

INTERIM REPORT 2022-2023



新創建 NWS

NWS Holdings Limited

(Incorporated in Bermuda with limited liability)
Stock code: 659

Member of New World Group

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Where the English and the Chinese texts conflict, the English text prevails.

This interim report is also available at www.nws.com.hk.

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Corporate Profile

NWS Holdings Limited (the “Company”, together with its subsidiaries, the “Group”; Hong Kong stock code: 659), headquartered in Hong Kong, invests and operates a wide range of businesses predominantly in Hong Kong and the Mainland. Our core business includes toll roads, construction and insurance, while we also manage a strategic portfolio spanning sectors from logistics to facilities management.

As the diversified industries flagship of New World Development Company Limited (“NWD”, together with its subsidiaries, the “New World Group”; Hong Kong stock code: 17), the Group seeks to foster long-term and sustainable growth that benefits our employees, investors and stakeholders.



Chairman's Statement

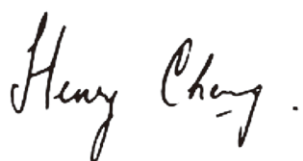
Dear Shareholders,

2023 marks the Group's 20th anniversary since its listing on the Hong Kong Stock Exchange under the name of NWS Holdings Limited in 2003. Having navigated in the market over the past 20 years and timely adjusted its strategy, the Group has overcome all the obstacles and grown into a premium diversified industries group with the aims of creating value for our stakeholders and serving the community. For the purpose of achieving such aims, the Group embraces the vision of fostering connectivity for our communities to thrive, endeavours to connect people, goods and capital. With the Group's core values to sharpen its focus on integrity, agility, growth, create shared value and sustainability, the Group is committed to evolving into a stronger company and building a better society for our stakeholders and the community.

With the resolution to steer the Group towards a more sustainable and robust growth, the Group has made huge strides through transformation and portfolio optimization since the financial year of 2019 and is bearing fruits. In 2022, the Group has further accelerated its efforts in growth and strengthened its business portfolio with expansion in roads and modern logistics, and at the same time monetized aircraft leasing platform given the reversal of the interest rate cycle, boosting the portfolio with clearer growth prospect, more manageable risk profile, visible profit and cash flow outlook.

Alongside with contriving for sustainable growth, the Group is also committed to fostering a sustainable community. Fully embracing New World Development's Sustainability Vision 2030, the Group strives to combat climate change and transition towards carbon neutrality, while leveraging all resources and business ecosystem to protect our environment, with the aim of achieving a sustainable long-term development of the society for our next generation. Being a caring and socially responsible company, the Group has also continued to give back to the community through various community caring initiatives, supporting people in need and nurturing our community and culture.

Together with our valued shareholders, stakeholders and the community at large, the Group is looking to thrive and celebrate more anniversaries ahead.



Dr Cheng Kar Shun, Henry
Chairman

Hong Kong, 23 February 2023

Financial Highlights

	For the six months ended	
	31 December	
	2022 HK\$m	2021 HK\$m (restated)
Revenue ⁽¹⁾	17,569.9	16,304.2
Profit attributable to shareholders of the Company	1,162.4	1,583.5
Attributable Operating Profit	2,100.9	2,367.5
Adjusted EBITDA ⁽²⁾	2,984.0	3,239.4
Interim dividend per share	HK\$0.30	HK\$0.30
Dividend payout ratio ⁽³⁾	101%	74%

	At	At
	31 December	30 June
	2022 HK\$m	2021 HK\$m
Total assets	148,548.0	148,770.8
Net assets ⁽⁴⁾	50,082.7	53,887.1
Net assets per share ⁽⁵⁾	HK\$12.81	HK\$13.78
Cash and bank balances	17,691.9	13,452.6
Net debt ⁽⁶⁾	5,686.9	10,138.3
Net gearing ratio ⁽⁷⁾	11%	19%

Remarks:

- (1) Revenue from continuing operations
- (2) 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
- (3) Dividend divided by profit attributable to shareholders of the Company
- (4) Total assets less total liabilities
- (5) Net assets divided by number of issued shares at the end of the period/year
- (6) The aggregate of borrowings and other interest-bearing liabilities less cash and bank balances and short-term deposits
- (7) Net debt divided by total equity

Management Discussion and Analysis

Group overview

For the six months ended 31 December 2022 (the “Current Period”), Attributable Operating Profit (“AOP”) of the Group was HK\$2,100.9 million, representing a slight decline of 11% compared with the six months ended 31 December 2021 (the “Last Period”). Although a number of factors contributed positively to the AOP, namely, (i) the inclusion of five logistics properties in Chengdu and Wuhan acquired in June 2022 which added to the AOP in the Logistics segment; (ii) the continuous reduction in Attributable Operating Loss (“AOL”) of the Facilities Management segment as losses of the three businesses within the segment further narrowed; (iii) the AOP contribution from the Insurance segment; and (iv) the turnaround to AOP of the Strategic Investments segment (Last Period: AOL of HK\$53.7 million), these positive factors were partly offset by (i) the absence of AOP contributions from both Goshawk Aviation Limited (“GAL” or “Goshawk”) and SUEZ NWS Limited (“SUEZ NWS”) since the announcement of the sale of Goshawk Management Limited (“GML”) by GAL and after the completion of the disposal of SUEZ NWS by the Group, respectively; and (ii) the decrease in AOP of the Roads segment mainly caused by 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. As a result of the above, together with the mixed impact of the recognition of a net gain on the partial redemption of senior notes, the reduction in impairment loss on investments, the loss on disposal of a legacy project and the increase in finance costs due to the surge in interest rates, profit attributable to shareholders of the Company for the Current Period was HK\$1,162.4 million, representing a decline of 27% compared with the Last Period.

During the Current Period, the Group continued to expand and invest in value accretive projects which include the acquisition of 40% interest in Guigang-Wuzhou Expressway (“Guiwu Expressway”) (貴港至梧州高速公路 (「貴梧高速公路」)), the signing of the agreement to acquire the remaining 60% stake in Sui-Yue Expressway and the commencement of the expansion of Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section). Together with the completion of the disposal of the commercial aircraft leasing business in December 2022, the Group’s business portfolio has been further strengthened with enhanced earnings and cash flow visibility and lower risk profile.

Fundamentals of the Group’s recurring businesses remained resilient and solid notwithstanding short-term headwinds encountered in the Roads segment in the Current Period due to the unexpected and widely adopted containment measures against COVID-19 in the Mainland. With the recent change in policy in the Mainland, a rapid recovery is expected in the Roads segment. Excluding Aviation and Strategic Investments segments, Wai Kee Holdings Limited (“Wai Kee”) and SUEZ NWS, AOP of the Group’s recurring businesses declined merely by 3% year-on-year, primarily driven by the drop in Roads segment’s AOP.

Owing mainly to the decline in AOP of the Roads segment as explained above and the absence of AOP contribution from Aviation segment during the Current Period, Core Business’ AOP dropped by 25% year-on-year to HK\$1,640.7 million. If not considering Aviation segment and Wai Kee, AOP of the recurring businesses of Core Business recorded a decline of 13% in the Current Period.

Management Discussion and Analysis

Within Strategic Portfolio, the respectable increase in AOP of the Logistics segment and the narrowing of AOL of the three businesses under Facilities Management segment, along with the turnaround of the Strategic Investments segment to an AOP of HK\$170.3 million (Last Period: AOL of HK\$53.7 million), partially offset by the lack of AOP contribution from SUEZ NWS, have led to a surge in Strategic Portfolio's AOP by 149% year-on-year to HK\$460.2 million. Excluding Strategic Investments segment and SUEZ NWS, AOP of Strategic Portfolio's recurring businesses rose by 147% year-on-year.

The increase in non-operating losses incurred in the Current Period versus the Last Period was mainly due to the loss realized on the disposal of a legacy project related to coal trading in the Mainland (Last Period: net gain on disposal of projects recognized), partly offset by the decrease in impairment loss on investments recognized.

With the recent sharp rise in interest rates, finance costs from bank loans have increased during the Current Period, which were mitigated by the interest savings from the partial redemption of US\$650 million 4.25% senior notes due 2029 ("Senior Notes") in the last quarter of the financial year ended 30 June 2022 ("FY2022"). In addition, a net gain on redemption of the Senior Notes (Last Period: nil) was recognized in the Current Period.

For the Current Period, the basic earnings per share was HK\$0.30, decreased by 27% year-on-year.

Contribution from operations in Hong Kong accounted for 53% of the AOP in the Current Period (Last Period: 43%), while Mainland China and other regions contributed 43% and 4% of the AOP, respectively (Last Period: 40% and 17%, respectively). Adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA") was down by 8% to HK\$2,984.0 million.

Financial position remained solid in the Current Period. Net debt balance as at 31 December 2022 decreased to approximately HK\$5.7 billion (30 June 2022: HK\$10.1 billion) and net gearing ratio decreased to 11% (30 June 2022: 19%).

During the Current Period, the Group redeemed US\$92.3 million in aggregate principal amount of the Senior Notes at a discount to par value (US\$243.6 million remained outstanding as at 31 December 2022) as well as US\$280.9 million in aggregate principal amount of the US\$1,300 million 5.75% senior perpetual capital securities at a discount to par value (US\$1,019.1 million remained outstanding as at 31 December 2022). Meanwhile, the Group continues to ramp up its efforts to pursue other sustainable, social and green finance options to show our commitment to Environmental, Social and Governance ("ESG") and to lower our finance costs through various means. As at 31 December 2022, the Group had over HK\$6.2 billion sustainability-linked facilities.

Management Discussion and Analysis

Contribution by Division

For the six months ended 31 December	2022 HK\$'m	2021 HK\$'m (restated)
Core Business	1,640.7	2,182.7
Strategic Portfolio		
Continuing operations	460.2	63.8
Discontinued operations	–	121.0
Attributable Operating Profit	2,100.9	2,367.5
<i>Corporate office and non-operating items</i>		
Net loss on fair value of investment properties	(17.2)	–
Impairments and provisions, net	(149.1)	(341.7)
Net (loss)/gain on disposal of projects, net of tax	(46.5)	213.0
Gain on fair value of derivative financial instruments	37.1	21.9
Net gain on redemption of senior notes	88.6	–
Interest income	35.8	27.0
Finance costs	(311.5)	(226.9)
Share-based payment	(32.0)	–
Net exchange (loss)/gain	(38.8)	1.4
Expenses and others	(209.1)	(187.2)
	(642.7)	(492.5)
Profit for the period after tax and non-controlling interests	1,458.2	1,875.0
Profit attributable to		
Shareholders of the Company	1,162.4	1,583.5
Holders of perpetual capital securities	295.8	291.5
	1,458.2	1,875.0
Adjusted EBITDA[#]	2,984.0	3,239.4

[#] 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.

Management Discussion and Analysis

OPERATIONAL REVIEW – CORE BUSINESS

AOP of Core Business was HK\$1,640.7 million, representing 78% of the Group's AOP in the Current Period.

AOP Contribution by Segment

For the six months ended 31 December	2022 HK\$m	2021 HK\$m (restated)	Change % Fav./Unfav.)
Roads	684.5	968.7	(29)
Aviation	–	274.4	(100)
Construction [□]	416.3	448.7	(7)
Insurance	539.9	490.9	10
Total	1,640.7	2,182.7	(25)

[□] Included share of profits from the Group's 11.49% attributable interest in Wai Kee in both periods. AOP of the Construction segment has been restated for the Last Period due to the change in classification of the Group's remaining interest in Wai Kee from an asset held-for-sale to an associated company in the second half of FY2022.

Roads

During the Current Period, COVID-19 containment measures in the Mainland, compounded by the cut in toll fee for trucks by 10% by the Mainland Government in the fourth quarter of 2022 with the aim of supporting the economic and logistics industry growth, Renminbi ("RMB") depreciation, as well as absence of financial incentives received in the Last Period associated with the investments in Changliu Expressway and Sui-Yue Expressway have altogether weighed on the AOP performance of the Roads segment. Though the financial support from the Mainland Government in relation to the 10% toll fee reduction for trucks partly mitigated the negative impacts, AOP fell by 29% year-on-year to HK\$684.5 million. Overall traffic flow and toll revenue in the Current Period dropped by 10% and 6% year-on-year, respectively. Excluding the impact of RMB depreciation, underlying AOP from operation of the Roads segment declined by 23% over the Last Period. Further excluding the financial incentives received in the Last Period, the AOP decline would be 20%.

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 Suiyuan Expressway, Sui-Yue Expressway and Changliu Expressway), have collectively contributed over 90% of the Roads segment's AOP, with overall traffic flow declining 11% year-on-year mainly due to the impact of COVID-19 control measures in the Mainland as mentioned above.

Despite challenging environment, the Group managed to take the opportunity to further enrich our road portfolio. In December 2022, the Group announced the signing of the agreement to acquire the remaining 60% interest in Sui-Yue Expressway, while the acquisition of 40% interest in Guiwu Expressway (貴梧高速公路) was completed in November 2022. Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section)'s expansion has also been approved by the Mainland Government and construction works have begun.

The overall average remaining concession period of our road portfolio as at 31 December 2022 was around 11 years, which will support the sustainable income and cash flow to the Group in the up-coming years.

Management Discussion and Analysis

Aviation

The Group's Aviation segment engages in commercial aircraft leasing business through our full service leasing platform GAL. In December 2022, GAL completed the disposal of all its commercial aircraft leasing business, except for the 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. Upon the completion of the disposal, the Group's risk profile has further improved with reduced interest rate and potential geopolitical exposures.

Construction

Construction segment encompasses our wholly-owned interest in NWS Construction Limited and its subsidiaries (collectively, "Hip Hing Group"), as well as our 11.49% interest in Wai Kee. In the Current Period, the overall AOP of the Construction segment decreased by 7% year-on-year to HK\$416.3 million, while Hip Hing Group performed steadily with AOP standing at HK\$403.0 million. Major projects of Hip Hing Group during the Current Period included Immigration Headquarters at Tseung Kwan O, commercial developments at Kai Tak (SOGO and AIRSIDE), residential development at Yin Ping Road, Tai Wo Ping and office development at 2 Murray Road, Central.

During the Current Period, Hip Hing Group's gross value of contracts on hand increased by 6% year-on-year to approximately HK\$57.5 billion, and the remaining works to be completed grew by 17% year-on-year to around HK\$33.2 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. New projects contracted for in the Current Period dropped by 53% year-to-year to around HK\$4.0 billion amid reduction in project supply in the private sector and hence more competition in the public sector. Key projects awarded included design and construction of expansion of the Legislative Council Complex, main contract works for office development at 20 Des Voeux Road Central and design and construction of a new public market in Tin Shui Wai.

Management Discussion and Analysis

Insurance

Insurance industry in Hong Kong was negatively impacted by a succession of challenges in the Current Period, from adverse economic environment and continuous border restriction in Hong Kong to surge in interest rates and volatility in the equity market, which took a toll on the overall operating performance. That said, AOP of our Insurance segment managed to increase by 10% year-on-year to HK\$539.9 million, thanks to its effective expense management, reduction in medical claims and change in valuation interest rate used in response to the increase in market interest rate.

Amid all the external challenges in the Current Period, FTLife Insurance Company Limited's ("FTLife Insurance") overall Annual Premium Equivalent ("APE") dropped by 31% year-on-year to HK\$726.9 million, maintaining its ranking of 12th among Hong Kong life insurance companies by APE as at 30 September 2022. Gross written premium declined by 12% year-on-year to HK\$6,347.4 million. Pressured by the drop in APE, Value of New Business ("VONB") was down by 39% to HK\$220.5 million, and VONB margin, representing VONB as a percentage of APE, decreased to 30% (Last Period: 34%) on product mix change and acquisition expense overruns impact resulting from reduced business volumes. Overall investment return of FTLife Insurance's investment portfolio was 3.4% in the Current Period (Last Period: 5.3%).

Despite headwinds confronting the market, FTLife Insurance continued to enhance its product offerings in the Current Period. In addition to "Your Choice" Insurance Plan, a short-term savings insurance product, and "Protect Starter", a new critical illness protection plan with new value proposition, launched in July and August 2022, respectively, FTLife Insurance further launched in November 2022 "Everglow 128" Insurance Plan, a savings plan which has annual distribution of cash coupons to provide stable income streams for maximum of 128 years and allows change of insured to pass the legacy to next generations, and "Legend 2", a single pay investment linked product offering customers a spectrum of investment choices according to their needs and appetites. During the Current Period, in recognition of FTLife Insurance's efforts in offering innovative insurance products that take care of customers' needs, FTLife Insurance's products clinched three awards at insurance comparison platform 10Life 5-Star Insurance Award 2022 and Critical Illness Product – Outstanding Achiever at 2021 BENCHMARK Wealth Management Awards.

While strengthening its agency force via training and governance control, FTLife Insurance is also enhancing its distribution channel through expanding its partnership channel, and at the same time seeking to expand cooperation with banks to tap new business opportunities. Further collaboration within the ecosystem of the New World Group also assisted in expanding FTLife Insurance's customer base. During the Current Period, FTLife Insurance's outstanding achievements in talent development, product development, branding and corporate social responsibility have garnered four accolades at the Bloomberg Businessweek/Chinese Edition Financial Institution Awards 2022.

Financial position of FTLife Insurance remained healthy during the Current Period. As at 31 December 2022, FTLife Insurance's solvency ratio stood at 364%, versus minimum industry regulatory requirement of 150%. Embedded value continued to be impacted by the interest rates hike and unfavourable equity performance, and decreased by 19% year-on-year to HK\$17.3 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.

Management Discussion and Analysis

OPERATIONAL REVIEW – STRATEGIC PORTFOLIO

AOP of Strategic Portfolio was HK\$460.2 million in the Current Period.

AOP Contribution by Segment

For the six months ended 31 December	2022 HK\$m	2021 HK\$m	Change % Fav./Unfav.)
Logistics	417.7	279.3	50
Facilities Management	(127.8)	(161.8)	21
Strategic Investments	170.3	(53.7)	417
Discontinued operations Environment	–	121.0	(100)
Total	460.2	184.8	149

Logistics

Sturdy performance of ATL Logistics Centre Hong Kong (“ATL”) and China United International Rail Containers Co., Limited (“CUIRC”), together with the contributions from the newly acquired logistics properties fostered the 50% year-on-year AOP growth of the Logistics segment to HK\$417.7 million.

Among Logistics Asset & Management (“LA&M”), ATL’s performance remained solid during the Current Period and continued to be the key AOP contributor of the Logistics segment, contributing over 70% of the segment’s AOP. Keen demand for ATL’s warehouse space, as evidenced by the almost fully let occupancy rate of 99.2% as at 31 December 2022 (31 December 2021: 99.1%), supported ATL’s average rent to grow by 2% during the Current Period. In the Mainland, the five newly acquired logistics properties have continued to ramp up, with overall occupancy rate reaching 90.8% as at 31 December 2022 (30 June 2022: 86.7%) and accounted for close to 15% of the segment’s AOP, while the completion of the acquisition of the sixth logistics property took place in January 2023. During the Current Period, a revaluation gain of less than 1% of the total valuation of properties under LA&M was shared by the Group, and such revaluation gain (net of tax) accounted for about 18% of the segment’s AOP.

For CUIRC, strong demand for multimodal transportation service and the increase in terminal capacity from the new Guangzhou terminal underpinned its 18% year-on-year growth in throughput to approximately 2,725,000 TEUs in the Current Period, which spurred the AOP to surge by 43% year-on-year. Doubling of handling capacity of Zhengzhou terminal was completed and the expansion of Xi’an terminal’s handling capacity is in progress and is expected to complete in the first quarter of 2023.

Management Discussion and Analysis

Facilities Management

Continuous improvement in the operating performance of the three businesses within the Facilities Management segment fuelled the narrowing of AOL by 21% year-on-year to HK\$127.8 million.

Powered by its premium healthcare service, Gleneagles Hospital Hong Kong (“GHK Hospital”) is fortifying its reputation in Hong Kong and sees its operation gathering momentum, driving its solid revenue growth and AOL improvement. Compared with the Last Period, revenue grew by 16%, with the number of inpatients and day cases growing steadily by 1% and 3%, respectively, while the number of outpatients edged down by 2% in the Current Period. Since achieving EBITDA breakeven in May 2021, GHK Hospital’s EBITDA continued to grow during the Current Period and increased by 285% compared with the Last Period, with EBITDA margin continuing to improve. As at 31 December 2022, number of regular utilized beds was 264 (31 December 2021: 238), with an average occupancy rate of 66%. In the Current Period, GHK Hospital took the privilege within the New World Group’s ecosystem to further expand its operation. In addition to opening Gleneagles Pro-HEART Cardiac Centre at New World Tower in August 2022 to provide professional and premium service for patients with cardiac-related health problems, GHK Hospital also provides management services for Humansa on its flagship Humansa | Victoria Dockside which offers integrated preventive healthcare and wellness services from October 2022. To further support the Hong Kong Government in battling COVID-19, GHK Hospital is one of the private hospitals to collaborate with the Hospital Authority to provide teleconsultation with medication delivery and counselling services to COVID-19 patients aged 60 or above.

Performance of Hong Kong Convention and Exhibition Centre (“HKCEC”) during the Current Period continued to improve, thanks to the recovery in number of events and exhibitions following the relaxation of social-distancing measures in Hong Kong. AOL further narrowed and accounted for approximately 17% of the segment’s AOL. Number of events held at HKCEC improved by 22% year-on-year to 409 and number of patronage rose by 24% to approximately 3.3 million in the Current Period.

Free Duty’s operation continued to be disrupted by border closure and our three outlets at Lo Wu, Hung Hom and Lok Ma Chau MTR stations remained closed during the Current Period. Yet, AOP of our only operating outlet at Hong Kong-Zhuhai-Macao Bridge almost tripled, together with the positive contributions from our other business initiatives such as pop-up stores at D-PARK, THE FOREST and within the New World Group’s ecosystem, as well as our e-commerce website, FDMALL, along with our efforts in saving costs, AOL of Free Duty further narrowed.

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. AOP in the Current Period, which mainly comprised the share of results, net fair value change, interest and dividend income from various investments, rose to HK\$170.3 million (Last Period: AOL of HK\$53.7 million), mainly due to the recognition of unrealized fair value gain on certain investments, the positive contributions from certain businesses with improvement in operating performance within the segment as well as the decrease in expected credit loss provision recorded.

Management Discussion and Analysis

BUSINESS OUTLOOK

Ushered into 2023, unresolved geopolitical tension, high interest rate environment and uncertain economic prospects of various developed countries are still overshadowing the overall global business environment. Yet in the Mainland, as the Government pledged to achieve a steady growth in 2023, it has supercharged its efforts in reopening the economy through relaxing its COVID-19 containment policies to guide the society to return to normalcy and rolled out a raft of stimulative policies. Therefore, the Group maintains its positive view on the Mainland's long-term economic prospects and anticipates the Mainland's economy will return to healthy growth swiftly once these economic stimulus measures take effect. The reopening of border between Hong Kong and the Mainland is also raising the economic outlook for both Hong Kong and the Mainland and providing a strong boost to the Group's business over the short- to medium-term.

Short-term disruption on Roads segment's performance caused by COVID-19 in the Mainland would not derail our strategic plan to further enrich our road portfolio. Following the relaxation of many of the COVID-19 restrictions in the Mainland, the Group expects the performance of our Roads segment will have meaningful improvement and will continue to benefit from the constructive long-term economic outlook and growth in logistics industry in the Mainland.

For the Construction segment, expected increase in tender supply from the Hong Kong Government and the private sector, driven by the increase in land supply from the Hong Kong Government and development of Northern Metropolis will underpin the positive mid – to long-term outlook for the construction sector in Hong Kong and Hip Hing Group as a premium construction company. Hip Hing Group's strategic expansion into civil-related projects such as site formation and deep excavation works, as well as continuous efforts in optimizing building procedures and use of technologies and robotics in construction procedures are set to allow Hip Hing Group to enjoy a stable margin, reduce onsite construction energy and waste consumption, and continue to improve safety for our staff and workers.

Long-term growth outlook for FTLife Insurance remains unscathed as demand for FTLife Insurance's products induced by the rising awareness of healthcare protection stays solid and the strong pent-up demand from Mainland visitors is stand to be released after border between Hong Kong and the Mainland fully reopened, notwithstanding the short-term headwinds brought about by the spike in interest rates and economic uncertainties in Hong Kong. FTLife Insurance is well prepared to capture the opportunities through its diversified products offerings and marketing initiatives. At the same time, FTLife Insurance will continue to explore new distribution channel and further collaborate with the New World Group to fuel growth.

Regarding the upcoming replacement of current accounting practice by HKFRS 17 "Insurance Contracts" ("HKFRS 17") for insurance contracts for our financial year ending 30 June 2024, the implementation of the new standard would involve significant enhancements to the information technology, actuarial and finance systems and FTLife Insurance is undertaking active assessments with the assistance of external consultants and taking steps to get ready for the adoption in accordance with the required timeline. 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. We preliminary estimate, based on the financial position as at 31 December 2022, the total equity of the Group's insurance business would be notably increased with the transition to HKFRS 17. The assessment of other impacts on the Group's consolidated financial statements is still in progress and it is expected to have impacts on revenue and results of the Group's insurance business. Although the work is well advanced as of the date of this interim report, it is not yet practicable to reliably quantify them.

Management Discussion and Analysis

For Logistics segment, expected acceleration of economic growth in the Mainland propelled by the relaxation of many of its COVID-19 containment measures, and all the pro-growth policies rolled out by the Mainland Government to shore up the economy will lead to a sustainable long-term growth of the logistics sector. Against this background, the Group will remain active in growing our Logistics segment, proactively look for new investment opportunities in the modern logistics sector and further expand our logistics properties portfolio, which is evidenced by the execution of a sale and purchase agreement to acquire 90% stake in a premium logistics property in Suzhou with a valuation of RMB570 million in February 2023 by the Group. This logistics property is located in the core area of semi-conductor, high-end manufacturing and bio-pharmaceutical in the Suzhou Industrial Park which has rare supply of logistics property. While ATL is expected to maintain stable performance, further ramp up of the occupancy of the five logistics properties in Chengdu and Wuhan as well as new contributions from both the sixth logistics property in Chengdu and the new logistics property in Suzhou upon completion of the acquisition will add further growth element within LA&M. Along with the positive outlook for CUIRC driven by its strong demand benefitting from economic recovery, logistics preference shift from sea to container trains and new contribution from the expansion of terminals, combined with other logistics-related investments, the Group envisages a positive boost to the Logistics segment. In view of the sanguine outlook and the synergies to be generated from the ecosystem built within the Logistics segment, the Group sees Logistics segment as one of the business focuses and expects this segment will continue to grow.

Improvement in performance of Facilities Management segment within Strategic Portfolio is expected to stay on track, prompted by the continuous improvement in the three businesses within the segment. Loss from GHK Hospital is anticipated to further narrow as it continues to ramp up and engage more collaborations within the New World Group, while HKCEC will continue to recover following the relaxation of COVID-19 containment measures and removal of travel restrictions for arrivals into Hong Kong. Free Duty is well prepared to capture sales from pent-up travellers following the reopening of border between Hong Kong and the Mainland. As of January 2023, Lok Ma Chau shop has reopened and the ramp up is on track, while outlet at Lo Wu was also reopened in February 2023.

Climate change has reached a critical magnitude, posing physical, transitional, and liability risks to our business. The ability to identify relevant risks is essential for the Group to mitigate the risks and leverage the opportunities arising therefrom. To this end, the Group has proactively integrated those risks into our Enterprise Risk Management (“ERM”) framework in order to stay agile in the changing world. Coupling with the Group’s commitment to environmental sustainability as demonstrated through our Sustainability Target 2030, the Group will continue to incorporate ESG and climate-related risk considerations into investment decisions and explore the opportunities associated therewith, in a move to enhance sustainable growth for our stakeholders in a sustainable world. While adhering to the strategy of investing in value accretive assets, particularly in roads and modern logistics, the Group will continue to uphold its risk management strategy in its investment decisions as well as in the operations of businesses.

Independent Auditor's Review Report



羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF NWS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial statements set out on pages 16 to 72, which comprise the condensed interim consolidated statement of financial position of NWS Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 31 December 2022 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these interim financial statements in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements of the Group are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 23 February 2023

Condensed Consolidated Income Statement

	Note	(Unaudited)	
		For the six months ended 31 December	
		2022 HK\$m	2021 HK\$m (restated)
Continuing operations			
Revenue	4	17,569.9	16,304.2
Cost of sales	5, 7	(15,494.1)	(15,141.8)
Other income and gains, net	6	459.8	656.9
Selling and marketing expenses	5	(644.4)	(653.6)
General and administrative expenses	5	(980.4)	(925.0)
Overlay approach adjustments on financial assets	6(a)	552.0	1,175.8
Operating profit	5	1,462.8	1,416.5
Finance costs		(464.4)	(396.0)
Share of results of			
Associated companies	4(c)	106.6	150.2
Joint ventures	4(c)	645.4	649.2
Profit before income tax		1,750.4	1,819.9
Income tax expenses	8	(281.7)	(328.4)
Profit from continuing operations		1,468.7	1,491.5
Discontinued operations			
Profit from discontinued operations		–	390.0
Profit for the period		1,468.7	1,881.5
Profit attributable to			
Shareholders of the Company			
From continuing operations		1,162.4	1,193.5
From discontinued operations		–	390.0
		1,162.4	1,583.5
Holders of perpetual capital securities		295.8	291.5
Non-controlling interests		10.5	6.5
		1,468.7	1,881.5
Basic and diluted earnings per share attributable to the shareholders of the Company	9		
From continuing operations		HK\$0.30	HK\$0.31
From discontinued operations		–	HK\$0.10
		HK\$0.30	HK\$0.41

Condensed Consolidated Statement of Comprehensive Income

		(Unaudited)	
		For the six months ended	
		31 December	
	Note	2022 HK\$m	2021 HK\$m (restated)
Profit for the period		1,468.7	1,881.5
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 fair value through other comprehensive income ("FVOCI")		(238.4)	507.9
Remeasurement of post-employment benefit obligation		(0.3)	–
Share of gain arising from revaluation of a logistics property held by a joint venture upon reclassification to investment property, net of tax		–	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		(1,733.6)	701.9
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 (loss)/income of associated companies		(8.5)	2.8
Cash flow/fair value hedges		17.8	(667.3)
Amount reported in other comprehensive income applying overlay approach adjustments on financial assets	6(a)	(552.0)	(1,175.8)
Currency translation differences		(1,176.9)	368.3
Other comprehensive (loss)/income for the period, net of tax		(3,698.3)	5,968.0
Total comprehensive (loss)/income for the period		(2,229.6)	7,849.5
Total comprehensive (loss)/income attributable to			
Shareholders of the Company			
From continuing operations		(2,534.8)	7,321.5
From discontinued operations		–	229.3
		(2,534.8)	7,550.8
Holder of perpetual capital securities		295.8	291.5
Non-controlling interests		9.4	7.2
		(2,229.6)	7,849.5

Condensed Consolidated Statement of Financial Position

		(Unaudited) At 31 December 2022 HK\$'m	(Audited) At 30 June 2022 HK\$'m
	Note		
ASSETS			
Non-current assets			
Investment properties	10	4,778.2	4,842.2
Property, plant and equipment	11	1,343.9	1,315.7
Intangible concession rights	12	12,127.9	13,081.9
Intangible assets	13	5,883.7	5,890.1
Value of business acquired	14	5,148.9	5,239.8
Right-of-use assets		1,268.0	1,360.7
Deferred acquisition costs	15	2,425.0	2,335.0
Associated companies	16	5,500.6	6,443.4
Joint ventures	17	17,988.7	15,413.5
Financial assets at amortized cost	18	1,320.3	–
Financial assets at FVOCI	19	37,836.7	38,500.3
Financial assets at fair value through profit or loss (“FVPL”)	20	10,619.9	11,052.2
Derivative financial instruments		22.0	64.5
Other non-current assets		1,382.9	1,728.5
		107,646.7	107,267.8
Current assets			
Inventories		163.7	170.0
Trade, premium and other receivables	21	9,593.3	14,217.1
Investments related to unit-linked contracts	22(a)	8,630.8	8,649.2
Financial assets at amortized cost	18	52.0	–
Financial assets at FVOCI	19	3,291.3	3,083.5
Financial assets at FVPL	20	1,446.1	1,903.2
Derivative financial instruments		32.2	27.4
Cash and bank balances		17,691.9	13,452.6
		40,901.3	41,503.0
Total assets		148,548.0	148,770.8
EQUITY			
Share capital	23	3,910.4	3,911.1
Reserves	24	35,781.8	39,397.4
Shareholders’ funds		39,692.2	43,308.5
Perpetual capital securities	25	10,353.6	10,528.5
Non-controlling interests		36.9	50.1
Total equity		50,082.7	53,887.1

Condensed Consolidated Statement of Financial Position

		(Unaudited) At 31 December 2022 HK\$'m	(Audited) At 30 June 2022 HK\$'m
	Note		
LIABILITIES			
Non-current liabilities			
Borrowings and other interest-bearing liabilities	26	17,628.3	18,323.2
Deferred tax liabilities		1,629.6	1,787.2
Insurance and investment contract liabilities	27	16,033.6	16,470.0
Liabilities related to unit-linked contracts	22(b)	192.2	190.8
Derivative financial instruments		120.3	172.3
Lease liabilities		809.9	901.6
Other non-current liabilities		93.6	95.8
		36,507.5	37,940.9
Current liabilities			
Borrowings and other interest-bearing liabilities	26	5,750.5	5,267.7
Insurance and investment contract liabilities	27	34,681.2	31,734.4
Liabilities related to unit-linked contracts	22(b)	8,627.7	8,645.1
Trade, other payables and payables to policyholders	28	11,997.4	10,403.1
Derivative financial instruments		73.9	0.4
Lease liabilities		228.5	223.1
Taxation		598.6	669.0
		61,957.8	56,942.8
Total liabilities		98,465.3	94,883.7
Total equity and liabilities		148,548.0	148,770.8

Condensed Consolidated Statement of Changes in Equity

(Unaudited)									
For the six months ended 31 December 2022									
HK\$m	Note	Shareholders' funds				Total	Perpetual capital securities	Non-controlling interests	Total
		Share capital	Share premium	Revenue reserve	Other reserves				
At 30 June 2022 and 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 period		-	-	1,169.5	(3,704.3)	(2,534.8)	295.8	9.4	(2,229.6)
<i>(Distribution to)/contributions by owners</i>									
Dividend paid to									
Shareholders of the Company	24, 29	-	-	(1,212.2)	-	(1,212.2)	-	-	(1,212.2)
Non-controlling interests		-	-	-	-	-	-	(22.6)	(22.6)
Distribution to perpetual capital securities holders		-	-	-	-	-	(340.6)	-	(340.6)
Share repurchase	23	(0.7)	(4.9)	-	-	(5.6)	-	-	(5.6)
Share options									
Value of services provided		-	-	-	32.0	32.0	-	-	32.0
Issuance of perpetual capital securities	25	-	-	-	-	-	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	25	-	-	124.1	-	124.1	(2,222.1)	-	(2,098.0)
Transfer of reserves	24	-	-	(396.2)	396.2	-	-	-	-
Total transactions with owners		(0.7)	(4.9)	(1,504.1)	428.2	(1,081.5)	(470.7)	(22.6)	(1,574.8)
At 31 December 2022		3,910.4	17,816.6	24,072.1	(6,106.9)	39,692.2	10,353.6	36.9	50,082.7

Condensed Consolidated Statement of Changes in Equity

(Unaudited)									
For the six months ended 31 December 2021									
HK\$'m	Note	Shareholders' funds				Total	Perpetual capital securities	Non-controlling interests	Total
		Share capital	Share premium	Revenue reserve	Other reserves				
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 for the period, restated		-	-	1,935.3	5,615.5	7,550.8	291.5	7.2	7,849.5
<i>(Distribution to)/contributions by owners</i>									
Dividend paid to									
Shareholders of the Company	29	-	-	(1,173.3)	-	(1,173.3)	-	-	(1,173.3)
Non-controlling interests		-	-	-	-	-	-	(6.1)	(6.1)
Distribution to perpetual capital securities holders		-	-	-	-	-	(291.5)	-	(291.5)
Transfer of reserves		-	-	(9.2)	9.2	-	-	-	-
Total transactions with owners		-	-	(1,182.5)	9.2	(1,173.3)	(291.5)	(6.1)	(1,470.9)
At 31 December 2021, restated		3,911.1	17,821.5	25,668.4	6,889.9	54,290.9	10,528.5	13.2	64,832.6

Condensed Consolidated Statement of Cash Flows

		(Unaudited)	
		For the six months ended	
		31 December	
	Note	2022 HK\$'m	2021 HK\$'m
Cash flows from operating activities			
Net cash generated from operations	32	5,210.2	5,630.4
Finance costs paid		(419.8)	(363.4)
Interest received		1,033.4	949.7
Dividends received from financial assets in relation to insurance business and investments related to unit-linked contracts		174.7	177.3
Hong Kong profits tax paid		(104.7)	(163.2)
Mainland China and overseas taxation paid		(339.6)	(160.7)
Net cash generated from operating activities before net purchase of financial assets in relation to insurance business		5,554.2	6,070.1
Purchases of financial assets in relation to insurance business		(14,568.3)	(11,700.2)
Disposal of financial assets in relation to insurance business		9,718.6	8,097.9
		(4,849.7)	(3,602.3)
Net cash generated from operating activities		704.5	2,467.8
Cash flows from investing activities			
Dividends received from associated companies and joint ventures		501.2	720.3
Increase in investments in and advances to associated companies		(212.5)	(325.3)
Decrease/(increase) in investments in and advances to joint ventures		4,074.0	(14.5)
Additions of intangible concession right, intangible assets and property, plant and equipment		(377.8)	(230.4)
Purchases of financial assets at amortized cost		(138.8)	–
Purchases of financial assets at FVOCI		–	(142.4)
Purchases of financial assets at FVPL		(135.3)	(2,276.9)
Disposal of financial assets at FVOCI		50.7	66.2
Disposal of financial assets at FVPL		1,399.7	1,257.6
Settlement of derivative financial instruments		35.3	21.8
Proceeds received from disposals of interests in associated companies and joint ventures		179.8	6,006.1
Disposal of intangible assets and property, plant and equipment		0.5	0.3
Dividends received from financial assets at FVOCI and financial assets at FVPL		9.6	45.2
Decrease/(increase) in other non-current assets		5.2	(134.6)
Net cash generated from investing activities		5,391.6	4,993.4

Condensed Consolidated Statement of Cash Flows

		(Unaudited)	
		For the six months ended	
		31 December	
	Note	2022	2021
		HK\$m	HK\$m
Cash flows from financing activities			
Share repurchase	23	(5.6)	–
New bank loans and other borrowings		2,776.8	750.0
Repayment of bank loans and other borrowings		(2,101.3)	(5,378.9)
Redemption of fixed rate bonds	26(a)	(622.7)	–
Repayment of financing received under a financial reinsurance arrangement		(31.2)	(43.5)
Distribution to perpetual capital securities holders		(340.6)	(291.5)
Proceeds from issuance of perpetual capital securities, net of transaction costs	25	2,072.2	–
Redemption of perpetual capital securities	25	(2,098.0)	–
Capital elements of lease liabilities payments		(121.8)	(108.6)
Dividend paid to shareholders of the Company	29	(1,212.2)	(1,173.3)
Dividend paid to non-controlling interests		(22.6)	(6.1)
Decrease in cash collateral received from counterparties		(24.5)	(414.1)
Net cash used in financing activities		(1,731.5)	(6,666.0)
Net increase in cash and cash equivalents		4,364.6	795.2
Cash and cash equivalents at the beginning of the period		13,466.1	10,844.0
Currency translation differences		(118.5)	60.0
Cash and cash equivalents at the end of the period		17,712.2	11,699.2
Analysis of cash and cash equivalents			
Cash and bank balances		17,691.9	11,674.4
Cash and bank balances attributable to investments related to unit-linked contracts	22(a)	34.1	38.5
Short-term bank deposits with original maturity more than three months		(13.8)	(13.7)
		17,712.2	11,699.2

Notes to Condensed Consolidated Interim Financial Statements

1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries include:

- (i) the development of, investment in and/or operation of roads, construction and insurance; and
- (ii) the investment in and/or operation of logistics and facilities management projects.

The Company has its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The unaudited condensed consolidated interim financial statements (the "interim financial statements") were approved for issuance by the board of directors of the Company (the "Board") on 23 February 2023.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"). The interim financial statements should be read in conjunction with the annual financial statements for FY2022.

As analyzed in note 4(b), the Group is in net current liabilities position of HK\$21,056.5 million as at 31 December 2022 which is mainly due to the classification of the full surrender value of insurance and investment contract liabilities of HK\$34,681.2 million (note 27) as current liabilities at the reporting date. The Group, before taking into consideration of the insurance business, is in net current assets position as at 31 December 2022.

Under Hong Kong Accounting Standard 1 "Presentation of Financial Statements", liability is classified as current if there is no unconditional right by the issuer to defer the settlement for at least 12 months after the reporting period. The unavoidable payment obligation exists if all the policyholders choose to exercise their surrender option at the reporting date and accordingly the full surrender value of insurance and investment contract liabilities is classified as current liabilities as at the period end. However, management considers 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 considers the amount of insurance contract liabilities expected to be settled within one year is HK\$4,573.0 million (note 27(a)).

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 interim financial statements.

Notes to Condensed Consolidated Interim Financial Statements

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

The accounting policies used in the preparation of the interim financial statements are consistent with those set out in the annual report for FY2022 except as described in note 2(a) below.

(a) Adoption of amendments to standards

During the Current Period, the Group has adopted the following amendments to standards which are relevant to the Group's operations and are mandatory for the financial year ending 30 June 2023 ("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 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HK Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Notes to Condensed Consolidated Interim Financial Statements

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 "Insurance Contracts" ("HKFRS 4"). HKFRS 17 includes some fundamental differences to current accounting treatment in both insurance contracts measurement and profit recognition. Besides, HKFRS 17 requires more granular information as well as extensive disclosures.

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

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

- (i) Insurance segment revenue presented in consolidated income statement under HKFRS 17 excludes any investment component, an amount that the policyholder will be repaid in all circumstances as required by the insurance contract, regardless of whether an insured event occurs.
- (ii) In accordance with HKFRS 17, the estimated unearned future profits from in-force insurance contracts will be included in the measurement of insurance contract liabilities in the consolidated statement of financial position as the contractual service margin and will be gradually recognized as Insurance segment revenue in the consolidated income statement based on the services provided over the coverage period of the insurance contract.

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

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

Notes to Condensed Consolidated Interim Financial Statements

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(c) Restatements of comparative figures

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

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

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

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

	As previously stated HK\$m	Adjustments HK\$m	As restated HK\$m
Condensed consolidated income statement (extract)			
For the six months ended 31 December 2021			
Continuing operations			
Other income and gains, net	716.3	(59.4)	656.9
Share of results of associated companies	102.6	47.6	150.2
Condensed consolidated statement of comprehensive income (extract)			
For the six months ended 31 December 2021			
Other comprehensive income			
Share of other comprehensive income of associated companies	1.3	1.5	2.8
Currency translation differences	358.0	10.3	368.3

Notes to Condensed Consolidated Interim Financial Statements

3. FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION

(a) Financial and insurance risks

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

The interim financial statements do not include all financial and insurance risks management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's FY2022 annual financial statements.

There has been no significant change in any risk management policies since the last year end.

(b) Fair value estimation

The carrying amounts and fair value disclosures of the financial instruments of the Group are as follows:

- (i) Listed investments are stated at market prices. The quoted market price used for financial assets held by the Group is the bid price at the end of the reporting period. Unlisted investments are stated at fair values which are estimated using other prices observed in recent transactions or valuation techniques when the market is not readily available.
- (ii) The fair value of 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, payables and borrowings approximate their fair values due to the short-term maturities of these assets and liabilities.
- (iv) The following table presents the Group's financial instruments, including financial assets at FVOCI, financial assets at FVPL, derivative financial instruments, investments related to unit-linked contracts, investment contract liabilities and liabilities related to unit-linked contracts, that are measured at fair value at 31 December 2022 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).

Notes to Condensed Consolidated Interim Financial Statements

3. FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(b) Fair value estimation (continued)

(iv) (continued)

At 31 December 2022

HK\$m	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at FVOCI				
– Equity instruments	1,446.6	–	67.4	1,514.0
– Debt instruments	27,833.5	11,780.5	–	39,614.0
Financial assets at FVPL				
– Equity instruments	1,440.4	117.0	207.8	1,765.2
– Debt instruments	741.5	–	1,703.0	2,444.5
– Investment funds	4,279.1	–	3,577.2	7,856.3
Derivative financial instruments	–	54.2	–	54.2
Investments related to unit-linked contracts				
– Investment funds	8,596.7	–	–	8,596.7
	44,337.8	11,951.7	5,555.4	61,844.9
Liabilities				
Derivative financial instruments	–	(194.2)	–	(194.2)
Investment contract liabilities	–	(5.1)	–	(5.1)
Liabilities related to unit-linked contracts				
– Investment contract liabilities	–	(8,150.6)	–	(8,150.6)
	–	(8,349.9)	–	(8,349.9)

Notes to Condensed Consolidated Interim Financial Statements

3. FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(b) Fair value estimation (continued)

(iv) (continued)

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				
– Investment contract liabilities	–	(8,160.9)	–	(8,160.9)
	–	(8,339.0)	–	(8,339.0)

During the Current Period, there were transfer of debt instruments as financial assets at FVOCI relating to the Group's insurance business with fair value of HK\$443.1 million (2021: HK\$460.8 million) from Level 2 to Level 1 fair value hierarchy and HK\$1,353.7 million (2021: HK\$61.3 million) from Level 1 to Level 2 fair value hierarchy. Assets are transferred into or out of Level 1 based on whether they are transacted with sufficient frequency and volume in an active market.

Notes to Condensed Consolidated Interim Financial Statements

3. FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(b) Fair value estimation (continued)

(iv) (continued)

The following table presents the changes of financial instruments categorized within Level 3 fair value hierarchy for the Current Period:

HK\$m	Assets		Total
	Financial assets at FVOCI	Financial assets at FVPL	
At 1 July 2022	18.5	6,066.0	6,084.5
Translation differences	–	(48.0)	(48.0)
Purchases	–	564.0	564.0
Disposals	–	(978.8)	(978.8)
Net fair value change recognized in other comprehensive income	48.9	–	48.9
Net fair value change recognized in condensed consolidated income statement	–	(115.2)	(115.2)
At 31 December 2022	67.4	5,488.0	5,555.4
Net unrealized fair value change recognized in condensed consolidated income statement relating to balances held as at 31 December 2022	–	(131.4)	(131.4)

At 31 December 2022, financial instruments categorized within Level 3 fair value hierarchy comprise investment funds and unlisted debt and equity instruments. The fair value of these financial instruments is determined by using valuation techniques as detailed below:

- For investments in unlisted investment funds, management discussed with the respective fund managers to understand the performance of the underlying investments and fair value measurement basis conducted by the respective fund managers in order to evaluate whether the fair values as stated in the fund statements at the end of reporting period is appropriate;
- For investments in equity and debt instruments with recent transactions, management determined the fair value at the end of reporting period with reference to recent transaction prices of these financial assets; and
- For investments in equity and debt instruments without recent transactions, management has established fair values of these investments by using appropriate valuation techniques such as discounted cash flow with the credit risk of the issuer taken into consideration for investments in bonds and the purchase price paid by the Group with consideration to the latest financial information, movement of market comparable/market indices and the latest business development of the investee companies, where applicable. Independent external valuer has been involved in determining the fair value, when appropriate.

Notes to Condensed Consolidated Interim Financial Statements

4. REVENUE AND SEGMENT INFORMATION

The Group's revenue from continuing operations is analyzed as follows:

HK\$m	For the six months ended 31 December 2022		
	Hong Kong	Mainland China	Total
Roads	–	1,317.4	1,317.4
Construction	9,840.8	–	9,840.8
Insurance	5,817.9	–	5,817.9
Logistics	–	63.4	63.4
Facilities Management	512.5	17.4	529.9
Strategic Investments	–	0.5	0.5
	16,171.2	1,398.7	17,569.9

HK\$m	For the six months ended 31 December 2021		
	Hong Kong	Mainland China	Total
Roads	–	1,481.9	1,481.9
Construction	7,518.5	–	7,518.5
Insurance	6,820.6	–	6,820.6
Facilities Management	455.7	27.5	483.2
	14,794.8	1,509.4	16,304.2

Notes to Condensed Consolidated Interim Financial Statements

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Revenue from insurance business is further analyzed as follows:

	For the six months ended	
	31 December	
	2022	2021
	HK\$'m	HK\$'m
Gross premiums on insurance contracts	5,721.7	6,613.1
Less: premiums ceded to reinsurers	(206.3)	(194.1)
Premiums, net of reinsurance	5,515.4	6,419.0
Fee income on insurance and investment contracts	270.4	335.7
Reinsurance commission income and refund	29.7	60.4
Fee on referral business and commission income for general insurance and Mandatory Provident Fund	2.4	5.5
Fee and commission income	302.5	401.6
	5,817.9	6,820.6

Management has determined the operating segments based on the reports reviewed by the Executive Committee of the Company that are used to make strategic decisions. The Executive Committee reviews the Group's internal reporting in order to assess performance and allocate resources. The Executive Committee considers the businesses of the Group from product and service perspectives, which comprised (i) Roads; (ii) Aviation; (iii) Construction; (iv) Insurance; (v) Logistics; (vi) Facilities Management; (vii) Strategic Investments; and (viii) Environment. The results of the "Environment" segment were presented as discontinued operations in accordance with HKFRS 5 in the Last Period.

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.

Notes to Condensed Consolidated Interim Financial Statements

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

- (a) The information of the reportable segments provided to the Executive Committee for the Current Period and related comparative figures is as follows:

HK\$m	Continuing operations		
	Roads	Aviation	Construction
For the six months ended 31 December 2022			
Total revenue	1,317.4	–	9,861.7
Inter-segment	–	–	(20.9)
Revenue – external	1,317.4	–	9,840.8
Revenue from contracts with customers			
Recognized at a point in time	1,317.4	–	–
Recognized over time	–	–	9,840.8
	1,317.4	–	9,840.8
Revenue from other sources	–	–	–
	1,317.4	–	9,840.8
Attributable Operating Profit/(Loss)			
Company and subsidiaries	372.5	–	384.9
Associated companies	85.5	–	31.4
Joint ventures	226.5	–	–
	684.5	–	416.3
Reconciliation – corporate office and non-operating items			
Net loss on fair value of investment properties			
Impairments and provisions			
Net loss on disposal of projects, net of tax			
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 period after tax and non-controlling interests			
Profit attributable to holders of perpetual capital securities			
Profit attributable to shareholders of the Company			

- (i) The amount represents impairment loss for investment in Wai Kee of HK\$90.6 million (included in "other income and gains, net" under note 6 and detailed in note 16(d)) and share of impairment loss for Hyva Global B.V. of HK\$58.5 million (included in "share of results of joint ventures" and detailed in note 17(c)).
- (ii) The finance costs recognized in the condensed consolidated income statement for the Current Period from continuing operations is HK\$464.4 million, in which the above HK\$311.5 million represents corporate office finance costs and HK\$152.9 million is recognized as part of Attributable Operating Profit in various reportable segments.

Notes to Condensed Consolidated Interim Financial Statements

Continuing operations

Insurance	Logistics	Facilities Management	Strategic Investments	Total	
5,818.3 (0.4)	63.4 –	530.2 (0.3)	0.5 –	17,591.5 (21.6)	
5,817.9	63.4	529.9	0.5	17,569.9	
– 302.5	– –	124.3 405.6	– 0.5	1,441.7 10,549.4	
302.5	–	529.9	0.5	11,991.1	
5,515.4	63.4	–	–	5,578.8	
5,817.9	63.4	529.9	0.5	17,569.9	
539.9 – –	55.4 (1.2) 363.5	(33.4) (94.0) (0.4)	41.0 93.9 35.4	1,360.3 115.6 625.0	(c) (c)
539.9	417.7	(127.8)	170.3	2,100.9	
				(17.2) (149.1) (46.5) 37.1 88.6 35.8 (311.5) (32.0) (38.8) (209.1)	(i) (ii)
				1,458.2 (295.8)	
				1,162.4	

Notes to Condensed Consolidated Interim Financial Statements

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

- (a) The information of the reportable segments provided to the Executive Committee for the Current Period and related comparative figures is as follows: (continued)

HK\$m	Continuing operations		
	Roads	Aviation	Construction
For the six months ended 31 December 2022			
Depreciation of property, plant and equipment	40.9	–	25.7
Depreciation of right-of-use assets	0.4	–	17.4
Amortization of intangible concession rights	509.4	–	–
Amortization of intangible assets	–	–	–
Amortization of value of business acquired (“VOBA”)	–	–	–
Interest income	(31.8)	–	(4.4)
Finance costs	63.9	–	25.3
Income tax expenses	134.4	–	77.0
Overlay approach adjustments on financial assets	–	–	–
Net loss/(gain) on fair value of financial assets at FVPL	–	–	1.2
Additions to non-current assets (remark)	233.0	–	34.7
At 31 December 2022			
Company and subsidiaries	14,461.9	–	8,684.1
Associated companies	2,801.5	–	289.0
Joint ventures	5,814.3	348.4	–
Total assets	23,077.7	348.4	8,973.1
Total liabilities	5,170.5	286.2	7,984.9

Remark: Being additions to non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, VOBA and deferred acquisition costs.

Notes to Condensed Consolidated Interim Financial Statements

Continuing operations

	Insurance	Logistics	Facilities Management	Strategic Investments	Corporate	Total
	22.2	0.3	50.5	0.2	5.2	145.0
	56.2	0.5	46.0	-	3.9	124.4
	-	-	-	-	-	509.4
	31.2	-	15.6	-	-	46.8
	90.9	-	-	-	-	90.9
	(986.9)	(0.1)	(31.2)	(56.5)	(35.8)	(1,146.7)
	49.9	-	13.6	0.2	311.5	464.4
	46.4	9.2	2.0	12.5	0.2	281.7
	(552.0)	-	-	-	-	(552.0)
	584.1	-	-	(31.4)	-	553.9
	86.7	6.0	9.0	6.0	37.9	413.3
	79,430.9	2,216.1	3,629.8	5,860.2	10,775.7	125,058.7
	-	302.8	230.1	1,874.6	2.6	5,500.6
	-	9,350.6	10.8	2,449.8	14.8	17,988.7
	79,430.9 (b)	11,869.5	3,870.7	10,184.6	10,793.1	148,548.0
	65,250.6 (b)	126.1	1,030.5	130.9	18,485.6	98,465.3

Notes to Condensed Consolidated Interim Financial Statements

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

- (a) The information of the reportable segments provided to the Executive Committee for the Current Period and related comparative figures is as follows: (continued)

HK\$m	Continuing operations		
	Roads	Aviation	Construction
For the six months ended 31 December 2021 (restated)			
Total revenue	1,481.9	–	7,518.5
Inter-segment	–	–	–
Revenue – external	1,481.9	–	7,518.5
Revenue from contracts with customers			
Recognized at a point in time	1,481.9	–	–
Recognized over time	–	–	7,518.5
	1,481.9	–	7,518.5
Revenue from other source	–	–	–
	1,481.9	–	7,518.5
Attributable Operating Profit/(Loss)			
Company and subsidiaries	482.6	–	379.9
Associated companies	110.6	–	68.8
Joint ventures	375.5	274.4	–
	968.7	274.4	448.7
Reconciliation – corporate office and non-operating items			
Impairments and provisions, net			
Net gain on disposal of projects, net of tax			
Gain on fair value of derivative financial instruments			
Interest income			
Finance costs			
Net exchange gain			
Expenses and others			
Profit for the period 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 impairment losses, expected credit loss provision and aircraft repossession/recovery costs for Goshawk of HK\$274.0 million (net of tax) (included in “share of results of joint ventures” and detailed in note 17(c)) and impairment loss for investment in Wai Kee of HK\$97.7 million (restated, included in “other income and gains, net” under note 6 and detailed in note 16(d)).

(iv) The finance costs recognized in the condensed consolidated income statement for the Last Period from continuing operations was HK\$396.0 million, in which the above HK\$226.9 million represented corporate office finance costs and HK\$169.1 million was recognized as part of Attributable Operating Profit in various reportable segments.

Notes to Condensed Consolidated Interim Financial Statements

Continuing operations					Discontinued operations		Total	
Insurance	Logistics	Facilities Management	Strategic Investments	Subtotal	Environment			
6,820.6	-	483.6	-	16,304.6	-	16,304.6		
-	-	(0.4)	-	(0.4)	-	(0.4)		
6,820.6	-	483.2	-	16,304.2	-	16,304.2		
-	-	110.3	-	1,592.2	-	1,592.2		
401.6	-	372.9	-	8,293.0	-	8,293.0		
401.6	-	483.2	-	9,885.2	-	9,885.2		
6,419.0	-	-	-	6,419.0	-	6,419.0		
6,820.6	-	483.2	-	16,304.2	-	16,304.2		
490.9	(8.6)	(76.0)	(104.8)	1,164.0	121.0	1,285.0		
-	1.3	(87.3)	73.3	166.7	(c)	166.7		
-	286.6	1.5	(22.2)	915.8	(c)	915.8		
490.9	279.3	(161.8)	(53.7)	2,246.5	121.0	2,367.5		
						(341.7)	(iii)	
						213.0		
						21.9		
						27.0		
						(226.9)	(iv)	
						1.4		
						(187.2)		
						1,875.0		
						(291.5)		
						1,583.5		

Notes to Condensed Consolidated Interim Financial Statements

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

- (a) The information of the reportable segments provided to the Executive Committee for the Current Period and related comparative figures is as follows: (continued)

HK\$m	Continuing operations			
	Roads	Aviation	Construction	Insurance
For the six months ended 31 December 2021				
Depreciation of property, plant and equipment	27.0	–	26.0	22.0
Depreciation of right-of-use assets	0.4	–	17.0	58.9
Amortization of intangible concession rights	582.4	–	–	–
Amortization of intangible assets	–	–	–	24.9
Amortization of VOBA	–	–	–	94.7
Interest income	(18.8)	–	(0.7)	(785.6)
Finance costs	79.4	–	26.7	47.3
Income tax expenses/(credit)	217.7	–	59.6	54.1
Overlay approach adjustments on financial assets	–	–	–	(1,175.8)
Net loss on fair value of financial assets at FVPL	–	–	–	373.2
Additions to non-current assets (remark)	165.2	–	13.5	49.4
At 30 June 2022				
Company and subsidiaries	15,987.9	6,166.6	7,342.3	78,746.1
Associated companies	2,855.3	–	381.8	–
Joint ventures	3,822.9	301.0	–	–
Total assets	22,666.1	6,467.6	7,724.1	78,746.1
Total liabilities	5,632.2	–	6,741.5	62,731.8

Remark: Being additions to non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, VOBA and deferred acquisition costs.

Notes to Condensed Consolidated Interim Financial Statements

Continuing operations					Discontinued operations	Total
Logistics	Facilities Management	Strategic Investments	Corporate	Subtotal	Environment	
0.1	51.3	–	3.3	129.7	–	129.7
0.5	47.9	–	6.9	131.6	–	131.6
–	–	–	–	582.4	–	582.4
–	15.6	–	–	40.5	–	40.5
–	–	–	–	94.7	–	94.7
(0.4)	(13.4)	(46.2)	(27.0)	(892.1)	–	(892.1)
0.1	14.5	1.1	226.9	396.0	–	396.0
(0.2)	(5.6)	2.6	0.2	328.4	–	328.4
–	–	–	–	(1,175.8)	–	(1,175.8)
–	–	33.6	–	406.8	–	406.8
3.1	6.0	0.2	0.1	237.5	–	237.5
2,248.3	3,516.1	7,583.6	5,323.0	126,913.9	–	126,913.9
318.2	294.1	2,591.4	2.6	6,443.4	–	6,443.4
9,278.3	13.1	1,987.3	10.9	15,413.5	–	15,413.5
11,844.8	3,823.3	12,162.3	5,336.5	148,770.8	–	148,770.8
143.0	1,054.9	127.1	18,453.2	94,883.7	–	94,883.7

Notes to Condensed Consolidated Interim Financial Statements

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Additional information of assets and liabilities by the following line items:

At 31 December 2022

HK\$'m	Non-insurance and corporate	Insurance	Total
Assets			
Investment properties	4,078.4	699.8	4,778.2
Intangible concession rights	12,127.9	–	12,127.9
Intangible assets	141.2	5,742.5	5,883.7
Value of business acquired	–	5,148.9	5,148.9
Deferred acquisition costs	–	2,425.0	2,425.0
Associated companies	5,500.6	–	5,500.6
Joint ventures	17,988.7	–	17,988.7
Financial assets at amortized cost	143.4	1,228.9	1,372.3
Financial assets at FVOCI	1,012.6	40,115.4	41,128.0
Financial assets at FVPL	3,919.4	8,146.6	12,066.0
Trade, premium and other receivables	8,680.0	913.3	9,593.3
Investments related to unit-linked contracts	–	8,630.8	8,630.8
Cash and bank balances	12,623.2	5,068.7	17,691.9
Others	2,901.7	1,311.0	4,212.7
	69,117.1	79,430.9	148,548.0
Represented by			
Non-current assets	46,127.1	61,519.6	107,646.7
Current assets	22,990.0	17,911.3	40,901.3
	69,117.1	79,430.9	148,548.0
Liabilities			
Borrowings and other interest-bearing liabilities	21,195.0	2,183.8	23,378.8
Insurance and investment contract liabilities	–	50,714.8	50,714.8
Liabilities related to unit-linked contracts	–	8,819.9	8,819.9
Trade, other payables and payables to policyholders	9,392.2	2,605.2	11,997.4
Others	2,627.5	926.9	3,554.4
	33,214.7	65,250.6	98,465.3
Represented by			
Non-current liabilities	19,572.5	16,935.0	36,507.5
Current liabilities	13,642.2	48,315.6	61,957.8
	33,214.7	65,250.6	98,465.3
Net current assets/(liabilities) (note 2)	9,347.8	(30,404.3)	(21,056.5)

Notes to Condensed Consolidated Interim Financial Statements

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

- (c) Reconciliation of Attributable Operating Profit from continuing operations of associated companies and joint ventures to the condensed consolidated income statement:

HK\$m	Note	Associated companies		Joint ventures	
		For the six months ended		For the six months ended	
		2022	2021 (restated)	2022	2021
Attributable Operating Profit		115.6	166.7	625.0	915.8
Corporate and non-operating items					
– Net gain on disposal	17(b)	–	–	92.7	–
– Impairment losses, expected credit loss provision and/or aircraft repossession/recovery costs	17(c)	–	–	(58.5)	(274.0)
– Others		(9.0)	(16.5)	(13.8)	7.4
Share of results of associated companies and joint ventures		106.6	150.2	645.4	649.2

- (d) Information by geographical areas:

HK\$m	Non-current assets (remark)	
	At	At
	31 December 2022	30 June 2022
Hong Kong	10,677.6	10,789.0
Mainland China	14,694.1	15,669.6
Others	30.0	32.0
	25,401.7	26,490.6

The operations of the Group's infrastructure businesses in Mainland China are undertaken mainly through associated companies and joint ventures, the results of which are accounted for by the equity method of accounting.

Remark: Being balance of non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, VOBA and deferred acquisition costs.

Notes to Condensed Consolidated Interim Financial Statements

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(d) Information by geographical areas: (continued)

The Group's share of revenue of associated companies and joint ventures from continuing operations are as follows:

HK\$m	Associated companies		Joint ventures	
	For the six months ended 31 December		For the six months ended 31 December	
	2022	2021 (restated)	2022	2021
Hong Kong	2,107.2	1,681.7	374.4	370.4
Mainland China	709.1	434.9	6,754.1	4,865.2
Others	483.7	350.3	1,373.8	2,802.8
	3,300.0	2,466.9	8,502.3	8,038.4

Notes to Condensed Consolidated Interim Financial Statements

5. OPERATING PROFIT

Operating profit of the Group from continuing operations is arrived at after crediting and charging the following:

	Note	For the six months ended 31 December	
		2022 HK\$'m	2021 HK\$'m
Crediting			
Gross rental income from investment properties		103.0	28.9
Less: outgoings		(27.9)	(6.5)
		75.1	22.4
Charging			
Cost of inventories sold		42.2	30.9
Cost of construction		8,630.8	6,354.0
Claims and benefits, net of reinsurance		4,805.3	6,868.9
Depreciation of property, plant and equipment	11	145.0	129.7
Depreciation of right-of-use assets		124.4	131.6
Amortization of intangible concession rights	12	509.4	582.4
Amortization of intangible assets	13	46.8	40.5
Amortization of VOBA	14	90.9	94.7
Agency commission and allowances, net of change in deferred acquisition costs	(a)	591.4	593.5
Expenses on short-term leases		14.5	6.4
Expenses on variable lease payments		80.5	51.7
Staff costs (including directors' emoluments and share-based payment)		1,392.1	1,234.9
Other costs and expenses		645.6	601.2
		17,118.9	16,720.4
Represented by			
Cost of sales	7	15,494.1	15,141.8
Selling and marketing expenses		644.4	653.6
General and administrative expenses		980.4	925.0
		17,118.9	16,720.4

(a) The amount includes amortization of deferred acquisition costs arising from insurance business of HK\$307.6 million (2021: HK\$223.0 million) (note 15).

Notes to Condensed Consolidated Interim Financial Statements

6. OTHER INCOME AND GAINS, NET

	Note	For the six months ended 31 December	
		2022 HK\$'m	2021 HK\$'m (restated)
Continuing operations			
Credits associated with liabilities related to unit-linked contracts		113.8	474.0
Gain on redemption of fixed rate bonds		90.5	–
Gain on fair value of derivative financial instruments		37.1	21.9
Net gain on fair value of investment properties	10	30.5	–
Reversal of provision for onerous contract		–	30.0
Interest income			
– Debt instruments as financial assets at FVOCI		955.6	781.6
– Financial assets at amortized cost		15.2	–
– Bank deposits and others		175.9	110.5
Dividend income		126.7	214.0
Other income		49.2	59.6
Net loss on fair value of financial assets at FVPL	(a)	(553.9)	(406.8)
Loss associated with investments related to unit-linked contracts		(120.5)	(474.2)
Net exchange (loss)/gain		(105.7)	68.3
Loss on disposal of interest in a joint venture		(101.9)	–
Loss on disposal of an asset held-for-sale		–	(56.0)
Impairment loss related to an associated company	4(a)(i), (iii), 16(d)	(90.6)	(97.7)
Net (loss)/profit on disposal of debt instruments as financial assets at FVOCI		(3.7)	142.9
Expected credit loss provision, net of reversal			
– Debt instruments as financial assets at FVOCI		(187.3)	(202.2)
– Financial assets at amortized cost		(1.5)	–
– Trade, premium and other receivables		30.4	(9.0)
		459.8	656.9

- (a) The Group elected to apply the “overlay approach” in accordance with HKFRS 4 (Amendments) “Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts” which allows the Group to reclassify fair value gain or loss from condensed 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” but currently classified as financial assets at FVPL under HKFRS 9 “Financial Instruments” (“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\$553.9 million (2021: HK\$406.8 million) includes (i) a net fair value loss of HK\$552.0 million (2021: HK\$1,175.8 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\$1.9 million (2021: net gain of HK\$769.0 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\$552.0 million (note 24) (2021: HK\$1,175.8 million) was then reclassified from condensed consolidated income statement to other comprehensive income as overlay approach adjustments for the designated financial assets.

Notes to Condensed Consolidated Interim Financial Statements

7. COST OF SALES

The Group's cost of sales from continuing operations is analyzed as follows:

	Note	For the six months ended 31 December	
		2022 HK\$m	2021 HK\$m
Cost of inventories sold		42.2	30.9
Cost of construction	(a)	8,630.8	6,354.0
Cost of services rendered		1,924.9	1,793.3
Claims and benefits, net of reinsurance	(b)	4,805.3	6,868.9
Amortization of VOBA	14	90.9	94.7
	5	15,494.1	15,141.8

(a) Cost of construction mainly represents subcontractor's costs and material costs.

(b) Details of claims and benefits, net of reinsurance are shown below:

	For the six months ended 31 December	
	2022 HK\$m	2021 HK\$m
Claims	564.4	608.2
Reinsurers' and coinsurers' share of claims	(162.5)	(188.0)
Claims, net of reinsurers' and coinsurers' share	401.9	420.2
Surrenders, annuities and maturities	530.7	862.3
Reinsurers' and coinsurers' share	9.4	29.0
	540.1	891.3
Policyholders' dividends and interests	220.6	203.1
Incentives to policyholders	130.8	147.0
Increase in insurance contract liabilities	3,511.9	5,207.3
Total claims and benefits, net of reinsurance	4,805.3	6,868.9

The decrease is mainly attributable to (i) lower premium received during the Current Period and (ii) lower provision for insurance contract liabilities with regard to realized investment loss incurred in the Current Period, as compared to the additional provision made for the realized investment income recognized in the Last Period.

The provision for insurance contract liabilities includes an estimate of future dividend payments to the policyholders of participating products which is partly determined based on the investment return arising from participating fund assets, whereas the relevant realized investment return is recognized in "other income and gains, net" with the corresponding changes to insurance contract liabilities accounted for under "cost of sales".

Notes to Condensed Consolidated Interim Financial Statements

8. INCOME TAX EXPENSES

Hong Kong profits tax is provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits for the Current Period. Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profits for the Current Period at the rates of tax prevailing in the regions in which the Group operates. These rates range from 12% to 28% (2021: 12% to 28%). Withholding tax on dividends is mainly provided at the rate of 5% or 10% (2021: 5% or 10%).

The assessable profits of the Group's insurance business are computed in accordance with the special provisions of the Hong Kong Inland Revenue Ordinance ("IRO"). Profits tax for the long-term insurance business, as defined by IRO, is computed at a rate of 16.5% of 5% of net premiums (gross premiums received less reinsurance premiums ceded) of the life insurance business in accordance with Section 23(1)(a) of IRO.

The amount of income tax from continuing operations charged to the condensed consolidated income statement represents:

	For the six months ended	
	31 December	
	2022	2021
	HK\$m	HK\$m
Current income tax		
Hong Kong profits tax	144.9	123.7
Mainland China and overseas taxation	245.6	268.8
Deferred income tax credit	(108.8)	(64.1)
	281.7	328.4

Share of taxation of associated companies and joint ventures from continuing operations of HK\$75.6 million (2021: HK\$43.2 million) and HK\$143.0 million (2021: HK\$120.6 million) respectively are included in the condensed consolidated income statement as share of results of associated companies and joint ventures respectively.

9. EARNINGS PER SHARE

The calculation of basic earnings per share from continuing operations is based on profit attributable to shareholders of the Company arising from the continuing operations of HK\$1,162.4 million (2021 restated: HK\$1,193.5 million) and on the weighted average of 3,910,601,490 (2021: 3,911,137,849) ordinary shares outstanding during the Current Period.

For Last Period, the calculation of basic earnings per share from discontinued operations was based on profit attributable to shareholders of the Company arising from the discontinued operations of HK\$390.0 million and on the weighted average of 3,911,137,849 ordinary shares outstanding during the Last Period.

The share options of the Company had an anti-dilutive effect on the basic earnings per share for the Current Period and therefore were not included in the calculation of diluted earnings per share. There was no dilutive potential ordinary share outstanding during the Last Period.

Notes to Condensed Consolidated Interim Financial Statements

10. 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 30 June 2022 and 1 July 2022		2,698.1	31.4	2,106.9	5.8	4,842.2
Fair value changes	6	(3.5)	(2.7)	36.7	–	30.5
Translation differences		–	–	(94.2)	(0.3)	(94.5)
At 31 December 2022		2,694.6	28.7	2,049.4	5.5	4,778.2

The investment properties were revalued on 31 December 2022 by independent, professionally qualified valuers, Knight Frank Petty Limited and Jones Lang LaSalle Corporate Appraisal and Advisory Limited, based on sales comparison or income approach.

11. PROPERTY, PLANT AND EQUIPMENT

HK\$m	Note	Land and properties	Other plant and equipment	Motor vehicles	Total
Cost					
At 30 June 2022 and 1 July 2022		252.7	3,096.5	28.1	3,377.3
Additions		–	193.7	0.8	194.5
Disposals		–	(51.3)	(0.7)	(52.0)
Translation differences		(0.4)	(30.4)	(0.1)	(30.9)
At 31 December 2022		252.3	3,208.5	28.1	3,488.9
Accumulated depreciation and impairment					
At 30 June 2022 and 1 July 2022		25.4	2,010.2	26.0	2,061.6
Depreciation	5	3.4	140.9	0.7	145.0
Disposals		–	(50.8)	(0.7)	(51.5)
Translation differences		–	(10.0)	(0.1)	(10.1)
At 31 December 2022		28.8	2,090.3	25.9	2,145.0
Net book value					
At 31 December 2022		223.5	1,118.2	2.2	1,343.9
At 30 June 2022		227.3	1,086.3	2.1	1,315.7

Notes to Condensed Consolidated Interim Financial Statements

12. INTANGIBLE CONCESSION RIGHTS

	Note	HK\$m
Cost		
At 30 June 2022 and 1 July 2022		23,994.9
Additions		142.9
Translation differences		(1,074.9)
At 31 December 2022		23,062.9
Accumulated amortization and impairment		
At 30 June 2022 and 1 July 2022		10,913.0
Amortization	5	509.4
Translation differences		(487.4)
At 31 December 2022		10,935.0
Net book value		
At 31 December 2022		12,127.9
At 30 June 2022		13,081.9

As at 31 December 2022, intangible concession rights of an expressway in Hunan with net book value of HK\$4,783.1 million (30 June 2022: nil) has been pledged as a security for a long-term bank loan of the Group of HK\$3,021.6 million (30 June 2022: nil) (note 26).

Notes to Condensed Consolidated Interim Financial Statements

13. INTANGIBLE ASSETS

HK\$m	Note	Goodwill	Operating right and others	Total
Cost				
At 30 June 2022 and 1 July 2022		5,595.0	836.4	6,431.4
Additions		–	40.4	40.4
At 31 December 2022		5,595.0	876.8	6,471.8
Accumulated amortization and impairment				
At 30 June 2022 and 1 July 2022		15.4	525.9	541.3
Amortization	5	–	46.8	46.8
At 31 December 2022		15.4	572.7	588.1
Net book value				
At 31 December 2022		5,579.6	304.1	5,883.7
At 30 June 2022		5,579.6	310.5	5,890.1

14. VALUE OF BUSINESS ACQUIRED

	Note	HK\$m
At 30 June 2022 and 1 July 2022		5,239.8
Amortization	5, 7	(90.9)
At 31 December 2022		5,148.9

15. DEFERRED ACQUISITION COSTS

	Note	HK\$m
At 30 June 2022 and 1 July 2022		2,335.0
Additions of new business		397.6
Amortization	5(a)	(307.6)
At 31 December 2022		2,425.0

Notes to Condensed Consolidated Interim Financial Statements

16. ASSOCIATED COMPANIES

	Note	At 31 December 2022 HK\$m	At 30 June 2022 HK\$m
Group's share of net assets, including goodwill			
Listed shares – Hong Kong	(a), (d)	1,215.1	1,482.8
Listed shares – overseas	(a)	680.1	654.4
Unlisted shares	(b)	3,432.6	4,080.4
		5,327.8	6,217.6
Amounts receivable			
Gross amount		1,880.5	1,850.5
Less: provision		(1,707.7)	(1,624.7)
	(c), (d)	5,500.6	6,443.4

- (a) As at 31 December 2022, the share of market value of the Group's listed associated companies amounts to HK\$2,132.0 million (30 June 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 has been fully repaid and the pledge is released during the Current Period.
- (c) As at 31 December 2022, the carrying amount mainly represents the Group's investments in various roads, logistics, healthcare, strategic investments and other projects.
- (d) In the Current Period, an impairment loss for investment in Wai Kee of HK\$90.6 million (notes 4(a)(i) and 6) (2021 restated: HK\$97.7 million) was recognized by the Group and included in "other income and gains, net", 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 impairment of the Group's investments in associated companies as at 31 December 2022.

Notes to Condensed Consolidated Interim Financial Statements

17. JOINT VENTURES

	Note	At 31 December 2022 HK\$m	At 30 June 2022 HK\$m
Co-operative joint venture			
Cost of investment less provision, including goodwill		724.4	731.0
Share of undistributed post-acquisition results		1,914.2	1,942.7
Amounts receivable		17.7	13.4
		2,656.3	2,687.1
Equity joint ventures			
Group's share of net assets, including goodwill	(d)	5,225.9	2,569.7
Companies limited by shares			
Group's share of net assets, including goodwill		8,651.7	8,644.1
Amounts receivable			
Gross amount		2,854.3	2,902.5
Less: provision		(1,399.5)	(1,389.9)
		10,106.5	10,156.7
	(a), (b), (c)	17,988.7	15,413.5

(a) As at 31 December 2022, the carrying amount mainly represents the Group's investments in various roads, logistics, strategic investments and other projects.

(b) In May 2022, Goshawk (a joint venture principally engaged in aircraft leasing industry in which the Group holds 50% equity interest) and SMBC Aviation Capital Limited ("SMBC") entered into an agreement ("Transaction Agreement") and pursuant to which Goshawk has agreed to, at completion, effectively dispose of its interest in its commercial aircraft leasing platform to SMBC, comprising substantially all of the assets, liabilities and contracts of the business, excluding the six aircraft leased to Russian airlines. Goshawk reclassified the assets and liabilities to be sold to SMBC as held-for-sale during FY2022. Upon the reclassification, the carrying values were remeasured by Goshawk with reference to the sale consideration under the Transaction Agreement.

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 shared by the Group and included in "share of results of joint ventures" during the Current Period.

Notes to Condensed Consolidated Interim Financial Statements

17. JOINT VENTURES (CONTINUED)

- (c) The share of results of joint ventures from continuing operations in the Current Period includes the Group's share of impairment loss (net of tax) of Hyva Global B.V. (in which the Group indirectly holds approximately 39% effective equity interest). Hyva Global B.V. is principally engaged in manufacturing and supply of components used in hydraulic loading and unloading systems. Management of the joint venture has carried out an impairment assessment on the carrying value of its intangible assets using the discounted cash flow method. 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). The assessment are based on key assumptions such as revenue projection, terminal growth rate and discount rate. Based on the assessment, the Group shared an impairment loss of HK\$58.5 million on goodwill of its Mainland China business segment in the Current Period, primarily due to expected slower growth in demand for hydraulic components in Mainland China market.

Except for above, management is of the view that there is no impairment of the Group's investments in joint ventures as at 31 December 2022.

For the Last Period, the share of results of joint ventures from continuing operations included the Group's share of impairment loss (net of tax) for Goshawk on aircraft portfolio of HK\$93.5 million and share of expected credit loss provision on account receivables and aircraft repossession/recovery costs (net of tax) of HK\$180.5 million.

- (d) The balance as at 30 June 2022 included 40% equity interest in Guangxi Logan Guiwu Expressway Co., Ltd* acquired by the Group during the Current Period as detailed in note 30(a)(iii).

18. FINANCIAL ASSETS AT AMORTIZED COST

	At 31 December 2022 HK\$m	At 30 June 2022 HK\$m
Debt instruments		
Listed in Hong Kong	175.5	–
Listed overseas	1,053.4	–
Unlisted	143.4	–
	1,372.3	–
Represented by		
Non-current assets	1,320.3	–
Current assets	52.0	–
	1,372.3	–

* For identification purposes only

Notes to Condensed Consolidated Interim Financial Statements

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 31 December 2022 HK\$'m	At 30 June 2022 HK\$'m
Equity instruments		
Listed in Hong Kong	1,413.6	1,731.0
Listed overseas	33.0	32.8
Unlisted	67.4	18.5
	1,514.0	1,782.3
Debt instruments		
Listed in Hong Kong	7,372.0	7,762.0
Listed overseas	29,080.2	29,514.8
Unlisted	3,161.8	2,524.7
	39,614.0	39,801.5
	41,128.0	41,583.8
Represented by		
Non-current assets	37,836.7	38,500.3
Current assets	3,291.3	3,083.5
	41,128.0	41,583.8

Notes to Condensed Consolidated Interim Financial Statements

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 December 2022 HK\$m	At 30 June 2022 HK\$m
Equity instruments		
Listed in Hong Kong	1,305.7	1,496.2
Listed overseas	134.7	158.5
Unlisted	324.8	416.9
	1,765.2	2,071.6
Debt instruments		
Listed in Hong Kong	189.0	266.2
Listed overseas	531.1	424.8
Unlisted	1,724.4	2,036.4
	2,444.5	2,727.4
Investment funds		
Listed	2,694.4	2,369.5
Unlisted	5,161.9	5,786.9
	7,856.3	8,156.4
	12,066.0	12,955.4
Represented by		
Non-current assets	10,619.9	11,052.2
Current assets	1,446.1	1,903.2
	12,066.0	12,955.4

Financial assets at FVPL related to unit-linked contracts are detailed in note 22(a).

Notes to Condensed Consolidated Interim Financial Statements

21. TRADE, PREMIUM AND OTHER RECEIVABLES

		At	At
		31 December	30 June
		2022	2022
	Note	HK\$'m	HK\$'m
Trade receivables	(a)	2,077.1	1,723.7
Premium receivables		368.0	230.1
Other receivables, deposits and prepayments	(b)	2,151.8	2,410.7
Retention money receivables		1,800.6	1,830.8
Contract assets		1,959.5	1,078.5
Amounts due from associated companies		405.1	249.3
Amounts due from joint ventures	(c)	831.2	6,694.0
	(d)	9,593.3	14,217.1

(a) The ageing analysis of trade receivables based on invoice date is as follows:

	At	At
	31 December	30 June
	2022	2022
	HK\$'m	HK\$'m
Under 3 months	2,017.8	1,572.1
4 to 6 months	18.1	81.3
Over 6 months	41.2	70.3
	2,077.1	1,723.7

(b) The balance includes construction related receivables amounting to HK\$717.4 million (30 June 2022: HK\$868.3 million) which have not yet been billed at period/year end.

(c) Included in the balance as at 30 June 2022 of HK\$6,166.6 million was advances to Goshawk which was fully settled in December 2022 upon the completion of disposal of aircraft leasing business by Goshawk as detailed in note 17(b).

(d) 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 period/year end.

Notes to Condensed Consolidated Interim Financial Statements

22. INVESTMENTS/LIABILITIES RELATED TO UNIT-LINKED CONTRACTS

(a) Investments related to unit-linked contracts are analyzed as follows:

	At 31 December 2022 HK\$m	At 30 June 2022 HK\$m
Financial assets at FVPL – Investment funds, at fair value	8,596.7	8,621.9
Cash and bank balances	34.1	27.3
	8,630.8	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:

	At 31 December 2022 HK\$m	At 30 June 2022 HK\$m
Insurance contract liabilities	669.3	675.0
Investment contract liabilities	8,150.6	8,160.9
	8,819.9	8,835.9
Represented by		
Non-current liabilities	192.2	190.8
Current liabilities	8,627.7	8,645.1
	8,819.9	8,835.9

Notes to Condensed Consolidated Interim Financial Statements

23. SHARE CAPITAL

	Ordinary shares	
	No. of shares	HK\$m
Authorized		
At 30 June 2022, 1 July 2022 and 31 December 2022	6,000,000,000	6,000.0
Issued and fully paid		
At 30 June 2022 and 1 July 2022	3,911,137,849	3,911.1
Repurchase of shares	(710,000)	(0.7)
At 31 December 2022	3,910,427,849	3,910.4

During Current Period, 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 Current Period.

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.

Notes to Condensed Consolidated Interim Financial Statements

23. SHARE CAPITAL (CONTINUED)

Share Option Scheme (continued)

Movements in the number of share options during the Current Period 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
Lapsed/Cancelled		(528,900)	7.83
Outstanding as at 31 December 2022		85,449,150	7.83
Exercisable as at 31 December 2022		12,844,655	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.

Notes to Condensed Consolidated Interim Financial Statements

24. 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 30 June 2022 and 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		-	-	-	-	-	-	-	1,162.4	1,162.4
Dividend paid to shareholders of the Company	29	-	-	-	-	-	-	-	(1,212.2)	(1,212.2)
Release of reserve upon disposal of interest in a joint venture		-	-	-	-	-	-	(6.4)	-	(6.4)
Net fair value change on equity instruments as financial assets at FVOCI										
Company and subsidiaries		-	-	-	-	(160.6)	-	-	-	(160.6)
Associated company		-	-	-	-	(77.8)	-	-	-	(77.8)
Net fair value change on debt instruments as financial assets at FVOCI and other net movement	(a)	-	-	-	-	-	(1,733.6)	-	-	(1,733.6)
Amount reported in other comprehensive income applying overlay approach adjustments on financial assets	6(a)	-	-	-	-	-	(552.0)	-	-	(552.0)
Currency translation differences										
Company and subsidiaries		-	-	-	-	-	-	(664.0)	-	(664.0)
Associated companies		-	-	-	-	-	-	(252.0)	-	(252.0)
Joint ventures		-	-	-	-	-	-	(259.8)	-	(259.8)
Share options										
Value of services provided										
Company and subsidiaries		-	32.0	-	-	-	-	-	-	32.0
Share of other comprehensive (loss)/income of associated companies		-	(2.4)	-	-	21.3	-	(34.8)	7.4	(8.5)
Cash flow hedges										
Company and subsidiaries		-	-	-	62.8	-	-	-	-	62.8
Joint venture		-	-	-	(45.0)	-	-	-	-	(45.0)
Share repurchase		(4.9)	-	-	-	-	-	-	-	(4.9)
Remeasurement of post-employment benefit obligation		-	-	-	-	-	-	-	(0.3)	(0.3)
Redemption of perpetual capital securities		-	-	-	-	-	-	-	124.1	124.1
Transaction cost in relation to the issuance of perpetual capital securities		-	-	-	-	-	-	-	(19.8)	(19.8)
Transfer of reserves upon disposal of equity instruments as financial assets at FVOCI		-	-	-	-	391.3	-	-	(391.3)	-
Other transfer of reserves		-	4.9	-	-	-	-	-	(4.9)	-
At 31 December 2022		17,816.6	533.6	6,335.3	34.1	(1,307.7)	(10,394.4)	(1,307.8)	24,072.1	35,781.8

(a) The amounts mainly represent net fair value change of financial assets at FVOCI for the Current Period recognized in condensed 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 net fair value change is dealt within FVOCI reserve (recycling).

Notes to Condensed Consolidated Interim Financial Statements

24. RESERVES (CONTINUED)

Special reserves include statutory reserves which are created in accordance with the relevant laws of the Mainland and/or terms of the joint venture agreements of subsidiaries and joint ventures established in the Mainland and are required to be retained in the financial statements of these subsidiaries and joint ventures for specific purposes. Special reserves also include capital redemption reserve, contributed surplus and share option reserve.

25. PERPETUAL CAPITAL SECURITIES

The balance at the beginning of the Current Period 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 31 December 2022, 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.

The Group has the right to redeem all these perpetual capital securities from the holders and the payments of distribution can be deferred at the discretion of the Group. The securities are classified as equity in the condensed consolidated financial statements of the Group.

Notes to Condensed Consolidated Interim Financial Statements

26. BORROWINGS AND OTHER INTEREST-BEARING LIABILITIES

	Note	At 31 December 2022 HK\$m	At 30 June 2022 HK\$m
Non-current			
Secured long-term bank loan	12	2,847.2	–
Unsecured long-term bank loans		12,767.0	15,593.7
Unsecured fixed rate bonds	(a)	1,882.8	2,594.4
Financing received under a financial reinsurance arrangement		131.3	135.1
		17,628.3	18,323.2
Current			
Current portion of secured long-term bank loan	12	174.4	–
Current portion of unsecured long-term bank loans		3,523.6	3,150.7
Unsecured fixed rate bonds		1,952.0	1,970.1
Financing received under a financial reinsurance arrangement		78.5	100.2
Cash collateral received for cross currency swap and forward starting interest rate swap contracts		22.0	46.7
		5,750.5	5,267.7
		23,378.8	23,590.9

- (a) The balance represents US\$650.0 million bonds issued in June 2019 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. During the Current Period, US\$92.3 million in aggregate principal amount of the bonds were redeemed and cancelled by the Group. As at 31 December 2022, US\$243.6 million (30 June 2022: US\$335.9 million) in aggregate principal amount of the bonds remains outstanding.

Notes to Condensed Consolidated Interim Financial Statements

27. INSURANCE AND INVESTMENT CONTRACT LIABILITIES

	Note	At 31 December 2022 HK\$'m	At 30 June 2022 HK\$'m
Insurance contract liabilities	(a), (b)	50,709.7	48,199.0
Investment contract liabilities		5.1	5.4
		50,714.8	48,204.4
Represented by			
Non-current liabilities		16,033.6	16,470.0
Current liabilities	2	34,681.2	31,734.4
		50,714.8	48,204.4

Insurance and investment contract liabilities related to unit-linked contracts are detailed in note 22(b).

- (a) The maturity profile of insurance contract liabilities, which is presented on discounted basis and projected according to the Group's best estimate on the timing of future cash flows based on the historical settlement pattern, is stated as below:

	Note	At 31 December 2022 HK\$'m	At 30 June 2022 HK\$'m
Payable within one year	2	4,573.0	4,120.1
Payable after one year		46,136.7	44,078.9
		50,709.7	48,199.0

Notes to Condensed Consolidated Interim Financial Statements

27. INSURANCE AND INVESTMENT CONTRACT LIABILITIES (CONTINUED)

(b) Insurance contract liabilities comprised:

	At 31 December 2022 HK\$m	At 30 June 2022 HK\$m
Liabilities for guaranteed benefits	46,216.9	43,801.6
Liabilities for coinsurance payments	325.5	345.0
Provision for annual dividends	67.6	70.2
Insurance contract liabilities excluding policyholders' dividends and bonuses	46,610.0	44,216.8
Policyholders' dividends and bonuses	4,099.7	3,982.2
Total insurance contract liabilities	50,709.7	48,199.0

28. TRADE, OTHER PAYABLES AND PAYABLES TO POLICYHOLDERS

	Note	At 31 December 2022 HK\$m	At 30 June 2022 HK\$m
Trade payables	(a)	148.5	633.8
Payables to policyholders		1,580.2	1,774.2
Other payables and accruals	(b)	8,084.7	5,801.3
Retention money payables		1,528.9	1,469.3
Contract liabilities		265.7	606.4
Amounts due to non-controlling interests		107.8	107.8
Amounts due to associated companies		40.6	9.1
Amounts due to joint ventures		241.0	1.2
		11,997.4	10,403.1

Notes to Condensed Consolidated Interim Financial Statements

28. TRADE, OTHER PAYABLES AND PAYABLES TO POLICYHOLDERS (CONTINUED)

(a) The ageing analysis of trade payables based on invoice date is as follows:

	At 31 December 2022 HK\$m	At 30 June 2022 HK\$m
Under 3 months	126.7	615.2
4 to 6 months	2.2	5.2
Over 6 months	19.6	13.4
	148.5	633.8

(b) The balance includes construction related accruals and provisions amounting to HK\$5,346.5 million (30 June 2022: HK\$3,341.7 million).

29. DIVIDEND

A final dividend of HK\$1,212.2 million that related to FY2022 was paid in December 2022 (final dividend for the financial year ended 30 June 2021 paid: HK\$1,173.3 million).

On 23 February 2023, the Board resolved to declare an interim dividend for FY2023 of HK\$0.30 per share (interim dividend for FY2022 paid: HK\$0.30 per share), payable on or about 6 April 2023 to the shareholders whose names appear on the register of members of the Company on 22 March 2023. This interim dividend, amounting to HK\$1,173.1 million, has not been recognized as liability in these interim financial statements but will be reflected as an appropriation of the retained profits in the annual financial statements for FY2023 (interim dividend for FY2022 paid: HK\$1,173.4 million).

Notes to Condensed Consolidated Interim Financial Statements

30. COMMITMENTS

(a) The outstanding commitments are as follows:

		At 31 December 2022 HK\$m	At 30 June 2022 HK\$m
Contracted but not provided for			
Property, plant and equipment		191.1	132.3
Investment properties		532.1	571.3
Intangible concession rights		–	192.9
Intangible assets		–	6.2
Acquisition of further interest in an associated company	(i)	624.4	–
Capital contributions to/acquisition of associated companies and joint ventures	(ii), (iii)	1,623.4	2,443.3
Investment funds, financial and other investments		1,758.0	1,440.5
		4,729.0	4,786.5

- (i) On 1 December 2022, NWS (Guangdong) Investment Co. Ltd.* (an indirect wholly-owned subsidiary of the Company) entered into an equity transfer agreement to acquire 60% equity interest in Hunan Daoyue Expressway Industry Co., Ltd* (“Hunan Daoyue”, a 40% indirect associated company of the Company which is principally engaged in the management and operation of Hunan Sui-Yue Expressway) at a total consideration of RMB555.7 million (equivalent to HK\$624.4 million). Upon completion, Hunan Daoyue will become an indirect wholly-owned subsidiary of the Company. The acquisition is yet to complete up to the date of this report.
- (ii) 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\$1,623.4 million (30 June 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.
- (iii) The balance as at 30 June 2022 included the Group’s commitment in the acquisition of 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 (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 Guangxi Logan Guiwu Expressway Co., Ltd as a joint venture since then.

* For identification purposes only

Notes to Condensed Consolidated Interim Financial Statements

30. COMMITMENTS (CONTINUED)

- (b) The Group's share of commitments for capital expenditure committed by the joint ventures not included above are as follows:

	At 31 December 2022 HK\$m	At 30 June 2022 HK\$m
Contracted but not provided for Property, plant and equipment	167.9	8,758.5

31. FINANCIAL GUARANTEE CONTRACTS

The Group's financial guarantee contracts are as follows:

	At 31 December 2022 HK\$m	At 30 June 2022 HK\$m
Guarantees for credit facilities granted to Associated companies	1,520.0	1,520.4
Joint ventures	671.5	1,950.0
	2,191.5	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 Kai Tak Sports Park Limited ("KTSP") under the contract entered into between the Hong Kong Government and KTSP 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 KTSP is up to the extent of 25% of the contract sum or an amount of approximately HK\$7.5 billion as at 31 December 2022 and 30 June 2022. KTSP is an associated company of the Group in which the Group has a 25% interest.

Under the Transaction Agreement and the related transaction documents in relation to the disposal of aircraft leasing business by Goshawk to SMBC (detailed in note 17(b)), the Group provides a financial guarantee to support the performance of Goshawk of its payment obligation to satisfy claims that may be brought by SMBC against Goshawk. The Group's potential liability under the financial guarantee is limited to a total amount of US\$197.1 million (equivalent to HK\$1,537.4 million) as at 31 December 2022 and 30 June 2022.

Notes to Condensed Consolidated Interim Financial Statements

32. NOTES TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of operating profit to net cash generated from operations:

	For the six months ended 31 December	
	2022 HK\$'m	2021 HK\$'m (restated)
Operating profit from continuing and discontinued operations	1,462.8	1,806.5
Depreciation and amortization	916.5	978.9
Overlay approach adjustments on financial assets	(552.0)	(1,175.8)
Net loss/(profit) on disposal of debt instruments as financial assets at FVOCI	3.7	(142.9)
Gain on fair value of derivative financial instruments	(37.1)	(21.9)
Net loss on fair value of financial assets at FVPL	553.9	406.8
Loss associated with investments related to unit-linked contracts	120.5	474.2
Gain on redemption of fixed rate bonds	(90.5)	–
Interest income	(1,146.7)	(892.1)
Dividend income	(126.7)	(335.0)
Profit on disposal of interest in an associated company	–	(269.0)
Loss on disposal of interest in a joint venture	101.9	–
Loss on disposal of an asset held-for-sale	–	56.0
Net gain on fair value of investment properties	(30.5)	–
Impairment loss related to an associated company	90.6	97.7
Reversal of provision for onerous contract	–	(30.0)
Expected credit loss provision, net of reversal	158.4	211.2
Share-based payment	32.0	–
Net exchange loss	92.3	0.8
Other non-cash items	(0.3)	14.8
Operating profit before working capital changes	1,548.8	1,180.2
Decrease in inventories	6.3	15.6
Decrease in security deposits	–	400.5
(Increase)/decrease in trade, premium and other receivables	(1,135.8)	351.9
Increase/(decrease) in trade, other payables and payables to policyholders	1,374.2	(603.1)
Decrease in amounts due to non-controlling interests	–	(4.9)
Increase in deferred acquisition costs	(90.0)	(438.3)
Increase in insurance and investment contract liabilities	3,635.8	5,355.1
Increase/(decrease) in liabilities related to unit-linked contracts	26.8	(573.9)
Purchases of financial assets at FVPL associated with investments related to unit-linked contracts	(2,111.0)	(1,771.2)
Disposal of financial assets at FVPL associated with investments related to unit-linked contracts	1,933.7	1,848.9
Changes in balances with associated companies, joint ventures and related companies	18.4	(128.7)
Others	3.0	(1.7)
Net cash generated from operations	5,210.2	5,630.4

Notes to Condensed Consolidated Interim Financial Statements

33. RELATED PARTY TRANSACTIONS

- (a) Except for those disclosed, the following is a summary of significant related party transactions during the Current Period carried out in the normal course of the Group's business:

	Note	For the six months ended 31 December	
		2022 HK\$'m	2021 HK\$'m
Transactions with affiliated companies			
	(i)		
Provision of other services	(iii)	0.3	0.3
Interest income	(iv)	58.7	37.8
Management fee income	(v)	1.9	2.2
Rental and other related expenses	(vi)	(1.1)	(0.6)
Other expenses	(viii)	(140.1)	(31.5)
Transactions with other related parties			
	(i)		
Provision of construction work services	(ii)	253.0	96.3
Provision of other services	(iii)	29.1	23.0
Interest income	(iv)	61.1	61.1
Rental, other related expenses and additions to right-of-use assets	(vi)	(15.6)	(14.9)
Mechanical and electrical engineering services	(vii)	(744.5)	(396.5)
Other expenses	(viii)	(175.1)	(83.0)

- (i) Affiliated companies include associated companies and joint ventures of the Group. Related parties are subsidiaries, associated companies and joint ventures of NWD and Chow Tai Fook Enterprises Limited ("CTF Enterprises") as well as Mr Doo Wai Hoi, William ("Mr Doo") and his associates which are not companies within the Group. NWD is the ultimate holding company of the Company and CTF Enterprises is a substantial shareholder of NWD. Mr Doo is the Vice-chairman and a non-executive director of NWD and is the father of Mr William Junior Guilherme Doo, a non-executive director of the Company.
- (ii) Revenue from the provision of construction work services was charged in accordance with the relevant contracts. Revenue from provision of construction work services to KTSPL, which is both a subsidiary of NWD and also an associated company of the Group, was presented under "Transactions with other related parties" only.

Notes to Condensed Consolidated Interim Financial Statements

33. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (continued)

- (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 on the outstanding balances due from the affiliated companies or relevant yield on investments in debt instruments.
- (v) Management fee was charged at rates in accordance with the relevant contracts.
- (vi) Rental and other related expenses were charged and additions to right-of-use assets were measured in accordance with the respective tenancy agreements.
- (vii) Mechanical and electrical engineering services were charged in accordance with the relevant contracts.
- (viii) Other expenses include purchase of construction materials, laundry, security and guarding, landscaping, cleaning, property management and other services. The services were charged in accordance with the relevant contracts.

(b) **Key management compensation**

The aggregate amounts of emoluments of the directors of the Company (being the key management personnel) are as follows:

	For the six months ended 31 December	
	2022	2021
	HK\$m	HK\$m
Remuneration	24.7	35.8

In addition to above, the Company has granted share options to directors of the Company during the Current Period. The value of deemed share options benefits amounted to HK\$22.3 million (2021: nil).

Notes to Condensed Consolidated Interim Financial Statements

33. RELATED PARTY TRANSACTIONS (CONTINUED)

- (c) The total amounts receivable (before provision) from associated companies and joint ventures are HK\$5,988.8 million (30 June 2022: HK\$11,709.7 million). These balances are unsecured, of which HK\$2,848.8 million (30 June 2022: HK\$2,645.3 million) are interest bearing. These balances also include an amount of HK\$197.5 million (30 June 2022: HK\$197.5 million) which has been subordinated to certain indebtedness of a joint venture. The total amounts payable to associated companies, joint ventures and non-controlling interests are HK\$407.9 million (30 June 2022: HK\$142.5 million). These balances are unsecured and interest free. 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 16(b).
- (d) As at 31 December 2022, FTLife Insurance, a wholly-owned subsidiary of the Company, held senior unsubordinated and unsecured notes in the aggregate principal amount of HK\$2,500.0 million (30 June 2022: HK\$2,500.0 million) issued by NWD (MTN) Limited, a wholly-owned subsidiary of NWD, as part of its investment portfolio. 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 31 December 2022, the fair value of these notes included in the condensed consolidated statement of financial position of the Group as financial assets at FVOCI is HK\$1,503.5 million (30 June 2022: HK\$1,947.1 million).

34. COMPARATIVE FIGURES

Certain comparative figures for the Last Period have been reclassified or extended to conform with the presentation for the Current Period.

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 31 December 2022, 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 has continued to redeem (at 13.5% discount to par value) and cancel US\$92.3 million in aggregate principal amount of the Senior Notes during the Current Period. After the redemption, US\$243.6 million in aggregate principal amount of the Senior Notes remains outstanding. The Group has also redeemed (at 4.5% discount to par value) and cancelled US\$280.9 million in aggregate principal amount of the US\$1,300 million 5.75% senior perpetual capital securities. After the redemption, US\$1,019.1 million in aggregate principal amount of the 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. Besides, the Company repurchased 710,000 shares under its share repurchase program during the Current Period. The share repurchase program has a duration of 12 months from 18 May 2022 and pursuant to which the Company can repurchase up to the monetary value of US\$300 million.

In addition, with an aim to further broaden the Group's funding source and to hedge against the currency exchange fluctuations in Renminbi whereby a significant portion of the Group's assets are denominated, the Company had made an application to the National Association of Financial Market Institutional Investors (the "Association") for registration of debt financing instruments in aggregate amount of not more than RMB5 billion (the "Panda Bonds") to be issued by the Company in multiple tranches as and when appropriate within two years from the receipt of the notice of acceptance of registration from the Association. For the purpose of such application and subsequent issuance of the Panda Bonds, the Company has applied for, and subsequently received, a credit rating of "AAA" from China Lianhe Credit Rating Co., Ltd. (聯合資信評估股份有限公司), being the highest credit rating level in the Mainland.

The Group manages its financial risks including interest rate exposure and foreign exchange risks. Interest rate swaps 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 swaps contracts are entered to manage the Group's overall cost of funding and the exposure from foreign currency translation. 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 did not have any material exposure to exchange risk other than Renminbi and United States Dollar during the Current Period. 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.

Financial Resources

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2022, the Group's total cash and bank balances amounted to HK\$17,691.9 million, compared with HK\$13,452.6 million as at 30 June 2022. Cash and bank balances as at 31 December 2022 were mainly denominated as to 65% in United States Dollar, 22% in Hong Kong Dollar and 12% in Renminbi. The Group's net debt as at 31 December 2022 was HK\$5,686.9 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 proceeds from the disposal of its commercial aircraft leasing business, disposal of certain non-core investments as well as net operating cash inflow and dividends received from associated companies and joint ventures, net of investments made and payments of dividends. The Group's net gearing ratio (calculated as net debt over total equity) reduced from 19% as at 30 June 2022 to 11% as at 31 December 2022. The Group had unutilized committed banking facilities of approximately HK\$9.3 billion as at 31 December 2022.

DEBT PROFILE AND MATURITY

As at 31 December 2022, the Group's total debt reduced slightly to HK\$23,378.8 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 non-current portion of the long-term loans and borrowings of HK\$17,628.3 million as at 31 December 2022, 22% will mature in the second year, 56% will mature in the third to fifth year and 22% will mature after the fifth year. Bank loans were mainly denominated in Hong Kong Dollar and Renminbi bearing interest at floating rates while fixed rate bonds were denominated in United States Dollar. As at 31 December 2022, the Group has provided a pledge over the concession right of operation of an expressway in Hunan as security for bank loan made to the subsidiary company which owns and operates the expressway.

COMMITMENTS

The Group's total commitments for capital expenditures was HK\$4,729.0 million as at 31 December 2022, compared with HK\$4,786.5 million as at 30 June 2022. These comprised commitments for step up acquisition of a road project of HK\$624.4 million, an acquisition of a logistics property under development in Chengdu of HK\$532.1 million (which was subsequently completed in January 2023), capital contributions to certain associated companies, joint ventures as well as investment funds, financial and other investments of HK\$3,381.4 million together with additions of property, plant and equipment of HK\$191.1 million. Sources of funds for capital expenditures include internal resources of the Group and committed external financing from reputable international banks.

Financial Resources

FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts of the Group were HK\$2,191.5 million as at 31 December 2022, 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 31 December 2022 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, 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 31 December 2022 and 30 June 2022.

Interim Dividend

The Board has resolved to declare an interim dividend of HK\$0.30 per share for FY2023 (the "Interim Dividend") in cash to the shareholders whose names appear on the register of members of the Company on 22 March 2023. It is expected that the Interim Dividend will be paid on or about 6 April 2023.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' entitlement to the Interim Dividend, the register of members of the Company will be closed with details as set out below:

Latest time to lodge transfer documents for registration	4:30 p.m. on 21 March 2023
Closure of register of members	22 March 2023
Record date	22 March 2023
Interim Dividend payment date	on or about 6 April 2023

On the abovementioned closure date, no transfer of shares will be registered. In order to qualify for the Interim Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than the aforementioned latest time.

Disclosure Pursuant to Rule 13.22 of the Listing Rules

As at 31 December 2022, the Group has provided financial assistance, by way of shareholders' loans or advances, in the aggregate amount of HK\$5,988.8 million to its affiliated companies (included in the amounts disclosed in notes 16, 17 and 21 to the interim financial statements), guarantees given for bank loans and other credit facilities for the benefit of the affiliated companies and the guarantee towards KTSPL and Goshawk in the aggregate amount of HK\$11,228.9 million (included in the amounts disclosed in note 31 to the interim financial statements) and contracted to provide an aggregate amount of HK\$1,623.4 million in capital and/or loans to affiliated companies (included in the amount disclosed in note 30(a)(ii) to the interim financial statements). The said amounts, in aggregate, represent approximately 12.8% 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\$17.7 million which carries interest at Hong Kong prime rate per annum; (iii) an amount of HK\$1,600.0 million which carries interest at 6-month Hong Kong Interbank Offered Rate 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\$536.9 million which carries compound interest at 5% per annum and is repayable on demand; (v) an amount of HK\$78.0 million which carries interest at 3-month USD London Interbank Offered Rate plus 5% per annum and is repayable on demand; (vi) an amount of HK\$124.8 million which carries interest at Secured Overnight Financing Rate administered by the Federal Reserve Bank of New York plus 12.15% per annum and is repayable on demand; (vii) an amount of HK\$224.7 million which carries interest at 90% of over-five-year Renminbi benchmark lending rate published by the People's Bank of China per annum and is not repayable within the next 12 months from the end of the reporting period; (viii) an amount of HK\$162.0 million which carries interest at 4% per annum; and (ix) an amount of HK\$175.8 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 31 December 2022 are presented as follows:

	Proforma combined statement of financial position HK\$m	The Group's attributable interest HK\$m
Non-current assets	52,102.4	24,875.5
Current assets	10,604.1	4,059.7
Current liabilities	(13,699.4)	(5,289.1)
Non-current liabilities	(27,529.1)	(12,604.7)
	21,478.0	11,041.4

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 31 December 2022.

Additional Information

CORPORATE GOVERNANCE PRACTICES

The Board firmly believes that good corporate governance is fundamental to delivering 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 the Current Period, the Company has complied with all the applicable code provisions under the Corporate Governance Code as contained in Appendix 14 of the Listing Rules, with the exception of code provision F.2.2.

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 arising 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.

DEALINGS IN THE COMPANY'S SECURITIES BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (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 the Current Period.

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 the Current Period.

UPDATE ON DIRECTORS' INFORMATION

Changes in the information of directors of the Company since the disclosure made in the 2022 annual report of the Company and up to the date of this report, that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

- (1) Dr Cheng Chi Kong, Adrian resigned as a non-executive director of Giordano International Limited, a listed public company in Hong Kong, on 1 December 2022 and ceased to be a member of the Tianjin Municipal Committee of The Chinese People's Political Consultative Conference of The People's Republic of China from December 2022. He was appointed as a vice-president of All-China General Chamber of Industry and Commerce on 13 December 2022 and a member of the 14th National Committee of the Chinese People's Political Consultative Conference of The People's Republic of China on 17 January 2023. In addition, he was appointed as 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 the chairman of the Mega Arts and Cultural Events Committee with effect from 17 January 2023, 27 January 2023 and 1 February 2023 respectively. He was also appointed as a non-executive director and a co-chairman of Meta Media Holdings Limited, a listed public company in Hong Kong, on 16 February 2023.

Additional Information

UPDATE ON DIRECTORS' INFORMATION (CONTINUED)

- (2) Mr Cheng Chi Ming, Brian was appointed as a non-executive director of NWD, a listed public company in Hong Kong and a substantial shareholder of the Company, on 1 December 2022.
- (3) Mr William Junior Guilherme Doo was appointed as a member of the 14th National Committee of the Chinese People's Political Consultative Conference of The People's Republic of China on 17 January 2023 and ceased to be a member of the Standing Committee of the Thirteenth Chinese People's Political Consultative Conference in Beijing of The People's Republic of China on 8 January 2023.
- (4) Mr Kwong Che Keung, Gordon retired by rotation as an independent non-executive director of the Company at the 2022 AGM held on 21 November 2022 and ceased to act as an independent non-executive director of the Company and the Chairman and member of the Audit Committee of the Company with effect from the conclusion of the 2022 AGM.
- (5) Professor Chan Ka Keung, Ceajer was appointed as the Chairman of the Audit Committee of the Company with effect from the conclusion of the 2022 AGM held on 21 November 2022. As from 21 November 2022, he is entitled to annual director's fee of HK\$300,000, Audit Committee Chairman's fee of HK\$160,000, Remuneration Committee member's fee of HK\$50,000, Nomination Committee member's fee of HK\$40,000 plus meeting allowance of HK\$8,000 for each of the Board meetings, Committee meetings and general meetings attended.
- (6) Ms Ng Yuen Ting, Yolanda was appointed as an independent non-executive director of the Company and a member of the Sustainability Committee of the Company on 1 December 2022. As from 1 December 2022, she is entitled to annual director's fee of HK\$300,000, Sustainability Committee member's fee of HK\$50,000 plus meeting allowance of HK\$8,000 for each of the Board meetings, Committee meetings and general meetings attended.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Audit Committee of the Company was set up by the Board with specific terms for the purpose of reviewing and providing supervision over the Group's financial reporting process, and risk management and internal control systems. It currently comprises three independent non-executive directors and a non-executive director of the Company. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated interim financial statements of the Group for the Current Period with the management and the external auditor. The Audit Committee has also reviewed this interim report.

The unaudited consolidated interim results of the Group for the Current Period have been reviewed by the Company's external auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

Additional Information

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2022, 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 (“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

Name	Number of shares			Total	Approximate percentage of shareholding as at 31.12.2022
	Personal interests	Family interests	Corporate interests		
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.

Additional Information

DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)

(b) Long position in underlying shares – share options

The following directors of the Company have personal interests in options to subscribe for shares of the Company. Details of the share options of the Company granted during the Current Period are as follows:

Name	Date of grant (Note 1)	Vesting period/ exercisable period (Note)	Number of share options					Balance as at 31.12.2022	Exercise price per share HK\$
			Balance as at 01.07.2022	Granted during the period	Exercised during the period	Re-classified during the period	Lapsed/ cancelled during the period		
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 were vested on 25 August 2022 and are exercisable from 25 August 2022 to 24 July 2032;
 - (ii) 15% of the share options shall be vested on 25 July 2023 and become exercisable from 25 July 2023 to 24 July 2032;
 - (iii) 20% of the share options 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 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.

Additional Information

DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)

(c) Long position in debentures

Name	Amount of debentures				Total	Approximate percentage to the total amount of debentures in issue as at 31.12.2022
	Personal interests	Family interests	Corporate interests	Other interests		
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 31 December 2022, none of the directors or chief executives of the Company had or was deemed to have any interests or short positions 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

A new share option scheme of the Company (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.

During the Current Period, the Company offered to grant share options to directors of the Company and certain eligible participants, who are employees of the Company and directors and employees of its subsidiaries, to subscribe for a total of 85,978,050 ordinary shares of the Company under the 2021 Share Option Scheme on 25 July 2022. 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.

Additional Information

SHARE OPTION SCHEME (CONTINUED)

(2) Details of the movement of share options granted to other eligible participants are as follows:

Date of grant (Note 1)	Vesting period/ exercisable period (Note)	Number of share options					Balance as at 31.12.2022	Exercise price per share HK\$
		Balance	Granted	Exercised	Re-	Lapsed/		
		as at 01.07.2022	during the period	during the period	classified during the period	cancelled during the period		
25 July 2022	(2)	-	28,445,400	-	1,648,500 ⁽³⁾	528,900	29,565,000	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 were vested on 25 August 2022 and are exercisable from 25 August 2022 to 24 July 2032;
 - (ii) 15% of the share options shall be vested on 25 July 2023 and become exercisable from 25 July 2023 to 24 July 2032;
 - (iii) 20% of the share options 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 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 consideration paid by each of the eligible participants for the grant of share options was HK\$10.
- (5) 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.

The number of share options available for grant under the 2021 Share Option Scheme at the beginning and the end of the Current Period are 391,113,784 and 305,664,634 respectively.

As at 31 December 2022, the number of shares that may be issued in respect of share options granted under the 2021 Share Option Scheme during the Current Period divided by the weighted average number of shares of the Company for the Current Period is calculated as follows:-

$$= \frac{(a) \quad 12,844,655}{(b) \quad 3,910,601,490} = 0.328\%$$

Whereas,

- (a) represents number of shares that may be issued as at 31 December 2022 for share options granted and vested during the Current Period
- (b) represents weighted average number of shares in issue for the Current Period

Save as disclosed above, as at 31 December 2022, no share option of the Company has been granted or has lapsed under the 2021 Share Option Scheme.

Additional Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2022, 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 by the Company under the provisions of Divisions 2 and 3 of Part XV of 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:

Name	Number of shares			Approximate percentage to the issued share capital of the Company as at 31.12.2022
	Beneficial interests	Corporate interests	Total	
Cheng Yu Tung Family (Holdings) Limited	–	2,477,530,362 ⁽¹⁾	2,477,530,362	63.36%
Cheng Yu Tung Family (Holdings II) Limited	–	2,477,530,362 ⁽²⁾	2,477,530,362	63.36%
Chow Tai Fook Capital Limited (“CTFC”)	–	2,477,530,362 ⁽³⁾	2,477,530,362	63.36%
Chow Tai Fook (Holding) Limited (“CTFH”)	–	2,477,530,362 ⁽⁴⁾	2,477,530,362	63.36%
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	60.88%
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.
- (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 in the Company. 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 31 December 2022, there was no other person (other than the directors or chief executive of the Company whose interests in shares, underlying shares and debentures of the Company or any of its associated corporations are set out on pages 80 to 82) 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.

Additional Information

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, approximately 13,300 staff were employed by entities under the Group's management, of which approximately 3,600 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 the Current Period were HK\$1.345 billion (2021: HK\$1.199 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.

MAJOR ACQUISITIONS AND DISPOSALS

1. On 26 April 2022, NWS (Guangdong) Investment Co. Ltd.* ("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 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 (the main wholly-owned operating subsidiary of Goshawk) 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).
3. 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 Hunan Sui-Yue Expressway) at the total consideration of RMB555.7 million, subject to adjustments. The acquisition is yet to complete up to the date of this report. Upon completion, Hunan Daoyue will become an indirect wholly-owned subsidiary of the Company.

* For identification purposes only

Additional Information

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Current Period, 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 period. As at 31 December 2022, the total number of shares of the Company in issue was 3,910,427,849.

Details of the shares bought back during the Current Period are as follows:

Date	Number of shares bought back	Price paid per share		Aggregate Consideration (before expenses)
		Highest HK\$	Lowest 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 remains outstanding as at the date of this report.

A tender offer was made by Celestial Miles Limited (“CML”, an indirect wholly-owned subsidiary of the Company) to purchase for cash the US\$1,300,000,000 2019 Perpetual Capital Securities, which are listed on the Hong Kong Stock Exchange, issued by CML 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 remains outstanding as at the date of this report.

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 Current 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

Corporate Information

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
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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

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The FSC™ logo identifies product group from responsible forestry in accordance with the rules of the Forest Stewardship Council®.

