")
Traditional life non-participating contracts and protection products	Insurance contracts	General Measurement Model ("GMM") or Premium Allocation Approach ("PAA")
Universal life contracts	Insurance contracts	GMM
Unit-linked insurance contracts	Insurance contracts	VFA
Unit-linked investment contracts without DPF	Investment contracts	Financial liabilities measured at FVPL under HKFRS 9
Reinsurance contracts held		
Reinsurance contracts	Reinsurance contracts	GMM or PAA

3. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(a) Definition and classification

Insurance contracts are contracts under which the Group accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

Contracts that have a legal form of insurance but do not transfer significant insurance risk are classified as investment contracts, and they follow financial instruments accounting under HKFRS 9. Investment contracts without DPF issued by the Group fall under this category and classified as financial liabilities.

Some investment contracts issued by the Group contain DPF, whereby the investor has the right and is expected to receive, as a supplement to the amount not subject to the Group's discretion, potentially significant additional benefits based on the return of specified pools of investment assets. The Group accounts for these contracts under HKFRS 17.

The Group issues certain insurance contracts that are substantially investment-related service contracts where the return on the underlying items is shared with policyholders. Underlying items comprise specified portfolios of investment assets that determine amounts payable to policyholders. The Group's policy is to hold such investment assets.

A reinsurance contract held transfers significant risk if it transfers substantially all the insurance risk resulting from the insured portion of the underlying insurance contracts.

All references to insurance contracts in the consolidated financial statements apply to insurance contracts issued, reinsurance contracts held and investment contracts with DPF, unless specifically stated otherwise.

(b) Level of aggregation and separation of insurance components

Insurance contracts are aggregated into groups, and groups into portfolios, subject to similar risks and managed together. Each portfolio is further disaggregated into semi-annual cohorts and each cohort into three groups based on their profitability: (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts. These groups represent the level of aggregation at which insurance contracts are initially recognized and measured. Such groups are not subsequently reconsidered.

(c) Fulfilment cash flows

Fulfilment cash flows comprise:

- estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment for non-financial risk.

Cash flows that are not directly attributable to a portfolio of insurance contracts, such as some marketing and training costs, are recognized in general and administrative expenses or selling and marketing expenses as incurred.

3. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(d) Insurance acquisition cash flows

Insurance acquisition cash flows represents cash flows arise from costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to the portfolio of insurance contracts to which the group belongs.

Insurance acquisition cash flows are allocated to groups of insurance contracts on a systematic and rational basis and considering, in an unbiased way, all reasonable and supportable information available without undue cost or effort. The amounts allocated to groups of insurance contracts yet to be recognized are revised at each reporting date, to reflect any changes in assumptions that determine the inputs to the method of allocation used.

(e) Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and it reflects the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfils insurance contracts.

(f) Initial measurement — Groups of contracts not measured under PAA

The Group measures a group of contracts as the sum of: (a) the fulfilment cash flows, which include estimates of future cash flows, an adjustment to reflect time value of money, and a risk adjustment for non-financial risk; and (b) the CSM.

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that the Group will recognize as it provides insurance contract services in the future.

On initial recognition of a group of contracts, if the total of the fulfilment cash flows, any cash flows arising at that date and any amount arising from the derecognition of any assets or liabilities previously recognized for cash flows related to the group (including assets for insurance acquisition cash flows) is a net inflow, then the group of contracts is not onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

When the above calculation results in a net outflow, the group of insurance contracts issued is onerous. A loss from onerous insurance contracts is recognized in profit or loss immediately, with no CSM recognized on the consolidated statement of financial position on initial recognition, and a loss component is established in the amount of loss recognized.

3. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(g) Subsequent measurement — Groups of contracts not measured under the PAA

The carrying amount at the end of each reporting period of a group of insurance contracts issued is the sum of the liability for remaining coverage ("LRC") and the liability for incurred claims ("LIC"). The LRC comprises (a) the fulfilment cash flows related to future service allocated to the group at that date and (b) the CSM of the group at that date. The LIC includes the fulfilment cash flows related to incurred claims and expenses that have not yet been paid and allocated to the group at the reporting date.

The fulfilment cash flows are updated by the Group for current assumptions at the end of every reporting period, using the current estimates of the amount, timing and uncertainty of future cash flows, of discount rates and of non-financial risk. For insurance contracts measured under the VFA, the Group's share of the investment experience and assumption changes are absorbed by the CSM and released over time to profit or loss. For insurance contracts measured under the GMM, the fair value change of the investment assets backing these policies does not affect the measurement of insurance contracts.

(h) Initial and subsequent measurement — Groups of contracts measured under the PAA

The Group uses the PAA to simplify the measurement of groups of contracts in the following situations:

- the Group reasonably expects that the measurement of LRC would not differ materially from the result of apply accounting policies of contracts not measured under the PAA; or

- where the coverage period of each contract is one year or less.

(i) Reinsurance contracts held

Reinsurance contracts held measured under the GMM

The Group applies the same accounting policies as that applied to the underlying insurance contracts, with the following modifications.

The carrying amount of a group of reinsurance contracts held at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods; and (b) any remaining CSM at that date.

The Group measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognized in profit or loss.

The risk adjustment for non-financial risk represents the amount of risk being transferred by the Group to the reinsurer.

When underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the Group applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

3. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(i) Reinsurance contracts held (continued)

Reinsurance contracts held measured under the PAA

The Group applies the same accounting policy to measure the reinsurance contracts held under PAA, as the underlying insurance contracts.

When a loss is recognized on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group, the carrying amount of the asset for remaining coverage for reinsurance contracts held measured under the PAA is increased by the amount of income recognized in profit or loss and a loss-recovery component is established or adjusted for the amount of income recognized.

(j) Derecognition and modification

An insurance contract is derecognized when:

- it is extinguished, i.e., when the obligation specified in the insurance contract expires or is discharged or cancelled; or

- its terms modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognized. If a contract modification does not result in derecognition, then the Group treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

(k) Presentation of insurance contracts

Portfolios of insurance contracts and reinsurance contracts held in an asset position are presented separately from those in a liability position. Portfolios of insurance contracts issued are presented separately from portfolios of reinsurance contracts held.

The Group disaggregates amounts recognized in the consolidated income statement and the consolidated statement of comprehensive income into (a) insurance revenue and insurance service expenses; and (b) insurance finance income or expenses.

Income and expenses from reinsurance contracts held are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts held, other than insurance finance income or expenses, are presented on a net basis as “net income/(expenses) from reinsurance contracts held”. The Group does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance revenue.

3. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(k) Presentation of insurance contracts (continued)

Insurance revenue and insurance service expenses exclude any investment components and are recognized as follows:

Insurance revenue — insurance contracts not measured under the PAA

As the Group provides insurance contract services under the group of insurance contracts, it reduces the LRC and recognizes insurance revenue. The amount of insurance revenue recognized in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the Group expects to be entitled to in exchange for those services.

For contracts not measured under the PAA, insurance revenue comprises the following:

- claims and other directly attributable expenses incurred in the period measured at the amounts expected at the beginning of the period;
- changes in the risk adjustment for non-financial risk relating to current services;
- amounts of the CSM recognized for the services provided in the period; and
- other amounts, including experience adjustments for premium receipts for current or past services.

Insurance acquisition cash flows recovery is determined by allocating the portion of premiums related to the recovery of those cash flows on the basis of the passage of time over the expected coverage of a group of contracts. The allocated amount is recognized as insurance revenue with the same amount recognized as insurance service expenses.

Release of the CSM — insurance contracts not measured under the PAA

The amount of the CSM of a group of insurance contracts that is recognized as insurance revenue in each reporting period is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the reporting period (before any allocation) equally to each coverage unit provided in the current period and expected to be provided in future periods, and recognizing in profit or loss the amount of the CSM allocated to coverage units provided in the current period. The number of coverage units is the quantity of services provided by the contracts in the group, determined considering for each contract the quantity of benefits provided and its expected coverage period.

Insurance revenue — insurance contracts measured under the PAA

For groups of insurance contracts measured under the PAA, the Group allocated the expected premium into insurance revenue based on the (a) passage of time; or (b) the expected timing of the incurred expenses, if the expected pattern of release of risk during the coverage period differs significantly from the passage of time.

3. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(k) Presentation of insurance contracts (continued)

Loss component — insurance contracts not measured under PAA

For contracts not measured under the PAA, the Group establishes a loss component of the LRC for onerous group of contracts. The loss component determines the amounts of fulfilment cash flows that are subsequently excluded from insurance revenue when they occur. When the fulfilment cash flows occur, they are allocated between the loss component and the LRC excluding the loss component.

Insurance service expenses

Insurance service expenses arising from insurance contracts are recognized in profit or loss generally as they are incurred. They exclude repayments of investment components and include the following:

- incurred claims, benefits, and other incurred directly attributable expenses;
- insurance acquisition cash flows amortization;
- losses on onerous contract or reversals of those losses; and
- changes that relate to past service.

For contracts not measured under the PAA, amortization of insurance acquisition cash flows is reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue, as described above. For contracts measured under the PAA, amortization of insurance acquisition cash flows is based on the passage of time.

Other expenses not meeting the above categories are included in general and administrative expenses or selling and marketing expenses in the profit or loss.

Net income/(expenses) from reinsurance contracts held

The Group presents financial performance of groups of reinsurance contracts held based on the allocation of reinsurance premiums paid less amounts recovered from reinsurers.

The Group recognizes an allocation of reinsurance premiums paid as reinsurance expenses within net expenses from reinsurance contracts held for the coverage or other services received by the Group under groups of reinsurance contracts held.

For contracts not measured under the PAA, the allocation of reinsurance premiums paid relating to services received for each period represents the total of the changes in the asset for remaining coverage that relate to services for which the Group expects to pay consideration.

For groups of reinsurance contracts held measured under the PAA, the Group recognizes reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

3. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(k) Presentation of insurance contracts (continued)

Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts and reinsurance contracts held arising from the effect of the time value of money and changes in the time value of money, the effect of financial risk and changes in financial risk.

The Group presents insurance finance income or expenses for the insurance contracts measured under the VFA in profit or loss. Such insurance finance income or expenses includes changes in the measurement of the group of contracts impacted by the changes in the value of underlying items (excluding additions and withdrawals). It therefore has an offsetting impact to investment income earned on underlying assets backing insurance contracts, which include the gain or losses arising on assets measured at FVPL under the line “other income and gains/(losses), net”.

For the insurance contracts measured under the GMM, the Group disaggregates total insurance finance income or expenses between profit or loss and other comprehensive income. The amount recognized in profit or loss is determined by a systematic allocation of the expected total finance income or expenses over the duration of the group of insurance contracts. Insurance finance income or expenses presented in other comprehensive income, which reflects the effect of changes in discount rates on measurement of these insurance contracts, are accumulated in the insurance finance reserve. If the Group derecognizes these insurance contracts, its related remaining amount accumulated in insurance finance reserve is reclassified to profit or loss.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

As explained in note 2(b) above, the Group has adopted HKFRS 17 which resulted in changes in critical accounting estimates and judgements as follows:

(a) Measurement of insurance contracts not measured under the PAA

Estimates of present value of future cash flows

The estimates of future cash flows are adjusted using discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The bottom-up approach has been primarily adopted for the derivation of discount rates. Under this approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium'). The risk-free yield was derived using swap rates available in the market or sovereign bonds denominated in the same currency. Management uses judgement to assess liquidity characteristics of the liability cash flows.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled.

Risk adjustments are determined separately from estimates from the present value of future cash flows, using the confidence level technique. The Group estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at 75th percentile over the expected present value of the future cash flows.

(b) Determining coverage units for recognition of the contractual service margin in insurance revenue

The CSM of a group of contracts is recognized as insurance revenue in each period based on the number of coverage units provided in the period, which is determined by considering for each contract the quantity of the services provided, its expected coverage period and time value of money.

The quantity of services provided by insurance contracts could include insurance coverage, investment-return service and investment-related service, as applicable. In assessing the services provided by insurance contracts, the terms and benefit features of the contracts are considered.

For contracts providing predominately insurance coverage, the quantity of services is determined for the contract as a whole based on the expected maximum benefits less investment component. For contracts providing multiple services, the quantity of services is determined based on the benefits provided to policyholder for each service with the relative weighting considered in the calculation through the use of factors. Relevant elements are considered in determining the quantity of service including among others, benefit payments and premiums. The Group applies judgement in these determinations.

5. FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION

(a) Financial and insurance risks

The Group's activities expose it to a variety of financial risks: market risk (interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk. The Group is also exposed to insurance risk relating to the activities of its insurance business.

The interim financial statements do not include all financial and insurance risks management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's FY2023 annual financial statements.

There has been no significant change in any risk management policies since the last year end.

(b) Fair value estimation

The carrying amounts and fair value disclosures of the financial instruments of the Group are as follows:

(i) Listed investments are stated at market prices. The quoted market price used for financial assets held by the Group is the bid price at the end of the reporting period. Unlisted investments are stated at fair values based on quoted market price or estimated using other prices observed in recent transactions or valuation techniques when the market is not readily available.

(ii) The fair value of unlisted long-term financial assets is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(iii) The carrying values of bank balances, short-term receivables and payables approximate their fair values due to the short-term maturities of these assets and liabilities.

(iv) The following table presents the Group's financial instruments, including "financial assets at FVOCI", "financial assets at FVPL", "derivative financial instruments", "investments related to unit-linked contracts" and "financial liabilities related to unit-linked contracts", that are measured at fair value at 31 December 2023, 30 June 2023 and 1 July 2022 respectively:

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

5. FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(b) Fair value estimation (continued)

(iv) (continued)

As at 31 December 2023

HK$'m	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at FVOCI				
— Equity instruments	1,040.7	–	9.3	1,050.0
— Debt instruments	6,647.2	3,577.7	–	10,224.9
Financial assets at FVPL				
— Equity instruments	1,257.0	117.0	211.4	1,585.4
— Debt instruments	38,337.8	7,313.4	1,617.2	47,268.4
— Investment funds	7,179.3	–	4,457.6	11,636.9
Derivative financial instruments	–	214.9	–	214.9
Investments related to unit-linked contracts				
— Investment funds	8,854.0	–	–	8,854.0
	63,316.0	11,223.0	6,295.5	80,834.5
Liabilities				
Derivative financial instruments	–	(281.6)	–	(281.6)
Financial liabilities related to unit-linked contracts	–	(4,222.8)	–	(4,222.8)
	–	(4,504.4)	–	(4,504.4)

5. FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(b) Fair value estimation (continued)

(iv) (continued)

As at 30 June 2023
(restated)

HK$'m	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at FVOCI				
— Equity instruments	1,140.8	–	64.2	1,205.0
— Debt instruments	7,108.0	3,071.1	–	10,179.1
Financial assets at FVPL				
— Equity instruments	1,465.4	117.0	209.5	1,791.9
— Debt instruments	30,637.7	8,692.1	1,602.1	40,931.9
— Investment funds	7,334.8	–	3,684.0	11,018.8
Derivative financial instruments	–	287.8	–	287.8
Investments related to unit-linked contracts				
— Investment funds	8,924.4	–	–	8,924.4
	56,611.1	12,168.0	5,559.8	74,338.9
Liabilities				
Derivative financial instruments	–	(216.6)	–	(216.6)
Financial liabilities related to unit-linked contracts	–	(4,424.6)	–	(4,424.6)
	–	(4,641.2)	–	(4,641.2)

5. FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(b) Fair value estimation (continued)

(iv) (continued)

As at 1 July 2022
(restated)

HK$'m	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at FVOCI				
— Equity instruments	1,431.1	–	18.5	1,449.6
— Debt instruments	7,639.7	3,021.7	–	10,661.4
Financial assets at FVPL				
— Equity instruments	1,987.4	117.0	299.9	2,404.3
— Debt instruments	23,106.1	7,114.7	1,646.7	31,867.5
— Investment funds	4,037.0	–	4,119.4	8,156.4
Derivative financial instruments	–	91.9	–	91.9
Investments related to unit-linked contracts				
— Investment funds	8,621.9	–	–	8,621.9
	46,823.2	10,345.3	6,084.5	63,253.0
Liabilities				
Derivative financial instruments	–	(172.7)	–	(172.7)
Financial liabilities related to unit-linked contracts	–	(4,603.3)	–	(4,603.3)
	–	(4,776.0)	–	(4,776.0)

During the Current Period, there were transfer of debt instruments relating to the Group's insurance business as financial assets at FVOCI with fair value of HK$628.7 million from Level 1 to Level 2 fair value hierarchy. During the Last Period, there were transfer of debt instruments relating to the Group's insurance business as financial assets at FVPL with fair value of HK$1,371.8 million (restated) from Level 1 to Level 2 fair value hierarchy, HK$59.0 million (restated) from Level 2 to Level 1 fair value hierarchy and financial assets at FVOCI with fair value of HK$402.2 million (restated) from Level 2 to Level 1 fair value hierarchy. Assets are transferred into or out of Level 1 based on whether they are transacted with sufficient frequency and volume in an active market.

5. FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(b) Fair value estimation (continued)

(iv) (continued)

The following table presents the changes of financial instruments categorized within Level 3 fair value hierarchy for the Current Period:

	Assets		
HK$'m	Financial assets at FVOCI	Financial assets at FVPL	Total
As at 30 June 2023 and 1 July 2023	64.2	5,495.6	5,559.8
Translation differences	–	17.8	17.8
Purchases	–	978.9	978.9
Disposals	–	(219.0)	(219.0)
Net fair value change recognized in other comprehensive income	(54.9)	–	(54.9)
Net fair value change recognized in condensed consolidated income statement	–	12.9	12.9
As at 31 December 2023	**9.3**	**6,286.2**	**6,295.5**
Net unrealized fair value change recognized in condensed consolidated income statement relating to balances held as at 31 December 2023	–	16.9	16.9

As at 31 December 2023, financial instruments categorized within Level 3 fair value hierarchy comprise investment funds and unlisted debt and equity instruments. The fair value of these financial instruments is determined by using valuation techniques as detailed below:

- For investments in unlisted investment funds, management discussed with the respective fund managers to understand the performance of the underlying investments and fair value measurement basis conducted by the respective fund managers in order to evaluate whether the fair values as stated in the fund statements at the end of reporting period is appropriate;

- For investments in equity and debt instruments with recent transactions, management determined the fair value at the end of reporting period with reference to recent transaction prices of these financial assets; and

- For investments in equity and debt instruments without recent transactions, management has established fair values of these investments by using appropriate valuation techniques such as discounted cash flow with the credit risk of the issuer taken into consideration for investments in bonds and the purchase price paid by the Group with consideration to the latest financial information, movement of market comparable/market indices and the latest business development of the investee companies, where applicable. Independent external valuer has been involved in determining the fair value, when appropriate.

6. REVENUE AND SEGMENT INFORMATION

The Group's revenue is analyzed as follows:

HK$'m	For the six months ended 31 December 2023 Hong Kong	Mainland China	Total
Roads	**–**	**1,468.4**	**1,468.4**
Insurance	**1,616.9**	**–**	**1,616.9**
Logistics	**–**	**84.3**	**84.3**
Construction	**9,375.5**	**–**	**9,375.5**
Facilities Management	**1,424.1**	**9.3**	**1,433.4**
Strategic Investments	**–**	**–**	**–**
	12,416.5	**1,562.0**	**13,978.5**

HK$'m (restated)	For the six months ended 31 December 2022 Hong Kong	Mainland China	Total
Roads	–	1,317.4	1,317.4
Insurance	1,353.9	–	1,353.9
Logistics	–	63.4	63.4
Construction	9,840.8	–	9,840.8
Facilities Management	512.5	17.4	529.9
Strategic Investments	–	0.5	0.5
	11,707.2	1,398.7	13,105.9

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Revenue from insurance business is further analyzed as follows:

	For the six months ended 31 December	
	2023 **HK$'m**	2022 HK$'m (restated)
CSM recognized for services provided	**376.2**	312.6
Change in risk adjustment for non-financial risk for risk expired	**1.8**	21.6
Expected incurred claims and other insurance service expenses	**755.4**	702.7
Recovery of insurance acquisition cash flows	**297.6**	135.5
Others	**88.9**	84.7
Amounts related to changes in liabilities for remaining coverage	**1,519.9**	1,257.1
Fee income on insurance and investment contracts	**94.7**	94.4
General insurance commission under agency agreements	**2.3**	2.4
Fee and commission income	**97.0**	96.8
	1,616.9	1,353.9

Management has determined the operating segments based on the reports reviewed by the Executive Committee of the Company that are used to make strategic decisions in accordance with HKFRS 8 "Operating Segments". The Executive Committee reviews the Group's internal reporting in order to assess performance and allocate resources. The Executive Committee considers the businesses of the Group from product and service perspectives, which comprised (i) Roads; (ii) Insurance; (iii) Logistics; (iv) Construction; (v) Facilities Management; and (vi) Strategic Investments.

The Executive Committee assesses the performance of the operating segments based on a measure of Attributable Operating Profit (including share of results from associated companies and joint ventures). This measurement basis excludes the effects of corporate office and non-operating items. Corporate interest income, finance costs and expenses are not allocated to segments.

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) The information of the reportable segments provided to the Executive Committee for the Current Period and related comparative figures is as follows:

HK$'m	Roads	Insurance	Logistics	Construction	Facilities Management	Strategic Investments	Total	
For the six months ended 31 December 2023								
Total revenue	1,468.4	1,618.3	84.3	9,376.2	1,434.8	–	13,982.0	
Inter-segment	–	(1.4)	–	(0.7)	(1.4)	–	(3.5)	
Revenue – external	1,468.4	1,616.9	84.3	9,375.5	1,433.4	–	13,978.5	
Revenue from contracts with customers								
Recognized at a point in time	1,468.4	–	–	–	752.0	–	2,220.4	
Recognized over time	–	97.0	–	9,375.5	681.4	–	10,153.9	
	1,468.4	97.0	–	9,375.5	1,433.4	–	12,374.3	
Revenue from other sources	–	1,519.9	84.3	–	–	–	1,604.2	
	1,468.4	1,616.9	84.3	9,375.5	1,433.4	–	13,978.5	
Attributable Operating Profit/(Loss)								
Company and subsidiaries	408.8	413.0	54.6	363.2	221.6	31.6	1,492.8	
Associated companies	89.6	–	(8.2)	31.5	(97.4)	38.5	54.0	(b)
Joint ventures	318.3	–	310.4	–	–	(41.5)	587.2	(b)
	816.7	413.0	356.8	394.7	124.2	28.6	2,134.0	
Reconciliation								
Non-operating items								
Net loss on fair value of investment properties							(22.4)	(i)
Impairments and provisions							(295.0)	(ii)
Share-based payment (note 7(a))							(44.4)	
Unallocated corporate office items								
Loss on fair value of derivative financial instruments							(0.8)	
Net finance costs							(273.6)	
Net exchange gain							20.7	
Expenses and others							(197.8)	
Profit for the period after tax and non-controlling interests							1,320.7	
Profit attributable to holders of perpetual capital securities							(311.9)	
Profit attributable to shareholders of the Company							1,008.8	

(i) Net loss on fair value of investment properties recognized in the condensed consolidated income statement for the Current Period is HK$48.4 million (note 8), in which net loss of HK$26.0 million is recognized as part of Attributable Operating Profit in various reportable segments.

(ii) The amount mainly represents impairment loss related to associated companies of HK$179.9 million (included in "other income and gains/(losses), net" and detailed in note 16(c)) and share of impairment loss of a joint venture of HK$99.7 million (included in "share of results of joint ventures" and detailed in note 17(b)).

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) The information of the reportable segments provided to the Executive Committee for the Current Period and related comparative figures is as follows: (continued)

HK$'m	Roads	Insurance	Logistics	Construction	Facilities Management	Strategic Investments	Corporate	Total
For the six months ended 31 December 2023								
Amortization of intangible assets	–	37.0	–	–	15.6	–	–	52.6
Amortization of intangible concession rights	562.8	–	–	–	–	–	–	562.8
Depreciation of property, plant and equipment	52.1	21.4	0.5	25.5	45.4	–	7.7	152.6
Depreciation of right-of-use assets	0.3	52.5	–	19.7	47.4	–	4.4	124.3
Insurance finance expenses	–	1,332.9	–	–	–	–	–	1,332.9
Net (gain)/loss on fair value of financial assets at FVPL	–	(5.9)	–	1.0	–	(6.6)	–	(11.5)
Interest income	(29.4)	(1,325.5)	(0.1)	(18.6)	(58.2)	(42.4)	(125.5)	(1,599.7)
Finance costs	74.9	23.6	4.3	23.3	12.2	0.1	399.1	537.5
Income tax expenses/(credit)	206.0	60.6	2.1	72.0	28.8	(7.0)	(2.9)	359.6
Additions to assets (remark)	89.0	96.5	0.2	94.8	34.2	–	12.2	326.9
As at 31 December 2023								
Company and subsidiaries	15,916.5	90,432.6	3,432.4	8,690.5	3,921.8	6,099.7	12,094.6	140,588.1
Associated companies	2,270.7	–	279.2	210.1	177.4	1,712.4	2.8	4,652.6
Joint ventures	5,691.9	–	9,534.0	–	–	1,953.2	329.1	17,508.2
Total assets	23,879.1	90,432.6	13,245.6	8,900.6	4,099.2	9,765.3	12,426.5	162,748.9
Total liabilities	5,699.0	68,140.2	371.4	8,052.0	1,419.5	119.8	30,940.9	114,742.8

Remark: Represented assets expected to be recovered more than 12 months after the reporting period other than financial instruments, deferred tax assets, post-employment benefit assets, insurance contract assets and reinsurance contract assets.

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) The information of the reportable segments provided to the Executive Committee for the Current Period and related comparative figures is as follows: (continued)

HK$'m	Roads	Insurance	Logistics	Construction	Facilities Management	Strategic Investments	Total	
For the six months ended 31 December 2022 (restated)								
Total revenue	1,317.4	1,354.3	63.4	9,861.7	530.2	0.5	13,127.5	
Inter-segment	–	(0.4)	–	(20.9)	(0.3)	–	(21.6)	
Revenue — external	1,317.4	1,353.9	63.4	9,840.8	529.9	0.5	13,105.9	
Revenue from contracts with customers								
Recognized at a point in time	1,317.4	–	–	–	124.3	–	1,441.7	
Recognized over time	–	96.8	–	9,840.8	405.6	0.5	10,343.7	
	1,317.4	96.8	–	9,840.8	529.9	0.5	11,785.4	
Revenue from other sources	–	1,257.1	63.4	–	–	–	1,320.5	
	1,317.4	1,353.9	63.4	9,840.8	529.9	0.5	13,105.9	
Attributable Operating Profit/(Loss)								
Company and subsidiaries	372.5	230.6	55.4	384.9	(33.4)	41.0	1,051.0	
Associated companies	85.5	–	(1.2)	31.4	(94.0)	93.9	115.6	(b)
Joint ventures	226.5	–	363.5	–	(0.4)	35.4	625.0	(b)
	684.5	230.6	417.7	416.3	(127.8)	170.3	1,791.6	
Reconciliation								
Non-operating items								
Net loss on fair value of investment properties							(17.2)	(iii)
Impairments and provisions							(149.1)	(iv)
Net loss on disposal of projects, net of tax							(46.5)	(v)
Net gain on redemption of senior notes							88.6	(vi)
Share-based payment (note 7(a))							(32.0)	
Unallocated corporate office items								
Gain on fair value of derivative financial instruments							37.1	
Net finance costs							(275.7)	
Net exchange loss							(38.8)	
Expenses and others							(209.1)	
Profit for the period after tax and non-controlling interests							1,148.9	
Profit attributable to holders of perpetual capital securities							(295.8)	
Profit attributable to shareholders of the Company							853.1	

(iii) Net gain on fair value of investment properties recognized in the condensed consolidated income statement for the Last Period was HK$30.5 million (note 8), in which net gain of HK$47.7 million was recognized as part of Attributable Operating Profit in various reportable segments.

(iv) The amount represented impairment loss related to an associated company of HK$90.6 million (included in "other income and gains/(losses), net" and detailed in note 16(c)) and share of impairment loss of a joint venture of HK$58.5 million (included in "share of results of joint ventures" and detailed in note 17(b)).

(v) The amount represented (i) loss on disposal of interest in a joint venture of HK$101.9 million (included in "other income and gains/(losses), net" in note 8); and (ii) net gain on disposal related to a joint venture of HK$55.4 million (being a gain of HK$92.7 million (note 6(b)) shared by the Group in "share of results of joint ventures" less transaction costs).

(vi) The amount represented gain on redemption of fixed rate bonds of HK$90.5 millions (included in "other income and gains/(losses), net" in note 8) less transaction costs.

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) The information of the reportable segments provided to the Executive Committee for the Current Period and related comparative figures is as follows: (continued)

HK$'m	Roads	Insurance	Logistics	Construction	Facilities Management	Strategic Investments	Corporate	Total
For the six months ended 31 December 2022 (restated)								
Amortization of intangible assets	–	31.2	–	–	15.6	–	–	46.8
Amortization of intangible concession rights	509.4	–	–	–	–	–	–	509.4
Depreciation of property, plant and equipment	40.9	22.2	0.3	25.7	50.5	0.2	5.2	145.0
Depreciation of right-of-use assets	0.4	56.2	0.5	17.4	46.0	–	3.9	124.4
Net insurance finance income	–	(2,065.2)	–	–	–	–	–	(2,065.2)
Net loss/(gain) on fair value of financial assets at FVPL	–	2,968.3	–	1.2	–	(31.4)	–	2,938.1
Interest income	(31.8)	(1,002.4)	(0.1)	(4.4)	(31.2)	(56.5)	(35.8)	(1,162.2)
Finance costs	63.9	49.9	–	25.3	13.6	0.2	311.5	464.4
Income tax expenses	134.4	50.8	9.2	77.0	2.0	12.5	0.2	286.1
Additions to assets (remark)	233.0	86.7	6.0	34.7	9.0	6.0	37.9	413.3
As at 30 June 2023 (restated)								
Company and subsidiaries	15,745.2	83,862.2	3,371.7	8,990.1	4,060.2	5,814.3	10,179.8	132,023.5
Associated companies	2,190.7	–	281.4	255.3	206.2	1,771.9	2.8	4,708.3
Joint ventures	5,709.7	–	9,476.1	–	–	2,246.7	340.8	17,773.3
Total assets	23,645.6	83,862.2	13,129.2	9,245.4	4,266.4	9,832.9	10,523.4	154,505.1
Total liabilities	5,896.8	62,506.7	423.4	8,388.9	1,470.2	136.1	19,940.5	98,762.6

Remark: Represented assets expected to be recovered more than 12 months after the reporting period other than financial instruments, deferred tax assets, post-employment benefit assets, insurance contract assets and reinsurance contract assets.

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Reconciliation of Attributable Operating Profit of associated companies and joint ventures to the condensed consolidated income statement:

		Associated companies		Joint ventures	
		For the six months ended 31 December		For the six months ended 31 December	
HK$'m	Note	**2023**	2022	**2023**	2022
Attributable Operating Profit		**54.0**	115.6	**587.2**	625.0
Corporate and non-operating items					
— Net gain on disposal		**–**	–	**–**	92.7
— Impairment losses	17(b)	**–**	–	**(99.7)**	(58.5)
— Others		**(10.7)**	(9.0)	**(12.0)**	(13.8)
Share of results of associated companies and joint ventures		**43.3**	106.6	**475.5**	645.4

(c) Information by geographical areas:

	Assets expected to be recovered more than 12 months (remark)	
HK$'m	**As at 31 December 2023**	As at 30 June 2023
Hong Kong	**10,468.5**	10,580.8
Mainland China	**16,682.4**	16,943.3
Others	**28.2**	29.7
	27,179.1	27,553.8

The Group's share of revenue of associated companies and joint ventures are as follows:

	Associated companies		Joint ventures	
	For the six months ended 31 December		For the six months ended 31 December	
HK$'m	**2023**	2022	**2023**	2022
Hong Kong	**2,217.2**	2,107.2	**381.5**	374.4
Mainland China	**561.7**	709.1	**1,572.3**	6,754.1
Others	**443.3**	483.7	**1,370.4**	1,373.8
	3,222.2	3,300.0	**3,324.2**	8,502.3

Remark: Represented assets expected to be recovered more than 12 months after the reporting period other than financial instruments, deferred tax assets, post-employment benefit assets, insurance contract assets and reinsurance contract assets.

7. OPERATING PROFIT

Operating profit of the Group is arrived at after crediting and charging the following:

	Note	For the six months ended 31 December 2023 HK$'m	2022 HK$'m (restated)
Crediting			
Gross rental income from investment properties		**126.3**	103.0
Less: outgoings		**(31.1)**	(27.9)
		95.2	75.1
Charging			
Cost of inventories sold		**552.7**	42.2
Cost of construction		**8,214.9**	8,630.8
Amortization of intangible assets	12	**52.6**	46.8
Amortization of intangible concession rights	13	**562.8**	509.4
Depreciation of property, plant and equipment	15	**152.6**	145.0
Depreciation of right-of-use assets		**124.3**	124.4
Agency commission and allowances		**1,364.7**	681.5
Expenses on short-term leases		**5.5**	14.5
Expenses on variable lease payments		**72.9**	80.5
Staff costs (including directors' emoluments and share-based payment)	(a)	**1,459.0**	1,392.1
Other costs and expenses		**682.9**	647.7
		13,244.9	12,314.9
Amounts attributed to insurance contracts		**(1,865.9)**	(1,136.5)
Amortization of insurance acquisition cash flows		**311.7**	146.5
Incurred claims and other directly attributable expenses		**942.9**	759.9
Losses on onerous contracts, net of reversal		**(1.5)**	16.3
		12,632.1	12,101.1
Represented by			
Cost of sales	9	**10,804.4**	10,600.1
Insurance service expenses, net		**1,253.1**	922.7
Selling and marketing expenses		**84.5**	46.7
General and administrative expenses		**490.1**	531.6
		12,632.1	12,101.1

(a) The Group recognized the total share-based payment expense of HK$44.4 million (2022: HK$32.0 million) for the Current Period in relation to share options granted by the Company.

8. OTHER INCOME AND GAINS/(LOSSES), NET

	Note	For the six months ended 31 December 2023 HK$'m	2022 HK$'m (restated)
Net gain/(loss) associated with investments related to unit-linked contracts		**178.9**	(137.7)
Net gain/(loss) on fair value of financial assets at FVPL		**11.5**	(2,938.1)
Net profit/(loss) on disposal of debt instruments as financial assets at FVOCI		**3.0**	(0.7)
Net gain on fair value of derivative financial instruments		**0.9**	37.1
Gain on redemption of fixed rate bonds		**–**	90.5
Interest income			
— Debt instruments as financial assets at FVPL		**1,061.6**	755.9
— Debt instruments as financial assets at FVOCI		**212.8**	261.6
— Debt instruments as financial assets at amortized cost		**23.2**	4.6
— Bank deposits and others		**302.1**	140.1
Dividend income		**149.4**	126.7
Other income		**63.9**	48.4
Loss on disposal of interest in a joint venture		**–**	(101.9)
Impairment losses related to associated companies	16(c)	**(179.9)**	(90.6)
(Charges)/credits associated with financial liabilities related to unit-linked contracts		**(71.4)**	57.2
Net (loss)/gain on fair value of investment properties	14	**(48.4)**	30.5
Net exchange loss		**(14.9)**	(119.0)
Expected credit loss provision, net of reversal			
— Debt instruments as financial assets at FVOCI		**(83.5)**	(107.8)
— Debt instruments as financial assets at amortized cost		**0.2**	–
— Trade and other receivables		**16.0**	35.4
		1,625.4	(1,907.8)
Represented by			
Net investment income and gains/(losses) from insurance business		**1,474.5**	(2,093.7)
Others		**150.9**	185.9
		1,625.4	(1,907.8)

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9. COST OF SALES

	Note	For the six months ended 31 December 2023 HK$'m	2022 HK$'m (restated)
Cost of inventories sold		**552.7**	42.2
Cost of construction		**8,214.9**	8,630.8
Cost of services rendered		**2,036.8**	1,927.1
	7	**10,804.4**	10,600.1

Cost of construction mainly represents subcontractor's costs and material costs.

10. INCOME TAX EXPENSES

Hong Kong profits tax is provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits for the Current Period. Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profits for the Current Period at the rates of tax prevailing in the regions in which the Group operates. These rates range from 12% to 25% (2022: 12% to 28%). Withholding tax on dividends is mainly provided at the rate of 5% or 10% (2022: 5% or 10%).

The assessable profits of the Group's insurance business are computed in accordance with the special provisions of the Hong Kong Inland Revenue Ordinance ("IRO"). Profits tax for the long-term insurance business, as defined by IRO, is computed at a rate of 16.5% of 5% of net premiums (gross premiums received less reinsurance premiums ceded) of the life insurance business in accordance with Section 23(1)(a) of IRO.

The amount of income tax charged to the condensed consolidated income statement represents:

	For the six months ended 31 December 2023 HK$'m	2022 HK$'m (restated)
Current income tax		
Hong Kong profits tax	**130.6**	144.9
Mainland China and overseas taxation	**261.3**	245.6
Deferred income tax credit	**(32.3)**	(104.4)
	359.6	286.1

Share of taxation of associated companies and joint ventures of HK$49.1 million (2022: HK$75.6 million) and HK$168.6 million (2022: HK$143.0 million) respectively are included in the condensed consolidated income statement as share of results of associated companies and joint ventures respectively.

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on earnings of HK$1,111.5 million (2022 restated: HK$977.2 million), which comprised profit attributable to shareholders of the Company of HK$1,008.8 million (2022 restated: HK$853.1 million) and gain on derecognition as equity or redemption of perpetual capital securities of HK$102.7 million (note 24) (2022: HK$124.1 million); on the weighted average of 3,911,133,705 (2022: 3,910,601,490) ordinary shares outstanding during the Current Period.

For the Current Period, diluted earnings per share is based on earnings of HK$1,111.5 million (as stated above) and on the weighted average number of ordinary shares outstanding adjusted by assuming the conversion of all dilutive potential ordinary shares. The calculation of weighted average number of shares for calculating diluted earnings per share for the Current Period is as follows:

	Number of shares
	For the six months ended 31 December 2023
Weighted average number of shares for calculating basic earnings per share	**3,911,133,705**
Effect of dilutive potential ordinary shares	
Share options	**8,846,617**
Weighted average number of shares for calculating diluted earnings per share	**3,919,980,322**

During the Last Period, the share options of the Company had an anti-dilutive effect on the basic earnings per share as the adjusted exercise price of the share options was above the average market price of the ordinary shares during the outstanding period, and therefore were not included in the calculation of diluted earnings per share.

12. INTANGIBLE ASSETS

HK$'m	Note	Goodwill	Operating right and others	Total
Cost				
As at 30 June 2023 and 1 July 2023		**5,594.3**	**904.1**	**6,498.4**
Additions		**–**	**149.7**	**149.7**
Written off		**(18.0)**	**–**	**(18.0)**
As at 31 December 2023		**5,576.3**	**1,053.8**	**6,630.1**
Accumulated amortization and impairment				
As at 30 June 2023 and 1 July 2023		**14.8**	**620.4**	**635.2**
Amortization	7	**–**	**52.6**	**52.6**
Written off		**(14.8)**	**–**	**(14.8)**
As at 31 December 2023		**–**	**673.0**	**673.0**
Net book value				
As at 31 December 2023		**5,576.3**	**380.8**	**5,957.1**
As at 30 June 2023		5,579.5	283.7	5,863.2

13. INTANGIBLE CONCESSION RIGHTS

	Note	HK$'m
Cost		
As at 30 June 2023 and 1 July 2023		**24,337.6**
Additions		**89.0**
Written off		**(444.4)**
Translation differences		**401.2**
As at 31 December 2023		**24,383.4**
Accumulated amortization and impairment		
As at 30 June 2023 and 1 July 2023		**11,031.2**
Amortization	7	**562.8**
Written off		**(444.4)**
Translation differences		**191.2**
As at 31 December 2023		**11,340.8**
Net book value		
As at 31 December 2023		**13,042.6**
As at 30 June 2023		13,306.4

14. INVESTMENT PROPERTIES

HK$'m	Note	Commercial properties in Hong Kong	Commercial properties in Macau	Commercial properties in Mainland China	Residential properties in Mainland China	Total
As at 30 June 2023 and 1 July 2023		**2,725.0**	**28.4**	**3,116.3**	**5.3**	**5,875.0**
Fair value changes	8	**(47.0)**	**(1.4)**	**–**	**–**	**(48.4)**
Translation differences		**–**	**–**	**51.4**	**0.1**	**51.5**
As at 31 December 2023		**2,678.0**	**27.0**	**3,167.7**	**5.4**	**5,878.1**

15. PROPERTY, PLANT AND EQUIPMENT

HK$'m	Note	Land and properties	Other plant and equipment	Motor vehicles	Total
Cost					
As at 30 June 2023 and 1 July 2023		**251.9**	**3,289.8**	**29.1**	**3,570.8**
Additions		**–**	**49.0**	**0.4**	**49.4**
Disposals		**–**	**(15.5)**	**(1.2)**	**(16.7)**
Written off		**–**	**(17.5)**	**–**	**(17.5)**
Translation differences		**0.2**	**13.1**	**–**	**13.3**
As at 31 December 2023		**252.1**	**3,318.9**	**28.3**	**3,599.3**
Accumulated depreciation and impairment					
As at 30 June 2023 and 1 July 2023		**32.1**	**2,196.0**	**25.7**	**2,253.8**
Depreciation	7	**3.4**	**148.4**	**0.8**	**152.6**
Disposals		**–**	**(15.1)**	**(1.2)**	**(16.3)**
Written off		**–**	**(17.5)**	**–**	**(17.5)**
Translation differences		**–**	**5.8**	**–**	**5.8**
As at 31 December 2023		**35.5**	**2,317.6**	**25.3**	**2,378.4**
Net book value					
As at 31 December 2023		**216.6**	**1,001.3**	**3.0**	**1,220.9**
As at 30 June 2023		219.8	1,093.8	3.4	1,317.0

16. ASSOCIATED COMPANIES

	Note	**As at 31 December 2023 HK$'m**	As at 30 June 2023 HK$'m
Group's share of net assets, including goodwill			
Listed shares — Hong Kong	(a)	**1,064.8**	1,120.2
Listed shares — overseas	(a)	**606.0**	660.1
Unlisted shares		**2,850.7**	2,781.8
		4,521.5	4,562.1
Amounts receivable			
Gross amount		**1,994.2**	1,925.6
Less: provision		**(1,863.1)**	(1,779.4)
	(b), (c)	**4,652.6**	4,708.3

(a) As at 31 December 2023, the share of market value of the Group's listed associated companies amounts to HK$1,644.4 million (30 June 2023: HK$1,954.3 million).

(b) As at 31 December 2023, the carrying amount mainly represents the Group's investments in various roads, logistics, healthcare, strategic investments and other projects.

(c) In the Current Period, an impairment loss for an associated company principally engaged in construction business of HK$78.8 million (2022: HK$90.6 million) was recognized by the Group and included in "other income and gains/(losses), net". The recoverable amount was determined primarily based on fair value less cost of disposal approach and taking into consideration the share of market value of the listed shares held by the Group.

In addition to above, an impairment loss of HK$101.1 million (2022: nil) was also recognized during the Current Period by the Group and included in "other income and gains/(losses), net" for an associated company principally engaged in chrome and platinum group metals mining, processing and trading in South Africa. As at 31 December 2023, the Group's share of market value of that associated company was lower than the carrying value. Management has carried out a recoverability assessment primarily based on value in use approach using discounted cash flow method over a forecast period of life of mine of about 18 years. The assessment are based on key assumptions such as metal price projection and discount rate.

Except for above, management is of the view that there is no other material impairment of the Group's investments in associated companies as at 31 December 2023.

17. JOINT VENTURES

	Note	As at 31 December 2023 HK$'m	As at 30 June 2023 HK$'m
Co-operative joint venture			
Group's share of net assets, including goodwill		**2,739.8**	2,637.4
Amounts receivable		**–**	21.7
		2,739.8	2,659.1
Equity joint ventures			
Group's share of net assets, including goodwill	(c)	**5,029.0**	5,020.0
Amounts receivable		**275.5**	248.0
		5,304.5	5,268.0
Companies limited by shares			
Group's share of net assets, including goodwill		**8,194.8**	8,369.4
Amounts receivable			
Gross amount		**2,609.6**	2,815.6
Less: provision		**(1,340.5)**	(1,338.8)
		9,463.9	9,846.2
	(a), (b)	**17,508.2**	17,773.3

(a) As at 31 December 2023, the carrying amount mainly represents the Group's investments in various roads, logistics, strategic investments and other projects.

(b) In the Current Period, the share of results of joint ventures includes the Group's share of impairment of a joint venture of HK$99.7 million (2022: HK$58.5 million) (note 6(b)), which is principally engaged in manufacturing and supply of components used in hydraulic loading and unloading systems. In view of the longer than expected recovery from COVID-19 pandemic and the competitive market environment, management of the joint venture has carried out a recoverability assessment on the carrying value of its assets based on value in use approach using discounted cash flow method. The key assumptions includes revenue projection, terminal growth rate and discount rate.

Except for above, management is of the view that there is no other material impairment of the Group's investments in joint ventures as at 31 December 2023.

(c) As at 31 December 2023, the Group has provided a pledge over a proportion of equity interest in a joint venture, which the carrying amount of the pledged portion is HK$1,416.2 million, as a security for a bank loan of that joint venture (30 June 2023: nil).

18. DEBT INSTRUMENTS AS FINANCIAL ASSETS AT AMORTIZED COST

	As at 31 December 2023 HK$'m	As at 30 June 2023 HK$'m (restated)
Listed overseas	**1,291.3**	–
Unlisted	**70.8**	55.2
	1,362.1	55.2
Expected to recover after 12 months	**1,291.3**	55.2
Expected to recover within 12 months	**70.8**	–
	1,362.1	55.2

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December 2023 HK$'m	As at 30 June 2023 HK$'m (restated)	As at 1 July 2022 HK$'m (restated)
Equity instruments			
Listed in Hong Kong	**1,022.0**	1,116.4	1,398.3
Listed overseas	**18.7**	24.4	32.8
Unlisted	**9.3**	64.2	18.5
	1,050.0	1,205.0	1,449.6
Debt instruments			
Listed in Hong Kong	**525.7**	651.0	798.9
Listed overseas	**7,685.9**	7,815.4	8,147.5
Unlisted	**2,013.3**	1,712.7	1,715.0
	10,224.9	10,179.1	10,661.4
	11,274.9	11,384.1	12,111.0
Expected to recover after 12 months	**10,158.6**	10,876.2	11,114.9
Expected to recover within 12 months	**1,116.3**	507.9	996.1
	11,274.9	11,384.1	12,111.0

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2023 HK$'m	As at 30 June 2023 HK$'m (restated)	As at 1 July 2022 HK$'m (restated)
Equity instruments			
Listed in Hong Kong	**1,116.9**	1,325.2	1,828.9
Listed overseas	**140.1**	140.2	158.5
Unlisted	**328.4**	326.5	416.9
	1,585.4	1,791.9	2,404.3
Debt instruments			
Listed in Hong Kong	**5,736.3**	7,060.3	7,229.4
Listed overseas	**38,373.8**	28,967.5	21,792.1
Unlisted	**3,158.3**	4,904.1	2,846.0
	47,268.4	40,931.9	31,867.5
Investment funds			
Listed	**4,273.9**	4,471.0	2,369.5
Unlisted	**7,363.0**	6,547.8	5,786.9
	11,636.9	11,018.8	8,156.4
	60,490.7	53,742.6	42,428.2
Expected to recover after 12 months	**57,759.0**	49,372.0	38,445.2
Expected to recover within 12 months	**2,731.7**	4,370.6	3,983.0
	60,490.7	53,742.6	42,428.2

Financial assets at FVPL related to unit-linked contracts are detailed in note 22(a).

21. TRADE AND OTHER RECEIVABLES

	Note	**As at 31 December 2023 HK$'m**	As at 30 June 2023 HK$'m (restated)	As at 1 July 2022 HK$'m (restated)
Trade receivables	(a)	**1,894.5**	2,093.9	1,723.7
Other receivables, deposits and prepayments	(b)	**1,686.1**	1,610.4	2,442.7
Retention money receivables		**2,220.6**	2,175.2	1,830.8
Contract assets		**2,125.2**	1,919.8	1,078.5
Deferred tax assets		**102.5**	136.5	139.1
Consideration receivables		**276.3**	269.7	658.5
Amounts due from associated companies		**420.8**	450.8	249.3
Amounts due from joint ventures		**801.1**	719.3	6,694.0
		9,527.1	9,375.6	14,816.6
Expected to recover after 12 months		**2,358.0**	2,408.1	2,533.7
Expected to recover within 12 months		**7,169.1**	6,967.5	12,282.9
		9,527.1	9,375.6	14,816.6

(a) The ageing analysis of trade receivables based on invoice date is as follows:

	As at 31 December 2023 HK$'m	As at 30 June 2023 HK$'m	As at 1 July 2022 HK$'m
Under 3 months	**1,847.3**	2,016.3	1,572.1
4 to 6 months	**16.7**	8.7	81.3
Over 6 months	**30.5**	68.9	70.3
	1,894.5	2,093.9	1,723.7

(b) The balance includes construction related receivables amounting to HK$534.0 million (30 June 2023: HK$637.5 million; 1 July 2022: HK$868.3 million) which have not yet been billed at period/year end.

22. INVESTMENTS/FINANCIAL LIABILITIES RELATED TO UNIT-LINKED CONTRACTS

(a) Investments related to unit-linked contracts are analyzed as follows:

	As at 31 December 2023 HK$'m	As at 30 June 2023 HK$'m	As at 1 July 2022 HK$'m
Financial assets at FVPL— Investment funds	**8,854.0**	8,924.4	8,621.9
Cash and bank balances	**22.9**	15.7	27.3
	8,876.9	8,940.1	8,649.2

The balance is expected to recover within 12 months.

(b) Financial liabilities related to unit-linked contracts are analyzed as follows:

	As at 31 December 2023 HK$'m	As at 30 June 2023 HK$'m (restated)	As at 1 July 2022 HK$'m (restated)
Expected to settle after 12 months	**0.5**	123.1	123.0
Expected to settle within 12 months	**4,222.3**	4,301.5	4,480.3
	4,222.8	4,424.6	4,603.3

23. SHARE CAPITAL

	Ordinary shares	
	No. of shares	HK$'m
Authorized		
As at 30 June 2023, 1 July 2023 and 31 December 2023	**6,000,000,000**	**6,000.0**
Issued and fully paid		
As at 30 June 2023 and 1 July 2023	**3,910,482,349**	**3,910.5**
Exercise of share options	**1,428,000**	**1.4**
As at 31 December 2023	**3,911,910,349**	**3,911.9**

Share Option Scheme

The Group operates equity-settled, share-based compensation plans. A share option scheme was adopted by the Company on 23 November 2021 (the "2021 Share Option Scheme"), which is valid and effective for a period of ten years from the date of adoption. The Board may, at their discretion, grant options to any eligible participant as defined under the 2021 Share Option Scheme to subscribe for the shares of the Company.

Movements in the number of share options during the Current Period are as follows:

	Number of options	Weighted average exercise price of each category HK$
Outstanding as at 1 July 2023	**84,504,150**	**7.83**
Exercised	**(1,428,000)**	**7.83**
Lapsed	**(379,800)**	**7.83**
Cancelled	**(82,414,350)**	**7.83**
Outstanding as at 31 December 2023	**282,000**	**7.83**
Exercisable as at 31 December 2023	**282,000**	**7.83**

24. RESERVES

HK$'m	Note	Share premium	Special reserves	Property revaluation reserve	Hedge reserves	FVOCI reserve (non-recycling)	FVOCI reserve (recycling)	Insurance finance reserve	Exchange reserve	Revenue reserve	Total
As at 30 June 2023, previously stated		17,817.0	561.0	6,335.3	150.4	(1,370.7)	(9,496.1)	-	(1,880.2)	23,709.5	35,826.2
Adoption of HKFRS 17	2(b)	-	-	-	(29.4)	227.1	6,231.8	(115.9)	-	(712.2)	5,601.4
As at 30 June 2023, restated		17,817.0	561.0	6,335.3	121.0	(1,143.6)	(3,264.3)	(115.9)	(1,880.2)	22,997.3	41,427.6
Adoption of HKFRS 17	2(b)	-	-	-	-	-	1,142.6	-	-	(863.6)	279.0
As at 1 July 2023		17,817.0	561.0	6,335.3	121.0	(1,143.6)	(2,121.7)	(115.9)	(1,880.2)	22,133.7	41,706.6
Profit attributable to shareholders of the Company		-	-	-	-	-	-	-	-	1,008.8	1,008.8
Dividend paid to shareholders of the Company	29	-	-	-	-	-	-	-	-	(1,212.7)	(1,212.7)
Net fair value change on equity instruments as financial assets at FVOCI											
Company and subsidiaries		-	-	-	-	(154.9)	-	-	-	-	(154.9)
Associated company		-	-	-	-	62.4	-	-	-	-	62.4
Net fair value change on debt instruments as financial assets at FVOCI and other net movement		-	-	-	-	-	227.8	-	-	-	227.8
Currency translation differences											
Company and subsidiaries		-	-	-	-	-	-	-	78.8	-	78.8
Associated companies		-	-	-	-	-	-	-	83.6	-	83.6
Joint ventures		-	-	-	-	-	-	-	11.0	-	11.0
Share options											
Value of services provided											
Company and subsidiaries		-	44.4	-	-	-	-	-	-	-	44.4
New shares issued		9.8	-	-	-	-	-	-	-	-	9.8
Share of reserves of associated companies and a joint venture		-	(40.1)	-	-	-	-	-	-	-	(40.1)
Net insurance finance income		-	-	-	-	-	-	49.6	-	-	49.6
Cash flow hedges											
Company and subsidiaries		-	-	-	(54.3)	-	-	-	-	-	(54.3)
Remeasurement of post-employment benefit obligation		-	-	-	-	-	-	-	-	0.3	0.3
Derecognition of perpetual capital securities as equity	25	-	-	-	-	-	-	-	-	102.7	102.7
Transfer of reserves upon disposal of equity instruments as financial assets at FVOCI		-	-	-	-	0.3	-	-	-	(0.3)	-
Other transfer of reserves		-	(89.6)	-	-	-	-	-	-	89.6	-
As at 31 December 2023		17,826.8	475.7	6,335.3	66.7	(1,235.8)	(1,893.9)	(66.3)	(1,706.8)	22,122.1	41,923.8

Special reserves include statutory reserves which are created in accordance with the relevant laws of the Mainland and/or terms of the joint venture agreements of subsidiaries and joint ventures established in the Mainland and are required to be retained in the financial statements of these subsidiaries and joint ventures for specific purposes. Special reserves also include capital redemption reserve, contributed surplus and share option reserve.

25. PERPETUAL CAPITAL SECURITIES

The balance at the beginning of the Current Period represented:

(a) The 2019 Perpetual Capital Securities issued by the Group in January 2019 and July 2019 with US$1,019.1 million in aggregate principal amount remains outstanding. The securities are listed on the Hong Kong Stock Exchange and have no maturity date; and

(b) US$268.2 million in aggregate principal amount of senior perpetual capital securities issued in December 2022 with floating coupon to a private investor.

On 21 December 2023, the Group issued a notice of redemption to redeem in whole, but not in part, the 2019 Perpetual Capital Securities which remained outstanding on 31 January 2024 at their outstanding principal amount, together with distribution accrued to such date. As such, the Group derecognized the 2019 Perpetual Capital Securities as equity and included the payment obligation as a financial liability under "borrowings and other interest-bearing liabilities" as at 31 December 2023.

26. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD

An analysis by measurement component of insurance contracts are as follows:

	As at 31 December 2023 HK$'m	As at 30 June 2023 HK$'m (restated)	As at 1 July 2022 HK$'m (restated)
Estimates of present value of future cash flows	**53,826.6**	46,796.7	33,249.2
Risk adjustment for non-financial risk	**1,166.3**	1,240.8	1,182.6
CSM	**6,125.1**	7,216.6	6,580.2
Net balance	**61,118.0**	55,254.1	41,012.0
Insurance contract assets	**(1,181.9)**	(1,160.3)	–
Insurance contract liabilities	**62,299.9**	56,414.4	41,012.0
	61,118.0	55,254.1	41,012.0
Expected to settle after 12 months	**59,978.6**	53,325.3	39,830.8
Expected to settle within 12 months	**1,139.4**	1,928.8	1,181.2
	61,118.0	55,254.1	41,012.0

26. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (CONTINUED)

An analysis by measurement component of reinsurance contracts held are as follows:

	As at 31 December 2023 HK$'m	As at 30 June 2023 HK$'m (restated)	As at 1 July 2022 HK$'m (restated)
Estimates of present value of future cash flows	**82.4**	150.4	139.3
Risk adjustment for non-financial risk	**(52.4)**	(47.7)	(53.4)
CSM	**(151.0)**	(119.0)	(29.8)
Net balance	**(121.0)**	(16.3)	56.1
Reinsurance contract assets	**(121.0)**	(28.5)	–
Reinsurance contract liabilities	**–**	12.2	56.1
	(121.0)	(16.3)	56.1
Expected to (recover)/settle after 12 months	**(64.1)**	(54.9)	192.7
Expected to (recover)/settle within 12 months	**(56.9)**	38.6	(136.6)
	(121.0)	(16.3)	56.1

27. BORROWINGS AND OTHER INTEREST-BEARING LIABILITIES

	Note	**As at 31 December 2023 HK$'m**	As at 30 June 2023 HK$'m
Secured long-term bank loans	(a)	**4,275.8**	4,341.5
Unsecured long-term bank loans		**16,107.6**	15,745.2
Perpetual capital securities	(b)	**8,139.8**	–
Other unsecured fixed rate bonds	(c)	**5,713.4**	3,495.0
Financing received under a financial reinsurance arrangement		**159.5**	195.3
Cash collateral received for cross currency swap and forward starting interest rate swap contracts		**23.4**	19.9
		34,419.5	23,796.9
Expected to settle after 12 months		**23,293.2**	22,048.3
Expected to settle within 12 months		**11,126.3**	1,748.6
		34,419.5	23,796.9

27. BORROWINGS AND OTHER INTEREST-BEARING LIABILITIES (CONTINUED)

(a) As at 31 December 2023, the Group's intangible concession rights of two expressways in Hunan with net book value of HK$6,677.7 million (30 June 2023: HK$6,666.2 million) and certain investment properties in Hong Kong and Suzhou with balance of HK$1,297.9 million (30 June 2023: HK$1,313.9 million) were pledged as securities for these bank loans.

(b) The balance as at 31 December 2023 included the 2019 Perpetual Capital Securities with aggregate principal amount of US$1,019.1 million which were redeemed in whole on 31 January 2024 (note 25).

(c) In November 2023, the Group issued the second tranche of Panda Bonds with principal amount of RMB2,000.0 million at a price of 100% of the principal amount bearing a coupon rate of 3.9% per annum. These bonds are unsecured, have maturity of three years falling due 2026 and traded on the China Interbank Bond Market.

28. TRADE AND OTHER PAYABLES

	Note	**As at 31 December 2023 HK$'m**	As at 30 June 2023 HK$'m (restated)	As at 1 July 2022 HK$'m (restated)
Trade payables	(a)	**264.0**	1,270.9	633.8
Other payables and accruals	(b)	**8,078.6**	7,058.8	5,437.3
Retention money payables		**1,890.2**	1,789.2	1,469.3
Contract liabilities		**211.9**	324.3	606.4
Amounts due to non-controlling interests		**112.0**	121.5	132.3
Amounts due to associated companies		**21.7**	14.0	9.1
Amounts due to joint ventures		**241.2**	240.9	1.2
		10,819.6	10,819.6	8,289.4
Expected to settle after 12 months		**2,286.1**	1,913.5	622.6
Expected to settle within 12 months		**8,533.5**	8,906.1	7,666.8
		10,819.6	10,819.6	8,289.4

(a) The ageing analysis of trade payables based on invoice date is as follows:

	As at 31 December 2023 HK$'m	As at 30 June 2023 HK$'m	As at 1 July 2022 HK$'m
Under 3 months	**237.4**	1,241.1	615.2
4 to 6 months	**6.9**	11.7	5.2
Over 6 months	**19.7**	18.1	13.4
	264.0	1,270.9	633.8

(b) The balance includes construction related accruals and provisions amounting to HK$5,170.6 million (30 June 2023: HK$4,384.8 million; 1 July 2022: HK$3,341.7 million).

29. DIVIDEND

A final dividend of HK$1,212.7 million that related to FY2023 was paid in December 2023 (final dividend for the financial year ended 30 June 2022 paid: HK$1,212.2 million).

On 27 February 2024, the Board resolved to declare an Interim Ordinary Dividend of HK$0.30 per share (interim dividend for FY2023 paid by cash: HK$0.30 per share) and Special Dividend of HK$1.79 per share for FY2024, both payable in cash with a scrip option, on or about 19 April 2024, to the Shareholders whose names appear on the register of members of the Company on 12 March 2024. This Total Interim Dividend, amounting to HK$8,175.9 million, has not been recognized as liability in these interim financial statements but will be reflected as an appropriation of the retained profits in the annual financial statements for FY2024 (interim dividend for FY2023 paid: HK$1,173.1 million).

30. COMMITMENTS

(a) The outstanding commitments for capital expenditure are as follows:

	Note	**As at 31 December 2023 HK$'m**	As at 30 June 2023 HK$'m
Contracted but not provided for			
Property, plant and equipment		**214.3**	114.8
Intangible assets		**1.6**	15.3
Capital contributions to associated companies and joint ventures	(i)	**1,996.5**	1,514.0
Investment funds, financial and other investments		**2,580.6**	1,512.0
		4,793.0	3,156.1

(i) The Group has been committed to providing sufficient funds in the form of capital contributions to certain associated companies and joint ventures to finance relevant projects. The Group estimates that the share of projected funds requirements of these projects would be HK$1,996.5 million (30 June 2023: HK$1,514.0 million) which represents the attributable portion of the capital contributions to be made to the associated companies and joint ventures.

(b) The Group's share of commitments for capital expenditure committed by the joint ventures not included above are as follows:

	As at 31 December 2023 HK$'m	As at 30 June 2023 HK$'m
Contracted but not provided for		
Property, plant and equipment	**151.6**	135.7
Others	**–**	17.6
	151.6	153.3

31. FINANCIAL GUARANTEE

The Group's financial guarantee are as follows:

	As at 31 December 2023 HK$'m	As at 30 June 2023 HK$'m
Guarantees for credit facilities granted to		
Associated companies	**1,870.0**	1,520.0
Joint ventures	**3,047.9**	620.1
	4,917.9	2,140.1

In addition, the Company and New World Development Company Limited ("NWD"), through their respective wholly-owned subsidiaries, provided a joint and several guarantee in favour of the Hong Kong Government for the punctual, true and faithful performance and observance by Kai Tak Sports Park Limited ("KTSPL") under the contract entered into between the Hong Kong Government and KTSPL for the design, construction and operation of Kai Tak Sports Park. Taking into consideration the deed of counter-indemnity which has been entered into, the Group's guarantee towards KTSPL is up to the extent of 25% of the contract sum or an amount of approximately HK$7.5 billion as at 31 December 2023 and 30 June 2023. KTSPL is an associated company of the Group in which the Group has a 25% interest.

Under the main transaction agreement and the related transaction documents in relation to the disposal of aircraft leasing business by Goshawk Aviation Limited ("Goshawk") to SMBC Aviation Capital Limited ("SMBC") which completed during FY2023, the Group provides a financial guarantee to support the performance of Goshawk of its payment obligation to satisfy claims that may be brought by SMBC against Goshawk. The Group's potential liability under the financial guarantee is limited to a total amount of US$197.1 million (equivalent to approximately HK$1,537.4 million) as at 31 December 2023 and 30 June 2023.

32. NOTES TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of operating profit to net cash generated from operations:

	For the six months ended 31 December	
	2023	2022
	HK$'m	HK$'m
		(restated)
Operating profit	**1,718.4**	1,157.9
Depreciation and amortization	**892.3**	825.6
Net insurance finance expenses/(income)	**1,332.9**	(2,065.2)
Net (profit)/loss on disposal of debt instruments as financial assets at FVOCI	**(3.0)**	0.7
Net gain on fair value of derivative financial instruments	**(0.9)**	(37.1)
Net (gain)/loss on fair value of financial assets at FVPL	**(11.5)**	2,938.1
Net (gain)/loss associated with investments related to unit-linked contracts	**(178.9)**	137.7
Gain on redemption of fixed rate bonds	**–**	(90.5)
Interest income	**(1,599.7)**	(1,162.2)
Dividend income	**(149.4)**	(126.7)
Loss on disposal of interest in a joint venture	**–**	101.9
Net loss/(gain) on fair value of investment properties	**48.4**	(30.5)
Impairment losses related to associated companies	**179.9**	90.6
Expected credit loss provision, net of reversal	**67.3**	72.4
Share-based payment	**44.4**	32.0
Net exchange loss	**26.3**	92.3
Other non-cash items	**(3.0)**	(0.3)
Operating profit before working capital changes	**2,363.5**	1,936.7
(Increase)/decrease in inventories	**(49.4)**	6.3
Increase in trade and other receivables	**(82.7)**	(919.1)
(Decrease)/increase in trade and other payables	**(72.7)**	1,586.5
Changes in insurance contracts	**4,590.6**	3,009.5
Changes in reinsurance contracts held	**(114.7)**	(40.4)
Decrease in financial liabilities related to unit-linked contracts	**(175.2)**	(189.1)
Purchases of financial assets at FVPL associated with investments related to unit-linked contracts	**(2,573.0)**	(2,111.0)
Disposal of financial assets at FVPL associated with investments related to unit-linked contracts	**2,746.7**	1,933.7
Changes in balances with associated companies, joint ventures and related companies	**25.1**	18.4
Changes in balances with non-controlling interests	**(11.6)**	–
Net cash generated from operations	**6,646.6**	5,231.5

33. RELATED PARTY TRANSACTIONS

(a) Except for those disclosed, the following is a summary of significant related party transactions during the Current Period carried out in the normal course of the Group's business:

	Note	For the six months ended 31 December 2023 HK$'m	2022 HK$'m
Transactions with affiliated companies	(i)		
Provision of other services	(iii)	**0.3**	0.3
Interest income	(iv)	**75.3**	58.7
Management fee income	(v)	**13.2**	1.9
Rental and other related expenses	(vi)	**(1.2)**	(1.1)
Other expenses	(viii)	**(157.8)**	(140.1)
Transactions with other related parties	(i)		
Provision of construction work services	(ii)	**175.0**	253.0
Provision of other services	(iii)	**37.1**	29.1
Interest income	(iv)	**61.1**	61.1
Rental, other related expenses and additions to right-of-use assets	(vi)	**(14.3)**	(15.6)
Mechanical and electrical engineering services	(vii)	**(745.1)**	(744.5)
Other expenses	(viii)	**(112.8)**	(175.1)

(i) Transactions with affiliated companies include those with associated companies and joint ventures of the Group.

Transactions with other related parties include those with group of companies of Chow Tai Fook Enterprises Limited ("CTF Enterprises") and NWD as well as Mr Doo Wai Hoi, William ("Mr Doo") and his associates which are not companies within the Group.

With effect from the close of business on 17 November 2023, Chow Tai Fook Capital Limited has become the ultimate holding company of the Company and CTF Enterprises has become an intermediate holding company of the Company.

CTF Enterprises is a substantial shareholder of NWD under the Listing Rules. NWD was the ultimate holding company of the Company before the close of business on 17 November 2023.

Mr Doo is the vice-chairman and a non-executive director of NWD and is the father of Mr William Junior Guilherme Doo, a non-executive director of the Company.

(ii) Revenue from the provision of construction work services was charged in accordance with the relevant contracts. Revenue from provision of construction work services to KTSPL, which is both a subsidiary of NWD and also an associated company of the Group, was presented under "Transactions with other related parties" only.

(iii) The Group provided various kinds of services including facilities management, property management and other services to certain affiliated companies and related parties. The services were provided and charged in accordance with the relevant contracts.

33. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (continued)

(iv) Interest income was charged at relevant interest rates on the outstanding balances due from the affiliated companies or relevant yield on investments in debt instruments.

(v) Management fee was charged at rates in accordance with the relevant contracts.

(vi) Rental and other related expenses were charged and additions to right-of-use assets were measured in accordance with the respective tenancy agreements.

(vii) Mechanical and electrical engineering services were charged in accordance with the relevant contracts.

(viii) Other expenses include purchase of construction materials, laundry, security and guarding, landscaping, cleaning, property management and other services. The services were charged in accordance with the relevant contracts.

(b) Key management compensation

The aggregate amounts of emoluments of the directors of the Company (being the key management personnel) are as follows:

	For the six months ended 31 December	
	2023	2022
	HK$'m	HK$'m
Remuneration	**25.2**	24.7

In addition to above, the value of deemed share options benefits for directors during the Current Period amounted to HK$29.8 million (2022: HK$22.3 million).

(c) The total amounts receivable (before provision) from associated companies and joint ventures are HK$6,101.2 million (30 June 2023: HK$6,181.0 million). These balances are unsecured, of which HK$2,627.4 million (30 June 2023: HK$2,750.7 million) are interest bearing. These balances also include an amount of HK$197.5 million (30 June 2023: HK$197.5 million) which has been subordinated to certain indebtedness of a joint venture. The total amounts payable to associated companies, joint ventures and non-controlling interests are HK$374.9 million (30 June 2023: HK$376.4 million). These balances are unsecured and interest free. The pledge of a proportion of the Group's equity interest in a joint venture as security for a bank loan of that joint venture as at 31 December 2023 is disclosed in note 17(c).

(d) As at 31 December 2023, the Group held certain senior unsubordinated and unsecured notes issued by NWD (MTN) Limited, a wholly-owned subsidiary of NWD. As at 31 December 2023, the fair value of these notes included as financial assets at FVPL is HK$1,129.3 million (30 June 2023, restated: HK$1,589.2 million).

34. COMPARATIVE FIGURES

The Group has restated the comparative figures in the condensed consolidated financial statements due to the adoption of HKFRS 17. In addition, certain comparative figures for the Last Period have been reclassified to conform with the presentation for the Current Period.

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