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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

## HIGHLIGHTS

- **Owing to the robust quality of the Group's Operating Businesses, overall AOP increased by 19% to HK$2,134.0 million**
- **The profit attributable to shareholders of the Company grew by 18% to HK$1,008.8 million**
- **The adjusted EBITDA increased by 44% year-on-year to HK$3,727.3 million**
- **Healthy financial position supported by proactive capital management & strong recurring cashflow of Operating Businesses:**
  - **Total available liquidity: HK$30.4 billion**
    - **Cash and bank balances: HK$20.1 billion**
    - **Unutilized committed banking facilities: HK$10.3 billion**
  - **As a result of including the outstanding amount of the 2019 Perpetual Capital Securities as debt upon the issuance of notice of redemption in December 2023, net gearing ratio increased to 30% (30 June 2023: 8%)**
- **Continued to uphold the sustainable and progressive dividend policy, Interim Ordinary Dividend is HK$0.30 per Share (Last Period: interim dividend of HK$0.30 per Share)**
- **As a means to extend its gratitude towards Shareholders for their loyal support and to create value for Shareholders, a one-off Special Dividend of HK$1.79 per Share is declared and resolved by the Board**

The board of directors (the "Board") of NWS Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 31 December 2023 (the "Current Period"), together with comparative figures for the six months ended 31 December 2022 (the "Last Period").

# BUSINESS REVIEW

## Group overview

Since the full resumption of all kinds of economic activities in the Mainland upon lifting of COVID-19 containment measures and the border reopening between Hong Kong and the Mainland at the beginning of 2023, the Group's businesses continued to show sequential improvement for the Current Period, with the operating results of most business segments registering healthy growth compared with the Last Period, notwithstanding the negative impact from Renminbi ("RMB") depreciation and escalated interest rates. Taking into account the restatement of comparative financial results due to the implementation of the new accounting standard HKFRS 17 "Insurance Contracts" ("HKFRS 17") in the current financial year for the Insurance segment, overall Attributable Operating Profit ("AOP") of the Group increased by 19% year-on-year to HK$2,134.0 million in the Current Period.

The growth in overall AOP was mainly attributable to (i) the continued recovery and growth in traffic flow and toll revenue of the Roads segment; (ii) the increase in contractual service margin release due to business growth, higher returns on surplus assets and one-off impact due to the adoption of HKFRS 17 in the Insurance segment; and (iii) the turnaround of Hong Kong Convention and Exhibition Centre ("HKCEC") and Free Duty in the Facilities Management segment, of which such positive contributions were partly offset by (i) the slight drop in AOP of the Logistics segment mainly due to the absence of revaluation gain for both ATL Logistics Centre Hong Kong ("ATL") and logistics properties in the Mainland in the Current Period; (ii) the decline in AOP of the Strategic Investments segment; alongside (iii) the negative impact stemming from RMB depreciation.

During the Current Period, while there was an increase in impairment made for certain investments of the Group, mostly under the Strategic Investments segment, as well as an absence of one-off net gain on the partial redemption of senior notes, with the contribution from the growth in overall AOP, profit attributable to shareholders of the Company increased healthily by 18% year-on-year to HK$1,008.8 million.

The Group's Operating Businesses, namely Roads, Insurance, Logistics, Construction (excluding our interest held in Wai Kee Holdings Limited ("Wai Kee")) and Facilities Management, recorded noticeable growth in AOP of 31% year-on-year in the Current Period, mainly driven by the strong performance of the Roads segment, growth in Insurance segment and turnaround of Facilities Management segment. This set of results signifies the robust quality of the Group's business portfolio.

Contribution from operations in Hong Kong accounted for 56% of the AOP in the Current Period (Last Period: 44%), while Mainland China contributed 43% of the AOP (Last Period: 50%). Adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA", collectively "Adjusted EBITDA") increased by 44% year-on-year to HK$3,727.3 million.

Net finance costs of corporate office in the Current Period maintained at similar level as the Last Period despite the significant increase in Hong Kong Interbank Offered Rate ("HIBOR"), which serves as the benchmark rate for the Group's Hong Kong dollar denominated bank loans. The negative impact from rising HIBOR was almost entirely offset by the interest savings achieved through a notable increase in RMB debt, which carries lower average interest rate, by issuing Panda Bonds, raising other new RMB denominated loans and entering into cross currency swap contracts.

During the Current Period, the Group further optimized and improved its debt profile to cater for the fast-changing environment. In November 2023, the Group completed the issuance of the second tranche of RMB denominated medium-term notes ("Panda Bonds") with a principal amount of RMB2.0 billion, an annual interest rate of 3.9% and a tenor of 3 years. Similar to the first tranche of Panda Bonds issued in May 2023, the proceeds from the second tranche of Panda Bonds were earmarked for repayment of the Group's offshore debts. As at 31 December 2023, out of the aggregate registered amount of no more than RMB5.0 billion, an aggregate principal amount of RMB3.5 billion of Panda Bonds has been issued. Through increasing the proportion of RMB borrowings to total debt, not only the currency composition of the Group's debt has become more balanced, the Group's net finance costs were also being contained despite the significant rise in interest rates of Hong Kong dollar denominated bank loans. The debt denominated in RMB can also act as a natural hedge of our RMB denominated assets. In addition, the Group's sustainability-linked facilities were increased to approximately HK$6.5 billion as at 31 December 2023 (30 June 2023: HK$6.2 billion). The Group's effort to continue to pursue other sustainable, social and green finance options not only demonstrates our commitment to Environmental, Social and Governance ("ESG"), it also shows our determination to lower our finance costs through various means.

In the Current Period, the Group's financial position remained healthy. After including the outstanding amount of the US$1,300 million 5.75% senior perpetual capital securities ("the 2019 Perpetual Capital Securities") as debt upon the issuance of notice of redemption by the Group in December 2023, net debt balance as at 31 December 2023 increased to approximately HK$14.3 billion, and net gearing ratio, calculated as net debt over total equity, rose to 30% (for illustration purpose, assuming the same outstanding amount of the 2019 Perpetual Capital Securities was included as debt as at 30 June 2023, pro-forma net debt balance and pro-forma net gearing ratio as at 30 June 2023 would be approximately HK$12.7 billion and 27%, respectively). Excluding the 2019 Perpetual Capital Securities as debt, fixed-rate debt to total debt increased to 45% as at 31 December 2023 from 37% as at 30 June 2023; RMB debt accounted for 49% of total debt at 31 December 2023, increased from 43% as at 30 June 2023.

Pertaining to the outstanding principal amount of US$1,019.1 million of the 2019 Perpetual Capital Securities, the Group redeemed the whole outstanding amount at par using internal resources and external borrowings on its first call date on 31 January 2024.

For the Current Period, basic earnings per share of the Company ("Share") was HK$0.28, increased by 14% year-on-year.

In line with the Group’s sustainable and progressive dividend policy in respect of the ordinary dividends which aims to steadily increase or at least maintain the Hong Kong dollar value of ordinary dividend per Share in respect of each financial year, the Board has resolved to declare an interim ordinary dividend of HK$0.30 per Share for the six months ended 31 December 2023 (“Interim Ordinary Dividend”) (Last Period: interim dividend of HK$0.30 per Share).

In addition, in order to extend its gratitude towards shareholders of the Company (the “Shareholders”) for their loyal support and to create value for Shareholders, the Board has resolved to declare a one-off special dividend in the amount of HK$1.79 per Share (“Special Dividend”) at the Board meeting held on 27 February 2024. The Board is of the view that the declaration and payment of the Interim Ordinary Dividend and Special Dividend will not have any material adverse effect on the existing and future operations, as well as the financial position, of the Group, taking into account the Group’s total available liquidity of approximately HK$30.4 billion as at 31 December 2023, comprising cash and bank balances of approximately HK$20.1 billion and unutilized committed banking facilities of approximately HK$10.3 billion.

Including the Interim Ordinary Dividend and the Special Dividend, total interim dividend for the Current Period amounts to HK$2.09 per Share (“Total Interim Dividend”).

The Board further resolved a scrip dividend scheme in relation to the Total Interim Dividend (“Scrip Dividend Scheme”), pursuant to which the eligible Shareholder(s) will receive the Total Interim Dividend payable in cash, with an option for eligible Shareholders to elect to receive the Total Interim Dividend wholly by way of an allotment and issue of scrip shares of the Company (“Scrip Shares”) or partly in cash and partly in Scrip Shares.

The Directors consider that the Scrip Dividend Scheme will enable the eligible Shareholders to increase their investment in the Company without incurring brokerage fees, stamp duty and related dealing costs. In addition, the Scrip Dividend Scheme may help enhance the liquidity and trading volume of the Shares and increase the public float of the Shares for the purpose of fulfilling the minimum public float requirement of 25% of the Shares as set out in Rule 8.08(1)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). A circular containing further details of the Scrip Dividend Scheme will be dispatched/ made available on or around 18 March 2024.

**Profit Contribution**

For the six months ended 31 December

| | **2023 HK$'m** | 2022 HK$'m (restated) |
| --- | --- | --- |
| **Attributable Operating Profit** | **2,134.0** | 1,791.6 |
| *Corporate office and non-operating items* | | |
| Net loss on fair value of investment properties | **(22.4)** | (17.2) |
| Impairments and provisions | **(295.0)** | (149.1) |
| Net loss on disposal of projects, net of tax | **-** | (46.5) |
| (Loss)/gain on fair value of derivative financial instruments | **(0.8)** | 37.1 |
| Net gain on redemption of senior notes | **-** | 88.6 |
| Net finance costs | **(273.6)** | (275.7) |
| Share-based payment | **(44.4)** | (32.0) |
| Net exchange gain/(loss) | **20.7** | (38.8) |
| Expenses and others | **(197.8)** | (209.1) |
| | **(813.3)** | (642.7) |
| **Profit for the period after tax and non-controlling interests** | **1,320.7** | 1,148.9 |
| **Profit attributable to:** | | |
| Shareholders of the Company | **1,008.8** | 853.1 |
| Holders of perpetual capital securities | **311.9** | 295.8 |
| | **1,320.7** | 1,148.9 |
| **Adjusted EBITDA#** | **3,727.3** | 2,588.2 |

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

# OPERATIONAL REVIEW

*AOP Contribution by Segment*

For the six months ended 31 December

| | **2023** **HK$'m** | 2022 HK$'m (restated) | Change % Fav./(Unfav.) |
|---|---|---|---|
| Roads | **816.7** | 684.5 | 19 |
| Insurance | **413.0** | 230.6 | 79 |
| Logistics | **356.8** | 417.7 | (15) |
| Construction | **394.7** | 416.3 | (5) |
| Facilities Management | **124.2** | (127.8) | 197 |
| Strategic Investments | **28.6** | 170.3 | (83) |
| Total | **2,134.0** | 1,791.6 | 19 |

# Roads

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

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

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

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

## Insurance

Owing to the adoption of HKFRS 17, the financial results of Insurance segment for the Last Period has been restated.

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

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

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

FTLife Insurance maintained healthy financial position during the Current Period. As at 31 December 2023, FTLife Insurance's solvency ratio was 314%, well above the minimum industry regulatory requirement of 150%. Embedded value continued to benefit from the strong VONB and expected return on existing business in the Current Period, increasing by 4% from 30 June 2023 to HK$20.1 billion, despite the negative impact driven by unfavourable equity performance. Moody's has continued to maintain the insurance financial strength rating of 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 was 272% as at 31 December 2023, which is well above the 100% Prescribed Capital Requirement under HKRBC regime.

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

## Logistics

Logistics segment registered stable operating performance during the Current Period. Yet, the absence of revaluation gain for ATL and logistics properties in the Mainland within Logistics Asset & Management ("LA&M") in the Current Period, along with the decline in AOP contribution from China United International Rail Containers Co., Limited ("CUIRC"), led to a drop in the overall Logistics segment's AOP by 15% year-on-year to HK$356.8 million. Excluding the revaluation gain in the Last Period, AOP of the Logistics segment would increase by 4% year-on-year, and AOP of LA&M would increase by 8% year-on-year.

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

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

## Construction

The Group's Construction segment is principally engaged in building construction and related businesses in Hong Kong through Hip Hing Group (one of the leading contractors in Hong Kong), Vibro Group (the oldest foundation contractor in Hong Kong) and Quon Hing Group (one of the leading suppliers of concrete products in Hong Kong) (collectively, "NWS Construction Group"). The Group's Construction segment also has an 11.5% interest in Wai Kee. In the Current Period, NWS Construction Group's AOP remained relatively stable at HK$394.7 million. Major projects of NWS Construction Group during the Current Period included commercial and residential developments at Kai Tak, office development at 2 Murray Road, Central and Immigration Headquarters at Tseung Kwan O.

NWS Construction Group's technical expertise and proven track record have defied the keen competition in the construction industry in Hong Kong. During the Current Period, new contract secured by NWS Construction Group increased by 207% year-on-year to HK$12.4 billion. As at 31 December 2023, NWS Construction Group's gross value contracts on hand amounted to approximately HK$61.9 billion, rising 9% from 30 June 2023, while remaining works to be completed increased by 14% from 30 June 2023 to around HK$28.8 billion. About 66% of the remaining works to be completed were from private sector, which included both commercial and residential, while the remaining 34% were from government and institutional related projects. Key projects awarded during the Current Period included main contract works for commercial development at Caroline Hill Road in Causeway Bay, SOUTHSIDE Package Six property development and subsidized sale flats development at Anderson Road Quarry Site R2-4, as well as excavation, lateral support, foundation and pile cap works for residential and commercial development at Kai Hing Road, Kowloon Bay.

## Facilities Management

Business performance of HKCEC and Free Duty maintained its recovery trajectory during the Current Period. Coupled with the further narrowing of AOL of GHK Hospital, AOP of the Facilities Management segment was HK$124.2 million in the Current Period, versus an AOL of HK$127.8 million in the Last Period.

HKCEC's performance gained more steam in the Current Period, bolstered by the return of large-scale international and regional exhibitions and events as well as new events, supporting a turnaround to AOP versus an AOL in the Last Period. In the Current Period, number of events rose by 7% year-on-year to 437 and total patronage surged by 15% year-on-year to 3.9 million.

Since the turnaround to AOP from AOL in the second half of financial year ended 30 June 2023 ("FY2023"), Free Duty has been maintaining its recovery momentum. In the Current Period, sales performance of outlets at Lok Ma Chau and Lo Wu continued to ramp up after the reopening of the border between Hong Kong and the Mainland, and collectively providing positive contribution to the Group. Coupled with the continuous AOP growth of Hong Kong-Zhuhai-Macao Bridge outlet, Free Duty recorded a slight AOP in the Current Period, compared with an AOL in the Last Period.

Further ramp up of operations continued to boost the performance of GHK Hospital in the Current Period. Underpinned by the growth of number of inpatients, outpatients and day cases by 31%, 12% and 1%, respectively, revenue saw a decent growth in the Current Period and AOL further narrowed. EBITDA in the Current Period grew by 284% year-on-year, with EBITDA margin continuing to improve. As at 31 December 2023, number of regular utilized bed was 290 (30 June 2023: 276), and average occupancy rate was 64%. In October 2023, the business venture of the Group and IHH Healthcare Berhad ("Parkway Medical"), which focuses on ancillary healthcare services with an aim to support the growth of GHK Hospital, opened a new clinic in Wong Chuk Hang that provides a full spectrum of services, including specialist, imaging and health screening, to expand service network to island south.

## Strategic Investments

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

# BUSINESS OUTLOOK

The Group entered 2024 with confidence especially with the robust recovery and growth in our Operating Businesses but remains vigilant. Business environment in both Hong Kong and the Mainland has seen continuous improvement amid the relentless effort of both the Hong Kong and Mainland Governments to solidify economic growth and secure a quality long-term growth. Yet, the prolonged existence of uncertainties in the global economy due to geopolitical tension, high interest rate environment and potential economic slowdown in some of the developed countries continue to warrant close attention.

## Roads

Roads segment is expected to maintain its steady growth aided by the continuous recovery of the economy and the long-term economic growth in the Mainland, which will fuel not only the traffic growth in passenger cars, but also the recovery of trucks. Furthermore, the Group's endeavour to strengthen its roads portfolio and lengthen its overall average remaining concession period will guarantee a sustainable income and cashflow to the Group in the ensuing year. After the completion of the expansion works at Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) that was commenced in November 2022 and Guangzhou-Zhaoqing Expressway, it is expected that these expressways will be able to apply for extension of concession period.

## Insurance

The pursuit of healthcare protection, higher return and asset diversification by both Hong Kong locals and Mainland visitors will continue to bode well for the demand for insurance products in Hong Kong, and drive the continuous product innovation of FTLife Insurance. In addition to the strategy of focusing on customer segments with high growth potential, including those with high purchasing power, well planned long-term financial goal and family needs, to enhance its market position, FTLife Insurance is strengthening its brand awareness and customer engagement through effective marketing initiatives. Together with FTLife Insurance's dedication to upholding brand promise to create Value Beyond Insurance, as well as the support from the strong brand name and ecosystem of Chow Tai Fook Group, FTLife Insurance's growth outlook remains sanguine.

## Logistics

Solid and incremental growth in ATL, further ramp up of the Group's logistics properties in the Mainland fuelled by the continuous economic growth and the booming logistics industry, as well as resilient growth prospect of CUIRC brought by the strong demand and terminals capacity expansion, will continue to offer a promising outlook for the Logistics segment. Through the Group's effort to search for new investment opportunities to enrich our logistics asset portfolio, the Group is capitalizing on this fast-growing sector and building an ecosystem among the Group's logistics assets that set to bring long-term benefit to the Group.

## Construction

Hong Kong Government's determination to increase land and housing supply via measures, including increase in public housing supply and speed-up in development of the Northern Metropolis, continues to strengthen our confidence in the construction sector over the mid- to long-term in Hong Kong. Meanwhile, through the implementation of various measures, such as technologies and system, NWS Construction Group is sparing no effort to enhance its safety standard at its construction sites and awareness of safety among management, staff and workers, which also echoes the increasing call for improvement in safety measures and standard in the industry. Besides, to alleviate the pressure driven by talent and labour shortage in the construction sector, NWS Construction Group has employed supervisory staff from the Mainland and overseas to ease the concern on personnel shortage, and will apply for imported labours through the latest labour importation scheme introduced by the Hong Kong Government to mitigate the labour shortage pressure. NWS Construction Group will continue to review its cost base via process streamlining and resources levelling to protect and enhance its profit margin.

## Facilities Management

The Group remains optimistic about the continuous improvement in performance of the Facilities Management segment. With the continuous return of exhibitions and events, new events and ramp up of airlines' international capacity, combined with the Hong Kong Government's incentives to support the recovery of the convention and exhibition industry such as introducing the Incentive Scheme for Recurrent Exhibitions, HKCEC is confident about a full recovery to the pre-COVID-19 level by the end of 2024. While the purchasing pattern of tourists is different from that of pre-COVID-19 and the recovery of traffic is slower than expected, with the support of various policies by the Hong Kong and Mainland Governments to attract tourists visiting Hong Kong, we are cautiously optimistic about the future performance of Free Duty. GHK Hospital's AOL is set to further improve, buoyed by its excellent healthcare services, expansion of network and service offerings. In February 2024, Parkway Medical opened the second clinic in Marina Square to cater to the demand for quality clinical services in the surrounding area, which set to serve the neighborhood and drive more patients to GHK Hospital.

# LOOKING FORWARD

While the Group remains wary about the risks arising from macro headwinds and continues to be prudent in our cashflow and capital management, with the strong cashflow provided by our Operating Businesses and the full support of Chow Tai Fook Group, the Group will make every effort to enhance value for and increase return to our shareholders. In addition to the continuous growth in Insurance and Construction segments as well as the continued recovery and improvement in Facilities Management segment, the Group will continue to invest in Roads and Logistics segments opportunistically to enjoy their growth potentials, while at the same time incorporate ESG considerations into investment decision. In January 2024, the Group announced the disposal of all of our 35% stakes in Chengdu Jintang Power Plant, the Group's last project in fossil fuel investments, demonstrating the Group's dedication to achieving net zero and sustainable growth of our society at large.

# 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 42% debt and 58% equity as at 31 December 2023, compared with 30% debt and 70% equity as at 30 June 2023. The increase in debt proportion is principally due to the reclassification of the outstanding amount of the 2019 Perpetual Capital Securities from equity to debt following the issuance of redemption notice on 21 December 2023. For illustration purpose, assuming the same outstanding amount of the 2019 Perpetual Capital Securities was included as debt as at 30 June 2023, pro-forma debt to equity ratio of the Group would be 40% : 60%.

In view of the higher for longer rate environment, as a means to optimize the cost of financing, the Group has redeemed all of the outstanding principal amount of the 2019 Perpetual Capital Securities (US$1,019.1 million) on its first call date on 31 January 2024.

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 into and more RMB borrowings are raised to manage the Group's cost of funding and the exposure to foreign exchange risk mainly from RMB denominated assets. 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 the Current Period. Through a notable increase in RMB debts by issuing Panda Bonds, raising other new RMB loans and entering into cross currency swap contracts, a certain portion of the Group's RMB denominated assets are naturally hedged.

## Liquidity and capital resources

As at 31 December 2023, the Group's total cash and bank balances amounted to HK$20,070.5 million, compared with HK$19,255.9 million as at 30 June 2023. Cash and bank balances as at 31 December 2023 were mainly denominated as to 42% in Hong Kong Dollar, 42% in United States Dollar and 16% in RMB. The Group's net debt as at 31 December 2023 was HK$14,349.0 million, compared with HK$4,541.0 million as at 30 June 2023. The increase in net debt was mainly due to the reclassification of the outstanding amount of the 2019 Perpetual Capital Securities from equity to debt, net investments made and payments of dividends, partly offset by net cash generated from operations as well as dividends received from associated companies and joint ventures. The Group's net gearing ratio increased from 8% as at 30 June 2023 to 30% as at 31 December 2023. For illustrative purpose, assuming the same outstanding amount of the 2019 Perpetual Capital Securities was included as debt as at 30 June 2023, pro-forma net debt balance and pro-forma net gearing ratio as at 30 June 2023 would be HK$12,680.8 million and 27% respectively. The Group had unutilized committed banking facilities of approximately HK$10.3 billion as at 31 December 2023.

## Debt profile and maturity

In order to mitigate the risk of escalating interest rates of Hong Kong Dollar borrowings and the negative impact on the Group's equity resulting from the depreciation of the RMB against the Hong Kong Dollar, the Group further optimized its debt profile during the Current Period and further increase the proportion of its RMB borrowings to total debts through issuance of Panda Bonds, raising other new RMB loans and entering into cross currency swap contracts. In November 2023, the Group has issued the second tranche of Panda Bonds with principal amount of RMB2.0 billion at 3.9% per annum. Similar to the first tranche of RMB1.5 billion which was issued in May 2023, the second tranche of Panda Bonds was a 3-year tenor note and the proceeds are for the repayment of offshore debts. As at 31 December 2023, excluding the 2019 Perpetual Capital Securities, RMB borrowings, Hong Kong Dollar borrowings and United States Dollar borrowings accounted for 49%, 50% and 1% respectively of the Group's total debt (30 June 2023: 43%, 53% and 4%).

As at 31 December 2023, the Group's total debt increased to HK$34,419.5 million from HK$23,796.9 million as at 30 June 2023 principally due to the inclusion of the outstanding amount of the 2019 Perpetual Capital Securities as debt. The Group has managed to spread out its debt maturity profile to reduce refinancing risks. Amongst the total debt as at 31 December 2023 (excluding the 2019 Perpetual Capital Securities which was redeemed on 31 January 2024), 11% will mature in the next 12-month, 35% will mature in the second year, 38% will mature in the third to fifth year and 16% will mature after the fifth year. In the Current Period, the average borrowing cost of the Group's debt portfolio (excluding the 2019 Perpetual Capital Securities) is approximately 4.8% per annum (Last Period: 3.8%). As at 31 December 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. The Group has also provided a pledge over a proportion of equity interest in a joint venture as a security for bank loans of that joint venture. Besides, the Group has provided pledges over the investment properties which include a logistics centre in Suzhou as well as certain office units and carpark spaces in Hong Kong as securities for bank loans of the Group.

## Commitments

The Group's total commitments for capital expenditures was HK$4,793.0 million as at 31 December 2023, compared with HK$3,156.1 million as at 30 June 2023. These comprised commitments for capital contributions to certain associated companies, joint ventures as well as investment funds, financial and other investments of HK$4,577.1 million as well as additions of property, plant and equipment and intangible assets of HK$215.9 million. Sources of funds for capital expenditures include internal resources of the Group and committed external financing from reputable international banks.

## Financial guarantee

Financial guarantee of the Group were HK$4,917.9 million as at 31 December 2023, compared with HK$2,140.1 million as at 30 June 2023. 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 31 December 2023 and 30 June 2023. KTSPL is an associated company of the Group in which the Group has a 25% interest.

Under the main transaction agreement and the related transaction documents in relation to the disposal of aircraft leasing business by Goshawk Aviation Limited ("Goshawk") to SMBC Aviation Capital Limited ("SMBC") which was completed during FY2023, the Group provides a financial guarantee to support the performance of Goshawk of its payment obligation to satisfy claims that may be brought by SMBC against Goshawk. The Group's potential liability under the financial guarantee is limited to a total amount of US$197.1 million (equivalent to approximately HK$1,537.4 million) as at 31 December 2023 and 30 June 2023.

# RESULTS

The unaudited consolidated interim results of the Group for the Current Period together with comparative figures for the Last Period are set out as follows:

## Condensed Consolidated Income Statement

| | *Note* | (Unaudited) For the six months ended 31 December **2023** **HK$'m** | 2022 HK$'m (restated) |
|---|---|---|---|
| Revenue | | | |
| Non-insurance | | **12,361.6** | 11,752.0 |
| Insurance | | **1,616.9** | 1,353.9 |
| | *3* | **13,978.5** | 13,105.9 |
| Cost of sales | *4,6* | **(10,804.4)** | (10,600.1) |
| Insurance service expenses, net | *4* | **(1,253.1)** | (922.7) |
| Net income/(expenses) from reinsurance contracts held | | **79.5** | (4.3) |
| Net insurance finance (expenses)/income | | **(1,332.9)** | 2,065.2 |
| Other income and gains/(losses), net | *5* | **1,625.4** | (1,907.8) |
| Selling and marketing expenses | *4* | **(84.5)** | (46.7) |
| General and administrative expenses | *4* | **(490.1)** | (531.6) |
| Operating profit | *4* | **1,718.4** | 1,157.9 |
| Finance costs | | **(537.5)** | (464.4) |
| Share of results of | | | |
| Associated companies | *3(b)* | **43.3** | 106.6 |
| Joint ventures | *3(b)* | **475.5** | 645.4 |
| Profit before income tax | | **1,699.7** | 1,445.5 |
| Income tax expenses | *7* | **(359.6)** | (286.1) |
| **Profit for the period** | | **1,340.1** | 1,159.4 |
| Profit attributable to | | | |
| Shareholders of the Company | | **1,008.8** | 853.1 |
| Holders of perpetual capital securities | | **311.9** | 295.8 |
| Non-controlling interests | | **19.4** | 10.5 |
| | | **1,340.1** | 1,159.4 |
| Basic and diluted earnings per share attributable to shareholders of the Company | *8* | **HK$0.28** | HK$0.25 |

# Condensed Consolidated Statement of Comprehensive Income

| | (Unaudited) For the six months ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **HK$'m** | HK$'m (restated) |
| Profit for the period | **1,340.1** | 1,159.4 |
| Other comprehensive income/(loss) | | |
| Items that will not be reclassified to profit or loss | | |
| Net fair value change on equity instruments as financial assets at fair value through other comprehensive income ("FVOCI") | **(92.5)** | (176.8) |
| Remeasurement of post-employment benefit obligation | **0.3** | (0.3) |
| Items that have been reclassified/may be subsequently reclassified to profit or loss | | |
| Net fair value change on debt instruments as financial assets at FVOCI and other net movement | **227.8** | (517.2) |
| Release of reserve upon disposal of interest in a joint venture | **-** | (6.4) |
| Share of other comprehensive loss of associated companies | **(4.9)** | (8.5) |
| Cash flow hedges | **(54.3)** | (31.7) |
| Net insurance finance income/(expenses) | **49.6** | (109.2) |
| Currency translation differences | **174.5** | (1,176.9) |
| Other comprehensive income/(loss) for the period, net of tax | **300.5** | (2,027.0) |
| Total comprehensive income/(loss) for the period | **1,640.6** | (867.6) |
| Total comprehensive income/(loss) attributable to | | |
| Shareholders of the Company | **1,308.2** | (1,172.8) |
| Holders of perpetual capital securities | **311.9** | 295.8 |
| Non-controlling interests | **20.5** | 9.4 |
| | **1,640.6** | (867.6) |

## Condensed Consolidated Statement of Financial Position

| | Note | As at 31 December 2023 HK$'m (Unaudited) | As at 30 June 2023 HK$'m (restated) | As at 1 July 2022 HK$'m (restated) |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Intangible assets | | **5,957.1** | 5,863.2 | 5,890.1 |
| Intangible concession rights | | **13,042.6** | 13,306.4 | 13,081.9 |
| Investment properties | | **5,878.1** | 5,875.0 | 4,842.2 |
| Property, plant and equipment | | **1,220.9** | 1,317.0 | 1,315.7 |
| Right-of-use assets | | **1,080.4** | 1,192.2 | 1,360.7 |
| Associated companies | *10* | **4,652.6** | 4,708.3 | 6,443.4 |
| Joint ventures | *11* | **17,508.2** | 17,773.3 | 15,413.5 |
| Insurance contract assets | | **1,181.9** | 1,160.3 | - |
| Reinsurance contract assets | | **121.0** | 28.5 | - |
| Debt instruments as financial assets at amortized cost | | **1,362.1** | 55.2 | - |
| Financial assets at FVOCI | | **11,274.9** | 11,384.1 | 12,111.0 |
| Financial assets at fair value through profit or loss ("FVPL") | | **60,490.7** | 53,742.6 | 42,428.2 |
| Derivative financial instruments | | **214.9** | 287.8 | 91.9 |
| Inventories | | **289.0** | 239.6 | 170.0 |
| Trade and other receivables | *12* | **9,527.1** | 9,375.6 | 14,816.6 |
| Investments related to unit-linked contracts | | **8,876.9** | 8,940.1 | 8,649.2 |
| Cash and bank balances | | **20,070.5** | 19,255.9 | 13,452.6 |
| Total assets | | **162,748.9** | 154,505.1 | 140,067.0 |
| **EQUITY** | | | | |
| Share capital | | **3,911.9** | 3,910.5 | 3,911.1 |
| Reserves | | **41,923.8** | 41,427.6 | 44,544.9 |
| Shareholders' funds | | **45,835.7** | 45,338.1 | 48,456.0 |
| Perpetual capital securities | *13* | **2,099.2** | 10,353.6 | 10,528.5 |
| Non-controlling interests | | **71.2** | 50.8 | 50.1 |
| Total equity | | **48,006.1** | 55,742.5 | 59,034.6 |
| **LIABILITIES** | | | | |
| Deferred tax liabilities | | **1,377.9** | 1,412.5 | 1,514.3 |
| Insurance contract liabilities | | **62,299.9** | 56,414.4 | 41,012.0 |
| Reinsurance contract liabilities | | **-** | 12.2 | 56.1 |
| Financial liabilities related to unit-linked contracts | | **4,222.8** | 4,424.6 | 4,603.3 |
| Borrowings and other interest-bearing liabilities | *13* | **34,419.5** | 23,796.9 | 23,590.9 |
| Derivative financial instruments | | **281.6** | 216.6 | 172.7 |
| Trade and other payables | *14* | **10,819.6** | 10,819.6 | 8,289.4 |
| Lease liabilities | | **849.2** | 963.4 | 1,124.7 |
| Taxation | | **472.3** | 702.4 | 669.0 |
| Total liabilities | | **114,742.8** | 98,762.6 | 81,032.4 |
| Total equity and liabilities | | **162,748.9** | 154,505.1 | 140,067.0 |

## *Notes:*

## 1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements (the "interim financial statements") have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix D2 of the Listing Rules. The interim financial statements should be read in conjunction with the annual financial statements for FY2023.

The accounting policies used in the preparation of the interim financial statements are consistent with those set out in the annual report for FY2023 except as described in note 1(a), 1(b), 1(c) and 2 below.

### (a) Adoption of new standard and amendments to standards

During the Current Period, the Group has adopted the following new standard and amendments to standards which are relevant to the Group's operations and are mandatory for the financial year ending 30 June 2024 ("FY2024"):

| | |
|---|---|
| HKFRS 17 and HKFRS 17 (Amendments) | Insurance Contracts |
| HKAS 1 (Amendments) and HKFRS Practice Statement 2 | Disclosure of Accounting Policies |
| HKAS 8 (Amendments) | Definition of Accounting Estimates |
| HKAS 12 (Amendments) | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| HKAS 12 (Amendments) | International Tax Reform — Pillar Two Model Rules |

Except for HKFRS 17 as detailed below, the adoption of the amendments to standards does not have significant effect on the results and financial position of the Group.

# 1. Basis of preparation and accounting policies (continued)

## (b) Adoption of HKFRS 17 “Insurance Contracts”

HKFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and replaced the previous HKFRS 4 “Insurance Contracts” (“HKFRS 4”). Under HKFRS 17, a comprehensive model (general measurement model) is introduced to measure insurance contracts based on the estimates of the present value of future cash flows with a risk adjustment (the fulfilment cash flows) and the unearned profits (the contractual service margin (“CSM”)). The fulfilment cash flows are the current estimates of the future cash flows that the Group expects to collect from premiums and payout for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts. The CSM represents the estimate of unearned profits of the insurance contracts, and is systematically recognized in insurance revenue based on the services provided over the coverage period of the insurance contract. Details of the changes in accounting policies is set out in note 2.

**Transition**

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

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

## 1. Basis of preparation and accounting policies (continued)

### (b) Adoption of HKFRS 17 "Insurance Contracts" (continued)

**Transition (continued)**

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

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

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

| | As at 30 June 2023 HK$'m (previously stated) | Adjustments HK$m | As at 30 June 2023 HK$'m (restated) | Adjustments HK$'m | As at 1 July 2023 HK$'m (restated) |
|---|---|---|---|---|---|
| Debt instruments as financial assets at amortized cost | **6,895.0** | **(6,839.8)** | **55.2** | **1,299.6** | **1,354.8** |
| Financial assets at FVOCI | **43,174.3** | **(31,790.2)** | **11,384.1** | **(2,787.7)** | **8,596.4** |
| Financial assets at FVPL | **15,002.6** | **38,740.0** | **53,742.6** | **1,767.1** | **55,509.7** |

Debt instruments are reclassified to FVPL out of FVOCI or amortized cost categories and equity instruments are reclassified to FVPL out of FVOCI category as for eliminating accounting mismatch on connected insurance contract liabilities.

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

# 1. Basis of preparation and accounting policies (continued)

## (b) Adoption of HKFRS 17 "Insurance Contracts" (continued)

**Transition (continued)**

***Overall effect on adoption of HKFRS 17***

The Group has applied the transition provisions in HKFRS 17 and has not disclosed the impact of the adoption of HKFRS 17 on each financial statement line item. The tables show the impact on adoption of HKFRS17 on total equity of the Group.

| | As at 30 June 2022 HK$'m (previously stated) | Adjustments HK$'m | As at 1 July 2022 HK$'m (restated) |
|---|---|---|---|
| **Total equity** | **53,887.1** | **5,147.5** | **59,034.6** |

| | As at 30 June 2023 HK$'m (previously stated) | Adjustments HK$'m | As at 1 July 2023 HK$'m (restated) |
|---|---|---|---|
| **Total equity** | **50,141.1** | **5,880.4** | **56,021.5** |

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

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

## 1. Basis of preparation and accounting policies (continued)

### (c) Change in presentation of condensed consolidated statement of financial position

The Group, taken into account the characteristics of insurance contracts and expectation on the scaling of assets and liabilities of its insurance business with the adoption of HKFRS 17 due to the capitalization of future profits in the CSM as liabilities and natural business growth, changes the presentation of its condensed consolidated statement of financial position in the Current Period that provides relevant, comparable and understandable information to present all assets and liabilities in the order of liquidity in accordance with HKAS 1 "Presentation of Financial Statements". The comparative figures have been restated accordingly.

### (d) Amendments to standards and interpretation which are not yet effective

The following amendments to standards and interpretation are mandatory for accounting period beginning on or after 1 July 2024 or later periods but which the Group has not early adopted:

| | |
|---|---|
| HKFRS 10 and HKAS 28 (Amendments) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |
| HKFRS 16 (Amendments) | Lease Liability in a Sale and Leaseback |
| HKAS 1 (Amendments) | Classification of Liabilities as Current or Non-current |
| HKAS 1 (Amendments) | Non-current Liabilities with Covenants |
| HKAS 7 and HKFRS 7 (Amendments) | Supplier Finance Arrangements |
| HKAS 21 (Amendments) | Lack of Exchangeability |
| HK Interpretation 5 (Revised) | Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause |

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

## 2. Change in accounting policies

As explained in note 1(b) above, the Group has adopted HKFRS 17 which resulted in change in accounting policies used in the preparation of the consolidated financial statements.

***Accounting policies applied from 1 July 2023***

**Insurance contracts, investment contracts with discretionary participating features ("DPF") and reinsurance contracts held**

The Group uses different measurement approaches, depending on the type of contract, as follows:

| | **Product classification** | **Measurement model** |
|---|---|---|
| ***Insurance contracts issued*** | | |
| Traditional life and annuities participating contracts | Insurance contracts or investment contracts with DPF | Variable Fee Approach ("VFA") |
| Traditional life non-participating contracts and protection products | Insurance contracts | General Measurement Model ("GMM") or Premium Allocation Approach ("PAA") |
| Universal life contracts | Insurance contracts | GMM |
| Unit-linked insurance contracts | Insurance contracts | VFA |
| Unit-linked investment contracts without DPF | Investment contracts | Financial liabilities measured at FVPL under HKFRS 9 |
| ***Reinsurance contracts held*** | | |
| Reinsurance contracts | Reinsurance contracts | GMM or PAA |

### (a) Definition and classification

Insurance contracts are contracts under which the Group accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

Contracts that have a legal form of insurance but do not transfer significant insurance risk are classified as investment contracts, and they follow financial instruments accounting under HKFRS 9. Investment contracts without DPF issued by the Group fall under this category and classified as financial liabilities.

Some investment contracts issued by the Group contain DPF, whereby the investor has the right and is expected to receive, as a supplement to the amount not subject to the Group's discretion, potentially significant additional benefits based on the return of specified pools of investment assets. The Group accounts for these contracts under HKFRS 17.

## 2. Changes in accounting policies (continued)

### (a) Definition and classification (continued)

The Group issues certain insurance contracts that are substantially investment-related service contracts where the return on the underlying items is shared with policyholders. Underlying items comprise specified portfolios of investment assets that determine amounts payable to policyholders. The Group's policy is to hold such investment assets.

A reinsurance contract held transfers significant risk if it transfers substantially all the insurance risk resulting from the insured portion of the underlying insurance contracts.

All references to insurance contracts in the consolidated financial statements apply to insurance contracts issued, reinsurance contracts held and investment contracts with DPF, unless specifically stated otherwise.

### (b) Level of aggregation and separation of insurance components

Insurance contracts are aggregated into groups, and groups into portfolios, subject to similar risks and managed together. Each portfolio is further disaggregated into semi-annual cohorts and each cohort into three groups based on their profitability: (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts. These groups represent the level of aggregation at which insurance contracts are initially recognized and measured. Such groups are not subsequently reconsidered.

### (c) Fulfilment cash flows

Fulfilment cash flows comprise:

- estimates of future cash flows;

- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and

- a risk adjustment for non-financial risk.

Cash flows that are not directly attributable to a portfolio of insurance contracts, such as some marketing and training costs, are recognized in general and administrative expenses or selling and marketing expenses as incurred.

## 2. Changes in accounting policies (continued)

### (d) Insurance acquisition cash flows

Insurance acquisition cash flows represents cash flows arise from costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to the portfolio of insurance contracts to which the group belongs.

Insurance acquisition cash flows are allocated to groups of insurance contracts on a systematic and rational basis and considering, in an unbiased way, all reasonable and supportable information available without undue cost or effort. The amounts allocated to groups of insurance contracts yet to be recognized are revised at each reporting date, to reflect any changes in assumptions that determine the inputs to the method of allocation used.

### (e) Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and it reflects the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfils insurance contracts.

### (f) Initial measurement – Groups of contracts not measured under PAA

The Group measures a group of contracts as the sum of: (a) the fulfilment cash flows, which include estimates of future cash flows, an adjustment to reflect time value of money, and a risk adjustment for non-financial risk; and (b) the CSM.

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that the Group will recognize as it provides insurance contract services in the future.

On initial recognition of a group of contracts, if the total of the fulfilment cash flows, any cash flows arising at that date and any amount arising from the derecognition of any assets or liabilities previously recognized for cash flows related to the group (including assets for insurance acquisition cash flows) is a net inflow, then the group of contracts is not onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

When the above calculation results in a net outflow, the group of insurance contracts issued is onerous. A loss from onerous insurance contracts is recognized in profit or loss immediately, with no CSM recognized on the consolidated statement of financial position on initial recognition, and a loss component is established in the amount of loss recognized.

## 2. Changes in accounting policies (continued)

### (g) Subsequent measurement – Groups of contracts not measured under the PAA

The carrying amount at the end of each reporting period of a group of insurance contracts issued is the sum of the liability for remaining coverage ("LRC") and the liability for incurred claims ("LIC"). The LRC comprises (a) the fulfilment cash flows related to future service allocated to the group at that date and (b) the CSM of the group at that date. The LIC includes the fulfilment cash flows related to incurred claims and expenses that have not yet been paid and allocated to the group at the reporting date.

The fulfilment cash flows are updated by the Group for current assumptions at the end of every reporting period, using the current estimates of the amount, timing and uncertainty of future cash flows, of discount rates and of non-financial risk. For insurance contracts measured under the VFA, the Group's share of the investment experience and assumption changes are absorbed by the CSM and released over time to profit or loss. For insurance contracts measured under the GMM, the fair value change of the investment assets backing these policies does not affect the measurement of insurance contracts.

### (h) Initial and subsequent measurement – Groups of contracts measured under the PAA

The Group uses the PAA to simplify the measurement of groups of contracts in the following situations:

- the Group reasonably expects that the measurement of LRC would not differ materially from the result of apply accounting policies of contracts not measured under the PAA; or

- where the coverage period of each contract is one year or less.

### (i) Reinsurance contracts held

***Reinsurance contracts held measured under the GMM***

The Group applies the same accounting policies as that applied to the underlying insurance contracts, with the following modifications.

The carrying amount of a group of reinsurance contracts held at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods; and (b) any remaining CSM at that date.

The Group measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognized in profit or loss.

## 2. Changes in accounting policies (continued)

### (i) Reinsurance contracts held (continued)

***Reinsurance contracts held measured under the GMM (continued)***

The risk adjustment for non-financial risk represents the amount of risk being transferred by the Group to the reinsurer.

When underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the Group applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

***Reinsurance contracts held measured under the PAA***

The Group applies the same accounting policy to measure the reinsurance contracts held under PAA, as the underlying insurance contracts.

When a loss is recognized on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group, the carrying amount of the asset for remaining coverage for reinsurance contracts held measured under the PAA is increased by the amount of income recognized in profit or loss and a loss-recovery component is established or adjusted for the amount of income recognized.

### (j) Derecognition and modification

An insurance contract is derecognized when:

- it is extinguished, i.e., when the obligation specified in the insurance contract expires or is discharged or cancelled; or

- its terms modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognized. If a contract modification does not result in derecognition, then the Group treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

### (k) Presentation of insurance contracts

Portfolios of insurance contracts and reinsurance contracts held in an asset position are presented separately from those in a liability position. Portfolios of insurance contracts issued are presented separately from portfolios of reinsurance contracts held.

The Group disaggregates amounts recognized in the consolidated income statement and the consolidated statement of comprehensive income into (a) insurance revenue and insurance service expenses; and (b) insurance finance income or expenses.

## 2. Changes in accounting policies (continued)

### (k) Presentation of insurance contracts (continued)

Income and expenses from reinsurance contracts held are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts held, other than insurance finance income or expenses, are presented on a net basis as "net income/(expenses) from reinsurance contracts held". The Group does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance revenue.

Insurance revenue and insurance service expenses exclude any investment components and are recognized as follows:

***Insurance revenue – insurance contracts not measured under the PAA***

As the Group provides insurance contract services under the group of insurance contracts, it reduces the LRC and recognizes insurance revenue. The amount of insurance revenue recognized in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the Group expects to be entitled to in exchange for those services.

For contracts not measured under the PAA, insurance revenue comprises the following:

- claims and other directly attributable expenses incurred in the period measured at the amounts expected at the beginning of the period;

- changes in the risk adjustment for non-financial risk relating to current services;

- amounts of the CSM recognized for the services provided in the period; and

- other amounts, including experience adjustments for premium receipts for current or past services.

Insurance acquisition cash flows recovery is determined by allocating the portion of premiums related to the recovery of those cash flows on the basis of the passage of time over the expected coverage of a group of contracts. The allocated amount is recognized as insurance revenue with the same amount recognized as insurance service expenses.

***Release of the CSM – insurance contracts not measured under the PAA***

The amount of the CSM of a group of insurance contracts that is recognized as insurance revenue in each reporting period is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the reporting period (before any allocation) equally to each coverage unit provided in the current period and expected to be provided in future periods, and recognizing in profit or loss the amount of the CSM allocated to coverage units provided in the current period. The number of coverage units is the quantity of services provided by the contracts in the group, determined considering for each contract the quantity of benefits provided and its expected coverage period.

## 2. Changes in accounting policies (continued)

### (k) Presentation of insurance contracts (continued)

***Insurance revenue – insurance contracts measured under the PAA***

For groups of insurance contracts measured under the PAA, the Group allocated the expected premium into insurance revenue based on the (a) passage of time; or (b) the expected timing of the incurred expenses, if the expected pattern of release of risk during the coverage period differs significantly from the passage of time.

***Loss component – insurance contracts not measured under PAA***

For contracts not measured under the PAA, the Group establishes a loss component of the LRC for onerous group of contracts. The loss component determines the amounts of fulfilment cash flows that are subsequently excluded from insurance revenue when they occur. When the fulfilment cash flows occur, they are allocated between the loss component and the LRC excluding the loss component.

***Insurance service expenses***

Insurance service expenses arising from insurance contracts are recognized in profit or loss generally as they are incurred. They exclude repayments of investment components and include the following:

- incurred claims, benefits, and other incurred directly attributable expenses;
- insurance acquisition cash flows amortization;
- losses on onerous contract or reversals of those losses; and
- changes that relate to past service.

For contracts not measured under the PAA, amortization of insurance acquisition cash flows is reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue, as described above. For contracts measured under the PAA, amortization of insurance acquisition cash flows is based on the passage of time.

Other expenses not meeting the above categories are included in general and administrative expenses or selling and marketing expenses in the profit or loss.

***Net income/(expenses) from reinsurance contracts held***

The Group presents financial performance of groups of reinsurance contracts held based on the allocation of reinsurance premiums paid less amounts recovered from reinsurers.

The Group recognizes an allocation of reinsurance premiums paid as reinsurance expenses within net expenses from reinsurance contracts held for the coverage or other services received by the Group under groups of reinsurance contracts held.

## 2. Changes in accounting policies (continued)

### (k) Presentation of insurance contracts (continued)

***Net income/(expenses) from reinsurance contracts held (continued)***

For contracts not measured under the PAA, the allocation of reinsurance premiums paid relating to services received for each period represents the total of the changes in the asset for remaining coverage that relate to services for which the Group expects to pay consideration.

For groups of reinsurance contracts held measured under the PAA, the Group recognizes reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

***Insurance finance income or expenses***

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts and reinsurance contracts held arising from the effect of the time value of money and changes in the time value of money, the effect of financial risk and changes in financial risk.

The Group presents insurance finance income or expenses for the insurance contracts measured under the VFA in profit or loss. Such insurance finance income or expenses includes changes in the measurement of the group of contracts impacted by the changes in the value of underlying items (excluding additions and withdrawals). It therefore has an offsetting impact to investment income earned on underlying assets backing insurance contracts, which include the gain or losses arising on assets measured at FVPL and under the line “other income and gains/(losses), net”.

For the insurance contracts measured under the GMM, the Group disaggregates total insurance finance income or expenses between profit or loss and other comprehensive income. The amount recognized in profit or loss is determined by a systematic allocation of the expected total finance income or expenses over the duration of the group of insurance contracts. Insurance finance income or expenses presented in other comprehensive income, which reflects the effect of changes in discount rates on measurement of these insurance contracts, are accumulated in the insurance finance reserve. If the Group derecognizes these insurance contracts, its related remaining amount accumulated in insurance finance reserve is reclassified to profit or loss.

## 3. Revenue and segment information

The Group's revenue is analyzed as follows:

| | For the six months ended 31 December 2023 | | |
|---|---|---|---|
| **HK$'m** | **Hong Kong** | **Mainland China** | **Total** |
| Roads | **-** | **1,468.4** | **1,468.4** |
| Insurance | **1,616.9** | **-** | **1,616.9** |
| Logistics | **-** | **84.3** | **84.3** |
| Construction | **9,375.5** | **-** | **9,375.5** |
| Facilities Management | **1,424.1** | **9.3** | **1,433.4** |
| Strategic Investments | **-** | **-** | **-** |
| | **12,416.5** | **1,562.0** | **13,978.5** |

| | For the six months ended 31 December 2022 | | |
|---|---|---|---|
| HK$'m (restated) | Hong Kong | Mainland China | Total |
| Roads | - | 1,317.4 | 1,317.4 |
| Insurance | 1,353.9 | - | 1,353.9 |
| Logistics | - | 63.4 | 63.4 |
| Construction | 9,840.8 | - | 9,840.8 |
| Facilities Management | 512.5 | 17.4 | 529.9 |
| Strategic Investments | - | 0.5 | 0.5 |
| | 11,707.2 | 1,398.7 | 13,105.9 |

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) Insurance; (iii) Logistics; (iv) Construction; (v) Facilities Management; and (vi) Strategic Investments.

The Executive Committee assesses the performance of the operating segments based on a measure of Attributable Operating Profit (including share of results from associated companies and joint ventures). This measurement basis excludes the effects of corporate office and non-operating items. Corporate interest income, finance costs and expenses are not allocated to segments.

## 3. Revenue and segment information (continued)

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

| HK$'m | Roads | Insurance | Logistics | Construction | Facilities Management | Strategic Investments | Total | |
|---|---|---|---|---|---|---|---|---|
| **For the six months ended 31 December 2023** | | | | | | | | |
| Total revenue | **1,468.4** | **1,618.3** | **84.3** | **9,376.2** | **1,434.8** | **-** | **13,982.0** | |
| Inter-segment | **-** | **(1.4)** | **-** | **(0.7)** | **(1.4)** | **-** | **(3.5)** | |
| Revenue – external | **1,468.4** | **1,616.9** | **84.3** | **9,375.5** | **1,433.4** | **-** | **13,978.5** | |
| Revenue from contracts with customers | | | | | | | | |
| Recognized at a point in time | **1,468.4** | **-** | **-** | **-** | **752.0** | **-** | **2,220.4** | |
| Recognized over time | **-** | **97.0** | **-** | **9,375.5** | **681.4** | **-** | **10,153.9** | |
| | **1,468.4** | **97.0** | **-** | **9,375.5** | **1,433.4** | **-** | **12,374.3** | |
| Revenue from other sources | **-** | **1,519.9** | **84.3** | **-** | **-** | **-** | **1,604.2** | |
| | **1,468.4** | **1,616.9** | **84.3** | **9,375.5** | **1,433.4** | **-** | **13,978.5** | |
| Attributable Operating Profit/(Loss) | | | | | | | | |
| Company and subsidiaries | **408.8** | **413.0** | **54.6** | **363.2** | **221.6** | **31.6** | **1,492.8** | |
| Associated companies | **89.6** | **-** | **(8.2)** | **31.5** | **(97.4)** | **38.5** | **54.0** | **(b)** |
| Joint ventures | **318.3** | **-** | **310.4** | **-** | **-** | **(41.5)** | **587.2** | **(b)** |
| | **816.7** | **413.0** | **356.8** | **394.7** | **124.2** | **28.6** | **2,134.0** | |
| Reconciliation – corporate office and non-operating items | | | | | | | | |
| Net loss on fair value of investment properties | | | | | | | **(22.4)** | |
| Impairments and provisions | | | | | | | **(295.0)** | **(i)** |
| Loss on fair value of derivative financial instruments | | | | | | | **(0.8)** | |
| Net finance costs | | | | | | | **(273.6)** | |
| Share-based payment | | | | | | | **(44.4)** | |
| Net exchange gain | | | | | | | **20.7** | |
| Expenses and others | | | | | | | **(197.8)** | |
| Profit for the period after tax and non-controlling interests | | | | | | | **1,320.7** | |
| Profit attributable to holders of perpetual capital securities | | | | | | | **(311.9)** | |
| Profit attributable to shareholders of the Company | | | | | | | **1,008.8** | |

(i) The amount mainly represents impairment loss related to associated companies of HK$179.9 million (included in "other income and gains/(losses), net" and detailed in note 10) and share of impairment loss of a joint venture of HK$99.7 million (included in "share of results of joint ventures" and detailed in note 11).

# 3. Revenue and segment information (continued)

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

| HK$'m | Roads | Insurance | Logistics | Construction | Facilities Management | Strategic Investments | Corporate | Total |
|---|---|---|---|---|---|---|---|---|
| **For the six months ended 31 December 2023** | | | | | | | | |
| Amortization of intangible assets | - | 37.0 | - | - | 15.6 | - | - | 52.6 |
| Amortization of intangible concession rights | 562.8 | - | - | - | - | - | - | 562.8 |
| Depreciation of property, plant and equipment | 52.1 | 21.4 | 0.5 | 25.5 | 45.4 | - | 7.7 | 152.6 |
| Depreciation of right-of-use assets | 0.3 | 52.5 | - | 19.7 | 47.4 | - | 4.4 | 124.3 |
| Insurance finance expenses | - | 1,332.9 | - | - | - | - | - | 1,332.9 |
| Net (gain)/loss on fair value of financial assets at FVPL | - | (5.9) | - | 1.0 | - | (6.6) | - | (11.5) |
| Interest income | (29.4) | (1,325.5) | (0.1) | (18.6) | (58.2) | (42.4) | (125.5) | (1,599.7) |
| Finance costs | 74.9 | 23.6 | 4.3 | 23.3 | 12.2 | 0.1 | 399.1 | 537.5 |
| Income tax expenses/(credit) | 206.0 | 60.6 | 2.1 | 72.0 | 28.8 | (7.0) | (2.9) | 359.6 |
| Additions to assets (remark) | 89.0 | 96.5 | 0.2 | 94.8 | 34.2 | - | 12.2 | 326.9 |
| **As at 31 December 2023** | | | | | | | | |
| Company and subsidiaries | 15,916.5 | 90,432.6 | 3,432.4 | 8,690.5 | 3,921.8 | 6,099.7 | 12,094.6 | 140,588.1 |
| Associated companies | 2,270.7 | - | 279.2 | 210.1 | 177.4 | 1,712.4 | 2.8 | 4,652.6 |
| Joint ventures | 5,691.9 | - | 9,534.0 | - | - | 1,953.2 | 329.1 | 17,508.2 |
| Total assets | 23,879.1 | 90,432.6 | 13,245.6 | 8,900.6 | 4,099.2 | 9,765.3 | 12,426.5 | 162,748.9 |
| Total liabilities | 5,699.0 | 68,140.2 | 371.4 | 8,052.0 | 1,419.5 | 119.8 | 30,940.9 | 114,742.8 |

Remark: Represented assets expected to be recovered more than 12 months after the reporting period other than financial instruments, deferred tax assets, post-employment benefit assets, insurance contract assets and reinsurance contract assets.

## 3. Revenue and segment information (continued)

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

| HK$'m | Roads | Insurance | Logistics | Construction | Facilities Management | Strategic Investments | Total | |
|---|---|---|---|---|---|---|---|---|
| For the six months ended 31 December 2022 (restated) | | | | | | | | |
| Total revenue | 1,317.4 | 1,354.3 | 63.4 | 9,861.7 | 530.2 | 0.5 | 13,127.5 | |
| Inter-segment | - | (0.4) | - | (20.9) | (0.3) | - | (21.6) | |
| Revenue – external | 1,317.4 | 1,353.9 | 63.4 | 9,840.8 | 529.9 | 0.5 | 13,105.9 | |
| Revenue from contracts with customers | | | | | | | | |
| Recognized at a point in time | 1,317.4 | - | - | - | 124.3 | - | 1,441.7 | |
| Recognized over time | - | 96.8 | - | 9,840.8 | 405.6 | 0.5 | 10,343.7 | |
| | 1,317.4 | 96.8 | - | 9,840.8 | 529.9 | 0.5 | 11,785.4 | |
| Revenue from other sources | - | 1,257.1 | 63.4 | - | - | - | 1,320.5 | |
| | 1,317.4 | 1,353.9 | 63.4 | 9,840.8 | 529.9 | 0.5 | 13,105.9 | |
| Attributable Operating Profit/(Loss) | | | | | | | | |
| Company and subsidiaries | 372.5 | 230.6 | 55.4 | 384.9 | (33.4) | 41.0 | 1,051.0 | |
| Associated companies | 85.5 | - | (1.2) | 31.4 | (94.0) | 93.9 | 115.6 | (b) |
| Joint ventures | 226.5 | - | 363.5 | - | (0.4) | 35.4 | 625.0 | (b) |
| | 684.5 | 230.6 | 417.7 | 416.3 | (127.8) | 170.3 | 1,791.6 | |
| Reconciliation – corporate office and non-operating items | | | | | | | | |
| Net loss on fair value of investment properties | | | | | | | (17.2) | |
| Impairments and provisions | | | | | | | (149.1) | (ii) |
| Net loss on disposal of projects, net of tax | | | | | | | (46.5) | |
| Gain on fair value of derivative financial instruments | | | | | | | 37.1 | |
| Net gain on redemption of senior notes | | | | | | | 88.6 | |
| Net finance costs | | | | | | | (275.7) | |
| Share-based payment | | | | | | | (32.0) | |
| Net exchange loss | | | | | | | (38.8) | |
| Expenses and others | | | | | | | (209.1) | |
| Profit for the period after tax and non-controlling interests | | | | | | | 1,148.9 | |
| Profit attributable to holders of perpetual capital securities | | | | | | | (295.8) | |
| Profit attributable to shareholders of the Company | | | | | | | 853.1 | |

(ii) The amount represented impairment loss related to an associated company of HK$90.6 million (included in "other income and gains/(losses), net" and detailed in note 10) and share of impairment loss of a joint venture of HK$58.5 million (included in "share of results of joint ventures" and detailed in note 11).

## 3. Revenue and segment information (continued)

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

| HK$'m | Roads | Insurance | Logistics | Construction | Facilities Management | Strategic Investments | Corporate | Total |
|---|---|---|---|---|---|---|---|---|
| For the six months ended 31 December 2022 (restated) | | | | | | | | |
| Amortization of intangible assets | - | 31.2 | - | - | 15.6 | - | - | 46.8 |
| Amortization of intangible concession rights | 509.4 | - | - | - | - | - | - | 509.4 |
| Depreciation of property, plant and equipment | 40.9 | 22.2 | 0.3 | 25.7 | 50.5 | 0.2 | 5.2 | 145.0 |
| Depreciation of right-of-use assets | 0.4 | 56.2 | 0.5 | 17.4 | 46.0 | - | 3.9 | 124.4 |
| Net insurance finance income | - | (2,065.2) | - | - | - | - | - | (2,065.2) |
| Net loss/(gain) on fair value of financial assets at FVPL | - | 2,968.3 | - | 1.2 | - | (31.4) | - | 2,938.1 |
| Interest income | (31.8) | (1,002.4) | (0.1) | (4.4) | (31.2) | (56.5) | (35.8) | (1,162.2) |
| Finance costs | 63.9 | 49.9 | - | 25.3 | 13.6 | 0.2 | 311.5 | 464.4 |
| Income tax expenses | 134.4 | 50.8 | 9.2 | 77.0 | 2.0 | 12.5 | 0.2 | 286.1 |
| Additions to assets (remark) | 233.0 | 86.7 | 6.0 | 34.7 | 9.0 | 6.0 | 37.9 | 413.3 |
| As at 30 June 2023 (restated) | | | | | | | | |
| Company and subsidiaries | 15,745.2 | 83,862.2 | 3,371.7 | 8,990.1 | 4,060.2 | 5,814.3 | 10,179.8 | 132,023.5 |
| Associated companies | 2,190.7 | - | 281.4 | 255.3 | 206.2 | 1,771.9 | 2.8 | 4,708.3 |
| Joint ventures | 5,709.7 | - | 9,476.1 | - | - | 2,246.7 | 340.8 | 17,773.3 |
| Total assets | 23,645.6 | 83,862.2 | 13,129.2 | 9,245.4 | 4,266.4 | 9,832.9 | 10,523.4 | 154,505.1 |
| Total liabilities | 5,896.8 | 62,506.7 | 423.4 | 8,388.9 | 1,470.2 | 136.1 | 19,940.5 | 98,762.6 |

Remark: Represented assets expected to be recovered more than 12 months after the reporting period other than financial instruments, deferred tax assets, post-employment benefit assets, insurance contract assets and reinsurance contract assets.

## 3. Revenue and segment information (continued)

(b) Reconciliation of Attributable Operating Profit of associated companies and joint ventures to the condensed consolidated income statement:

| | Associated companies | | Joint ventures | |
|---|---|---|---|---|
| | For the six months ended 31 December | | For the six months ended 31 December | |
| **HK$'m** | **2023** | 2022 | **2023** | 2022 |
| Attributable Operating Profit | **54.0** | 115.6 | **587.2** | 625.0 |
| Corporate and non-operating items | | | | |
| - Net gain on disposal | **-** | - | **-** | 92.7 |
| - Impairment losses (note 11) | **-** | - | **(99.7)** | (58.5) |
| - Others | **(10.7)** | (9.0) | **(12.0)** | (13.8) |
| Share of results of associated companies and joint ventures | **43.3** | 106.6 | **475.5** | 645.4 |

(c) Information by geographical areas:

| | Assets expected to be recovered more than 12 months (remark) | |
|---|---|---|
| **HK$'m** | **At 31 December 2023** | At 30 June 2023 |
| Hong Kong | **10,468.5** | 10,580.8 |
| Mainland China | **16,682.4** | 16,943.3 |
| Others | **28.2** | 29.7 |
| | **27,179.1** | 27,553.8 |

Remark: Represented assets expected to be recovered more than 12 months after the reporting period other than financial instruments, deferred tax assets, post-employment benefit assets, insurance contract assets and reinsurance contract assets.

## 4. Operating profit

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

| | *Note* | **For the six months ended 31 December** **2023** **HK$'m** | 2022 HK$'m (restated) |
|---|---|---|---|
| **Crediting** | | | |
| Gross rental income from investment properties | | **126.3** | 103.0 |
| Less: outgoings | | **(31.1)** | (27.9) |
| | | **95.2** | 75.1 |
| **Charging** | | | |
| Cost of inventories sold | | **552.7** | 42.2 |
| Cost of construction | | **8,214.9** | 8,630.8 |
| Amortization of intangible assets | | **52.6** | 46.8 |
| Amortization of intangible concession rights | | **562.8** | 509.4 |
| Depreciation of property, plant and equipment | | **152.6** | 145.0 |
| Depreciation of right-of-use assets | | **124.3** | 124.4 |
| Agency commission and allowances | | **1,364.7** | 681.5 |
| Expenses on short-term leases | | **5.5** | 14.5 |
| Expenses on variable lease payments | | **72.9** | 80.5 |
| Staff costs (including directors' emoluments and share-based payment) | | **1,459.0** | 1,392.1 |
| Other costs and expenses | | **682.9** | 647.7 |
| | | **13,244.9** | 12,314.9 |
| Amounts attributed to insurance contracts | | **(1,865.9)** | (1,136.5) |
| Amortization of insurance acquisition cash flows | | **311.7** | 146.5 |
| Incurred claims and other directly attributable expenses | | **942.9** | 759.9 |
| Losses on onerous contracts, net of reversal | | **(1.5)** | 16.3 |
| | | **12,632.1** | 12,101.1 |
| Represented by | | | |
| Cost of sales | *6* | **10,804.4** | 10,600.1 |
| Insurance service expenses, net | | **1,253.1** | 922.7 |
| Selling and marketing expenses | | **84.5** | 46.7 |
| General and administrative expenses | | **490.1** | 531.6 |
| | | **12,632.1** | 12,101.1 |

## 5. Other income and gains/(losses), net

| | Note | For the six months ended 31 December 2023 HK$'m | 2022 HK$'m (restated) |
|---|---|---|---|
| Net gain/(loss) associated with investments related to unit-linked contracts | | **178.9** | (137.7) |
| Net gain/(loss) on fair value of financial assets at FVPL | | **11.5** | (2,938.1) |
| Net profit/(loss) on disposal of debt instruments as financial assets at FVOCI | | **3.0** | (0.7) |
| Net gain on fair value of derivative financial instruments | | **0.9** | 37.1 |
| Gain on redemption of fixed rate bonds | | **-** | 90.5 |
| Interest income | | | |
| - Debt instruments as financial assets at FVPL | | **1,061.6** | 755.9 |
| - Debt instruments as financial assets at FVOCI | | **212.8** | 261.6 |
| - Debt instruments as financial assets at amortized cost | | **23.2** | 4.6 |
| - Bank deposits and others | | **302.1** | 140.1 |
| Dividend income | | **149.4** | 126.7 |
| Other income | | **63.9** | 48.4 |
| Loss on disposal of interest in a joint venture | | **-** | (101.9) |
| Impairment losses related to associated companies | *10* | **(179.9)** | (90.6) |
| (Charges)/credits associated with financial liabilities related to unit-linked contracts | | **(71.4)** | 57.2 |
| Net (loss)/gain on fair value of investment properties | | **(48.4)** | 30.5 |
| Net exchange loss | | **(14.9)** | (119.0) |
| Expected credit loss provision, net of reversal | | | |
| - Debt instruments as financial assets at FVOCI | | **(83.5)** | (107.8) |
| - Debt instruments as financial assets at amortized cost | | **0.2** | - |
| - Trade and other receivables | | **16.0** | 35.4 |
| | | **1,625.4** | (1,907.8) |
| Represented by | | | |
| Net investment income and gains/(losses) from insurance business | | **1,474.5** | (2,093.7) |
| Others | | **150.9** | 185.9 |
| | | **1,625.4** | (1,907.8) |

## 6. Cost of sales

| | Note | For the six months ended 31 December | |
|---|---|---|---|
| | | **2023** | 2022 |
| | | **HK$'m** | HK$'m (restated) |
| Cost of inventories sold | | **552.7** | 42.2 |
| Cost of construction | | **8,214.9** | 8,630.8 |
| Cost of services rendered | | **2,036.8** | 1,927.1 |
| | *4* | **10,804.4** | 10,600.1 |

## 7. Income tax expenses

Hong Kong profits tax is provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits for the Current Period. Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profits for the Current Period at the rates of tax prevailing in the regions in which the Group operates. These rates range from 12% to 25% (2022: 12% to 28%). Withholding tax on dividends is mainly provided at the rate of 5% or 10% (2022: 5% or 10%).

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

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

| | For the six months ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **HK$'m** | HK$'m (restated) |
| Current income tax | | |
| Hong Kong profits tax | **130.6** | 144.9 |
| Mainland China and overseas taxation | **261.3** | 245.6 |
| Deferred income tax credit | **(32.3)** | (104.4) |
| | **359.6** | 286.1 |

Share of taxation of associated companies and joint ventures of HK$49.1 million (2022: HK$75.6 million) and HK$168.6 million (2022: HK$143.0 million) respectively are included in the condensed consolidated income statement as share of results of associated companies and joint ventures respectively.

## 8. Earnings per share

The calculation of basic earnings per share is based on earnings of HK$1,111.5 million (2022 restated: HK$977.2 million), which comprised profit attributable to shareholders of the Company of HK$1,008.8 million (2022 restated: HK$853.1 million) and gain on derecognition or redemption of perpetual capital securities as equity of HK$102.7 million (2022: HK$124.1 million); on the weighted average of 3,911,133,705 (2022: 3,910,601,490) ordinary shares outstanding during the Current Period.

For the Current Period, diluted earnings per share is based on earnings of HK$1,111.5 million (as stated above) and on the weighted average number of ordinary shares outstanding adjusted by assuming the conversion of all dilutive potential ordinary shares. The calculation of weighted average number of shares for calculating diluted earnings per share for the Current Period is as follows:

| | **Number of shares** |
|---|---|
| | **For the six months ended 31 December 2023** |
| Weighted average number of shares for calculating basic earnings per share | **3,911,133,705** |
| Effect of dilutive potential ordinary shares | |
| Share options | **8,846,617** |
| Weighted average number of shares for calculating diluted earnings per share | **3,919,980,322** |

During the Last Period, the share options of the Company had an anti-dilutive effect on the basic earnings per share as the adjusted exercise price of the share options was above the average market price of the ordinary shares during the outstanding period, and therefore were not included in the calculation of diluted earnings per share.

## 9. Dividend

A final dividend of HK$1,212.7 million that related to FY2023 was paid in December 2023 (final dividend for the financial year ended 30 June 2022 paid: HK$1,212.2 million).

On 27 February 2024, the Board resolved to declare an Interim Ordinary Dividend of HK$0.30 per share (interim dividend for FY2023 paid by cash: HK$0.30 per share) and Special Dividend of HK$1.79 per share for FY2024, both payable in cash with a scrip option on or about 19 April 2024, to the shareholders whose names appear on the register of members of the Company on 12 March 2024. This Total Interim Dividend, amounting to HK$8,175.9 million, has not been recognized as liability in the interim financial statements but will be reflected as an appropriation of the retained profits in the annual financial statements for FY2024 (interim dividend for FY2023 paid: HK$1,173.1 million).

## 10. Associated companies

In the Current Period, impairment losses of HK$179.9 million (2022: HK$90.6 million) (note 5) were recognized by the Group and included in "other income and gains/(losses), net", among which (i) HK$78.8 million (2022: HK$90.6 million) was provided against the carrying amount of an associated company which principally engaged in construction business after the determination of its recoverable amount primarily based on fair value less cost of disposal approach and taking into consideration the share of market value of the listed shares held by the Group; and (ii) HK$101.1 million (2022: nil) was provided against the carrying amount of an associated company principally engaged in chrome and platinum group metals mining, processing and trading in South Africa as the Group's share of market value of that associated company was lower than the carrying value, and therefore a recoverability assessment was carried out by the management primarily based on value in use approach using discounted cash flow method over a forecast period of life of mine of about 18 years which has taken into the account key assumptions such as metal price projection and discount rate.

## 11. Joint ventures

In the Current Period, the share of results of joint ventures includes the Group's share of impairment of a joint venture of HK$99.7 million (2022: HK$58.5 million) (note 3(b)), which is principally engaged in manufacturing and supply of components used in hydraulic loading and unloading systems. In view of the longer than expected recovery from COVID-19 pandemic and the competitive market environment, management of the joint venture has carried out a recoverability assessment on the carrying value of its assets based on value in use approach using discounted cash flow method. The key assumptions includes revenue projection, terminal growth rate and discount rate.

## 12. Trade and other receivables

Included in trade and other receivables are trade receivables which are analyzed based on invoice date as follows:

| | **As at 31 December 2023 HK$'m** | As at 30 June 2023 HK$'m | As at 1 July 2022 HK$'m |
|---|---|---|---|
| Under 3 months | **1,847.3** | 2,016.3 | 1,572.1 |
| 4 to 6 months | **16.7** | 8.7 | 81.3 |
| Over 6 months | **30.5** | 68.9 | 70.3 |
| | **1,894.5** | 2,093.9 | 1,723.7 |

## 13. Perpetual capital securities/borrowings and other interest-bearing liabilities

On 21 December 2023, the Group issued a notice of redemption to redeem in whole, but not in part, the 2019 Perpetual Capital Securities which remained outstanding on 31 January 2024 at their outstanding principal amount, together with distribution accrued to such date. As such, the Group derecognized the 2019 Perpetual Capital Securities as equity and included the payment obligation as a financial liability under "borrowings and other interest-bearing liabilities" as at 31 December 2023.

## 14. Trade and other payables

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

| | **As at 31 December 2023 HK$'m** | As at 30 June 2023 HK$'m | As at 1 July 2022 HK$'m |
|---|---|---|---|
| Under 3 months | **237.4** | 1,241.1 | 615.2 |
| 4 to 6 months | **6.9** | 11.7 | 5.2 |
| Over 6 months | **19.7** | 18.1 | 13.4 |
| | **264.0** | 1,270.9 | 633.8 |

## 15. Comparative figures

The Group has restated the comparative figures in the condensed consolidated financial statements due to the adoption of HKFRS 17. In addition, certain comparative figures for the Last Period have been reclassified to conform with the presentation for the Current Period.

## INTERIM ORDINARY DIVIDEND AND SPECIAL DIVIDEND

The Board has resolved to declare an Interim Ordinary Dividend equivalent to HK$0.30 per Share and Special Dividend equivalent to HK$1.79 per Share for FY2024, both payable in cash with a scrip option, to the Shareholders whose names appear on the register of members of the Company on 12 March 2024. Including the Interim Ordinary Dividend and the Special Dividend, Total Interim Dividend for the Current Period therefore amounts to HK$2.09 per Share.

Subject to the Listing Committee of the The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") granting the listing of and permission to deal in the new Shares to be issued under the Interim Ordinary Dividend and the Special Dividend, each Shareholder who elects to receive the Total Interim Dividend wholly or partly by way of the allotment of Shares will be allotted fully paid shares having an aggregate market value equal to the total amount which such Shareholders could elect to receive in cash. A circular containing details of the Scrip Dividend Scheme will be disseminated to Shareholders together with a form of election on or about 18 March 2024. It is expected that the Interim Ordinary Dividend and the Special Dividend will be paid on or about 19 April 2024.

## CLOSURE OF REGISTER OF MEMBERS

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

| | |
|---|---|
| Latest time to lodge transfer documents for registration | 4:30 pm on 11 March 2024 |
| Closure of register of members | 12 March 2024 |
| Record date | 12 March 2024 |
| Interim Ordinary Dividend and Special Dividend payment date | on or about 19 April 2024 |

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

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, approximately 14,500 staff were employed by entities under the Group's management of which approximately 3,500 staff were employed in Hong Kong. Total staff related costs including provident funds, staff bonus and deemed share option benefits but excluding directors' remunerations and their deemed share option benefits during the Current Period were HK$1.404 billion (2022: HK$1.345 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 INTERIM RESULTS

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

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

## CORPORATE GOVERNANCE PRACTICES

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

Throughout the Current Period, the Company has complied with all the applicable code provisions under the Corporate Governance Code as contained in Appendix C1 of the Listing Rules.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Celestial Miles Limited ("CML", an indirect wholly-owned subsidiary of the Company) issued a notice of redemption on 21 December 2023 pursuant to Condition 5(b) (Redemption and Purchase – Redemption at the option of the Issuer) of the terms and conditions of the 2019 Perpetual Capital Securities, which are listed on the Hong Kong Stock Exchange, issued by CML and unconditionally and irrevocably guaranteed by the Company, to redeem in whole the 2019 Perpetual Capital Securities which remained outstanding on 31 January 2024 at their outstanding principal amount, together with distribution accrued to such date. All the outstanding 2019 Perpetual Capital Securities were redeemed on 31 January 2024 and listing of the 2019 Perpetual Capital Securities on the Hong Kong Stock Exchange were withdrawn from the close of business on 8 February 2024.

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

## 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 C3 of the Listing Rules (the "Model Code") as its own code of conduct for securities transactions by directors. Specific enquiry was made with all directors of the Company and it was established that they had all complied with the required standard of the Model Code during the Current Period.

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

## THE BOARD

As at the date of this announcement, (a) the executive directors of the Company are Dr Cheng Kar Shun, Henry, Mr Cheng Chi Ming, Brian, Mr Ho Gilbert Chi Hang, Mr Lam Jim and Mr Cheng Chi Leong, Christopher; (b) the non-executive directors of the Company are Dr Cheng Chi Kong, Adrian, Mr William Junior Guilherme Doo (alternate director to Mr William Junior Guilherme Doo: Mr Lam Wai Hon, Patrick) and Mr Tsang On Yip, 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, 27 February 2024

* *For identification purposes only*