新創建 NWS

Annual Report 2023

NWS Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock code: 659

Member of New World Group

Corporate Structure

Contents

Where the English and the Chinese texts conflict, the English text prevails.
This annual report is also available at www.nws.com.hk.

Chairman's Statement

Dear Shareholders,

Having navigated through the last few years with unprecedented challenges and volatility, the business environment has finally turned a new page with border reopening and embracing the economic recovery in Hong Kong and the Mainland.

Looking back over the past years, thanks to the management team's agility in managing the Group's businesses and relentless efforts in optimizing its portfolio through acquisition of assets with good growth prospect and timely disposal of various businesses at attractive valuations, the Group has sharpened its business focus, equipped with an improved balance sheet and more resilient earnings. The resiliency of the Group's businesses is not only evidenced by the solid performance of its Operating Businesses over the past years, but also demonstrated in its strong rebound following the reopening of the border and the recovery in the Mainland.

The spectre of recession in some of the major developed countries, uneven economic recovery in the Mainland, escalated interest rates and geopolitical tension continues to cast shadow over the business environment and the recovery of the Group's businesses. As challenges abound, the Group's enhanced financial strength and reduced risk exposure will stand the Group in good stead to meet any capital needs during uncertain times and cushion any potential shocks that may arise. More importantly, the improved financial flexibility will enable the Group to grasp valuable investment opportunities particularly in the Roads and Logistics segments, as well as their peripheral businesses. The Group remains steadfast in its commitment to create value for shareholders while upholding its prudent investment strategy and financial management, and share its rewards via its sustainable and progressive dividend policy.

The Group also recognizes the importance of sustainability and the threat of climate change is imminent that addressing its impacts in a timely and effective manner is of the essence for both the Group and the community to grow sustainably. By understanding the impact so as to set the boundaries of the Group's climate ambitions and devise a robust and informed strategy for action, the Group is going beyond just addressing regulatory mandates and basic expectations of shareholders and stakeholders. Embracing an agility and innovative culture, the Group is striving to achieve its carbon reduction targets by integrating net-zero into its business models, as well as collaborating with its business partners to create a unique value chain.

Through the Group's healthy fundamental and sustainable business model, the Group will continue to create synergies by bringing people, goods, and capital together, and strive to create more value for all stakeholders and the community at large.

Dr Cheng Kar Shun, Henry
Chairman

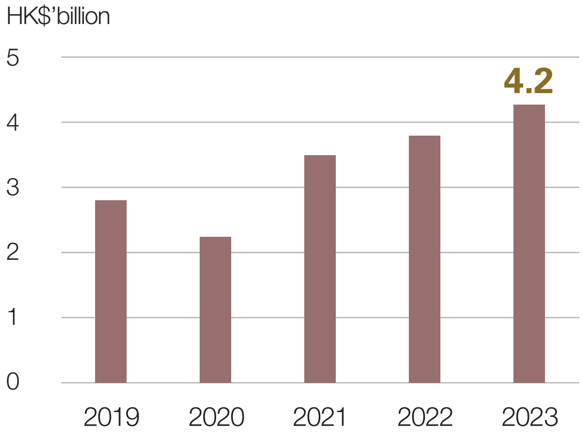
Hong Kong, 29 September 2023

Financial Highlights

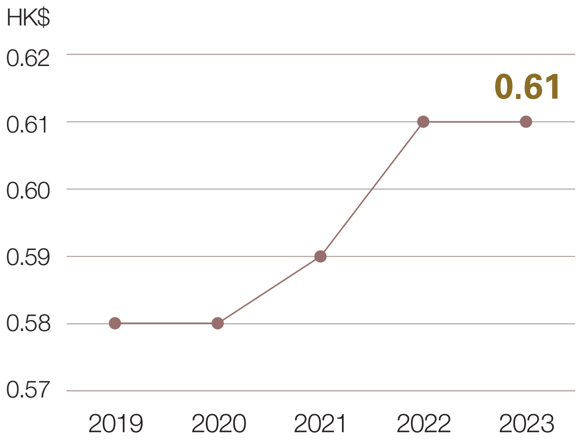
	2023 HK$'m	2022 HK$'m
Revenue	**45,213.8**	31,138.6
Profit attributable to shareholders of the Company	**2,026.7**	1,586.8
Attributable Operating Profit	**4,097.2**	4,370.9
Adjusted EBITDA	**6,565.9**	6,792.5
Dividend per share — interim and final	**HK$0.61**	HK$0.61
Dividend Payout Ratio	**118%**	150%

	2023 HK$'m	2022 HK$'m
Total assets	**161,974.3**	148,770.8
Net Assets	**50,141.1**	53,887.1
Net Assets per Share	**HK$12.82**	HK$13.78
Cash and bank balances	**19,255.9**	13,452.6
Net Debt	**4,541.0**	10,138.3
Net Gearing Ratio	**9%**	19%

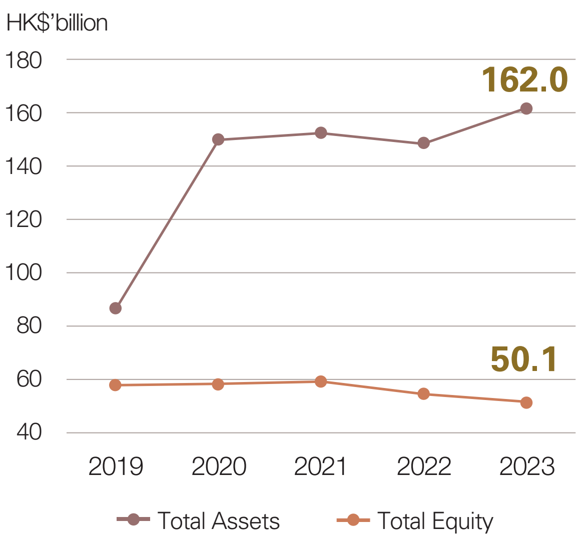
AOP OF OPERATING BUSINESSES^
for the year ended 30 June



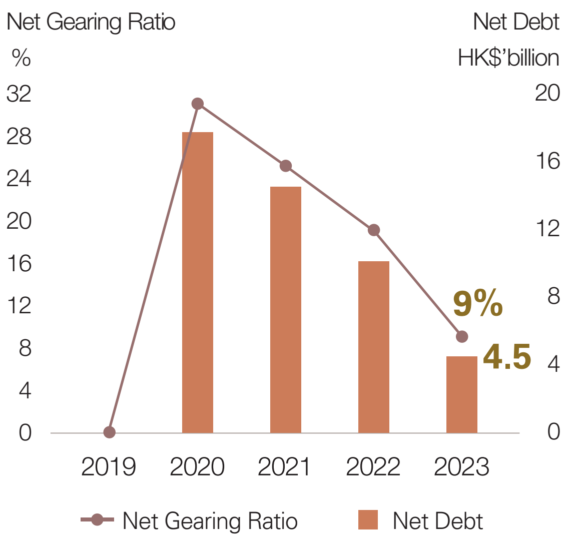
DIVIDEND PER SHARE
for the year ended 30 June



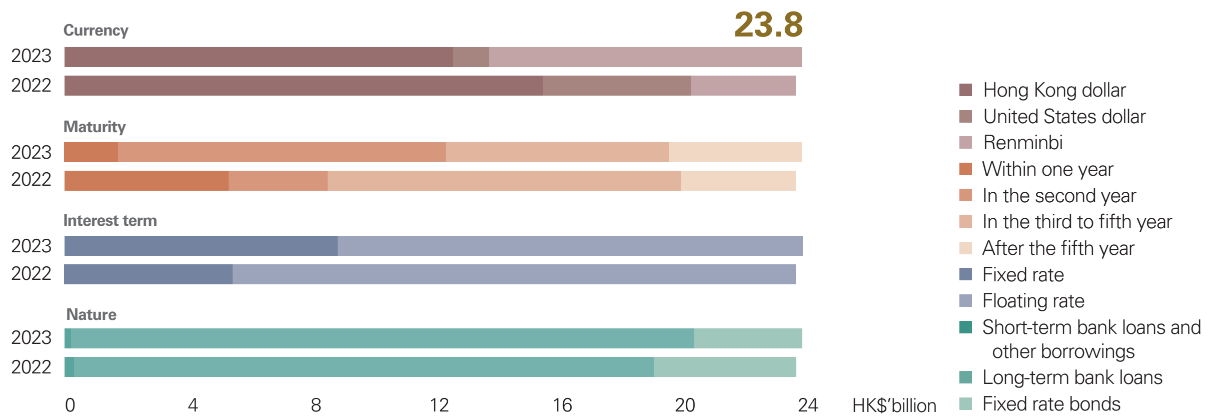
TOTAL ASSETS AND TOTAL EQUITY
as at 30 June



NET GEARING RATIO AND NET DEBT
as at 30 June



DEBT PROFILE
as at 30 June



^ Operating businesses include Roads, Construction (excluding our interest held in Wai Kee), Insurance, Logistics (excluding disposed port projects) and Facilities Management

Management Discussion and Analysis

GROUP OVERVIEW

With border reopening between Hong Kong and the Mainland and the resumption of economic activities in the Mainland upon lifting of COVID-19 containment measures by the Mainland Government as boosters for the business environment, various businesses of the Group have shown sign of recovery in FY2023. On the other hand, depreciation of RMB, interest rates hike, together with border restrictions and COVID-19 containment measures in the Mainland in the first half of FY2023, presented challenges to the Group's full year results for FY2023.

AOP of the Group's business portfolio declined by 6% year-on-year to HK$4,097.2 million in FY2023, narrowing from the 11% drop in the first half of FY2023. Challenges in FY2023, including (i) the decline in AOP of the Roads segment due to RMB depreciation as well as the drop in traffic flow and toll revenue in the first half of FY2023 owing to the containment measures against COVID-19 and the reduction in toll fee by 10% for trucks in the fourth quarter of 2022 in the Mainland; (ii) the fall in contribution from the Construction segment largely due to the loss attributable to our interest held in Wai Kee; and (iii) the absence of AOP contributions from both Aviation segment and SUEZ NWS due to the disposal/discontinuation of the respective businesses, weighed on the Group's AOP performance. Yet, the continuous growth in AOP of the Insurance segment and the increase in AOP of the Logistics segment with the inclusion of fresh contributions from the logistics properties acquired near the end of FY2022 and in FY2023, coupled with the notable decrease in AOL of the Facilities Management segment attributable to the turnaround of HKCEC and Free Duty as well as further reduction in AOL of GHK Hospital, contributed positively to the Group's overall AOP.

Following the series of non-core asset disposals over the past years and the completion of the disposal of commercial aircraft leasing business in the first half of FY2023, the Group's portfolio optimization is substantially complete. While the Group will continue to seek opportunities to enhance its business portfolio to create long-term value for its shareholders, Roads, Construction (excluding our interest held in Wai Kee), Insurance, Logistics and Facilities Management (collectively, the "Operating Businesses") will be regarded as the focuses of the Group going forward.

The Group's Operating Businesses continued to show its resilience amid economic recovery in the second half of FY2023. AOP of the Operating Businesses registered a growth of 11% and 25% year-on-year in FY2023 and in the second half of FY2023, respectively. When comparing the AOP of the Operating Businesses in the second half of FY2023 with the second half of FY2019, which is the pre-COVID-19 level, Roads segment dropped slightly by 1% owing to RMB depreciation and Construction segment (excluding Wai Kee) declined by 16% due to lower gross margin recognized, while Logistics segment (excluding disposed ports projects) grew by 25% mainly driven by the new contributions of logistics properties in the Mainland and Facilities Management segment turned around to AOP. Such results demonstrated the strength of our Operating Businesses and the value created from our portfolio optimization strategy in the past years.

In FY2023, the Group continued to make further progress in expanding our businesses in Roads and Logistics segments and acquired a number of value accretive projects, including the completion of the acquisition of 40% interest in Guiwu Expressway (貴港至梧州高速公路(「貴梧高速公路」)) and the acquisition of the remaining 60% stake in Sui-Yue Expressway, in addition to the commencement of the expansion works of Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) in the Roads segment, as well as the completion of the acquisition of the sixth newly completed logistics property in Chengdu and the acquisition of 90% interest in a logistics property in Suzhou in the Logistics segment.

Non-operating losses in FY2023, which mainly included the realized loss on the disposal of a legacy project related to coal trading in the Mainland and the impairment loss associated with certain investments, were significantly lower than that in FY2022, in which it mainly included the Group's share of remeasurement loss, assets impairments and provisions for expected credit loss and aircraft repossession/recovery costs totalled HK$1,897.1 million in relation to the Aviation segment.

Finance costs in FY2023 increased due to the elevated interest rates of Hong Kong dollar denominated bank loans, partly mitigated by the interest savings from the Group's active management of its debt mix through a notable increase in proportion of debt denominated in RMB to the Total Debt of the Group.

In FY2023, profit attributable to shareholders of the Company grew by 28% year-on-year to HK$2,026.7 million, versus a negative growth of 27% year-on-year in the first half of FY2023. Basic earnings per share in FY2023 was HK$0.55, increased by 36% year-on-year.

Contribution from operations in Hong Kong accounted for 59% of the AOP in FY2023 (FY2022: 42%), while Mainland China contributed 41% of the AOP (FY2022: 41%). Adjusted EBITDA was down by 3% year-on-year to HK$6,565.9 million.

In FY2023, the Group maintained a healthy financial position. Net Debt balance as at 30 June 2023 decreased to approximately HK$4.5 billion (31 December 2022: HK$5.7 billion; 30 June 2022: HK$10.1 billion) and Net Gearing Ratio decreased to 9% (31 December 2022: 11%; 30 June 2022: 19%).

To optimize our capital structure, the Group further redeemed US$92.3 million in aggregate principal amount of the US$650 million 4.25% senior notes due 2029 (the "Senior Notes") at a discount to par value (US$243.6 million remained outstanding as at 30 June 2023) and redeemed US$280.9 million in aggregate principal amount of the US$1,300 million 5.75% senior perpetual capital securities (the "2019 Perpetual Capital Securities") at a discount to par value (US$1,019.1 million remained outstanding as at 30 June 2023) in FY2023. In addition, the Group was the first Hong Kong conglomerate to successfully register with the National Association of Financial Market Institutional Investors with a credit rating of "AAA" obtained from China Lianhe Credit Rating Co., Ltd. (聯合資信評估股份有限公司), and issued its inaugural RMB denominated medium-term notes (the "Panda Bonds") in May 2023. The aggregate registered amount of the Panda Bonds is not more than RMB5 billion, and the principal amount of the first tranche issuance was RMB1.5 billion with an annual interest rate of 3.9% and a 3-year tenor. The funds raised via the first tranche issuance of Panda Bonds are used to repay offshore Hong Kong dollar denominated loans to lower the Group's financing costs, and such replacement of debt denominated in Hong Kong dollar by debt denominated in RMB can also act as a natural hedge of our RMB denominated assets. Meanwhile, the Group further stepped up its efforts to pursue other sustainable, social and green finance options to show our commitment to ESG and to lower our finance costs through various means. As at 30 June 2023, the Group's sustainability-linked facilities amounted to approximately HK$6.2 billion (30 June 2022: HK$4.5 billion).

Contribution by Division

For the year ended 30 June

	2023 HK$'m	2022 HK$'m
Continuing businesses	4,097.2	3,738.4
Disposed/discontinued businesses	–	632.5
Attributable Operating Profit	4,097.2	4,370.9
Corporate office and non-operating items		
Net gain on fair value of investment properties	5.2	–
Remeasurement, impairments and provisions, net	(490.8)	(1,816.9)
Net (loss)/gain on disposal of projects, net of tax	(64.6)	243.9
Net gain on fair value of derivative financial instruments	67.9	78.2
Net gain on redemption of senior notes	88.6	97.5
Interest income	95.0	49.9
Finance costs	(633.7)	(424.9)
Share-based payment	(51.8)	–
Net exchange loss	(45.5)	(3.4)
Expenses and others	(428.8)	(425.3)
	(1,458.5)	(2,201.0)
Profit for the year after tax and non-controlling interests	2,638.7	2,169.9
Profit attributable to:		
Shareholders of the Company	2,026.7	1,586.8
Holders of perpetual capital securities	612.0	583.1
	2,638.7	2,169.9
Adjusted EBITDA#	6,565.9	6,792.5

Adjusted EBITDA 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.

OPERATIONAL REVIEW

AOP Contribution by Segment

For the year ended 30 June

	2023 **HK$'m**	2022 HK$'m	Change % Fav./(Unfav.)
Roads	**1,532.8**	1,709.9	(10)
Construction	**745.5**	912.2	(18)
Insurance	**1,204.5**	1,074.9	12
Logistics	**752.0**	592.6	27
Facilities Management	**(61.9)**	(409.5)	85
Strategic Investments	**(75.7)**	(141.7)	47
Disposed/discontinued businesses			
Aviation[α]	**–**	511.5	(100)
Environment	**–**	121.0	(100)
Total	**4,097.2**	4,370.9	(6)

[α] Included 11 months of contribution in FY2022 as the aircraft leasing business was reclassified as held-for-sale by Goshawk since the end of May 2022.

Roads

RMB depreciation and a challenging first half of FY2023 driven by the COVID-19 containment measures in the Mainland and the cut in toll fee for trucks by 10% by the Mainland Government in the fourth quarter of 2022, collectively negatively impacted the performance of the Roads segment in FY2023. Yet, following the relaxation of COVID-19 containment measures and the gradual economic recovery in the Mainland, Roads segment saw a strong recovery in the second half of FY2023, with overall like-for-like traffic flow and toll revenue in the second half of FY2023 growing by 19% and 17% year-on-year, respectively, and both exceeding the pre-COVID-19 level (second half of FY2019). Thanks to the rapid recovery in the second half of FY2023, overall like-for-like traffic flow and toll revenue for the full year of FY2023 resumed to a growth of 3% and 4% year-on-year, respectively. The drop in total AOP of the Roads segment for the full year of FY2023 narrowed significantly from the 29% year-on-year decrease in the first half of FY2023, declining merely by 10% year-on-year to HK$1,532.8 million, with that in the second half of FY2023 rebounding by 14% year-on-year. Excluding the impact of RMB depreciation, underlying AOP of the Roads segment in FY2023 declined by 4% year-on-year. If further excluding the financial incentives received in relation to the investments in Changliu Expressway and Sui-Yue Expressway in FY2022 and investment in Guiwu Expressway in FY2023, the decline in AOP would be 2%.

Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section)

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), altogether contributed close to 90% of the Roads segment's AOP. Overall full year like-for-like traffic flow grew by 2% year-on-year notwithstanding the negative impact in the first half due to the reasons mentioned above, with the help of a strong rebound in the second half of FY2023, which increased by 18% year-on-year.

To take advantage of the long-term growth prospect of the Mainland economy, the Group has been actively strengthening our road portfolio. In FY2023, the Group completed the acquisition of 40% interest in Guiwu Expressway (貴梧高速公路) (with remaining concession period of about 22 years) for RMB1,902.4 million in November 2022 and the remaining 60% interest in Sui-Yue Expressway (with remaining concession period of around 16 years) in April 2023 for RMB523.1 million, in addition to the expansion works of Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) from dual 2–3 lanes to dual 3–5 lanes which commenced in November 2022. Together with the extension of the concession period of Shenzhen-Huizhou Expressway (Huizhou section) by 13 years, the overall average remaining concession period of our road portfolio as at 30 June 2023 increased by about 5% to approximately 11 years.

Construction

Construction segment encompasses our wholly-owned interest in Hip Hing Group, as well as our 11.5% interest in Wai Kee. In FY2023, the overall AOP of the Construction segment decreased by 18% year-on-year to HK$745.5 million, with that of Hip Hing Group declining by 7% year-on-year to HK$776.4 million due to lower gross margin recognized. Major projects of Hip Hing Group during FY2023 included Immigration Headquarters at Tseung Kwan O, office development at 2 Murray Road, Central, commercial development at Kai Tak (SOGO) and residential development at Yin Ping Road, Tai Wo Ping.

Challenged by the highly competitive environment driven by the reduction in project supply in the private sector and enhanced competition in the public sector, new contract awarded to Hip Hing Group during FY2023 declined by 78% year-on-year to HK$5.2 billion. As a result, Hip Hing Group's gross value contracts on hand in FY2023 decreased by 9% year-on-year to approximately HK$56.5 billion, while remaining works to be completed dropped by 32% year-on-year to around HK$25.4 billion. About 68% of the remaining works to be completed were from private sector, which included both commercial and residential, while the remaining 32% were from government and institutional related projects. Key projects awarded in FY2023 included design and construction of expansion of the Legislative Council Complex, main contract works for office development at 20 Des Voeux Road Central, main contract works for composite development at 350 and 352 Nathan Road and design and construction of a new public market in Tin Shui Wai.

The Legislative Council Complex

Insurance

The reopening of the border between Hong Kong and the Mainland buoyed the decent recovery of both the insurance industry in Hong Kong and FTLife Insurance in the second half of FY2023. Thanks to the rebound in business performance, effective expense control and change in valuation interest rate used in response to the increase in market interest rate, partially offset by the increase in expected credit loss provision related to certain bond investments, Insurance segment registered a 12% year-on-year increase in AOP to HK$1,204.5 million in FY2023, with AOP increment in the second half of FY2023 reaching 14% year-on-year compared with the 10% in the first half of FY2023.

On top of the solid demand from local customers, strong pent-up demand released from Mainland visitors after border reopened spurred the noticeable growth in FTLife Insurance's overall APE in the second half of FY2023, which surged by 162% year-on-year to HK$1,841 million and almost doubled that of pre-COVID-19 level (second half of FY2019), resulting in full year APE growing by 47% year-on-year to HK$2,567.9 million, a reverse from a negative growth of 31% year-on-year in the first half of FY2023. In FY2023, Mainland visitors accounted for about 30% of the overall APE, comparable to pre-COVID-19 level, with that in June 2023 alone reaching over 50%. In the first half of 2023, FTLife Insurance improved its ranking to 9th among Hong Kong life insurance companies by APE. Gross written premium increased by 65% year-on-year to HK$21,992.4 million. VONB surged by 71% year-on-year to HK$899.5 million in FY2023, propelled by the growth in APE and improvement in VONB margin (representing VONB as a percentage of APE) to 35% (FY2022: 30%), which was mainly prompted by the favourable product mix. Overall investment income of FTLife Insurance's investment portfolio (taking into account only dividend and interest income) was 3.8% in FY2023 (FY2022: 3.6%).

FTLife Insurance's New Product Promotion Campaign

While it is FTLife Insurance's commitment to provide the most suitable life insurance products to cater to customer needs, FTLife Insurance continued to enrich its product offerings in FY2023. Besides "Your Choice" Insurance Plan, "Protect Starter" Critical Illness Protector, "Everglow 128" Insurance Plan and "Legend 2" launched in the first half of FY2023, FTLife Insurance further launched a number of products in the second half of FY2023, including "MediChamp" Insurance Plan, a whole life medical insurance plan targeting at mass affluent customers, "Your Choice" Insurance Plan 2, a short term endowment offering guaranteed maturity benefit after 5 years, and "Value Plus" Insurance Plan, which is a whole life savings plan with policy split feature and option to add a value enhancer rider to pay up all premiums in one go. Aligning with the Group's aim to achieve a sustainable long-term development of the society for our next generation, FTLife Insurance is an early mover in the market to fully integrate ESG into its investment portfolio with six pillars, namely exclusion, inclusion, fundamental ESG research, portfolio ESG analytics, active stewardship, as well as disclosure and external communication.

As a testimony to FTLife Insurance's outstanding achievements in product development, distribution channel enhancement, talent development, digital marketing and ESG initiatives, in addition to the 11 awards received in the first half of FY2023, FTLife Insurance further received over 10 accolades in the second half of FY2023, in particular the prestigious "Insurance Company of the Year" at the Benchmark Wealth Management Awards.

FTLife Insurance's financial position remained healthy during FY2023. As at 30 June 2023, FTLife Insurance's solvency ratio stood at 325%, well above the minimum industry regulatory requirement of 150%. Despite challenges from interest rate hikes and unfavourable equity performance, strong VONB and expected return on existing business prompted embedded value to grow by 9% year-on-year to HK$19.3 billion. Moody's has continued to maintain the insurance financial strength rating of FTLife Insurance at A3/Stable, while Fitch Ratings has affirmed FTLife Insurance's A- insurer financial strength rating with stable rating outlook.

The solvency regime is expected to change from the existing Hong Kong Insurance Ordinance basis to HKRBC basis in the second half of 2024. Based on FTLife Insurance's internal assessment, the HKRBC solvency ratio is estimated to be approximately 260% as at 30 June 2023, which is well above the 100% Prescribed Capital Requirement under HKRBC regime.

Logistics Property in Suzhou Industrial Park

Logistics

Spurred by the resilient performance of ATL, rapid growth of CUIRC and new contributions from the newly acquired logistics properties in Chengdu and Wuhan, AOP of the Logistics segment increased respectably by 27% year-on-year to HK$752.0 million.

LA&M comprises ATL in Hong Kong and logistics properties in the Mainland with gross leasable area of approximately 5.9 million square feet and 6.5 million square feet, respectively, as at 30 June 2023. ATL, which contributed over 70% of the Logistics segment's AOP, continued to leverage its favourable warehouse location to attract quality tenants and maintained its steady growth trajectory in FY2023. Occupancy rate of ATL remained at almost fully let level of 99.8% as at 30 June 2023 (30 June 2022: 99.8%), underpinning the 2% growth in average rent in FY2023. In the Mainland, occupancy rate of the five newly acquired logistics properties was 90.1% as at 30 June 2023 (30 June 2022: 86.7%). The acquisition of the sixth newly completed logistics property in Chengdu and 90% interest in a logistics property in Suzhou completed in January 2023 and June 2023, respectively, with occupancy rate as at 30 June 2023 being 51.2% and 100%, respectively. Logistics properties in the Mainland altogether accounted for over 10% of the Logistics segment's AOP in FY2023. A revaluation gain of less than 1% of the total valuation of properties under LA&M was shared by the Group in FY2023, and such valuation gain (net of tax) accounted for around 10% of the Logistics segment's AOP.

In FY2023, along with economic recovery, CUIRC continued to benefit from the strong demand for multimodal transportation services and the increase in terminal capacity from the new Guangzhou terminal, seeing its throughput increased by 17% year-to-year to 5,541,000 TEUs and AOP rose by 28% year-on-year. In FY2023, CUIRC continued to expand the handling capacity of its terminals. Besides doubling the handling capacity of Zhengzhou terminal, the expansion of Xi'an terminal handling capacity is targeted to complete in the first half of 2024.

In FY2023, other than logistics properties, the Group continued to expand our logistics-related investments. In June 2023, the Group completed the acquisition of 12% stake in Jiangsu Jd-link International Logistics Co., Ltd. for a consideration of RMB125.0 million, which provides supply chain logistics services to customers in pan-IC manufacturing, new energy and health. Meanwhile, the Group also acquired 10% stake in Zhejiang Tangshi Supply Chain Management Co., Ltd for RMB44.4 million, which provides full truck loading services to customers in fast-moving consumer goods and infrastructure development.

Facilities Management

Business performance of HKCEC and Free Duty has been gaining momentum since the reopening of the border between Hong Kong and the Mainland, alongside continuous growth of GHK Hospital, fuelled the strong improvement in Facilities Management segment's results in the second half of FY2023. AOL substantially narrowed by 85% year-on-year to HK$61.9 million in FY2023.

HKCEC registered a strong rebound in business performance in the second half of FY2023 upon the reopening of the border between Hong Kong and the Mainland, with full year contribution turning around to AOP from AOL in FY2022. Scale of events has been gradually recovering, enquires for events have continued to improve and some of the events that previously moved to other countries are also planning to move back to Hong Kong. In the second half of FY2023, number of events improved by 319% year-on-year to 356 and total patronage surged by 410% year-on-year to approximately 2.0 million, leading the number of events to increase by 82% to 765 and the total patronage to grow by 74% to approximately 5.3 million for the full year of FY2023.

Hong Kong Convention and Exhibition Centre

The resumption of operation of the two outlets at Lok Ma Chau and Lo Wu upon the reopening of the two borders in January and February 2023, respectively, collectively provided a strong boost to the performance of Free Duty in the second half of FY2023 and recovery has been in line with the Group's expectation. Together with the remarkable performance of the outlet at Hong Kong-Zhuhai-Macao Bridge which saw an AOP growth of more than six folds year-on-year, Free Duty recorded an AOP in FY2023, a significant turnaround after recording AOL for five years since the financial year ended 30 June 2018.

With the commitment to serve the public and those in need, GHK Hospital is gaining traction for its superior healthcare services among the public. The growth of the number of inpatients, outpatients and day cases by 19%, 7% and 3% year-on-year, respectively, contributed to the decent increase in revenue in FY2023. Improvement in EBITDA accelerated in the second half of FY2023 and registered a stellar growth of 759% year-on-year for the full year of FY2023 compared with the 285% year-on-year growth in the first half of FY2023, with EBITDA margin continuing to increase. As at 30 June 2023, number of regular utilized bed was 276 (30 June 2022: 264), and average occupancy rate was 67%. In FY2023, GHK Hospital opened the Gleneagles Pro-HEART Cardiac Centre at New World Tower in August 2022 to provide professional and premium services for patients with cardiac-related health problems, as well as commenced the provision of management services for Humansa on its flagship Humansa | Victoria Dockside from October 2022, which offers integrated preventive healthcare and wellness services. Besides, with a view to supporting the growth of GHK Hospital, the Group also established a new business venture with IHH Healthcare Berhad (the Group's existing partner having 60% stake in GHK Hospital) ("Parkway Medical") to provide ancillary healthcare services to the public and opened Parkway Laboratory Services Central in June 2023 to provide accurate, high-quality and efficient laboratory testing and pathology services to the public. Meanwhile, GHK Hospital continued to introduce different advanced equipment and novel surgical technologies to further enhance its scope of service offerings and standard.

Strategic Investments

This segment includes investments with strategic value to the Group and with growth potential, which will enhance and create value for our shareholders. In FY2023, the segment recorded an AOL of HK$75.7 million (FY2022: AOL of HK$141.7 million), which mainly comprised the share of results, net fair value change, interest and dividend income from various investments. The result was mainly attributable to the decrease in net fair value loss and expected credit loss provision on certain investments in FY2023 compared with FY2022.

Aviation [β]

The Group's Aviation segment engaged in commercial aircraft leasing business through our full service leasing platform Goshawk. In December 2022, Goshawk completed the disposal of all 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% of which (approximately US$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 provided the Group with more financial flexibility, and at the same time facilitated further improvement in the Group's risk profile via the reduction of our exposure in interest rate risk and potential geopolitical risk.

The impairment charge in relation to the six aircraft associated with Russian lessees had already been fully provided in FY2022 and an insurance claim process is underway.

[β] being disposed/discontinued business in FY2023

BUSINESS OUTLOOK

Roads

Despite short-term macroeconomic uncertainties and uneven economic recovery, the Group maintains its long-term positive outlook for the economy in the Mainland. Roads segment, which is underpinned by the Mainland Government's incentives to boost car purchases and logistics industry growth, will remain as one of the growth focuses of the Group. In addition to scouting for new investment opportunities in the Mainland in the areas with optimistic growth prospects, the Group will also consider other means such as acquiring remaining stakes of existing roads and putting in further capital to expand existing roads, so as to enrich our roads portfolio and extend the overall average remaining concession period of the portfolio. In September 2023, the Group increased its stake in Shenzhen-Huizhou Expressway (Huizhou Section) by around 5.2% to 38.5%. The expansion works of Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) is expected to complete in late 2027, which will enable the expressway to apply for extension of concession period. Pertaining to the upcoming concession expiry of the Guangzhou City Northern Ring Road, application for widening of the road is underway with a view to extending its concession period. The long overall average remaining concession period of our road portfolio is stand to generate sustainable income and cash flow to the Group in the coming years.

Construction

With the resolution to ease housing shortage in Hong Kong, the Hong Kong Government has been pressing ahead with its plan to increase land supply in Hong Kong. In particular, the Government's effort to launch light public housing using MiC approach is set to expedite the supply of project by the Government in the near- to medium-term and benefits Hip Hing Group, which has excellent technical expertise and proven track record. Together with the development of Northern Metropolis, the positive long-term prospect of the construction sector in Hong Kong is secured.

While labour shortage in the construction sector has been contributing to the cost pressures of construction players in Hong Kong, the Hong Kong Government has introduced a plan to import up to 12,000 workers in a bid to alleviate the manpower shortfall in the industry. At the same time, Hip Hing Group is also implementing various initiatives such as digitalization and the wider use of BIM in its projects to further improve its efficiency and productivity, which facilitate the mitigation of cost pressures. The use of self-developed "Material Management App", which is a digital, cloud-based system to facilitate the exchange of surplus construction and demolition materials across Hip Hing Group's construction sites, will help maximize the recycling and re-use of resources and minimize waste generation. Further, Hip Hing Group is endeavouring to enhance safety of its staff and labours. Through the adoption of comprehensive measures, including safety system, dedicated Apps, workshops and new technologies, Hip Hing Group is strengthening the safety awareness from the top management to on-site staff and labours.

Insurance

Solid demand from Mainland visitors and demand driven by the rising awareness of risk management in terms of healthcare protection and asset diversification as well as the pursuance of higher return will remain as the key drivers for the insurance industry in Hong Kong and FTLife Insurance. Amid keen competition in Hong Kong, FTLife Insurance will persistently innovate its product offerings in an effort to stand out from the competition. In August 2023, FTLife Insurance launched “MyWealth Savings Insurance Plan” (“MyWealth”), which offers flexible “Wealth Accumulation Switching Option”, allowing 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. “MyWealth” also offers “Currency Switching Option” with total eight currencies for customers to switch, “Policy Split Option”, “Dual Succession” and other advantages, allowing customers to enjoy greater financial autonomy and safeguard their wealth succession.

Meanwhile, FTLife Insurance is strengthening its market position through a series of initiatives. Targeting at customer segments having high potential buying power and growing long-term financial target and family needs, FTLife Insurance launched a new promotional campaign in July 2023 with four life pillars — “GROWealth”, “EDUtainment”, “PowerUp” and “FAMmunity”. By providing target customers with holistic solutions covering wealth management, education, health and wellness and quality of life, FTLife Insurance is offering its customers and their families a new lifestyle experience, and helps them craft a holistic life plan that enables them to live life to the fullest with their loved ones.

Regarding the upcoming replacement of accounting standard from HKFRS 4 “Insurance Contracts” (“HKFRS 4”) to HKFRS 17 “Insurance Contracts” (“HKFRS 17”) for our FY2024, the implementation of the new HKFRS 17 involves significant enhancements to the information technology, actuarial and finance systems. We have formulated the accounting policies of HKFRS 17 and developed the model and systems to accommodate the transition.

The Group preliminarily estimated the key financial impacts of the adoption of HKFRS 17. First, 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 estimated that the total equity of the Group’s insurance business would increase with the transition to HKFRS 17. Second, Insurance segment revenue presented in the consolidated income statement under HKFRS 17 will be recognized over the coverage period based on the provision of services, excluding 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. This exclusion of investment component would reduce Insurance segment’s revenue. Third, AOP of the Insurance segment for FY2023 under HKFRS 17 is expected to decrease when compared with the current HKFRS 4 basis.

Logistics

The resiliency of the logistics sector in the Mainland underpinned by the economic development and the support from the Mainland Government bolsters our confidence and drives our proactive search for new investment opportunities in this sector. Through a growing portfolio of logistics properties, an ecosystem within Logistics segment is building together with the Group's other logistics assets including CUIRC and other logistics-related investments, and from which long-term synergies and benefits are anticipated to bring to the Group.

Under LA&M, keen demand for quality warehouse space will continue to support ATL as a leading market player boasting unmatched location and service, driving its steady rental growth. In the Mainland, while occupancy rate of the five logistics properties in Chengdu and Wuhan continues to grow, the sixth newly completed logistics property in Chengdu and the logistics property in Suzhou will provide fresh contributions to the Group.

For CUIRC, despite short-term uncertainties in the economy, solid demand for multimodal transportation services and the preference shift from sea to container trains, combined with the favourable government policies for the logistics sector and expansion of handling capacity of terminals, will continue to foster its resilient growth outlook and profitability.

Facilities Management

Return of international exhibitions and conventions, helped by the ramp up of international capacity of airlines, will continue to propel the continual recovery of HKCEC. On the other hand, HKCEC's relentless efforts to enhance its operations and services via the adoption of AI and robotics, such as the introduction of 5G smart security robots and smart cleaning robots, as well as the installation of AI Life Sense Alert System in its 61 Accessible Toilets in July 2023, will continue to entrench HKCEC as one of the leading convention and exhibition venues in Asia.

Performance of Free Duty is set to gain further momentum as border traffic between Hong Kong and the Mainland further improves. Together with other initiatives to drive sales, a more positive outlook for Free Duty is anticipated.

Performance of GHK Hospital is set to continue to improve underpinned by GHK Hospital's dedication to provide the best healthcare services to the public. In order to answer to the keen demand for quality healthcare services, the first Gleneagles Healthcare clinic in Wong Chuk Hang opening in the fourth quarter of 2023 by Parkway Medical will further expand our service network. Further enrichment of service offerings and expansion of network will lay a strong foundation for GHK Hospital to maintain a sustainable growth path.

LOOKING FORWARD

Uncertainties centered around geopolitical tension, escalated interest rates and weakening economic outlook in various key developed countries are expected to continue to haunt the global economy. In the Mainland, while uneven recovery of the economy is seen in the short-term, the Mainland Government is rolling out a slew of targeted and measured stimulus measures to consolidate economic growth and achieve its growth target. Therefore, the Group is confident that the Mainland economy's quality and sustainable long-term growth will be unscathed. The Group will continue to capture this growth potential in the Mainland via consistently searching for attractive investment opportunities in the Roads and Logistics segments, as well as their peripheral businesses. In Hong Kong, as business environment continues to improve after border reopening, coupled with the supports from the policies implemented by the Hong Kong Government, the Group believes that its businesses in Hong Kong, in particular Insurance, Construction, HKCEC and Free Duty, will continue to be the key beneficiaries and maintain a positive outlook.

FINANCIAL RESOURCES

Treasury management and cash 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 centralized treasury function to monitor its cash position, cash flow and debt profile as well as optimize its funding cost-efficiency. In order to maintain maximum 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 and will continue to optimize our capital structure and expand our sources of funding which include perpetual capital securities, debt issuance 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 32% debt and 68% equity as at 30 June 2023, compared with 30% debt and 70% equity as at 30 June 2022.

As a means to optimize capital structure and cost of financing, the Group further redeemed (at 13.5% discount to par value) and cancelled US$92.3 million in the aggregate principal amount of Senior Notes during FY2023. After the redemption, US$243.6 million in aggregate principal amount of the Senior Notes remains outstanding. The Group also redeemed (at 4.5% discount to par value) and cancelled US$280.9 million in the aggregate principal amount of 2019 Perpetual Capital Securities. After the redemption, US$1,019.1 million in aggregate principal amount of the 2019 Perpetual Capital Securities remains outstanding. At the same time, the Group issued US$268.2 million in aggregate principal amount of senior perpetual capital securities with floating coupon referenced to Term Secured Overnight Financing Rate to a private investor. In May 2023, the Group has also issued RMB1,500 million Panda Bonds at 3.9% per annum to repay its Hong Kong dollar denominated bank loans. Besides, the Company repurchased 710,000 shares under its share repurchase program during the FY2023.

The Group manages its financial risks including mainly interest rate exposure and foreign exchange risks. Interest rate swap contracts are used to hedge against part of the Group's exposures to changes in interest rates, while foreign exchange forward contracts are used to hedge against foreign currency exposures of the Group's businesses which involve foreign currencies. Cross currency swap contracts are entered to manage the Group's cost of funding and the exposure to foreign exchange risk from recognized liabilities. The Group's Insurance segment enters into cross currency swaps and forward starting swaps contracts to hedge against its foreign currency risk from bond investments and its interest rate risk for bonds to be purchased respectively. The Group operates mainly in Hong Kong and the Mainland and did not have any material exposure to foreign exchange risk other than RMB and United States dollar during FY2023. Certain subsidiaries, associated companies and joint ventures have local currency project loans in place, and these are naturally hedged against the investments in the same local currency of the entities concerned.

Liquidity and capital resources

As at 30 June 2023, the Group's total cash and bank balances amounted to HK$19,255.9 million, compared with HK$13,452.6 million as at 30 June 2022. Cash and bank balances as at 30 June 2023 were mainly denominated as to 61% in Hong Kong dollar, 20% in United States dollar and 19% in RMB. The Group's Net Debt as at 30 June 2023 was HK$4,541.0 million, compared with HK$10,138.3 million as at 30 June 2022. 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 Net Gearing Ratio reduced from 19% as at 30 June 2022 to 9% as at 30 June 2023. The Group had unutilized committed banking facilities of approximately HK$11.4 billion as at 30 June 2023.

Debt profile and maturity

As at 30 June 2023, the Group's Total Debt slightly increased to HK$23,796.9 million from HK$23,590.9 million as at 30 June 2022. The Group has managed to spread out its debt maturity profile to reduce refinancing risks. Amongst the Total Debt as at 30 June 2023, 7% will mature in the next 12-month, 45% will mature in the second year, 30% will mature in the third to fifth year and 18% will mature after the fifth year. During FY2023, in order to mitigate the risk of escalating interest rates of borrowings denominated in Hong Kong dollar and the negative impact on the Group's equity resulting from the depreciation of RMB against Hong Kong dollar, the Group has significantly increased the proportion of its Total Debt denominated in RMB through entering into cross currency swap contracts and issuance of RMB denominated bonds. After taking into account cross currency swap contracts entered, as at 30 June 2023, the Group's debt denominated in RMB, Hong Kong dollar and United States dollar accounted for 43%, 53% and 4% of the Total Debt respectively (30 June 2022: 14%, 65% and 21%); and the Group's floating rate debt accounted for 63% of the Total Debt (30 June 2022: 77%). In FY2023, the average borrowing cost of the Group's debt portfolio is approximately 4.1% per annum (FY2022: 2.9%). As at 30 June 2023, the Group has provided pledges over the concession rights of operation of Changliu Expressway and Sui-Yue Expressway as securities for bank loans made to the subsidiary companies which own and operate the expressways. Besides, the Group has provided pledges over the investment properties which include a logistics property in Suzhou as well as certain office units and carpark spaces in Hong Kong as securities for the Group's certain bank loans.

Commitments

The Group's total commitments for capital expenditures was HK$3,156.1 million as at 30 June 2023, compared with HK$4,786.5 million as at 30 June 2022. These comprised commitments for capital contributions to certain associated companies, joint ventures as well as investment funds, financial and other investments of HK$3,026.0 million as well as additions of intangible assets and property, plant and equipment of HK$130.1 million. Sources of funds for capital expenditures include internal resources of the Group and committed external financing from reputable international banks.

Financial guarantees

Financial guarantees of the Group were HK$2,140.1 million as at 30 June 2023, compared with HK$3,470.4 million as at 30 June 2022. These comprised guarantees for banking facilities of associated companies and joint ventures.

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 Aviation Capital Limited ("SMBC"), 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 2023 and 30 June 2022.

Board of Directors

Dr Cheng Kar Shun, Henry *GBM, GBS*
Chairman

Dr Cheng, aged 76, was appointed as Executive Director in March 2000 and became the Chairman from March 2001. He is also the Chairman of the Executive Committee and the Nomination Committee of the Company. Dr Cheng is the Chairman and an executive director of NWD (a substantial shareholder of the Company) 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 Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited, CTFC, CTFH and CTF Enterprises and Mombasa Limited. 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.

Mr Ma Siu Cheung *GBS, JP*
Executive Director and Chief Executive Officer

Mr Ma, aged 60, was appointed as Executive Director in July 2018. He was the Chief Operating Officer of the Company during the period from July to December 2018 and became the Chief Executive Officer of the Company from January 2019. He is also the Chairman of the Sustainability Committee and a member of the Executive Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee of the Company. He is also a director of certain subsidiaries of the Group and is responsible for overseeing the overall strategic development and business operations of the Group. Mr Ma is an executive director of NWD, a substantial shareholder of the Company and a listed public company in Hong Kong, and is also a non-executive director of China Resources (Holdings) Company Limited. During the period from February to June 2018, Mr Ma was the Acting Chief Executive Officer of Hong Kong-Shenzhen Innovation and Technology Park Limited. He joined the Government of the HKSAR in January 2014 as the Under Secretary for Development and was subsequently appointed as the Secretary for Development in February 2017 and remained in the post until June 2017. Prior to working with the Government of the HKSAR, Mr Ma was the Executive Vice-President for Civil and Infrastructure Business (Asia Pacific) of AECOM Asia Company Limited. Mr Ma is a Fellow of the Hong Kong Institution of Engineers, the Institution of Civil Engineers, United Kingdom, the Institution of Structural Engineers, United Kingdom, the Chartered Institution of Highways and Transportation, United Kingdom and Royal Institution of Chartered Surveyors, United Kingdom. He is also a Registered Professional Engineer in Hong Kong and a Chartered Engineer in the United Kingdom. Mr Ma holds a Bachelor of Science degree in Engineering (Civil) from The University of Hong Kong and a Master of Engineering degree in Transportation Planning from Monash University, Australia. He is a Senior Vice President of The Hong Kong Institution of Engineers, an Honorary Professor of the School of Science and Technology of The Hong Kong Metropolitan University and an Adjunct Professor of the Department of Civil and Environmental Engineering, Faculty of Construction and Environment of The Hong Kong Polytechnic University and the Department of Real Estate and Construction, Faculty of Architecture of The University of Hong Kong. Mr Ma is a committee member of the Chinese People's Political Consultative Conference of Shenzhen. Mr Ma was appointed as Justice of the Peace in 2014 and was awarded the Gold Bauhinia Star by the Government of the HKSAR in 2017.

Mr Ho Gilbert Chi Hang
Executive Director and Chief Operating Officer

Mr Ho, aged 47, has been serving as Executive Director since July 2018 and was appointed as Chief Operating Officer in February 2022. He is a member of the Executive Committee, the Corporate Governance Committee and the Sustainability Committee of the Company. Joining the Company in January 2018, he is also a director of certain subsidiaries of the Group and is responsible for overseeing the business development and merger and acquisition affairs, and certain businesses of the Group. Mr Ho has extensive experience in the area of corporate management, investments, corporate finance, merger and acquisition transactions and international brand and retail management. 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, a substantial shareholder of the Company, 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 and Wai Kee, all being listed public companies in Hong Kong. He is the Deputy Chairman of the Greater Bay Area Committee of CPA Australia, a member of the China Committee of Hong Kong General Chamber of Commerce and the General Committee of The Chamber of Hong Kong Listed Companies, a standing committee member of the Youth Federation of Inner Mongolia and the Vice Chairman of Inner Mongolia & Hong Kong Youth Exchange Association. 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.

Dr Cheng Chi Kong, Adrian *SBS, JP*
Executive Director

Dr Cheng, aged 43, was appointed as Executive Director in October 2019 and is a member of the Executive Committee of the Company. He is also a director of a subsidiary of the Group and is responsible for overseeing the strategic direction of the Group's businesses. He is the Executive Vice-Chairman and Chief Executive Officer of NWD (a substantial shareholder of the Company), the Chairman and non-executive director of New World Department Store China Limited and Arta TechFin Corporation Limited, an executive director of Chow Tai Fook Jewellery Group Limited, and a non-executive director and a Co-Chairman of Meta Media Holdings Limited, all being listed public companies in Hong Kong. Dr Cheng is a director and the Executive Chairman of New World China Land Limited, the Chairman and non-executive director of FTLife Insurance 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), and a non-executive director of Giordano International Limited (resigned on 1 December 2022), both 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, 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 and Group Chief Executive Officer 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 and the cousin of Mr William Junior Guilherme Doo.

Mr Cheng Chi Ming, Brian

Executive Director

Mr Cheng, aged 40, was appointed as Executive Director in July 2009 and is also a member of the Executive Committee and the Sustainability Committee of the Company. He is also a director of certain subsidiaries of the Group. He has been with the Company since January 2008 and 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 (a substantial shareholder of the Company), the Chairman and a non-executive director of Integrated Waste Solutions Group Holdings Limited and a non-executive director of Haitong International Securities Group Limited and Wai Kee, all being listed public companies in Hong Kong. He is also the Chairman of Goshawk, and a director of PBA International Pte. Ltd. and a number of companies in Mainland China. 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, and the cousin of Mr William Junior Guilherme Doo.

Mr Cheng Chi Leong, Christopher

Executive Director

Mr Cheng, aged 34, 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 of CTF Enterprises (a substantial shareholder of the Company) (appointed on 23 March 2023). 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, and the cousin of Mr William Junior Guilherme Doo.

Mr To Hin Tsun, Gerald
Non-executive Director

Mr To, aged 74, was appointed as Independent Non-executive Director in May 1998 and was re-designated as Non-executive Director in August 2002. Mr To has been a practising solicitor in Hong Kong since 1975. He is also qualified as a solicitor in the United Kingdom, as well as an advocate and a solicitor in Singapore. Mr To is also a non-executive director of Mongolia Energy Corporation Limited whose shares are listed on the Main Board of the Hong Kong Stock Exchange.

Mr Dominic Lai
Non-executive Director

Mr Lai, aged 76, was appointed as Independent Non-executive Director in August 2002 and was re-designated as Non-executive Director in September 2004. He is also a member of the Audit Committee and the Sustainability Committee of the Company. He is a director of NWS Holdings Charities Foundation Limited. Mr Lai is a practising solicitor in Hong Kong and is also admitted in England and Wales, the Republic of Singapore and the States of New South Wales and Victoria, Australia. He is a senior partner of the Hong Kong law firm, Iu, Lai & Li. Mr Lai is also a non-executive director of Chuang's China Investments Limited and Oriental Enterprises Holdings Limited, both being listed public companies in Hong Kong.

Mr William Junior Guilherme Doo *BBS, JP*
Non-executive Director

Mr Doo, aged 49, was appointed as Director in December 2005 and was re-designated from Executive Director to Non-executive Director in July 2014. He is also a member of the Sustainability Committee of the Company. 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. 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 HKSAR. Mr Doo is the nephew of Dr Cheng Kar Shun, Henry and the cousin of Dr Cheng Chi Kong, Adrian, Mr Cheng Chi Ming, Brian and Mr Cheng Chi Leong, Christopher.

Mr Lam Wai Hon, Patrick
Alternate director to Mr William Junior Guilherme Doo

Mr Lam, 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 and an Executive Vice-Chairman of the board of directors of FSE Lifestyle Services Limited, a listed public company in Hong Kong. Mr Lam is a fellow of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales, and a member of 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 made a Chevalier of the Order of National Merit of Finance in recognition of his contribution to France.

Mr Shek Lai Him, Abraham *GBS, JP*
Independent Non-executive Director

Mr Shek, aged 78, 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 Cement Holdings Limited, Chuang's China Investments Limited (also acts as Honorary Chairman), Chuang's Consortium International Limited, Cosmopolitan International Holdings Limited, Country Garden Holdings Company 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), 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), whose shares are listed on the Hong Kong Stock Exchange. 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
Independent Non-executive Director

Mr Lee, aged 79, was appointed as Independent Non-executive Director in October 2012 and he is also a member of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Sustainability Committee of the Company. He is also a member of a steering committee on insurance business of the Group. Mr Lee 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
Independent Non-executive Director

Mrs Oei, aged 70, was appointed as Independent Non-executive Director in January 2016 and is also a member of the Corporate Governance Committee and the Sustainability 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*
Independent Non-executive Director

Mr Wong, aged 71, was appointed as Independent Non-executive Director in July 2018 and is also the Chairman of the Corporate 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*
Independent Non-executive Director

Prof. K.C. Chan, aged 66, 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, China Overseas Land & Investment Limited, and Hong Kong Aerospace Technology Group 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.

Prof. K.C. Chan was appointed as the Secretary for Financial Services and the Treasury of the Government of the HKSAR 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*
Independent Non-executive Director

Ms Ng, aged 48, was appointed as Independent Non-executive Director on 1 December 2022 and is also a member of the Sustainability Committee of the Company. Ms Ng has been the Director of Advocacy and community outreach of an international non-governmental organization since 1 July 2021. She is also 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. 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.

Senior Management

Mr Cheng Chi Kwok

Senior Director — Infrastructure
NWS Infrastructure Management Limited

Mr Cheng, aged 59, joined New World Group in 1993 and is the Senior Director (Infrastructure) of NWS Infrastructure Management Limited, a wholly owned subsidiary of the Company. He is also a director of NWS Infrastructure Management Limited. Mr Cheng holds a Bachelor of Business Administration degree and he has over 30 years of experience in project development, investment and management in the infrastructure and roads business in Mainland China.

Mr Jim Lam

Chief Financial Officer
NWS Holdings Limited

Mr Lam, aged 53, joined the Company in January 2021 and is responsible for overseeing the overall finance and accounting functions of the Group. Before joining the Company, he was the director of Finance and Accounts of NWD, a substantial shareholder of the Company. 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 Hong Kong Institute of Certified Public Accountants. He is also a member of the working group of the Financial Services Development Council. 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 and Institutional Investor's Best CFOs Buy-side (Consumer).

Mr Tang Wai Yau

Company Secretary and Head of Legal
NWS Holdings Limited

Mr Tang, aged 53, joined the Company in November 2018 as Head of Legal and was appointed as the Company Secretary of the Company on 1 March 2021. He is a solicitor qualified to practise in Hong Kong and England and Wales. Prior to joining the Company, Mr Tang served as Head of Legal, Legal and Compliance Department of CMB International Capital Corporation Limited and worked in various international law firms and corporates. He has over 25 years of experience in legal, compliance and company secretarial fields.

Mr Tang holds a Bachelor of Arts degree in Public Policy and Management from University of Ulster, a Master of Social Sciences degree and postgraduate certificate in Laws from The University of Hong Kong, a Bachelor of Laws degree from Manchester Metropolitan University, a Master of Laws degree from University College London and a Bachelor of Laws degree from Peking University.

Mr Chu Tat Chi

Managing Director
Hip Hing Construction Company Limited

Mr Chu, aged 66, joined Hip Hing Construction Company Limited, a wholly owned subsidiary of the Company, in 1979 and is currently its Managing Director. Mr Chu graduated from the Hong Kong Polytechnic in 1978 with a Diploma in Building Studies. He has over 40 years of experience in the civil engineering and construction industries. Mr Chu is also a director of Quon Hing Concrete Company Limited. Prior to joining Hip Hing Construction Company Limited, he had worked in the Public Works Department of Hong Kong Government.

Ms Lee Yuk Har, Monica *MH*

Managing Director
Hong Kong Convention and Exhibition Centre (Management) Limited

Ms Lee, aged 58, joined HML, a wholly owned subsidiary of the Company, in 1994 and is currently its Managing Director. Ms Lee is a proven veteran in the hospitality industry and venue management for over 30 years. She is an executive committee member of the Hong Kong Exhibition & Convention Industry Association. She is the Executive Vice-President of UFI — The Global Association of the Exhibition Industry for 2022/23 to lead the organization, which comprised 819 members in 86 countries and regions. Ms Lee was awarded Medal of Honour by HKSAR Government in 2023 in recognition of her dedicated and valuable contributions to promoting the development of the convention and exhibition industry in Hong Kong. Ms Lee serves as a Vice Chairman of the Industry Advisory Committee on the School of Hotel and Tourism Management of the Hong Kong Polytechnic University for 2022/2024. Ms Lee was conferred the Honorary Fellowship by the Vocational Training Council ("VTC") in 2016. She has been appointed as Council Member of VTC and Director of the Board of Directors of VTC School and Business and Information Systems for 2022/2023. Ms Lee holds a Master degree in Management from Macquarie University, Sydney, Australia, a Professional Certificate in Event Management & Marketing from the School of Business and Public Management of George Washington University, USA.

Mr Wong Ho Shing, Alex

Chief Executive Officer
Sky Connection Limited

Mr Wong, aged 67, joined Sky Connection Limited, a wholly owned subsidiary of the Company, in November 2019 as Director — Operations and is currently its Chief Executive Officer. Prior to joining Sky Connection Limited, Mr Wong worked in Dannemann Cigars (Burger Sohne Group) and was in charge of tobacco sales, marketing and brand building for both Domestic and Duty Free market in Asia Pacific Region. He has also worked in DFS Group Limited for many years with procurement function on Liquor and Tobacco products. Mr Wong has over 37 years of experience in duty free business operation development and with in-depth knowledge on investment and marketing development of tobacco business, in particular the market of Mainland China.

Mr Ip Man Kit

Chief Executive Officer
FTLife Insurance Company Limited

Mr Ip, aged 59, joined FTLife Insurance, a wholly owned subsidiary of the Company, in February 2022 and is currently its Chief Executive Officer. He has over 30 years' experience in life insurance industry dedicated for AIA. He had held various executives roles in Information Technology, Operations, Project Management, transformation as well as health and wellness business development in Hong Kong and Mainland China. Mr Ip was also very active in industry associations including Medical Insurance Association and Hong Kong Federation of Insurance by being the Chairman and/or member. In recent years, he was heavily involved in the medical insurance reform for the industry and also digitalization development for AIA Hong Kong. Before joining FTLife Insurance, his last held position is Chief Operations Officer at AIA Hong Kong. He holds a Bachelor of Arts in Commerce and Economics and Computer Science, University of Toronto, Canada.

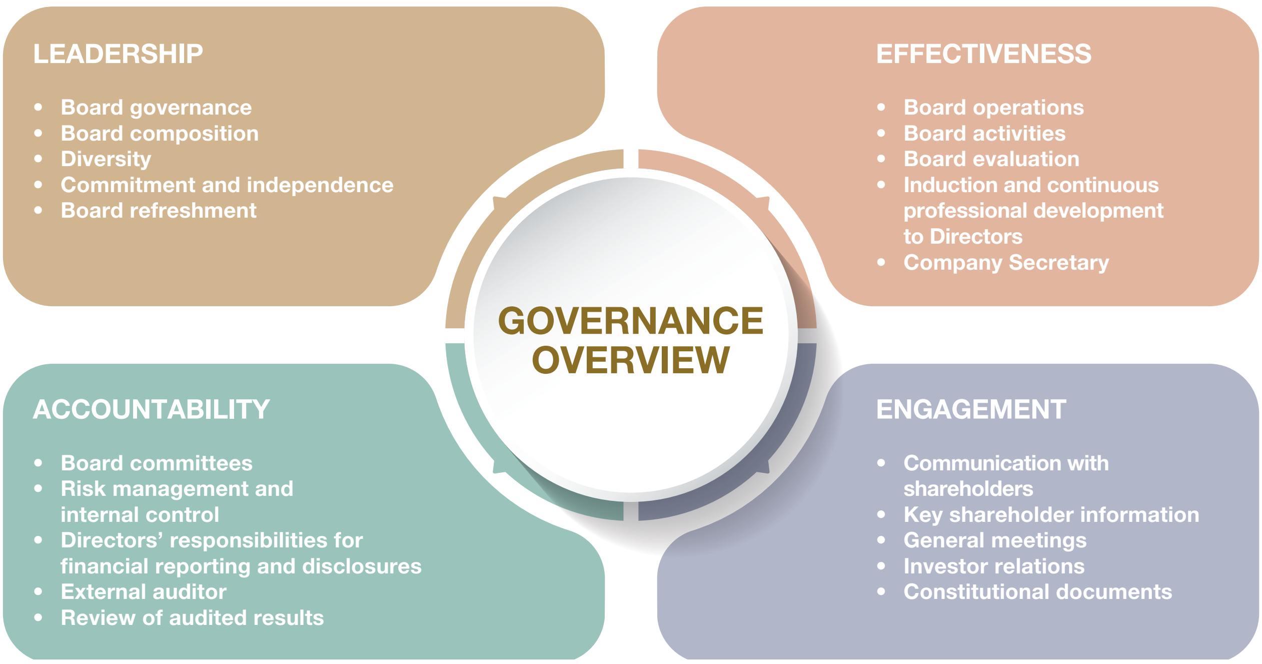
Corporate Governance Report

Good corporate governance is fundamental to achieving strategic goals, enhancing shareholder value and balancing stakeholders' interests.

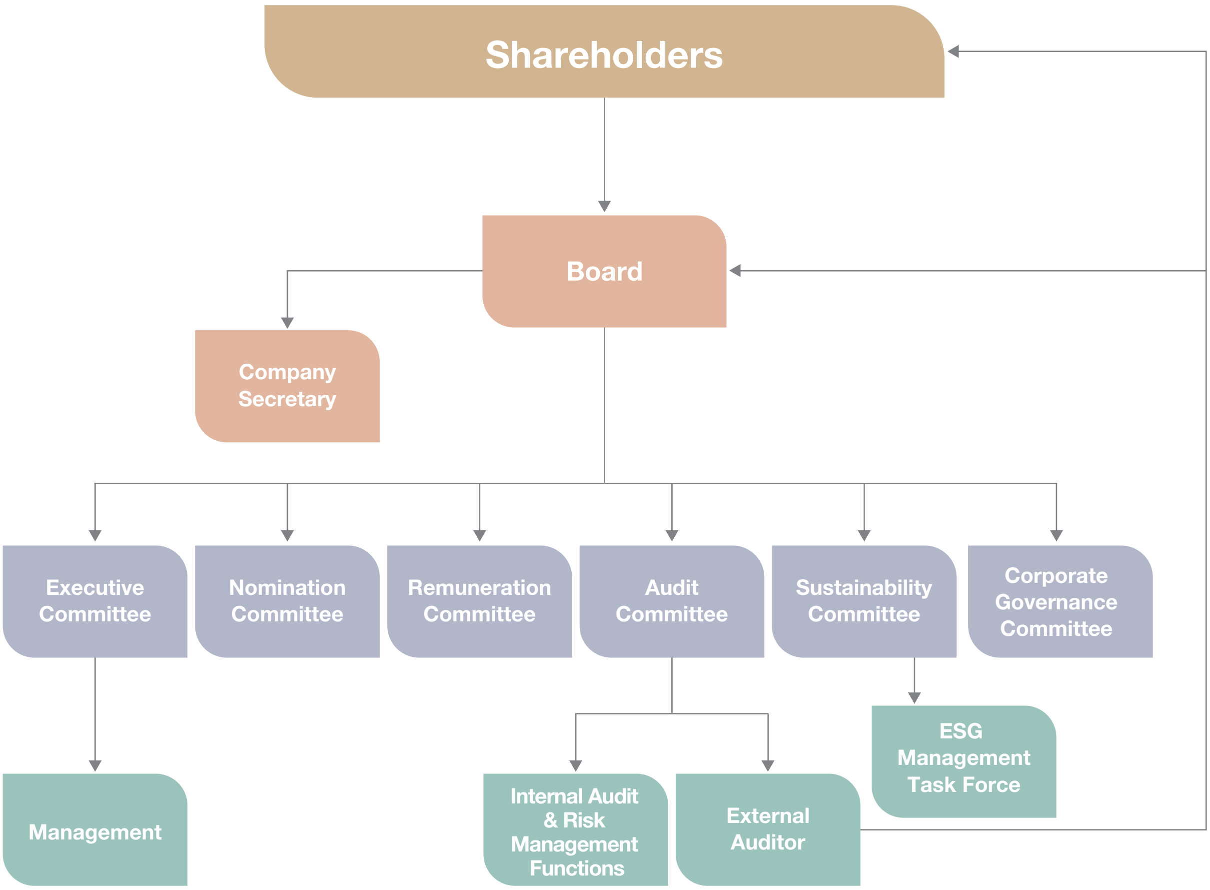
The Company has been committed to maintaining a high standard of corporate governance and to devoting considerable effort to improve its practices in light of the regulatory requirements and expectation of the investors.

Throughout FY2023, with the exception of code provision F.2.2, the Company has complied with all the applicable code provisions under the Corporate Governance Code (the "CG Code") as contained in Appendix 14 of the Listing Rules which reflects that the Company has committed to apply the principles of good corporate governance (the "Principles"). Such application of the Principles could also be shown from disclosure of the Company's corporate purpose, strategy and governance, board composition and nomination, directors' responsibilities, delegation and board proceedings, audit, internal control and risk management, remuneration and shareholders engagement.

Code provision F.2.2 provides that the chairman of the board should attend the annual general meeting. Dr Cheng Kar Shun, Henry, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 21 November 2022 (the "2022 AGM") due to indisposition resulting from COVID-19 infection. Dr Cheng Chi Kong, Adrian, the Executive Director of the Company who took the chair of the 2022 AGM, together with other members of the Board who attended the 2022 AGM, were of sufficient caliber for answering questions at the 2022 AGM and had answered questions at the 2022 AGM competently.



GOVERNANCE FRAMEWORK



- The Group's governance framework is designed with reference to the applicable legislations and Listing Rules, and is backboned by a collection of guidelines, policies and procedures formulated by the Board. The Board and/or the relevant board committees conducted regular review of the aforesaid guidelines, policies and procedures which are subject to amendments from time to time due to changes in applicable legislations and Listing Rules and/or market practices. Such guidelines and policies include:

  - Director's Manual
  - Guideline on Risk Management & Internal Control Systems
  - Enterprise Risk Management Policy
  - Enterprise Risk Management Manual
  - Anti-Fraud and Counter-Corruption Policy
  - Whistleblowing Policy
  - Board Diversity Policy
  - Shareholders' Communication Policy
  - Corporate Governance Manual
  - Corporate Policy on Staff Responsibility
  - Disclosure Policy for Inside Information
  - Dividend Policy
  - Sustainability Policy
  - ESG Board Oversight Statement
  - Terms of reference for various board committees

LEADERSHIP

Board Governance

Major Roles and Responsibilities of the Board

- For the purpose of enabling long term success of the Group and enhancing shareholder value, the Board sets the overall strategy and directs the affairs of the Group, as well as supervises management and ensures good corporate governance policies and practices are implemented within the Group.

- In the course of discharging its duties, the Board acts with integrity and in good faith, with due diligence and care, and in the best interests of the Company and its shareholders as a whole.

- The Board is responsible for performing the corporate governance duties. Specific terms of reference are set out in the Corporate Governance Manual of the Company and the relevant duties include:

  (a) to develop and review the Company's policies and practices on corporate governance;

  (b) to review and monitor the training and continuous professional development of directors and senior management;

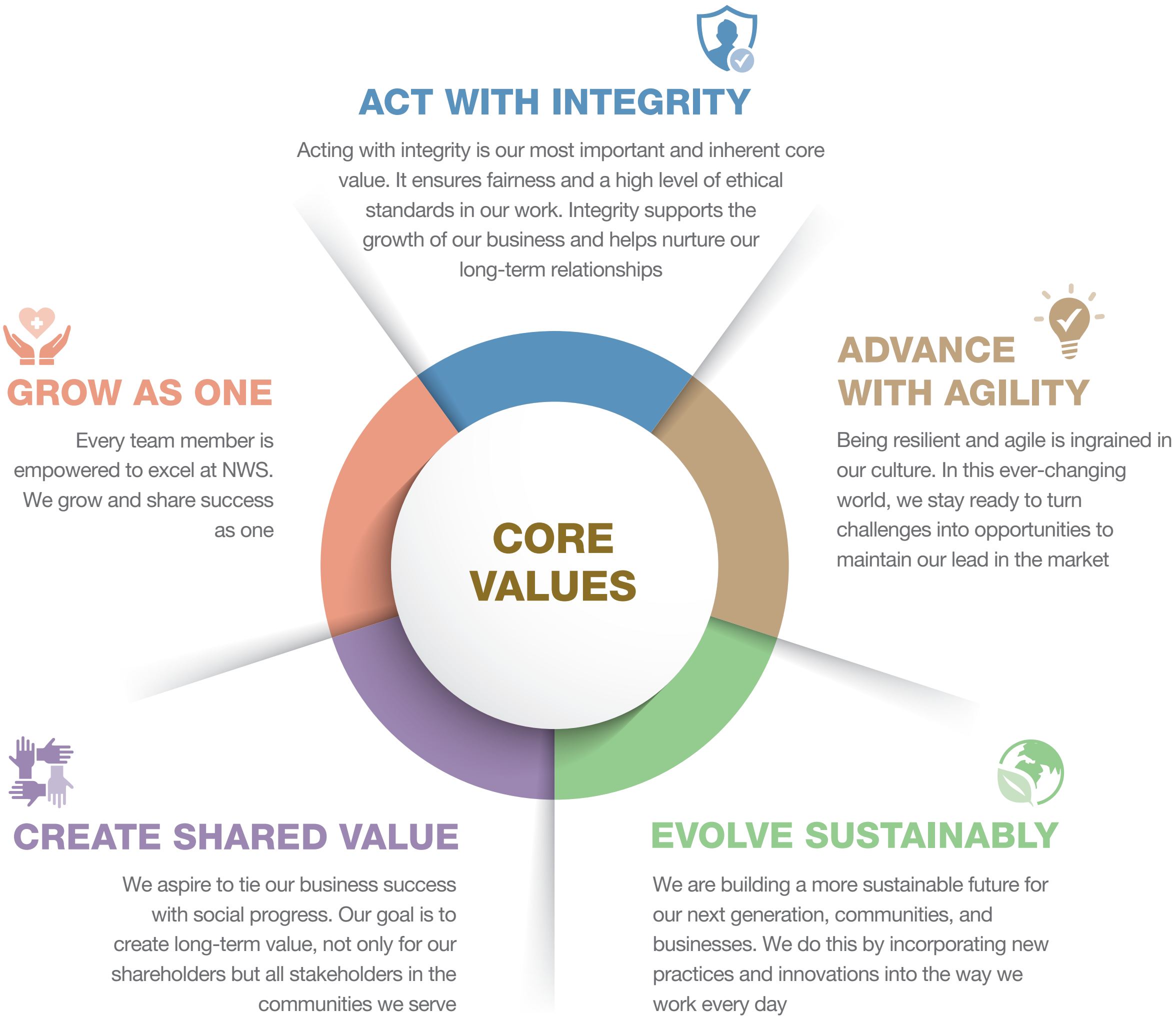
  (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

  (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

  (e) to review the Company's compliance with the CG Code and disclosures in the Corporate Governance Report.

Our Purpose, Core Values, Strategy and their alignment with Culture

- Our culture, developed throughout the years, encompassing thoughts, beliefs, attitudes, norms and behavioural patterns being put in practice by our directors and staff, is endogenous in nature. The reflection of the intrinsic part of our culture was revealed by the interviews with colleagues conducted in FY2022 and was refined into our core values: "***Act with Integrity***", "***Grow as One***", "***Advance with Agility***", "***Create Shared Value***" and "***Evolve Sustainably***". The common practice of our core values is integral to our purpose of fostering connectivity for our communities to thrive, the mission of connecting people, goods, and capital through our market-leading business portfolio as well as our strategy to crystalise value from our business portfolio to achieve long-term, steady and sustainable growth and exercise prudent risk management, which is designed to create value for our shareholders, employees and wider community. Our business decisions for achieving our purpose and mission, and the implementation of strategy, have all been guided by our core values:



Our Core Values

Act with Integrity

- Integrity is firmly embedded within the organizational construct. Our directors, management and other employees must act lawfully, ethically and responsibly. They are required to behave in an honest, ethical, and morally upright manner in all their dealings and interactions, to make decisions with the Company's reputation in mind, act in conscience and exercise sound judgment. The standards and behaviours expected of them are explicitly set out in such documents as the Corporate Policy on Staff Responsibility, Employee Handbook (including the Code of Conduct), Anti-Fraud and Counter-Corruption Policy, Conflict of Interest Policy and Whistleblowing Policy. By organizing anti-corruption training in 2023, basic concepts as well as related policies were clearly communicated. Through the implementation of the Whistleblowing Policy, we are fostering an open environment where our employees and third parties feel comfortable to raise concerns. All of the above further enhance the established practice of acting with integrity of our directors, management and employees.

Grow as One

- We pursued the growth of both the Company and the staff and we are putting in place measures so that the staff could share the success of the Company in terms of tangible and intangible rewards. We also believed high employee engagement and personal growth are both crucial to the success of an organization and during FY2023 we have organized various events and activities to that end. The Company endeavours to cultivate a workplace culture which advocates taking personal ownership and accountability by hosting a number of staff engagement initiatives and activities, just to name a few, the 20th listing anniversary dinner to celebrate the 20 years of listing on the Hong Kong Stock Exchange under the name of NWS Holdings Limited, leadership training and coaching, senior management's open dialogue with staff and participation at staff events, Flexi Care Programme to promote caring and flexible work arrangements, team building events, informal staff gatherings, yoga classes, health talks, wellness subsidy, A.Life mobile app for staff to express their appreciation. We are creating a workplace where everyone feels valued, appreciated and heard. The more employees are connected with us, the more we "Grow as One".

- As we moved into our new office space in Cheung Sha Wan in November 2022, we established a dynamic workplace of creativity, flexibility and connectivity that delivers a cohesive culture and inspires innovation: multi-use space, dedicated breakout areas for collaborative efforts, portable notebooks, ergonomic furniture and so on. As a token of appreciation towards staff's effort in our office relocation, each staff received a limited edition gift box set.

Advance with Agility

- In face of the rapidly changing economic, social, geopolitical and regulatory landscape, we remain agile to address the challenges ahead with the aim of mitigating risk associated therewith and leverage on opportunities arising therefrom. With this in mind, we must be smart enough to realize synergies from our diversified business model, which alongside our risk-aware culture, will enable us to navigate amid the volatilities. To this end, business briefing sessions were conducted to facilitate directors' interaction with senior management and discharge of directors' oversight responsibilities. Additionally, an important part of building a strong culture is to ensure that our leadership team possesses the appropriate skills and traits. We seek to invest in leadership development through one-on-one coaching or group workshops to enhance management capability. For the sake of all stakeholders, the Board will continue to explore ways to propel the Group along the path of success.

Create Shared Value

- As an environmentally and socially responsible enterprise, we nurture a culture where "Create Shared Value" is celebrated. Active engagement with our stakeholders helps to create value for each other, which is crucial for the sustainable growth of the Group.

- By working closely with our value chain partners, we have built a relationship of trust that fosters a positive vibe of experience and best practice sharing. Such collaboration along the value chain is beneficial to our future growth and development.

- The Company participated in various community initiatives to alleviate poverty and support the vulnerables, such as the HKSAR government's Strive and Rise Programme and The Salvation Army's "To.Gather Community Housing Project". More than 310 volunteering activities were organized by NWS Volunteering Alliance (Hong Kong and Mainland China) during FY2023 and up to September 2023, the accumulated hours of volunteer service reached 242,400. Placement opportunities are offered for young people who are about to start their work journey.

Evolve Sustainably

- During FY2023, in support of local and national carbon neutrality targets and to fortify our determination to transition to a low carbon economy, the Group has started to formulate its first net zero strategy and roadmap. We have taken a step forward by implementing the "ESG Due Diligence Guideline for Investment" to identify and evaluate sustainability-related risks before making investment decisions. "Evolve Conference 2023" offered a valuable opportunity to share insights on innovative sustainability practices with management and different business units. Training sessions and corporate-wide training videos also helped employees to build awareness. Through education and practice, we can make sustainability a part of our DNA. For more details on our sustainability efforts and initiatives, and their relationship with our core values, please refer to our separate 2023 Sustainability Report.

Delegation by the Board

- Day-to-day operation of the businesses of the Company is delegated to the management which is led by the Executive Committee. The management is closely monitored by the Board and is accountable for the performance of the Company as measured against the corporate goals and business targets set by the Board.

- The Board carries out certain of its oversight responsibilities through its committees, allowing more in depth attention devoted to overseeing key issues.

Chairman and Chief Executive Officer

- The Chairman is Dr Cheng Kar Shun, Henry and the Chief Executive Officer is Mr Ma Siu Cheung. The two posts are separate to ensure a clear distinction between the Chairman's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Company's business.

- Division of responsibilities between the Chairman and the Chief Executive Officer is clearly established and set out in writing.

Board Composition

- As at the date of this report, the Board is a diversified board of 15 members, comprising six executive directors, being Dr Cheng Kar Shun, Henry, Mr Ma Siu Cheung, Mr Ho Gilbert Chi Hang, Dr Cheng Chi Kong, Adrian, Mr Cheng Chi Ming, Brian and Mr Cheng Chi Leong, Christopher, three non-executive directors, being Mr To Hin Tsun, Gerald, Mr Dominic Lai and Mr William Junior Guilherme Doo (Alternate director: Mr Lam Wai Hon, Patrick) and six independent non-executive directors, being 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 and Ms Ng Yuen Ting, Yolanda. Their biographical details (including their relationships (if any)) are set out in the "Board of Directors and Senior Management" section of this annual report and available on the Company's website.

- The Board's composition represents a balanced approach to director tenure, allowing the Board to benefit from the experience of longer-serving directors combined with fresh perspectives from newer directors.

- The non-executive directors have actively participated in the board committees of the Company and have made significant contribution of their skills and expertise to these committees. Coming from diverse business and professional backgrounds, the non-executive directors have shared their valuable experience to the Board for promoting the best interests of the Company and its shareholders.

Diversity

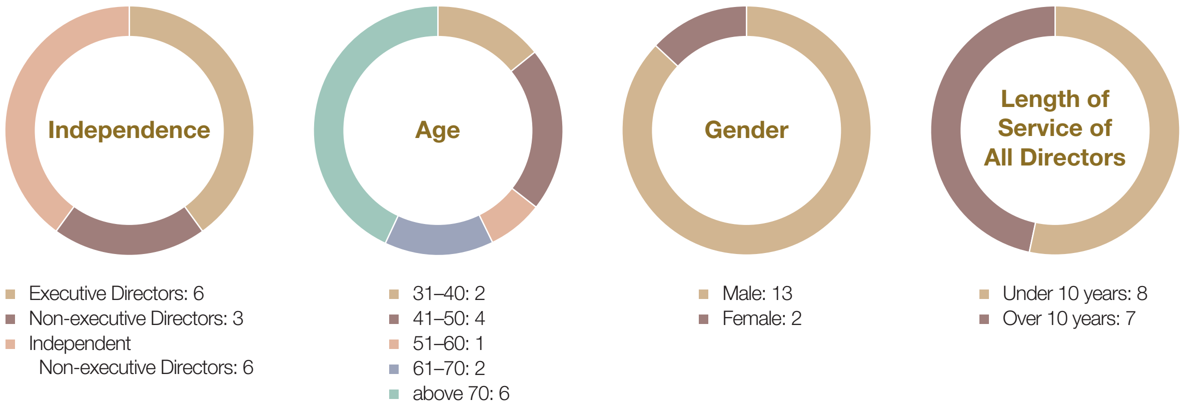
Board Diversity

- The Board adopted the "Board Diversity Policy" in June 2013 which was revised and updated in September 2022, setting out the approach to achieve diversity on the Board, and drawing on a broad spectrum of directors' background in a bid to achieve comprehensive considerations in forming board decisions.

- According to the "Board Diversity Policy", a truly diverse board will include and make good use of differences in the skills, regional and industrial experience, background, race, gender and other qualities of the members of the Board. These differences will be taken into account in determining the optimal composition of the Board.

- The "Board Diversity Policy" also states that the Nomination Committee is responsible for setting annual measurable objectives to implement diversity on the Board and recommends them to the Board for adoption. The "Board Diversity Policy" has been reviewed by the Nomination Committee and certain amendments were adopted to ensure its effectiveness.

- Our Board has a balance of tenure, diversity and age, with an effective mix of experience and fresh perspective. The following and the section "Board Expertise" illustrate the diversity profile of the Board members as at the date of this report:



- When considering new or replacement appointment of board members, we might seek appropriate candidates to enhance gender diversity of our Board. Following the change of board composition during FY2023, including the appointment of Ms Ng Yuen Ting, Yolanda as an independent non-executive director of the Company on 1 December 2022, the proportion of female representation at board level has been increased from 6% to 13%. We are committed to maintaining board representation by director(s) of each gender to be no less than 10%.

Board Expertise

- Our directors bring varying perspectives to the Board based on their distinct backgrounds and experience. The table below highlights the attributes of our directors, whose capability aligns with the scale, complexity and strategic positioning of our business:

Expertise	Relevance to the Company
Extensive board and executive management experience	Experience in a leading role facilitates understanding of many facets of the Group, including strategy, financial reporting and compliance, risk oversight.
Considerable industry experience	Deep industry knowledge assists in understanding the issues faced by the Group and can direct the Company to focus on value drivers.
Other listed company directorship roles	Understanding of financial, legal and regulatory requirements applicable to listed companies is crucial to maintenance of high corporate governance standard.
Broad experience in government organizations, public bodies and/or regulatory authorities	Relevant experience contributes to compliance with a variety of regulatory requirements and development of constructive relationship with public bodies or organizations.
In-depth knowledge of Asian markets and economic, political and regulatory development	This is important as the majority of our operations are located within the Asian region.
Experience in leading large and complex organizations	Provides valuable insight on challenges and opportunities conglomerates encounter in diverse business environment and market conditions, and management of change.
Considerable risk management experience	The Board plays a pivotal role in risk oversight and managing most significant risks facing the Company.
Professional – **Engineering** – **Capital market** – **Accounting and finance** – **Legal and listed company governance**	The complex and diverse nature of our business necessitates valuable input from professionals with oversight, advisory and operational experience.

Diversity and Inclusion across Workforce

- At workforce level (including senior management), our objectives towards achieving diversity are, firstly, to promote equal opportunity in recruitment practices, and secondly, to create an inclusive workplace. We plan to explicitly state in job advertisements that the Company values diversity and is committed to equal opportunities and we will harness talent assessment tools to reduce bias in the recruitment process. To arouse employees' awareness of diversity and inclusion and to promote their understanding and appreciation of diverse perspectives, relevant training will be provided to all employees. We are determined to balance gender and governance within the workforce with the appropriate mix of experience and strength.

- By bringing together employees from diverse backgrounds and giving each person the opportunity to contribute their expertise, experience and perspectives, we are able to develop the best solutions to challenges and deliver value for the Company and its shareholders. We continue to optimize the gender balance and partnering with employment agencies to increase appropriate candidate pipeline and talent pool.

- As at 30 June 2023, the ratio of women to men in the workforce (excluding directors of the Company) was 32:68. For details of gender distribution, please refer to our separate 2023 Sustainability Report. Notwithstanding the foregoing, gender diversity for construction business segment of the Group may be less relevant due to the nature of work.

Commitment and Independence

Directors' Attendance

- Directors of the Company play an active role in participating in the Company's meetings through contribution of their professional opinions and their active participation in discussion. Although board and committee meetings had been held both in person and virtually during the year, we were able to adopt quickly to this hybrid world to uphold high corporate governance standard.

- The attendance record of each of the directors for the Board meetings, board committees meetings and general meeting held during FY2023 is listed as follows:

	Meetings attended/held						
Name of director	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting	Sustainability Committee meeting	Corporate Governance Committee meeting	General meeting
Executive directors:							
Dr Cheng Kar Shun, Henry *(Chairman of the Board)*	4/7	–	1/1	–	–	–	0/2
Mr Ma Siu Cheung	7/7	–	1/1	1/1	2/2	1/1	2/2
Mr Ho Gilbert Chi Hang	7/7	2/2[1]	–	–	2/2	1/1	2/2
Dr Cheng Chi Kong, Adrian	6/7	–	–	–	–	–	2/2
Mr Cheng Chi Ming, Brian	7/7	–	–	–	2/2	–	2/2
Mr Cheng Chi Leong, Christopher	6/7	–	–	–	–	–	2/2
Non-executive directors:							
Mr To Hin Tsun, Gerald	3/7	–	–	–	–	–	1/2
Mr Dominic Lai	7/7	2/2	–	–	1/2	–	2/2
Mr William Junior Guilherme Doo	7/7	–	–	–	2/2	–	2/2
Independent non-executive directors:							
Mr Shek Lai Him, Abraham	7/7	2/2	1/1	1/1	–	–	2/2
Mr Lee Yiu Kwong, Alan	7/7	2/2	1/1	1/1	2/2	–	2/2
Mrs Oei Wai Chi Grace Fung	7/7	–	–	–	2/2	1/1	2/2
Mr Wong Kwai Huen, Albert	7/7	–	–	–	–	1/1	2/2
Professor Chan Ka Keung, Ceajer	7/7	2/2	1/1	1/1	–	–	2/2
Ms Ng Yuen Ting, Yolanda[2]	6/6	–	–	–	1/1	–	1/1
Mr Kwong Che Keung, Gordon[3]	1/1	1/1	–	–	–	–	1/1

Notes:

1. Attended the meeting as an invitee.
2. Ms Ng Yuen Ting, Yolanda was appointed as a director of the Company as well as a member of Sustainability Committee with effect from 1 December 2022.
3. Mr Kwong Che Keung, Gordon retired by rotation as independent non-executive director of the Company with effect from the conclusion of the 2022 AGM.

Board Independence

- Independent non-executive directors represent more than one-third of the Board, which facilitates in bringing to the Board independent advice and judgement. During the year, the Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules which require at least one-third (and not less than three) directors being independent non-executive directors, and at least one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.

- A written confirmation was received by the Company under Rule 3.13 of the Listing Rules from each of the independent non-executive directors in relation to his/her independence to the Company. The Company considers all its independent non-executive directors to be independent.

- Mr Shek Lai Him, Abraham and Mr Lee Yiu Kwong, Alan, both being independent non-executive directors of the Company, have served the Board for more than nine years. Notwithstanding their long term service, given their extensive business experience and not being connected with any director or substantial shareholder of the Company, the Board is of the opinion that they continue to bring independent and objective perspectives to the Company's affairs.

- The Board has separate and independent access to the senior management and the Company Secretary at all times. With prior request to the Company Secretary, the Board is given access to independent professional advice at any time when it thinks appropriate.

- Appropriate liability insurance for the directors of the Company has been arranged for indemnifying their liabilities arising out of corporate activities. This insurance coverage is reviewed on an annual basis.

- Taking into account the following factors, the Board considered that mechanisms are effective for ensuring independent views and input are available to the Board:

    - In assessing candidates for directorship, the Nomination Committee considers their profiles, including potential time commitment and skills mix, as well as any potential circumstances that may affect their independence.

    - The Board structure is effective and appropriate taking into consideration the proportion of independent non-executive directors, annual independence confirmation, independent non-executive directors' non-involvement in daily operation and separation of roles of Chairman and Chief Executive Officer.

    - Board evaluation, a fixed-fee remuneration package for independent non-executive directors (without reference to the performance of the Company) and access to independent advice lead to greater transparency and improved governance practices.

    - With their broad range of skills, experience, background and knowledge, independent non-executive directors share their valuable insight with the Board for promoting the best interests of the Company and its shareholders.

- Senior management or department heads are invited to present to the Board on different topics.

Remuneration of Directors

- Each director will be entitled to a director's fee which is determined by the Board with authorization granted by the shareholders at the Company's annual general meeting.

- The remuneration of executive directors and senior management of the Company is determined with reference to their respective role, duties and responsibilities benchmarking against the industry and the prevailing market conditions and the Company's performance and profitability. The Company's Human Resources Department assists in providing relevant remuneration data and market conditions for the Remuneration Committee's consideration. Remuneration is performance-based and coupled with an incentive system which is competitive to attract and retain talented employees.

- The emoluments paid to each director for FY2023 are shown in note 15(a) to the financial statements contained in this annual report.

Board Refreshment

- The Company strives for a Board that spans a range of leadership, skills and experience relevant to our strategic vision, paying attention to the Company's circumstances, near and long-term strategic goals and aspirations, changes in industry and regulatory initiatives, global political, economic and governance trends as well as the views of shareholders and other key stakeholders. In consideration of anticipated retirements and departures, the Company continues to proactively evaluate the Board's composition to facilitate a smooth transition of skills, experience and diversity in the boardroom.

Nomination, Appointment and Re-election of Directors

Nomination

- Our Nomination Committee evaluates directors' perspectives in the context of our Company's evolving business and prioritizes diversity to ensure effective Board oversight. Recognizing that the selection of qualified directors is crucial to the long-term success of the Company, formal nomination procedures were adopted by the Board for governing the nomination of directors. Nomination Committee's process for identifying and recommending candidates are as follows:

1. Review	Considers the Company's business model, existing needs and future plans as well as challenges and opportunities facing the Company to determine the skills, expertise, experience and characteristics that could contribute to overall Board and committee effectiveness
2. Identify	Identifies potential candidates with desired background and skill sets with reference to the Board Diversity Policy of the Company
3. Evaluate	Seeks candidates who: ✓ demonstrate integrity, informed judgment, vision, leadership mindset and commitment to representing the long-term interests of the Company's shareholders ✓ possess skills and experience complementary to those of existing directors ✓ are prepared to devote sufficient time and effort to participate in Board and committee activities ✓ in the case of independent non-executive directors, adhere to the independence guidelines set out in the Listing Rules, as well as assessing any circumstances that may affect independence
4. Recommend	After reviewing and discussing the nomination of any director for his/her suitability on the basis of qualifications, experience and background, the Nomination Committee recommends director candidates to the Board with the goal of creating a balance of knowledge, experience and diversity

Appointment

- The Board, having considered the recommendation from the Nomination Committee, will decide whether to approve the proposed appointment.

- None of the directors of the Company has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

- All non-executive directors are appointed under fixed term of three years and are also subject to retirement on a rotational basis in accordance with the bye-laws of the Company.

During FY2023, the appointment of Ms Ng Yuen Ting, Yolanda as independent non-executive director of the Company was considered by the Nomination Committee and recommendation was made to the Board for approval of her appointment. This appointment was then approved by the Board and took effect on 1 December 2022.

Re-election

- The Nomination Committee will make recommendations to the Board on the re-appointment of directors as appropriate, having regard to the profile of the director seeking re-appointment, the strategy of the Company and the structure, size and composition of the Board at the relevant time.

- The Board will consider whether to put forward the proposal for re-election of directors for shareholders' consideration.

  - Newly appointed directors
    All directors appointed to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at that meeting.

Ms Ng Yuen Ting, Yolanda, who was appointed as independent non-executive director of the Company on 1 December 2022, hold office until the conclusion of the forthcoming annual general meeting (the "2023 AGM") and, being eligible, will offer herself for re-election at the 2023 AGM.

  - Existing directors
    One-third of the directors who have been the longest in office since their last re-election or appointment shall retire and be eligible for re-election at each annual general meeting. Each director is subject to retirement by rotation at least once every three years.

    Any further re-appointment of an independent non-executive director, who has served the Board for more than nine years, will be subject to a separate resolution to be approved by the shareholders. The Nomination Committee and the Board consider the factors and discuss why the proposed director is still independent.

Dr Cheng Kar Shun, Henry, Mr Ma Siu Cheung, Mr Ho Gilbert Chi Hang, Mr Cheng Chi Leong, Christopher and Mr Wong Kwai Huen, Albert will retire by rotation at the 2023 AGM. All of the aforementioned directors, being eligible, will offer themselves for re-election at the 2023 AGM.

Attributes of the Re-electing Independent Non-executive Directors

In respect of the proposed re-election of Ms Ng Yuen Ting, Yolanda and Mr Wong Kwai Huen, Albert both being independent non-executive directors of the Company, at the 2023 AGM, the Nomination Committee has considered and is of the view that each of Ms Ng and Mr Wong has the required skills, qualification, experience, integrity and independence to continue to be an independent non-executive director.

Ms Ng possesses profound expertise and broad experience in the media industry, promotion of culture and public services. With leadership position in such organizations as the West Kowloon Cultural District Authority and the Hong Kong Palace Museum as well as extensive track record across broadcasting and publishing, the Board is set to benefit from Ms Ng's valuable insights in sustainability matters and public governance.

Mr Wong is a highly regarded practitioner of corporate governance and a seasoned legal professional. He also assumes leadership roles in various public organizations. His extensive knowledge and broad perspective derived from private practice, public services and academia enable him to further enhance the corporate governance standard of the Company and provide constructive thoughts for the Company's overall development.

The Nomination Committee has also reviewed and assessed the annual written confirmations of independence of Ms Ng and Mr Wong based on the independence criteria as set out in Rule 3.13 of the Listing Rules and considered that they remain independent and free of any relationship with any substantial shareholder, fellow directors and management of the Company which could materially interfere with the exercise of their independent judgment. They will continue to bring valuable experience, knowledge and professionalism to the Board for its efficient and effective functioning and diversity.

EFFECTIVENESS

Board Operations

Board Meeting

- The Board meets regularly at least four times a year at quarterly intervals and holds additional meetings as and when the Board thinks appropriate. Seven Board meetings were held during FY2023.

- Notice of no less than 14 days was given to all directors for the regular Board meetings. Draft agendas for Board meetings were prepared by the Company Secretary and were circulated to all directors for comment before each meeting. Directors were given an opportunity to include any other matters in the agenda. As far as practicable, board papers were made available to the directors not less than three business days before the intended date of the Board meetings.

- Minutes of Board meetings were prepared by the Company Secretary with details of decisions reached, any concerns raised and dissenting views expressed. The draft minutes were sent to all directors within a reasonable time after each meeting for their comment before being formally signed by the chairman of the meeting. Final versions of minutes of the Board meetings were made available to the directors for information and record.

- At each regular Board meeting, executive directors of the Company made presentations to the Board on various aspects, including business performance, financial performance, corporate governance and outlook, etc.

- Throughout FY2023, directors of the Company also participated in the consideration and approval of matters of the Company by way of written resolutions circulated to them. Supporting written materials were provided in the circulation and verbal briefings were given by the subject executive directors or the Company Secretary when required.

- Pursuant to the bye-laws of the Company, a director, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his/her interest at the meeting of the Board at which the question of entering into the contract or arrangement is first considered. Furthermore, a director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates is to his/her knowledge materially interested. Matters to be decided at Board meetings are decided by a majority of votes from directors entitled to vote. These bye-laws were strictly observed throughout FY2023.

Securities Transactions of Directors and Relevant Employees

- The Company has adopted the Model Code as its own code of conduct for securities transactions by directors. Specific enquiry was made with all directors of the Company and it was established that they had all complied with the required standard of the Model Code during FY2023.

- The Company has also adopted the “Code for Securities Transactions by Relevant Employees”, which is no less exacting than the Model Code, for governing the securities transactions of specified employees (“Relevant Employees”) who, because of their positions, are likely to come across unpublished inside information. Following specific enquiry by the Company, all Relevant Employees had confirmed that they complied with the standard set out in the “Code for Securities Transactions by Relevant Employees” during FY2023.

- Employees are bound by the corporate policy issued by the Company, among other things, to keep unpublished inside information confidential and refrain from dealing in the Company’s securities if they are in possession of such inside information.

- Formal notifications are sent by the Company to all directors and Relevant Employees reminding them that they should not deal in the securities of the Company during the “black-out period” specified in the Model Code.

Board Activities

- With a deep commitment to proper oversight and leadership of the Company's affairs, the Board devotes considerable attention to the aspects of strategy, business performance, leadership, governance and risk. Set out below are the Board's focus during FY2023:

Strategy

- Ongoing impact of COVID-19 and geopolitical tensions on business
- Market trend and industry outlook
- Acquisition of additional interest or capital injection in project companies engaged in operation of toll roads in Mainland China
- Formation of joint venture to tender construction contracts
- Progress in non-core business divestment
- Liquidity position and re-financing plans

Business and Financial Performance

- FY2022 preliminary results and annual report
- FY2023 interim and quarterly results
- Results forecasts
- Review of business operations and their challenges and opportunities
- Declaration or recommendation of dividend
- Monthly management updates

Leadership

- Change of Board members
- Chairman's annual meeting with independent non-executive directors

Governance

- Approval of services agreements with certain connected persons
- Update of Board Diversity Policy to align with the changes to the Listing Rules
- Amendment of terms of reference of the Remuneration Committee and the Sustainability Committee
- Adoption of new bye-laws to reflect certain updates to the Listing Rules
- Grant of share options

Risk

- Review of risk management and internal control systems
- Revision of statement, guidelines, policy and manual regarding risk management and internal control

Board Evaluation

- Board evaluation is regarded as an important component of the mechanism to ensure independent views and input are available to the Board. As in the previous year, a board evaluation exercise was conducted for FY2023 to solicit directors' view on the effectiveness and performance of the Board, with focus on, inter alia, the following areas:

    - Board performance in core areas

    - Board priorities in the next 1 to 2 years

    - Quality of board effectiveness enablers (including board composition, meetings, provision of information)

- The evaluation was conducted internally through completion of self-assessment questionnaire by directors, which was designed to provoke critical self-evaluation and reflection on areas for further consideration.

- The responses received were then analysed and a report summarizing the findings was compiled. The results were then considered by the Nomination Committee and the Board.

Summary of Findings

- Overall the Board was found to be functioning effectively. Feedback demonstrated that there is very strong confidence in the leadership of the Board. Board members indicated that they clearly understand the Board's role and function and their responsibilities. They were highly appreciative of the integrity of financial statements and management's effort in capital recycling and portfolio optimization. Open discussion and input from all Board members are encouraged.

- There was broad consensus that the Board has been adapting well amid the volatile macro environment and has been supporting the management during these challenging times in recent years. The Board was performing effectively in monitoring performance and risks.

- Directors generally commend the performance of the Board Committees, in particular, the support from the Audit Committee.

- One positive note was that portfolio optimization in the past few years was perceived as allowing proper resource allocation on primary business interests, contributing to operational efficiency. In addition, the Board was able to strike a balance in assessing opportunities and risks.

- There was a good, respectful and open relationship between the Board and management.

- The review also identified some matters for consideration by the Board, including the following priorities:

    - Streamlining the size of the Board for more efficient decision-making

    - Further enhancement of the diversity of the Board

    - Management succession planning

Induction and Continuous Professional Development to Directors

Seminars and business briefings

- Seminars are arranged or organized from time to time as part of the training programme to develop and refresh knowledge and skills. During FY2023, seminars on corporate governance related topics including regulatory updates, anti-corruption, cybersecurity, risk management, sustainability related topics and management skills were organized for directors.

- During FY2023, business briefings to directors on construction and logistics businesses were conducted, providing a useful channel for two-way communication between directors and management and facilitated active participation of directors.

Director Induction

- Newly appointed directors are provided with orientation immediately upon his/her appointment that includes an overview of the Company's business strategy and operations, financial condition, legal and regulatory framework and other relevant topics.

- They are also provided with a director's manual containing a package of orientation materials on the operations and businesses of the Group, together with information relating to the duties and responsibilities of directors under regulatory requirements and the Listing Rules.

Legal and Regulatory Updates

- The Company Secretary updates directors on the latest developments and changes to the Listing Rules and the applicable legal and regulatory requirements. Reading materials on regulatory updates are provided to directors to refresh their knowledge.

- An online training platform was introduced since 2019 of which directors can access the training materials provided by the Company through the Company's board website.

- According to the training records maintained by the Company, the training received by each of the directors during FY2023 is summarized in the following table.

- In accordance with the training records provided by the Company's directors, an average of approximately 27 training hours were undertaken by each director (not including time spent for reviewing information relevant to the Company or its businesses or attending corporate events of the Group) during FY2023.

	Type of continuous professional development	
Name of director	**Attending expert briefings/seminars/ conferences relevant to the businesses or directors' duties**	**Reading regulatory updates or corporate governance related materials**
Executive directors:		
Dr Cheng Kar Shun, Henry	✓	✓
Mr Ma Siu Cheung	✓	✓
Mr Ho Gilbert Chi Hang	✓	✓
Dr Cheng Chi Kong, Adrian	✓	✓
Mr Cheng Chi Ming, Brian	✓	✓
Mr Cheng Chi Leong, Christopher	✓	✓
Non-executive directors:		
Mr To Hin Tsun, Gerald	✓	✓
Mr Dominic Lai	✓	✓
Mr William Junior Guilherme Doo	✓	✓
Mr Lam Wai Hon, Patrick (alternate director to Mr William Junior Guilherme Doo)	✓	✓
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(1)	✓	✓
Mr Kwong Che Keung, Gordon(2)	✓	✓

Notes:

1. Ms Ng Yuen Ting, Yolanda was appointed an independent non-executive director of the Company on 1 December 2022.

2. Mr Kwong Che Keung, Gordon retired by rotation as independent non-executive director of the Company with effect from the conclusion of the 2022 AGM.

Company Secretary

- As an employee of the Group, the Company Secretary reports to the Chief Executive Officer and the Board. He is responsible for providing advice on compliance and corporate governance matters and ensuring the effective conduct of meetings and proper procedures are followed.

- The Company Secretary has undertaken not less than 15 hours of professional training during FY2023 for updating his skills and knowledge.

ACCOUNTABILITY

Board Committees

- The Board delegates its powers and authorities from time to time to committees in order to ensure operational efficiency and specific issues are handled with relevant expertise.

- Six board committees have been established and each of them has its specific duties and authorities set out in its own terms of reference which are reviewed from time to time.

- Written terms of reference of each of the Audit Committee, the Nomination Committee and the Remuneration Committee are available on the website of each of the Hong Kong Stock Exchange and the Company pursuant to the requirements under the Listing Rules.

- Written terms of reference of each of the Sustainability Committee and the Corporate Governance Committee are available on the website of the Company.

- Regular board committee meetings were held during the year and the number of meetings and attendance of individual committee members are set out on page 43 of this annual report.

- All board committees are provided with sufficient resources to discharge their duties and are empowered to obtain independent legal or other professional advice at the Company's expense.

Board

Executive Committee (all are executive directors)	Audit Committee (majority are independent non-executive directors)	Nomination Committee (majority are independent non-executive directors)	Remuneration Committee (majority are independent non-executive directors)	Sustainability Committee (majority are non-executive and independent non-executive directors)	Corporate Governance Committee (half of the members are independent non-executive directors)
Members: Dr Cheng Kar Shun, Henry# (Chairman) Mr Ma Siu Cheung# Mr Ho Gilbert Chi Hang# Dr Cheng Chi Kong, Adrian# Mr Cheng Chi Ming, Brian# Mr Cheng Chi Leong, Christopher#	Members: Professor Chan Ka Keung, Ceajer^ (Chairman) Mr Dominic Lai* Mr Shek Lai Him, Abraham^ Mr Lee Yiu Kwong, Alan^	Members: Dr Cheng Kar Shun, Henry# (Chairman) Mr Ma Siu Cheung# Mr Shek Lai Him, Abraham^ Mr Lee Yiu Kwong, Alan^ Professor Chan Ka Keung, Ceajer^	Members: Mr Shek Lai Him, Abraham^ (Chairman) Mr Ma Siu Cheung# Mr Lee Yiu Kwong, Alan^ Professor Chan Ka Keung, Ceajer^	Members: Mr Ma Siu Cheung# (Chairman) Mr Ho Gilbert Chi Hang# Mr Cheng Chi Ming, Brian# Mr Dominic Lai* Mr William Junior Guilherme Doo* Mr Lee Yiu Kwong, Alan^ Mrs Oei Wai Chi Grace Fung^ Ms Ng Yuen Ting, Yolanda^	Members: Mr Wong Kwai Huen, Albert^ (Chairman) Mr Ma Siu Cheung# Mr Ho Gilbert Chi Hang# Mrs Oei Wai Chi Grace Fung^

Executive director
* Non-executive director
^ Independent non-executive director

Note: Committee composition as at the date of this report

Executive Committee

Meeting schedule

- meets from time to time when required

Major roles and functions

- to review the Group's performance, direct its daily operations and manage its assets and liabilities in accordance with the policies and directives of the Board
- to make recommendations to the Board in respect of the overall strategy for the Group from time to time

Audit Committee

Meeting schedule

- two meetings were held during FY2023
- a private meeting with the Company's external auditor was held during FY2023 in the absence of the Company's management

Major roles and functions

- to monitor the financial reporting process of the Company and to ensure its financial statements comply with relevant accounting standards
- to review the Company's financial control, risk management and internal control systems and arrangements under the Company's "Whistleblowing Policy"
- to govern the engagement of external auditor and its performance and independence

Work performed for FY2023

- reviewing the audited consolidated financial statements of the Group for FY2022 and the interim results of the Group for the six months ended 31 December 2022
- reviewing the continuing connected transactions of the Company during FY2022 and during the six months ended 31 December 2022
- reviewing the risk management and internal control systems of the Company
- making recommendations to the Board on the revised "Guideline on Risk Management & Internal Control Systems", "Enterprise Risk Management Policy", "Enterprise Risk Management Manual" and "Internal Audit Policy and Internal Audit Charter" of the Company
- reviewing the internal audit plan of the Group for FY2023 and the internal audit reports for FY2022 prepared by the Group Audit & Risk Assurance Department of the Company ("GARA")
- reviewing the effectiveness of the Company's internal audit function
- reviewing the audit plans from external auditor and its remuneration
- making recommendation to the Board on the re-appointment of the external auditor
- reviewing the resources of GARA and the Group's finance team
- reviewing the performance, constitution and terms of reference of the Audit Committee

Nomination Committee

Meeting schedule

- one meeting was held during FY2023

Major roles and functions

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board, including from the aspect of diversity
- to identify qualified individuals and to make recommendations to the Board on the appointment or re-appointment of directors

Work performed for FY2023

- reviewing the terms of reference of the committee
- reviewing the structure, size and composition of the Board
- reviewing the implementation and effectiveness of the Board Diversity Policy
- reviewing the results of the board evaluation exercise
- reviewing the independence of independent non-executive directors
- identifying and evaluating director candidates based on skills, expertise, experience, race, gender and characteristics guided by the overall needs of the Company
- making recommendations to the Board in relation to the re-appointment of the retiring directors
- making recommendation to the Board in relation to the appointment of an independent non-executive director

Remuneration Committee

Meeting schedule

- one meeting was held during FY2023

Major roles and functions

- to review and make recommendations to the Board on the Company's policy and structure for remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration
- to make recommendations to the Board on the remuneration packages, including benefits in kind, pension rights and compensation payments, of individual directors
- to determine the remuneration packages of senior management

Work performed for FY2023

- reviewing the terms of reference of the committee
- reviewing the remuneration policy, structure and packages for directors and senior management
- determining the policy for the remuneration of executive directors and approving the terms of executive directors' service contracts
- making recommendations to the Board regarding the directors' fee and other allowances for FY2023 and the remuneration packages of directors
- determining the remuneration packages of senior management
- making recommendation to the Board regarding the remuneration package for a newly-appointed independent non-executive director

During FY2023, the Remuneration Committee has not reviewed and/or approved any material matter relating to share schemes under Chapter 17 of the Listing Rules.

Sustainability Committee

Meeting schedule

- two meetings were held during FY2023

Major roles and functions

- to review and report to the Board on the Group's sustainability frameworks, standards, priorities and goals, and to oversee group-level strategies, policies and sustainability matters to attain those standards and goals
- to oversee and evaluate the Group's sustainability performance in terms of internationally-recognized metrics relevant to the industry
- to review and advise the Board on public reporting of the Group's performance on sustainability matters
- to oversee the Group's community, charitable and environmental partnerships, strategies and related group-level policies

Work performed for FY2023

- reviewing the terms of reference of the Sustainability Committee
- reviewing the progress of the Group's overall corporate sustainability development, including target setting, performance review and reporting
- reviewing the development and implementation of the Group's corporate social responsibility, human resources management and environmental-friendly initiatives
- reviewing the funding commitments and statement of financial position of NWS Holdings Charities Foundation
- reviewing the Sustainability Report of the Company for FY2022
- reviewing the resources of the sustainability team

Corporate Governance Committee

Meeting schedule

- one meeting was held during FY2023

Major roles and functions

- to develop and review the Company's policies and practices on corporate governance and to make recommendations to the Board
- to review and monitor the training and continuous professional development of directors and senior management of the Company
- to review and monitor the Company's policies and practices on investor relations, and compliance with legal and regulatory requirements

Work performed for FY2023

- reviewing the terms of reference of the committee
- reviewing the Corporate Governance Report and Risk Management Report of the Company for FY2022
- reviewing the implementation and effectiveness of mechanisms to ensure independent views and input are available to the Board
- reviewing the directors' training
- reviewing the investor relations strategy and activities and the implementation and effectiveness of the Shareholders' Communication Policy

The Disclosure Committee, a sub-committee, was set up in 2013 under the supervision of the Executive Committee to provide guidance on the dissemination of inside information within the Group and proper compliance procedures.

Risk Management and Internal Control

- Risk management and internal control are essential parts of corporate governance. With reference to the "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), ISO 31000 Risk Management Standard from International Organization for Standardization ("ISO"), and the "Internal Control and Risk Management – A Basic Framework" issued by HKICPA, the main features of our risk management and internal control systems are illustrated below:

Risk Management

- The Board is responsible for overseeing the risk management and internal control systems (including ESG and climate-related risks) while the Enterprise Risk Management ("ERM") Team assists by establishing and maintaining an appropriate and effective ERM framework to facilitate business and functional units and corporate office departments in the risk management process. The Three Lines Model, details of the ERM framework and risk management processes are described in the Risk Management Report of this annual report.

Internal Audit

Internal Audit Framework

- The internal audit function is carried out by GARA, which serves as the third line that is independent of management, and directly reports to the Audit Committee. The primary role of GARA is to provide independent assurance on the effectiveness of our risk management and internal control systems. In addition, GARA provides value-added consulting services to assist management in accomplishing the Group's missions and objectives as well as fulfilling its obligations and creating shared values to stakeholders. GARA also facilitates continuous improvement through the application and sharing of expertise and insights across the Group.

- The audit charter, which was approved by the Audit Committee, granted GARA unrestricted access to all records, information, assets, personnel and physical properties of the Group in carrying out its duties.

Assurance and Consulting Services

- GARA provides independent and objective assurance on the adequacy and effectiveness of the Group's corporate governance, risk management and internal control systems which include ESG risks, for business and functional units and corporate office departments, which the Group is involved in day-to-day management.

- GARA adopts a risk-based approach, concerning areas with significant risks or areas with major changes. In formulating the 5-year rolling audit plan, the frequency and scope are determined by taking into account of the risk factors, amongst others, the materiality and dynamic of business operations and environment, as well as regular risk profile updates from ERM Team. The core businesses are audited at least once every year and the other major businesses and corporate office departments are audited once in about every three years.

- Audit or review reports, which include the audit observations identified and recommendations, are issued to management for their remedial actions. GARA would follow up with the implementation of the agreed actions, with tracking and review. Key audit findings and the remediation status are periodically reported to senior management and the Audit Committee.

- In view of the increasing concern and demand on ESG aspects, the compliance of the ESG-related policies and guidelines at the corporate level has been embedded as part of the internal audit scope for various business cycles. Regular dialogue between GARA and the Sustainability Department is maintained pertaining to ESG-related issues, so that their status, including compliance of associated policies and guidelines, is being updated from time to time and reported to the senior management accordingly.

- High-level reviews are conducted by GARA on the internal audit results from the business units with in-house internal audit teams or external consultants.

- When applicable, GARA performs co-sourced audits with the business unit's in-house internal audit teams or external consultants, and also ad-hoc projects when requested by senior management and/or the Audit Committee. Ad-hoc projects include, but not limited to fraud investigation, procedural review, compliance review and special project review.

Highlights in FY2023

- The execution of the FY2023 audit plan was completed and the FY2024 annual audit plan was approved by the Audit Committee. Audits conducted in this year were of broader scope, with an extended risk coverage of information technology and data privacy. GARA would continue to include these parts in the key review areas in FY2024.

- Furthermore, GARA has expanded its consultancy portfolio by offering after-audit services, which the internal audit team would provide consultation and also share the best practices to auditees for remediating specific areas of higher risk or with significant deficiencies. After-audit services were provided to one business unit during the year.

Policies, Guidelines and Practices

Guideline on Risk Management & Internal Control Systems

- The guideline outlines the regulatory requirements on corporate governance and describes the Group's risk management and internal control systems. It provides guidance to business and functional units and corporate office departments of the Group in implementing risk management and internal control measures.

Whistleblowing Policy

- The "Whistleblowing Policy" sets out the general principles for the reporting and handling of whistleblowing cases. The policy is established and up-to-date for anyone (employees or third parties) to directly report to GARA for any serious concerns about suspected or actual fraud, corruption, breach, malpractice, misconduct or irregularity of the Group and/or its staff members. The reported cases will be investigated in a confidential and timely manner and GARA will report the results of investigations to the Audit Committee and the Executive Committee.

- In FY2023, two whistleblowing cases were reported to GARA and all the investigations were completed and considered to be unfounded or unsubstantiated.

Anti-Fraud and Counter-Corruption Policy

- The Company promotes and supports anti-corruption laws and regulations by implementing "Anti-Fraud and Counter-Corruption Policy" and corporate governance. Operating in conjunction with other relevant corporate policies of the Company including "Whistleblowing Policy", "Guideline on Risk Management & Internal Control Systems" and "Corporate Policy on Staff Responsibility", this policy also serves as an integral part of the Company's corporate governance framework. It outlines the Anti-Fraud and Counter-Corruption Control Framework as well as the Company's culture, expectations and requirements relating to the prevention, detection, reporting and investigation of any suspected or actual fraud, corruption and other irregularities.

- Two briefing sessions about "Anti-Fraud and Counter-Corruption Policy" and "Whistleblowing Policy" were held in June 2023 as a refresher training for the corporate office departments and target group of business unit.

Sustainability Policy

- The policy outlines the Company's commitment to apply sustainability principles across all aspects of the business, from strategic planning and community investment to the operations thereof, through minimizing environmental impacts, promoting green living, health and well-being, and improving the quality of the communities where the Company operates while providing a reasonable return to the investors.

Corporate Policy on Staff Responsibility/Human Rights Policy

- Upholding high standards of ethics and integrity by all staff is critical to the success of our business. The Company has the "Corporate Policy on Staff Responsibility" and the "Human Rights Policy" which provide guidelines and instructions on best management and personal integrity.

- These policies ensure the Group's businesses are conducted in accordance with applicable laws and regulations, including those on health and safety at work and environment, equal opportunities, social responsibilities, safeguard of company information and assets, avoidance of conflict of interest, and work against corruption in all forms, including extortion, fraud, and bribery.

- It is the duty of every staff member to comply with the policies. These policies are under periodic review by the Board and the relevant board committees. Reporting mechanisms and communication channels between the staff and management are in place to ensure compliance of these policies across the Group.

Disclosure Policy for Inside Information

- The Company has adopted this policy and established the Disclosure Committee, under the authority delegated by the Executive Committee, to promote consistent disclosure practices. Various internal control measures such as management review, use of project codes and assignment of project coordinators are instituted in the reporting procedures. Furthermore, GARA conducts a review on the compliance of the policy and reports the results to the Audit Committee annually.

Review on the Effectiveness of Risk Management and Internal Control Systems

- The Board has reviewed the effectiveness of the risk management and internal control systems (including ESG risks and climate-related risks) of the Group in FY2023 on a semi-annual basis. With the assistance from the Audit Committee, Corporate Governance Committee and Sustainability Committee, the Board evaluated the effectiveness of the Group's risk management and internal control systems through communication with management, GARA and external auditors as well as review of their reporting. Details of factors considered in the review are described in the Risk Management Report of this annual report. There was no significant issue identified that might have material impact on the Group for FY2023. Management confirmed the effectiveness of the risk management and internal control systems to the Board through the Integrated Internal Control Self-Assessment Certificate and such systems were considered to remain effective and adequate during the period. However, these systems are designed to manage rather than eliminate the risks, and they could only provide reasonable assurance but not absolute assurance against such risks.

Directors' Responsibilities for Financial Reporting and Disclosures

- The Company's directors acknowledge their responsibilities to prepare accounts for each half and full financial year which give a true and fair view of the state of affairs of the Group. The directors consider that in preparing financial statements, the Group ensures statutory requirements are met, applies appropriate accounting policies that are consistently adopted and makes judgements and estimates that are reasonable and prudent in accordance with the applicable accounting standards.

- The directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities within the Group. They consider that the Group has adequate resources to continue in operational existence for the foreseeable future and are not aware of material uncertainties in relation to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Group's financial statements have accordingly been prepared on a going concern basis.

- The directors are responsible for ensuring that proper accounting records are kept so that the Group can prepare financial statements in accordance with statutory requirements and the Group's accounting policies. The Board is aware of the requirements under the applicable Listing Rules and statutory regulations with regard to the timely and proper disclosure of inside information, announcements and financial disclosures and authorizes their publication as and when required.

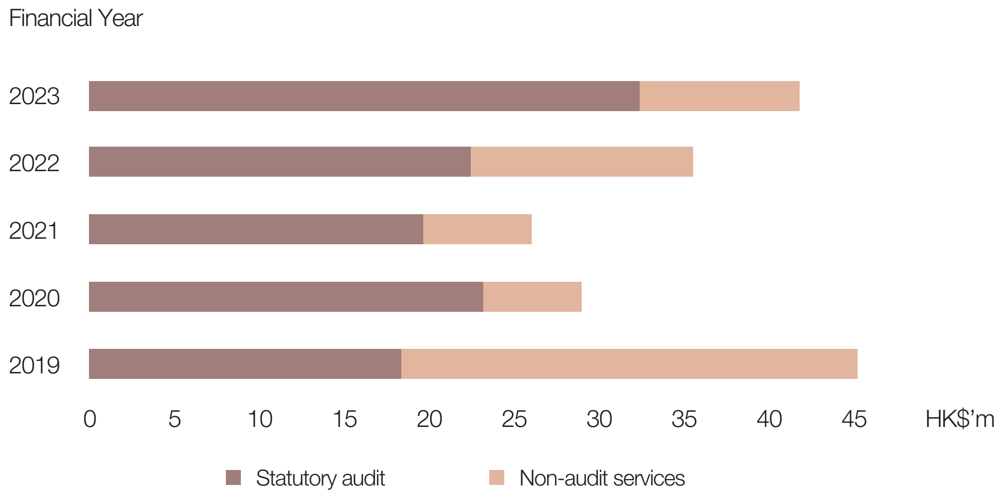
External Auditor

- The Audit Committee is responsible for considering the appointment, re-appointment and removal of external auditor subject to endorsement by the Board and final approval and authorization by the shareholders of the Company in general meetings.

- PricewaterhouseCoopers, who was first appointed in 2000 and is also the Group's principal auditor, is the existing auditor of the Company. The reporting responsibilities of PricewaterhouseCoopers are stated in the Independent Auditor's Report on pages 130 to 137 of this annual report.

- Total auditors' remuneration for FY2023 in relation to statutory audit work of the Group amounted to HK$34.8 million (2022: HK$22.4 million), of which a sum of HK$32.6 million (2022: HK$21.2 million) was paid/payable to PricewaterhouseCoopers. A sum of HK$9.1 million (2022: HK$13.1 million) was paid/payable to PricewaterhouseCoopers for its non-audit services provided to the Group for FY2023. The remuneration paid/payable to PricewaterhouseCoopers and its affiliated firms for services rendered is illustrated as follows:

Auditor's remuneration



Note: Non-audit services for the year comprise primarily review of interim financial information, tax advisory and other consulting services.

- A resolution for re-appointment of PricewaterhouseCoopers as auditor of the Company will be proposed at the 2023 AGM.

Review of Audited Results

- The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the audited consolidated financial statements of the Group for FY2023.

ENGAGEMENT

Communication with Shareholders

Shareholders' Communication Policy

- The Board recognizes the importance of communication with the Company's shareholders. A "Shareholders' Communication Policy", which is published on the Company's website, was adopted by the Board for ensuring effective and transparent communication between the Company and its shareholders.

- According to the Shareholders' Communication Policy:

    - corporate communications which contain regulatory disclosures and notices of the Company, are published in accordance with the legal and regulatory requirement applicable to the Company. Corporate communications and other general information concerning the Company and its businesses are posted on the corporate website (www.nws.com.hk) and/or distributed to the media as soon as practicable.

    - shareholders are encouraged to participate in general meetings or to appoint proxies to attend and, on poll, vote at meetings for and on their behalf if they are unable to attend. The chairman of general meetings will allow reasonable time for shareholders to raise questions and comments during the meeting.

    - the Company's investor relations team, comprising directors and members of senior management, regularly arranges or participates in one-on-one meetings, roadshows, conferences, forums, site visits and briefing sessions to maintain an open dialogue with financial analysts and institutional investors in Hong Kong and overseas.

    - for the purpose of enhancing effective communications, all shareholders are encouraged to send their enquiries and views on various matters affecting the Company by email to the Investor Relations Department of the Company at ir@nws.com.hk.

- In consideration of the following measures, the Board concluded that the Shareholders' Communication Policy was effectively implemented throughout the year:

    - Annual and interim reports, announcements and circulars are published on a timely basis in accordance with the Listing Rules.

    - The 2022 AGM and a special general meeting held on 26 June 2023 to approve certain continuing connected transactions (the "SGM") were conducted in hybrid format to encourage shareholder participation. Electronic voting at the general meetings facilitated vote counting.

    - The Company voluntarily announced issuance of Panda Bonds and the "AAA" credit rating received from a credit rating agency in the PRC, demonstrating to our investors the Company's commitment to lower funding cost as well as its high level of creditworthiness.

    - On-going engagement is maintained with institutional investors, analysts and investment managers through various communications with them despite the COVID-19 pandemic. Conferences, webinars, roadshows and briefing sessions were held during the year. Please refer to the section "Investor Relations" for further details.

    - Press releases and presentation materials posted on the Company's website facilitate shareholders and other stakeholders' understanding and appraisal of the Group's latest developments in portfolio optimization.

- o Shareholders' enquiries, either received by telephone or by email, are properly attended and are addressed to the appropriate committees or the Board, if necessary.

- o Shareholders with 10% voting rights or above can convene general meetings, details of which are explained in the section "Shareholders' Rights" below.

Company's Website and Annual Report

- To ensure all shareholders have equal and timely access to important company information, the Company makes extensive use of the Company's website to deliver up-to-date information. Latest information regarding the activities and publications of the Group, including financial reports, policies on corporate governance and sustainability, media resources as well as presentations and webcasts delivered by management are readily accessible on the Company's website at www.nws.com.hk.

- The Company's annual report is printed in both English and Chinese and is available on the Company's website. Shareholders may at any time change their choice of means of receiving the Company's corporate communications free of charge by notice in writing to the Company's branch share registrar in Hong Kong, Tricor Standard Limited.

Shareholders' Rights

- The Board and management shall ensure shareholders' rights and all shareholders are treated equitably and fairly. Pursuant to the Company's bye-laws, any shareholder entitled to attend and vote at a general meeting of the Company is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. Shareholders who hold not less than one-tenth of the paid up capital of the Company shall have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

- The procedures for shareholders to put forward proposals at general meetings are stated as follows:

  1. The written requisition must state the purposes of the meeting, and must be signed by all the shareholders concerned and may consist of several documents in like form each signed by one or more shareholders concerned.

  2. The written requisition must be deposited at the Company's registered office in Bermuda as well as the principal place of business in Hong Kong at 21/F, NCB Innovation Centre, 888 Lai Chi Kok Road, Cheung Sha Wan, Kowloon, Hong Kong for the attention of the Company Secretary.

  3. The written requisition will be verified with the Company's branch share registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the relevant resolution in the agenda for such general meeting provided that the shareholders concerned have deposited a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders. Such general meeting shall be held within two months after deposit of such requisition.

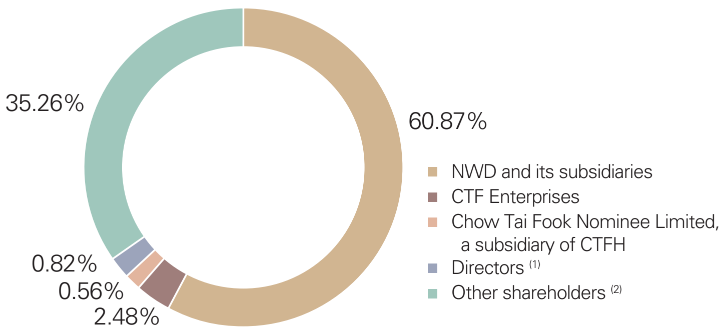
  4. If within 21 days of such deposit, the Board fails to proceed to convene such general meeting, the shareholders concerned, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

- Details of the abovementioned procedures are also available on the website of the Company. Any vote of shareholders at a general meeting must be taken by way of poll and the Company will announce the results of the poll in the manner prescribed under the Listing Rules.

- Chairman of each of the board committees, or failing the Chairman, any member from the respective committees, must attend the annual general meetings of the Company to address shareholders' queries. External auditor is also invited to attend the Company's annual general meetings and is available to assist the directors in addressing queries from shareholders relating to the conduct of the audit, the preparation and content of its auditor's report, the accounting policies and auditor independence.

Key Shareholder Information

Analysis of Shareholding Structure (as at 30 June 2023)



Notes:

(1) Including their deemed interests under the Securities and Futures Ordinance.
(2) Including individuals, institutions, corporates and nominees.

Stock Code

- 00659 (Listed on the Main Board of the Hong Kong Stock Exchange)

Board Lot

- 1,000 shares

Shareholder Services

- Any matter in relation to the transfer of shares, change of name or address, or loss of share certificates or dividend cheques, registrations and requests for printed copies of annual/interim report should be addressed to the Company's branch share registrar as follows:

  Tricor Standard Limited
  17/F, Far East Finance Centre
  16 Harcourt Road
  Hong Kong
  Tel: 2980 1333
  Fax: 2810 8185

Dividend Policy

- The Board has adopted a new dividend policy of the Company in 2019.

- The Company is committed to delivering a sustainable and progressive dividend policy. The aim of its dividend policy is to steadily increase or at least maintain the Hong Kong dollar value of ordinary dividend per share annually. The prospective dividend growth, however, remains dependent upon the financial performance and future funding needs of the Company.

- Subject to the financial performance of the Company, we expect to pay two dividends each financial year.

Financial Calendar

Announcement of FY2023 annual results	29 September 2023

For determining eligibility to attend and vote at the 2023 AGM:

Latest time to lodge transfer documents for registration	4:30 p.m. on 6 November 2023
Closure of register of members	7 to 10 November 2023 (both days inclusive)
Record date	10 November 2023
2023 AGM date	10 November 2023

For determining entitlement to the proposed final dividend:

Latest time to lodge transfer documents for registration	4:30 p.m. on 15 November 2023
Closure of register of members	16 November 2023
Record date	16 November 2023
Final dividend payment date	on or about 7 December 2023

General Meetings

Hybrid general meetings

General meetings of the Company provides an opportunity for communication between the Board and the shareholders of the Company. The 2022 AGM and the SGM were held in a hybrid (physical and virtual via live webcast) format. Shareholders were able to participate in the general meetings online in a convenient and efficient way from anywhere with an internet connection, in addition to the traditional physical attendance. All shareholders may submit questions and vote at the meeting both physically and online. To improve the voting process, apart from the physical submission of the proxy form, shareholders have the option of submitting their proxy appointment electronically.

Through the deployment of general meeting facilitating technology, this meeting format enhances and facilitates attendance by providing convenient access for all of our shareholders, which in turn encourages shareholder participation, protects shareholders' right to attend general meetings and promote transparency while at the same time helps eliminate public health concerns around the COVID-19 pandemic.

<table>
<tr><th>2022 AGM</th><th>SGM</th></tr>
<tr><td>Matters resolved
(i) Receipt and consideration of the audited financial statements and Reports of the Directors and Auditor for FY2022.

(ii) Declaration of final dividend of HK$0.31 per share for FY2022.

(iii) Re-election of Professor Chan Ka Keung, Ceajer, Dr Cheng Chi Kong, Adrian, Mr Cheng Chi Ming, Brian, Mr Shek Lai Him, Abraham and Mrs Oei Wai Chi Grace Fung as directors and authorization of the Board to fix directors' remuneration.

(iv) Re-appointment of PricewaterhouseCoopers as the Company's auditor and authorization of the Board to fix the auditor's remuneration.

(v) Granting a general mandate to directors to issue shares not exceeding 20% of the then existing issued share capital of the Company.

(vi) Granting a general mandate to directors to repurchase shares not exceeding 10% of the then existing issued share capital of the Company.

(vii) Extending the general mandate granted to directors pursuant to the resolution in (v) above.

(viii) Adoption of the amended and restated bye-laws.</td><td>Matters resolved
(i) Approval, ratification and/or confirmation of the new master services agreement entered into between NWD and the Company on 28 April 2023, the transactions contemplated thereunder and the proposed annual caps in respect of such transactions for each of the three financial years ending 30 June 2026, and to authorize the directors of the Company acting together or by committee or any director acting individually, to execute all agreements and documents and to take all steps for and on behalf of the Company for, or in connection with, implementing and/or giving effect to the above matter.

(ii) Approval, ratification and/or confirmation of the new master services agreement entered into between Mr Doo Wai Hoi, William and the Company on 28 April 2023, the transactions contemplated thereunder and the proposed annual caps in respect of such transactions for each of the three financial years ending 30 June 2026, and to authorize the directors of the Company acting together or by committee or any director acting individually, to execute all agreements and documents and to take all steps for and on behalf of the Company for, or in connection with, implementing and/or giving effect to the above matter.</td></tr>
<tr><td colspan="2">Notice, proceedings, attendance and results
• More than 20 clear business days' notice and 14 clear days' notice were given for the 2022 AGM and the SGM respectively in accordance with the bye-laws of the Company.

• Voting on each resolution was conducted by way of poll.

• Poll voting procedure was explained fully to shareholders.

• A separate resolution was proposed by the chairman of the meetings in respect of each separate issue.

• Tricor Standard Limited, the branch share registrar of the Company in Hong Kong, was appointed as scrutineer to monitor and count the poll votes cast at the meetings.

• Chairman and members of the board committees and/or representative from the Company's external auditor, were available at the 2022 AGM and/or the SGM to answer questions from shareholders.

• All resolutions proposed at the above general meetings were passed by the Company's shareholders.</td></tr>
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2023 AGM

- The 2023 AGM will be held on 10 November 2023. Details of the meeting are set out in the notice of the 2023 AGM which constitutes part of the circular to shareholders sent together with this annual report. Notice of the 2023 AGM and the proxy form are also available on the HKEXnews website and the Company's website.

Investor Relations

- The Company maintains effective communication with shareholders and an open dialogue with investors and analysts to ensure transparent, timely and accurate dissemination of information, including operating performance and strategic business developments.

- The investor relations ("IR") team of the Company, which includes executive directors and senior management, meets existing shareholders and potential investors, research analysts and investment managers on a regular basis. The Company is often invited to attend large-scale investor conferences at home and abroad. With the social distancing measures implemented globally due to the outbreak of COVID-19 gradually lifted, we hosted and attended both virtual and physical conferences and webinars, to enhance our investors outreach, share our corporate strategy and keep our stakeholders abreast of the recent developments of the Company. During FY2023, the team participated in more than 12 non-deal roadshows and investor conferences. Including one-on-one meetings and teleconferences, over 95 investor meetings were held with over 350 institutional investors and analysts. Events such as joint investor meetings and site visits with NWD were organized to enhance investors' understanding of the Company's businesses as well as the whole New World Group.

- In addition, the team participated in various events organized by Hong Kong Investor Relations Association ("HKIRA") to share our experiences and the recent development of sustainability in IR context with our fellow corporate leaders in the IR community. For instance, the team shared our ESG stories in the "2023 Investor Relations Research Report - ESG, New Business Cycle & Outstanding IR Practice Research" published jointly by HKIRA, Futu and CECEP Environmental Consulting Group. It offered a unique opportunity for us to showcase the Company's efforts and achievements in integrating sustainability principles into our business practices.

- The Company has established effective dialogue and further enhanced interaction with shareholders through the appointment of the Director – Corporate Development, Investment, Investor Relations and Sustainability as the personnel responsible for investor relations matters.

- Press conference and analyst briefing session are held as soon as practicable following results announcements to promote direct interaction between analysts and the management team. The positive recommendations from reputable financial research institutions, including CLSA, J.P. Morgan and HSBC during FY2023 bear testimony to the Company's devotion to fostering transparency and accountability.

- The Company utilizes multiple communication channels such as results announcements and presentations, press releases, annual and interim reports, corporate website, webinars, and e-news notifications to ensure fair and equal access to material information.

- In recognition of the Company's efforts in fostering close ties with shareholders and improving transparency and disclosures, the Company was awarded the "Best IR Company (Mid Cap)" and the "3 Years IR Awards Winning Company" in the HKIRA 9th IR Awards in FY2023.

Constitutional Documents

- During FY2022, the Company's bye-laws were amended and the new bye-laws were adopted by the shareholders of the Company at the 2022 AGM. The purpose of the amendments was to reflect certain updates to the Listing Rules and the applicable laws of Bermuda, including the Core Shareholder Protection Standards as set out in Appendix 3 to the Listing Rules. Please refer to the announcement of the Company dated 19 October 2022 and the circular of the Company dated 20 October 2022 for details of the amendments.

- Consolidated version of the Company's constitutional documents is available on the website of each of the Hong Kong Stock Exchange and the Company.

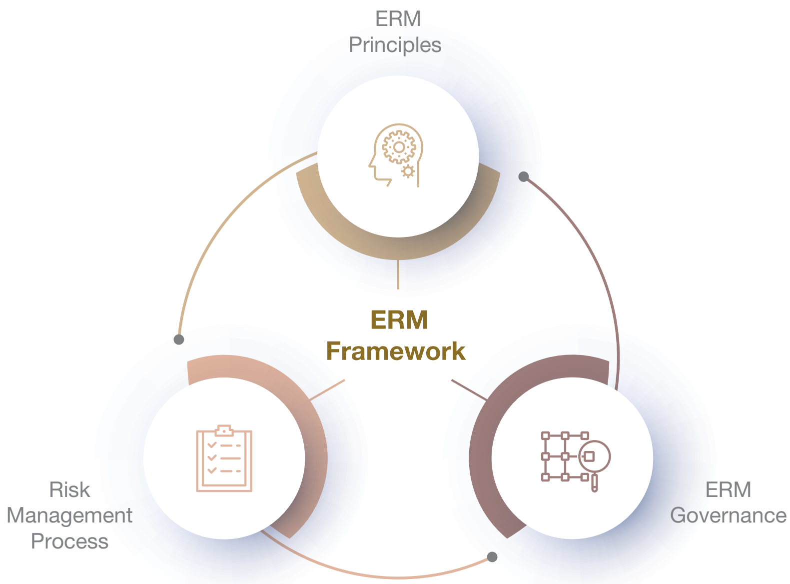
Risk Management Report

Effective risk management is essential to achieve the Group's business objectives and sustainable growth.

The Board recognizes the importance of effective risk management and internal control systems. The Audit Committee, delegated by the Board, oversees the overall risk management and internal control systems including the implementation of the ERM framework, and reviews the effectiveness of these systems.

OUR ERM FRAMEWORK

With reference to the international standards published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and the International Organization for Standardization ("ISO"), the Group establishes its own tailor-made ERM framework, which fits in with the business nature, structure, sustainable growth and development of the Group. The ERM framework consists of three components:



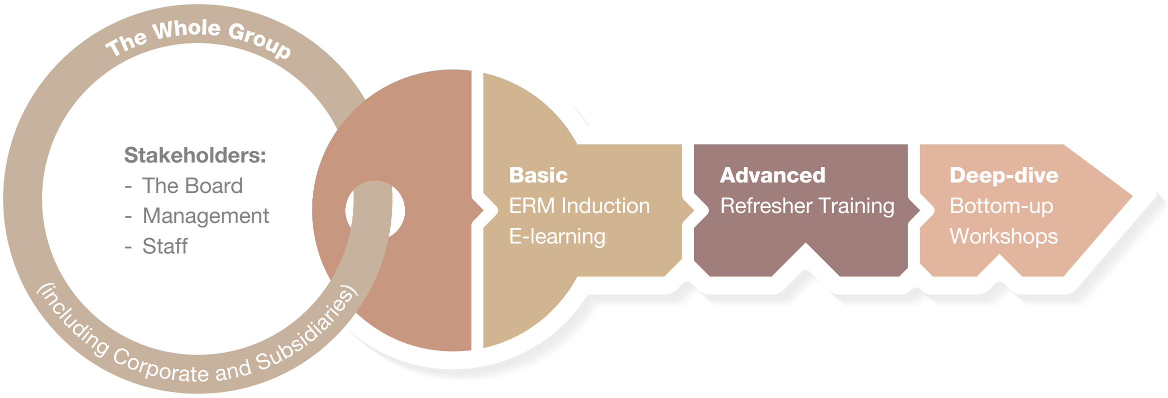
ERM Principles

Risk Culture

The Group embraces a risk-aware culture and believes that an ingrained risk culture is the key to effective risk management, while training is a useful tool to promote and engage management and employees in ERM implementation. The Group promotes the risk culture with the following key themes:

- Effective ERM is beyond processes and forms – it is a change of culture in terms of mindset and behaviour.
- ERM is not a standalone programme – it should be tailored and embedded in the Group's business processes.
- ERM deals with both risks and opportunities – appropriate risk-based treatments can control risks and even seize further opportunities of value creation.

Illustration – Cultivating risk awareness through training



Effective ERM changes mindset and behaviour, and further forms a risk-aware culture. It guides and directs staff's awareness, attitude and action towards risks. Training is a key initiative to enhance the overall risk management capability and maintain a risk-aware culture. Therefore, the Group devotes resources to a systematic training programme on ERM.

Considering the various staff roles in the Group, a shallow-to-deep training journey is formulated to customize training contents and knowledge. The training is classified as basic, advanced, and deep-dive, and delivers vital knowledge to help to execute staff's risk management duties. At the basic level, the ERM Induction E-learning delivers elementary knowledge of risk and ERM to all staff, while the deep-dive Bottom-up Workshops demonstrate detailed risk assessment techniques through group exercises with senior management and risk owners.

Participants take the chance to share valuable risk insights from their experience, and enhance the collaboration among business units and departments. The ERM Team takes the lead to organize risk training, and continues to cultivate risk awareness across the Group.

Thematic Training on Our Risk Focus – Cyber Security Risk

As information technology continues to play a critical role in the daily operations of businesses and organizations, cyber security risk has become a growing concern. Malware, phishing attacks, hacking, and data breaches are just a few of the many cyber threats that can pose significant risks to an organization's financial stability, reputation, and legal compliance.

Our thematic training sessions were specially designed to provide our colleagues with the latest insights on cybersecurity trends and best practices. The webinar session empowered our staff and management to take an active role in protecting our organization's data and assets by providing them with cybercrime case studies and practical advice. Our Board was also invited to the webinar for a deep-dive understanding of cyber threats and the measures we have employed for risk mitigation. The workshop session further reinforced effective techniques on recognizing and avoiding phishing scams through interactive exercise. To share professional cyber security knowledge to the participants, we invited our General Manager – GARA of NWS, Assistant General Manager – Technology Risk of NWCS, and external cyber security specialists as speakers at the training event.

As we move forward, we remain committed to identifying learning opportunities and improving the risk management capabilities of our staff across our business portfolio. We understand that cyber security risk is an ongoing concern and continue to prioritize cyber security risk to protect our organization and its stakeholders.

Risk Management Objectives

The Group's ERM Framework aims to enhance the ability to achieve our vision and mission, and fulfil the five core values. In support of this, the Group has established a robust ERM framework with the following risk management objectives:

- to fulfil our commitment to integrity, ethics and compliance as an integral part of our corporate governance
- to build agility and resilience amid uncertainty in dynamic business environment
- to facilitate risk-informed decisions and align the Group's objectives, strategy and operations with the risk appetite
- to strengthen our capacity for seizing opportunities and safeguarding our assets to support our sustainable growth and create shared value

Risk Appetite

Risk appetite is defined to establish the extent and nature of risks the Group is willing to take in achieving our vision and mission. The Group's risk appetite statement is disseminated across the Group and incorporated into our risk assessment criteria in order to align with our business objectives, core values, strategy, as well as risk management activities. The risk appetite statement is reviewed by the Board periodically to keep abreast of the ever-changing business environment and the latest development of the Group. The Group's risk appetite is as follows:

- The Group upholds the highest standards of integrity, compliance, and ethics and has no tolerance for any material breaches of laws and regulations.

- The Group has no compromise on any threats which may significantly impact the health and safety of our people.

- The Group has strong interest in protecting the environment and upholding social sustainability and does not engage in activities which will significantly damage the environment and society.

- The Group does not expose ourselves to any potential material damage to our reputation or brand.

- The Group endeavours to minimize any business interruptions and significant operational impacts to business continuity.

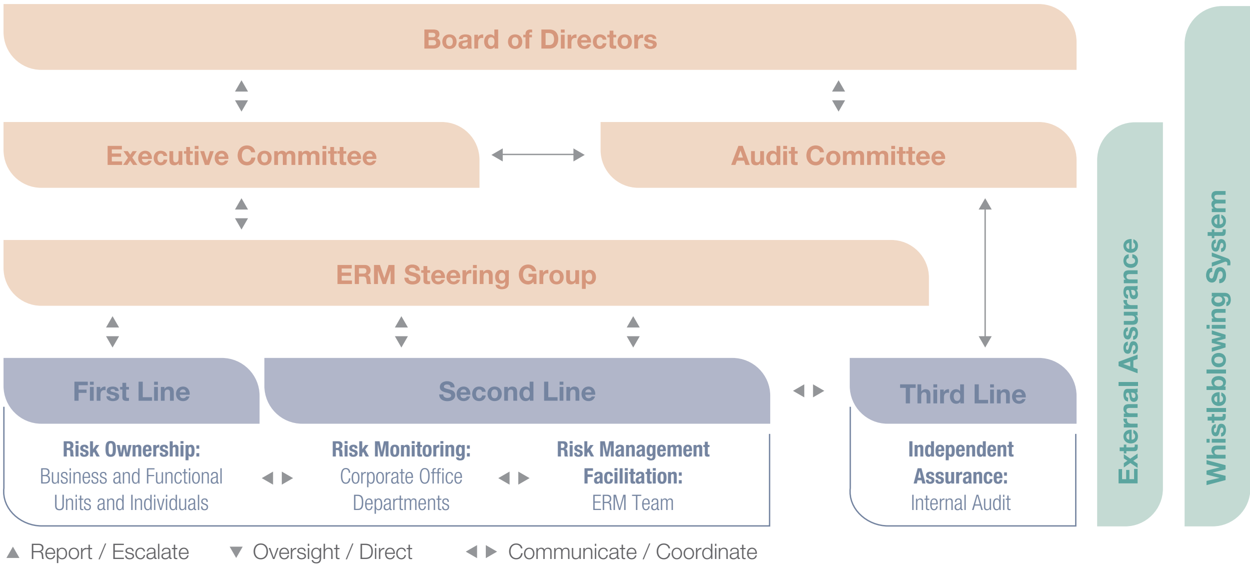
- The Group is prudent to make decisions which may threaten our long term financial viability and liquidity to meet our financial commitments.

- The Group balances risks and opportunities whilst implementing a strategy to minimize failure in business decisions and optimize the Group's value.

ERM Governance

Risk Governance Structure

The overall risk management process is overseen by the Board. With the emphasis on value creation and protection, the Group adopts the Three Lines Model as its risk governance structure. The model clearly defines the responsibilities with enhancing collaboration and communication among different roles, which facilitates alignment of risk management activities and provides assurance to the Board.



Governing Body
Board of Directors
• Hold the ultimate responsibility for risk oversight including setting and reviewing the risk appetite • Ensure the Group maintains appropriate and effective risk management and internal control systems • Empower and delegate the ERM oversight responsibility to the Audit Committee
Audit Committee
• Oversee the risk management and internal control systems and review their adequacy and effectiveness • Review the risk profile of the Group and advise the Board on the current and potential risk exposures and their corresponding risk treatment plans
Executive Committee
• Determine and allocate sufficient resources to effectively implement the ERM system • Review and prioritize the Group's key risks and endorse the risk treatment plans • Ascertain the effectiveness of the risk management and internal control

ERM Steering Group

- Lead and supervise the ERM implementation
- Advise the Audit Committee and the Executive Committee on all ERM-related matters
- Improve risk awareness and promote risk-aware culture across the Group

Work performed by ERM Steering Group in FY2023

Chaired by the Chief Financial Officer, and comprised of the representatives from business and functional units and corporate office departments

- Reviewed the half-year risk profile, ranking of the top risks (including ESG risks and climate-related risks) and risk trend, for reporting to the Audit Committee and the Executive Committee
- Reviewed the result of Key Risk Indicators ("KRI") and major mitigation measures implemented for the KRIs exceeding pre-defined thresholds
- Reviewed the enhancements of the effectiveness of the ERM framework and its implementation
- Reviewed the changes to risk appetite and risk assessment and prioritization methodology
- Made recommendations on the focus topics of risk culture training and risk management system features

First Line

Business and Functional Units and Individuals (Frontline Staff and Operational Management)

- Act as risk owners to perform risk assessments to identify, analyze, and evaluate risks in daily operations and in areas of accountability
- Design, prioritize and implement risk treatment plans and report in the Risk Register
- Conduct periodic self-assessment on the effectiveness of risk treatment plans

Second Line

Corporate Office Departments (including the Executive Office)

- Act as risk owners and perform ERM responsibilities for respective departments
- Remain current with best practices and provide recommendations to the ERM Steering Group

ERM Team

- Assist management in the design and development of ERM processes and risk controls
- Facilitate the risk management process, including the identification and monitoring of the known and emerging risks, aggregation and prioritization of the key risks identified by the Group as well as reporting to senior management and committees
- Promote risk-aware culture across the Group
- Review the implementation of risk treatment plans

Third Line
Internal Audit
• Provide independent assurance on the adequacy, effectiveness and efficiency of the risk management and internal control systems • Consider the key and emerging risks upon formulating the annual audit plan and planning for each audit • Perform risk-based validation of the risk treatment plans

External Assurance
External Auditor
• Provide independent assurance on the Group's processes and controls over financial reporting
Independent Experts from Respective Professions
• Advise on best practice and/or assure compliance, if necessary
Regulatory Authorities
• Execute regulatory oversight on relevant entities, areas or activities

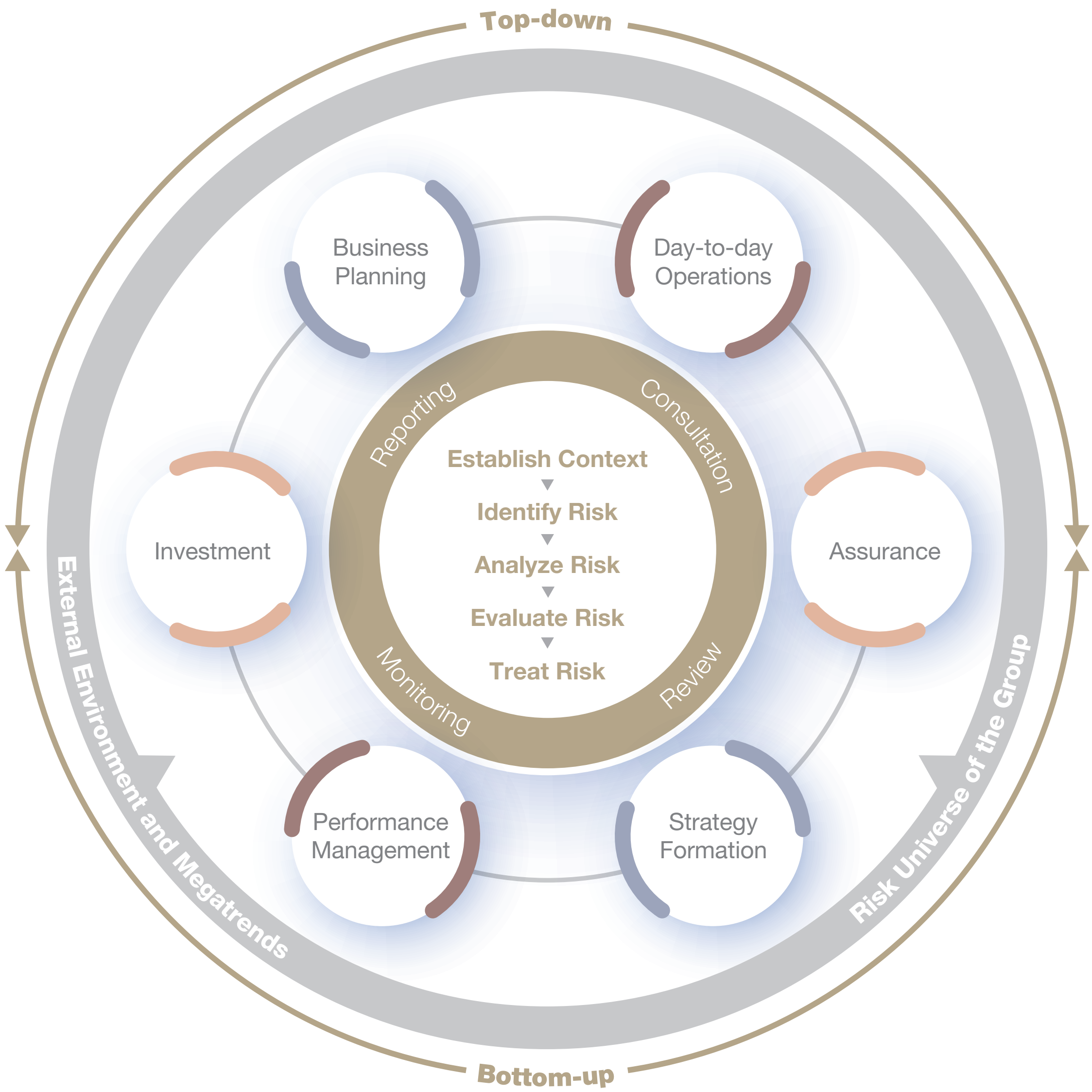
Whistleblowing System
Whistleblowing
• Provide an independent and confidential channel for stakeholders to directly report to GARA for any serious concerns about suspected or actual fraud, corruption, breach, malpractice, misconduct or irregularity of the Group and/or its staff member. Please refer to the Corporate Governance Report of this annual report for details

RISK MANAGEMENT PROCESS

Risk management process starts from the establishment of context, by taking into the consideration of the external environment and megatrends, as well as risk universe of the Group. Risks are then identified, analyzed, evaluated and treated with measures. With constant review, monitoring, reporting and consultation, the risk management process integrates with various business processes and activities in optimizing the risk and return.

To facilitate a comprehensive and robust risk management process, top-down and bottom-up approaches are employed to gather risk insights as well as to monitor and manage risks from the perspectives of both sides, together with "ERM Policy" and "ERM Manual" to provide proper guidance. Also, interactive communication between the risk owners and the ERM Team is in place to enable both parties to keep abreast of risk updates.

Risk Management Process



Risk Assessment and Treatment

1

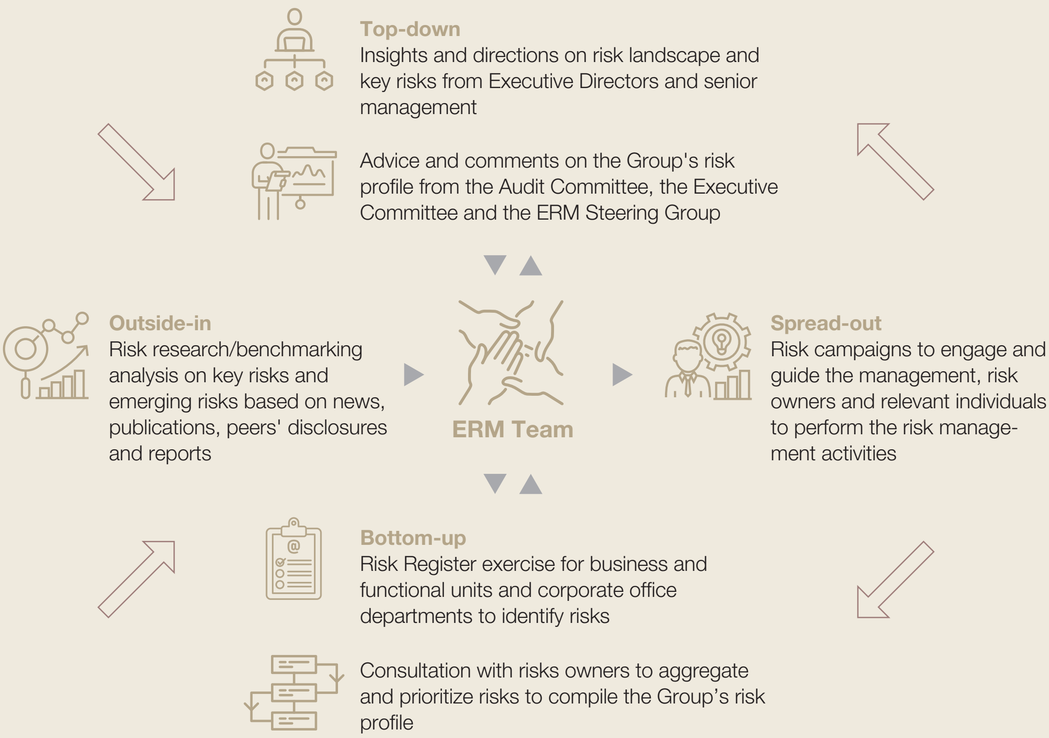
Establishment of Context

The Group defines the internal and external contexts as well as the parameters for risk assessment criteria.

2

Risk Identification

The Group adopts both Top-down and Bottom-up approaches, complemented with Outside-in and Spread-out mechanisms to facilitate a comprehensive risk identification process.



3

Risk Analysis

Business and functional units and corporate office departments assess the likelihood, impact, risk velocity, inherent risk level and residual risk level of the key risks identified.

4

Risk Evaluation

The risk analysis results are compared with the risk appetite and tolerance level. This allows management to determine the risk response strategy for each risk and prioritize risk treatment plans.

5

Risk Treatment

Risk treatment plans for implementing risk mitigation measures are developed by respective business and functional units and corporate office departments, based on the priority and nature of risks.

Monitoring and Review

Continual tracking, review and validation of the implementation of our ERM framework have been in place to monitor various risks, change in risk exposure, their residual risk levels, as well as to ensure and increase the effectiveness and quality of ERM framework and outcomes.

Risk Register	Business and functional units and corporate office departments perform self-assessment of the effectiveness of the risk treatment plans upon the submission of the Risk Register every half year.
Key Risk Indicator	KRIs are set by risk owners to measure and monitor changes in risk exposure of key risks. If there is any KRI value exceeding the pre-defined threshold, risk alerts to management will be mandated so that they can timely administer corresponding responses, and proper reporting to Executive Directors will be made.
Risk Treatment Validation	The ERM Team reviews the implementation and effectiveness of risk mitigation measures stated in the Risk Register. The Internal Audit Team also performs risk-based validation to test risk mitigation measures of key risks during the internal audit process.
Early Risk Flagging Mechanism	An early risk flagging mechanism is applied across the Group, to proactively identify and assess emerging risks and risks with high velocity, such as quality, health and safety, disaster and media events. When a potential risk is perceived with significant impact, the risk should be flagged and reported to line manager and risk oversight parties.
Whistleblowing Mechanism	The Group has established a whistleblowing policy and provided reporting channels for internal and external stakeholders. Whistleblowing cases are reported to the Executive Committee and the Audit Committee. For details, please refer to the Corporate Governance Report of this annual report.

Review on the Effectiveness of Risk Management and Internal Control Systems

The Board, with the assistance from the Audit Committee, Corporate Governance Committee and Sustainability Committee, reviewed and evaluated the effectiveness of the Group's risk management and internal control systems (including ESG risks and climate-related risks), including the consideration of the following factors:

- The scope of work performed by both internal and external auditors and any significant findings identified in their audit reports during the year, as well as the extent of any potential or actual impact derived from those findings on financial performance or conditions of the Group

- The scope and quality of our ongoing monitoring of risks (including ESG risks and climate-related risks) and internal controls (including financial, operational and compliance controls) as well as the communication mechanism for results of the ongoing monitoring systems including but not limited to KRIs and internal control reviews

- The adequacy of the resources, as well as staff experience, qualifications and training, of the Group's risk management, internal audit, finance, and sustainability functions

- The opportunities and progress of continuous improvement of risk management and internal control systems

- The design and implementation of the Group's ERM framework, and outcomes of the risk management process

- The changes in the nature and extent of significant risks (including ESG risks and climate-related risks) and the Group's risk profile since the last review, and the capacity and response strategies of the Group for changes in business, external environment and megatrends

- The effectiveness of financial reporting and regulatory compliance processes

In addition to the above, the Integrated Internal Control Self-Assessment Certificate is applied across the Group to evaluate the effectiveness of its risk management and internal control systems semi-annually by business and functional units and corporate office departments, with reference to the COSO framework. Regarding the review of the effectiveness of the risk management and internal control systems and its results, please refer to the Corporate Governance Report of this annual report for details.

Consultation and Reporting

Regular reporting, regarding identified risks and the status of risk management activities, is provided to management, the ERM Steering Group, the Executive Committee and the Audit Committee to facilitate the risk management process and decision-making. The ERM Steering Group Meeting is held every half year to discuss key risk matters and updates.

Independent Assessment of ERM Framework

During FY2023, SGS Hong Kong Limited was engaged to conduct an independent assessment of the processes and procedures of NWS's ERM system, based on ISO 31000:2018 Risk Management – Guideline. The independent assessor was satisfied that the risk management system of NWS met the guidelines of ISO 31000:2018.

For further information regarding the assessment, please refer to the Performance Statement below.

SGS

PERFORMANCE STATEMENT

NATURE AND SCOPE OF THE ASSESSMENT

SGS Hong Kong Limited (hereinafter refered to as "SGS") was commissioned by NWS Holdings Limited ("the Entity") to conduct an independent assessment of the processes and procedures of its enterprise risk management system.

SGS is to express an opinion on its enterprise risk management system development and implementation within the scope as meeting the requirements of the standard and with the intention to inform the Entity's management.

The scope of the assessment, based on ISO 31000:2018 Risk Management – Guidelines which covered the Entity's risk management in Group level.

The assessment comprised the gap analysis and main assessment on 19 October 2022 and 7-8 November 2022 respectively.

ASSESSMENT OPINION

On the basis of the verification work performed, we are satisfied that the risk management system of the Entity meets the guidelines of ISO 31000:2018.

STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification, quality, environmental, social and ethical auditing and training.
SGS affirms our independence from the Entity, being free from bias and conflicts of interest with the organization, its subsidiaries and stakeholders. SGS has not been involved in the consultancy of the organization's risk management systems preparation and implementation.
The assessment team was assembled based on their knowledge, experience and qualifications for this assessment.

DISCLAIMER

This statement herein demonstrates a performance of the Entity in risk management against the guidelines of ISO 31000:2018 and are only valid without significant changes in their risk management system. This document is not intended to be used for certification purposes or regulatory or contractual use and does not relieve the organization from compliance with any bylaws, federal, national or regional acts and regulations issued. SGS Services are governed by and subject to the General Conditions of Customised Audit Services at www.sgs.com/en/terms-and-conditions.

Signed:

Ms. Miranda Kwan
Director
Knowledge Solutions
12 December 2022

Integration of Risk Management

ERM is embedded into decision-making and business processes, including but not limited to the following key organizational processes:

Business Planning	Investment	Day-to-day Operations
Potential risks, which may impact the achievement of business objectives, are identified and considered in strategic planning, and project and operational plans. This could better align business strategy and process with the risk appetite set at the early stage.	Investment proposals are reviewed with the consideration of risks (including ESG risks and climate-related risks) before decision-making. Feasibility study and/or due diligence are conducted to identify and assess potential risks and relevant costs for risk treatment. Review and reporting processes are in place to analyze and monitor the change of risks throughout the investment management cycle. Response strategy is formulated and executed timely to address any material changes of risk exposure of an investment project.	The Group establishes a framework for business and functional units and corporate office departments to understand and evaluate their risk profiles and exposures (including ESG risks and climate-related risks) systematically. Risk treatment plans designed during the ERM process have been incorporated in their operational plans and implemented with regular monitoring. KRI mechanism is applied to detect abnormal changes to risk exposures for timely escalation and treatment.

MANAGING ESG RISKS AND CLIMATE-RELATED RISKS

ESG issues and climate change are widely recognized as key topics that all sectors need to address, as it could bring multi-faceted impacts to sustainable business growth and community development. The Group emphasizes the importance of ESG risks and climate-related risks, and therefore has integrated those risks into our ERM framework in order to facilitate the achievement of the NWS Sustainability Target 2030 and develop resilience for both physical and transition impacts under climate change.

The Board takes ultimate responsibility for ESG and sustainability of the Group, which oversees the Group's ESG strategy and progress against respective goals and targets. With the delegation from the Board, the Audit Committee oversees ESG risks and climate-related risks, monitors uncertainty affecting the achievement of ESG goals and targets, and evaluates effectiveness of mitigations to manage the risks.

The Group applies the aforementioned risk management process, ranging from risk assessment and treatment to consultation and reporting, to the management of ESG risks and climate-related risks which have been incorporated with the Group's risk profile, such as talent attraction and retention, regulatory compliance, environmental, sustainability governance, etc. Other than ordinary risks, ESG and climate-related topics are also our discussion focus during the risk identification exercise to obtain insights and form the basis of the Group's risk profile, which is part of the regular reporting to the ERM Steering Group, Executive Committee and Audit Committee.

In considering the characteristics of ESG risks and climate-related risks, the Group has made some appropriate adjustments during the integration of those risks into the ERM framework. For instance, different time horizons have been used in the assessment criteria of climate-related risks. Since FY2019, the Group has undertaken multiple climate-related risk assessments and disclosure reviews with external consultants. For example, a few major assets have been selected for a physical risk assessment and the assessment approach serves as a blueprint for replicating and scaling similar initiatives across our business units. Furthermore, for systematic climate-related risk management and integration, a technical guide has been established to articulate the procedures for identification, assessment and management of climate-related transition risks. To stay abreast of the future uncertainties of climate change, the Group has also developed a net zero roadmap in preparation for the upcoming transition to net zero. For the details on ESG and climate-related risk management initiatives, please refer to the Corporate Governance Report of this annual report and our separate 2023 Sustainability Report.

Additionally, to enhance the awareness and understanding of ESG risks and climate-related risks, we have organized webinars and training sessions periodically to share information and knowledge about emerging trends and popular ESG and climate-related topics with management, risk owners and relevant individuals. For example, during the year, we organized cyber security risk training webinar and workshop for our staff, management and the Board to enhance their cyber security awareness. Moreover, in the refresher training this year, climate-related risk trend and assessment approach were explained to the risk owners and reporting persons.

Key Risk Management Activities in FY2023

Effectiveness of the ERM framework and related activities are continuously reviewed and enhanced to manage the uncertainty of the fast-changing business environment. With the oversight and expertise from the Board and Audit Committee, the following risk management activities have been implemented during the year.

Reviewing ERM implementation by independent consultant

- Engaged SGS Hong Kong Limited ("SGS"), an independent consultant, for the assessment of our ERM system. Obtained recognition from SGS that our ERM system demonstrated robustness and coherence to ISO 31000:2018 Risk Management – Guideline, a widely adopted international standard.

- Maximized our strengths in the ERM implementation with SGS's recommendations. In the assessment report, SGS also highlighted our comprehensive ERM structure, the integration of risk management into daily operations, and the systematic risk culture training.

Strengthening risk management process

- Reviewed the risk appetite, risk tolerance criteria and risk prioritization methodology to incorporate the up-to-date business structure and enhance the comprehensiveness of risk assessment and analysis. Top-down engagement with senior management of both the Group and business units were conducted to collect their opinions with the help of a survey tool and further align the appetite and criteria across the Group.

- Developed risk treatment validation module in the Risk Management Online System to digitalize the review workflow of risk treatment and facilitate the collection and archive of documents and information of risk treatment from various business units.

- Revised the NWS Risk Bank with enriching the risk examples and description based on risk research results as well as top-down and bottom-up stakeholder engagement. Risk categorization and refinement were also performed to reflect the latest business and operational conditions for better usability and facilitate risk communication and reporting.

Promoting risk culture through training

- Conducted an ERM refresher training session for risk owners and risk reporting persons to provide latest updates of the ERM Framework, refresher of risk assessment process, top-down risk insights, climate-related risk management approach and digitalization of risk treatment validation process.

- Organized a thematic training program on cyber security risk, which involved a webinar and an interactive workshop to reinforce staff's awareness on cybercrime and malicious attacks. The program included cyber security risk real-life case sharing, corporate measures to address cyber security risk, tips for daily cyber security measures, experiential learning to social engineering attacks, interactive games, etc. The training program covered the Group's staff, management and the Board and got very positive feedback from the participants with high satisfaction rating.

RISK FOCUS IN FY2023

The Group invests and operates a wide range of businesses predominantly in Hong Kong and the Mainland. Our businesses include toll roads, construction, insurance, logistics, and facilities management.

Through the comprehensive risk management process mentioned in the previous section, the Group identified major risks which may affect the achievement of the Group's business objectives. However, risk evolves from the interactions of many dynamic forces and factors in the business environment. Some risks are not significant now but could become key ones in the future; certain risks exist but we are not aware of; and/or new risks come to light. Therefore, our risk portfolio would be reviewed and updated to react and respond to the changing risk landscape.

Overall Risk Trend

As the pandemic gradually recedes, its impact on our operation has been much less significant and the business has transitioned back to normalcy. While it no longer remains our primary concern, we stay attentive to any potential hazards that could unexpectedly arise and develop into immediate challenges.

In the post-pandemic era, market competition has become intense as businesses strive to regain lost ground. We pay close attention to the competition and remain committed to refining strategies, optimizing efficiency, and fostering innovation to maintain a competitive edge.

Corporations does not only compete for customers, but talents. Talent competition has been a hot topic as economic activities steadily recover together with the shrinking talent pool. This trend has become particularly evident following the implementation of enhanced talent attraction policies in different cities and countries. Therefore, effective talent attraction and retention strategies have been our top priority so as to support business development.

During the year, the macroeconomic environment remains relatively unstable due to concerns about surging inflation and interest rates, fluctuating exchange rates, and economic downturn. Throughout the years, we have been vigilant in navigating these conditions and capitalizing on emerging opportunities by implementing strategic and financial initiatives such as the disposal of commercial aircraft leasing platform and issuance of Panda Bonds to strengthen our financial position.

Meanwhile, geopolitical risk has been an increasing attention to the Group due to the geopolitical conflicts including the China-United States tensions, cross-Strait relations, and Russo-Ukrainian War during the year. Since the shock arising from those conflicts could be tremendous, we keep a close eye on the development of various geopolitical issues including but not limited to new restrictive policies, sanctions, tariffs and military conflicts for the purpose of timely and appropriate reaction and mitigation measures.

Aside from geopolitical risk, climate change and sustainability risks continue to be major concerns for our business, as it has been amplifying the breadth and depth of the impact such as more frequent extreme weather events and tightening regulatory requirements. Consequently, we have continually increased our attention and efforts in managing these impacts on our business, the community and the planet.

The Group will keep monitoring and managing the uncertainties in achieving the business objectives. Please refer to the following table of the major risks identified by the Group and the corresponding mitigation measures for the Group's efforts in managing the major risk profile. The table below is neither intended to be exhaustive nor comprehensive.

Risk Description	Risk Trend	Mitigation Measures
Macroeconomic Risk		
Global economic uncertainties and slow recovery affecting business growth and financial performance		• Evaluate the potential impacts from the economy by analyzing the financial performance and monitoring business and economic data continuously • Optimize business / customer portfolios to reduce impact from economic fluctuation and diversify the risk • Identify opportunities for business collaboration and partnership to leverage the synergies within the ecosystem of New World Group • Perform sensitivity assessment on potential impacts in relation to economic conditions leading to lower valuation • Explore new business opportunities or new sources of income for new growth drivers
Government Policy and Intervention Risk		
Imposition of government policies, intervention, laws or regulations, exposing the Group to legal or regulatory liabilities, business disruption, reputational and/or financial losses		• Implement close monitoring of the change of applicable government policies, laws and regulations • Formulate responsive strategy and plans for anticipated and upcoming changes • Provide updates and/or training to staff to cope with the new government policies and practices • Proactively communicate with external parties (e.g. the relevant council or association) to understand the changes and express opinions collectively • Partner with consultants, scholars and university to get the advice on adapting changes of government
Geopolitical Risk		
Conflicts between nations, political issues towards individual business, political instability and etc., impacting the Group's ability to sustain its profitability		• Pay close attention to the latest development of geopolitical issues and assess impact of the issues • Develop and maintain response and contingency plan for handling the situation arising from political issues • Seek professional advice on any regulatory changes due to political factors such as sanctions

Risk Level increased during FY2023
Risk Level decreased during FY2023
Risk Level remained similar as FY2022
Involve ESG Risk
Involve Climate-related Transition Risk

Risk Description	Risk Trend	Mitigation Measures
Competition Risk		
Intense competition arising from existing competitors and/or new entrants to the market regarding the businesses the Group is operating	▲	• Expand and maintain the market share by effective customer incentive programs and sound customer relationship management • Analyze competitors and the market for effective monitoring on the competitive situation and formulate corresponding strategic plans • Utilize technology to enhance customer experience and to increase operational efficiency and effectiveness
Reputation & Branding Risk		
Poor corporate image, depreciating reputation and brand value, impacting the stakeholder confidence towards the company	◀▶	• Uphold quality controls on our services and products, and collect voice of customers • Engage service vendors to monitor and address negative comments on social media platforms and negative media coverage • Develop communication plan for designating a spokesperson and responding to the news or media enquiries especially during a crisis • Actively promote our brands through promotional materials, marketing and branding campaigns with proper reviews and controls • Maintain good relationship and communication with the press and stakeholders

▲ Risk Level increased during FY2023
▼ Risk Level decreased during FY2023
◀▶ Risk Level remained similar as FY2022
Involve ESG Risk
Involve Climate-related Transition Risk

Risk Description	Risk Trend	Mitigation Measures
Sustainability Strategy and Governance Risk		
Lack of effective sustainability strategy and related governance structure to execute proper measures and monitoring, exposing the company to weak growth, reputation issue and financial loss	Risk Level remained similar as FY2022	• Establish a comprehensive sustainability governance structure, in which the Sustainability Committee facilitates the oversight and management of the Group's sustainability matters • Establish the ESG Management Task Force to monitor sustainability performance, target progress and action plans across business units so as to ensure the alignment with the Group's strategy and vision • Liaise with key stakeholders regularly and conduct stakeholder engagement to understand their expectations and align their views to our strategy and focuses • Engage subject matter experts and advisors to help develop sustainability strategy and compliance with disclosure requirements • Develop and update sustainability-related policies and guides to address the latest trends and regulatory requirements • Organize training and maintain adequate communication with business units and employees to communicate the latest ESG trends and requirements
Please refer to our separate 2023 Sustainability Report for more details.		
Currency Risk		
Adverse change in exchange rate of foreign currency, exposing the company to higher cost of business or financial loss	Risk Level increased during FY2023	• Closely monitor movement of foreign currency rates and consider to arrange currency hedging contracts should the need arises • Periodically review foreign currency assets, cashflow forecast and funding needs, and convert surplus foreign currency to domestic currency • Set up a RMB cash pool in Mainland China to enhance the flexibility of intercompany RMB transactions • Adjust the loan portfolio based on the Group's assets and liabilities exposure to foreign exchange rates

Risk Level increased during FY2023
Risk Level decreased during FY2023
Risk Level remained similar as FY2022
Involve ESG Risk
Involve Climate-related Transition Risk

Risk Description	Risk Trend	Mitigation Measures
Talent Attraction and Retention Risk		
Failure to attract and/or retain qualified staff to support operations impacting the achievement of business objectives		• Review the existing remuneration packages and compare with industry benchmark periodically • Provide development and training programs to improve staff's competency and promote career progression • Foster the caring culture by employee engagement activities and channels to enhance cohesion between the Group and its employees, and to obtain voice of employees and address their needs • Expand channels of reaching talents and promote the Group's employer branding to increase the competitiveness in the talent market
Cyber Security Risk		
Cyber security issues compromising data integrity, confidentiality and system availability, which may lead to adverse impacts on reputation, financial conditions, and operational performance		• Establish comprehensive information security protection with well-defined policies and security controls such as authorization and authentication mechanisms, firewalls with advanced threat controls, network immune system, etc. • Provide periodic training and conduct phishing drill exercises to promote cyber security awareness • Purchase cyber security insurance to cover losses arising from cyber incidents or data loss events • Engage information security specialists to assess cyber security vulnerabilities and controls
Non-natural Disaster Risk		
Major non-natural disasters, crises or incidents, interrupting the operations, production and service delivery, which may impact the company's ability to sustain the operation		• Establish contingency plan and disaster recovery procedures in response to emergency events systematically and effectively • Apply technologies to reduce occurrence of accidents and detect accidents timely for remediation • Conduct drill exercises and provide periodic training on handling incidents and emergency events • Assess and ensure sufficient insurance coverage • Implement precautionary measures such as regular facility maintenance and safety inspection

For further details of mitigation measures regarding ESG and climate-related transition risks, please refer to the Corporate Governance Report of this annual report and our separate 2023 Sustainability Report.

Risk Level increased during FY2023
Risk Level decreased during FY2023
Risk Level remained similar as FY2022
Involve ESG Risk
Involve Climate-related Transition Risk

RISK ANALYSIS BY BUSINESS

Roads	Competition and Government Policy Risks
	Numerous factors may affect the traffic flow of toll roads, including any newly planned and built competing roads, expansions, constructions or pricing arrangements of nearby road networks. These may lead to undesirable effects on toll revenue, which in turn hinder the growth on project profitability and return on investment. As the risk mitigation, management have kept contact with responsible government officials to understand the nearby development plan and express opinions to protect our rights and interests. Also, management has performed comprehensive study on the road networks and gather information of all newly planned road routes to anticipate possible market changes and competition (including technology change and innovation adopted by competitors) for refining investment decisions. In operational aspect, with deployment of AI and related technologies, traffic accidents and congestion could be reduced. This could maintain a smooth traffic flow, and hence, improve the travel time and driving experience of road users. Toll road operations are influenced by various government policies. In addition to the current policies such as toll exemption for trucks transporting fresh and live agricultural products, the government authorities may implement new policies, in order to provide support to the economy. In September 2022, the State Council introduced a nationwide policy on 10% relief on toll for trucks for the fourth quarter of 2022. Although the above policy was temporary and ended by the end of 2022, any similar policy in the future may affect toll revenue and limit project return. We have maintained close communication with relevant government authorities regarding their latest actions on the development and implementation of relevant policies, and have negotiated with the government for compensation or financial support on major policies impacting toll revenue. For example, through the negotiation with the government authorities in relation to the compensation for the toll fee exemption during COVID-19 outbreak in 2020, Hunan, Hubei, Guangdong, Tianjin, Guangxi and Shanxi provinces have already had compensation policies in place to extend concession period for at least 79 days. As such, we strive our best to safeguard stakeholders' interest.

Construction	Competition and Work Safety Risks
	The construction industry faces significant competition risk, with intense competition from same-tier contractors offering similar quality and pricing, as well as second-tier contractors offering lower prices. These may lead to a decline in tender success rates and adversely affect the revenue of Hip Hing Group. To mitigate this risk, Hip Hing Group has adopted a two-pronged approach. Firstly, in operational aspect, Hip Hing Group has leveraged advanced technologies such as BIM, AI, 3D printing, and advanced building methods such as MiC and Multi-trade Integrated Mechanical, Electrical and Plumbing (MiMEP). This helps Hip Hing Group differentiate itself by superior quality and cost efficiency. Secondly, in business aspect, Hip Hing Group has targeted high-end customers who desire quality buildings and has developed mutual trust relationships with existing customers. These strategies has enhanced Hip Hing Group's competitive edge and has increased its chances of winning more contracts, even in the face of intense competition. Work safety issues may lead to business interruptions, reputation harm or even non-compliance with statutory requirements. Safety is the top priority at Hip Hing Group, and the well-being of our workers is prioritized. To achieve this goal, besides the routine safety procedures, the Smart Site Safety System (SSSS) has been implemented along with various innovative tools and technologies. These cutting-edge technologies collect and analyze data of site conditions and workers' activities in real time, enabling the identification and mitigation of potential hazards before accidents occur. The system also identifies trends and patterns through data analysis, allowing safety personnel to make prompt and accurate decisions to reduce the risk of accidents on-site.

Insurance	Market, Competition and Insurance Risks
	As the COVID-19 pandemic gradually dissipates, economic activities are gradually returning to normal. Nonetheless, the macroeconomic environment remains volatile. Interest rates have risen rapidly over the past year as governments across the globe strive to contain inflation, yet whether this would lead to global recession remains uncertain. Amidst the market uncertainties, FTLife Insurance has adopted a disciplined approach on asset & liability management to manage the balance sheet volatility, ensuring the financial and solvency positions are resilient to financial stresses. The border re-opening of Mainland China since early 2023 has re-boosted insurance business from mainland Chinese visitors in Hong Kong, however competition for business and agents have intensified at the same time. Being one of the key factors to drive business growth, agents are targets for poaching by market competitors, which in turn impacts customer acquisition and retention of an insurer. To maintain and enhance FTLife Insurance's agency force, It has been our priority to boost agency recruitment and retention strategies. In addition to competitive financial incentives, FTLife Insurance has implemented quality recruitment program to attract elites, comprehensive and structured agency development program, as well as digital technology to increase distribution efficiency and agency satisfaction. To further increase agents' loyalty and satisfaction, FTLife Insurance has also leveraged the ecosystem of the New World Group which forms a strong customer base favourable for agency business and provides synergy advantage for agents to win customers. Medical inflation, increasing health awareness following the pandemic, and advancement in medical treatments have led to rising medical claims cost in the market. To mitigate this risk, FTLife Insurance has managed medical claims through multiple measures including regular re-pricing, enhancing product design, educating customers and distributors, improving claims process in addressing abuses, and participating in industry initiatives in combating fraud claims.

Facilities Management	Talent Retention and Partnering Risks
	Being one of the best event and service providers of the global exhibition industry, HML requires intensive labour to support the world-class quality of services in the HKCEC. In-house skilled staff are required to operate and develop the business, while outsourced labour is also maintained to support frontline services, including food and beverage, security and housekeeping. These talents and business partners are imperative to maintain the sustainable and long-term development of the HML. Over the last 12 months, the labour market has been more competitive due to resumption of normalcy from the COVID-19 and trend in emigration. Retaining the talents and skilled labour for exhibition business is a key challenge. The outsourced labour suppliers are also affected by the current labour market, impacting the supply of labour and contract price of the outsourced operations. Staff deficiency could adversely affect HKCEC's service standard in maintaining the world-class service quality, potentially impacting our reputation and increasing recruitment and labour related costs. For the in-house staff, HML has consistently enhanced career development through regular training and cross-exposure programmes. To develop talents with potential, HML has established specialized taskforces, such as the Young Leader Committee, for involving young talents in our major projects for strengthening job satisfaction and shaping their career paths. Besides, HML has simplified the current job procedures and routine administration work through development of various electronic workflow systems, reducing repetitive and monotonous tasks. For the outsourced labour, HML has sourced sufficient casual labour suppliers and has maintained close relationships with the partners and suppliers with frequent communication. HML establishes detailed event plans and identifies the labour requirements for large scale events in advance. To ensure the quality of services, briefings and training are provided to the outsourced labour regularly on the work procedures and quality requirements.

Logistics	Leasing and Credit Risks
	The current economic environment in the Mainland remains difficult and a sustained recovery has yet to be seen. The uncertain business environment has led to increasing difficulty in economic activity growth which closely interconnects with the development of logistics industry and so are our business operations. Some of our existing tenants are facing downsizing pressure due to their cost-saving strategy. Moreover, the high vacancy rate in some of the cities' surrounding areas has further intensified the competition in warehouse leasing markets, which may impact future growth potential and return on asset performance. To mitigate the leasing risk, our team has adopted proactive leasing strategies including maintaining high-quality property services and actively approaching tenants for contract renewals. We have also closely monitored the rental rate, occupancy rate, supply and demand for warehouse space in the regions, thereby formulating appropriate plans to promote vacant spaces in order to increase and maintain the occupancy. Apart from the occupancy rate, we have achieved a diversified portfolio of tenants including but not limited to e-commerce, third-party logistic companies and retailers to avoid over-concentration and keep resilient to market volatility. Credit risk management is also crucial for warehouse leasing business, especially in the uncertain economy. Therefore, we have implemented a series of credit control procedures such as close monitoring of rental arrears and outstanding receivables, upfront rental deposit, as well as tenants' credit review. In addition, we have maintained consistent and transparent communication channels with our tenants and have evaluated their business conditions so that we can implement necessary measures well in advance to minimize potential financial loss.

For further analysis by business, please refer to Management Discussion and Analysis section of this annual report.

Sustainability Report Highlights

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER AND CHAIRMAN OF THE SUSTAINABILITY COMMITTEE

It is with great pleasure and enthusiasm that we present to you our Sustainability Report for FY2023. This report serves as a comprehensive overview of our ongoing commitment to sustainability, showcasing our accomplishments, progress, and aspirations for the future.

At NWS, we believe that sustainable business practices are not only essential for long-term success but also the well-being of our planet. We are conscious of the profound implications our actions can have on the environment, society, and the economy. To play our role as a citizen of this global village, we approach the responsibility with unwavering commitment, where sustainability is not merely a buzzword, but a fundamental pillar of our business strategy.

Against the evolving challenges shaped by environmental, economic, geopolitical, societal, and technological megatrends, our commitment to sustainability remains unshaken. In particular, over the past year, we have embarked on transformative initiatives in line with our vision.

Embrace the Transition to the Future

Mapping a clear direction in the midst of challenges is of paramount importance to our sustainability journey. NWS has taken decisive actions to align our targets with the net-zero aspirations of NWD and are in line with the national and international goals. As we embark on the journey of achieving net zero by 2050, a comprehensive strategy has been formulated to reduce carbon footprint, promote renewable energy sources, and adapt to the changing climate landscape. In FY2023, we initiated a screening process to identify our business priorities for the net-zero transition, and accordingly, a segmented approach has been adopted for individual business units, and each business unit is expected to align its targets with SBTi net zero standard or its equivalent.

Amid the accelerating pace of environmental changes, technological advancements, and social development, we strive to be at the forefront of sustainability with reinforced business resilience so as to inspire progress and contribute meaningfully to the global shift towards a low-carbon economy. This journey necessitates collaborative engagement with stakeholders, building stronger partnerships and unlocking new avenues for growth and innovation.

The Driving Force for the Transition

At the heart of our organization lies the conviction that employees are the driving force behind our success and the catalysts for positive change. Their well-being, health, and professional growth remain our top priorities. We nurture a culture rooted in care, respect, and inclusivity. Recognizing that a healthy workforce is a productive one, we have launched a variety of programmes to promote and support their physical, mental, and emotional well-being. From wellness initiatives and creating ergonomic workspaces to flexible work arrangements and ongoing training opportunities, we are committed to building an environment that nourishes the personal and professional development of our employees.

I would like to emphasize the significance we attribute to health and safety within our organization. We have implemented comprehensive protocols, which conform to local and international guidelines, to mitigate risks and ensure compliance. In addition, in this new digital age, fostering employee engagement within a digitized workspace is critical. We leverage new technologies to enhance communication among colleagues. Our "A.LIFE" app, for instance, serves as an internal interactive platform that enhances staff connectivity, collaboration, and engagement. On the other hand, the "Hip Hing Connect" app empowers workers to digitize information and complete site access registration via their personal mobile devices, facilitating the monitoring and analysis of safety performance and records, while providing real-time weather updates and alert messages to remind workers stay vigilant against potential safety hazards.

Our effort to care for the community extends beyond our internal operations. We are committed to empowering underprivileged groups by providing them equal opportunities and resources to gain access to and actively participate in the community. We aim to leverage our diverse network to drive positive social effects to create a more inclusive and supportive environment for all.

Collaboration for Success

Technological transformations, evolving consumers and customers' expectations, and regulatory changes are ceaselessly reshaping the business landscape, yet our determination to exchange best practices, share knowledge, and cultivate partnerships remain steadfast. Humbled by the far-reaching impact we can make when working hand in hand with our stakeholders, industry peers, communities, and governmental bodies, we are devoted to sailing through this remarkable journey towards a sustainable future through collaboration.

On behalf of NWS, it is my pleasure to invite you to celebrate with us the strides we have made in FY2023, and join us in our commitment to a sustainable future.

Together, let us act to evolve sustainably!

Our sustainability performance will be disclosed in detail in a separate sustainability report, which will be available on our website. It will be prepared with reference to the Global Reporting Initiative Standards 2021 and the ESG Reporting Guide for listed companies issued by The Hong Kong Stock Exchange. To enhance our climate-related disclosures and address stakeholder expectations, we also refer to the framework recommended by the Task Force on Climate-related Financial Disclosures ("TCFD") and IFRS S2 Climate-related Disclosures published by International Sustainability Standards Board ("ISSB"). PricewaterhouseCoopers ("PwC") have been engaged to provide a limited assurance report in respect of selected sustainability information of NWS Holdings for FY2023.

The full Sustainability Report is available here:

Further information on the scope and boundaries of our sustainability data and the full limited assurance report can be found at our separate FY2023 Sustainability Report.

NWS is included in the S&P Global ESG Scores and S&P Global Sustainability Yearbook 2023. We received an "A" rating from MSCI, and "AA+" rating from Hang Seng Corporate Sustainability Benchmark Index.

Share Your Thoughts

Your feedback is critical for us to continuously improve our reporting and sustainability practices. Please share your suggestions and comments with us at **sustainability@nws.com.hk**.

OUR SUSTAINABILITY VISION

At NWS Holdings, we are dedicated to fostering a sustainable future built on the values of community, innovation, and responsible growth. Our vision is to harmoniously integrate progress and responsibility, generating enduring benefits for future generations.

Amidst the evolving landscape of decarbonization, we continue to navigate our business towards a net-zero future, as we are actively reducing our carbon footprint. Building upon the environmental target we set through the New World Sustainability Vision 2030 ("SV2030") in 2018, we have surpassed our expectations and are now analyzing our performance over the past five years. This analysis will equip us to embrace a more sustainable business model moving forward.

In the face of changing energy and business models, we also prioritize resilience to adapt to the shifting operating landscape. This resilience is evident in our digital transformation, and the cultivation of an agile and multi-disciplinary workforce. Technology serves as both an enabler and a disruptor, and we are committed to upholding data privacy and security as fundamental pillars of trust and fairness in our interactions, guided by our policies and guidelines.

Sustainability is not just a goal for us; it is a responsibility that penetrates our day-to-day operation. Our efforts align with the expectations of the communities, employees, and customers we serve, reflecting our commitment to responsible growth.

Sustainability Vision 2030

To integrate sustainability in our operation, we align our sustainability strategy and targets with the SV2030, which references the United Nations Sustainable Development Goals and establishes four priority pillars under each of the four pillars, "NWS Sustainability Targets 2030" have been set and are overseen by incorporating into our robust sustainability governance structure, and designing the processes with policies and guidelines to account for sustainability issues. As part of our ongoing commitment to sustainability, we will begin reviewing our targets to ensure their continued relevance and alignment with evolving sustainability priorities.

SUSTAINABILITY VISION 2030

SV2030 — Aligning our sustainability targets and goals with our company's core values, vision, mission and objectives

Sustainability Governance Structure — Helping us to implement sustainability strategy across the business, setting our goals, and reporting progresses

Policies and Guidelines and working groups — Streamlining internal processes to achieving our organizational goals more efficiently

SV 2030 Pillar	2030 Target	FY2023 Status	Relevant SDGs
GREEN Moving toward a greener future	• ↓50% Energy Intensity (MWh/ million HK$ revenue) against FY2013 baseline • ↓50% Carbon Intensity (tCO_2e/ million HK$ revenue) against FY2013 baseline • ↓30% Water Intensity against FY2013 baseline • ↓90% Reuse of Construction and Demolition Waste	↓**50%** Energy Intensity Achieved target ↓**60%** Carbon Intensity Outperforming target by 10% ↓**34%** Water Intensity Outperforming target by 4% ↓**93%** Reuse of Construction and Demolition Waste Outperforming target by 3%	3 Good Health and Well-Being 11 Sustainable Cities and Communities 17 Partnerships for the Goals
WELLNESS Promoting health in body and mind	• Maintain Lost-Time Injury Rate ("LTIR") below 3.0 per 100 employees since 2015 • Improve well-being of >4 million beneficiaries	**0.6 LTIR** Outperforming target by 80% **2.47 million** beneficiaries impacted Progress on track	3 Good Health and Well-Being 8 Decent Work and Economic Growth 17 Partnerships for the Goals
CARING Nurturing our communities and culture	• Enhance the quality of life of >17 million beneficiaries since 2015 • Accumulate 175,000 hours of voluntary service to the community since 2015	**11 million beneficiaries** impacted Progress on track **130,000 hours** of voluntary service accumulated Progress on track	3 Good Health and Well-Being 8 Decent Work and Economic Growth 11 Sustainable Cities and Communities 17 Partnerships for the Goals
SMART Using innovation to unlock potential	• Foster a culture of entrepreneurship and innovation	Adoption of AI, VR, and BIM in business units' operations Development of mobile apps and increasingly digitalized processes across business units	3 Good Health and Well-Being 8 Decent Work and Economic Growth 11 Sustainable Cities and Communities 17 Partnerships for the Goals

CHARTING OUR SUSTAINABILITY PROGRESS

Central to our commitment towards sustainability are our five core values on "Act with Integrity", "Advance with Agility", "Evolve Sustainably", "Grow as One", "Create Shared Value", which not only shape our company's strategy but also steer our approach to sustainability. Within the framework of each core value, we actively tackle critical issues by establishing targets, initiating programmes, and closely monitoring our performance, all aimed at fostering positive impact and progress. As we navigate this transformative phase, we fully recognize the significance of actively engaging and collaborating with our stakeholders to collectively uphold our shared values and work towards a sustainable future.

By setting long-term targets and working on improvements and initiatives under each of our focus values, we strive to make a positive impact on society and the environment where we operate.

Five Core Values	FY2023 Performance Highlights
ACT WITH INTEGRITY	• No instances of corruption or bribery were reported to the NWS whistleblowing channels in FY2023. • All employees are required to complete an e-learning course on our "Whistleblowing Policy" and "Anti-Fraud and Counter-Corruption Policy". • Specially mentioned in the "Best Corporate Governance and ESG Awards" by the Hong Kong Institute of Certified Public Accountants (HKICPA).
ADVANCE WITH AGILITY	• In FY2023, we have begun a screening process to identify our business priorities for net-zero transition. We aim to achieve net zero for individual business units in phases, aligning targets with SBTi net zero standards. • **HML — AI for Health and Safety** To further enhance the safety of HKCEC's visitors, HML has implemented the AI Life Sense Alert System to all 61 accessible toilets in HKCEC. • **Hip Hing — Hip Hing Connect** Introducing "Hip Hing Connect," the app facilitates the monitoring and analysis of safety performance and records, offering valuable insights into safety-related metrics. It also provides real-time weather updates and important messages, ensuring workers are well-informed about potential safety hazards. The app centralizes employee information, enhances communication, coordination, and information sharing among project teams and subcontractors. • **FTLife Insurance — CIRCLE OUR NEW WORLD** FTLife has kickstarted their new series of product: "CIRCLE OUR NEW WORLD.", catering to different life stages of our customers. Through organizing different events and activities to empower their customers and families to thrive in the aspects of wealth management, health and wellness, education, and quality of life, they can live life to the fullest with their loved ones. • **Roads — Physical Risk Assessment** In FY2023, we successfully completed the physical risk assessment for Changliu Expressway & Hangzhou Ring Road. The assessment analyzed common climate hazards, including flooding, extreme temperatures, strong convective weather, fog and tropical cyclones.

Five Core Values	FY2023 Performance Highlights
EVOLVE SUSTAINABLY	• In FY2023, we have secured HK$6.2 billion in green and sustainability financing. • We have reduced 4% of greenhouse gas emissions intensity compared to FY2022. • In FY2023, Hip Hing has achieved a 93% reuse rate on Construction and Demolition ("C&D") materials. • By replacing 7 chillers in HKCEC is anticipated to save approximately 2.84 million kWh of electricity and HK$5.6 million. The savings started from July 2022 and can be achieved at the end of June 2024. • Hangzhou Ring Road has led the adoption of the "Supremind" system, an artificial intelligence road management system, and Changliu Expressway has implemented the intelligent tunnel management and control platform, leading to significantly fuel consumption reduction by idling vehicles.
GROW AS ONE	• NWS corporate office and FTLife Insurance have introduced the innovative "A.LIFE" app — an internally developed digital platform aimed at enhancing staff connectivity, collaboration, and engagement in an efficient and interactive manner. • Hip Hing's health and well-being have positively impacted around 17,000 individuals, including subcontracted workers. • Our LTIR achieved a rate of 0.6 during the reporting period, exceeding our target of 3.0 by 80%. Additionally, our Lost Day Rate has been reduced to 58.7% per 100 employees. • Hip Hing has implemented a five-day work week complemented by flexible working hours, a transition that commenced in March 2023.
CREATE SHARED VALUE	• We have received the Hong Kong Volunteer Awards on "Outstanding Corporate", "Outstanding Volunteer/Group", "Outstanding Collaboration Project — NWS "EXP" Journey", and "Top Ten Highest Volunteer Hours". • We have partnered with 45+ organizations and accumulated 18,200+ volunteer hours to impact 22,800+ beneficiaries in Hong Kong and the Mainland. • HML actively supports event organizers in planning and delivering environmentally responsible events. The "HKCEC Waste Management Guide for Organizers and Exhibitors" puts the guideline into practice, setting up recycling bins and sizeable enclosures to foster waste reduction, reuse, and recycling among organizers and participants alike.

Determining what is important to us

In our previous reports, we presented key topics based on their significance to both internal and external stakeholders. In alignment with the updated GRI requirements, we have adopted double-materiality for this year's stakeholder engagement process to determine the financial and impact materiality of each ESG issue, ensuring a more comprehensive and accurate representation of the most important topics to the Group.

FINANCIAL MATERIALITY
Matters that influence enterprise value

+

IMPACT MATERIALITY
Matters that affect the economy, environment and people

=

DOUBLE MATERIALITY

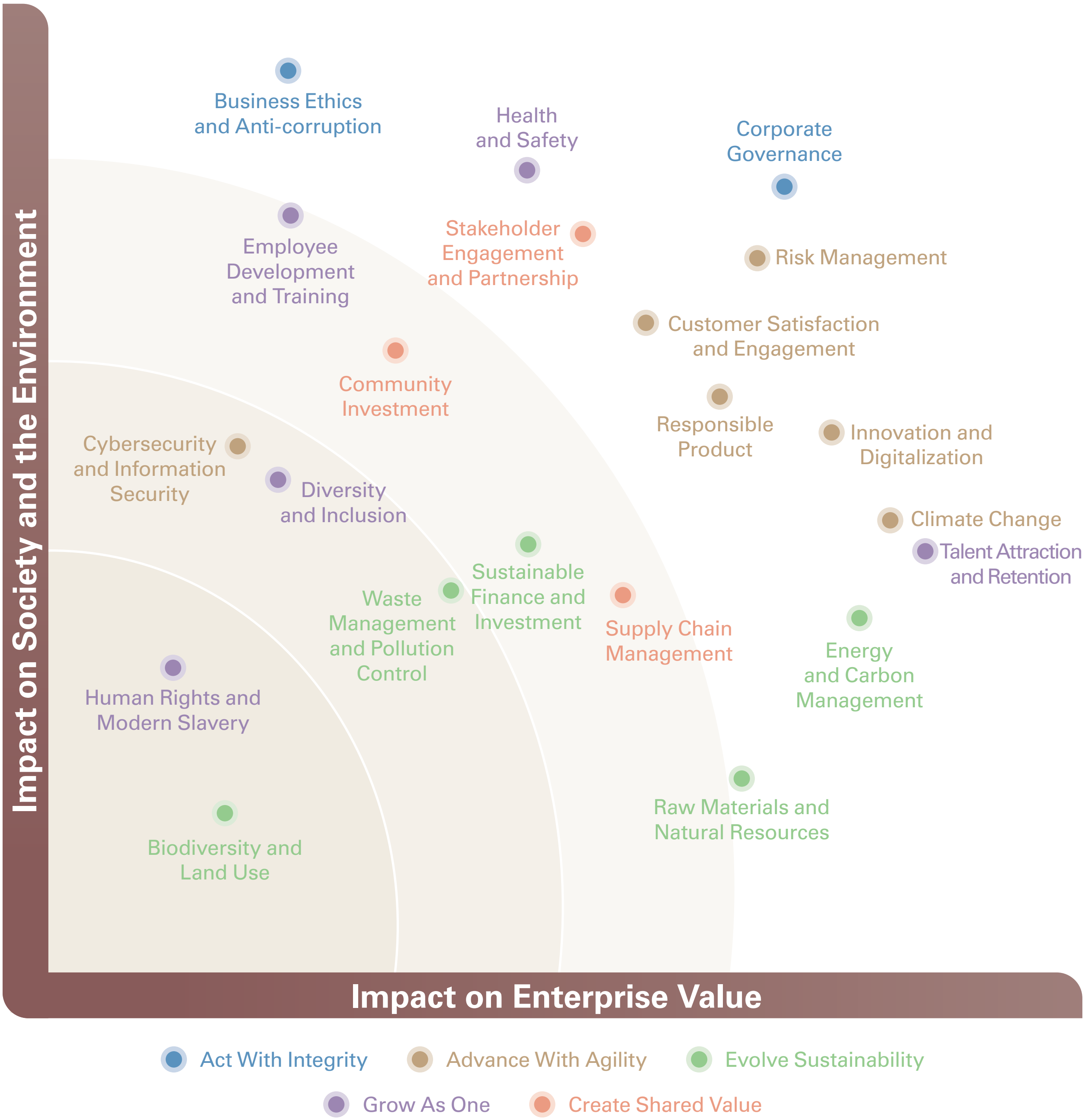
Stakeholder engagement through diverse channels

Stakeholder engagement is fundamental to the success of NWS. It enables us to identify both the expectations of internal and external stakeholders, as well as broader market trends. These insights help us to develop initiatives and targets that align with stakeholders' needs and priorities. We measure the effectiveness of our sustainability initiatives and ensure they align with our stakeholder' expectations, which enables us to deliver business values while meeting the needs and priorities of our stakeholders.

Engagement and responding approach	Representatives of stakeholder groups engaged	
Online survey	• Board of Directors • Service Consumers • General Employees • Industry Associations	• NGOs and local community • Senior Management • Executives of Business Units • Suppliers, Contractors, and Service Providers
Focus group discussion	• Investors	• Executives of Business Units, including Construction and Facilities Management
Face-to-face interview	• Parent Group Representatives • Independent Non-Executive Directors • Board of Directors	• Executives of Business Units, including Roads and Insurance • Investors • Senior Management • General Employees

Evaluating and Affirming Impacts, Risks, and Prospects

Based on the engagement results, 21 material issues were identified in the double materiality assessment in FY2023. The issues will be discussed in the five sections of the sustainability report. By tending to the most material issues for our business, we forge a holistic and forward-looking sustainability approach, reinforcing our resilience in a rapidly changing world. We acknowledge the potential for progress, not only recognizing new possibilities for value creation, but also taking proactive action to realize them.

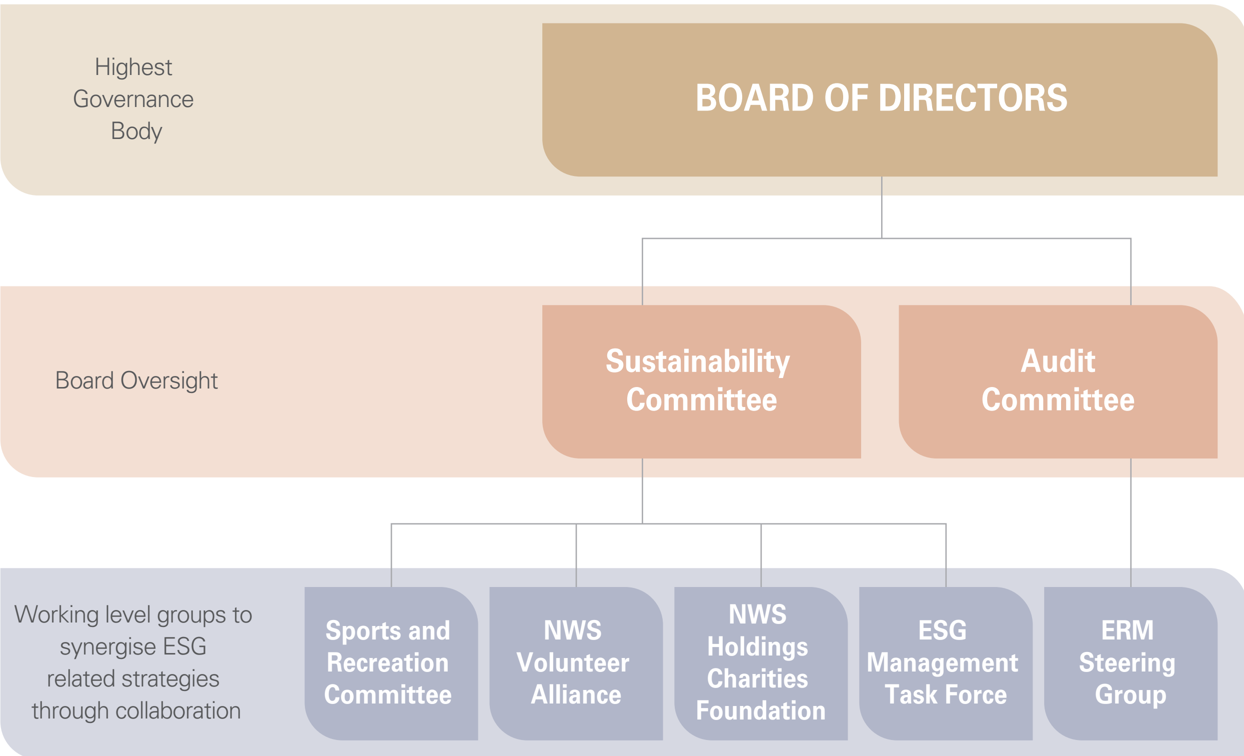


ACT WITH INTEGRITY

Acting with integrity is NWS' foundational core value, serving as the cornerstone for every facet of our business. It acts as the cornerstone upon which we construct trust, credibility, and collective value. We are resolute in our commitment to exhibit transparency, honesty, and ethical decision-making. Our pursuit of upholding corporate governance standards and expectations is evident. At NWS, we aspire to cultivate an environment of accountability and responsibility, fostering trust among stakeholders — ranging from employees and customers to investors and the wider community. Our commitment to integrity and ethical business practices ensures the seamless integration of sustainability into our strategies, decision-making processes, and operational endeavours. In FY2023, NWS has not had any non-compliance with the relevant laws and regulations in respect of specific ESG areas that would have a significant impact on NWS.

Sustainability Governance Structure

The Sustainability Committee, as mandated by the Board in line with its defined terms of reference, undertakes the review and evaluation of the adequacy and effectiveness of the Group's sustainability framework. This encompasses the management of material ESG issues as well as the monitoring of our NWS Sustainability Targets 2030. Our Chief Executive Officer ("CEO") of the Group, Mr Ma Siu Cheung, chairs the Sustainability Committee, which includes executive directors, non-executive directors, and independent non-executive directors. Collaborative efforts with task forces and sub-committees across the Group foster synergies and strategic partnerships with both internal and external stakeholders, thereby supporting the Group's transition towards sustainability.



Our dedication to sustainability-related policies and guidelines steers us to establish standardized protocols that govern and regulate our business practices. We routinely conduct reviews and updates to align with the changing expectations and requirements from stakeholders, the industry, and regulatory bodies.

Relevant Sustainability Policies and Guidelines

ENVIRONMENTAL

- Climate Change Policy
- Sustainability Policy
- Sustainable Office Guide

SOCIAL

- Corporate Policy on Staff Responsibility
- Employee Handbook
- Health and Safety Policy
- Human Rights Policy
- Supplier Code of Conduct
- Supply Chain Management Guide
- Sustainable Procurement Guide

GOVERNANCE

- Anti-Fraud and Counter-Corruption Policy
- Data Privacy Policy
- ERM Policy
- ESG Board Oversight Statement
- NWCS Cloud Adoption Policy
- NWCS IT Policy
- NWCS Incident Response Policy
- Personal Information Collection Statement
- Whistleblowing Policy
- ESG Due Diligence Guideline for Investment

ADVANCE WITH AGILITY

The risks and opportunities that our diverse businesses face are multifaceted, highlighting the significance of remaining prepared to respond swiftly and effectively to emerging trends. Agility is a fundamental principle embedded in our sustainability approach, empowering us to sustain business growth and success even in the face of changing market conditions and disruptions.

NWS continuously explores opportunities to adapt our business practices to maintain our competitive edge and create shared value to our stakeholders. In pursuit of this objective, we cultivate a culture of innovation and advancement, nurturing the development and integration of digital solutions.

Turning sustainability risks into opportunities

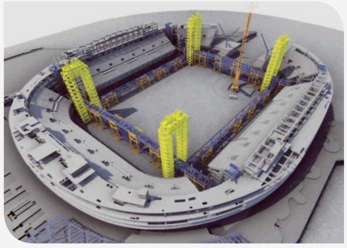
In FY2023, NWS has aligned material topics with five key global megatrends encompassing economic, environmental, geopolitical, societal, and technological spheres. This strategic undertaking empowered us to review the latest implications of these global trends and assess the Group's position as well as sector-specific readiness in tackling these sustainability risks.

Embracing innovation and digitalisation

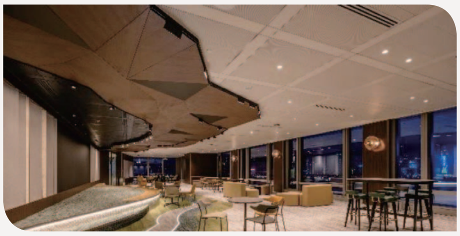
We actively contribute to the development and adoption of process innovations that advance the resilience, productivity, and well-being of our operations and stakeholders. Leveraging digital technologies, we promote sustainable growth by enhancing innovation and efficiency in our products and services.

AI for Health and Safety at HKCEC

Digital Twin at Hip Hing



VR training and AI work shops at the GalaMuse



Hip Hing Connect

Accelerating to net zero

In FY2023, we have initiated a screening process to identify our business priorities for the net-zero transition. We will approach net zero for individual business units in phases, aligning targets with SBTi net zero standards. Feasibility assessments commence with Phase 1 sectors, where clear paths to net zero exist, e.g., construction, insurance, and facilities management. Phase 2 sectors will follow, focusing on value chains and evolving low-carbon models. This strategic prioritization accelerates net-zero progress while accounting for growth and partnerships.

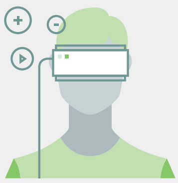
EVOLVE SUSTAINABLY

NWS remains resolute in pursuing sustainable growth to safeguard our long-term success and value for our stakeholders. This pursuit is manifested through the infusion of innovative practices into our operations, aimed at mitigating projected losses and damage to both humanity and ecosystems. Our focus on bolstering energy efficiency and accelerating the transition towards a low-carbon business is central to this endeavour. The Group has implemented various emission management strategies across our operations, culminating in a commendable 4% reduction in overall greenhouse gas emission intensity compared to the previous year.

GREEN CONSTRUCTION

Our construction segment, Hip Hing, is dedicated to mitigating our environmental impact by implementing a robust Environmental Management System ("EMS") that adheres to the ISO 14001:2015 environmental management system standard. In FY2023, Hip Hing has a 93% of reuse rate on Construction and Demolition ("C&D") materials year.

Acknowledging that material waste and energy utilization on construction sites are primary impact facets, Hip Hing embraces innovative and digital solutions, such as BIM, MiC, as well as robotics and automation, to elevate construction practices.

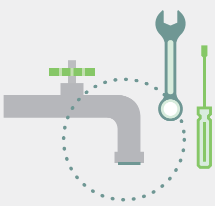


GREEN TOLL ROAD

Hangzhou Ring Road led the adoption of the "Supremind" system. This platform harnesses the capabilities of artificial intelligence to surveil traffic conditions and identify anomalies on expressways in real-time. The Supremind intelligent platform enables swift detection and early warning of abnormal events, thereby considerably reducing the time required for incident management and congestion alleviation. Beyond its multifaceted advantages in security and safety, this cutting-edge system also plays a pivotal role in the reduction of greenhouse gas emissions. By enabling rapid responses to traffic congestion, the system significantly diminishes fuel consumption caused by idling vehicles. As a result, congestion time on a single expressway was reduced by approximately 5,040 hours in 2023 compared to 2021.

GREEN FACILITIES MANAGEMENT

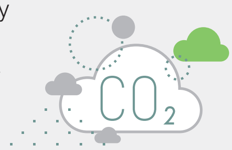
With their dedication to the Net Zero Carbon Events initiative, the sustainable operation of the HKCEC stands as a cornerstone of HML's commitment. Leading the industry in sustainability, HML earned the distinction of becoming the first organization in Hong Kong to be awarded the ISO 20121 Event Sustainability Management System certification. In FY2023, HML achieved the Gold Rating of "LEED Certification of Existing Building". Moreover, their sights are set on securing "BEAM Plus EB Gold" ratings by FY2024.



INVESTING FOR THE FUTURE

Providing capital and funding to companies and projects are pivotal in driving systemic change for a successful net-zero transition. In FY2023, NWS Group and FTLife Insurance introduced the "ESG Due Diligence Guideline" for Investment and Responsible Investment Standard, respectively, as an essential framework that integrates ESG factors into our investment analysis and decisions. This approach aligns with NWS's commitment to mitigating sustainability risks and achieving long-term returns in a sustainable manner. Throughout the investment holding period, NWS actively monitors the progress of portfolio companies in their sustainability endeavours.

Our commitment to sustainability extends to finance, with HK$6.2 billion in green and sustainability financing accumulated across our operations in FY2023.



GROW AS ONE

Our workforce and their respective communities form the bedrock of our success. We strive to maintain an engaged workforce and robust community by upholding values of integrity, collaboration, accountability, innovation, and respect. Our concerted efforts to benefit our employees and the communities we engage with have been well recognized. NWS has proudly earned the “Happy Company 5 years+”. Our contributions were also recognized at “the Employer of Choice Award”, “Corporate Social Responsibility (CSR) Award”, and “ESG HR Strategy Excellence Award” by Job Market, honouring our commitment to empowering our workforce and enriching society.

Elevating Well-Being as a Priority for All

Amidst exacerbated corporate challenges related to employee health and well-being, we have channeled investments into diverse employee well-being programmes and initiatives. These efforts span both Group-wide benefits and initiatives tailored to specific business units.

WELLNESS ACTIVITIES

Nurturing Our Talents for the Future

In order to cultivate a workforce that is ready for the future, we must carefully consider the skills required for both employees and the Company to achieve long-term success. We consistently evaluate talent gaps and identify the necessary capabilities to address evolving industry demands through training needs surveys. By empowering our talent to unleash their full potential despite changing market dynamics, we ensure our workforce remains attuned to emerging needs through regular assessments, comprehensive training, and strategic deployment.

CAPABILITIES BUILDING

We identify and prioritize the development of high-potential employees to enhance their skill sets and readiness for future challenges.

LEADERSHIP DEVELOPMENT

Our aim is to equip potential leaders with the necessary skills to tackle increasingly complex challenges that may arise as they transition into leadership roles.

CAREER DEVELOPMENT

We help leaders enhance self-awareness and clarify career goals, enabling them to leverage their strengths and reach their full potential.

CREATE SHARED VALUE

We aim to enhance the company's competitiveness while simultaneously fostering economic and social advancement within the communities where we operate. To effectively tackle these challenges, we concentrate on establishing and expanding the connections between societal progress and economic growth. Through collaboration with community and business partners, we not only foster economic prosperity by meeting community needs, but also cultivate scalable and self-sustaining solutions that align with our operations.

Collaborating with partners along our value chain

Establishing a Resilient and Sustainable Value Chain

Flexibility and responsiveness are key attributes of our supply chain management strategy, enabling us to manage risks throughout our value chain, including factors like depleting resources and evolving customer preferences. Our objective is to source responsibly and sustainably, upholding environmental protection and ensuring equitable and respectful treatment of all involved in the production process. We monitor and assess compliance with the Supplier Code and other sustainability policies, through regular audits and corrective action plans for high-risk suppliers if gaps emerge. Throughout the year, our operations and supply chains demonstrated no significant instances of non-compliance with human rights and environmental impact regulations.

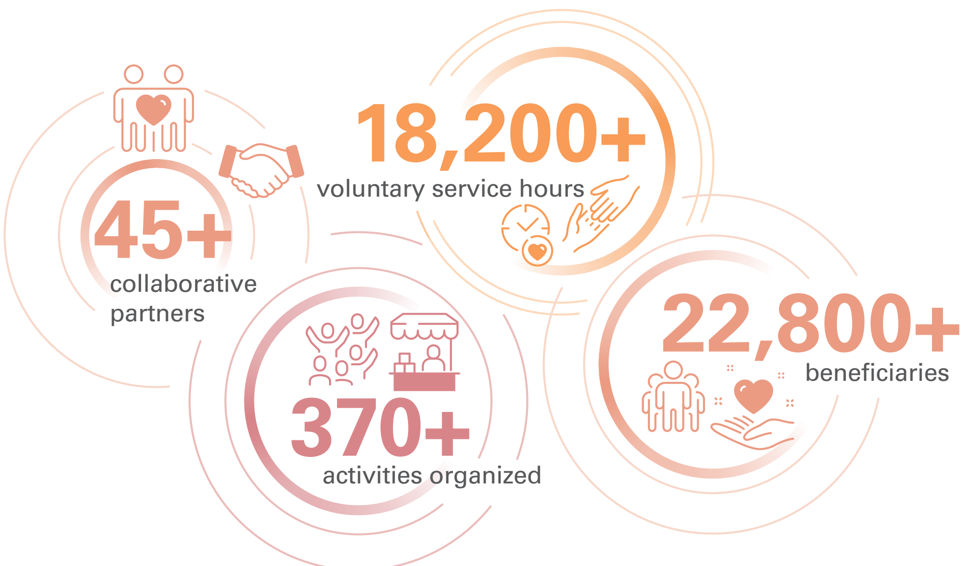
Collaborating with Local Communities

Our commitment to local social enterprises continues to be a cornerstone of our community engagement strategy. By supporting ventures that offer skills training, apprenticeships, and entrepreneurial programmes, we expand the pool of qualified talent available for our operations. Moreover, our investments in start-ups pioneering resource efficiency, waste reduction, and circular solutions contribute to both our business and society.

Fostering an inclusive community

Through strategic investments and voluntary efforts, NWS aims to make a positive impact on the communities it operates in. NWS' fundamental community investment strategy is founded upon three essential pillars: "Empowering the Next Generations", "Cultivating a Volunteer Culture", and "Advocating Environmental Sustainability". The company's contributions span both financial backing and in-kind donations, with a dedicated focus on local organizations and initiatives that promote inclusivity, equality, and social mobility. Furthermore, we also encourage employee volunteering services, empowering our workforce to actively connect with communities and channel their time, expertise, and competencies towards meaningful causes. By seamlessly integrating the resources from our Charities Foundation, skill-sharing, and hands-on engagement, we amplify positive influence on the societies we serve.

Overview of the social impacts in FY2023



Report of the Directors

The directors of NWS Holdings Limited submit their report together with the audited financial statements of the Group for FY2023.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

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.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 6 to the financial statements.

BUSINESS REVIEW

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position, as well as the outlook for the Group's business, are provided in the "Chairman's Statement" (pages 2 to 3) and the "Management Discussion and Analysis" (pages 6 to 23) sections. Particulars of significant events affecting the Group that have occurred since the end of FY2023, if applicable, can also be found in the aforesaid sections. Description of the principal risks and uncertainties faced by the Group can be found throughout this annual report, particularly in the "Risk Management Report" (pages 70 to 93). An analysis using financial key performance indicators is provided in the "Financial Highlights" section (pages 4 and 5). Description of the Group's relationships with its key stakeholders is included in the "Corporate Governance Report" (pages 34 to 69) and the "Sustainability Report Highlights" (pages 94 to 108) sections as well as our separate 2023 Sustainability Report. Furthermore, the Group's environmental policies and performance are set out in the "Sustainability Report Highlights" section (pages 94 to 108) and our separate 2023 Sustainability Report and details regarding the Group's compliance with relevant laws and regulations which have a significant impact on the Group are provided in the "Corporate Governance Report" (pages 34 to 69) and the "Sustainability Report Highlights" (pages 94 to 108) sections as well as our separate 2023 Sustainability Report.

This above discussion forms part of this report of the directors.

RESULTS AND APPROPRIATIONS

The results of the Group for the year and the state of affairs of the Company and of the Group as at 30 June 2023 are set out in the financial statements on pages 138 to 277.

The Board has resolved to recommend a final dividend for FY2023 (the "Final Dividend") of HK$0.31 per share (2022: HK$0.31 per share) in cash to the shareholders whose names appear on the register of members of the Company on 16 November 2023. Together with the interim dividend of HK$0.30 per share (2022: HK$0.30 per share) paid in April 2023, total distribution of dividend by the Company for FY2023 will be HK$0.61 per share (2022: HK$0.61 per share).

Subject to the passing of the relevant resolutions at the 2023 AGM, it is expected that the Final Dividend will be paid on or about 7 December 2023.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 55 to the financial statements.

ASSOCIATED COMPANIES AND JOINT VENTURES

Particulars of the Group's principal associated companies and joint ventures are set out in notes 56 and 57 to the financial statements respectively.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in notes 54 and 37 to the financial statements respectively.

DISTRIBUTABLE RESERVES

At 30 June 2023, the Company's reserves available for distribution amounted to HK$24,862.7 million (2022: HK$24,409.4 million).

DONATIONS

During the year, the charitable donations made by the Group amounted to HK$5.7 million (2022: HK$7.3 million).

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 16 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the financial statements.

SHARE CAPITAL

During the year, as a result of the exercise of share options under the share option scheme of the Company, a total of 54,500 ordinary shares of the Company, fully paid, were issued for a total consideration of HK$426,735.

Details of the movements in the issued share capital of the Company and share options during the year are set out in note 36 to the financial statements.

DEBENTURES ISSUED

On 16 December 2022, Celestial Miles Limited ("CML"), an indirect wholly owned subsidiary of the Company, issued US$268,200,000 guaranteed senior perpetual capital securities at the price of 100% of the principal amount. The gross proceeds of the capital securities of US$268.2 million (equivalent to approximately HK$2,092.0 million) and net proceeds of US$265.7 million (equivalent to approximately HK$2,072.2 million) are for partial repurchase of the 2019 Perpetual Capital Securities of the Group.

On 29 May 2023, the Company completed the issue of RMB1,500 million in aggregate principal amount of the Panda Bonds with a maturity date of 29 May 2026 in the PRC at the issue price of 100% of the principal amount. The Panda Bonds were registered with the National Association of Financial Market Institutional Investors in the PRC. The gross proceeds of the first tranche of the Panda Bonds of RMB1,500.0 million (equivalent to approximately HK$1,685.4 million) and net proceeds of RMB1,489.9 million (equivalent to approximately HK$1,674.1 million) are for repayment of bank loans of the Group.

Save as disclosed above, the Group has not issued any debentures during the year.

BORROWINGS AND OTHER INTEREST-BEARING LIABILITIES

Particulars of the borrowings and other interest-bearing liabilities of the Group are set out in note 39 to the financial statements.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company (the "2021 Share Option Scheme") disclosed in the section headed "Share Option Scheme" below and note 36 to the financial statements, no equity-linked agreements were entered into by the Group, or existed during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws or the laws of Bermuda.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, the Company bought back a total of 710,000 shares of the Company on the Hong Kong Stock Exchange at an aggregate consideration of HK$5,582,910 (before expenses). All shares bought back were subsequently cancelled during the year. As at 30 June 2023, the total number of shares of the Company in issue was 3,910,482,349.

Details of the shares bought back during the year are as follows:

Date	Number of shares bought back	Price paid per share		Aggregate Consideration (before expenses)
		Highest	Lowest	
		HK$	HK$	HK$
18 July 2022	460,000	7.90	7.78	3,615,890
19 July 2022	250,000	7.90	7.84	1,967,020
	710,000			5,582,910

The above share buy-backs were made with a view to enhancing the earnings per share of the Company and thus benefit the shareholders as a whole.

A tender offer was made by Celestial Dynasty Limited ("CDL", an indirect wholly owned subsidiary of the Company) to purchase for cash the Senior Notes in the outstanding amount of US$335,950,000, which are listed on the Hong Kong Stock Exchange, issued by CDL and unconditionally and irrevocably guaranteed by the Company, at the price of US$865 per US$1,000 of the principal amount of the Senior Notes. An aggregate principal amount of US$92,301,000 of the Senior Notes were purchased and redeemed, representing approximately 27 per cent. of the outstanding principal amount of the Senior Notes, on 20 December 2022. US$243,649,000 in aggregate principal amount of the Senior Notes remained outstanding as at 30 June 2023.

A tender offer was made by CML to purchase for cash the 2019 Perpetual Capital Securities, which are listed on the Hong Kong Stock Exchange, issued by CML in 2019 and unconditionally and irrevocably guaranteed by the Company, at the price of US$955 per US$1,000 of the principal amount of the 2019 Perpetual Capital Securities. An aggregate principal amount of US$280,856,000 of the 2019 Perpetual Capital Securities were purchased and redeemed, representing approximately 22 per cent. of the outstanding principal amount of the 2019 Perpetual Capital Securities, on 20 December 2022. US$1,019,144,000 in aggregate principal amount of the 2019 Perpetual Capital Securities remained outstanding as at 30 June 2023.

FTL Capital Limited (an indirect wholly owned subsidiary of the Company) redeemed in full the US$250,000,000 4.125% notes due 2023 at principal amount upon maturity on 25 April 2023.

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

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate amount of revenue and purchases attributable to the Group's five largest customers and suppliers accounted for less than 30% of the Group's total revenue and purchases for FY2023 respectively.

SIGNIFICANT CONTRACT WITH CONTROLLING SHAREHOLDERS

Save as disclosed in the section "Connected Transactions" below, the Group and the controlling shareholders of the Company did not enter into any contract of significance during the year.

MANAGEMENT CONTRACTS

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

PERMITTED INDEMNITY PROVISIONS

The bye-laws of the Company provide that directors, secretary or other officers of the Company shall be indemnified out of the assets and profits of the Company from and against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

In addition, a directors and officers liability insurance policy insuring claims made against, among others, the directors and the senior management of the Group members and the persons representing the Group in associates as directors or senior management was in effect throughout FY2023 and remained in effect up to the date of this report.

DIRECTORS

The directors of the Company during the year and up to the date of this report are:

Executive Directors

Dr Cheng Kar Shun, Henry *(Chairman)*	
Mr Ma Siu Cheung *(Chief Executive Officer)*	
Mr Ho Gilbert Chi Hang *(Chief Operating Officer)*	
Dr Cheng Chi Kong, Adrian	
Mr Cheung Chin Cheung	(resigned on 1 July 2022)
Mr Cheng Chi Ming, Brian	
Mr Cheng Chi Leong, Christopher	

Non-executive Directors

Mr To Hin Tsun, Gerald
Mr Dominic Lai
Mr William Junior Guilherme Doo
Mr Lam Wai Hon, Patrick *(alternate director to Mr William Junior Guilherme Doo)*

Independent Non-executive Directors

Mr Kwong Che Keung, Gordon	(retired by rotation on 21 November 2022)
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	(appointed on 1 December 2022)

In accordance with bye-law 83(2) of the Company's bye-laws, Ms Ng Yuen Ting, Yolanda, who was appointed as a director of the Company by the Board with effect from 1 December 2022, holds office until the conclusion of the 2023 AGM and, being eligible, will offer herself for re-election at the 2023 AGM.

Moreover, in accordance with bye-law 84 of the Company's bye-laws, Dr Cheng Kar Shun, Henry, Mr Ma Siu Cheung, Mr Ho Gilbert Chi Hang, Mr Cheng Chi Leong, Christopher and Mr Wong Kwai Huen, Albert will retire by rotation at the 2023 AGM. All of the aforementioned directors, being eligible, will offer themselves for re-election at the 2023 AGM.

DIRECTORS' SERVICE CONTRACTS

No director has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Connected Transactions" below and note 15(b) to the financial statements, and the contracts amongst group companies, no other transactions, arrangements or contracts of significance in relation to the Group's businesses to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party, and in which any director of the Company or the director's connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, pursuant to Rule 8.10(2) of the Listing Rules, the following directors of the Company are considered to have interests in the business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group (other than those businesses where the directors of the Company were appointed as directors to represent the interests of the Company and/or the Group) as set out below:

Name	Entity whose business is considered to compete or likely to compete with the businesses of the Group	Description of business of the entity which is considered to compete or likely to compete with the businesses of the Group	Nature of interest of the director in the entity
Dr Cheng Kar Shun, Henry	CTF Enterprises group of companies	Investment in healthcare and commercial aircraft leasing businesses	Director
	FSE Lifestyle Services Limited group of companies	Carpark management	Director
	NWD group of companies	Investment in healthcare, development and operation of sports park complex, and management and construction of building and civil engineering works	Director
Mr Ma Siu Cheung	NWD group of companies	Investment in healthcare, development and operation of sports park complex, and management and construction of building and civil engineering works	Director
	China Resources (Holdings) Company Limited group of companies	Construction	Director
Dr Cheng Chi Kong, Adrian	CTF Enterprises group of companies	Investment in healthcare and commercial aircraft leasing businesses	Director
	NWD group of companies	Investment in healthcare, development and operation of sports park complex, and management and construction of building and civil engineering works	Director

Name	Entity whose business is considered to compete or likely to compete with the businesses of the Group	Description of business of the entity which is considered to compete or likely to compete with the businesses of the Group	Nature of interest of the director in the entity
Mr Cheng Chi Ming, Brian	NWD group of companies	Investment in healthcare, development and operation of sports park complex, and management and construction of building and civil engineering works	Director
Mr Cheng Chi Leong, Christopher	CTF Enterprises group of companies	Investment in healthcare and commercial aircraft leasing businesses	Director
Mr To Hin Tsun, Gerald	Mongolia Energy Corporation Limited	Investment in coal mining	Director
Mr William Junior Guilherme Doo	FSE Holdings Limited group of companies	Carpark management	Director
	The Dynasty Club Limited	Food and beverage operations	Director
Mr Lam Wai Hon, Patrick	FSE Holdings Limited group of companies	Carpark management	Director

As the Board is independent of the boards of the abovementioned entities and none of the above directors of the Company can control the Board, the Group is therefore capable of carrying on its businesses independently of, and at arm's length from the businesses of these entities.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as the interests disclosed in the section headed "Directors' Interests in Securities" below, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors or chief executives of the Company or their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2023, the directors of the Company had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or were recorded in the register kept by the Company pursuant to Section 352 of the SFO or were notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code:

(a) Long position in shares

	Number of shares				Approximate percentage of shareholding
Name	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	**as at 30.06.2023**
The Company					
(Ordinary shares of HK$1.00 each)					
Dr Cheng Kar Shun, Henry	18,349,571	–	12,000,000[(1)]	30,349,571	0.776%
Mr William Junior Guilherme Doo	–	–	128,869[(2)]	128,869	0.003%
Mr Lam Wai Hon, Patrick	1,446,207	–	7,608[(3)]	1,453,815	0.037%
NWD					
(Ordinary shares)					
Dr Cheng Kar Shun, Henry	5,168,909	–	–	5,168,909	0.205%
Dr Cheng Chi Kong, Adrian	2,559,118	–	–	2,559,118	0.102%
Mr William Junior Guilherme Doo	–	10,000[(4)]	–	10,000	0.000%

Notes:

(1) The shares were held by a company wholly owned by Dr Cheng Kar Shun, Henry.

(2) The shares were held by a company wholly owned by Mr William Junior Guilherme Doo.

(3) The shares were held by a company wholly owned by Mr Lam Wai Hon, Patrick.

(4) The shares were held by the spouse of Mr William Junior Guilherme Doo.

(b) Long position in underlying shares — share options

The following directors of the Company had personal interests in options to subscribe for shares of the Company:

Name	Date of grant (Note 1)	Vesting period/ exercisable period (Note)	Number of share options: Balance as at 01.07.2022	Granted during the period	Exercised during the period	Re-classified during the period	Lapsed/ cancelled during the period	Balance as at 30.06.2023	Exercise price per share HK$
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 Kwong Che Keung, Gordon	25 July 2022	(2)	–	1,648,500	–	(1,648,500)[3]	–	–	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 were vested on 25 August 2022 and are exercisable from 25 August 2022 to 24 July 2032;

(ii) 15% of the share options granted shall be vested on 25 July 2023 and become exercisable from 25 July 2023 to 24 July 2032;

(iii) 20% of the share options granted shall be vested on 25 July 2024 and become exercisable from 25 July 2024 to 24 July 2032; and

(iv) 50% of the share options granted shall be vested on 25 July 2025 and become exercisable from 25 July 2025 to 24 July 2032.

(3) The interest of Mr Kwong Che Keung, Gordon, who retired as an independent non-executive director of the Company with effect from the conclusion of the 2022 AGM, was re-classified as eligible participants' interest on the date of his retirement (i.e. 21 November 2022).

(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.

(c) Long position in debentures

Name	Amount of debentures					Approximate percentage to the total amount of debentures in issue as at 30.06.2023
	Personal interests	Family interests	Corporate interests	Other interests	Total	
New World China Land Limited						
Mr William Junior Guilherme Doo	–	–	HK$7,800,000[(1)]	–	HK$7,800,000	0.110%
NWD Finance (BVI) Limited						
Mr William Junior Guilherme Doo	–	US$660,000[(2)]	US$6,000,000[(3)]	–	US$6,660,000	0.142%
NWD (MTN) Limited						
Mr William Junior Guilherme Doo	–	HK$3,900,000[(4)]	–	–	HK$3,900,000	0.013%

Notes:

(1) The debentures, which were issued in US$, were held by a company wholly owned by Mr William Junior Guilherme Doo and had been translated into HK$ using the rate of US$1=HK$7.8.

(2) The debentures were held by a company wholly owned by the spouse of Mr William Junior Guilherme Doo.

(3) The debentures were held by a company wholly owned by Mr William Junior Guilherme Doo.

(4) The debentures, which were issued in US$, were held by the spouse of Mr William Junior Guilherme Doo and had been translated into HK$ using the rate of US$1=HK$7.8.

Save as disclosed above, as at 30 June 2023, none of the directors or chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and any of its associated corporations as defined in the SFO which were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or were recorded in the register kept by the Company pursuant to Section 352 of the SFO or were notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The 2021 Share Option Scheme has been approved by the shareholders of the Company and NWD at their respective annual general meetings and the 2021 Share Option Scheme became effective on 23 November 2021.

A summary of the 2021 Share Option Scheme disclosed in accordance with the Listing Rules is as follows:

Purpose of the 2021 Share Option Scheme	To reward directors and employees of the Group for their past service or performance; providing incentive, motivation or reward to eligible participants for optimizing their performance or making contribution to the Group; attracting and retaining persons of right caliber with the necessary experience to work for or make contribution to the Group; fostering a sense of corporate identity; and allowing the eligible participants to enjoy the results of the Company attained through their relationship, efforts and/or contribution.
Participants of the 2021 Share Option Scheme	Any director (including any executive director, non-executive director or independent non-executive director) and employee (whether full time or part time) of the Company, any subsidiary or member of the Group.
Total number of shares available for issue under the 2021 Share Option Scheme and percentage of the issued shares as at the date of this report	The Company had offered to grant share options to certain eligible participants to subscribe for 85,978,050 ordinary shares of the Company under the 2021 Share Option Scheme up to the date of this report. The total number of shares available for issue under the 2021 Share Option Scheme is 306,827,934 ordinary shares, representing approximately 7.85% of the Company's total number of issued shares as at the date of this report.
Maximum entitlement of each participant under the 2021 Share Option Scheme	Unless approved by shareholders of the Company, the total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total number of shares of the Company in issue.
The period within which the shares must be taken up under an option	At any time during a period as specified by the directors, however in any event the share options must be exercised within 10 years from the date of grant.
The minimum period for which an option must be held before it can be exercised	Any period as determined by the directors.
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	HK$10 is to be paid as consideration for the grant of option within 14 days from the date of offer.

The basis of determining the exercise price	The exercise price is determined by the directors which must be at least the highest of: (i) the closing price of the share as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the share as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five dealing days immediately preceding the date of grant; and (iii) the nominal value of the share.
The remaining life of the 2021 Share Option Scheme	The 2021 Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption, i.e. 23 November 2021.

During the year ended 30 June 2023, the movements of share options granted by the Company under the 2021 Share Option Scheme are as follows:

(1) Details of the movement of share options granted to directors of the Company are disclosed under the section headed "Directors' Interests in Securities" above.

(2) Details of the movement of share options granted to other eligible participants, being employees of the Group (excluding directors of the Company), are as follows:

		Number of share options						
Date of grant (Note 1)	Vesting period/ exercisable period (Note)	Balance as at 01.07.2022	Granted during the year	Exercised during the year	Re-classified during the year	Lapsed/ cancelled during the year	Balance as at 30.06.2023	Exercise price per share HK$
25 July 2022	(2)	–	28,445,400	(54,500)[3]	1,648,500[4]	(1,419,400)[5]	28,620,000	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 were vested on 25 August 2022 and are exercisable from 25 August 2022 to 24 July 2032;

(ii) 15% of the share options granted shall be vested on 25 July 2023 and become exercisable from 25 July 2023 to 24 July 2032;

(iii) 20% of the share options granted shall be vested on 25 July 2024 and become exercisable from 25 July 2024 to 24 July 2032; and

(iv) 50% of the share options granted shall be vested on 25 July 2025 and become exercisable from 25 July 2025 to 24 July 2032.

(3) The weighted average closing price of the shares of the Company immediately before the dates on which such share options were exercised was approximately HK$8.279 per share.

(4) The interest of Mr Kwong Che Keung, Gordon, who retired as an independent non-executive director of the Company with effect from the conclusion of the 2022 AGM, was re-classified as eligible participants' interest on the date of his retirement (i.e. 21 November 2022).

(5) None of the share options granted was cancelled during the year.

(6) The consideration paid by each of the eligible participants for the grant of share options was HK$10.

(7) None of the participants (including directors of the Company and other eligible participants) has been granted share options in excess of the 1% individual limit.

(8) 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.

(9) All of the grant of share options to directors of the Company and other eligible participants were made prior to 1 January 2023, being the date when the most recent amendments to Chapter 17 (Share Schemes) of the Listing Rules took effect.

The number of share options available for grant under the 2021 Share Option Scheme at the beginning and the end of the year ended 30 June 2023 are 391,113,784 and 306,555,134 respectively.

As at 30 June 2023, the number of shares that may be issued in respect of share options granted under the 2021 Share Option Scheme during the year ended 30 June 2023 divided by the weighted average number of shares of the Company for the year ended 30 June 2023 is calculated as follows:

$$= \frac{(a)}{(b)} = \frac{12,647,655}{3,910,515,912} = 0.323\%$$

Whereas,

(a) represents number of shares that may be issued as at 30 June 2023 for share options granted and vested during the year ended 30 June 2023.

(b) represents weighted average number of shares in issue for the year ended 30 June 2023.

Save as disclosed above, as at 30 June 2023, no share option of the Company has been granted or exercised or has lapsed or cancelled under the 2021 Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at 30 June 2023, so far as are known to the directors of the Company, the following parties (other than a director or chief executive of the Company) would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were recorded in the register kept by the Company under Section 336 of the SFO as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

	Number of shares			
Name	**Beneficial interests**	**Corporate interests**	**Total**	**Approximate percentage to the issued share capital of the Company as at 30.06.2023**
Cheng Yu Tung Family (Holdings) Limited	–	2,499,542,862[(1)]	2,499,542,862	63.92%
Cheng Yu Tung Family (Holdings II) Limited	–	2,499,542,862[(2)]	2,499,542,862	63.92%
CTFC	–	2,499,542,862[(3)]	2,499,542,862	63.92%
CTFH	–	2,499,542,862[(4)]	2,499,542,862	63.92%
CTF Enterprises	97,034,424	2,380,495,938[(5)]	2,477,530,362	63.36%
NWD	1,588,468,276	792,027,662[(6)]	2,380,495,938	60.87%
Mombasa Limited	718,384,979	–	718,384,979	18.37%

Notes:

(1) Cheng Yu Tung Family (Holdings) Limited held approximately 48.98% direct interest in CTFC and was accordingly deemed to have an interest in the shares deemed to be interested by CTFC.

(2) Cheng Yu Tung Family (Holdings II) Limited held approximately 46.65% 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% 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% 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 Enterprises. CTFH also held 99.90% direct interest in Chow Tai Fook Nominee Limited and was accordingly deemed to have an interest in the shares interested by Chow Tai Fook Nominee Limited.

(5) CTF Enterprises, together with its subsidiaries, held more than one-third of the issued shares of NWD and was accordingly deemed to have an interest in the shares interested by or deemed to be interested by NWD.

(6) NWD held 100% indirect interest in Mombasa Limited and was accordingly deemed to have an interest in the shares held by Mombasa Limited. NWD was also deemed to be interested in 2,979,975 shares held by Financial Concepts Investment Limited, 35,331,354 shares each held by Hing Loong Limited and Fine Reputation Incorporated respectively, all of them being subsidiaries of NWD.

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

Save as disclosed above, as at 30 June 2023, no other person (other than the directors or chief executives of the Company whose interests in shares, underlying shares and debentures of the Company or any of its associated corporation are set out on pages 116 to 118) was interested (or deemed to be interested) or held any short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

According to information that is available to the Company, the percentage of the Company's shares which are in the hands of the public exceeds 25% of the Company's total number of issued shares during the year and up to the date of this report.

MAJOR ACQUISITIONS AND DISPOSALS

1. On 26 April 2022, NWS Guangdong, 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 Guiwu Expressway) and related creditor's right and dividend receivable at the total consideration of RMB1,902.4 million. Completion of the acquisition took place in November 2022 and the Group accounted for its 40% equity interest in Guangxi Logan Guiwu Expressway Co., Ltd as a joint venture since then.

2. On 14 May 2022, Glorious Hope Limited, an indirect wholly owned subsidiary of the Company, entered into share purchase agreements with Goodman Developments Asia ("GDA"), Goodman China Logistics Holding Limited ("GCLH") and GCLP Core HoldCo (as the case may be) pursuant to which the Group agreed to acquire the entire equity interests in and shareholders' loan owed by certain target companies, which own the entire interest in a portfolio of six premium logistics real estate properties in Chengdu and Wuhan, at the aggregate consideration of RMB2,290.0 million, subject to adjustments. Completion of the acquisitions of five logistics properties took place in FY2022 while the completion of the acquisition of the sixth logistics property took place in January 2023.

3. On 16 May 2022, Goshawk, a joint venture whose equity interest is held as to 50% indirectly by the Company, entered into a main transaction agreement with SMBC pursuant to which Goshawk agreed to dispose of its substantially all of the commercial aircraft leasing platform to SMBC via the sale of entire equity interest in GML together with all assets, liabilities and contracts held by Goshawk which relate to the commercial aircraft leasing business operated by entities held or controlled by GML, except for entities which own six aircraft associated with Russian lessees. Completion of the disposal took place on 21 December 2022. The aggregate sum of the consideration received by Goshawk on completion is approximately US$1.6 billion (the Group's attributable portion: US$0.8 billion).

4. On 1 December 2022, NWS Guangdong entered into an equity transfer agreement with Huayu Expressway Group Limited and its related parties, pursuant to which the Group agreed to acquire 60% equity interest in Hunan Daoyue, a 40% indirect associated company of the Company and which is principally engaged in the management and operation of Sui-Yue Expressway. The acquisition was completed in April 2023 at a consideration of RMB523.1 million (after adjustments) and Hunan Daoyue was accounted for as an indirect wholly owned subsidiary of the Company since then.

CONNECTED TRANSACTIONS

The following connected transactions of the Group have been entered into or subsisting during the year and up to the date of this report:

(1) On 24 April 2020, a master services agreement was entered into between the Company and CTF Enterprises (the "CTF Enterprises Master Services Agreement") whereby each of the Company and CTF Enterprises agreed to, and agreed to procure that members of the Group or the CTF Enterprises Group (as defined in the CTF Enterprises Master Services Agreement) (to the extent practicable), engage relevant members of the CTF Enterprises Group or the Group to provide certain operational services to relevant members of the Group or the CTF Enterprises Group during the term of the CTF Enterprises Master Services Agreement.

As at the date of signing of the CTF Enterprises Master Services Agreement, NWD together with its subsidiaries held approximately 60.9% of the total issued share capital of the Company. CTF Enterprises together with its subsidiaries held approximately 44.6% of the total issued share capital of NWD and CTF Enterprises held approximately 2.5% of the total issued share capital of the Company. Accordingly, CTF Enterprises was considered to be a connected person of the Company under the Listing Rules and the CTF Enterprises Master Services Agreement constituted continuing connected transactions of the Company under the Listing Rules.

The CTF Enterprises Master Services Agreement has an initial term of three years commencing from 1 July 2020. Subject to re-compliance with the applicable Listing Rules at the relevant time, the CTF Enterprises Master Services Agreement may be renewed at the end of the initial term for a further term of three years (or such other period permitted under the Listing Rules).

On 5 November 2021, the Company entered into a supplemental agreement with CTF Enterprises to expand the scope of the operational services to cover services relating to, among others, mechanical, electrical and building services and revise the relevant annual caps for the two financial years ended 30 June 2022 and 30 June 2023.

During the year ended 30 June 2023, the contract amounts for the operational services under the CTF Enterprises Master Services Agreement are summarized as follows:

Categories	**Approximate total contract sum** HK$'m	**Annual cap** HK$'m
Operational services by members of the Group to members of the CTF Enterprises Group	5.0	113.0
Operational services by members of the CTF Enterprises Group to members of the Group	328.8	824.0

(2) On 24 April 2020, a master services agreement was entered into between the Company and NWD (the "NWD Master Services Agreement") whereby each of the Company and NWD agreed to, and agreed to procure that members of the Group or the NWD Group (as defined in the NWD Master Services Agreement) (to the extent practicable), engage relevant members of the NWD Group or the Group to provide certain operational services to relevant members of the Group or the NWD Group during the term of the NWD Master Services Agreement.

As at the date of signing of the NWD Master Services Agreement, NWD together with its subsidiaries held approximately 60.9% of the total issued share capital of the Company. Accordingly, NWD was a connected person of the Company under the Listing Rules and the NWD Master Services Agreement constituted continuing connected transactions of the Company under the Listing Rules.

The NWD Master Services Agreement, the transactions contemplated thereunder and the related annual caps were approved by the independent shareholders at the special general meeting of the Company held on 18 June 2020 (the "2020 SGM"). The NWD Master Services Agreement has an initial term of three years commencing from 1 July 2020. Subject to re-compliance with the applicable Listing Rules at the relevant time, the NWD Master Services Agreement may be renewed at the end of the initial term for a further term of three years (or such other period permitted under the Listing Rules).

During the year ended 30 June 2023, the contract amounts for the operational services under the NWD Master Services Agreement are summarized as follows:

Categories	**Approximate total contract sum** HK$'m	**Annual cap** HK$'m
Operational services by members of the Group to members of the NWD Group	454.2	2,498.0
Operational services by members of the NWD Group to members of the Group	57.6	211.0

(3) 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.

As at the date of signing of the DOO Master Services Agreement, Mr Doo was 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 and Mr Cheng Chi Ming, Brian, all of whom (except Mr Doo) were directors of the Company. Mr Doo was therefore a connected person of the Company under the Listing Rules. Certain members of the Services Group were majority-controlled companies of Mr Doo and hence connected persons of the Company. Accordingly, the DOO Master Services Agreement constituted continuing connected transactions of the Company under the Listing Rules.

The DOO Master Services Agreement, the transactions contemplated thereunder and the related annual caps were approved by the independent shareholders at the 2020 SGM. The DOO Master Services Agreement has an initial term of three years commencing from 1 July 2020. Subject to re-compliance with the applicable Listing Rules at the relevant time, the DOO Master Services Agreement may be renewed at the end of the initial term for a further term of three years (or such other period permitted under the Listing Rules).

During the year ended 30 June 2023, the contract amounts for the operational services under the DOO Master Services Agreement are summarized as follows:

Categories	**Approximate total contract sum** HK$'m	**Annual cap** HK$'m
Operational services by members of the Group to members of the Services Group	1.6	40.0
Operational services by members of the Services Group to members of the Group	1,802.3	4,099.0

(4) On 1 October 2022, a medical services agreement (the "Medical Services Agreement") was entered into between FTLife Insurance and UMP Professional Management Limited ("UMP Professional") (an indirect wholly owned subsidiary of UMP Healthcare Holdings Limited ("UMP Healthcare Holdings")) whereby UMP Professional agreed (or procure its applicable affiliates) to arrange or provide and administer medical services to the insured and/or policyholders of FTLife Insurance and/or respective family members of policyholders of FTLife Insurance including spouse and children.

As at the date of signing of the Medical Services Agreement, NWD together with its subsidiaries held approximately 60.9% of the total issued share capital of the Company. CTF Enterprises together with its subsidiaries held approximately 45.2% of the total issued share capital of NWD and CTF Enterprises held approximately 2.5% of the total issued share capital of the Company. CTF Enterprises together with its subsidiaries held approximately 15.3% of the total issued share capital of UMP Healthcare Holdings. Dr Sun Yiu Kwong, being a brother-in-law of Dr Cheng Kar Shun, Henry and an uncle of Dr Cheng Chi Kong, Adrian, Mr Cheng Chi Ming, Brian, Mr Cheng Chi Leong, Christopher and Mr William Junior Guilherme Doo, held approximately 36.8% of the total issued share capital of UMP Healthcare Holdings. UMP Professional was therefore considered to be a connected person of the Company under the Listing Rules. Accordingly, the Medical Services Agreement constituted continuing connected transactions of the Company under the Listing Rules.

The Medical Services Agreement has a fixed term of three years commencing from 1 October 2022, unless terminated in accordance with the terms of the Medical Services Agreement.

During the nine months period ended 30 June 2023, the contract amounts for the medical services under the Medical Services Agreement are summarized as follows:

Category	**Approximate total contract sum** HK$'m	**Annual cap** HK$'m
Medical services by UMP Professional (or its applicable affiliates) to FTLife Insurance	22.3	30.0

(5) In view of the expiry of the CTF Enterprises Master Services Agreement, the NWD Master Services Agreement and the DOO Master Services Agreement on 30 June 2023, three new master services agreements were entered into by the Company on 28 April 2023 with details as follows:

(a) a new master services agreement was entered into between the Company and CTF Enterprises (the "New CTF Enterprises Master Services Agreement") whereby each of the Company and CTF Enterprises agreed to, and agreed to procure that members of the Group or the CTF Enterprises Group (as defined in the New CTF Enterprises Master Services Agreement) (to the extent practicable), engage relevant members of the CTF Enterprises Group or the Group to provide certain operational services to relevant members of the Group or the CTF Enterprises Group (as the case may be) during the term of the New CTF Enterprises Master Services Agreement;

(b) a new master services agreement was entered into between the Company and NWD (the "New NWD Master Services Agreement") whereby each of the Company and NWD agreed to, and agreed to procure that members of the Group or the NWD Group (as defined in the New NWD Master Services Agreement) (to the extent practicable), engage relevant members of the NWD Group or the Group to provide certain operational services to relevant members of the Group or the NWD Group (as the case may be) during the term of the New NWD Master Services Agreement; and

(c) a new master services agreement was entered into between the Company and Mr Doo (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 CTF Enterprises Master Services Agreement, the New NWD Master Services Agreement and the New DOO Master Services Agreement collectively, the "New Master Services Agreements").

As at the date of signing of the New Master Services Agreements,

(a) NWD together with its subsidiaries held approximately 60.9% of the total issued share capital of the Company. NWD was therefore a substantial shareholder of the Company and hence a connected person of the Company under the Listing Rules. CTF Enterprises together with its subsidiaries held approximately 45.2% of the total issued share capital of NWD and CTF Enterprises held approximately 2.5% of the total issued share capital of the Company. CTF Enterprises was therefore considered to be a connected person of the Company under the Listing Rules;

(b) Mr Doo was 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. Except for Mr Doo, all of the aforesaid persons were directors of the Company. Accordingly, Mr Doo was a connected person of the Company under the Listing Rules.

Accordingly, each of the New Master Services Agreements constituted continuing connected transactions of the Company under the Listing Rules. The New NWD Master Services Agreement and the New DOO Master Services Agreement were subject to the independent shareholders' approval requirements under the Listing Rules. Approval from independent shareholders for such agreements, the transactions contemplated thereunder and the related annual caps was obtained at the special general meeting of the Company held on 26 June 2023. Each of the New Master Services Agreements has an initial term of three years commencing from 1 July 2023. Subject to re-compliance with the applicable Listing Rules at the relevant time, the New Master Services Agreements may be renewed at the end of the initial term or subsequent renewal term for a successive period of three years thereafter (or such other period permitted under the Listing Rules) unless either party gives written notice to the other party not less than 30 business days before the end of the initial term or any subsequent renewal term to terminate the New Master Services Agreements.

The price and terms of the continuing connected transactions mentioned in (1) to (4) above have been determined in accordance with the pricing policies and guidelines as set out in the announcements of the Company dated 24 April 2020, 5 November 2021, 29 May 2023 and the circular of the Company dated 1 June 2020. These continuing connected transactions have been reviewed by the independent non-executive directors of the Company who have confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better;

(c) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and

(d) within the caps as set out in the relevant announcements and circular.

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

Save as disclosed above, a summary of significant related party transactions made during the year, which included the abovesaid connected transactions of the Company, if applicable, is disclosed in note 51 to the financial statements. In respect of these connected transactions, the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

As at 30 June 2023, the Group has provided financial assistance, by way of shareholders' loans or advances, in the aggregate amount of HK$6,181.0 million to its affiliated companies (included in the amounts disclosed in notes 23, 24 and 31 to the financial statements), guarantees given for bank loans and other credit facilities for the benefit of the affiliated companies and the guarantee in relations to KTSPL and Goshawk in the aggregate amount of HK$11,177.5 million (included in the amounts disclosed in note 48 to the financial statements) and contracted to provide an aggregate amount of HK$1,514.0 million in capital and/or loans to affiliated companies (included in the amount disclosed in note 47(a)(i) to the financial statements). The said amounts, in aggregate, represent approximately 11.7% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules. Affiliated companies include associated companies and joint ventures of the Group.

The advances are unsecured, interest free and have no definite repayment terms except for (i) an amount of HK$104.7 million which carries interest at 8% per annum; (ii) an amount of HK$21.7 million which carries interest at Hong Kong prime rate; (iii) an amount of HK$1,600.0 million which carries interest at 6-month HIBOR plus a margin of 1.3% per annum and is not repayable within the next 12 months from the end of the reporting period; (iv) an amount of HK$550.3 million which carries compound interest at 5% per annum and is repayable on demand; (v) an amount of HK$93.6 million which carries interest at Secured Overnight Financing Rate administered by the Federal Reserve Bank of New York plus a margin of 12.15% per annum and is repayable on demand; (vi) an amount of HK$162.2 million which carries interest at 90% of over-five-year Renminbi benchmark lending rate published by the People's Bank of China; (vii) an amount of HK$218.2 million which carries interest at 4% per annum; and (viii) an amount of HK$220.9 million which is interest free and is not repayable within the next 12 months from the end of the reporting period. The advances also include an amount of HK$197.5 million which has been subordinated to certain indebtedness of an affiliated company. Contracted capital and loan contributions to affiliated companies would be funded by internally generated resources and banking facilities of the Group.

Pursuant to Rule 13.22 of the Listing Rules, a proforma combined statement of financial position of those affiliated companies with financial assistance from the Group and the Group's attributable interest in those affiliated companies as at 30 June 2023 are presented as follows:

	Proforma combined statement of financial position HK$'m	**The Group's attributable interest** HK$'m
Non-current assets	46,002.8	21,665.1
Current assets	10,516.0	4,073.7
Current liabilities	(11,693.1)	(4,356.7)
Non-current liabilities	(27,866.2)	(12,481.6)
	16,959.5	8,900.5

The proforma combined statement of financial position of the affiliated companies is prepared by combining their statements of financial position, after making adjustments to conform with the Group's significant accounting policies and re-grouping into significant classification in the statement of financial position, as at 30 June 2023.

DISCLOSURE OF LEASING ASSURANCE PURSUANT TO RULE 14.36B OF THE LISTING RULES

Reference is made to the announcement of the Company dated 16 May 2022 (the "Announcement") in relation to, among other things, the acquisition of the entire equity interest and shareholder's loan in GCD4 LLC and Goodman Chengdu Developments No.4 Limited (the "Targets") by Glorious Hope Limited (an indirect wholly owned subsidiary of the Company) (the "Buyer") from GCLH and GDA. The Targets, through a company incorporated in the PRC, indirectly own Goodman Xindu Logistics Centre, a logistics warehouse located in Xindu, Chengdu, the PRC (the "Acquisition").

On 12 January 2023, the Group completed the Acquisition, in connection with which GCLH and GDA have provided a leasing assured amount to the Buyer, which shall be adjusted downwards with reference to the amount equal to the aggregate effective rental and management fee payable by the tenants under any leases entered or effective in respect of Goodman Xindu Logistics Centre, net of relevant taxes or expenses, for a period of 12 months commencing from 12 January 2023 (the "Leasing Assurance Period"), being the date of the completion of the Acquisition (the "Leasing Assurance"). The expected expiry date of the Leasing Assurance Period is 11 January 2024. For details of the Acquisition and the Leasing Assurance, please refer to the Announcement.

Given the Leasing Assurance Period has not yet lapsed as at the date of this annual report, the Group will continue to monitor the status of the actual performance in relation to the Leasing Assurance and make appropriate disclosures in accordance with Rule 14.36B of the Listing Rules, as and when appropriate.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, approximately 14,700 staff were employed by entities under the Group's management of which approximately 3,400 staff were employed in Hong Kong. Total staff related costs from continuing operations, including provident funds, staff bonus and deemed share option benefits but excluding directors' remunerations and their deemed share option benefits during FY2023 were HK$2.882 billion (2022: HK$2.525 billion). Remuneration packages including salaries, bonuses and share options are granted to employees according to individual performance and are reviewed according to general market conditions every year. Structured training programmes were provided to employees on an ongoing basis.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 278 and 279.

AUDITOR

The financial statements for the year ended 30 June 2023 have been audited by PricewaterhouseCoopers, who will retire at the 2023 AGM and, being eligible, will offer themselves for re-appointment.

On behalf of the Board

Dr Cheng Kar Shun, Henry
Chairman

Hong Kong, 29 September 2023

pwc 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

		Shareholders' funds							
HK$'m	Note	Share capital	Share premium	Revenue reserve	Other reserves	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	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 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	

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

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.

					Discontinued operations		
Logistics	Facilities Management	Strategic Investments	Aviation	Subtotal	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.

					Discontinued operations	
Facilities Management	Strategic Investments	Aviation	Corporate	Subtotal	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

	Tax losses		Other deductible temporary differences		Total	
HK$'m	**2023**	2022	**2023**	2022	**2023**	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

		Accelerated tax depreciation		Amortization of concession rights		Undistributed profits of subsidiaries, associated companies and joint ventures		Others		Total	
HK$'m	Note	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	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	

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

Five-Year Financial Summary

	2023	2022	2021	2020	2019
Earnings per share — Basic (HK$)	**0.55**	0.41	0.29	0.06	1.04
Earnings per share — Diluted (HK$)	**0.55**	N/A	N/A	N/A	1.04
Key ratios					
Net Gearing Ratio	**9%**	19%	25%	31%	0%
Return on Equity	**5%**	4%	3%	1%	7%
Return on Capital Employed	**3%**	2%	2%	1%	6%
Consolidated income statement data (HK$'m)					
Revenue	**45,213.8**	31,138.6	28,852.4	25,920.5	26,833.5
Revenue by segments					
Roads	**2,731.8**	2,717.5	3,033.2	2,070.5	2,529.0
Construction	**19,638.5**	15,240.9	15,114.1	12,454.4	16,211.0
Insurance	**20,988.2**	12,373.6	9,640.6	6,180.0*	–
Logistics	**139.5**	11.8	–	–	–
Facilities Management	**1,715.0**	794.8	409.4	1,907.3	4,151.7
Strategic Investments	**0.8**	–	–	–	–
Aviation **	**–**	–	–	–	161.6
Transport **	**–**	–	655.1	3,308.3	3,780.2
Revenue by region					
Hong Kong	**42,311.8**	28,360.1	25,765.6	23,579.7	23,382.9
Mainland China	**2,902.0**	2,778.5	3,086.8	2,117.5	2,600.2
Global and others	**–**	–	–	223.3	850.4
Profit attributable to shareholders of the Company	**2,026.7**	1,586.8	1,113.5	253.2	4,043.2
Attributable Operating Profit	**4,097.2**	4,370.9	5,249.4	3,514.3	4,707.4
Attributable Operating Profit/(Loss) by segments					
Roads	**1,532.8**	1,709.9	1,807.5	907.4	1,805.5
Construction	**745.5**	912.2	972.0	1,066.0	1,203.8
Insurance	**1,204.5**	1,074.9	971.7	750.4*	–
Logistics	**752.0**	592.6	663.0	627.8	650.6
Facilities Management	**(61.9)**	(409.5)	(649.3)	(771.8)	(393.4)
Strategic Investments	**(75.7)**	(141.7)	739.4	251.0	282.8
Aviation **	**–**	511.5	496.0	421.9	500.3
Environment **	**–**	121.0	244.3	380.4	667.9
Transport **	**–**	–	4.8	(118.8)	(10.1)
Attributable Operating Profit of Operating businesses ^	**4,203.8**	3,801.4	3,492.7	2,175.3	2,805.9

* Represented the amounts attributable to the Group since 1 November 2019

** Being disposed/discontinued businesses

^ Operating businesses include Roads, Construction (excluding our interest held in Wai Kee), Insurance, Logistics (excluding disposed port projects) and Facilities Management

	2023	2022	2021	2020	2019
Consolidated income statement data (continued)					
(HK$'m)					
Attributable Operating Profit by region					
Hong Kong	**2,435.5**	1,825.0	2,038.7	1,716.6	1,324.4
Mainland China	**1,660.1**	1,778.2	2,389.2	1,361.0	2,815.6
Global and others	**1.6**	767.7	821.5	436.7	567.4
Corporate office and non-operating items					
Net (loss)/gain on disposal of projects, net of tax	**(64.6)**	243.9	9.3	101.0	285.1
Net gain/(loss) on fair value of investment properties	**5.2**	–	(13.2)	(22.9)	33.7
Remeasurement, impairments and provisions, net	**(490.8)**	(1,816.9)	(2,608.1)	(1,709.4)	–
Interest income	**95.0**	49.9	37.5	107.5	78.3
Net gain/(loss) on fair value of derivative financial instruments, net of tax	**67.9**	78.2	(59.1)	73.1	40.1
Net gain on redemption of senior notes	**88.6**	97.5	–	–	–
Net exchange (loss)/gain	**(45.5)**	(3.4)	17.6	1.0	(11.7)
Share-based payment	**(51.8)**	–	–	–	–
Finance costs	**(633.7)**	(424.9)	(483.4)	(737.4)	(373.8)
Expenses and others	**(428.8)**	(425.3)	(453.4)	(492.1)	(529.0)
Consolidated statement of financial position data					
(HK$'m)					
Total assets	**161,974.3**	148,770.8	152,572.9	150,052.0	86,065.0
Total liabilities, perpetual capital securities and non-controlling interests	**122,237.6**	105,462.3	104,659.5	103,685.0	37,019.0
Total borrowings	**23,796.9**	23,590.9	25,348.0	30,955.7	15,069.4
Shareholders' funds	**39,736.7**	43,308.5	47,913.4	46,367.0	49,046.0

Project Key Facts and Figures

(As at 30 June 2023)

ROADS

		Attributable Interest	Form of Investment	Length	Lanes	Expiry Date	Average Daily Traffic Flow
	Guangdong Province						
1	**Guangzhou City Northern Ring Road**	65.29%	CJV	22 km	Dual 3-Lane	2023	**2023**/362,682 **2022**/369,159 **2021**/364,383
2	**Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section)**	25%	CJV	Section 1: 8.6 km Section 2: 49.59 km	Section 1: Dual 3-Lane Section 2: Dual 2 to 3-Lane	2030	**2023**/155,512 **2022**/157,043 **2021**/170,844
3	**Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Northern Section)**	15%	CJV	27 km	Dual 3-Lane	2032	**2023**/101,841 **2022**/98,530 **2021**/98,523
4	**Guangzhou-Zhaoqing Expressway**	25%	CJV	Phase 1: 48 km Phase 2: 5.39 km	Phase 1: Dual 2-Lane Phase 2: Dual 3-Lane	2031	**2023**/97,082 **2022**/95,573 **2021**/99,224
5	**Shenzhen-Huizhou Expressway (Huizhou Section)**	33.33%	CJV	34.7 km	Dual 3 to 4-Lane	2036	**2023**/110,995 **2022**/106,691 **2021**/111,976
6	**Guangzhou Dongxin Expressway**	45.9%	Equity	46.22 km	Dual 3 to 4-Lane	2035	**2023**/194,044 **2022**/189,315 **2021**/190,207
7	**Guangzhou City Nansha Port Expressway**	22.5%	Equity	72.4 km	Dual 3 to 4-Lane	2030	**2023**/170,313 **2022**/166,862 **2021**/184,631
8	**Guangdong E-serve United Co., Ltd.**	1.02%	Equity	N/A	N/A	N/A	N/A
	Guangxi Zhuang Autonomous Region						
9	**Guangxi Guiwu Expressway**	40%	Equity	198 km	Dual 2-Lane	2045	**2023**/40,595*
	Zhejiang Province						
10	**Hangzhou Ring Road**	100%	Equity	103.4 km	Dual 2 to 3-Lane	2029	**2023**/322,247 **2022**/300,776 **2021**/340,871

(As at 30 June 2023)

		Attributable Interest	Form of Investment	Length	Lanes	Expiry Date	Average Daily Traffic Flow
	Shanxi Province						
11	**Shanxi Taiyuan — Gujiao Roadway (Gujiao Section)**	60%†	CJV	36.02 km	Dual 1-Lane	2025	**2023**/683 **2022**/1,404 **2021**/1,126
12	**Roadway No. 309 (Changzhi Section)**	60%†	CJV	22.2 km	Dual 1 to 2-Lane	2023	**2023**/5,661 **2022**/4,072 **2021**/3,790
13	**Taiyuan — Changzhi Roadway (Changzhi Section)**	60%†	CJV	18.3 km	Dual 1 to 2-Lane	2023	**2023**/915 **2022**/901 **2021**/666
	Tianjin Municipality						
14	**Tangjin Expressway (Tianjin North Section)**	60%††	CJV	Section 1: 43.45 km Section 2: 17.22 km	Dual 3-Lane	2040	**2023**/74,607 **2022**/68,453 **2021**/79,813
	Hubei Province						
15	**Hubei Suiyuenan Expressway**	30%	EJV	98.06 km	Dual 2-Lane	2040	**2023**/30,715 **2022**/28,945 **2021**/32,879
16	**Hubei Laogu Expressway**	1%#	EJV	39.28 km	Dual 2-Lane	2050	**2023**/8,047 **2022**/5,730#
	Hunan Province						
17	**Hunan Sui-Yue Expressway**	100%	Equity	24.08 km	Dual 3-Lane	2039	**2023**/38,417 **2022**/33,732 **2021**/33,877
18	**Hunan Changliu Expressway**	100%	Equity	65 km	Dual 2-Lane	2044	**2023**/40,925 **2022**/43,923 **2021**/48,367

Remarks:

† Cash sharing ratio of 90% for the first 12 years from the operation date and thereafter 60%

†† Cash sharing ratio of 90% for the first 15 years from the operation date and thereafter 60%

CJV: Co-operative Joint Venture (profit sharing percentage)

EJV: Equity Joint Venture (percentage of equity interest)

N/A: Not applicable

* The figure represents the average daily traffic flow for the period from November 2022 to June 2023 as the acquisition of 40% interest was completed in November 2022

The figure represents the average daily traffic flow for the period from March to June 2022 as the acquisition of 1% interest (and convertible shareholder loan equivalent to 24% interest) was completed in March 2022

Project Key Facts and Figures

(As at 30 June 2023)

CONSTRUCTION

	Hip Hing Construction Group
Attributable Interest	100%
Services Offered	General contracting, construction management, civil engineering works and foundation works
Total Value of Contracts Awarded this Year	HK$5.2 billion
Value of Contracts on Hand	HK$56.5 billion (remaining value of works to be completed: HK$25.4 billion)

INSURANCE

	FTLife Insurance Company Limited
Attributable Interest	100%
Services Offered	Provision of diversified insurance and financial planning products and services to individuals and institutions.
Product Category	Life Insurance, Medical Insurance, Critical Illness Insurance, Personal Accident Insurance, Saving Insurance Plan, Investment-linked Assurance Scheme, Annuity
No. of Agents	Approximately 2,200
Solvency Ratio	325% (as at 30 June 2023)

(As at 30 June 2023)

LOGISTICS

	Attributable Interest	Form of Investment	Gross Leasable Area (sq m)	Location	Operation Date	Expiry Date	Occupancy Rate
ATL Logistics Centre Hong Kong Limited	56%	Equity	551,846	Hong Kong	Phase 1: February 1987 Phase 2: March 1988 Phase 3: February 1992 Phase 4: January 1994 Phase 5: November 1994	2047	**2023**/99.8% **2022**/99.8%
Chengdu Dasheng Logistics Co. Ltd.	100%	Equity	53,042	Chengdu	June 2019	2063	**2023**/96.8% **2022**/96.6%^
Jialong (Chengdu) Warehouse Co. Ltd.	100%	Equity	77,783	Chengdu	Phase 1: September 2014 Phase 2: April 2018	2062	**2023**/99.4% **2022**/89.1%^
Jiaxin (Chengdu) Warehouse Co. Ltd.	100%	Equity	27,599	Chengdu	February 2018	2064	**2023**/88.4% **2022**/98.8%^
			39,711 (subject to final design)		TBC	2065	N/A
Chengdu Jiachao Warehouse Co. Ltd.	100%	Equity	71,413	Chengdu	Phase 1: September 2015 Phase 2: December 2015 Phase 3: November 2016	2064	**2023**/91.5% **2022**/83.2%^
Jiayao (Chengdu) Warehouse Co. Ltd.	100%	Equity	92,602	Chengdu	August 2022	2069	**2023**/51.2%
Wuhan Jiamai Warehouse Co. Ltd.	100%	Equity	169,091	Wuhan	Phase 1: December 2015 Phase 2: May 2016 Phase 3: June 2021	2064	**2023**/83.4% **2022**/82.0%^
Suzhou Greenland Platinum Election e-commerce Co. Ltd.	90%	Equity	75,164	Suzhou	June 2021	2068	**2023**/100%

	Attributable Interest	Form of Investment	Investment Scope	Handling Capacity	Location and Operation Date	Expiry Date	Throughout Achieved (TEUs)
China United International Rail Containers Co., Limited	30%	EJV	Pivotal rail container terminal network	6.6 million TEUs/year	Kunming: January 2008 Chongqing: December 2009 Chengdu: March 2010 Zhengzhou: April 2010 Dalian: July 2010 Qingdao: August 2010 Wuhan: August 2010 Xian: December 2010 Ningbo: January 2011 Tianjin: January 2017 Urumqi: June 2017 Qinzhou: June 2019 Guangzhou: December 2021	2057	**2023**: 5,541,000 **2022**: 4,754,000 **2021**: 4,869,000

^ For the month of June 2022 as the acquisition of logistics properties were completed in June 2022. The average occupancy rate for these logistics properties since acquisitions was 86.7%

(As at 30 June 2023)

FACILITIES MANAGEMENT

	Hong Kong Convention and Exhibition Centre (Management) Limited	**Shenyang New World Expo (Management) Limited**
Attributable Interest	100%	100%
Services Offered	Management and operation of venues for exhibitions, conventions, meetings, entertainment events, banquets and catering events, etc	
Gross Rentable Space	91,500 sq m	28,000 sq m
No. of Events Held this Year	765	49
Total Attendance this Year	Approximately 5.3 million	Approximately 0.6 million

	Gleneagles Hospital Hong Kong
Attributable Interest	40%
Services Offered	500-bed private hospital with services spanning more than 35 specialties and subspecialties. It offers a comprehensive range of healthcare services and facilities, including 24-hour Outpatient and Emergency, Cardiac Catheterization & Intervention Centre, Clinical Laboratory, Critical Care Unit, Dialysis Centre, Dietetic Services, Digital Subtraction Angiography Suite, Endoscopy and Day Surgery Centre, Health Screening Clinic, Operating Theatre, Radiology Services, Radiotherapy and Oncology Centre, Rehabilitation Centre, Specialist Service Centres, Specialist Outpatient Clinics, etc

	Free Duty
Attributable Interest	100%
Services Offered	Retail of duty free tobacco, liquor, perfume, cosmetics, package food and general merchandise
Shop Locations	MTR Lo Wu, Hung Hom and Lok Ma Chau Stations; Hong Kong-Zhuhai-Macao Bridge (Hong Kong Port Passenger Clearance Building)

Glossary of Terms

In this annual report, unless the context otherwise requires, the following expressions have the following meanings:

GENERAL TERMS

"ATL"	ATL Logistics Centre Hong Kong Limited
"Board"	the board of directors of NWS Holdings
"CSR"	Corporate Social Responsibility
"CTFC"	Chow Tai Fook Capital Limited
"CTF Enterprises"	Chow Tai Fook Enterprises Limited
"CTFH"	Chow Tai Fook (Holding) Limited
"CUIRC"	China United International Rail Containers Co., Limited
"Derun Environment"	Chongqing Derun Environment Co., Ltd.
"ESG"	Environmental, Social and Governance
"ERM"	Enterprise Risk Management
"EUR"	Euro, the official currency of the Eurozone
"FTLife Insurance"	FTLife Insurance Company Limited
"FY2013"	the financial year ended 30 June 2013
"FY2019"	the financial year ended 30 June 2019
"FY2021"	the financial year ended 30 June 2021
"FY2022"	the financial year ended 30 June 2022
"FY2023"	the financial year ended 30 June 2023
"FY2024"	the financial year ending 30 June 2024
"GHK Hospital"	Gleneagles Hospital Hong Kong
"Goshawk"	Goshawk Aviation Limited
"GML"	Goshawk Management Limited, the main wholly-owned operating subsidiary of Goshawk

GENERAL TERMS (CONTINUED)

"Greater Bay Area"	the Guangdong-Hong Kong-Macao Greater Bay Area
"GRI"	Global Reporting Initiative
"Group"	NWS Holdings and its subsidiaries
"Guiwu Expressway"	Guangxi Logan Guiwu Expressway Co., Ltd
"HIBOR"	Hong Kong Interbank Offered Rate
"Hip Hing" or "Hip Hing Group"	NWS Construction Limited and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"HK$'m"	million of Hong Kong dollar
"HKCEC"	Hong Kong Convention and Exhibition Centre
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKRBC"	Hong Kong Risk Based Capital
"HML"	Hong Kong Convention and Exhibition Centre (Management) Limited
"Hong Kong" or "HKSAR"	The Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hunan Daoyue"	Hunan Daoyue Expressway Industry Co., Ltd.
"KTSPL"	Kai Tak Sports Park Limited
"LIBOR"	London Interbank Offered Rate
"LA&M"	Logistics Asset & Management
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Macau"	The Macau Special Administrative Region of the PRC
"Mainland" or "Mainland China"	the PRC excluding Hong Kong, Macau and Taiwan
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules

GENERAL TERMS (CONTINUED)

"MOP"	Macau Pataca, the lawful currency of Macau
"NWCS"	New World Corporate Services Limited
"NWD"	New World Development Company Limited
"New World Group"	NWD and its subsidiaries
"NWS Guangdong"	NWS (Guangdong) Investment Co. Ltd.
"NWS HKI"	NWS Hong Kong Investment Limited
"NWS", "NWS Holdings" or "Company"	NWS Holdings Limited
"PRC"	The People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"SUEZ NWS"	SUEZ NWS Limited
"SV2030"	New World Sustainability Vision 2030
"USA"	the United States of America
"US$"	United States dollar, the lawful currency of USA
"Wai Kee"	Wai Kee Holdings Limited

TECHNICAL TERMS

"AI"	Artificial Intelligence
"BEAM"	the Building Environmental Assessment Method
"BIM"	Building Information Modelling
"CO_2"	carbon dioxide
"CJV"	co-operative joint venture company
"EJV"	equity joint venture company
"km"	kilometre(s)
"kWh"	kilowatt-hour(s)
"LEED"	Leadership in Energy and Environmental Design
"LTIR"	Lost-time injury rate
"MiC"	Modular Integrated Construction
"mWh"	milliwatt-hour(s)
"SBTi"	the Science Based Targets initiative
"SDG(s)"	the United Nations Sustainable Development Goal(s)
"sq ft"	square foot (feet)
"sq m"	square metre(s)
"tCO_2e"	tonnes of carbon dioxide equivalent
"TEU(s)"	twenty-foot equivalent unit(s), a standard measurement unit of a container. It is based on the dimensions of a container 20 feet long by 8 feet wide by 8.5 feet high with an average load of approximately nine tonnes
"tonne(s)"	equal to 1,000 kilograms
"VR"	virtual reality

FINANCIAL TERMS

"Adjusted EBITDA"	Adjusted EBITDA 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
"Attributable Operating Profit" or "AOP"	profit available for appropriation before corporate office and non-operating items
"Attributable Operating Loss" or "AOL"	loss before corporate office and non-operating items
"Dividend Payout Ratio"	$\frac{\text{dividends}}{\text{profit attributable to shareholders of the Company}}$
"EBITDA"	earnings before interest, taxes, depreciation and amortisation
"FVPL"	fair value through profit or loss
"FVOCI"	fair value through other comprehensive income
"HKAS(s)"	Hong Kong Accounting Standard(s)
"HKFRS(s)"	Hong Kong Financial Reporting Standard(s)
"Net Assets"	total assets less total liabilities
"Net Assets per Share"	$\frac{\text{Net Assets}}{\text{number of issued shares at the end of the year}}$
"Net Debt"	Total Debt less cash and bank balances and short-term deposits
"Net Gearing Ratio"	$\frac{\text{Net Debt}}{\text{total equity}}$
"Return on Capital Employed"	$\frac{\text{profit for the year}}{\text{total equity + non-current liabilities}}$
"Return on Equity"	$\frac{\text{profit for the year}}{\text{total equity}}$
"Total Debt"	the aggregate of borrowings and other interest-bearing liabilities

OTHER TERMS FOR INSURANCE BUSINESS

"APE"	annual premium equivalent, a measure of new insurance business activity that is calculated as the sum of annualized regular premiums from new insurance business plus 10% single premiums on new insurance business written during a period
"DAC"	deferred acquisition costs, being the direct acquisition costs and a portion of indirect acquisition costs relating to the production of new insurance business deferred
"Embedded value"	being an actuarially determined estimate of the economic value of a life insurance business based on a particular set of assumptions, which is equal to the sum of adjusted net worth and value of in-force business, excluding any economic value attributable to future new insurance business
"VOBA"	value of business acquired, in respect of a portfolio of long-term insurance and investment contracts, being an 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.
"VONB"	value of new business, being the present value of distributable statutory earnings in the future (less the cost of holding solvency capital) from new insurance business sold in a period

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr Cheng Kar Shun, Henry *(Chairman)*
Mr Ma Siu Cheung *(Chief Executive Officer)*
Mr Ho Gilbert Chi Hang *(Chief Operating Officer)*
Dr Cheng Chi Kong, Adrian
Mr Cheng Chi Ming, Brian
Mr Cheng Chi Leong, Christopher

Non-executive Directors

Mr To Hin Tsun, Gerald
Mr Dominic Lai
Mr William Junior Guilherme Doo
Mr Lam Wai Hon, Patrick *(alternate director to Mr William Junior Guilherme Doo)*

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

BOARD COMMITTEES

Executive Committee

Dr Cheng Kar Shun, Henry *(Chairman)*
Mr Ma Siu Cheung
Mr Ho Gilbert Chi Hang
Dr Cheng Chi Kong, Adrian
Mr Cheng Chi Ming, Brian
Mr Cheng Chi Leong, Christopher

Audit Committee

Professor Chan Ka Keung, Ceajer *(Chairman)*
Mr Dominic Lai
Mr Shek Lai Him, Abraham
Mr Lee Yiu Kwong, Alan

Remuneration Committee

Mr Shek Lai Him, Abraham *(Chairman)*
Mr Ma Siu Cheung
Mr Lee Yiu Kwong, Alan
Professor Chan Ka Keung, Ceajer

Nomination Committee

Dr Cheng Kar Shun, Henry *(Chairman)*
Mr Ma Siu Cheung
Mr Shek Lai Him, Abraham
Mr Lee Yiu Kwong, Alan
Professor Chan Ka Keung, Ceajer

Sustainability Committee

Mr Ma Siu Cheung *(Chairman)*
Mr Ho Gilbert Chi Hang
Mr Cheng Chi Ming, Brian
Mr Dominic Lai
Mr William Junior Guilherme Doo
Mr Lee Yiu Kwong, Alan
Mrs Oei Wai Chi Grace Fung
Ms Ng Yuen Ting, Yolanda

Corporate Governance Committee

Mr Wong Kwai Huen, Albert *(Chairman)*
Mr Ma Siu Cheung
Mr Ho Gilbert Chi Hang
Mrs Oei Wai Chi Grace Fung

COMPANY SECRETARY

Mr Tang Wai Yau

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

21/F., NCB Innovation Centre
888 Lai Chi Kok Road
Cheung Sha Wan
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
BNP Paribas Hong Kong Branch
China Construction Bank (Asia) Corporation Limited
China Merchants Bank Co., Ltd. Beijing Branch
Crédit Agricole Corporate and Investment Bank
DBS Bank Ltd. Hong Kong Branch
Hang Seng Bank, Limited
Mizuho Bank, Ltd. Hong Kong Branch
MUFG Bank, Ltd. Hong Kong Branch
Oversea-Chinese Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited
Sumitomo Mitsui Banking Corporation
Hong Kong Branch
The Hongkong and Shanghai Banking
Corporation Limited

WEBSITE

www.nws.com.hk

NWS Holdings Limited
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