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新創建 NWS

新創建集團有限公司*
NWS HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)
(stock code: 00659)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2023

HIGHLIGHTS

- **The Group's overall AOP was HK$4,097.2 million, decreased by 6%**
- As the Group's portfolio optimization is substantially complete, Roads, Construction (excluding our interest held in Wai Kee), Insurance, Logistics and Facilities Management (collectively, the "Operating Businesses") will be regarded as the focuses of the Group going forward
- **The profit attributable to shareholders of the Company grew by 28% to HK$2,026.7 million**
- **Proposed final dividend of HK$0.31 per share (FY2022: final dividend of HK$0.31 per share), together with the interim dividend of HK$0.30 per share, total dividends for FY2023 will be HK$0.61 per share (FY2022: total dividends of HK$0.61 per share), aligning with the Group's prevailing sustainable and progressive dividend policy**
- **The Group's capital structure further optimized. Net gearing ratio further reduced to 9% (30 June 2022: 19%)**

The board of directors (the "Board") of NWS Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the financial year ended 30 June 2023 ("FY2023") together with comparative figures for the financial year ended 30 June 2022 ("FY2022").

BUSINESS REVIEW

Group overview

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

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

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

The Group's Operating Businesses continued to show its resilience amid economic recovery in the second half of FY2023. AOP of the Operating Businesses registered a growth of 11% and 25% year-on-year in FY2023 and in the second half of FY2023, respectively. When comparing the AOP of the Operating Businesses in the second half of FY2023 with the second half of the financial year ended 30 June 2019 ("FY2019"), which is the pre-COVID-19 level, Roads segment dropped slightly by 1% owing to RMB depreciation and Construction segment (excluding Wai Kee) declined by 16% due to lower gross margin recognized, while Logistics segment (excluding disposed ports projects) grew by 25% mainly driven by the new contributions of logistics properties in the Mainland and Facilities Management segment turned around to AOP. Such results demonstrated the strength of our Operating Businesses and the value created from our portfolio optimization strategy in the past years.

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

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

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

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

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

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

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

Contribution by Division
For the year ended 30 June

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

\# *Adjusted EBITDA is calculated as operating profit excluding depreciation/amortization and other non-cash items, plus dividends received from associated companies and joint ventures, and any other relevant adjustments.*

OPERATIONAL REVIEW

AOP Contribution by Segment

For the year ended 30 June

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

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

Roads

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

The Group's major expressways, namely Hangzhou Ring Road, Tangjin Expressway (Tianjin North Section), Guangzhou City Northern Ring Road, Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) and the three expressways in Central region (namely Suiyuenan Expressway, Sui-Yue Expressway and Changliu Expressway), altogether contributed close to 90% of the Roads segment's AOP. Overall full year like-for-like traffic flow grew by 2% year-on-year notwithstanding the negative impact in the first half due to the reasons mentioned above, with the help of a strong rebound in the second half of FY2023, which increased by 18% year-on-year.

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

Construction

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

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

Insurance

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

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

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

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

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

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

Logistics

Spurred by the resilient performance of ATL Logistics Centre Hong Kong Limited (“ATL”), rapid growth of China United International Rail Containers Co., Limited (“CUIRC”) and new contributions from the newly acquired logistics properties in Chengdu and Wuhan, AOP of the Logistics segment increased respectably by 27% year-on-year to HK$752.0 million.

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

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

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

Facilities Management

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

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

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

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

Strategic Investments

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

Aviation[β]

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

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

β *being disposed/discontinued business in FY2023*

BUSINESS OUTLOOK

Roads

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

Construction

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

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

Insurance

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

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

Regarding the upcoming replacement of accounting standard from HKFRS 4 "Insurance Contracts" ("HKFRS 4") to HKFRS 17 "Insurance Contracts" ("HKFRS 17") for our financial year ending 30 June 2024, the implementation of the new HKFRS 17 involves significant enhancements to the information technology, actuarial and finance systems. We have formulated the accounting policies of HKFRS 17 and developed the model and systems to accommodate the transition.

The Group preliminarily estimated the key financial impacts of the adoption of HKFRS 17. First, HKFRS 17 significantly reduces accounting mismatch between financial assets and insurance contract liabilities, with mechanisms to adjust insurance contract liabilities considering market fluctuation from assets. Based on the financial position as at 30 June 2022 and 30 June 2023, the Group estimated that the total equity of the Group's insurance business would increase with the transition to HKFRS 17. Second, Insurance segment revenue presented in the consolidated income statement under HKFRS 17 will be recognized over the coverage period based on the provision of services, excluding any investment component, an amount that the policyholder will be repaid in all circumstances as required by the insurance contract, regardless of whether an insured event occurs. This exclusion of investment component would reduce Insurance segment's revenue. Third, AOP of the Insurance segment for FY2023 under HKFRS 17 is expected to decrease when compared with the current HKFRS 4 basis.

Logistics

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

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

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

Facilities Management

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

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

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

LOOKING FORWARD

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

FINANCIAL RESOURCES

Treasury management and cash funding

The Group's funding and treasury policy is designed to maintain a diversified and balanced debt profile and financing structure. The Group operates a centralized treasury function to monitor its cash position, cash flow and debt profile as well as optimize its funding cost-efficiency. In order to maintain maximum financial flexibility with adequate liquidity for the Group's operations, potential investments and growth plans, the Group has built a strong base of funding resources and will continue to optimize our capital structure and expand our sources of funding which include perpetual capital securities, debt issuance in the capital markets and bank borrowings, for which the proportion will change depending on financial market conditions. The capital structure of the Group was 32% debt and 68% equity as at 30 June 2023, compared with 30% debt and 70% equity as at 30 June 2022.

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

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

Liquidity and capital resources

As at 30 June 2023, the Group's total cash and bank balances amounted to HK$19,255.9 million, compared with HK$13,452.6 million as at 30 June 2022. Cash and bank balances as at 30 June 2023 were mainly denominated as to 61% in Hong Kong dollar, 20% in United States dollar and 19% in RMB. The Group's net debt as at 30 June 2023 was HK$4,541.0 million, compared with HK$10,138.3 million as at 30 June 2022. The decrease in net debt was mainly due to repayment from Goshawk following its receipt of disposal proceeds from the disposal of its commercial aircraft leasing business, disposals of certain non-core investments, net operating cash inflow as well as dividends received from associated companies and joint ventures, net of investments made and payments of dividends. The Group's net gearing ratio (calculated as net debt over total equity) reduced from 19% as at 30 June 2022 to 9% as at 30 June 2023. The Group had unutilized committed banking facilities of approximately HK$11.4 billion as at 30 June 2023.

Debt profile and maturity

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

Commitments

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

Financial guarantees

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

In addition, the Company and New World Development Company Limited, through their respective wholly-owned subsidiaries, provided a joint and several guarantee in favour of the Hong Kong Government for the punctual, true and faithful performance and observance by Kai Tak Sports Park Limited ("KTSPL") under the contract entered into between the Hong Kong Government and KTSPL for the design, construction and operation of Kai Tak Sports Park. Taking into consideration the deed of counter-indemnity which has been entered into, the Group's guarantee towards KTSPL is up to the extent of 25% of the contract sum or an amount of approximately HK$7.5 billion as at 30 June 2023 and 30 June 2022. KTSPL is an associated company of the Group in which the Group has a 25% interest.

Under the main transaction agreement and the related transaction documents in relation to the disposal of aircraft leasing business by Goshawk to SMBC Aviation Capital Limited ("SMBC"), the Group provides a financial guarantee to support the performance of Goshawk of its payment obligation to satisfy claims that may be brought by SMBC against Goshawk. The Group's potential liability under the financial guarantee is limited to a total amount of US$197.1 million (equivalent to approximately HK$1,537.4 million) as at 30 June 2023 and 30 June 2022.

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

3. On 16 May 2022, Goshawk, a joint venture whose equity interest is held as to 50% indirectly by the Company, entered into a main transaction agreement with SMBC pursuant to which Goshawk agreed to dispose of its substantially all of the commercial aircraft leasing platform to SMBC via the sale of entire equity interest in GML (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).

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

RESULTS

The audited consolidated results of the Group for FY2023 together with comparative figures for FY2022 are set out as follows:

Consolidated Income Statement
For the year ended 30 June

	Note	**2023 HK$'m**	2022 HK$'m
Continuing operations			
Revenue	*2*	**45,213.8**	31,138.6
Cost of sales	*3,5*	**(40,011.1)**	(27,609.3)
Other income and gains, net	*4*	**1,487.4**	966.6
Selling and marketing expenses	*3*	**(1,906.7)**	(1,290.9)
General and administrative expenses	*3*	**(2,043.4)**	(1,918.2)
Overlay approach adjustments on financial assets	*4(a)*	**687.5**	1,845.9
Operating profit	*3*	**3,427.5**	3,132.7
Finance costs		**(938.2)**	(760.1)
Share of results of			
Associated companies	*2(c)*	**176.8**	340.5
Joint ventures	*2(c),9*	**754.1**	(254.9)
Profit before income tax		**3,420.2**	2,458.2
Income tax expenses	*6*	**(757.3)**	(576.2)
Profit from continuing operations		**2,662.9**	1,882.0
Discontinued operations			
Profit from discontinued operations		**-**	302.3
Profit for the year		**2,662.9**	2,184.3
Profit attributable to			
Shareholders of the Company			
From continuing operations		**2,026.7**	1,284.5
From discontinued operations		**-**	302.3
		2,026.7	1,586.8
Holders of perpetual capital securities		**612.0**	583.1
Non-controlling interests		**24.2**	14.4
		2,662.9	2,184.3
Basic and diluted earnings per share attributable to shareholders of the Company	*7*		
From continuing operations		**HK$0.55**	HK$0.33
From discontinued operations		**-**	HK$0.08
		HK$0.55	HK$0.41

Consolidated Statement of Comprehensive Income
For the year ended 30 June

	Note	**2023 HK$'m**	2022 HK$'m
Profit for the year		**2,662.9**	2,184.3
Other comprehensive (loss)/income			
Items that will not be reclassified to profit or loss			
Net fair value change on equity instruments as financial assets at fair value through other comprehensive income ("FVOCI")		**(358.8)**	137.2
Remeasurement of post-employment benefit obligation		**2.2**	(6.2)
Share of gain arising from revaluation of a logistic property held by a joint venture upon reclassification to investment property, net of tax		**-**	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		**(705.9)**	(7,041.1)
Release of reserve upon disposal of debt instruments as financial assets at FVOCI		**6.1**	(137.6)
Release of reserve upon partial disposal of interest in an associated company		**-**	1.3
Release of reserve upon disposal of interest in a joint venture		**(6.4)**	-
Release of reserves upon disposal of assets held-for-sale		**-**	(81.9)
Share of other comprehensive income/(loss) of associated companies		**0.2**	(29.0)
Cash flow/fair value hedges		**134.1**	(357.4)
Amount reported in other comprehensive income applying overlay approach adjustments on financial assets	*4(a)*	**(687.5)**	(1,845.9)
Currency translation differences		**(1,753.8)**	(797.7)
Other comprehensive loss for the year, net of tax		**(3,369.8)**	(3,846.2)
Total comprehensive loss for the year		**(706.9)**	(1,661.9)
Total comprehensive (loss)/income attributable to			
Shareholders of the Company			
From continuing operations		**(1,337.5)**	(2,399.8)
From discontinued operations		**-**	141.6
		(1,337.5)	(2,258.2)
Holders of perpetual capital securities		**612.0**	583.1
Non-controlling interests		**18.6**	13.2
		(706.9)	(1,661.9)

Consolidated Statement of Financial Position
As at 30 June

	Note	**2023 HK$'m**	2022 HK$'m
ASSETS			
Non-current assets			
Investment properties		**5,875.0**	4,842.2
Property, plant and equipment		**1,317.0**	1,315.7
Intangible concession rights		**13,306.4**	13,081.9
Intangible assets		**5,863.2**	5,890.1
Value of business acquired		**5,107.9**	5,239.8
Right-of-use assets		**1,192.2**	1,360.7
Deferred acquisition costs		**2,498.2**	2,335.0
Associated companies	*12*	**4,708.3**	6,443.4
Joint ventures	*9*	**17,773.3**	15,413.5
Debt instruments as financial assets at amortized cost		**6,895.0**	-
Financial assets at FVOCI		**39,953.6**	38,500.3
Financial assets at fair value through profit or loss ("FVPL")		**13,344.8**	11,052.2
Derivative financial instruments		**273.1**	64.5
Other non-current assets		**1,361.4**	1,728.5
		119,469.4	107,267.8
Current assets			
Inventories		**239.6**	170.0
Trade, premium and other receivables	*10*	**9,176.1**	14,217.1
Investments related to unit-linked contracts		**8,940.1**	8,649.2
Financial assets at FVOCI		**3,220.7**	3,083.5
Financial assets at FVPL		**1,657.8**	1,903.2
Derivative financial instruments		**14.7**	27.4
Cash and bank balances		**19,255.9**	13,452.6
		42,504.9	41,503.0
Total assets		**161,974.3**	148,770.8
EQUITY			
Share capital		**3,910.5**	3,911.1
Reserves		**35,826.2**	39,397.4
Shareholders' funds		**39,736.7**	43,308.5
Perpetual capital securities		**10,353.6**	10,528.5
Non-controlling interests		**50.8**	50.1
Total equity		**50,141.1**	53,887.1

Consolidated Statement of Financial Position
As at 30 June

	Note	2023 HK$'m	2022 HK$'m
LIABILITIES			
Non-current liabilities			
Borrowings and other interest-bearing liabilities		**22,048.3**	18,323.2
Deferred tax liabilities		**1,678.8**	1,787.2
Insurance and investment contract liabilities		**16,049.1**	16,470.0
Liabilities related to unit-linked contracts		**192.0**	190.8
Derivative financial instruments		**203.9**	172.3
Lease liabilities		**729.6**	901.6
Other non-current liabilities		**287.1**	95.8
		41,188.8	37,940.9
Current liabilities			
Borrowings and other interest-bearing liabilities		**1,748.6**	5,267.7
Insurance and investment contract liabilities		**46,219.6**	31,734.4
Liabilities related to unit-linked contracts		**8,936.5**	8,645.1
Trade, other payables and payables to policyholders	*11*	**12,790.8**	10,403.1
Derivative financial instruments		**12.7**	0.4
Lease liabilities		**233.8**	223.1
Taxation		**702.4**	669.0
		70,644.4	56,942.8
Total liabilities		**111,833.2**	94,883.7
Total equity and liabilities		**161,974.3**	148,770.8

Notes:

1. Basis of preparation and accounting policies

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

As analyzed in note 2(b), the Group is in net current liabilities position of HK$28,139.5 million as at 30 June 2023 which is mainly due to the classification of the full surrender value of insurance and investment contract liabilities of HK$46,219.6 million as current liabilities at the reporting date. The Group, before taking into account the insurance business, is in net current assets position as at 30 June 2023.

Under HKAS 1 "Presentation of Financial Statements", liability is classified as current if there is no unconditional right by the issuer to defer the settlement for at least 12 months after the reporting period. The unavoidable payment obligation exists if all the policyholders choose to exercise their surrender option at the reporting date and accordingly the full surrender value of insurance and investment contract liabilities is classified as current liabilities as at the year end. However, management considered the likelihood for all policyholders to exercise the surrender option and leading to the settlement of the aforesaid liabilities within one year is low. Based on historical pattern, management considered the amount of insurance contract liabilities expected to be settled within one year is HK$4,837.6 million.

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

1. Basis of preparation and accounting policies (continued)

(a) Adoption of amendments to standards

During FY2023, the Group has adopted the following amendments to standards which are relevant to the Group's operations and are mandatory for FY2023:

HKFRS 3 (Amendments)	Reference to the Conceptual Framework
HKAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract
HKFRSs Amendments	Annual Improvements to HKFRSs 2018-2020 Cycle
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

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

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

The following new standard, amendments to standards and interpretation are mandatory for accounting period beginning on or after 1 July 2023 or later periods but which the Group has not early adopted:

HKFRS 17 and HKFRS 17 (Amendments)	Insurance Contracts
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current
HKAS 1 (Amendments)	Non-current Liabilities with Covenants
HKAS 1 (Amendments) and HKFRS Practice Statement 2	Disclosure of Accounting Policies
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKAS 12 (Amendments)	International Tax Reform – Pillar Two Model Rules
HKAS 21 (Amendments)	Lack of Exchangeability
HK Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

1. Basis of preparation and accounting policies (continued)

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

HKFRS 17 and HKFRS 17 (Amendments)

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

Under HKFRS 17, a comprehensive model (general model) is introduced to measure insurance contracts based on the estimates of the present value of future cash flows with a risk adjustment (the fulfilment cash flows) and the unearned profits (the contractual service margin).

In October 2020, HKFRS 17 (Amendments) was issued to address concerns and implementation challenges that were identified after HKFRS 17 was published and to defer the effective date of HKFRS 17 (incorporating the amendments) to accounting period beginning on or after 1 January 2023. The implementation of HKFRS 17 involves significant enhancements to the information technology, actuarial and finance systems. The Group has formulated the accounting policies and developed the model and systems to accommodate the transition.

The Group has preliminarily estimated the key financial impacts on the adoption of HKFRS 17 as follows:

(i) Insurance segment revenue presented in the consolidated income statement under HKFRS 17 represents the changes in the insurance contract liabilities for the remaining coverage that relates to services for which the Group expects to receive consideration. Investment component in insurance contracts, an amount that the policyholder will be repaid in all circumstances as required by the insurance contract, regardless of whether an insured event occurs, are excluded from profit or loss.

The recognition of insurance revenue and insurance service expenses in the consolidated income statement is based on the concept of services provided during the reporting period.

Under HKFRS 17, the Group's Insurance segment revenue from long-term life insurance contracts and the Group's AOP of Insurance segment for FY2023 are expected to decrease when compared with the current HKFRS 4 basis.

1. Basis of preparation and accounting policies (continued)

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

HKFRS 17 and HKFRS 17 (Amendments) (continued)

(ii) Insurance contract liabilities in the consolidated statement of financial position comprise the fulfillment cash flows and the contractual service margin. The fulfilment cash flows, including the expected present value of future cash flows and explicit risk adjustment, are remeasured in every reporting period while the contractual service margin, representing the estimate of unearned profitability of the insurance contracts, is gradually recognized in Insurance segment revenue in the consolidated income statement based on the services provided over the coverage period of the insurance contract. Certain changes in the expected present value of future cash flows are adjusted against the contractual service margin and thereby recognized in profit or loss over the remaining coverage period.

HKFRS 17 significantly reduces accounting mismatch between financial assets and insurance contract liabilities, with mechanisms to adjust insurance contract liabilities considering market fluctuation from assets. Based on the financial position as at 30 June 2022 and 30 June 2023, the Group estimates that the total equity of the Group's insurance business would increase with the transition to HKFRS 17.

The preliminary estimates of the key financial impacts are based on the information available and underlying assumptions made at the date of this announcement which are subject to review or audit by independent auditor of the Company. Actual results may differ from these estimates.

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

2. Revenue and segment information

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

2023 HK$'m	**Hong Kong**	**Mainland China**	**Total**
Roads	**-**	**2,731.8**	**2,731.8**
Construction	**19,638.5**	**-**	**19,638.5**
Insurance	**20,988.2**	**-**	**20,988.2**
Logistics	**-**	**139.5**	**139.5**
Facilities Management	**1,685.1**	**29.9**	**1,715.0**
Strategic Investments	**-**	**0.8**	**0.8**
	42,311.8	**2,902.0**	**45,213.8**

2022 HK$'m	Hong Kong	Mainland China	Total
Roads	-	2,717.5	2,717.5
Construction	15,240.9	-	15,240.9
Insurance	12,373.6	-	12,373.6
Logistics	-	11.8	11.8
Facilities Management	745.6	49.2	794.8
Strategic Investments	-	-	-
	28,360.1	2,778.5	31,138.6

Management has determined the operating segments based on the reports reviewed by the Executive Committee of the Company that are used to make strategic decisions. The Executive Committee reviews the Group's internal reporting in order to assess performance and allocate resources. The Executive Committee considers the businesses of the Group from product and service perspectives, which comprised (i) Roads; (ii) Construction; (iii) Insurance; (iv) Logistics; (v) Facilities Management; (vi) Strategic Investments; (vii) Aviation; and (viii) Environment. In FY2022, the results of the "Environment" segment were presented as discontinued operations in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

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.

2. Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for FY2023 and related comparative figures is as follows:

	Continuing operations								
HK$'m	Roads	Construction	Insurance	Logistics	Facilities Management	Strategic Investments	Aviation	Total	
2023									
Total revenue	2,731.8	19,662.4	20,989.6	139.5	1,730.7	0.8	-	45,254.8	
Inter-segment	-	(23.9)	(1.4)	-	(15.7)	-	-	(41.0)	
Revenue - external	2,731.8	19,638.5	20,988.2	139.5	1,715.0	0.8	-	45,213.8	
Revenue from contracts with customers									
Recognized at a point in time	2,731.8	-	-	-	797.1	-	-	3,528.9	
Recognized over time	-	19,638.5	615.5	-	917.9	0.8	-	21,172.7	
	2,731.8	19,638.5	615.5	-	1,715.0	0.8	-	24,701.6	
Revenue from other sources	-	-	20,372.7	139.5	-	-	-	20,512.2	
	2,731.8	19,638.5	20,988.2	139.5	1,715.0	0.8	-	45,213.8	
Attributable Operating Profit/(Loss)									
Company and subsidiaries	784.1	727.3	1,204.5	85.8	118.6	(107.8)	-	2,812.5	
Associated companies	207.9	18.2	-	(12.2)	(180.0)	162.0	-	195.9	(c)
Joint ventures	540.8	-	-	678.4	(0.5)	(129.9)	-	1,088.8	(c)
	1,532.8	745.5	1,204.5	752.0	(61.9)	(75.7)	-	4,097.2	
Reconciliation – corporate office and non-operating items									
Net gain on fair value of investment properties								5.2	
Impairments								(490.8)	(i)
Net loss on disposal of projects, net of tax								(64.6)	
Net gain on fair value of derivative financial instruments								67.9	
Net gain on redemption of senior notes								88.6	
Interest income								95.0	
Finance costs								(633.7)	(ii)
Share-based payment								(51.8)	
Net exchange loss								(45.5)	
Expenses and others								(428.8)	
Profit for the year after tax and non-controlling interests								2,638.7	
Profit attributable to holders of perpetual capital securities								(612.0)	
Profit attributable to shareholders of the Company								2,026.7	

(i) The amount mainly represents share of impairment loss related to Hyva Global B.V. of HK$310.7 million (included in "share of results of joint ventures" and detailed in note 9(b)) as well as impairment loss for investment in Wai Kee of HK$74.1 million (included in "other income and gains, net").

(ii) The finance costs recognized in the consolidated income statement for FY2023 from continuing operations is HK$938.2 million, in which the above HK$633.7 million represents corporate office finance costs and HK$304.5 million is recognized as part of Attributable Operating Profit in various reportable segments.

2. Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for FY2023 and related comparative figures is as follows: (continued)

HK$'m	Continuing operations: Roads	Construction	Insurance	Logistics	Facilities Management	Strategic Investments	Aviation[γ]	Corporate	Total
2023									
Depreciation of property, plant and equipment	**89.7**	**52.0**	**45.9**	**0.5**	**96.3**	**0.4**	**-**	**13.0**	**297.8**
Depreciation of right-of-use assets	**1.0**	**35.5**	**107.9**	**1.0**	**92.5**	**-**	**-**	**7.8**	**245.7**
Amortization of intangible concession rights	**1,039.4**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,039.4**
Amortization of intangible assets	**-**	**-**	**63.3**	**-**	**31.2**	**-**	**-**	**-**	**94.5**
Amortization of value of business acquired ("VOBA")	**-**	**-**	**131.9**	**-**	**-**	**-**	**-**	**-**	**131.9**
Interest income	**(68.4)**	**(15.4)**	**(2,114.2)**	**(1.6)**	**(79.7)**	**(97.9)**	**-**	**(95.0)**	**(2,472.2)**
Finance costs	**136.1**	**49.8**	**90.7**	**1.2**	**26.5**	**0.2**	**-**	**633.7**	**938.2**
Income tax expenses/(credit)	**386.6**	**153.4**	**170.5**	**10.6**	**10.0**	**29.7**	**-**	**(3.5)**	**757.3**
Overlay approach adjustments on financial assets	**-**	**-**	**(687.5)**	**-**	**-**	**-**	**-**	**-**	**(687.5)**
Net loss on fair value of financial assets at FVPL	**-**	**2.1**	**778.0**	**-**	**-**	**67.5**	**-**	**-**	**847.6**
Additions to non-current assets[ε]	**2,538.2**	**63.0**	**150.1**	**1,199.3**	**56.4**	**6.0**	**-**	**41.8**	**4,054.8**
At 30 June 2023									
Company and subsidiaries	**15,745.2**	**8,990.1**	**91,331.4**	**3,371.7**	**4,060.2**	**5,814.3**	**0.3**	**10,179.5**	**139,492.7**
Associated companies	**2,190.7**	**255.3**	**-**	**281.4**	**206.2**	**1,771.9**	**-**	**2.8**	**4,708.3**
Joint ventures	**5,709.7**	**-**	**-**	**9,476.1**	**-**	**2,246.7**	**332.0**	**8.8**	**17,773.3**
Total assets	**23,645.6**	**9,245.4**	**91,331.4 (b)**	**13,129.2**	**4,266.4**	**9,832.9**	**332.3**	**10,191.1**	**161,974.3**
Total liabilities	**5,896.8**	**8,388.9**	**75,577.3 (b)**	**423.4**	**1,470.2**	**136.1**	**244.1**	**19,696.4**	**111,833.2**

ε Represented non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, VOBA and deferred acquisition costs.

γ Presented for comparative purpose only, "Aviation" is no longer a reportable segment in FY2023.

2. Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for FY2023 and related comparative figures is as follows: (continued)

	Continuing operations									Discontinued operations		
HK$'m	Roads	Construction	Insurance	Logistics	Facilities Management	Strategic Investments	Aviation	Subtotal		Environment	Total	
2022												
Total revenue	2,717.5	15,240.9	12,375.4	11.8	794.9	-	-	31,140.5		-	31,140.5	
Inter-segment	-	-	(1.8)	-	(0.1)	-	-	(1.9)		-	(1.9)	
Revenue - external	2,717.5	15,240.9	12,373.6	11.8	794.8	-	-	31,138.6		-	31,138.6	
Revenue from contracts with customers												
Recognized at a point in time	2,717.5	-	-	-	186.0	-	-	2,903.5		-	2,903.5	
Recognized over time	-	15,240.9	724.2	-	608.8	-	-	16,573.9		-	16,573.9	
	2,717.5	15,240.9	724.2	-	794.8	-	-	19,477.4		-	19,477.4	
Revenue from other sources	-	-	11,649.4	11.8	-	-	-	11,661.2		-	11,661.2	
	2,717.5	15,240.9	12,373.6	11.8	794.8	-	-	31,138.6		-	31,138.6	
Attributable Operating Profit/(Loss)												
Company and subsidiaries	923.0	798.2	1,074.9	(4.0)	(254.2)	(300.6)	-	2,237.3		-	2,237.3	
Associated companies	191.5	114.0	-	0.8	(162.4)	206.3	-	350.2	(c)	121.0	471.2	
Joint ventures	595.4	-	-	595.8	7.1	(47.4)	511.5	1,662.4	(c)	-	1,662.4	
	1,709.9	912.2	1,074.9	592.6	(409.5)	(141.7)	511.5	4,249.9		121.0	4,370.9	
Reconciliation – corporate office and non-operating items												
Remeasurement, impairments and provisions, net											(1,816.9)	(iii)
Net gain on disposal of projects, net of tax											243.9	
Net gain on fair value of derivative financial instruments											78.2	
Net gain on redemption of senior notes											97.5	
Interest income											49.9	
Finance costs											(424.9)	(iv)
Net exchange loss											(3.4)	
Expenses and others											(425.3)	
Profit for the year after tax and non-controlling interests											2,169.9	
Profit attributable to holders of perpetual capital securities											(583.1)	
Profit attributable to shareholders of the Company											1,586.8	

(iii) The amount mainly represented share of remeasurement/impairment losses, expected credit loss provision and aircraft repossession/recovery costs of Goshawk of HK$1,897.1 million (net of tax) (included in "share of results of joint ventures") and impairment loss for investment in Wai Kee of HK$109.9 million (included in "other income and gains, net"), offset by the reversal of provision for onerous contract of HK$230.0 million (included in "other income and gains, net" in note 4).

(iv) The finance costs recognized in the consolidated income statement for FY2022 from continuing operations was HK$760.1 million, in which the above HK$424.9 million represented corporate office finance costs and HK$335.2 million was recognized as part of Attributable Operating Profit in various reportable segments.

2. Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for FY2023 and related comparative figures is as follows: (continued)

	Continuing operations									Discontinued operations	
HK$'m	Roads	Construction	Insurance	Logistics	Facilities Management	Strategic Investments	Aviation	Corporate	Subtotal	Environment	Total
2022											
Depreciation of property, plant and equipment	54.3	51.3	42.8	0.2	102.1	-	-	6.3	257.0	-	257.0
Depreciation of right-of-use assets	0.8	33.6	120.0	1.1	95.2	-	-	13.3	264.0	-	264.0
Amortization of intangible concession rights	962.2	-	-	-	-	-	-	-	962.2	-	962.2
Amortization of intangible assets	-	-	51.8	-	31.2	-	-	-	83.0	-	83.0
Amortization of VOBA	-	-	155.3	-	-	-	-	-	155.3	-	155.3
Interest income	(46.9)	(1.8)	(1,639.0)	(0.5)	(28.3)	(85.4)	-	(49.9)	(1,851.8)	-	(1,851.8)
Finance costs	154.2	56.9	94.6	-	28.4	1.1	-	424.9	760.1	-	760.1
Income tax expenses/(credit)	402.9	141.7	77.3	(0.1)	(40.5)	19.2	-	(24.3)	576.2	-	576.2
Overlay approach adjustments on financial assets	-	-	(1,845.9)	-	-	-	-	-	(1,845.9)	-	(1,845.9)
Net loss on fair value of financial assets at FVPL	-	1.7	1,120.1	-	-	206.1	-	-	1,327.9	-	1,327.9
Additions to non-current assets[ε]	170.9	412.8	781.8	2,099.6	72.9	0.3	-	360.3	3,898.6	-	3,898.6
At 30 June 2022											
Company and subsidiaries	15,987.9	7,342.3	78,746.1	2,248.3	3,516.1	7,583.6	6,166.6	5,323.0	126,913.9	-	126,913.9
Associated companies	2,855.3	381.8	-	318.2	294.1	2,591.4	-	2.6	6,443.4	-	6,443.4
Joint ventures	3,822.9	-	-	9,278.3	13.1	1,987.3	301.0	10.9	15,413.5	-	15,413.5
Total assets	22,666.1	7,724.1	78,746.1	11,844.8	3,823.3	12,162.3	6,467.6	5,336.5	148,770.8	-	148,770.8
Total liabilities	5,632.2	6,741.5	62,731.8	143.0	1,054.9	127.1	-	18,453.2	94,883.7	-	94,883.7

ε Represented non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, VOBA and deferred acquisition costs.

2. Revenue and segment information (continued)

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

At 30 June 2023

HK$'m	Non-insurance and corporate	Insurance	Total
Assets			
Investment properties	5,167.4	707.6	5,875.0
Intangible concession rights	13,306.4	-	13,306.4
Intangible assets	125.5	5,737.7	5,863.2
Value of business acquired	-	5,107.9	5,107.9
Deferred acquisition costs	-	2,498.2	2,498.2
Associated companies	4,708.3	-	4,708.3
Joint ventures	17,773.3	-	17,773.3
Debt instruments as financial assets at amortized cost	55.2	6,839.8	6,895.0
Financial assets at FVOCI	987.9	42,186.4	43,174.3
Financial assets at FVPL	4,093.5	10,909.1	15,002.6
Trade, premium and other receivables	8,448.9	727.2	9,176.1
Investments related to unit-linked contracts	-	8,940.1	8,940.1
Cash and bank balances	12,901.3	6,354.6	19,255.9
Others	3,075.2	1,322.8	4,398.0
	70,642.9	91,331.4	161,974.3
Represented by			
Non-current assets	47,408.9	72,060.5	119,469.4
Current assets	23,234.0	19,270.9	42,504.9
	70,642.9	91,331.4	161,974.3
Liabilities			
Borrowings and other interest-bearing liabilities	23,229.0	567.9	23,796.9
Insurance and investment contract liabilities	-	62,268.7	62,268.7
Liabilities related to unit-linked contracts	-	9,128.5	9,128.5
Trade, other payables and payables to policyholders	10,050.0	2,740.8	12,790.8
Others	2,976.9	871.4	3,848.3
	36,255.9	75,577.3	111,833.2
Represented by			
Non-current liabilities	23,940.0	17,248.8	41,188.8
Current liabilities	12,315.9	58,328.5	70,644.4
	36,255.9	75,577.3	111,833.2
Net current assets/(liabilities) (note 1)	10,918.1	(39,057.6)	(28,139.5)

2. Revenue and segment information (continued)

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

	Associated companies		Joint ventures	
HK$'m	**2023**	2022	**2023**	2022
Attributable Operating Profit	**195.9**	350.2	**1,088.8**	1,662.4
Corporate and non-operating items				
- Gain on disposal (note 9(c))	**-**	-	**92.7**	-
- Remeasurement, impairments and provisions, net	**-**	-	**(386.7)**	(1,897.1)
- Others	**(19.1)**	(9.7)	**(40.7)**	(20.2)
Share of results of associated companies and joint ventures	**176.8**	340.5	**754.1**	(254.9)

(d) Information by geographical areas:

	Non-current assets[ε]	
HK$'m	**2023**	2022
Hong Kong	**10,580.8**	10,789.0
Mainland China	**16,943.3**	15,669.6
Others	**29.7**	32.0
	27,553.8	26,490.6

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

ε Represented non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, VOBA and deferred acquisition costs.

3. Operating profit

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

	Note	**2023 HK$'m**	2022 HK$'m
Crediting			
Gross rental income from investment properties		**218.5**	67.3
Less: outgoings		**(56.9)**	(16.6)
		161.6	50.7
Charging			
Auditors' remuneration			
- Provision for current year		**32.7**	23.0
- Under/(over)-provision for prior years		**2.1**	(0.6)
Cost of inventories sold		**507.4**	57.9
Cost of construction		**17,132.1**	12,495.4
Claims and benefits, net of reinsurance		**18,260.7**	11,436.7
Depreciation of property, plant and equipment		**297.8**	257.0
Depreciation of right-of-use assets		**245.7**	264.0
Amortization of intangible concession rights		**1,039.4**	962.2
Amortization of intangible assets		**94.5**	83.0
Amortization of VOBA		**131.9**	155.3
Agency commission and allowances, net of change in deferred acquisition costs	*(a)*	**1,749.5**	1,171.4
Expenses on short-term leases		**20.1**	20.3
Expenses on variable lease payments		**170.9**	75.1
Staff costs (including directors' emoluments and share-based payment)		**2,995.5**	2,609.8
Other costs and expenses		**1,280.9**	1,207.9
		43,961.2	30,818.4
Represented by			
Cost of sales	*5*	**40,011.1**	27,609.3
Selling and marketing expenses		**1,906.7**	1,290.9
General and administrative expenses		**2,043.4**	1,918.2
		43,961.2	30,818.4

(a) The amount includes amortization of deferred acquisition costs arising from insurance business of HK$658.1 million (2022: HK$524.2 million).

4. Other income and gains, net

	Note	**2023 HK$'m**	2022 HK$'m
Continuing operations			
Net gain/(loss) associated with investments related to unit-linked contracts		**257.7**	(2,201.6)
Gain on redemption of fixed rate bonds		**90.5**	117.0
Net gain on fair value of derivative financial instruments		**67.9**	55.7
Net gain on fair value of investment properties		**59.5**	-
Profit on disposal/partial disposal of interests in associated companies		**-**	118.6
Reversal of provision for onerous contract	*2(a)(iii)*	**-**	230.0
Interest income			
- Debt instruments as financial assets at FVOCI		**1,923.6**	1,625.5
- Debt instruments as financial assets at amortized cost		**124.3**	-
- Bank deposits and others		**424.3**	226.3
Dividend income		**290.8**	323.1
Other income		**151.3**	106.2
Net exchange (loss)/gain		**(129.5)**	85.8
Net loss on fair value of financial assets at FVPL	*(a)*	**(847.6)**	(1,327.9)
(Charges)/credits associated with liabilities related to unit-linked contracts		**(250.5)**	2,198.8
Impairment loss related to associated companies		**(104.1)**	(109.9)
Loss on disposal of interest in a joint venture		**(101.9)**	-
Net (loss)/profit on disposal of debt instruments as financial assets at FVOCI		**(6.1)**	137.6
Loss on disposal of an asset held-for-sale		**-**	(56.0)
Expected credit loss provision, net of reversal			
- Debt instruments as financial assets at FVOCI		**(511.6)**	(333.1)
- Debt instruments as financial assets at amortized cost		**(10.4)**	-
- Trade, premium and other receivables		**59.2**	(229.5)
		1,487.4	966.6

(a) The Group elected to apply the "overlay approach" in accordance with HKFRS 4 (Amendments) "Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts" which allows the Group to reclassify fair value gain or loss from consolidated income statement to other comprehensive income for those designated eligible financial assets previously classified as available-for-sale financial assets under HKAS 39 "Financial Instruments: Recognition and Measurement" but currently classified as financial assets at FVPL under HKFRS 9 "Financial Instruments". The designated financial assets applying the overlay approach are equity instruments and investment funds that are managed as underlying assets backing the insurance contracts issued.

The net loss on fair value of financial assets at FVPL of HK$847.6 million (2022: HK$1,327.9 million) includes (i) a net fair value loss of HK$687.5 million (2022: HK$1,845.9 million) arising from those designated financial assets held by insurance business applying the overlay approach; and (ii) the remaining net fair value loss of HK$160.1 million (2022: net gain of HK$518.0 million) arising from other financial assets held by insurance business which are not eligible for the overlay approach or financial assets not related to insurance business. The net fair value loss of HK$687.5 million (2022: HK$1,845.9 million) was then reclassified from consolidated income statement to other comprehensive income as overlay approach adjustments for the designated financial assets.

5. Cost of sales

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

	Note	**2023 HK$'m**	2022 HK$'m
Cost of inventories sold		**507.4**	57.9
Cost of construction		**17,132.1**	12,495.4
Cost of services rendered		**3,979.0**	3,464.0
Claims and benefits, net of reinsurance		**18,260.7**	11,436.7
Amortization of VOBA		**131.9**	155.3
	3	**40,011.1**	27,609.3

6. Income tax expenses

Hong Kong profits tax is provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits for the year. Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profits for the year at the rates of tax prevailing in the regions in which the Group operates. These rates range from 12% to 28% (2022: 12% to 28%). Withholding tax on dividends is mainly provided at the rate of 5% or 10% (2022: 5% or 10%).

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

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

	2023 HK$'m	2022 HK$'m
Current income tax		
Hong Kong profits tax	**344.5**	262.6
Mainland China and overseas taxation	**556.2**	502.5
Deferred income tax credit	**(143.4)**	(188.9)
	757.3	576.2

Share of taxation of associated companies and joint ventures from continuing operations of HK$124.4 million (2022: HK$110.9 million) and HK$462.2 million (2022: HK$277.3 million) respectively are included in the consolidated income statement as share of results of associated companies and joint ventures respectively.

7. Earnings per share

The calculation of basic earnings per share from continuing operations is based on earnings of HK$2,150.8 million (2022: HK$1,284.5 million), which comprised profit attributable to shareholders of the Company arising from continuing operations of HK$2,026.7 million (2022: HK$1,284.5 million) and gain on redemption of perpetual capital securities of HK$124.1 million (2022: nil); and on the weighted average of 3,910,515,912 (2022: 3,911,137,849) ordinary shares outstanding during the year.

For FY2022, the calculation of basic earnings per share from discontinued operations was based on profit attributable to shareholders of the Company arising from discontinued operations of HK$302.3 million and on the weighted average of 3,911,137,849 ordinary shares outstanding during FY2022.

The share options of the Company had an anti-dilutive effect on the basic earnings per share for FY2023 as the adjusted exercise price of the share options is above the average market price of the ordinary shares during the outstanding period, and therefore were not included in the calculation of diluted earnings per share. There was no potential dilutive ordinary share outstanding during FY2022.

8. Dividends

	2023	2022
	HK$'m	HK$'m
Interim dividend paid of HK$0.30 (2022: HK$0.30) per share	**1,173.1**	1,173.4
Final dividend proposed of HK$0.31 (2022: paid of HK$0.31) per share	**1,212.4**	1,212.2
	2,385.5	2,385.6

At the meeting held on 29 September 2023, the Board recommended a final dividend of HK$0.31 per share. This proposed dividend has not been recognized as a dividend payable in the consolidated financial statements but will be reflected as an appropriation of the retained profits in the consolidated financial statements for the financial year ending 30 June 2024.

Subject to the passing of the relevant resolution at the annual general meeting of the Company to be held on 10 November 2023 ("AGM"), it is expected that the final dividend will be paid on or about 7 December 2023.

9. Joint ventures

(a) The completion of 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 by the Group at the total consideration of RMB1,902.4 million took place in November 2022. The Group accounted for this equity interest as a joint venture.

(b) The share of results of joint ventures from continuing operations in FY2023 includes the Group's share of impairment of Hyva Global B.V. (in which the Group indirectly holds approximately 39% effective equity interest) of HK$310.7 million (note 2(a)(i)). Hyva Global B.V. is principally engaged in manufacturing and supply of components used in hydraulic loading and unloading systems.

In view of the slow recovery of global economy from the down-turn in previous years and the competitive market environment in the Mainland, management of Hyva Global B.V. has carried out assessment on the recoverability of the carrying value of its certain assets. For its intangible assets, impairment arises when the carrying amount exceeds its recoverable amount (which is the higher of fair value less cost of disposal and value in use) which was determined using discounted cash flow method and the assessment are based on key assumptions such as revenue projection, terminal growth rate and discount rate.

(c) In May 2022, Goshawk (a joint venture principally engaged in aircraft leasing industry in which the Group holds 50% equity interest) and SMBC entered into an agreement ("Transaction Agreement") and pursuant to which Goshawk has agreed to, at completion, effectively dispose of its interest in its commercial aircraft leasing platform to SMBC, comprising substantially all of the assets, liabilities and contracts of the business, excluding the six aircraft leased to Russian airlines. Goshawk reclassified the assets and liabilities to be sold to SMBC as held-for-sale during FY2022. Upon the reclassification, the carrying values were remeasured by Goshawk with reference to the sale consideration under the Transaction Agreement. For the six aircraft retained in Russia, the management considered that it was unlikely to regain possession of these aircraft in the near term, full impairment of its net exposure was made for these aircraft.

The transaction was completed on 21 December 2022 at a consideration of approximately US$1.6 billion (the Group's attributable portion: US$0.8 billion) with a disposal gain of HK$92.7 million (note 2(c)) shared by the Group and included in "share of results of joint ventures" during FY2023.

10. Trade, premium and other receivables

(a) Included in trade, premium and other receivables are trade receivables which are analyzed based on invoice date as follows:

	2023	2022
	HK$'m	HK$'m
Under 3 months	**2,016.3**	1,572.1
4 to 6 months	**8.7**	81.3
Over 6 months	**68.9**	70.3
	2,093.9	1,723.7

The Group has various credit policies for different business operations depending on the requirements of the markets and businesses in which the subsidiaries operate.

(b) Included in the balance as at 30 June 2022 was advances to Goshawk of HK$6,166.6 million which was fully settled in December 2022 upon the completion of disposal of aircraft leasing business by Goshawk as detailed in note 9(c).

11. Trade, other payables and payables to policyholders

Included in trade, other payables and payables to policyholders are trade payables which are analyzed based on invoice date as follows:

	2023	2022
	HK$'m	HK$'m
Under 3 months	**1,241.1**	615.2
4 to 6 months	**11.7**	5.2
Over 6 months	**18.1**	13.4
	1,270.9	633.8

12. Business combination

In December 2022, NWS Guangdong, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement to acquire 60% equity interest in Hunan Daoyue. Hunan Daoyue was previously accounted for as an associated company as NWS Guangdong held 40% of its equity interest since the first acquisition in December 2018. The acquisition of 60% equity interest was completed in April 2023 at a consideration (after adjustments) of RMB523.1 million (equivalent to HK$587.7 millon) and Hunan Daoyue was accounted for as an indirect wholly-owned subsidiary of the Company since then.

The fair value of assets acquired and liabilities assumed based on provisional assessment at the date of acquisition are as follows:

	HK$'m
Consideration (after adjustments)	
Cash	**499.5**
Consideration payables	**88.2**
	587.7
Equity interest held by the Group previously accounted for as an associated company	**573.9**
	1,161.6

	Provisional fair value HK$'m
Property, plant and equipment	**35.4**
Intangible concession rights	**2,231.8**
Trade and other receivables	**3.6**
Cash and bank balances	**93.9**
Borrowings	**(986.4)**
Deferred tax liabilities	**(154.3)**
Other payables and accruals	**(57.4)**
Taxation	**(5.0)**
Identifiable assets acquired and liabilities assumed	**1,161.6**

13. Comparative figures

Certain comparative figures for FY2022 have been reclassified or extended to conform with the presentation for FY2023.

FINAL DIVIDEND

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

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

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

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining shareholders' eligibility to attend and vote at the AGM and entitlement to the Final Dividend, the register of members of the Company will be closed. Details of such closures are set out below:

For determining eligibility to attend and vote at the AGM:	
Latest time to lodge transfer documents for registration	4:30 pm on 6 November 2023
Closure of register of members	7 to 10 November 2023 (both days inclusive)
Record date	10 November 2023
AGM date	10 November 2023
For determining entitlement to the Final Dividend:	
Latest time to lodge transfer documents for registration	4:30 pm on 15 November 2023
Closure of register of members	16 November 2023
Record date	16 November 2023
Final Dividend payment date	on or about 7 December 2023

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the AGM and to qualify for the Final Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than the aforementioned latest time.

EMPLOYEES AND REMUNERATION POLICIES

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

AUDIT COMMITTEE AND REVIEW OF ANNUAL 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. 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 audited consolidated financial statements of the Group for FY2023 with the management and the external auditor.

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for FY2023 as set out in the preliminary results announcement have been agreed by the Group's auditor, PricewaterhouseCoopers ("PwC Hong Kong"), to the amounts set out in the Group's audited consolidated financial statements for FY2023. The work performed by PwC Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PwC Hong Kong on the preliminary results announcement.

CORPORATE GOVERNANCE PRACTICES

The Board firmly believes that good corporate governance is fundamental to achieving strategic goals, enhancing shareholder value and balancing stakeholders' interests. The Company has been committed to maintaining a high standard of corporate governance and to devoting considerable effort to improve its practices in light of the regulatory requirements and expectation of the investors.

Throughout FY2023, the Company has complied with all the applicable code provisions under the Corporate Governance Code as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (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 resulting from COVID-19 infection. Dr Cheng Chi Kong, Adrian, the Executive Director of the Company who took the chair of the 2022 AGM, together with other members of the Board who attended the 2022 AGM, were of sufficient caliber for answering questions at the 2022 AGM and had answered questions at the 2022 AGM competently.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During FY2023, 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 FY2023. As at 30 June 2023, the total number of shares of the Company in issue was 3,910,482,349.

Details of the shares bought back during FY2023 are as follows:

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

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

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

A tender offer was made by Celestial Miles Limited ("CML", an indirect wholly-owned subsidiary of the Company) to purchase for cash the 2019 Perpetual Capital Securities, which are listed on the Hong Kong Stock Exchange, issued by CML in 2019 and unconditionally and irrevocably guaranteed by the Company, at the price of US$955 per US$1,000 of the principal amount of the 2019 Perpetual Capital Securities. An aggregate principal amount of US$280,856,000 of the 2019 Perpetual Capital Securities were purchased and redeemed, representing approximately 22 per cent. of the outstanding principal amount of the 2019 Perpetual Capital Securities, on 20 December 2022. US$1,019,144,000 in aggregate principal amount of the 2019 Perpetual Capital Securities remains outstanding as at the date of this announcement.

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

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during FY2023.

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 FY2023.

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

THE BOARD

As at the date of this announcement, (a) the executive directors of the Company are Dr Cheng Kar Shun, Henry, Mr Ma Siu Cheung, Mr Ho Gilbert Chi Hang, Dr Cheng Chi Kong, Adrian, Mr Cheng Chi Ming, Brian and Mr Cheng Chi Leong, Christopher; (b) the non-executive directors of the Company are Mr To Hin Tsun, Gerald, Mr Dominic Lai and Mr William Junior Guilherme Doo (alternate director to Mr William Junior Guilherme Doo: Mr Lam Wai Hon, Patrick); and (c) the independent non-executive directors of the Company are Mr Shek Lai Him, Abraham, Mr Lee Yiu Kwong, Alan, Mrs Oei Wai Chi Grace Fung, Mr Wong Kwai Huen, Albert, Professor Chan Ka Keung, Ceajer and Ms Ng Yuen Ting, Yolanda.

Dr Cheng Kar Shun, Henry
Chairman

Hong Kong, 29 September 2023

* *For identification purposes only*