# Road King Infrastructure Limited

(Incorporated in Bermuda with limited liability)
(Stock Code : 1098)

# 2023
## ANNUAL REPORT

# Corporate Profile

## ROAD KING INFRASTRUCTURE LIMITED

Road King Infrastructure Limited is a prominent property developer in Mainland China and Hong Kong focusing on developing quality residential apartments and also a leading toll road investor and operator with nearly 30 years of experience in the industry. The Company successfully entered into the Southeast Asian market in 2019 and became the first company to invest and participate in the operation of Indonesian expressways among other Mainland China and Hong Kong toll road companies. The existing real estate portfolio is mainly located in the Yangtze River Delta Region, Bohai Rim Region and Greater Bay Area, comprising a land reserve of approximately 3.6 million square meters. As of 31 December 2023, the toll road portfolio consists of four expressways in Mainland China and four expressways in Indonesia, all located in major economic corridors and spanning around 610 km in total.

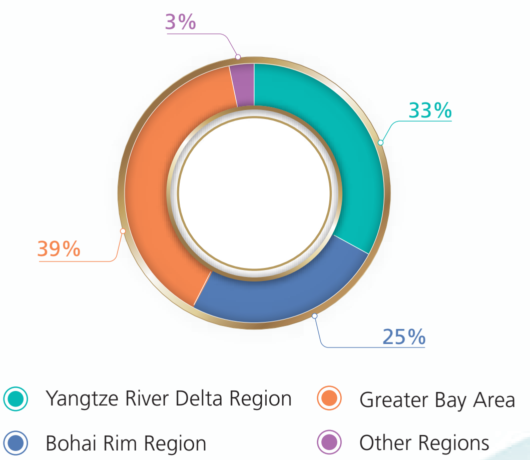
# Contents



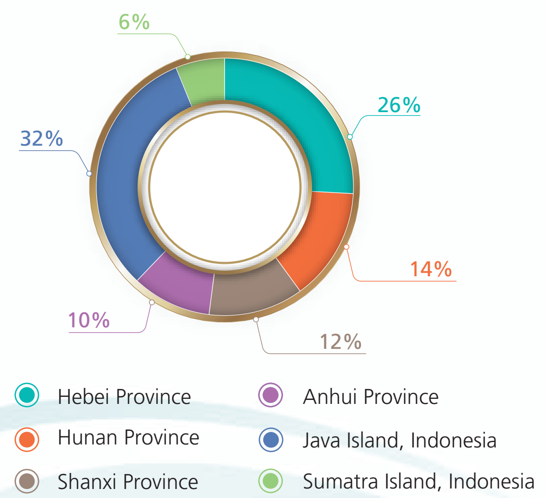
# Financial Highlights

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2023** | 2022 | 2021 | 2020 | 2019 |
| **(RMB'million)** | | | | | |
| Property sales (including joint venture and associate projects) | | | | | |
| – Mainland China projects | **26,555** | 41,710 | 39,562 | 42,193 | 42,224 |
| – Hong Kong projects | **1,095** | 313 | 12,922 | 1,854 | 541 |
| | **27,650** | 42,023 | 52,484 | 44,047 | 42,765 |
| Toll revenue from expressway projects | **3,906** | 3,716 | 3,779 | 2,725 | 3,162 |
| **(HK$'million)** | | | | | |
| Revenue of the Group | **13,075** | 17,156 | 24,678 | 24,196 | 21,495 |
| Group's share of revenue of joint ventures and associates | **12,953** | 12,102 | 14,153 | 7,587 | 9,673 |
| Revenue of the Group and Group's share of revenue of joint ventures and associates | **26,028** | 29,258 | 38,831 | 31,783 | 31,168 |
| Cash received from toll road projects (including the repayment of shareholders' loans from toll road projects) | **501** | 636 | 604 | 465 | 689 |
| (Loss) profit for the year | **(3,761)** | 459 | 1,984 | 2,784 | 3,677 |
| (Loss) profit for the year attributable to owners of the Company | **(3,962)** | (495) | 1,028 | 1,723 | 3,028 |
| Equity attributable to owners of the Company | **15,696** | 20,246 | 22,337 | 20,928 | 18,866 |
| Total assets | **73,146** | 90,002 | 108,236 | 103,281 | 90,788 |
| Bank balances and cash | **5,480** | 8,262 | 12,600 | 14,056 | 14,451 |
| Net assets per share attributable to owners of the Company (HK$) | **20.95** | 27.02 | 29.81 | 27.93 | 25.18 |

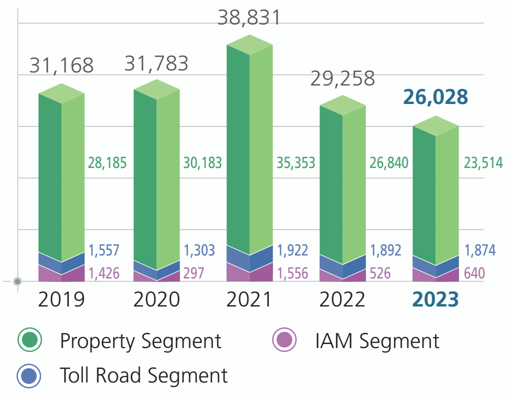
## REVENUE CONTRIBUTION OF PROPERTY PROJECTS IN 2023 BY LOCATION (INCLUDING JOINT VENTURE AND ASSOCIATE PROJECTS)



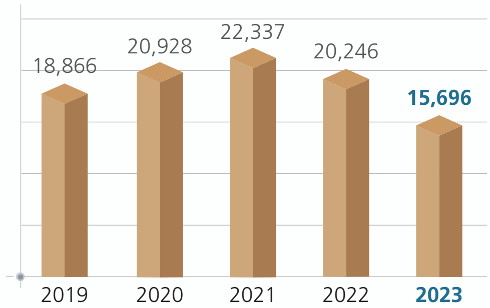

## TOLL REVENUE CONTRIBUTION OF EXPRESSWAY PROJECTS IN 2023 BY LOCATION



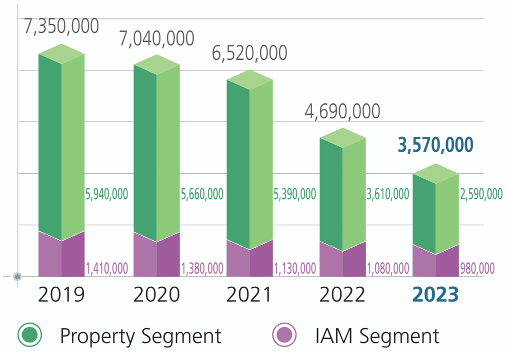
## REVENUE
### (including share of revenue of joint ventures and associates)
(HK$'million)



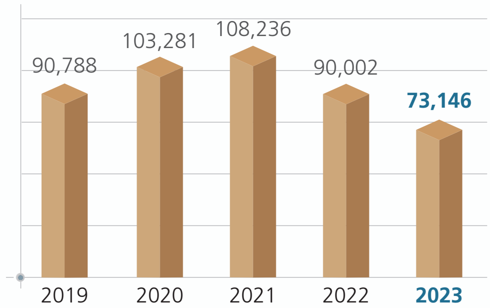

## EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY
(HK$'million)



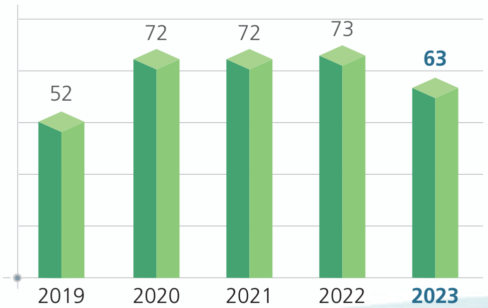

## LAND RESERVE
### (including joint venture and associate projects)
(sqm)



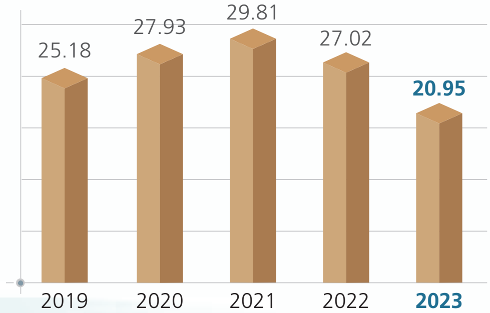

## TOTAL ASSETS
(HK$'million)




## NET GEARING RATIO
(%)




## NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY
(HK$)



# Chairman's Statement


The Group's equity attributable to the Shareholders decreased significantly by HK$4,550 million during 2023, whilst the equity per share decreased by 22% to HK$20.95. Since the management structure was re-organized in May 2017, the cumulative gain in equity per share (on the basis that the dividend declared during this period is considered as part of the Shareholder's equity) was around 44%, or on the average, approximate 5% compounded per year, a poor result indeed.

The Group's total property sales (including joint venture and associated projects) in 2023 shrunk to RMB27,650 million. The Group's turnover and net loss attributable to Shareholders for the year were HK$13,075 million and HK$3,962 million respectively.

This poor performance arises from a combination of the following factors:

## 1) Investment and Asset Management Business

In this year, we recognized a loss of HK$2,074 million, including interest cost and the impairment provision as there seems to be no sign of recovery in this particular sector at this moment.

## 2) Property Development Business

Our gross profit dropped significantly from 17% in 2022 to a gross loss of 5% in 2023. In absolute term, due both to the reduced turnover, as well as very negative market sentiment in Mainland China throughout the whole year, added to the phenomenon of almost all developers are dying for cash, most have no choice but to sell at a huge discount and get their cash back, Road King was forced to cut prices resulted in certain projects selling at loss to speed up the return of cash. For the first time in our history, we encountered a negative gross margin with a gross loss of HK$648 million in 2023.

## 3) Exchange Loss

Due to the drop in exchange rate between US dollar and Renminbi during 2023, we suffered once again. This exchange difference incurred a loss of HK$662 million in our financial report. We can only hope that since the US interest rate is about reaching the ceiling, we do not have to face this kind of loss once more in 2024.

Unfortunately, despite various attempts by Central Government to boost the real estate market, we do not see any sign of recovery. Last year I said here "it is going to be tough for Road King at least for the coming two years". I am afraid that I have to repeat the same sentence here once again.

# BUSINESS ANALYSIS

The Group's business is comprised of the following three major segments.

## A) Toll Road Business

### 1) Mainland China

In 2023, we made a painful decision to sell off the four toll roads and exit the China toll road market which we had started just about 30 years ago. Frankly, this decision was not an easy one to make to say the least, but Road King is facing huge debt to be paid back in the coming three years, and local Hong Kong banks are all keeping their distance from any company which has business relating to China property. Facing huge offshore debts due in the next three years, including bonds and syndicated loans at a principal amount of about HK$15 billion and their annual interests, and compounded with the severe operating environment in Mainland China and Hong Kong, it is clear to us that to survive, the top priority is to find ways to reduce our debt level. After several discussions and deliberations, we concluded that selling off our toll roads in Mainland China is probably the best available choice at the time. After several months of search and negotiation, we finally signed the sale and purchase agreement with China Merchant Group of four of our toll roads (namely Baojin Expressway, Changyi Expressway, Longcheng Expressway and Machao Expressway) at a consideration of approximately RMB4.4 billion.

This transaction will be completed by the first half of 2024. Through this sale, Road King will receive a net proceed of about RMB4.0 billion, which is after all the fees and taxes, and this will help to lower our debt meaningfully. Naturally, only part of our problem is being addressed, we still face severe challenges needed to be resolved in the next few years.

### 2) Indonesia

Our revenue increased quite substantially, mainly because we have newly included the full-year revenue contribution from SB Expressway and obtained approval for the increase in toll rate on our toll roads in 2023. As a result, the whole year revenue of our four toll roads was RMB1,477 million, 58% higher than that of 2022. The net profit recognized was HK$252 million based on our equity ratio, HK$123 million more than that of 2022.

Since the toll rate increase took place only in the second half of 2023, and also not long after the lifting of Pandemic restriction, the revenue increment per expressway was not obvious. We do expect in 2024 and afterwards to see another significant jump in revenue and profit.

Among the bad news, perhaps the toll road performance in Indonesia is the only shining point. We believe we made the right choice in investing in Indonesia four to five years ago.

## B) Property Development Business

Last year, I mentioned that 'this year may be one of the darkest year since we enter the business'. Obviously I did not anticipate in reality 2023 was even worse than 2022. I am afraid 2024 would be no better, in fact, the domino effect is also being felt in Hong Kong market, as we see at least 10% drop in property price in Hong Kong in 2023 and likely keep going down, at least for the first half of 2024. I shall come to this later.

### 1) Mainland China

The lifting of Pandemic restriction in early 2023 did give a temporary surge of property transaction, unfortunately this only lasted for less than two months. Thereafter, the sales price and volume was on a downward spiral, despite various initiatives the Central Government took to save the real estate market during the whole period, the result was dismal. The Central Government also issued various guidelines to encourage banks to lend money to both state-owned and private property developers. However, naturally for any sensible banker, it is much better to lend to SOE as even the loan goes sour, the banker will not be blamed, whereas the banker will be held fully responsible for making a mistake in lending to a private entity when the loan ultimately turns bad.

As a result, the burden on all private developers were not lessened in any way. Rather, as new money was drying up, we saw that the options for almost all private developers were as follows:

i) Surrender, give up and default. We saw plenty of these examples in 2023, and likely the situation will be the same in 2024 unless there are significant improvements in the market in 2024;

ii) Sell their properties/car parks/shopping malls at any price, hoping to get enough cash to help them to live for another day, totally ignoring the long term loss and consequence, which really is delaying the ultimate agony and hoping miracle might happen;

iii) Those who might have other valuable assets on hand, start to sell them and wish the cash inflows can help to lessen their pressure from loan and interest payments; and

iv) Some took the step and try to re-negotiate with creditors either to prolong the repayment period or take some haircut. We did see more of such actions were being taken even by quite a number of large enterprises, as frankly, there were no other options.

Road King is not an exception. Under such operating environment, we have no choice but to adopt the following strategies:

i) Sell our remaining stock at a price lower than market price or cost, so as to get our cash back, to pay off the debt or for working capital;

ii) Reduce our purchase of land. Actually this year we participated only in land auctions where the price of second hand property was higher than the price the new property was permitted to sell. To reduce the financial burden, Road King always cooperates with another joint venture partners. It usually ended up drawing lots and we were lucky to be the winner of the lot in two occasions, hence acquired two pieces of land; and

iii) Since the number of our active projects are reducing fast, we are forced to reduce our size of team, and/or re-organize our operating structure, with those remaining staff taking up more responsibilities.

We hope all the above actions can help us to survive through this difficult period, but no doubt even if we ultimately do survive, we certainly will end up as a much smaller player, which means most likely we have to re-start the business all over again.

All these are reflected in the cruel reality of:

i) The total turnover in real estate market was further reduced to RMB11 trillion as compared with RMB13 trillion in 2022;

ii) Over 85% of land was auctioned by SOE or local government developers with less than 15% by private developers. Due to the tight cash position, some developers did not buy anything at all for the whole year; and

iii) Many more major private developers, either defaulted or restructured their debts, or some went bust after struggling for a period.

I trust basically it is the overall dim economy, the high unemployment rate, and the scarcity of good investment opportunities now exist in Mainland China, including most people do not want to invest at this stage in particular in big ticket items, let alone buying new flats. Based on the Hong Kong experience, such downturn will take quite some time, and housing market will rebound at least one year after the general economy recovers. Of course Mainland China might be different, we will only know the real scenario when the time comes, but anyone hoping for a quick recovery of housing market most likely is cheating himself.

Needless to say, the coming two years will certainly be very difficult for Road King and the same applies to every other property developers. No one can escape.

### 2) Hong Kong

Crescent Green is basically sold out, only some car parks remain to be sold.

At Southland, we completed sale of 635 units out of a total of 800 units, with a gross value of about HK$13.8 billion cumulatively up to the end of 2023. Even Southland cannot escape the drop in price level, for all the remaining units, we shall continue to discuss with MTR to agree upon a suitable selling price. One good news was that the shopping mall at Wong Chuk Hang station was opened in December 2023, and this definitely provide some additional attractions for the potential buyers to consider.

As to Mori, the market downturn hit us most, in particular we need to face the challenge of Sun Hung Kai and other big names. I regret to report that it is almost certain this will be a money losing job, and our target is to sell as fast as we can so as to minimize the interest cost which accumulates daily. We expect to obtain the occupation permit in late March 2024 and with completed units, this may attract more potential buyers.

In Hong Kong, after serious consideration of the current market conditions, the Government decided to abolish all demand side management measures for residential properties in February 2024, which meant "withdrawing the harsh measures" and the tax burden on buyers were directly reduced, helping to drive the demand for property purchases. Although "withdrawing the harsh measures" may stimulate market confidence and release more short-term purchasing power, high interest rates and the overall market downward trend still put pressure on the real estate market. In view of the uncertainty of the market, we have basically stopped looking for new land, and wait for the market to pick up again before making any consideration.

## C) Investment and Asset Management Business

I regret to say this sector is the worst investment decision which Road King had ever made. Although one can say luck was not on our side as the timing was not right (encountered COVID), yet the investment execution and implementation was chaotic, and decision was far too optimistic, resulting in substantial losses in this segment.

Since we decided to dissolve this division, for active projects we had assigned geographically to individual regional directors in charge of various areas, be it commercial or residential properties. There are still quite a number of projects of distressed assets where legal cases are still on going, or the title rights have not been clearly demarcated. For these projects, we set up a separate team to spearhead in resolving the legacy issues.

The reason why I still keep this failed division in my report and register the total losses Road King pay for such a venture is to remind the Directors and staff how painful a wrong decision can cause damage to the Group. It is human nature that one always remembers one's own good result and tends to forget the bad ones and the consequential failure. The only way to correct the mindset is to put on record so that we are forced to face our mistakes and hopefully reflect. This is the same reason why I keep our rise and fall in shareholders' equity cumulatively in the "Chairman's Statement" every year. Let's hope in not too distant future we can clear all these outstanding issues and close file on this unhappy topic.

## OUTLOOK

Future is always difficult to predict, particularly in the case of China properties (also applicable to Hong Kong properties). We can only rely partly on logic and partly on common sense.

We all know property is cyclical in nature. The difficulty lies in that we do not know the exact cycle time until after the event. Nevertheless, these are a few things which we are quite certain:

i) The current adverse situation will certainly change for the better sooner or later, and the Government definitely does not want to see a pillar industry to completely disappear. Question of course is we have no idea of whether it has reached the bottom, and when the market will truly turn around;

ii) Judging from population and the urbanization of China, there certainly is a need for 'good' residential unit, likely annually in the range of RMB 8 trillion to RMB 10 trillion. What we need to focus is which city or district the demand comes, and how good is 'good';

iii) The era of high gearing ratio and fast turnaround time is gone, likely the loan ratio from banks will reduce, also taking away substantial sales proceed from the pre-sale phase by the developers might not be allowed (it is not safe nor reasonable in the first place), likely some changes will gradually take place;

iv) All developers have to compete on finding the right clients and understand their need, and design to fit such need, good quality in construction, better cost control and good after sales service including property management. Those who do best will be the winner regardless whether it is a SOE, a local government developer or a private developer; and

v) Like most businesses, the profit margin of property development will eventually turn to a normal level, the days of lucrative profit are gone forever.

On the other hand, regarding toll roads in Indonesia what we can say with some certainty are as follows:

i) Traffic flow growth usually goes hand in hand with the country's GDP growth, sometime even faster than GDP growth;

ii) In the next ten to fifteen years, unlikely there will be a new parallel road expanding or building there, as current traffic is only 20% to 25% of the capacity of the existing road;

iii) Obviously there is the risk of currency fluctuations, as well as to much lesser extent, the political risk; and

iv) If Road King has chosen well during investing, the toll income will be quite predictable, the growth will be steady and can be realised, yet it is unrealistic to expect some very nice surprise on huge upside from toll roads.

There are simply too many variables that we do not know the answer, anyone predicting that this/next year will be rosy or even worse are just trying to convince oneself only, and anyone can be right.

## WAY FORWARD FOR ROAD KING

To Road King, survival is on our top agenda as we have huge amount of debt and its corresponding interest to be paid over the next 3 years, yet a lot of our assets are long term assets, in particular in view of the poor real estate market condition now prevail in China, and there is no certainty that there will be buyer when we wish to sell, in particular for some of the properties we need to hold due to lease condition. As such our ability to pay down debt and interests in time depends on the following:

i) Whether the market will rebound, and when?

ii) How fast we can sell our existing stock which has been idle for quite some time?

iii) Whether or not we can identify local bankers who would lend us money in form of mortgage for our commercial related properties, and what is the amount?

iv) How fast we can turn our existing land bank into completed units, and sell them at a 'reasonable' price?

v) What is the minimum amount of cost we need to pay in carrying out all the above?

On the other hand, we will also rely on the good performances from:

i) Our toll roads in Indonesia, but as pointed out, there is seldom 'very nice' surprise in this business, though it is very steady. Yet, we shall keep trying relentlessly to improve every stage in our operation wherever we see it, giving extra profit to Road King;

ii) In respect of property management business, we are managing about 26 million sqm of floor areas at this moment, mainly residential plus some commercial/office/school space. According to the annual survey performed by third parties, our performance rating is probably amongst the top ten in China. Though the profit margin of property management is not high, it can generate recurrent income. In view of many developers are now in trouble, some may want to find exit of their property management business. This is an area we believe if we pay sufficient attention and work hard, we should give a steady income without incurring too much capital. We will keep a close eye on available opportunities; and

iii) A couple of our commercial projects are actually making money, some with quite a good return. All we need is more attention to detail to improve the operation dollar by dollar, we might be able to squeeze some extra profit from the existing operation.

I know what I am talking about maybe 'small' money, but in our situation, every dollar helps.

The next few years is bound to be extremely tough for our team and the Company, and I am determined to lead the Company through this storm and safely coming out of it.

## COMMUNICATION WITH SHAREHOLDERS

I have been candid with you in my reporting and I will emphasize the pluses as well as minuses that are important in appraising the Group. My guideline is to tell you the business facts that I would want to know as if our positions were reversed; I owe you nothing less. There may be some queries or issues you want to raise and so I strongly encourage Shareholders to attend the 2024 AGM. This is the occasion where the management and owners of the Company can discuss the business face to face.

## DIVIDEND POLICY

I regret to advise all Shareholders that due to our tight cash position, and the fact we are again losing heavily this year, the Board has decided not to distribute any dividend. Unfortunately, my guess is as we need first to secure our debt repayment, it is unlikely dividend will be issued in the next year or two. I do hope Shareholders do not have to wait too long before we can resume dividend payment.

## APPRECIATION

Finally, I would like to take this opportunity to again express my hearty gratitude to our Shareholders, clients, business partners, Directors and not least, the hard work of our loyal and dedicated staff.

**Zen Wei Peu, Derek**
*Chairman*

Hong Kong, 20 March 2024

# Chief Executive Officer's Report

**Fong Shiu Leung, Keter**
*Chief Executive Officer*

**Dear Shareholders,**

## RESULTS FOR 2023

For the year ended 31 December 2023, property sales and toll revenue of the expressway projects of the Group (including joint venture and associate projects) were RMB27,650 million and RMB3,906 million respectively, totaling RMB31,556 million. In 2023, the Group's loss after tax for the year was HK$3,761 million and loss attributable to Shareholders was HK$3,962 million. The Group's bank balances and cash were HK$5,480 million and net assets per Share were HK$20.95.

## BUSINESS OVERVIEW

### Property Business

In 2023, the overall performance of the real estate market of Mainland China presented an upward trend followed by a decline. In the first quarter, driven by factors such as the release of the cumulative demand depressed by the Pandemic and the emerging effects of previous policies, the market became more active, particularly from February to March, the sales in key cities ushered in a "temporary boom". However, from the second quarter, the property purchase sentiment of homebuyers declined rapidly, and the market remained stagnant in the second half of the year. The failure of continuous recovery in the market was due to the unstable foundation of economic recovery and sluggish demand in Mainland China. A number of real estate enterprises were faced with unprecedented crisis due to the plunge in sales volume and size of financing. In order to survive, enterprises were forced to adopt a throat-cutting strategy to secure the sales volume and recover cash. Throughout the year, the Central Government and the authorities were on the move to frequently send out positive signals by implementing city-specific policies and further relaxing the restrictions on property purchase, property sale and credit. However, the confidence of property buyers in the economy and the real estate market has not been fully restored in the short term.

The Group achieved total property sales (including joint venture and associate projects) of RMB26,555 million in Mainland China in 2023. The property sales comprised contracted sales of RMB25,585 million and outstanding subscribed sales of RMB970 million, representing a decrease of approximately 36% as compared to 2022. The Yangtze River Delta Region and Bohai Rim Region are the major sales regions. The average selling price of properties was approximately RMB21,000 per sqm.

In 2023, the land transaction volume in Mainland China dropped significantly. Only premium land in certain core cities attracted high interest in land auctions, and the overall market performance was still sluggish. Given the lack of certainty about the current economic and sales recovery momentum, credit refinancing has not yet resumed. Real estate enterprises remained cautious in land acquisition, with state-owned enterprises being the major participants in land acquisition. To reserve cash for loan repayment purposes, the Group had been less active in land auctions during the year. The Group acquired only two parcels of residential land in Mainland China throughout the year with a total gross floor area of approximately 90,000 sqm, in which the Group accounts for 51% equity interest. As of 31 December 2023, the Group had a total land reserve of approximately 3,570,000 sqm, of which 1,070,000 sqm were pre-sold but yet to be delivered.

In 2023, Hong Kong saw weak economic performance, sluggish real estate market and unsatisfactory property sales. Crescent Green in Yuen Long and Southland in Wong Chuk Hang continued to sell their remaining units, while Mori in Tuen Mun officially launched sale in late September. The three projects in Hong Kong recorded total sales of HK$1,218 million for the year. Southland completed the delivery procedures of 490 residential units and 30 car parks during the year, amounting to HK$10,900 million. The superstructure of Mori has been completed and the project is expected to be completed and delivered in 2024.

In 2023, the Group's total property delivery in Mainland China and Hong Kong (including joint venture and associate projects) amounted to approximately RMB31,651 million, with a total delivered area of approximately 1,380,000 sqm, which was mainly derived from the delivery of properties in the Greater Bay Area and the Yangtze River Delta Region. Due to the downturn in the real estate market and throat-cutting promotion of competitive projects, the Group's property sales volume and price both fell, resulting in a loss of HK$2,138 million in the Property Segment for the year.

## Toll Road Business

The Group's toll concession right of Tangjin Expressway project expired on 19 April 2023 after which the Group no longer receives its cash distribution. The Group's expressway projects in Mainland China (other than Tangjin Expressway project) generated in 2023 overall toll revenue of RMB2,229 million, representing a 4% increase over last year and recorded a 18% increase over last year in average daily traffic volume. Taking into account the contribution of Tangjin Expressway project, all of the Group's expressway projects in Mainland China generated in 2023 overall toll revenue of RMB2,429 million, representing a 13% decrease over last year while the average daily traffic volume recorded a 20% increase over last year. The greater increase in average daily traffic volume was mainly due to the retaliatory growth of domestic tourism and the consequential surge in the traffic volume of passenger vehicles following the cancellation of Pandemic prevention and control. However, due to the slow growth of the international economy, the traffic volume of cargo vehicles decreased, resulting in the inconsistency between the growth of traffic volume and the growth of toll revenue.

Benefiting from the contribution of the newly acquired SB Expressway project and other favourable factors such as the successful rise in toll rates of all expressway projects in Indonesia in the second half of 2023, the overall toll revenue of the expressway projects in Indonesia for 2023 increased by 58% to RMB1,477 million as compared with last year (excluding the impact of the SB Expressway newly acquired in December 2022, toll revenue of the previous expressway projects in Indonesia increased by 10% as compared with last year). However, as the high international energy prices and the lower fuel subsidies from the government inhibited the growth of traffic flow, the average daily traffic volume dropped by 2% to 89,900 vehicles.

In 2023, the total traffic volume of the Group's expressway projects in Mainland China and Indonesia was 118 million vehicles. The average daily traffic volume was approximately 362,300 vehicles, representing an increase of 14% as compared to last year. The toll revenue for the year was RMB3,906 million, representing an increase of 5% as compared to last year. The profit of the Group's Toll Road Segment amounted to HK$563 million. The decrease in profit as compared to last year was mainly because the Group's toll concession right of Tangjin Expressway project expired on 19 April 2023 and cash distribution to the Group is therefore ceased, which resulted in a decrease in toll revenue of the expressways in Mainland China and the Group's additional loan at the end of last year was used to partial financing the acquisition of SB Expressway, resulting in an increase in interest costs for the year. The above offsetted the impact from the increase in toll revenue of the expressways in Indonesia. In the same year, the Group's cash distributions received from expressway joint ventures amounted to HK$501 million.

On 17 November 2023, the Group entered into a sale and purchase agreement with Cornerstone Holdings Limited, an investment holding company wholly owned by China Merchants Expressway Network & Technology Holdings Co., Ltd., to sell all the Group's interests in the toll road business in Mainland China, which include Baojin Expressway, Changyi Expressway, Longcheng Expressway and Machao Expressway, at a consideration of RMB4,411.8 million. The above disposal has been formally approved at the special general meeting of the Company held on 20 December 2023, and the transaction is expected to be completed by the first half of 2024. The Group estimates that the disposal will generate a gain after income tax of approximately HK$1,500 million (approximately HK$1,100 million attributable to the Group for its 75% equity interest), which will be reflected in the Group's financial statements for 2024.

## CAPITAL AND FINANCING

In 2023, the business environment of the real estate industry in Mainland China remained challenging and the real estate enterprises are encountering sales pressure. Furthermore, as the peak time for loan repayment has come, we saw continuous debt default by private real estate enterprises and some sizeable asset management company even applied for liquidation. The financing market of onshore and offshore real estate industries therefore remained sluggish and investors became prudent. In order to improve market confidence, the Mainland Government has stepped up its efforts to ease the difficulties in financing faced by enterprises since the second half of the year, with the proposal of financial support measures such as "three no less than" in the fourth quarter. However, market confidence and demand has not been fully restored, the industry is still encountering financing difficulties and the market sentiment remains to be monitored.

In line with its prudent financial management policy, the Group actively strengthen its cash flow and debt management. During the year, the Group repaid a total of HK$11,051 million equivalent of loans, which include repayment of an offshore bond at its maturity with an outstanding principal amount of US$343 million, repurchase of partial offshore US dollar bonds and repayment of certain syndicated loans and project loans. Although progress has been made and the Group's debt scale has been reduced, the Group will still face significant debt repayment pressure in the future due to a lack of refinancing channels and poor market sentiment.

## WORK PLAN FOR 2024

Looking forward to 2024, the real estate market in Mainland China is expected to remain sluggish, and policies are likely to be further relaxed. The Mainland Government will continue to implement city-specific policies, actively resolve risks in the real estate industry, support reasonable housing and financing demands, and promote the stable and healthy development of the real estate market. In Hong Kong, after serious consideration of the current market conditions, the Government decided to abolish all demand side management measures for residential properties in February 2024, which meant "withdrawing the harsh measures" and the tax burden on buyers were directly reduced, helping to drive the demand for property purchases. Although "withdrawing the harsh measures" may stimulate market confidence and release more short-term purchasing power, high interest rates and the overall market downward trend still put pressure on the real estate market. Given the unpredictability of the market both in Mainland China and Hong Kong and the lack of fundamental improvements in market recovery, it is expected that a full market recovery will still take some time, and we remain cautious in 2024. Considering our demand for funds for loan repayment in 2024 and in the coming years, as well as the risks of market uncertainty, the Group will be more prudent in its land acquisition decisions.

Since several offshore loans will be matured in the next three years (including two in the second half of 2024), our funds will continue to be tight. The Group will actively manage cash flows from different channels to meet its operational and loan repayment needs. In addition to the funds from disposal of its expressways in Mainland China and property projects, the Group is also striving to reduce costs and improve efficiency, optimise its operational structure, stabilise cash flow, and make every effort to ensure delivery, thereby laying a solid foundation for future long-term development. Meanwhile, the Group may take necessary measures to protect the interests of all stakeholders, including but not limited to debt management measures.

# Chief Executive Officer's Report (continued)

As mentioned above, the economic development in Mainland China is facing challenges currently, with operational difficulties faced by enterprises. Coupled with the complex and severe international economic and political environment, the impact on the economy of Mainland China will sustain in the short term. The real estate industry, as a pillar industry in Mainland China, still plays an important role in supporting economic growth. The Group stays cautious in regard to the long-term outlook of property business development in Mainland China.

Throughout the years, the Group's property business has been operated under a well-established model, a well-functioned management system, a seasoned and dedicated operation team and a sound market position. Going forward, the Group will continue its pragmatic approach and strive to ensure property delivery and enhance its control on cash flow. To establish the Group as a more widely recognised and reliable developer in the market, it will continue to optimise market-oriented products and promote the brand name of the Group.

The Group has been accumulating overseas operating experience after expanding its expressway business in Indonesia. The Group has successfully acquired four expressways in Indonesia up to the present. In 2024, the Group will continue to look for opportunities to optimise its toll road business portfolio.

## ACKNOWLEDGEMENT

We would like to thank our colleagues for their dedication and contributions and express our sincere gratitude to the customers, business partners, Shareholders and the Board for their enduring support and trust.

**Fong Shiu Leung, Keter**
*Chief Executive Officer*

Hong Kong, 20 March 2024

# Major Awards

## ROAD KING INFRASTRUCTURE LIMITED

2023 Best 25 of China Real Estate Listed Companies with Comprehensive Strengths
2023 Best 5 of China Real Estate Listed Companies of Risk Management

## RK PROPERTIES HOLDINGS LIMITED

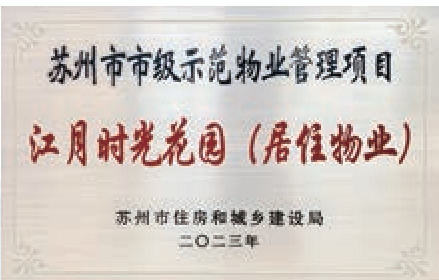
2023 TOP10 of China Foreign Real Estate Developers
2023 TOP30 of China Real Estate Developers with Comprehensive Strengths
2023 TOP100 Real Estate Influential Brand Enterprises in China

## RK PROPERTY SERVICE HOLDINGS LIMITED

2023 TOP100 Property Management Companies in China

## PROPERTY BUSINESS

| | |
|---|---|
| Shanghai | 2023 TOP10 White-collar Apartment Product Series |
| Changzhou | 2022 Star Enterprise |
| Suzhou | 2022 Suzhou Municipal Model Property Management Project — Wonderful Times |
| Wuxi | 2023 Model Pedestrian Street in Jiangsu Province — Meili Ancient Town |

# Major Awards (continued)

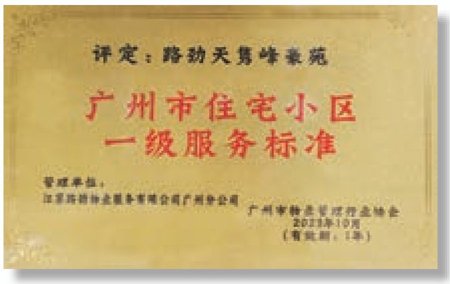
## PROPERTY BUSINESS (continued)

| | |
|---|---|
| Beijing | 2023 Property Management Benchmark Project in Beijing — RK Royal Yard<br>2023 International Design Pioneer Award — RK Noble Mansion |
| Tianjin | 2023 Innovative Construction of "Beautiful Home" Community — RK Sunny Town<br>2022 Tianjin Construction Works "Haihe Cup" — RK Junlan Bay |
| Guangzhou | 2023 Guangzhou First-Class Service Standards for Residential Communities — RK Rivage Panorama |

## TOLL ROAD BUSINESS

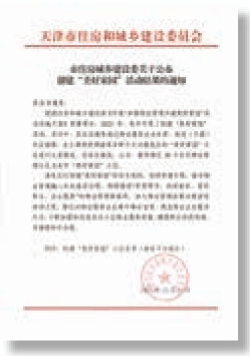
| | |
|---|---|
| Baojin Expressway | Typical Innovative Studio for Transportation Enterprises |
| Longcheng Expressway | Advanced Unit for Serving High-quality Regional Development |
| SN Expressway | Awards to Companies that Implement Labour Social Security<br>Awards for Companies with Zero Worker Accidents |
| SB Expressway | Collaboration Best 3 of Rest Area in Indonesia |



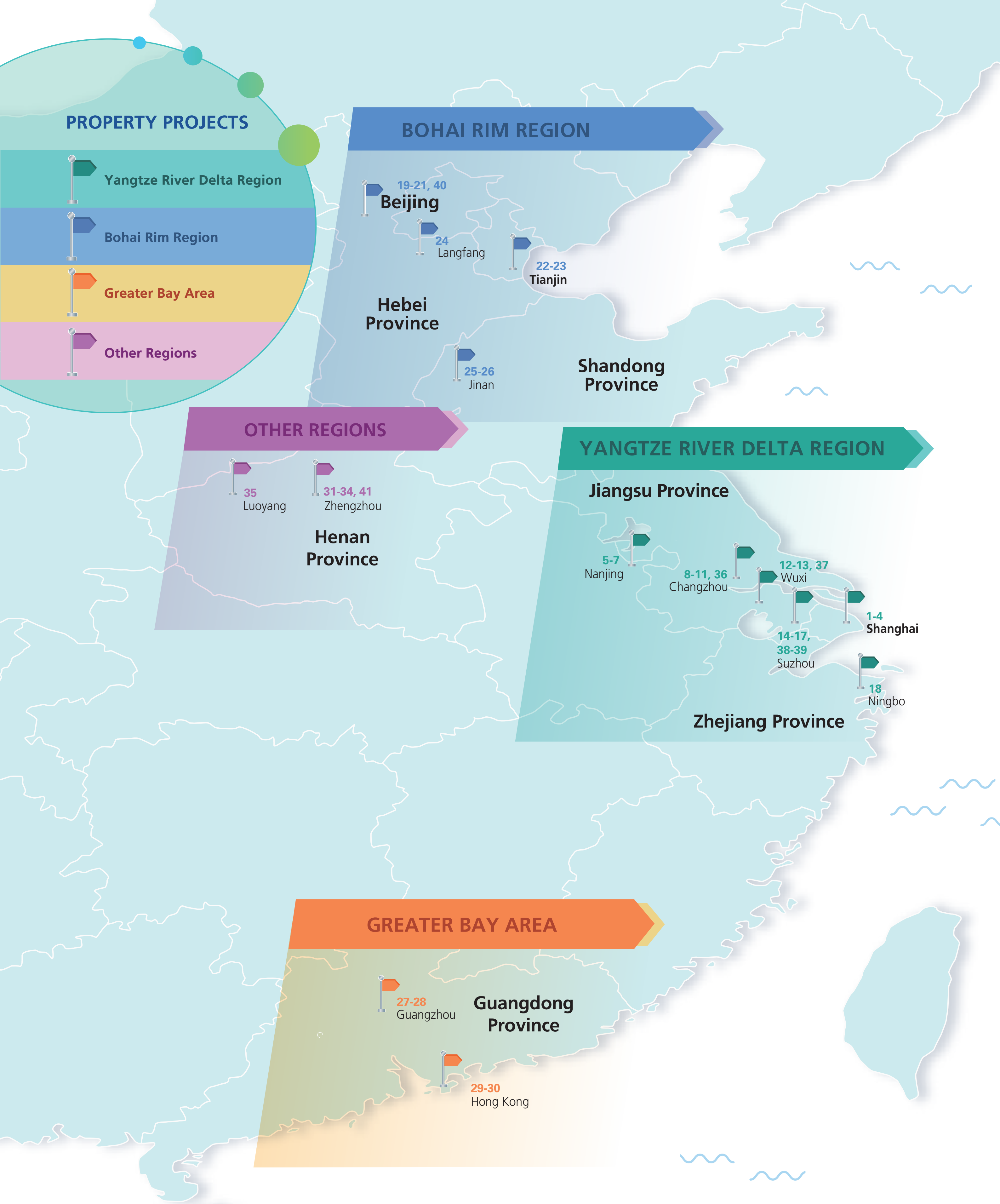









# Management Discussion and Analysis



## LAND RESERVE

As at 31 December 2023

| Region | Floor Area* sqm | Proportion |
| --- | --- | --- |
| Shanghai | 371,000 | 10% |
| Jiangsu Province | 1,347,000 | 38% |
| Zhejiang Province | 65,000 | 2% |
| **Yangtze River Delta Region** | **1,783,000** | **50%** |
| Beijing | 184,000 | 5% |
| Tianjin | 217,000 | 6% |
| Hebei Province | 129,000 | 4% |
| Shandong Province | 82,000 | 2% |
| **Bohai Rim Region** | **612,000** | **17%** |
| Guangdong Province | 114,000 | 3% |
| Hong Kong | 55,000 | 2% |
| **Greater Bay Area** | **169,000** | **5%** |
| Henan Province | 1,005,000 | 28% |
| **Other Regions** | **1,005,000** | **28%** |
| **Total** | **3,569,000** | **100%** |
| Of which: | | |
| Properties for sale | 3,109,000 | 87% |
| Investment properties | 460,000 | 13% |

* Including joint venture and associate projects

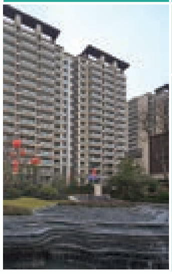
## MAJOR PROJECTS INFORMATION

### PROPERTIES FOR SALE

As at 31 December 2023

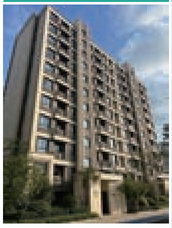
### Yangtze River Delta Region

**1 RK Sheshan Villa • Dongyuan**



| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Floor Area (sqm) | 104,000 | Nature | Residential and commercial | Stage of Completion (note) | S/C | Land area (sqm) | 122,000 |
| Approximate attributable interest | 100% | Target completion | 2026 | Location | East to Kungang Highway, West to Hexi Street, South to Mianzhanggang River and North to Wennan Road, Xiaokunshan Town, Songjiang District, Shanghai, the PRC | | |

**2 RK Yuemao Mansion**



| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Floor Area (sqm) | 28,000 | Nature | Residential and commercial | Stage of Completion (note) | C | Land Area (sqm) | 61,000 |
| Approximate attributable interest | 93.75% | Target completion | Completed | Location | East to Hongshi Road, South to Beiqing Road, West to Baiqiang Port, North to Chenjiashan Road, Jiading District, Shanghai, the PRC | | |

**3 Bright Mansion**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Floor Area (sqm) | 174,000 | Nature | Residential | Stage of Completion (note) | S | Land Area (sqm) | 77,000 |
| Approximate attributable interest | 33% | Target completion | 2024 | Location | East to Jingnanhe Road, South to Huqingping Road, West to Block 48-03, North to Huixu Road, Qingpu District, Shanghai, the PRC | | |

**4 Atop The Cloud**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Floor Area (sqm) | 65,000 | Nature | Residential | Stage of Completion (note) | S | Land Area (sqm) | 30,000 |
| Approximate attributable interest | 11.25% | Target completion | 2024 | Location | East to Hongshi Road, South to Huyi Road, West to Liuju Road, North to Zhudi Road, Jiading District, Shanghai, the PRC | | |

**5 Breeze Mansion**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Floor Area (sqm) | 78,000 | Nature | Residential | Stage of Completion (note) | S/C | Land Area (sqm) | 83,000 |
| Approximate attributable interest | 40% | Target completion | 2024 | Location | East to Keji Avenue, South to Yanfa Two Road, West to Development Road, North to Dongji Avenue, Jiangning District, Nanjing, Jiangsu Province, the PRC | | |

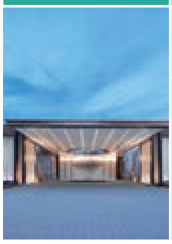
## MAJOR PROJECTS INFORMATION

### PROPERTIES FOR SALE

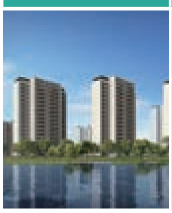
As at 31 December 2023

### Yangtze River Delta Region

| 6 | Dazzling Jiangnan | | | | | | | |
|---|---|---|---|---|---|---|---|---|
|  | Floor Area (sqm) | 23,000 | Nature | Residential | Stage of Completion (note) | C | Land Area (sqm) | 29,000 |
| | Approximate attributable interest | 49% | Target completion | Completed | Location | North of Xikou South Road, South of Jixiang Road, Yuhuatai Economic Development Zone, Nanjing, Jiangsu Province, the PRC | | |

| 7 | Cloud-Clad Mount | | | | | | | |
|---|---|---|---|---|---|---|---|---|
|  | Floor Area (sqm) | 146,000 | Nature | Residential | Stage of Completion (note) | S | Land Area (sqm) | 67,000 |
| | Approximate attributable interest | 25% | Target completion | 2024 | Location | East of Yuanhua Road, South of Weidi Road, Xianlin Street, Qixia District, Nanjing, Jiangsu Province, the PRC | | |

| 8 | Bamboo Grove One | | | | | | | |
|---|---|---|---|---|---|---|---|---|
|  | Floor Area (sqm) | 31,000 | Nature | Residential | Stage of Completion (note) | S/C | Land Area (sqm) | 52,000 |
| | Approximate attributable interest | 51% | Target completion | 2025 | Location | East to 26 Qinglong Road, South to Zhulin North Road, West to Miaowan Village West Road, North to Hengtangbang, Tianning District, Changzhou, Jiangsu Province, the PRC | | |

| 9 | West Side Time | | | | | | | |
|---|---|---|---|---|---|---|---|---|
|  | Floor Area (sqm) | 41,000 | Nature | Residential | Stage of Completion (note) | S/C | Land Area (sqm) | 50,000 |
| | Approximate attributable interest | 51% | Target completion | 2025 | Location | South of Juxiang Road, West of Luyang Road, Wujin District, Changzhou, Jiangsu Province, the PRC | | |

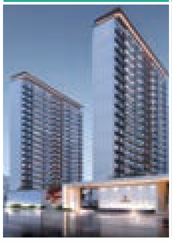
| 10 | Jade Residence | | | | | | | |
|---|---|---|---|---|---|---|---|---|
|  | Floor Area (sqm) | 112,000 | Nature | Residential | Stage of Completion (note) | S | Land Area (sqm) | 60,000 |
| | Approximate attributable interest | 95% | Target completion | 2025 | Location | South of Yanzheng West Avenue, East of Caoxi Road, Niutang Town, Wujin District, Changzhou, Jiangsu Province, the PRC | | |

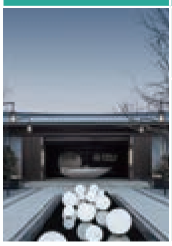
## MAJOR PROJECTS INFORMATION

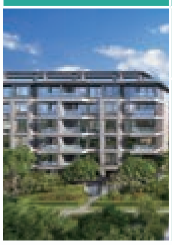
### PROPERTIES FOR SALE

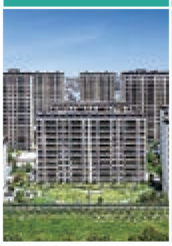
As at 31 December 2023

### Yangtze River Delta Region

| 11 | Boyue Cloudy Yard | | | | | | | |
|---|---|---|---|---|---|---|---|---|
|  | Floor Area (sqm) | 172,000 | Nature | Residential | Stage of Completion (note) | F/S | Land Area (sqm) | 87,000 |
| | Approximate attributable interest | 40% | Target completion | 2027 | Location | East to Nanfeng River, South to Yunhe Road, West to Xinqing Road, North to Wutang Road, Zhonglou District, Changzhou, Jiangsu Province, the PRC | | |

| 12 | Yunjin Oriental | | | | | | | |
|---|---|---|---|---|---|---|---|---|
|  | Floor Area (sqm) | 117,000 | Nature | Residential | Stage of Completion (note) | S | Land Area (sqm) | 54,000 |
| | Approximate attributable interest | 30% | Target completion | 2024 | Location | Southwest of the intersection of 312 National Highway and Yonghui Road, Luoshe Town, Huishan District, Wuxi, Jiangsu Province, the PRC | | |

| 13 | Poetic Villa | | | | | | | |
|---|---|---|---|---|---|---|---|---|
|  | Floor Area (sqm) | 105,000 | Nature | Residential | Stage of Completion (note) | S | Land Area (sqm) | 76,000 |
| | Approximate attributable interest | 24.75% | Target completion | 2024 | Location | Northwest of the intersection of Guqu Road and Gonghu Avenue, Economic Development Zone, Wuxi, Jiangsu Province, the PRC | | |

| 14 | RK Jade Shores | | | | | | | |
|---|---|---|---|---|---|---|---|---|
|  | Floor Area (sqm) | 22,000 | Nature | Residential | Stage of Completion (note) | C | Land Area (sqm) | 79,000 |
| | Approximate attributable interest | 51% | Target completion | Completed | Location | East of Kangyang Road, South of Chunguang Road, Huangdai Town, Xiangcheng District, Suzhou, Jiangsu Province, the PRC | | |

# Management Discussion and Analysis (continued)

## MAJOR PROJECTS INFORMATION

### PROPERTIES FOR SALE

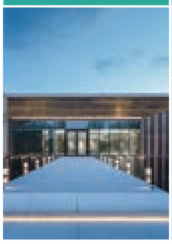
As at 31 December 2023

### Yangtze River Delta Region

**15 Glamorous Garden**

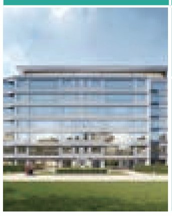
| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Floor Area (sqm) | 59,000 | Nature | Residential | Stage of Completion (note) | C | Land Area (sqm) | 50,000 |
| Approximate attributable interest | 35% | Target completion | Completed | Location | East of Xiangshan North Road, North of Houtang Road, Taihu National Tourism Resort Zone, Wuzhong District, Suzhou, Jiangsu Province, the PRC | | |

**16 City Valley**



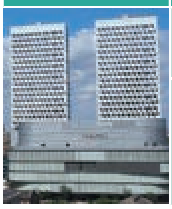
| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Floor Area (sqm) | 115,000 | Nature | Residential | Stage of Completion (note) | S | Land Area (sqm) | 56,000 |
| Approximate attributable interest | 45% | Target completion | 2024 | Location | West of Xingpu Road, South of Minsheng Road, Suzhou Industrial Park High Trade Zone, Suzhou, Jiangsu Province, the PRC | | |

**17 Royal Harmony Residence (formarly known as Industrial Park Project)**



| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Floor Area (sqm) | 37,000 | Nature | Residential | Stage of Completion (note) | F/S | Land Area (sqm) | 31,000 |
| Approximate attributable interest | 51% | Target completion | 2025 | Location | East of Wanshou Strect, North of Ruoshui Road, Suzhou Industrial Park, Suzhou, Jiangsu Province, the PRC | | |

**18 RK XinTianDi (Ningbo)**



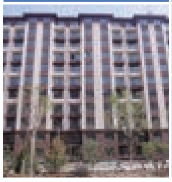
| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Floor Area (sqm) | 15,000 | Nature | Residential and commercial | Stage of Completion (note) | C | Land Area (sqm) | 20,000 |
| Approximate attributable interest | 100% | Target completion | Completed | Location | No. 32, Zhengda Lane, Jiangbei District, Ningbo, Zhejiang Province, the PRC | | |

## MAJOR PROJECTS INFORMATION

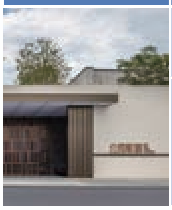
### PROPERTIES FOR SALE

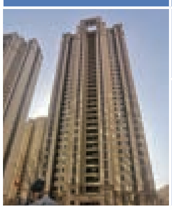
As at 31 December 2023

### Bohai Rim Region

| 19 | RK Yunhe Shangyuan | | | | | | | |
|---|---|---|---|---|---|---|---|---|
|  | Floor Area (sqm) | 25,000 | Nature | Residential | Stage of Completion (note) | S/C | Land Area (sqm) | 33,000 |
| | Approximate attributable interest | 100% | Target completion | 2025 | Location | Ligezhuang Road, Miyun District, Beijing, the PRC | | |

| 20 | RK Noble Mansion | | | | | | | |
|---|---|---|---|---|---|---|---|---|
|  | Floor Area (sqm) | 21,000 | Nature | Residential | Stage of Completion (note) | C | Land Area (sqm) | 99,000 |
| | Approximate attributable interest | 51% | Target completion | Completed | Location | East to Shunfu Road, South to Renheyuan Four Street, West to Fulin Road, North to Lin Henan Main Street, Renhe Town, Shunyi District, Beijing, the PRC | | |

| 21 | Park Mansion | | | | | | | |
|---|---|---|---|---|---|---|---|---|
|  | Floor Area (sqm) | 75,000 | Nature | Residential | Stage of Completion (note) | S | Land Area (sqm) | 41,000 |
| | Approximate attributable interest | 49% | Target completion | 2024 | Location | West of Shuntai Road, North of Shuangping Street, Renhe Town, Shunyi District, Beijing, the PRC | | |

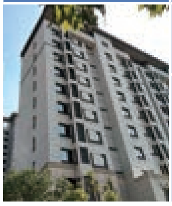
| 22 | RK Sunny Town | | | | | | | |
|---|---|---|---|---|---|---|---|---|
|  | Floor Area (sqm) | 112,000 | Nature | Residential | Stage of Completion (note) | P/S/C | Land Area (sqm) | 811,000 |
| | Approximate attributable interest | 94.74% | Target completion | 2026 | Location | Junction of Lushan Road and Helan Road, Hedong District, Tianjin, the PRC | | |

## MAJOR PROJECTS INFORMATION

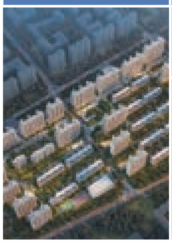
### PROPERTIES FOR SALE

As at 31 December 2023

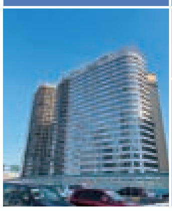
### Bohai Rim Region



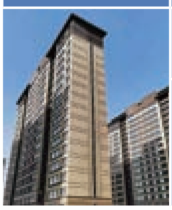
| 23 | Joy Meaningful Residence | | | | | | |
|---|---|---|---|---|---|---|---|
| Floor Area (sqm) | 91,000 | Nature | Residential | Stage of Completion (note) | S/C | Land Area (sqm) | 109,000 |
| Approximate attributable interest | 50% | Target completion | 2025 | Location | East of Huangzhuang Street and Quanshang Road, Wuqing District, Tianjin, the PRC | | |



| 24 | Park Up Town | | | | | | |
|---|---|---|---|---|---|---|---|
| Floor Area (sqm) | 129,000 | Nature | Residential | Stage of Completion (note) | S/C | Land Area (sqm) | 117,000 |
| Approximate attributable interest | 40% | Target completion | 2025 | Location | South of Dafu South Road, East of Shouchuang Avenue, Dachang Hui Autonomous County, Langfang, Hebei Province, the PRC | | |



| 25 | RK Center | | | | | | |
|---|---|---|---|---|---|---|---|
| Floor Area (sqm) | 18,000 | Nature | Commercial | Stage of Completion (note) | C | Land Area (sqm) | 17,000 |
| Approximate attributable interest | 100% | Target completion | Completed | Location | South of Beiyuan Da Street and West of Erhuan East Road, Licheng District, Jinan, Shandong Province, the PRC | | |



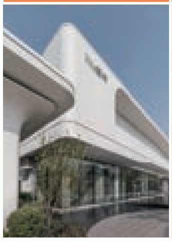
| 26 | Joy Mansion of Glory | | | | | | |
|---|---|---|---|---|---|---|---|
| Floor Area (sqm) | 38,000 | Nature | Residential | Stage of Completion (note) | C | Land Area (sqm) | 50,000 |
| Approximate attributable interest | 100% | Target completion | Completed | Location | North of Jingshi Dong Road, Lixia District, Jinan, Shangdong Province, the PRC | | |

## MAJOR PROJECTS INFORMATION

### PROPERTIES FOR SALE

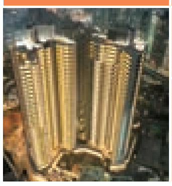
As at 31 December 2023

### Greater Bay Area

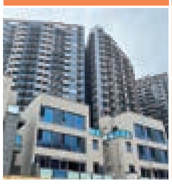


| 27 | RK Rising Star | | | | | | |
|---|---|---|---|---|---|---|---|
| Floor Area (sqm) | 62,000 | Nature | Residential | Stage of Completion (note) | S | Land Area (sqm) | 18,000 |
| Approximate attributable interest | 70% | Target completion | 2024 | Location | South of Xintang Avenue, Xintang Town, Zengcheng District, Guangzhou, Guangdong Province, the PRC | | |

| 28 | The Jewel Crown (formerly known as Panyu District Project) | | | | | | |
|---|---|---|---|---|---|---|---|
| Floor Area (sqm) | 52,000 | Nature | Residential | Stage of Completion (note) | F/S | Land Area (sqm) | 24,000 |
| Approximate attributable interest | 51% | Target completion | 2025 | Location | West of Panyu Avenue, South of Dongxing Road, Panyu District, Guangdong Province, the PRC | | |



| 29 | Southland | | | | | | |
|---|---|---|---|---|---|---|---|
| Floor Area (sqm) | 15,000 | Nature | Residential | Stage of Completion (note) | C | Land Area (sqm) | 11,000 |
| Approximate attributable interest | 50% | Target completion | Completed | Location | Site A of Aberdeen Inland Lot No. 467, Hong Kong | | |



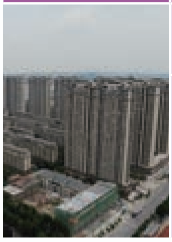
| 30 | Mori | | | | | | |
|---|---|---|---|---|---|---|---|
| Floor Area (sqm) | 40,000 | Nature | Residential | Stage of Completion (note) | S | Land Area (sqm) | 12,000 |
| Approximate attributable interest | 50% | Target completion | 2024 | Location | Tuen Mun Town Lot No. 520, New Territories, Hong Kong | | |

## MAJOR PROJECTS INFORMATION

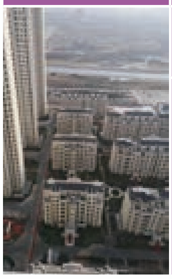
### PROPERTIES FOR SALE

As at 31 December 2023

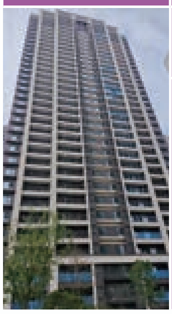
### Other Regions



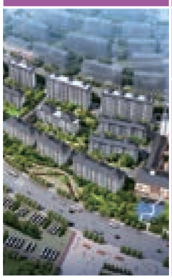
| 31 | RK International City (Zhengzhou) | | | | | | |
|---|---|---|---|---|---|---|---|
| Floor Area (sqm) | 22,000 | Nature | Residential | Stage of Completion (note) | C | Land Area (sqm) | 162,000 |
| Approximate attributable interest | 60% | Target completion | Completed | Location | Northeast of the junction of Shangduda Road and Renwen Road, Zhengdong New District, Zhengzhou, Henan Province, the PRC | | |



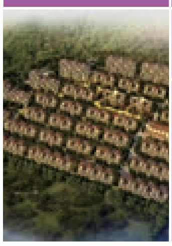
| 32 | RK Ninth County | | | | | | |
|---|---|---|---|---|---|---|---|
| Floor Area (sqm) | 560,000 | Nature | Residential and commercial | Stage of Completion (note) | P/S/C | Land Area (sqm) | 314,000 |
| Approximate attributable interest | 60% | Target completion | 2028 | Location | East to Zhongxing Road, West to Guihua Road, South to Dongfeng Road, North to Wenbo Road, Xiaopan Zhuang, Zhongmou County, Zhengzhou, Henan Province, the PRC | | |



| 33 | Joyful Park | | | | | | |
|---|---|---|---|---|---|---|---|
| Floor Area (sqm) | 53,000 | Nature | Residential | Stage of Completion (note) | C | Land Area (sqm) | 24,000 |
| Approximate attributable interest | 100% | Target completion | Completed | Location | North of Lingyun Road, East of Yulong Street (Planned road name: Baishi East Street), South of Langxing Road, National Economic and Technological Development Zone, Zhengzhou, Henan Province, the PRC | | |



| 34 | RK Slow City (Central China) | | | | | | |
|---|---|---|---|---|---|---|---|
| Floor Area (sqm) | 246,000 | Nature | Residential | Stage of Completion (note) | P | Land Area (sqm) | 249,000 |
| Approximate attributable interest | 100% | Target completion | 2026 | Location | North side of Xinmi West Railway Station, North side of Dabei Ring Planning Road, Micun Town, Xinmi City, Zhengzhou, Henan Province, the PRC | | |



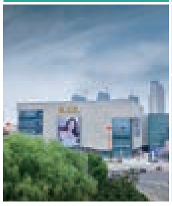
| 35 | RK Leader of Life (Luoyang) | | | | | | |
|---|---|---|---|---|---|---|---|
| Floor Area (sqm) | 106,000 | Nature | Residential | Stage of Completion (note) | P | Land Area (sqm) | 54,000 |
| Approximate attributable interest | 100% | Target completion | 2026 | Location | Southwest of the junction of Yanhuang Road and Tianzhong Road, Gaoxin District, Luoyang, Henan Province, the PRC | | |

## MAJOR PROJECTS INFORMATION

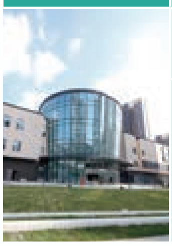
### INVESTMENT PROPERTIES

As at 31 December 2023

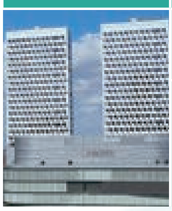
### Yangtze River Delta Region

| 36 | RK Grand Metropolis (Changzhou) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
|  | Floor Area (sqm) | 120,000 | Nature | Commercial | Stage of Completion (note) | C | Land Area (sqm) | 67,000 |
| | Approximate attributable interest | 100% | Target completion | Completed | Location | No. 33, Huayuan Street, Wujin District, Changzhou, Jiangsu Province, the PRC | | |

| 37 | Meili Ancient Town | | | | | | | |
|---|---|---|---|---|---|---|---|---|
|  | Floor Area (sqm) | 51,000 | Nature | Commercial | Stage of Completion (note) | C | Land Area (sqm) | 54,000 |
| | Approximate attributable interest | 60% | Target completion | Completed | Location | Southeast of Xinhua Road and Taibo Avenue, Xinwu District, Wuxi, Jiangsu Province, the PRC | | |

| 38 | RK Phoenix City (including Phoenix World and Lan Park) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
|  | Floor Area (sqm) | 81,000 | Nature | Commercial | Stage of Completion (note) | C | Land Area (sqm) | 86,000 |
| | Approximate attributable interest | 100% | Target completion | Completed | Location | Junction of Zhongxin Da Road East and Xieyu Road South, Suzhou Industrial Park, Suzhou, Jiangsu Province, the PRC | | |

| 39 | RK Grand Metropolis (Suzhou) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
|  | Floor Area (sqm) | 37,000 | Nature | Commercial | Stage of Completion (note) | C | Land Area (sqm) | 24,000 |
| | Approximate attributable interest | 100% | Target completion | Completed | Location | No. 180, Renmin Road, Wujiang District, Suzhou, Jiangsu Province, the PRC | | |

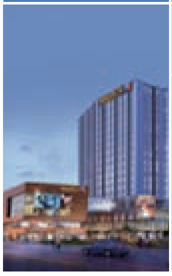
| 18 | RK XinTianDi (Ningbo) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
|  | Floor Area (sqm) | 50,000 | Nature | Commercial | Stage of Completion (note) | C | Land Area (sqm) | 7,000 |
| | Approximate attributable interest | 100% | Target completion | Completed | Location | No. 32, Zhengda Lane, Jiangbei District, Ningbo, Zhejiang Province, the PRC | | |

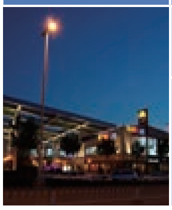
# MAJOR PROJECTS INFORMATION

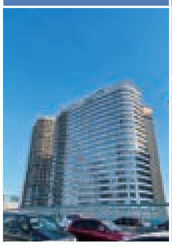
## INVESTMENT PROPERTIES

As at 31 December 2023

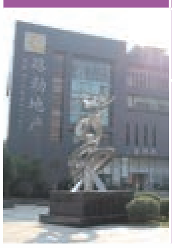
### Bohai Rim Region

| 40 | RK World Plaza | | | | | | | |
|---|---|---|---|---|---|---|---|---|
|  | Floor Area (sqm) | 63,000 | Nature | Commercial | Stage of Completion (note) | C | Land Area (sqm) | 22,000 |
| | Approximate attributable interest | 100% | Target completion | Completed | Location | West to Heying Road, East to Heying Xi Road, North to Changhuai Road Southern Line and South to Changhuai Road, Nanshao Town, Changping District, Beijing, the PRC | | |

| 22 | RK Joy Park | | | | | | | |
|---|---|---|---|---|---|---|---|---|
|  | Floor Area (sqm) | 14,000 | Nature | Commercial | Stage of Completion (note) | C | Land Area (sqm) | 9,000 |
| | Approximate attributable interest | 94.74% | Target completion | Completed | Location | Junction of Longshan Road and Tianshan Bei Road, Hedong District, Tianjin, the PRC | | |

| 25 | RK Yolo Plaza | | | | | | | |
|---|---|---|---|---|---|---|---|---|
|  | Floor Area (sqm) | 26,000 | Nature | Commercial | Stage of Completion (note) | C | Land Area (sqm) | 17,000 |
| | Approximate attributable interest | 100% | Target completion | Completed | Location | South of Beiyuan Da Street and West of Erhuan East Road, Licheng District, Jinan, Shandong Province, the PRC | | |

### Other Regions

| 41 | RK Central Special Zone | | | | | | | |
|---|---|---|---|---|---|---|---|---|
|  | Floor Area (sqm) | 18,000 | Nature | Commercial | Stage of Completion (note) | C | Land Area (sqm) | 9,000 |
| | Approximate attributable interest | 94.74% | Target completion | Completed | Location | Junction of Shangding Road and Nongye Dong Road, Zhengdong New District, Zhengzhou, Henan Province, the PRC | | |

Notes:

"P" denotes "Planning and design"
"S" denotes "Superstructure"
"F" denotes "Foundation"
"C" denotes "Completed"


TOLL ROAD PROJECTS
Mainland China
Indonesia
Hebei Province
1
3
Shanxi Province
Anhui Province
4
2
Hunan Province
CHINA
Sumatra
7
INDONESIA
8
5
6
Java

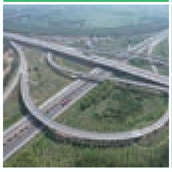
## MAJOR PROJECTS INFORMATION

### TOLL ROAD PROJECTS

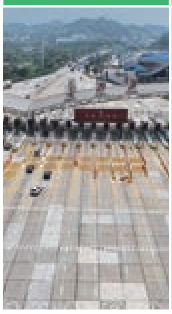
As at 31 December 2023

### Mainland China

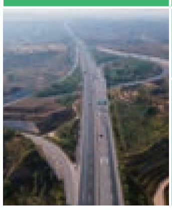
| 1 | Baojin Expressway | | | | |
|---|---|---|---|---|---|
| Location | Hebei Province | Length | 105km | Equity interest (Note) | 40% |
| Route | Provincial Expressway S3700 Baoding-Tianjin ~ 4-lane | | Road Rise Investments Limited | | |



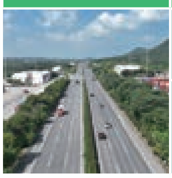
| 2 | Changyi Expressway | | | | |
|---|---|---|---|---|---|
| Location | Hunan Province | Length | 63km | Equity interest (Note) | 43.17% |
| Route | National Expressway G5513 Changsha-Yiyang ~ 4-lane | | Road Crown Investments Limited<br>Road Express Investments Limited<br>Road Famous Investments Limited<br>Road Glorious Investments Limited<br>Road Grand Investments Limited<br>Road Link Investments Limited | | |



| 3 | Longcheng Expressway | | | | |
|---|---|---|---|---|---|
| Location | Shanxi Province | Length | 72km | Equity interest (Note) | 45% |
| Route | Provincial Expressway S2002 Yuci Longbai Village-Chengzhao, Qixian ~ 6-lane | | Intersafe Investments Limited | | |



| 4 | Machao Expressway | | | | |
|---|---|---|---|---|---|
| Location | Anhui Province | Length | 36km | Equity interest (Note) | 49% |
| Route | National Expressway G4221 Ma’anshan-Chaohu ~ 6-lane | | Road King (China) Infrastructure Limited | | |

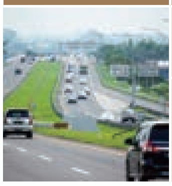


## MAJOR PROJECTS INFORMATION

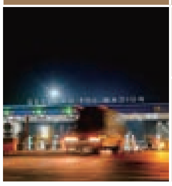
### TOLL ROAD PROJECTS

As at 31 December 2023

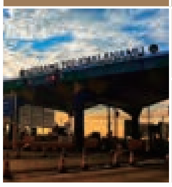
### Indonesia



| 5 | SN Expressway | | | | |
|---|---|---|---|---|---|
| Location | Central and East Java province | Length | 91km | Equity interest (Note) | 40% |
| Route | Trans Java Expressway Solo Ngawi ~ 4-lane | | Kings Key Limited | | |



| 6 | NKK Expressway | | | | |
|---|---|---|---|---|---|
| Location | East Java province | Length | 107km | Equity interest (Note) | 40% |
| Route | Trans Java Expressway Ngawi Kertosono Kediri ~ 4-lane | | Kings Key Limited | | |



| 7 | MKTT Expressway | | | | |
|---|---|---|---|---|---|
| Location | North Sumatra province | Length | 62km | Equity interest (Note) | 45% |
| Route | Trans Sumatra Expressway Medan Kualanamu Tebing Tinggi ~ 4-lane | | Kings Ring Limited | | |

| 8 | SB Expressway | | | | |
|---|---|---|---|---|---|
| Location | Central Java province | Length | 75km | Equity interest (Note) | 39.77% |
| Route | Trans Java Expressway Semarang Batang ~ 4-lane | | Kings Bless Limited | | |

Note:

As at 31 December 2023, the toll road projects are indirectly held by Road King Expressway International Holdings Limited, which is 75% (31 December 2022: 75%) held by the Group.

## BUSINESS REVIEW

For the year ended 31 December 2023, property sales and toll revenue of the expressway projects of the Group (including joint venture and associate projects) were RMB27,650 million and RMB3,906 million respectively, totaling RMB31,556 million. In 2023, the Group's loss after tax for the year was HK$3,761 million and loss attributable to shareholders was HK$3,962 million. The Group's bank balances and cash were HK$5,480 million and net assets per share were HK$20.95.

As of 31 December 2023, the Group had a total land reserve of approximately 3,570,000 sqm, of which the total area pre-sold but yet to be delivered was 1,070,000 sqm.

## BUSINESS SEGMENTS ANALYSIS

### (i) PROPERTY SEGMENT

In 2023, the overall performance of the real estate market of Mainland China presented an upward trend followed by a decline. In the first quarter, driven by factors such as the release of the cumulative demand depressed by the Pandemic and the emerging effects of previous policies, the market became more active, particularly from February to March, the sales in key cities ushered in a "temporary boom". However, from the second quarter, the property purchase sentiment of homebuyers declined rapidly and remained at a low level in the second half of the year. The failure of continuous recovery in the market was due to the unstable foundation of economic recovery and sluggish demand in Mainland China. As a pillar industry in Mainland China, stability of the real estate sector plays a significant role in the stable social and economic development. Throughout the year, the Central Government, the authorities and local governments were on the move to frequently send out positive signals by implementing city-specific policies and further relaxing the restrictions on property purchase, property sale and credit. However, the confidence of property buyers in the economy and the real estate market has not yet been fully restored in the short term, and the market recovery has been slow.

Due to the impact of the ongoing downturn in the real estate market and sluggish sales, the Property Segment achieved total property sales of RMB26,948 million in Mainland China and Hong Kong in 2023 (including joint venture and associate projects), comprising the contracted sales of RMB26,052 million and outstanding subscribed sales of RMB896 million, representing a decrease of approximately 35% as compared to 2022.

## Property Sales and Delivery

Set out below is an analysis of the Property Segment's property sales and delivery by region (including joint venture and associate projects) for 2023:

| | Sales | | Delivery | |
|---|---|---|---|---|
| **Regions** | **Amount** | **Area** | **Amount** | **Area** |
| (Notes) | RMB'million | sqm | RMB'million | sqm |
| Yangtze River Delta Region | 14,859 | 676,000 | 10,354 | 614,000 |
| Bohai Rim Region | 8,836 | 449,000 | 7,869 | 452,000 |
| Greater Bay Area | 3,119 | 139,000 | 12,430 | 186,000 |
| Other regions | 134 | 18,000 | 227 | 30,000 |
| Total (2023) | 26,948 | 1,282,000 | 30,880 | 1,282,000 |
| Total (2022) | 41,254 | 1,669,000 | 33,593 | 1,603,000 |

Notes:
Yangtze River Delta Region comprises Shanghai, Jiangsu Province and Zhejiang Province.
Bohai Rim Region comprises Beijing, Tianjin, Hebei Province and Shandong Province.
Greater Bay Area comprises Guangdong Province and Hong Kong.
Other regions comprise Henan Province.

In 2023, the average selling price of properties in the Property Segment was RMB21,000 per sqm. Yangtze River Delta Region is the major sales region, accounting for approximately 55% of total sales. As at 31 December 2023, the total area of properties pre-sold but yet to be delivered was approximately 1,050,000 sqm.

## Financial Review

Set out below is an analysis of the financial performance of the Group's Property Segment for 2023 and 2022:

| | **2023** | 2022 |
|---|---|---|
| | **HK$'million** | HK$'million |
| Revenue | **13,001** | 17,073 |
| Gross profit before impairment of inventory | **260** | 3,151 |
| Gross (loss) profit after impairment of inventory | **(608)** | 2,937 |
| (Loss) profit for the year | **(2,138)** | 1,262 |

In 2023, the revenue of the Group's Property Segment was mainly derived from the delivery of properties in the Greater Bay Area and the Yangtze River Delta Region (which accounted for approximately 74% of total revenue). The average selling price was approximately RMB24,000 per sqm, of which the average selling price of properties was RMB17,000 per sqm in Mainland China and HK$365,000 per sqm in Hong Kong. Due to the downturn in the real estate market and throat-cutting promotion of competitive projects, the Group's property sales volume and price both fell, resulting in a loss of HK$2,138 million in the Property Segment for the year.

## Land Reserves

In 2023, the Group's Property Segment acquired two pieces of land for residential purpose in Mainland China through listing-for-sale, with an aggregate floor area of approximately 90,000 sqm. The new lands were jointly developed with competent enterprises, thereby diversifying the Group's financial commitment.

Details of new lands are set out as follows:

| Province/Municipalities | Attributable Interest | Land Area | Floor Area | Total consideration |
|---|---|---|---|---|
| | | sqm | sqm | RMB'million |
| **Yangtze River Delta Region** | | | | |
| Jiangsu Province | 51% | 31,000 | 37,000 | 1,377 |
| **Greater Bay Area** | | | | |
| Guangdong Province | 51% | 24,000 | 52,000 | 1,290 |

The Group's land reserves include properties under planning and construction, properties held for sale and properties held for investment. As at 31 December 2023, the Property Segment's land reserves were approximately 2,590,000 sqm which were mainly located in Yangtze River Delta Region, representing more than 63% of total land reserves.

Looking forward to 2024, the real estate market in Mainland China is expected to remain sluggish, and policies are likely to be further relaxed. The Mainland Government will continue to implement city-specific policies, actively resolve risks in the real estate industry, support reasonable housing and financing demands, and promote the stable and healthy development of the real estate market. In Hong Kong, after serious consideration of the current market conditions, the Government decided to abolish all demand side management measures for residential properties in February 2024, which meant "withdrawing the harsh measures" and the tax burden on buyers were directly reduced, helping to drive the demand for property purchases. Although "withdrawing the harsh measures" may stimulate market confidence and release more short-term purchasing power, high interest rates and the overall market downward trend still put pressure on the real estate market. Given the unpredictability of the market both in Mainland China and Hong Kong and the lack of fundamental improvements in market recovery, it is expected that a full market recovery will still take some time, and we remain cautious in 2024. Considering our demand for funds for loan repayment in 2024 and in the coming years, as well as the risks of market uncertainty, the Group will be more prudent in its land acquisition decisions.

As mentioned above, the economic development in Mainland China is facing challenges currently, with operational difficulties faced by enterprises. Coupled with the complex and severe international economic and political environment, the impact on the economy of Mainland China will sustain in the short term. The real estate industry, as a pillar industry in Mainland China, still plays an important role in supporting economic growth. The Group stays cautious in regard to the long-term outlook of property business development in Mainland China.

In 2023, the area under construction of the Group's Property Segment was 3,110,000 sqm while the area of completed projects was 1,130,000 sqm. The area under construction and the area of completed projects in 2024 are expected to be 2,110,000 sqm and 1,540,000 sqm, respectively.

## Overview of Major Projects

### Yangtze River Delta Region

*Simple Life, Shanghai*

Simple Life, Shanghai is located in Chenjia Town, Chongming District, Shanghai. It is 1.5 km from the Chenjia Town Station of the Chongming Line (under construction). The site is surrounded by established educational facilities with beautiful scenery and is fit for developing into a high-quality low-density residence. The project has a site area of 78,000 sqm and a floor area of 74,000 sqm.

In 2023, sales of Simple Life was RMB348 million, with an average selling price of approximately RMB38,000 per sqm. In 2023, the value and area of properties delivered were RMB490 million and 15,000 sqm, respectively. It is expected that a total area of 5,000 sqm will be delivered in 2024, of which 3,000 sqm had already been pre-sold as at 31 December 2023.

*Bright Mansion, Shanghai*

Bright Mansion is located on the north side of Huqingping Road and the west side of Jingnanhe Road in Qingpu District, Shanghai. It belongs to the core area of Hongqiao Business District and is 1.6 km away from the National Convention and Exhibition Center. Surrounded by developed road network and equipped with comprehensive educational and healthcare facilities, it is fit for developing into a high-quality residential project. The project has a site area of 77,000 sqm and a floor area of 174,000 sqm.

It is expected that a value of approximately RMB9,600 million and a total area of 174,000 sqm will be delivered in 2024, of which 173,000 sqm had already been pre-sold as at 31 December 2023.

*Atop The Cloud, Shanghai*

Atop The Cloud is located at the southern side of Zhudi Road and the western side of Hongshi Road, Juyuan Community, Jiading New Town, Jiading District. It is in close proximity to the Yuemao Mansion project and Jiading West Station of Shanghai Metro Line 11. Surrounded by developed road network and equipped with comprehensive educational and healthcare facilities, it is fit for developing into a high-quality residential project. The project has a site area of 30,000 sqm. and a floor area of 65,000 sqm.

In 2023, sales of Atop The Cloud was RMB2,025 million, with an average selling price of approximately RMB45,000 per sqm. It is expected that a total area of 68,000 sqm will be delivered in 2024, of which 45,000 sqm had already been pre-sold as at 31 December 2023.

# Management Discussion and Analysis (continued)

*Breeze Mansion, Nanjing*

Located at the High-Tech Park of Jiangning District, Nanjing, south of Fangqian Road and west of Zhengfang Avenue, Breeze Mansion is situated in the area of Zhengfang New Town, Jiangning District. The project is endowed with extensive transportation network and quality educational facilities. The project has a site area of 83,000 sqm and a floor area of 177,000 sqm.

In 2023, sales of Breeze Mansion was RMB471 million, with an average selling price of approximately RMB18,000 per sqm for residential building. In 2023, the value and area of properties delivered were RMB545 million and 31,000 sqm, respectively. It is expected that a total area of 43,000 sqm will be delivered in 2024, of which 7,000 sqm had already been pre-sold as at 31 December 2023.

*Dazzling Jiangnan, Nanjing*

Dazzling Jiangnan is located to the north of Xikou South Road and south of Jixiang Road, Yuhuatai Economic Development Zone, Nanjing. It belongs to the residential forest demonstration area, a new area which is the focus of the government's construction. The plot is close to the subway with comprehensive surrounding planning commercial and educational facilities, and is fit for developing into high-quality residential apartments. The project has a site area of 29,000 sqm and a floor area of 76,000 sqm.

In 2023, sales of Dazzling Jiangnan was RMB476 million, with an average selling price of approximately RMB33,000 per sqm for residential building. In 2023, the value and area of properties delivered were RMB1,768 million and 53,000 sqm, respectively. It is expected that a total area of 18,000 sqm will be delivered in 2024, of which 4,000 sqm had already been pre-sold as at 31 December 2023.

*Cloud-Clad Mount, Nanjing*

Cloud-Clad Mount is located to the east of Yuanhua Road and south of Weidi Road, Xianlin Street, Qixia District, Nanjing. It belongs to the Xianlin Lake area of Xianlin University Town. Equipped with established public transit facilities, high-quality educational resources, comprehensive commercial and healthcare facilities, and rich landscape resources, it is fit for developing into high-quality residential apartments. The project has a site area of 67,000 sqm and a floor area of 146,000 sqm.

In 2023, sales of Cloud-Clad Mount was RMB1,714 million, with an average selling price of approximately RMB34,000 per sqm. It is expected that a total area of 140,000 sqm will be delivered in 2024, of which 125,000 sqm had already been pre-sold as at 31 December 2023.

*Jinmao Palace, Changzhou*

Jinmao Palace is located at the south of Yanzheng Avenue, west of Fenglin Road, Wujin District, Changzhou, adjacent to Yancheng scenic area and at the prime location of Wujin main city area. Equipped with comprehensive transport, commercial, healthcare and educational facilities, it is fit for developing into a high-quality and low-density residence. The project has a site area of 108,000 sqm and a floor area of 164,000 sqm.

In 2023, sales of Jinmao Palace was RMB111 million, with an average selling price of approximately RMB25,000 per sqm for residential building. In 2023, the value and area of properties delivered were RMB450 million and 46,000 sqm, respectively. It is expected that a total area of 6,000 sqm will be delivered in 2024.

*Bamboo Grove One, Changzhou*

Bamboo Grove One is located in Tianning District, Changzhou, west of Longcheng Avenue and north of Zhulin North Road, Bamboo Grove One is in the prime location of Changzhou main city area. Close to the government building of Tianning District, the project is equipped with healthcare, transportation, educational facilities and natural landscape and offers a favourable living atmosphere, fit for the development of high-quality and comfortable integrated community. The project has a site area of 52,000 sqm and a floor area of 116,000 sqm.

In 2023, sales of Bamboo Grove One was RMB828 million, with an average selling price of approximately RMB24,000 per sqm for residential building. In 2023, the value and area of properties delivered were RMB1,058 million and 50,000 sqm, respectively. It is expected that a total area of 30,000 sqm will be delivered in 2024, of which 8,000 sqm had already been pre-sold as at 31 December 2023.

*West Side Time, Changzhou*

West Side Time is located on the south side of Juxiang Road and the west side of Luyang Road in Wujin District, Changzhou. It belongs to the West Taihu Lake area. Endowed with superior surrounding ecological resources, beautiful landscape, and established transportation, educational and commercial facilities, it is fit for developing into high-quality residential apartments. The project has a site area of 50,000 sqm and a floor area of 88,000 sqm.

In 2023, sales of West Side Time was RMB330 million, and the value and area of properties delivered were RMB701 million and 52,000 sqm, respectively. It is expected that a total area of 32,000 sqm will be delivered in 2024.

*Jade Residence, Changzhou*

Jade Residence is located on the south side of Yanzheng West Avenue and the east side of Caoxi Road in Wujin District, Changzhou. With convenient surrounding transportation and favourable living atmosphere and its close proximity to the Golden East Retirement and Medical Care Community and the Second People's Hospital (branch), the project is fit for developing into a high-quality residential project. The project has a site area of 60,000 sqm and a floor area of 112,000 sqm.

In 2023, sales of Jade Residence was RMB339 million, with an average selling price of approximately RMB22,000 per sqm for residential building. It is expected that a total area of 54,000 sqm will be delivered in 2024, of which 32,000 sqm had already been pre-sold as at 31 December 2023.

*Boyue Cloudy Yard, Changzhou*

Boyue Cloudy Yard is located on the east side of Xinqing Road and the south side of Wutang Road in Zhonglou District, with the Beijing-Hangzhou Grand Canal on the south side and Nanfeng River on the east side. It is close to the Government of Zhonglou District. With comprehensive commercial facilities, educational resources and landscape resources, and convenient transportation, it can be developed into a high-quality residential project. The project has a site area of 87,000 sqm and a floor area of 172,000 sqm.

In 2023, sales of Boyue Cloudy Yard was RMB570 million, with an average selling price of approximately RMB20,000 per sqm for residential building. It is expected that a total area of 58,000 sqm will be delivered in 2024, of which 37,000 sqm had already been pre-sold as at 31 December 2023.

*RK Phoenix City, Suzhou*

RK Phoenix City is located in Suzhou Industrial Park, Suzhou, with a site area and a floor area of 860,000 sqm and 1,560,000 sqm, respectively. The project comprises three developments, namely Phoenix City Garden, i-Zone and Forest & Valley Villa. i-Zone focuses on high-rise residential buildings, targeting the middle-class customers within the district. With Xietang River on its south, Forest & Valley Villa enjoys a 788-metre riverside. The Group plans to develop it as a high-end residential area, which focuses on semi-detached villas and high-rise residential buildings. RK Phoenix City is designed to develop 100,000 sqm of commercial street, 10,000 sqm of a clubhouse, one primary school and three kindergartens.

In 2023, the value and area of properties delivered were RMB784 million and 24,000 sqm, respectively, with an average selling price of approximately RMB33,000 per sqm.

*Wonderful Times, Suzhou*

Wonderful Times is located in Mudu Town, Wuzhong District, Suzhou. The plot is adjacent to the west extension of the South Ring Elevated Line of Suzhou Inner Ring Road. It is located at the junction of the Mudu sector and the Shishan sector of the High-tech Zone. With very convenient transportation and comprehensive facilities, it is surrounded mainly by residential area and is fit for developing into a mid-to-high-end liveable community. The project has a site area of 36,000 sqm and a floor area of 75,000 sqm.

In 2023, sales of Wonderful Times was RMB436 million, with an average selling price of approximately RMB22,000 per sqm. In 2023, the value and area of properties delivered were RMB421 million and 21,000 sqm, respectively. It is expected that a total area of 6,000 sqm will be delivered in 2024.

*RK Jade Shores, Suzhou*

RK Jade Shores is located in the most mature prime location of Huangdai Town, Xiangcheng District, Suzhou. It is close to the Suzhou Central North Line with developed economy and convenient transportation. The surrounding commercial, healthcare and educational resources are rich. Surrounded by extensive commercial, healthcare and educational resources, it is fit for developing into high-quality mid-to-high-end residential apartments. The project has a site area of 79,000 sqm and a floor area of 155,000 sqm.

In 2023, sales of RK Jade Shores was RMB680 million, with an average selling price of approximately RMB18,000 per sqm. In 2023, the value and area of properties delivered were RMB668 million and 41,000 sqm, respectively. It is expected that a total area of 21,000 sqm will be delivered in 2024.

*Beautiful Bay Times, Suzhou*

Beautiful Bay Times is located in the Wuzhong Taihu Resort Zone, Suzhou, next to New Lake New City and is adjacent to Lake Taihu. The site has beautiful scenery and convenient access, and is fit for developing into a high-quality residence. The project has a site area of 48,000 sqm and a floor area of 94,000 sqm.

In 2023, sales of Beautiful Bay Times was RMB610 million, with an average selling price of approximately RMB17,000 per sqm. In 2023, the value and area of properties delivered were RMB607 million and 40,000 sqm, respectively. It is expected that a total area of 11,000 sqm will be delivered in 2024.

*Glamorous Garden, Suzhou*

Glamorous Garden is located in the Wuzhong Taihu Resort Zone, Suzhou, next to New Lake New City and Beautiful Bay Times and is adjacent to Lake Taihu. The site has beautiful scenery and convenient access, and is fit for developing into a high-quality residence. The project has a site area of 50,000 sqm and a floor area of 97,000 sqm.

In 2023, sales of Glamorous Garden was RMB258 million, with an average selling price of approximately RMB16,000 per sqm. In 2023, the value and area of properties delivered were RMB579 million and 39,000 sqm, respectively. It is expected that a total area of 43,000 sqm will be delivered in 2024.

*City Valley, Suzhou*

City Valley is located on the south side of Minsheng Road and the west side of Xingpu Road, Shengpu Street, Suzhou Industrial Park. Adjacent to the core Hudong sector of the park and close to Sipac Zone, and with favourable living atmosphere and comprehensive commercial, educational and healthcare facilities, it is fit for developing into high-quality residential apartments. The project has a site area of 56,000 sqm and a floor area of 115,000 sqm.

In 2023, sales of City Valley was RMB883 million, with an average selling price of approximately RMB30,000 per sqm. It is expected that a total area of 60,000 sqm will be delivered in 2024, of which 51,000 sqm had already been pre-sold as at 31 December 2023.

*Royal Harmony Residence, Suzhou (formerly known as Industrial Park Project)*

Royal Harmony Residence is located on the east side of Wanshou Street of the Industrial Park and north side of Ruoshui Road, and situated in the Dushu Lake block, one of the regions that the Company will cultivate in a long run. The project is in proximity to the entrance and exit of Metro Line 2, and the west side is adjacent to the Dushu Lake Park, making it a residential development with panoramic lake views and beautiful scenery. With well-equipped ancillary facilities in the surrounding area and a low plot ratio, the project is fit for developing into a high-quality residence targeting at improvement needs. The project has a site area of 31,000 sqm and a floor area of 37,000 sqm.

In 2023, sales of Royal Harmony Residence was RMB1,432 million, with an average selling price of approximately RMB58,000 per sqm. The project is expected to be delivered in 2025.

*Cloud Top Life, Wuxi*

Cloud Top Life is located in Yangxi Park, Qianqiao, Huishan District, Wuxi. The site is surrounded by established transportation, educational, commercial, and healthcare facilities, as well as water systems in the north and in the east, with beautiful scenery and is fit for developing into a high-quality residence. The project has a site area of 53,000 sqm and a floor area of 94,000 sqm.

In 2023, sales of Cloud Top Life was RMB678 million, with an average selling price of approximately RMB18,000 per sqm. In 2023, the value and area of properties delivered were RMB637 million and 40,000 sqm, respectively. It is expected that a total area of 4,000 sqm will be delivered in 2024, which had already been pre-sold as at 31 December 2023.

*Poetic Villa, Wuxi*

Poetic Villa is located on the northwest side of the intersection of Juqu Road and Gonghu Avenue in the Economic Development Zone, Wuxi, within the scope of Wuxi China-Sweden Eco City. It is a high-end upgrading area, surrounded by urban wetland parks and adjacent to Lake Taihu. With beautiful scenery and high-quality educational facilities, it is fit for developing into a low-density residential area. The project has a site area of 76,000 sqm and a floor area of 105,000 sqm.

In 2023, sales of Poetic Villa was RMB447 million, with an average selling price of approximately RMB33,000 per sqm. It is expected that a total area of 105,000 sqm will be delivered in 2024, of which 104,000 sqm had already been pre-sold as at 31 December 2023.

### Bohai Rim Region

*RK Royal Yard, Beijing*

RK Royal Yard is located in Caiyu Town, Daxing District, Beijing, within the planning scope of Yizhuang Economic Development Zone. With convenient transportation and favourable living atmosphere around, good ecological environment and high-quality educational resources, the project is fit for developing into a low-density liveable quality community. The project has a site area of 77,000 sqm and a floor area of 74,000 sqm.

In 2023, sales of RK Royal Yard was RMB245 million, with an average selling price of approximately RMB20,000 per sqm for residential building. In 2023, the value and area of properties delivered were RMB425 million and 21,000 sqm, respectively. It is expected that a total area of 9,000 sqm will be delivered in 2024, of which 4,000 sqm had already been pre-sold as at 31 December 2023.

*RK Noble Mansion, Beijing*

RK Noble Mansion is located in the Linhe area of Renhe Town, Shunyi District, Beijing, which is part of the old city of Shunyi, next to the Outer Ring Road to the south, and is connected to the eastern part of Beijing through Line 21, providing convenient access. The land to the north of the project is planned for high school, and the site is surrounded by plenty of educational institutions, providing excellent educational facilities for the area. The land to the south of the project is planned for Xinhe Project in the south of the city, which makes it suitable for the project to create quality products based the advantage of the environmental resources. The project has a site area of 99,000 sqm and a floor area of 157,000 sqm.

In 2023, sales of RK Noble Mansion was RMB1,418 million, with an average selling price of approximately RMB31,000 per sqm for residential building. In 2023, the value and area of properties delivered were RMB1,901 million and 71,000 sqm, respectively. It is expected that a total area of 18,000 sqm will be delivered in 2024, of which 5,000 sqm had already been pre-sold as at 31 December 2023.

*Park Mansion, Beijing*

Park Mansion is located on the west side of Shuntai Road and the north side of Shuangping Street, Renhe Town, Shunyi District, Beijing and close to RK Noble Mansion. The project is 1.4 km away from Linhe Village Station of the planned R4 line. The land to the west of the site is planned for primary school and large-scale commercial facilities. With comprehensive surrounding living, healthcare, education, leisure and entertainment facilities, it is fit for developing into a high-quality residential project. The project has a site area of 41,000 sqm and a floor area of 71,000 sqm.

In 2023, sales of Park Mansion were RMB1,467 million, with an average selling price of approximately RMB36,000 per sqm for residential building. It is expected that a total area of 89,000 sqm will be delivered in 2024, of which 60,000 sqm had already been pre-sold as at 31 December 2023.

*RK Sunny Town, Tianjin*

Located in Hedong District, Tianjin, RK Sunny Town is adjacent to the Tianjin Metro line. The project has a site area of 820,000 sqm and a floor area of 1,150,000 sqm, and is planned to comprise nine phases of low-rise and high-rise residential buildings, coupled with 30,000 sqm of commercial complex, 8,000 sqm of a clubhouse as well as one primary school and one kindergarten.

In 2023, sales of RK Sunny Town was RMB2,496 million, with an average selling price of approximately RMB24,000 per sqm for residential building. In 2023, the value and area of properties delivered were RMB2,387 million and 111,000 sqm, respectively. It is expected that a total area of 19,000 sqm will be delivered in 2024, of which 10,000 sqm had already been pre-sold as at 31 December 2023.

*Park Up Town, Langfang*

Park Up Town is located on the south side of Dafu South Road and east side of Shouchuang Street in Dachang Hui Autonomous County. It belongs to the Xiadian area and is close to RK Grandtown. The project's surrounding area is enriched with living atmosphere and convenient transportation. It is close to Pinggu Line, Jingping Expressway, Jingha Expressway, and 5 km from Jingtang Intercity Dachang Station. It is fit for developing into a liveable quality community. The project has a site area of 117,000 sqm and a floor area of 222,000 sqm.

In 2023, sales of Park Up Town was RMB791 million, with an average selling price of approximately RMB11,000 per sqm for residential building. In 2023, the value and area of properties delivered were RMB856 million and 81,000 sqm, respectively. It is expected that a total area of 4,000 sqm will be delivered in 2024.

*Joy Mansion of Glory, Jinan*

Joy Mansion of Glory is located in Lixia District of Jinan City, which is in the subcentral area of Jinan City. It is in close proximity to the High-tech Zone and CBD. The site is surrounded by well-established commercial, school and medical facilities, with a strong living atmosphere and is suitable for developing high-quality residential products. The project has a site area of 50,000 sqm and a development area of 132,000 sqm.

In 2023, sales of Joy Mansion of Glory was RMB1,099 million, with an average selling price of approximately RMB21,000 per sqm for residential building. In 2023, the value and area of properties delivered were RMB1,029 million and 59,000 sqm, respectively. It is expected that a total area of 30,000 sqm will be delivered in 2024, of which 5,000 sqm had already been pre-sold as at 31 December 2023.

*Jin Mao Noble Manor, Jinan*

Jin Mao Noble Manor is located at the junction of Hancang River and Hancang Avenue in Licheng District. With a superior geographical location, it enjoys convenient transportation, excellent living atmosphere, comprehensive facilities and high-quality educational resources, and is fit for developing into a high-quality residence. The project has a site area of 81,000 sqm and a development area of 147,000 sqm.

In 2023, sales of Jin Mao Noble Manor was RMB630 million, with an average selling price of approximately RMB16,000 per sqm for residential building. In 2023, the value and area of properties delivered were RMB621 million and 33,000 sqm, respectively. It is expected that a total area of 8,000 sqm will be delivered in 2024.

### Greater Bay Area

*Phoenix Residence, Guangzhou*

Located at Phoenix South Road, Huadu District, Guangzhou, Phoenix Residence is a new lakeside residential town in Huadu District. Adjacent to Huadu Lake National Wetland Park, with a good natural environment, it is fit for development of middle to high-end residence. The project has a site area of 58,000 sqm and a floor area of 154,000 sqm.

In 2023, sales of Phoenix Residence was RMB997 million, with an average selling price of approximately RMB20,000 per sqm for residential building. In 2023, the value and area of properties delivered were RMB1,759 million and 75,000 sqm, respectively. It is expected that a total area of 22,000 sqm will be delivered in 2024, of which 16,000 sqm had already been pre-sold as at 31 December 2023.

*The Jewel Crown, Guangzhou (formerly known as Panyu District Project)*

The Jewel Crown is located on the west side of Panyu Avenue and the south side of Dongxing Road, Panyu District. It belongs to the core area of the district government and Panyu Square, and is equipped with comprehensive commercial facilities, schools, healthcare facilities and parks. The project is close to Panyu Square Station (the interchange station of four metro lines). With favourable living atmosphere, it is fit for developing into a high-quality residence. The project has a site area of 24,000 sqm and a floor area of 52,000 sqm.

In 2023, sales of The Jewel Crown was RMB153 million, with an average selling price of approximately RMB42,000 per sqm. The project is expected to be delivered in 2025.

*Elite's Mansion, Foshan*

Located in the central district of East Ronggui, Shunde, Foshan and bordering the river from Shunde Desheng CBD, Elite's Mansion boasts a prime river viewing spot and enjoys convenient access and relatively comprehensive facilities, which is fit for developing into a quality and livable residence. The project has a site area of 40,000 sqm and a floor area of 138,000 sqm.

In 2023, sales of Elite's Mansion was RMB178 million, and the value and area of properties delivered were RMB500 million and 41,000 sqm, respectively. It is expected that a total area of 19,000 sqm will be delivered in 2024, of which 3,000 sqm had already been pre-sold as at 31 December 2023.

*Southland, Hong Kong*

Southland is located at Wong Chuk Hang Station of the MTR South Island line in proximity to Ocean Park and Aberdeen Marina Club, just two stations from Admiralty Station in the financial hub of Hong Kong. It was also the first high-end railway property development project on Hong Kong Island in almost 30 years. The project has a site area of 11,000 sqm and a floor area of 50,000 sqm.

In 2023, sales of Southland was HK$906 million, with an average selling price of approximately HK$339,000 per sqm for residential building. In 2023, the value and area of properties delivered of Southland were HK$10,942 million and 30,000 sqm, respectively. It is expected that a total area of 5,000 sqm will be delivered in 2024.

*Mori, Hong Kong*

Mori is located in So Kwun Wat, Tuen Mun, New Territories and adjacent to Hong Kong Gold Coast, and is fit for developing into a relatively high-end low-density residence. The project has a site area of 12,000 sqm and a floor area of 40,000 sqm.

Mori was launched for sale in late September 2023. During the period, sales of Mori was HK$196 million, with an average selling price of approximately HK$117,000 per sqm for residential building. The project is expected to be completed and delivered in 2024.

## (ii) TOLL ROAD SEGMENT

In 2023, Mainland China and Indonesia recorded year-on-year GDP growth of 5.2% and 5.05%, respectively. The international environment has been affected by wars and high energy prices, and major economies around the world experienced a slowdown in growth, which has put pressure on international trade, import and export, and logistics. Nevertheless, as the Pandemic has come to an end, both the public in Mainland China and Indonesia showed a strong desire in travel and tourism. Mainland China further expanded its dual circulation of domestic and international economy, while Indonesia's economy grew steadily, laying a solid foundation for the long-term growth of toll revenue from expressway projects.

### Expressway Projects in Mainland China

The Group's toll concession right of Tangjin Expressway project expired on 19 April 2023 after which the Group no longer receives its cash distribution. The Group's expressway projects in Mainland China (other than Tangjin Expressway project) generated in 2023 total revenue of RMB2,229 million, representing a 4% increase over last year and recorded a 18% increase over last year in average daily traffic volume. Taking into account the contribution of Tangjin Expressway project, all of the Group's expressway projects in Mainland China generated in 2023 total revenue of RMB2,429 million, representing a 13% decrease over last year while the average daily traffic volume recorded a 20% increase over last year. The greater increase in average daily traffic volume was mainly due to the retaliatory growth of domestic tourism and the consequential surge in the traffic volume of passenger vehicles following the cancellation of Pandemic prevention and control. However, due to the slow growth of the international economy, the traffic volume of cargo vehicles decreased, resulting in the inconsistency between the growth of traffic volume and the growth of toll revenue.

On 17 November 2023, the Group entered into a sale and purchase agreement with Cornerstone Holdings Limited, an investment holding company wholly owned by China Merchants Expressway Network & Technology Holdings Co., Ltd., to sell all the Group's interests in the toll road business in Mainland China, which include Baojin Expressway, Changyi Expressway, Longcheng Expressway and Machao Expressway, at a consideration of RMB4,411.8 million. The above disposal has been formally approved at the special general meeting of the Company held on 20 December 2023, and the transaction is expected to be completed by the first half of 2024.

### Expressway Projects in Indonesia

In 2023, the overall toll revenue of the expressway projects in Indonesia increased by 58% to RMB1,477 million as compared with last year. The average daily traffic volume decreased by 2% to 89,900 vehicles (excluding the impact of the SB Expressway newly acquired in December 2022, toll revenue of the previous expressway projects in Indonesia increased by 10% as compared with last year, and the average daily traffic volume increased by 3% to 60,800 vehicles). All the Group's expressway projects in Indonesia obtained approval for the increase in toll rate in the second half of 2023. In particular, the SN and SB expressway projects obtained approval for the increase in special toll rate by approximately 25% and 29%, respectively. Another two projects also obtained approval for the increase in regular toll rate by approximately 8%. However, the high international energy prices and the lower fuel subsidies from the government inhibited the growth of traffic volume.

Although the slowdown in global economic growth has put pressure on exports, the Indonesian government has implemented a number of economic policies and successfully maintained the inflation rate at 2.61% in 2023, which was approximately 50% lower than in 2022. This helped Indonesian companies control production costs and alleviate the pressure brought by inflation on household expenditures. As the economy further grows, industry and tourism are expected to rise steadily, driving the increase in traffic volume of cargo vehicles and passenger vehicles.

In 2024, the Group will continue to look for opportunities to optimise its toll road business portfolio.

## Financial Review

The traffic volume and toll revenue of the Group's expressway projects in 2023 are as follows:

| Projects | Average Daily Traffic Volume Vehicles | Increase/ (Decrease) % | Toll Revenue RMB'million | Increase/ (Decrease) % |
|---|---|---|---|---|
| **Expressway projects in Mainland China** | | | | |
| Baojin Expressway | 69,900 | 22 | 796 | 4 |
| Tangjin Expressway (Note 1) | 57,000 | 26 | 200 | (69) |
| Changyi Expressway | 81,100 | 20 | 543 | 11 |
| Longcheng Expressway | 23,600 | (3) | 482 | (9) |
| Machao Expressway | 40,800 | 26 | 408 | 15 |
| Total | 272,400 | 20 | 2,429 | (13) |
| **Expressway projects in Indonesia** | | | | |
| SN Expressway | 20,800 | 5 | 427 | 16 |
| NKK Expressway | 18,500 | – | 312 | 5 |
| MKTT Expressway | 21,500 | 4 | 243 | 8 |
| SB Expressway (Note 2) | 29,100 | N/A | 495 | N/A |
| Total | 89,900 | (2) | 1,477 | 58 |
| Total (2023) | 362,300 | 14 | 3,906 | 5 |
| Total (2022) (Note 2) | 319,100 | | 3,716 | |

Note 1: The Group's toll concession right of the Tangjin Expressway was expired on 19 April 2023.

Note 2: As the acquisition of SB Expressway in Indonesia was completed on 5 December 2022 and the above data are for the period from the acquisition date to 31 December 2022.

In 2023, the total traffic volume of the Group's expressway projects in Mainland China and Indonesia was 118 million vehicles. The average daily traffic volume was approximately 362,300 vehicles, representing an increase of 14% as compared to last year. The toll revenue for the year was RMB3,906 million, representing an increase of 5% as compared to last year.

In 2023, the profit of the Group's Toll Road Segment (after deduction of head office income, expenses and taxation) amounted to HK$563 million. The decrease in profit as compared to last year was mainly because the Group's toll concession right of Tangjin Expressway project expired on 19 April 2023 and cash distribution to the Group is therefore ceased, which resulted in a decrease in toll revenue of the expressways in Mainland China and the Group's additional loan at the end of last year was used to partial financing the acquisition of SB Expressway, resulting in an increase in interest costs for the year. The above offsetted the impact from the increase in toll revenue of the expressways in Indonesia. In the same year, the Group's cash distributions received from expressway joint ventures amounted to HK$501 million.

## Overview of Projects

### Expressway business in Mainland China

***Baojin Expressway***

The average daily traffic volume and toll revenue in 2023 recorded a year-on-year increase of 22% and 4%, respectively. Benefiting from the economic recovery in Mainland China, the full relaxation of Pandemic prevention and control, the continued boom in domestic tourism and other factors, public travel and traffic volume of passenger vehicles increased significantly as compared with last year. In addition, as the floods in Baoding and surrounding areas from August to September 2023 caused damage to local roads and traffic control, some vehicles chose to divert to Baojin Expressway, which had a positive impact on toll revenue and traffic volume. The increase in toll revenue is lower than that in traffic volume, mainly because the increase in traffic volume of cargo vehicles is lower than that of passenger vehicles due to the weak growth of international economy and declined import and export trade.

***Tangjin Expressway***

The average daily traffic volume and toll revenue in 2023 recorded a year-on-year increase of 26% and decrease of 69%, respectively. The project recorded an increase in traffic volume and toll revenue during the toll period. As the Group's toll concession right of the project expired on 19 April 2023, the Company no longer received toll revenue from the project, and therefore the total toll revenue for the year dropped significantly as compared with last year. In addition, the project is under liquidation audit, and it is expected that the remaining profit will be distributed upon completion of the liquidation.

***Changyi Expressway***

The average daily traffic volume and toll revenue in 2023 recorded a year-on-year increase of 20% and 11%, respectively. Benefiting from the full relaxation of Pandemic prevention and control, the continued boom in domestic tourism and other factors, traffic volume of passenger vehicles and toll revenue increased significantly. The increase in toll revenue is lower than that in traffic volume, mainly because the increase in traffic volume of cargo vehicles is lower than that of passenger vehicles due to the weak growth of international economy.

***Longcheng Expressway***

The average daily traffic volume and toll revenue in 2023 recorded a year-on-year decrease of 3% and 9%, respectively. Due to adverse factors such as slow growth of local economy in Shanxi, continued sluggish coal market, decline in international trade, and reduction in bulk commodities and raw material transactions, traffic volume and toll revenue for the year both decreased slightly as compared with last year. In addition, due to the lower basis point of bank loan interest rates, finance costs of the project decreased in 2023, partly offsetted the impact of the decrease in toll revenue.

***Machao Expressway***

The average daily traffic volume and toll revenue in 2023 recorded a year-on-year increase of 26% and 15%, respectively. Benefiting from the economic recovery in Mainland China, the full relaxation of Pandemic prevention and control, the continued boom in tourism in Jiangsu and Anhui and other factors, traffic volume of passenger vehicles and toll revenue increased significantly. In the meantime, the project was benefited from the construction of the surrounding road network, which drove its traffic volume and toll revenue for the year. In addition, through communication and coordination, the lending banks lowered the interest rates of bank loans to the project in 2023, which also reduced the finance costs of the project.

### Expressway Business in Indonesia

#### *SN Expressway*

The average daily traffic volume and toll revenue in 2023 recorded a year-on-year increase of 5% and 16%, respectively. Due to the high international energy prices and the lower fuel subsidies from the government, the traffic volume during the Ramadan and Eid al-Fitr decreased slightly period-on-period. However, since many tourism events were held in Solo City during the year, coupled with a surge in demand for tourism during the Christmas and New Year holidays, the traffic volume of passenger vehicles passing through has increased. In addition, the project successfully obtained approval for a special toll rate adjustment of increasing by approximately 25%, which became effective on 17 September 2023, resulting in a significant increase in toll revenue for the year. While the substantial toll rate raise may put some pressure on traffic flow in the short term, the special toll rate adjustment will lay a key foundation for the future profit of the project.

#### *NKK Expressway*

In 2023, the average daily traffic volume remained flat, while toll revenue recorded a year-on-year increase of 5%. Negative factors, such as the high international energy prices, lower fuel subsidies from the government and the increase in special toll rates of connected expressways, offset the traffic volume growth of the project in the short term. The project successfully raised the toll rates by approximately 8% on 20 August 2023, and completed refinancing of bank loans in July, extending the loan term and reducing the previous installment amount. As such, the project maintained robust revenue growth. In addition, the project has recorded retained profits, and is expected to distribute dividend to the shareholders for the first time in 2024. The construction of the remaining unconstructed main section of the project from Kertosono to Kediri will depend on the progress of land acquisition, and is expected to commence in late 2024.

#### *MKTT Expressway*

The average daily traffic volume and toll revenue in 2023 recorded a year-on-year increase of 4% and 8%, respectively. The project is connected to Kualanamu International Airport in Medan City. Major festivals such as the Lunar New Year, Eid al-Fitr, school summer, Christmas and New Year holidays contribute to the traffic flow of the project. Although substantial increase in toll rates of the upstream toll expressways led to a decrease in traffic volume in the short-term, the connecting roads to the south of the project have been opened to traffic successively, which will contribute to an increase in traffic volume in the long run. The project successfully raised the toll rates by approximately 8% on 11 November 2023, which will help maintain the growth of toll revenue in the future.

The project applied new tax regulations at the end of 2023, extending the amortization period for taxation purpose and recognized the accumulated unused tax losses available to offset against future profits as deferred tax assets. As a result, the project recorded retained profits, and is expected to distribute dividend to the shareholders for the first time in 2024.

***SB Expressway***

In 2023, the average daily traffic volume was 29,100 vehicles and the toll revenue was RMB495 million. The project successfully obtained approval for a special toll rate adjustment of increasing by approximately 29%, which became effective on 9 October 2023, resulting in satisfactory toll revenue performance for the year. While the substantial toll rate raise may put some pressure on traffic flow in the short term, the special toll rate adjustment will lay a key foundation for the future profit of the project. Phase I of the Batang Industrial Park near the project will commence operations in the first half of 2024, and the project has also completed the construction of the Batang Industrial Park toll station, which is expected to have a positive impact on traffic volume and toll revenue in 2024.

## (iii) IAM SEGMENT

In 2023, the property development projects of IAM segment (including joint venture and associate projects) achieved property sales of approximately RMB702 million, comprising the contracted sales of RMB628 million and outstanding subscribed sales of approximately RMB74 million. As of 31 December 2023, the land reserve of IAM Segment was approximately 980,000 sqm, which was mainly located in Henan Province, and the total area of properties pre-sold but yet to be delivered was 20,000 sqm. After restructuring and rectification, the business scale of the remaining original investment and asset management businesses, which mainly comprised property fund investment as well as cultural and tourist businesses, has been significantly reduced and investment in new businesses has been ceased. Going forward, the Group will continue to review the operation of its remaining businesses and take appropriate action in due course.

## FINANCIAL REVIEW OF THE GROUP

### Consolidated Statement of Profit or Loss

The table below extracted major items from the consolidated statement of profit or loss of the Group for each of the two years ended 31 December 2023 and 2022.

| | **2023** HK$'million | 2022 HK$'million |
|---|---|---|
| Revenue | **13,075** | 17,156 |
| Gross (loss) profit | **(648)** | 2,944 |
| Interest income | **222** | 396 |
| Other losses, net | **(1,181)** | (571) |
| Selling and operating expenses | **(1,226)** | (1,627) |
| Share of results of joint ventures and associates | **298** | 1,099 |
| Finance costs | **(1,054)** | (1,143) |
| (Loss) profit before taxation | **(3,589)** | 1,098 |
| Income tax expenses | **(172)** | (639) |
| (Loss) profit for the year | **(3,761)** | 459 |
| (Loss) profit attributable to: | | |
| – Owners of the Company | **(3,962)** | (495) |
| – Owners of perpetual capital securities | **533** | 537 |
| – Other non-controlling interests of subsidiaries | **(332)** | 417 |
| | **(3,761)** | 459 |

## Revenue and Gross (Loss) Profit

Revenue and gross (loss) profit of the Group for the year were mainly contributed by the Property Segment business. The details are contained in the subsection headed "Financial Review" under "Property Segment".

## Interest Income

During the year, interest income decreased as the Group's interest-bearing loans to joint ventures decreased as compared with last year.

## Other Losses, Net

Other net losses were mainly attributable to the continued depreciation of Renminbi during the year, which resulted in net exchange losses of approximately HK$662 million (2022: HK$1,335 million). In addition, due to the weak real estate market, impairment provision for properties and related assets also increased, which was partially offset by gains on buyback of the Group's senior notes of approximately HK$606 million.

## Selling and Operating Expenses

The decrease in expenses was mainly attributable to the decrease in property sales volume and the corresponding decrease in sales commission and marketing expenses of the Group. In addition, the Group implemented cost saving measures during the year and overall operating expenses have decreased.

## Share of Results of Joint Ventures and Associates

During the year, the Group's share of results were mainly derived from the profits of infrastructure joint venture projects of approximately HK$789 million and the losses of property and other joint ventures and associate projects of approximately HK$491 million. For details, please refer to the analysis of each business segment. The losses of property joint ventures and associate projects for the year were mainly attributable to the downturn in the real estate market and throat-cutting promotion of competitive projects, which led to a decrease in both property sales volume and prices, and therefore resulting in a decrease in profits from the delivery of property joint ventures and associate projects during the year. However, the Group's toll revenue of the expressways in Indonesia increased, which resulted in an increase in profits of infrastructure joint venture projects, partly offsetted the decrease in property projects.

## Income Tax Expenses

Income tax expenses mainly comprise profit tax, land appreciation tax and deferred tax. The decrease in income tax expenses was mainly due to the lower profits from properties delivered during the year.

## Consolidated Statement of Financial Position

The table below summarised the major items of the consolidated statement of financial position of the Group as at 31 December 2023 and 2022.

| | **2023** **HK$'million** | 2022 HK$'million |
|---|---|---|
| Non-current assets | | |
| – Investments in joint ventures and associates (including shareholders' loans) | **19,703** | 25,738 |
| – Investment properties | **5,245** | 4,126 |
| – Other non-current assets | **2,630** | 4,544 |
| | **27,578** | 34,408 |
| Current assets | | |
| – Inventory of properties | **29,426** | 38,631 |
| – Bank balances and cash (including pledged bank deposits) | **5,560** | 8,381 |
| – Shareholders' loans to joint ventures and associates | **1,789** | 3,565 |
| – Other current assets | **5,863** | 5,017 |
| | **42,638** | 55,594 |
| Assets classified as held for sale | **2,930** | – |
| | **45,568** | 55,594 |
| Non-current liabilities | | |
| – Bank and other borrowings | **(12,753)** | (21,890) |
| – Other non-current liabilities | **(1,794)** | (1,466) |
| | **(14,547)** | (23,356) |
| Current liabilities | | |
| – Creditors and accrued charges | **(5,926)** | (8,174) |
| – Loans from joint ventures and associates | **(6,250)** | (4,919) |
| – Deposits from pre-sale of properties | **(3,317)** | (3,980) |
| – Bank and other borrowings | **(9,865)** | (10,258) |
| – Other current liabilities | **(6,025)** | (6,555) |
| | **(31,383)** | (33,886) |
| Liabilities classified as held for sale | **(18)** | – |
| | **(31,401)** | (33,886) |
| Total equity (including perpetual capital securities) | **27,198** | 32,760 |

## Investments in Joint Ventures and Associates (including Shareholders' Loans)

It mainly represented the Group's interests in infrastructure joint ventures of HK$4,369 million (2022: HK$7,086 million) and interests in property joint ventures and associates of HK$17,123 million (2022: HK$22,217 million), including shareholders' short term loans to projects (included in current assets).

The decrease in the balance of the interests in infrastructure joint ventures was mainly due to the reclassification of the interests in expressway joint ventures in Mainland China to assets held for sale. For details, please refer to the section headed "Assets and Liabilities Held for Sale" below. The decrease in balance of the interests in property joint ventures and associates was mainly due to the repayment of shareholders' loans by joint ventures to the Group during the year as joint venture projects entered into sales period.

## Investment Properties

This comprises the carrying value of investment properties with the details are set out in note 17 of the consolidated financial statements. The increase in balance was attributable to the addition of newly completed commercial properties in Suzhou and Jinan. As at 31 December 2023, the total floor area of the investment properties of the Group (including joint venture projects) was approximately 460,000 sqm.

## Inventory of Properties

The decrease in inventory of properties was mainly due to the completion and delivery of existing projects of the subsidiaries of the Group. In 2023, the land transaction volume in the Mainland China dropped significantly. Only premium land in certain core cities attracted high interest in land auctions, and the overall market performance was still sluggish. The Group will adjust its strategies for land auction based on its review of the market situation and cash flows position.

## Bank Balances and Cash (including Pledged Bank Deposits)

The decrease in bank balances and cash was mainly due to the redemption of an offshore bond and repayment of certain bank loans by the Group during the year.

## Assets and Liabilities Held for Sale

On 17 November 2023, the Group entered into a sale and purchase agreement with Cornerstone Holdings Limited, to sell all the Group's interests in the toll road business in Mainland China, which include Baojin Expressway, Changyi Expressway, Longcheng Expressway and Machao Expressway, at a consideration of RMB4,411.8 million. The above disposal has been formally approved at the special general meeting of the Company held on 20 December 2023, and the transaction is expected to be completed by the first half of 2024. As the relevant expressway business is expected to be disposed of within twelve months, relevant assets and liabilities attributable to the business have been classified to the disposal group and presented separately in the consolidated statement of financial position.

## Deposits from Pre-sale of Properties

The decrease in deposits from pre-sale of properties was mainly because the existing projects of the Group's subsidiaries have been completed and delivered successively. As at 31 December 2023, the total area of properties (including joint venture and associate projects) pre-sold but yet to be delivered was approximately 1,070,000 sqm.

# Management Discussion and Analysis (continued)

## Bank and Other Borrowings

Bank and other borrowings mainly represented offshore guaranteed senior notes, syndicated loans and project development loans of the Group. The decrease in total loans was mainly due to the continued downturn in the property financing market and the fact that credit refinancing has not yet resumed.

Details of the Group's loan profile are set out as follows:

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **HK$'million** | HK$'million |
| Repayable: | | |
| Within one year or repayable on demand | **9,865** | 10,258 |
| After one year but within two years | **3,352** | 8,554 |
| After two years but within five years | **8,261** | 12,604 |
| More than five years | **1,140** | 732 |
| Total Loans | **22,618** | 32,148 |

**Source of Loans**

| | **2023** | 2022 |
|---|---|---|
| Short term loans | **44%** | 32% |
| Long term loans | **56%** | 68% |
| Total | **100%** | 100% |

**Nature of Debts**

| | **2023** | 2022 |
|---|---|---|
| Unsecured loans | **75%** | 74% |
| Secured loans | **25%** | 26% |
| Total | **100%** | 100% |

**Currency Profile of Loans**

| | **2023** | 2022 |
|---|---|---|
| HKD | **2%** | 7% |
| RMB | **23%** | 23% |
| USD | **75%** | 70% |
| Total | **100%** | 100% |

**Type of Loans**

| | **2023** | 2022 |
|---|---|---|
| Guaranteed senior notes* | **60%** | 55% |
| Other offshore loans | **17%** | 22% |
| | **77%** | 77% |
| Other onshore loans | **23%** | 23% |
| Total | **100%** | 100% |

* Excluding perpetual capital securities (Classified to equity)

**Interest Rates Basis**

| | **2023** | 2022 |
|---|---|---|
| Floating rate | **37%** | 40% |
| Fixed rate | **63%** | 60% |
| Total | **100%** | 100% |

Certain of the Group's borrowings bore fixed interest rates per annum, including US$1,726 million guaranteed senior notes with interest rates ranging from 5.125% to 6.7% per annum.

Apart from the above loans, the Group also issued the following three senior guaranteed perpetual capital securities:

(a) US$600 million senior guaranteed perpetual capital securities with distribution rates of 7% and 7.95%; and

(b) US$300 million 7.75% senior guaranteed fixed-spread perpetual capital securities.

As at 31 December 2023, the net gearing ratio and the net capitalisation ratio of the Group were 63% and 39% respectively. Net gearing ratio represents the difference between the Group's total interest bearing borrowings (excluding amounts due to non-controlling interests of subsidiaries) and the bank balances and cash (including pledged bank deposits) ("Net Debt") to the total equity. The net capitalisation ratio represents the Net Debt to the sum of Net Debt and total equity.

## Consolidated Statement of Cash Flows

The table below summarised the major items of the consolidated statement of cash flows of the Group for the years ended 31 December 2023 and 2022.

| | **2023**<br>HK$'million | 2022<br>HK$'million |
|---|---|---|
| Payment for land leases | **(2,963)** | (1,962) |
| Net cash from operating activities, other than payment for land leases | **5,521** | 2,566 |
| Net cash from investing activities, other than payment for land leases | **2,939** | 3,006 |
| Net cash used in financing activities | **(8,159)** | (7,082) |
| Effect of change in exchange rates | **(205)** | (588) |
| Cash and cash equivalents at 1 January | **7,372** | 11,432 |
| Cash and cash equivalents at 31 December | **4,505** | 7,372 |

## Payment for Land Leases (including Payments Through Joint Ventures Arrangement)

During the year, the payments of land premiums were mainly for projects newly acquired in Suzhou and Guangzhou during the year. The details on new projects acquired are contained in the subsections headed "Land Reserve" and "New Projects" under "Property Segment".

## Net Cash from Operating Activities, Other Than Payment for Land Leases

The increase in net cash from operating activities as compared with last year was mainly due to the Group's active management of cash flow and reduction of operating costs during the year, resulting in a decrease in construction costs and tax expenses as compared with last year.

## Net Cash Used in Financing Activities

The increase in net cash used in financing activities as compared with last year was mainly due to the continuous downturn in the financing market of the real estate industry, and the decrease in refinancing and new loans drawn during the year as compared with last year. In addition, the Group actively arranged funds from different channels to repay maturing loans. Total loan repayment amounted to HK$11,051 million equivalent during the year, including the redemption of an offshore bond and repayment of offshore syndicated loans by the Group during the year.

## Liquidity and Financial Resources

As at 31 December 2023, the equity attributable to owners of the Company was HK$15,696 million (2022: HK$20,246 million). Net assets per Share attributable to owners of the Company was HK$20.95 (2022: HK$27.02).

As at 31 December 2023, the Group's total assets were HK$73,146 million (2022: HK$90,002 million) and bank balances and cash were HK$5,480 million (2022: HK$8,262 million), of which 85% was denominated in Renminbi and the remaining 15% was mainly denominated in US dollars or Hong Kong dollars.

The Group continues to adopt prudent financing and treasury policies, with all financing and treasury activities centrally managed and controlled. Implementation of the Group's related policies is made under collective and extensive considerations on liquidity risk, financing costs and exchange rate risk. The Group will continue to maintain suitable treasury strategy and consider various financing channels, so as to manage capital structure and ensure sufficient cash resources for the Group.

In 2023, the business environment of the real estate industry in Mainland China remained challenging, and the financing difficulties of real estate enterprises have not yet been resolved. The second half of 2023 witnessed stronger supporting policies for real estate enterprises, with the proposal of financial support measures such as "three no less than". However, market confidence has not been fully restored, major banks remain cautious, and there are still uncertainties in the market outlook.

In 2023, the Group actively strengthen its cash flow and debt management. During the year, the Group repaid a total of HK$11,051 million equivalent of loans, which include a maturing offshore bond with an outstanding principal amount of US$343 million and certain offshore syndicated loans. Although progress has been made and the Group's debt scale has been reduced, the Group will still face significant debt repayment pressure in the future due to a lack of refinancing channels and poor market sentiment.

## Charges on Assets

As at 31 December 2023, bank balances of HK$80 million (2022: HK$119 million) were pledged as security in favour of banks for certain mortgage facilities granted to customers of the Group's property projects and banking credit facilities granted to the Group. In addition to these pledged bank deposits, properties with carrying value of HK$7,955 million (2022: HK$11,928 million) were pledged as security for certain loan facilities.

As at 31 December 2023, the Group's borrowings with outstanding principal amount of HK$2,223 million (2022: HK$2,373 million) were secured by the pledges of the equity shares of certain subsidiaries and joint ventures of the Company.

## Exposure on Foreign Exchange Fluctuations and Interest Rates

The Group's borrowings are mainly denominated in Renminbi and US dollar but the cash flow is mainly generated from projects whose earnings are denominated in Renminbi. As a result, the Group is exposed to the foreign exchange risk on the fluctuation of Renminbi and US dollar. In 2023, Renminbi continued to depreciate and the Group recorded net exchange losses of approximately HK$662 million. The Group will pay close attention to the impact of changes in international environment on exchange rate fluctuations, and will enter into foreign currency forward contracts to balance the foreign exchange risks, when appropriate.

The Group's exposure to interest rate risk is mainly from fluctuation in interest rates relating to its borrowings denominated in Renminbi and US dollar. Although the monetary policies implemented by Mainland China and the US governments continue to have a major impact on the Group's results and operation, the Directors consider that the interest rate fluctuation caused by the fluidity and instability of the global economy and financial systems also has an impact on the operation of the Group.

Save for the aforesaid, the Group has no significant exposure to foreign exchange risk and interest rate risk. The Group will continue to closely monitor the above risks and may arrange hedging against the risks exposed as and when necessary and appropriate.

## Financial Guarantee Contracts

As at 31 December 2023, the Group had provided guarantees of HK$3,726 million (2022: HK$6,801 million) to banks in respect of the mortgage loans of the purchasers of the Group's properties. The guarantees would be released after the purchasers have pledged their property ownership certificates as securities to the banks for the mortgage loans granted.

As at 31 December 2023, the Group had also provided guarantees of HK$2,382 million (2022: HK$4,088 million) for banking facilities granted to the joint ventures of the Group.

## Employees

The Group had 3,994 employees as at 31 December 2023. Expenditure on staff (including staff assigned to or participated in joint ventures and associates, but excluding Directors' emoluments) amounted to HK$907 million. Employees are remunerated according to their performance and contribution. Other employee benefits include provident fund, insurance, medical cover and training programs, as well as share option scheme. During the year, no share option was granted.

# Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. Zen Wei Peu, Derek**
*(aged 71, Chairman)*

Mr. Zen has been an Executive Director of the Company since its establishment and was appointed as the Chairman of the Company in January 2021. He is the Chairman of the Nomination Committee, a member of the Remuneration Committee of the Company and a director of various companies of the Group. He is also the Vice Chairman and the Chief Executive Officer of Wai Kee Holdings Limited (HK stock code: 610) and the Chairman, Chief Executive Officer and Managing Director of Build King Holdings Limited (HK stock code: 240). He is a Director of Emmaus Life Sciences, Inc., whose shares are traded on the OTC Market in the United States of America. He holds a Bachelor of Science degree in Engineering and a Master of Business Administration degree. He is a Chartered Engineer, a member of the Institution of Civil Engineers, the United Kingdom and a fellow of The Institute of Quarrying, the United Kingdom. Mr. Zen has over 45 years of experience in civil engineering industry.

**Mr. Fong Shiu Leung, Keter**
*(aged 61, Chief Executive Officer)*

Mr. Fong is the Chief Executive Officer of the Company and a director of various companies of the Group. He was appointed as an Executive Director of the Company in 2000 and re-designated as the Chief Executive Officer of the Company in 2021. Mr. Fong holds a Bachelor of Arts degree in Accountancy. He is a Certified Practising Accountant in Australia and a fellow of the Hong Kong Institute of Certified Public Accountants. He has over 40 years of experience in auditing, accounting and business advisory profession. Prior to joining the Company, he was an audit principal of an international accounting firm.

**Mr. Ng Fun Hung, Thomas**
*(aged 51, Chief Financial Officer)*

Mr. Ng, joined the Group in 2011 and was appointed as Executive Director of the Company in February 2022. He is also the Chief Financial Officer of the Company and a director of various companies of the Group. He holds a Bachelor of Business Administration degree and a Master of Applied Finance degree. He is a fellow of both the Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants, a Chartered Financial Analyst of the United States, a Certified Information System Auditor of the United States and a Chartered Governance Professional of the United Kingdom and Hong Kong. Mr. Ng has over 28 years of experience in accounting, assurance and financial management. Prior to joining the Group, Mr. Ng worked for an international accounting firm and was previously the financial controller of a listed company in Hong Kong.

## NON-EXECUTIVE DIRECTORS

**Ms. Cai Xun**
*(aged 49)*

Ms. Cai has been appointed as a Non-executive Director of the Company since May 2021. She is an executive director of Shenzhen Investment Limited (HK stock code: 604), a non-executive director of Ping An Insurance (Group) Company of China, Ltd. (HK stock code: 2318), a director of 深業集團有限公司 (Shum Yip Group Limited*) and Shum Yip Holdings Company Limited. Ms. Cai worked in the Organization Department of Shenzhen Municipal Party Committee during the period from year 2002 to 2020 and served as the chief of the Cadre Division 1, the chief of the Research and Publicity Division and the chief of the Cadre Supervision Division. She graduated from Central South University of Technology (now known as Central South University) with a bachelor's degree in economics. Ms. Cai has extensive experience in human resources and administrative management.

**Mr. Xu Enli**
*(aged 48)*

Mr. Xu has been appointed as a Non-executive Director of the Company since January 2022. He is an executive director and a Vice President of Shenzhen Investment Limited (HK stock code: 604) and a Vice President of 深業集團有限公司 (Shum Yip Group Limited*) and Shum Yip Holdings Company Limited. He previously served as the chairman and general manager of Shum Yip Land Co., Ltd., general manager of Shenzhen Science & Industry Park Group Co., Ltd., deputy general manager of Shum Yip Southern Land (Holdings) Co., Ltd., Shum Yip Pengji (Holdings) Co., Ltd. and Shum Yip Shahe Group Co., Ltd. He graduated from Tianjin University with a master's degree and is a qualified senior engineer. Mr. Xu has extensive experience in real estate development, operation and infrastructure construction.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Lau Sai Yung**
*(aged 76)*

Mr. Lau has been appointed as an Independent Non-executive Director of the Company since August 2004. He is the Chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee of the Company. He is the sole-proprietor of Lau SY & Co., Certified Public Accountants, the Executive Chairman of Union Alpha CPA Limited, the Managing Director of Union Alpha CAAP Certified Public Accountants Limited, an Honorary Fellow of The Chinese University of Hong Kong, an Affiliated Fellow cum Overseer of Wu Yee Sun College, The Chinese University of Hong Kong. He also holds honorary positions in various schools, charitable and non-profit-making organisations. He was a Non-executive Director of Dezhan Healthcare Company Limited (formerly known as Xinjiang Tianshan Wool Textile Co., Ltd.) (Shenzhen stock code: SZ000813). He holds a Bachelor degree in Business Administration from The Chinese University of Hong Kong. He is a Certified Public Accountant (Practising), a fellow of the Association of Chartered Certified Accountants of the United Kingdom, The Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Accountants in England and Wales, The Society of Chinese Accountants and Auditors, Hong Kong, and The Taxation Institute of Hong Kong, an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute of the United Kingdom, and Chartered Tax Adviser. Mr. Lau has over 50 years of experience in the profession of accounting.

* *For identification purpose only*

## INDEPENDENT NON-EXECUTIVE DIRECTORS *(continued)*

**Mr. Wong Wai Ho**
*(aged 74)*

Mr. Wong has been appointed as an Independent Non-executive Director of the Company since May 2014. He is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. He is an Independent Non-executive Director of Hang Chi Holdings Limited (HK stock code: 8405). He was a consultant of Jumbo Land Resources Limited. Moreover, Mr. Wong was appointed by Jardine Fleming responsible for the management of the world's first ever direct investment focusing on finding investment opportunities in the Greater China region and was appointed by Kleinwort Benson and Advent International Corporation as a director and a managing director respectively. Prior to that, he worked for the Hong Kong Trade Development Council responsible for the promotion of Hong Kong's external trade for 13 years. Mr. Wong has been involved in the public services; he was a member of the Board of Trustees of Chung Chi College, The Chinese University of Hong Kong and a member of The Chinese History and Culture Educational Foundation for Youth. In the Expo 2010 Shanghai, Mr. Wong was appointed as the deputy pavilion director of the World Trade Centers Association Pavilion. Mr. Wong holds a Bachelor degree in Business Administration (major in accounting) from The Chinese University of Hong Kong and a Master in Law degree from the People's University of China (also known as Renmin University of China). He has extensive experience in trade promotion, fund investment and investment consultancy.

**Ms. Hui Grace Suk Han**
*(aged 53)*

Ms. Hui has been appointed as an Independent Non-executive Director of the Company since June 2022. She has been in the banking and finance industry for more than 20 years. From 2013 to early 2022, Ms. Hui was with Hong Kong Exchanges and Clearing Limited ("HKEX") during which she served as Chief Operating Officer of its Listing Division until early 2020 when she initiated and established HKEX's green and sustainable finance department and HKEX's Sustainable and Green Exchange. Prior to HKEX, Ms. Hui spent ten years at UBS Investment Bank in Hong Kong and New York in various roles including Chief of Staff and Global Chief Operating Officer of its legal & compliance department. Before that, Ms. Hui practised law with Reed Smith Richards Butler. Ms. Hui is currently an adjunct professor with the Division of Environment and Sustainability at The Hong Kong University of Science and Technology, an honorary adviser to the Financial Reporting Council ("FRC"), a member of both the FRC's Inspection Committee and FRC's Sustainability and Climate Action Task Force; and a member of the Sustainability Committee of The Hong Kong Institute of Certified Public Accountants. Ms. Hui graduated from The London School of Economics and Political Science, University of London with a Bachelor of Science degree in Mathematical Sciences in 1994. From 1994 to 1996, Ms. Hui pursued her legal studies at BPP Law School in the United Kingdom. Ms. Hui is a qualified lawyer in Hong Kong and in England and Wales.

**Mr. Cheung Hon Kit**
*(aged 70)*

Mr. Cheung has been appointed as an Independent Non-executive Director of the Company since 1 June 2023. He is the chairman and an executive director of ITC Properties Group Limited (HK stock code: 199) and was an independent non-executive director of Future Bright Holdings Limited (HK stock code: 703). He graduated from the University of London with a Bachelor of Arts Degree. Mr. Cheung has over 45 years of experience in real estate development, property investment and corporate finance, holding key executive positions in various leading property development companies in Hong Kong. On 15 November 2005, the Securities and Futures Commission of Hong Kong (the "SFC") criticised the then board of directors of ITC Corporation Limited ("ITC Corporation", now known as PT International Development Corporation Limited) for breaching Rule 21.3 of The Hong Kong Code on Takeovers and Mergers in respect of the dealing in the securities of Hanny Holdings Limited (now known as Master Glory Group Limited (in liquidation)) by ITC Corporation during an offer period without the consent of the executive director of the Corporate Finance Division of the SFC. Mr. Cheung was a director of ITC Corporation at that time.

## SENIOR MANAGEMENT

**Mr. Li Wanle**
*(aged 53)*

Mr. Li, joined the Group in 2021, is the Chief Operating Officer of the property development group and the regional Director in the Guangdong region responsible for overseeing the PRC property development projects. He holds a Master degree in Business Administration, a Bachelor degree in Engineering Management and a Bachelor degree in Industrial and Civil Engineering. Prior to joining the Group, Mr. Li worked for several renowned property developers and has 31 years of experience in property development and operation in the PRC.

**Mr. Zhang Nan**
*(aged 51)*

Mr. Zhang, joined the Group in 2007, is the regional Director of the property development projects in Suzhou, Wuxi, Zhenjiang and Henan Regions. He holds a Bachelor of Engineering Management degree and an Executive Master of Business Administration degree, and is a Registered Costing Engineer in the PRC. Mr. Zhang has over 28 years of experience in property development and management in the PRC.

**Ms. Diao Lu, Amy**
*(aged 49)*

Ms. Diao, joined the Group in 2007, is the regional Director of the property development projects in Beijing, Hebei and Shandong, and oversees the corporate communication function of the Group. She holds a Bachelor of International Finance degree and an Executive Master of Business Administration degree. Ms. Diao has substantial years of experience in managerial positions in property development companies as well as Fortune 500 multi-national companies, in particular, in the area of human resources and corporate communication and public affairs.

**Mr. Fung Tat Sun, Patrick**
*(aged 52)*

Mr. Fung, joined the Group in 2021, is the Chief Executive Officer – Toll Road operations of the Group and a Director of Road King Expressway International Holdings Limited. He holds a Bachelor of Computing (Information System), a Bachelor of Business degree (Accounting) and a Master of Science in Financial Management degree. Prior to joining the Group, Mr. Fung worked in financial institutions, financial consultant and mass transportation operators in Southeast Asia and Hong Kong respectively. Mr. Fung has over 30 years of extensive experience in project financing, public-private partnerships, infrastructure mergers and acquisitions in road and transportation sectors.

**Mr. Lee Tak Fai, Kennedy**
*(aged 58)*

Mr. Lee, joined the Group in 2007, is the Company Secretary and the Senior Vice President of the Group responsible for the corporate finance and legal functions. He holds a Bachelor of Social Science degree and a Master of Science degree in Finance. He is a fellow of both the Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, Mr. Lee worked for a number of international accounting firms and was previously the financial controller and the assistant general manager of the corporate finance department of several companies listed on the main board of the Stock Exchange. He has over 32 years of experience in accounting, assurance, financing and business advisory services.

# Directors and Senior Management (continued)

## SENIOR MANAGEMENT *(continued)*

**Mr. Gao Da Peng**
*(aged 46)*

Mr. Gao, joined the Group in 2001, is the Regional Director of property development projects in Shanghai, Tianjin and Zhejiang and the Senior Vice President of the Group overseeing the sales and marketing function. He holds an Executive Master of Business Administration degree. Mr. Gao has 24 years of experience in property development, operation and sales management in the PRC.

**Mr. Chen Xue Ming**
*(aged 48)*

Mr. Chen, joined the Group in 2019, is the Senior Vice President of the Group overseeing the engineering function and the General Manager of Nanjing and Changzhou regions. He holds a Master of Business Administration degree. Prior to joining the Group, Mr. Chen worked for several renowned property developers and has 27 years of experience in property development, operation and sales management in the PRC.

**Mr. He Peiyong**
*(aged 53)*

Mr. He, joined the Group in 2021, is the Chief Operating Officer – Toll Road operations of the Group. He holds a Bachelor of Highway and Urban Road degree and a Master of Civil Engineering degree. Prior to joining the Group, Mr. He has over 29 years of experience in toll road investment and operation in the PRC, among which he worked in a Hong Kong listed toll expressway operation and management company for 10 years.

**Mr. Wong Heng Choon, Stanley**
*(aged 44)*

Mr. Wong, joined the Group in 2019, is the Chief Financial Officer – Toll Road operations of the Group. He holds a Bachelor of Commerce degree in Accounting and Finance. He is a Certified Practising Accountant in Australia and fellow of Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, Mr. Wong worked for international accounting firms based in Hong Kong and Malaysia and was previously the chief financial officer and company secretary of a listed company in Hong Kong. Mr. Wong has over 23 years of experience in accounting, assurance, financing and compliance services.

**Mr. Choi Hung Fat, Allen**
*(aged 62)*

Mr. Choi, joined the Group in 2021, is the Regional Director – Indonesia of Toll Road operations of the Group. He holds a Bachelor of Business Administration – Banking and Finance degree and a Master of Business Administration degree. Prior to joining the Group, Mr. Choi worked in several well-known conglomerate and financial institutions in Indonesia and Hong Kong with over 26 years extensive experience in business development, toll road projects management and operations in Indonesia, Hong Kong and the PRC.

The Directors present herewith the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2023.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group, including the joint ventures and associates, are the operation of property development, investment and asset management businesses in Mainland China and Hong Kong and the investment in, development, operation and management of toll road projects in Mainland China and Southeast Asia. Details of the Group's principal subsidiaries, joint ventures and associates are set out in notes 49, 19 and 18 to the consolidated financial statements respectively.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages F-7 and F-8 respectively.

No interim dividend was paid to the Shareholders during the year. The Board does not recommend the payment of final dividend for the year ended 31 December 2023.

## CLOSURE OF REGISTER OF MEMBERS

To determine the eligibility to attend and vote at the 2024 AGM, the register of members of the Company will be closed from Thursday, 16 May 2024 to Tuesday, 21 May 2024, both dates inclusive, during which period no transfer of Shares will be registered. All transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:00 p.m. on Tuesday, 14 May 2024 for registration.

## BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2023 is set out in the sections headed "Financial Highlights", "Chairman's Statement", "Chief Executive Officer's Report", "Management Discussion and Analysis", "Corporate Governance Report", "Consolidated Financial Statements" and "Financial Summary" on pages 2 to 3, pages 4 to 11, pages 12 to 16, pages 19 to 61, pages 78 to 92, pages F-7 to F-139 and page F-140 respectively. Description of the principal risks and uncertainties facing the Group can be found throughout this annual report.

## SHARE CAPITAL AND SHARE OPTIONS

Details of the share capital and share options of the Company during the year are set out in notes 27 and 28 to the consolidated financial statements respectively.

During the year, there was no movement in the share capital and share options of the Company.

## RESERVES

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages F-11 to F-12 of this annual report.

## DISTRIBUTABLE RESERVES OF THE COMPANY

In addition to the accumulated profits, under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution to the Shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus, if:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than its liabilities.

The reserves of the Company which were available for distribution to the Shareholders as at 31 December 2023 were approximately HK$2,677 million.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

## INVESTMENT PROPERTIES AND PROPERTIES FOR SALE

Details of the movements in the investment properties of the Group during the year are set out in note 17 to the consolidated financial statements. Particulars of the investment properties and properties for sale are shown under the section headed "Major Projects Information" of "Management Discussion and Analysis".

## BANK AND OTHER BORROWINGS

Particulars of the bank and other borrowings of the Group are set out in note 29 to the consolidated financial statements.

## RETIREMENT BENEFIT PLANS

Particulars of the retirement benefit plans of the Group are set out in note 37 to the consolidated financial statements.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page F-140 of this annual report.

## MAJOR SUPPLIERS AND CUSTOMERS

During the year, the aggregate amount of purchases and revenue from property business attributable to the Group's five largest suppliers and customers were less than 30% of the total value of the Group's purchases and revenue from property business respectively.

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

### Executive Directors:

Zen Wei Peu, Derek *(Chairman)*
Ko Yuk Bing *(Deputy Chairman) (retired with effect from 29 February 2024)*
Fong Shiu Leung, Keter *(Chief Executive Officer)*
Ng Fun Hung, Thomas *(Chief Financial Officer)*

### Non-executive Directors:

Cai Xun
Xu Enli

### Independent Non-executive Directors:

Lau Sai Yung
Tse Chee On, Raymond *(retired with effect from the conclusion of the 2023 AGM)*
Wong Wai Ho
Hui Grace Suk Han
Cheung Hon Kit *(appointed with effect from 1 June 2023)*

Pursuant to the Bye-law 86(2) of the Bye-laws, Mr. Cheung Hon Kit appointed as a Director with effect from 1 June 2023, will retire from office at the 2024 AGM, and being eligible, will offer himself for re-election at the 2024 AGM.

Pursuant to Bye-law 87, Mr. Xu Enli, Mr. Lau Sai Yung and Mr. Wong Wai Ho will retire from office by rotation at the 2024 AGM, Mr. Xu Enli and Mr. Wong Wai Ho, being eligible, will offer themselves for re-election at the 2024 AGM. Mr. Lau Sai Yung will not offer himself for re-election in order to devote more time to his other commitments and will retire from the Board with effect from the conclusion of the 2024 AGM.

None of the Directors proposed for re-election at the 2024 AGM has a service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

There were no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, every Director and everyone of their heirs, executors and administrators, shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts.

The Company has arranged appropriate directors and officers liability insurance coverage for its Directors and officers.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, the following Directors are considered to have interests in the business which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules:

| Name of Directors | Name of entities | Description of principal activities | Nature of interest of the Directors in the entities |
|---|---|---|---|
| Cai Xun | Shenzhen Investment group of companies (including its holding companies) | Property development, investment and management in the PRC | Director |
| Xu Enli | Shenzhen Investment group of companies (including its holding companies) | Property development, investment and management in the PRC | Director |

## DISCLOSURE OF INTERESTS

### Directors' Interests and Short Positions

As at 31 December 2023, the interests and short positions of the Directors in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

### (I) Shares

| Name of Directors | Nature of interest | Notes | Number of Shares held | | Percentage of holding (Note 3) |
|---|---|---|---|---|---|
| | | | Long position | Short position | % |
| Zen Wei Peu, Derek | Personal | 1 & 2 | 24,649,000 | – | 3.29 |
| Fong Shiu Leung, Keter | Personal | 1 | 260,000 | – | 0.03 |

Notes:

1. Long position in the Shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. Included in the balance is 1,000,000 Shares held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek.
3. The percentage was calculated based on 749,336,566 Shares in issue as at 31 December 2023.

### (II) Underlying Shares – Share Options

The Company adopted the Old Scheme on 8 May 2013 which expired on 8 May 2023. Pursuant to the ordinary resolution passed by the Shareholders at the 2023 AGM, the New Scheme was adopted for a period of 10 years commencing from the date of adoption. Particulars of the Old Scheme and the New Scheme are set out in note 28 to the consolidated financial statements.

During the year ended 31 December 2023, no share options were granted, exercised, lapsed or cancelled under the Old Scheme nor under the New Scheme.

### (III) Debentures of Associated Corporations

| Name of Directors | Name of companies | Nature of interest | Type of debentures | Principal amount held |
|---|---|---|---|---|
| Zen Wei Peu, Derek | RKI Overseas Finance 2017 (A) Limited | Personal | US$300 million 7% senior guaranteed perpetual capital securities | US$800,000 (Note 1) (long position) |
| | RKPF Overseas 2019 (E) Limited | Personal | US$300 million 7.75% senior guaranteed fixed-spread perpetual capital securities | US$46,450,000 (Note 2) (long position) |
| | RKP Overseas Finance 2016 (A) Limited | Personal | US$300 million 7.95% senior guaranteed perpetual capital securities | US$4,050,000 (Note 3) (long position) |
| | RKPF Overseas 2019 (A) Limited | Personal | US$480 million 6.7% guaranteed senior notes due 2024 (the "2024 Notes") | US$12,500,000 (Note 4) (long position) |
| | RKPF Overseas 2019 (A) Limited | Personal | US$300 million 5.9% guaranteed senior notes due 2025 (the "2025 March Notes") | US$2,000,000 (Note 5) (long position) |
| | RKPF Overseas 2019 (A) Limited | Personal | US$415.6 million 6% guaranteed senior notes due 2025 (the "2025 September Notes") | US$10,300,000 (Note 6) (long position) |
| Wong Wai Ho | RKI Overseas Finance 2017 (A) Limited | Personal | US$300 million 7% senior guaranteed perpetual capital securities | US$200,000 (long position) |

Note:

1. A principal amount of US$400,000 of US$300 million 7% senior guaranteed perpetual capital securities was held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek.

2. A principal amount of US$1,300,000 of US$300 million 7.75% senior guaranteed fixed-spread perpetual capital securities was held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek. A principal amount of US$41,000,000 of US$300 million 7.75% senior guaranteed fixed-spread perpetual capital securities was held by Talent Club Company Limited ("Talent Club", which is wholly-owned by Mr. Zen Wei Peu, Derek) and interest of such securities has been pledged to an independent third party other than a qualified lender. A principal amount of US$2,150,000 of US$300 million 7.75% senior guaranteed fixed-spread perpetual capital securities was held by Prepared Club Company Limited ("Prepared Club", which is wholly-owned by Mr. Zen Wei Peu, Derek).

3. A principal amount of US$4,050,000 of US$300 million 7.95% senior guaranteed perpetual capital securities was held by Talent Club and interest of such notes has been pledged to an independent third party other than a qualified lender.

4. A principal amount of US$3,500,000 of the 2024 Notes was held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek. A principal amount of US$9,000,000 of the 2024 Notes was held by Talent Club and interest of such notes has been pledged to an independent third party other than a qualified lender.

5. A principal amount of US$1,000,000 of the 2025 March Notes was held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek.

6. A principal amount of US$2,000,000 of the 2025 September Notes was held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek. A principal amount of US$5,900,000 of the 2025 September Notes was held by Talent Club and interest of such notes has been pledged to an independent third party other than a qualified lender.

Save as disclosed above, none of the Directors had or deemed to have any interests or short positions in any Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, none of the Directors or their spouses or children under 18 years of age was granted or had exercised any rights to subscribe for any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

## EQUITY-LINKED AGREEMENTS

Other than the share option schemes as mentioned earlier, no equity-linked agreements were entered into during the year or subsisted at the end of the year.

## ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option schemes as mentioned earlier, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of the Shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2023, the interests or short positions of every person, other than the Directors, in the Shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

| Name of Shareholders | Nature of interest | Number of shares held: Long Position (Note 1) | Number of shares held: Short position | Percentage of Holding (Note 11) % |
|---|---|---|---|---|
| Wai Kee (Note 2) | Interest in controlled corporation | 336,608,428 | – | 44.92 |
| Wai Kee (Zens) Holding Limited (Note 3) | Interest in controlled corporation | 336,608,428 | – | 44.92 |
| Groove Trading Limited (Note 4) | Beneficial owner | 81,880,000 | – | 10.93 |
| Wai Kee China Investments (BVI) Company Limited (Note 4) | Interest in controlled corporation | 251,728,428 | – | 33.59 |
| Wai Kee China Investments Company Limited (Note 5) | Interest in controlled corporation | 251,728,428 | – | 33.59 |
| ZWP Investments Limited (Note 6) | Beneficial owner | 251,728,428 | – | 33.59 |
| 深業集團有限公司 (Shum Yip Group Limited*) (Note 7) | Interest in controlled corporation | 202,334,142 | – | 27.00 |
| Shum Yip Holdings Company Limited (Note 8) | Interest in controlled corporation | 202,334,142 | – | 27.00 |
| Shenzhen Investment (Note 9) | Interest in controlled corporation | 202,334,142 | – | 27.00 |
| Brightful Investment Holding Limited (Note 10) | Beneficial owner | 202,334,142 | – | 27.00 |

Notes:

1. Long position in the Shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).

2. Wai Kee is deemed to be interested in the Shares through its interests in (i) its wholly-owned subsidiaries, namely Wai Kee (Zens) Holding Limited, Groove Trading Limited, Wai Kee China Investments (BVI) Company Limited, Wai Kee China Investments Company Limited, ZWP Investments Limited and Top Horizon Holdings Limited; and (ii) its subsidiaries, namely Build King, Top Tactic Holdings Limited, Amazing Reward Group Limited, Build King Management Limited and Build King Civil Engineering Limited, which beneficially held 3,000,000 Shares. Mr. Zen Wei Peu, Derek is a director of Wai Kee.

3. Wai Kee (Zens) Holding Limited is a direct wholly-owned subsidiary of Wai Kee. Mr. Zen Wei Peu, Derek is a director of Wai Kee (Zens) Holding Limited.

4. Groove Trading Limited and Wai Kee China Investments (BVI) Company Limited are direct wholly-owned subsidiaries of Wai Kee (Zens) Holding Limited. Mr. Zen Wei Peu, Derek is a director of Groove Trading Limited and Wai Kee China Investments (BVI) Company Limited.

5. Wai Kee China Investments Company Limited is a direct wholly-owned subsidiary of Wai Kee China Investments (BVI) Company Limited. Mr. Zen Wei Peu, Derek is a director of Wai Kee China Investments Company Limited.

6. ZWP Investments Limited is a direct wholly-owned subsidiary of Wai Kee China Investments Company Limited. Mr. Zen Wei Peu, Derek is a director of ZWP Investments Limited.

7. 深業集團有限公司 (Shum Yip Group Limited*) (incorporated in the PRC) is deemed to be interested in the Shares through its 90% interests in Shum Yip Holdings Company Limited (incorporated in Hong Kong). Ms. Cai Xun is a director of 深業集團有限公司.

8. Shum Yip Holdings Company Limited (incorporated in Hong Kong) is deemed to be interested in the Shares through its approximately 63.19% interests in Shenzhen Investment. Ms. Cai Xun is a director of Shum Yip Holdings Company Limited.

9. Shenzhen Investment is deemed to be interested in the Shares through its interests in its wholly-owned subsidiary, namely Brightful Investment Holding Limited. Ms. Cai Xun and Mr. Xu Enli are directors of Shenzhen Investment.

10. Brightful Investment Holding Limited is a direct wholly-owned subsidiary of Shenzhen Investment.

11. The percentage was calculated based on 749,336,566 Shares in issue as at 31 December 2023.

Save as disclosed above, no other person (other than the Directors) had an interest or a short position in the Shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

## REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE GROUP

During the year, the Group redeemed the following guaranteed senior notes issued by RKPF Overseas 2019 (A) Limited:

(a) all the outstanding principal amount of US$400 million 7.875% guaranteed senior notes due 2023 (the "2023 Notes") upon its final maturity date on 1 February 2023 at the redemption price plus accrued and unpaid interest. Subsequent to the full redemption, the 2023 Notes were cancelled and delisted from the Singapore Exchange Securities Trading Limited;

(b) an aggregate principal amount of US$36.1 million of the 2024 Notes, subsequent to which the outstanding principal amount of the 2024 Notes was US$322.7 million;

(c) an aggregate principal amount of US$20.1 million of the 2025 March Notes, subsequent to which the outstanding principal amount of the 2025 March Notes was US$197.0 million; and

(d) an aggregate principal amount of US$96.55 million of the 2025 September Notes, subsequent to which the outstanding principal amount of the 2025 September Notes was US$206.3 million.

Save as disclosed above, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Group's listed securities during the year ended 31 December 2023.

* *for identification purpose only*

## DONATIONS

During the year, donations made by the Group were approximately HK$17 million.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

## SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

## EMOLUMENT POLICY

The emolument policy of the employees of the Group is set by the Remuneration Committee of the Company on the basis of merit, qualification and competence.

The emoluments of all Executive Directors are decided by the Remuneration Committee, having regard to the Company's performance, individual performance and comparable market statistics.

The Company has adopted the Old Scheme and the New Scheme as an incentive to the Directors and eligible employees, details of the schemes are set out in note 28 to the consolidated financial statements.

## CONTINUING DISCLOSURE OF THE LISTING RULES

In compliance with continuing disclosure obligations of the Listing Rules, the following information is disclosed:

### 1. Pursuant to Rule 13.22 of the Listing Rules:

(a) A summary of aggregate financial information of the affiliated companies, based on the financial statements prepared under the accounting principles generally accepted in Hong Kong, as at 31 December 2023, is as follows:

| | **At 31 December 2023** HK$'million |
|---|---|
| **Statement of Financial Position** | |
| Non-current assets | **2,870** |
| Current assets | **29,049** |
| Current liabilities | **(19,319)** |
| Net current assets | **9,730** |
| Non-current liabilities | **(8,256)** |
| Net assets | **4,344** |

(b) Details of the affiliated companies are as follows:

| | The Group's attributable interest in the affiliated companies | Amount of guarantee given by the Group HK$'million | Amount of commitment for amounts advanced or to be advanced by the Group HK$'million |
|---|---|---|---|
| 安徽省馬巢高速公路有限公司 Anhui Machao Expressway Co., Ltd.* (Note) | 49% | 229 | – |
| 常州新雋捷房地產開發有限公司 Changzhou Xinjunjie Properties Developments Co., Ltd.* | 40% | 45 | 856 |
| 佛山市啟輝房地產有限公司 Foshan Qihui Properties Co., Ltd.* | 49% | – | 438 |
| 廣州市潤禾置業有限公司 Guangzhou Runhe Real Estate Co., Ltd.* | 30% | – | 35 |
| 杭州鑫堯置業有限公司 Hangzhou Xinyao Real Estate Co., Ltd.* | 30% | – | 187 |
| Holovis International Ltd | 40% | – | 61 |
| 南京新勁聯房地產開發有限公司 Nanjing Xinjinlian Properties Developments Co., Ltd.* | 25% | 91 | – |
| 南京中勁房地產開發有限公司 Nanjing Zhongjin Properties Developments Co., Ltd.* | 40% | 358 | 16 |
| Shum King Company Limited | 50% | 1,111 | 1,889 |
| 蘇州湖璽房地產開發有限公司 Suzhou Huxi Properties Developments Co., Ltd.* | 35% | – | 153 |
| 蘇州勁湖房地產開發有限公司 Suzhou Jinwu Properties Developments Co., Ltd.* | 5% | 8 | 12 |
| 蘇州瑞茂房地產開發有限公司 Suzhou Ruimao Properties Developments Co., Ltd.* | 49% | – | 236 |
| 天津雋達企業管理有限公司 Tianjin Junda Corporate Management Co., Ltd.* | 50% | – | 643 |
| 天津雋泰房地產開發有限公司 Tianjin Juntai Properties Developments Co., Ltd.* | 50% | 269 | – |
| 無錫鑫昇置業有限公司 Wuxi Xinsheng Real Estate Co., Ltd.* | 30% | 75 | 169 |
| | | 2,186 | 4,695 |

Note: As at 31 December 2023, the interest in the infrastructure joint venture is indirectly held by Road King Expressway International Holdings Limited, which is 75% held by the Group.

* *for identification purpose only*

### 2. Pursuant to Rule 13.18 of the Listing Rules:

**Guaranteed Senior Notes and Senior Guaranteed Perpetual Capital Securities**

The Company is obliged to make an offer to repurchase and redeem the following guaranteed senior notes and senior guaranteed perpetual capital securities then outstanding at a rate equal to 101% of the principal amount, plus accrued and unpaid interest, if any, up to (but not including) the date of repurchase, and together with any distribution accrued to the date fixed for redemption, including any deferred distribution and any additional distribution payable on it, respectively upon the occurrence of a change of control triggering event and a decline in the rating of the notes and the securities:

(a) 2024 Notes (issued in September 2019);

(b) 2025 March Notes (issued in March 2020);

(c) 2025 September Notes (issued in September 2020);

(d) US$500 million 5.2% notes due 2026 (issued in January 2021);

(e) US$500 million 5.125% notes due 2026 (issued in July 2021);

(f) US$300 million 7.95% perpetual capital securities (issued in February 2017);

(g) US$300 million 7% perpetual capital securities (issued in June 2017); and

(h) US$300 million 7.75% fixed-spread perpetual capital securities (issued in November 2019).

For details of the guaranteed senior notes and senior guaranteed perpetual capital securities issued, redeemed or repurchased during the year ended 31 December 2023, please refer to the section headed "Repurchase, Sale or Redemption of Listed Securities of the Group" of this report and notes 29 and 36 to the consolidated financial statements of the Group.

Save as disclosed above, there is no other continuing disclosure required to be made by the Company pursuant to Chapter 13 of the Listing Rules.

## AUDITOR

A resolution will be proposed at the 2024 AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor.

On behalf of the Board
**Zen Wei Peu, Derek**
*Chairman*

Hong Kong, 20 March 2024

# Corporate Governance Report

## CORPORATE GOVERNANCE CODE

The Company is dedicated to maintaining the highest standard of corporate governance as it believes that good corporate governance practices are fundamental to the smooth and effective operation of a company and can enhance the Shareholders' value as well as safeguard the Shareholders' interests. The Company places strong emphasis on an effective Board, accountability, sound internal control, appropriate risk-assessment, monitoring procedures and transparency to all the Shareholders and stakeholders.

Throughout 2023, the Company has complied with all the applicable code provisions set out in the CG Code.

## CORPORATE CULTURE

The Board leads the management in defining the mission, values and strategic direction of the Group and in fostering a culture that enable the Company to generate sustainable long-term value for the Shareholders, provide employees with career development opportunities and fulfil its role as a responsible corporate citizen.

**Our Mission & Values**

| Mission | Values |
|---|---|
| To become one of the best performing investors and operators in the PRC | Managing our business with:<br>• Excellence<br>• Collaboration<br>• Proactivity<br>• Integrity |

The desired culture is developed and reflected consistently in the operating procedures of the Group, workplace policies and practices as well as relations with Shareholders and stakeholders. The Board and the management create a culture of attaining high standards of corporate governance and maintaining sound and well-established corporate governance practices for the interest of the Shareholders and stakeholders. The Board considered and satisfied itself that our strategy and culture continued to be aligned.

## THE BOARD

### Composition

The Board has a balanced composition of members to ensure independent viewpoints in all discussions. During the year ended 31 December 2023 and up to the date of this annual report, the Board comprises the following Directors:

**Board**

| Executive Directors | Non-executive Directors | Independent Non-executive Directors |
|---|---|---|
| Zen Wei Peu, Derek *(Chairman)* | Cai Xun | Lau Sai Yung |
| Ko Yuk Bing *(Deputy Chairman)* *(Note 1)* | Xu Enli | Tse Chee On, Raymond *(Note 2)* |
| Fong Shiu Leung, Keter *(Chief Executive Officer)* | | Wong Wai Ho |
| Ng Fun Hung, Thomas *(Chief Financial Officer)* | | Hui Grace Suk Han |
| | | Cheung Hon Kit *(Note 3)* |

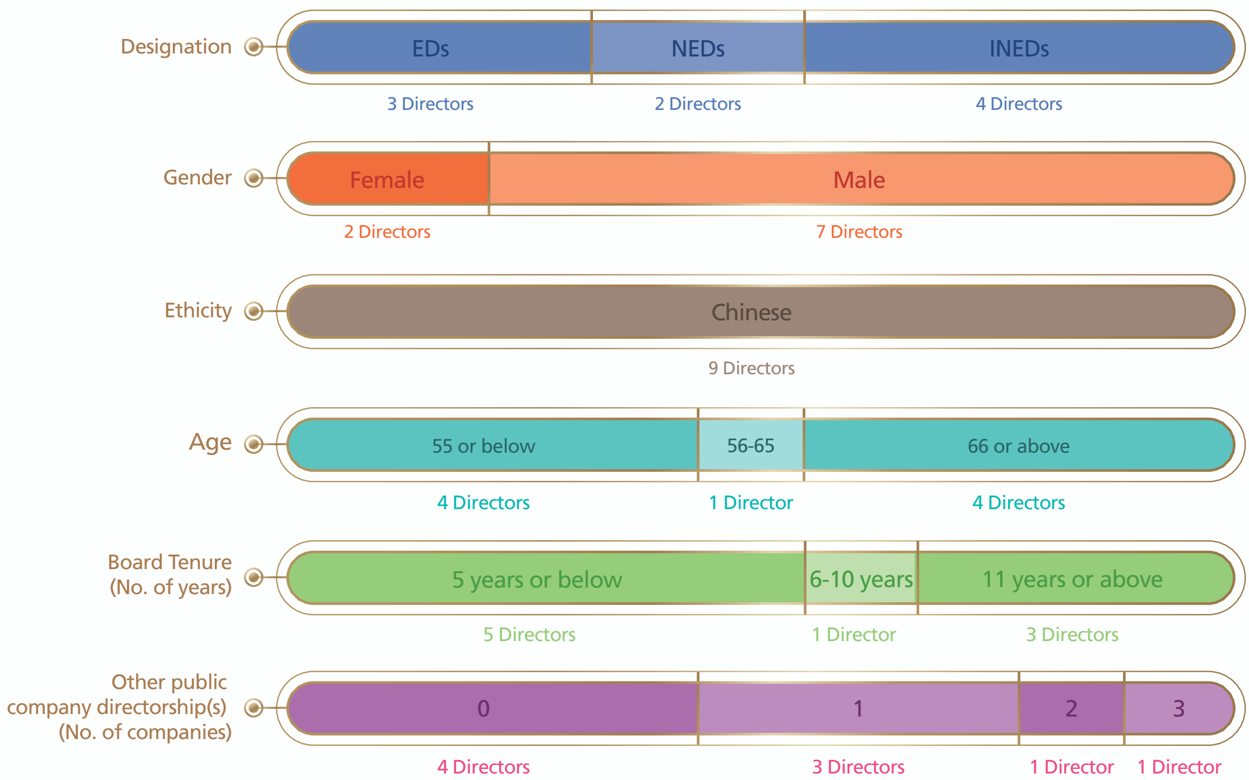
Notes:

1 Mr. Ko Yuk Bing retired as the positions of Deputy Chairman and Executive Director of the Company with effect from 29 February 2024.

2 Mr. Tse Chee On, Raymond retired as an Independent Non-executive Director of the Company with effect from the conclusion of the 2023 AGM.

3 Mr. Cheung Hon Kit was appointed as an Independent Non-executive Director of the Company with effect from 1 June 2023.

As at the date of this annual report, the Board comprises nine Directors including three Executive Directors, two Non-executive Directors and four Independent Non-executive Directors. With the expertise contributed by each of the Directors, the Board has a wide spectrum of valuable business experience, knowledge and professionalism for its efficient and effective functioning. Biographical details of the Directors are set out in the section headed "Directors and Senior Management" of this annual report. An updated list of the Directors and their respective roles and functions are maintained on the Company's website and the HKEXnews website of Hong Kong Exchanges and Clearing Limited (the "HKEXnews website").




Remarks

EDs: Executive Directors
NEDs: Non-executive Directors
INEDs: Independent Non-executive Directors

During the year ended 31 December 2023, there is no relationship (including financial, business and family relationship or other material relevant relationships) between members of the Board, and between the Chairman and the Chief Executive Officer.

## Appointment and Re-election

Pursuant to the Bye-laws, the Board may appoint a director either to fill a casual vacancy or as an addition to the Board from time to time during the year following the recommendation from the Nomination Committee of the Company. Any Director appointed by the Board to fill a casual vacancy and any Director appointed by the Board as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. In addition, at each annual general meeting, at least one-third of the Directors for the time being shall retire from office by rotation and are eligible for re-election.

## Non-executive Directors

All the Non-executive Directors and Independent Non-executive Directors entered into letters of appointment separately with the Company for a specific term of not more than three years, subject to re-election at the annual general meeting pursuant to the Bye-laws and the prevailing Listing Rules.

## Board Independence

Independent Non-executive Directors represent more than one-third of the Board which facilitates in bringing to the Board independent advice and judgement. During the year ended 31 December 2023, the Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules which require the appointment of at least three Independent Non-executive Directors including at least one of the Independent Non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise and the number of Independent Non-executive Directors must representing at least one-third of the Board.

The Company has received written confirmation of independence from each of the Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board considers them to be independent in accordance with the Listing Rules.

The Nomination Committee confirmed that all Independent Non-executive Directors provided a strong independent element on the Board, were freed from any business, financial or other relationship which could materially interfere with the exercise of their judgement, and remained independent for the year ended 31 December 2023.

The Board has established mechanisms to ensure independent views are available to the Board. A summary of which is set out below:

**Nomination and appointment process**

- Nomination Committee of the Company must adhere to the Nomination Policy (details please refer to the paragraph of "Nomination Policy" and "Nomination Procedures" under section headed "Nomination Committee") and the independence assessment criteria as set out in the Listing Rules.

**Ongoing process**

- Each Independent Non-executive Director is required to inform the Company as soon as practicable if there is any change in his or her personal particulars that may affect his or her independence.
- Directors (including Independent Non-executive Directors) are entitled to seek further information and documentation from the management on the matters to be discussed at Board meetings.
- Directors (including Independent Non-executive Directors) or any of his or her close associates (as defined in the Listing Rules) has a material interest in a contract or arrangement, shall not vote or be counted in the quorum on any Board resolution approving the same.

**Annual assessment**

- Each Independent Non-executive Director is required to confirm with the Company his or her independence in accordance with Rule 3.13 of the Listing Rules.
- Nomination Committee assesses and reviews the independence of Independent Non-executive Directors annually.

## Role and Delegation

The primary role of the Board is to protect and enhance long-term Shareholders' value. It assumes the responsibility for providing effective and responsible leadership and control of the Company, and directing and supervising the Company's affairs in pursuit of the Group's strategic objectives.

The Board, led by the Chairman, approves and monitors the Group's strategies and policies, evaluates the performance of the Group and supervises the management. In addition, the Board reserved for its decisions of all major matters of the Company, including approval and monitoring of budgets, internal control and risk management systems, dividend payout, material transaction (in particular those may involve conflict of interests), preparation and release of financial information, appointment of Directors, replenishment of land reserves, other significant financial and operational matters.

In order to enhance efficiency, the Board has delegated to the Chief Executive Officer the day-to-day leadership and management of the business of the Group.

The Board also ensures that good corporate governance policies and practices are implemented within the Group and is responsible for performing the corporate governance duties including the following:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of the Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct manual applicable to employees and the Directors; and
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year ended 31 December 2023 and up to the date of this annual report, the Board reviewed the Company's compliance with the CG Code for the years ended 31 December 2022 and 2023 together with six months ended 30 June 2023, and the Company's disclosures in the Corporate Governance Reports for the years ended 31 December 2022 and 2023.

The Group has adopted a number of policies and procedures, all of which have been documented and communicated to the Directors and employees via Employees' Handbooks and individual departmental handbooks to ensure good corporate governance practices and high standard of business conducts and ethics of the Group. The effectiveness of these policies is reviewed on a regular basis.

## Board Meetings

The Board meets regularly at least four times each year. In addition, ad hoc Board meetings are held for major and important matters in which Board resolutions are required. The Directors play an active role in participating the Company's meetings through contribution of their professional opinions and active participation in discussion.

During the year ended 31 December 2023, the Company held five Board meetings. Directors' attendance records at Board and Board Committee meetings, the 2023 AGM, two special general meetings held on 13 January 2023 and the special general meeting held on 20 December 2023 (collectively the "SGMs") are set out below:

| | Meetings attended/held | | | | | |
|---|---|---|---|---|---|---|
| Name of Directors | Board | Audit Committee | Nomination Committee | Remuneration Committee | 2023 AGM | SGMs |
| **Executive Directors** | | | | | | |
| Zen Wei Peu, Derek | 5/5 | – | 1/1 | 1/1 | 1/1 | 3/3 |
| Ko Yuk Bing *(Note 1)* | 5/5 | – | – | – | 1/1 | 1/3 |
| Fong Shiu Leung, Keter | 5/5 | – | – | – | 1/1 | 3/3 |
| Ng Fun Hung, Thomas | 5/5 | – | – | – | 1/1 | 3/3 |
| **Non-executive Directors** | | | | | | |
| Cai Xun | 2/5 | – | – | – | 0/1 | 0/3 |
| Xu Enli | 4/5 | – | – | – | 0/1 | 0/3 |
| **Independent Non-executive Directors** | | | | | | |
| Lau Sai Yung | 5/5 | 2/2 | 1/1 | 1/1 | 1/1 | 3/3 |
| Tse Chee On, Raymond *(Note 2)* | 1/3 | 1/1 | 1/1 | 1/1 | 0/1 | 0/2 |
| Wong Wai Ho | 4/5 | 2/2 | 1/1 | 1/1 | 1/1 | 3/3 |
| Hui Grace Suk Han | 5/5 | 1/1 | – | – | 1/1 | 3/3 |
| Cheung Hon Kit *(Note 3)* | 2/2 | – | – | – | – | 1/1 |

Notes:

1 Mr. Ko Yuk Bing retired as an Executive Director of the Company with effect from 29 February 2024.
2 Mr. Tse Chee On, Raymond retired as an Independent Non-executive Director of the Company with effect from the conclusion of the 2023 AGM.
3 Mr. Cheung Hon Kit was appointed as an Independent Non-executive Director of the Company with effect from 1 June 2023.
"-": Not Applicable

Notice of regular Board meetings is given to all Directors at least 14 days before each meeting, and all Directors are given the opportunity to include matters in the agenda for discussion at the Board meetings. The agenda and meeting materials, including relevant background information and supporting analysis, are normally sent to all Directors at least three days before the regular Board meetings (and so far as practicable for such other Board meetings) to ensure that they have sufficient time and attention to the affairs of the Company.

In order to have an effective Board, all Directors are provided with information on activities and developments in the Group's business on a monthly basis to keep them apprised of the latest developments of the Group. They have full access to information on the Group and are able to invite management and professional advisers, where appropriate, to attend Board meetings.

All Directors have direct access to the Company Secretary who is responsible for advising the Board on corporate governance and compliance issues. The Company Secretary is also responsible for taking minutes of the Board and Board Committees' meetings. Such minutes are open for inspection by the Directors.

Each Director is required to make disclosure of his interests or potential conflict of interests, if any, in any proposed transactions or issues discussed by the Directors at the Board and Board Committees' meetings. Any Director shall not vote on any resolution of the Board and Board Committees approving any contract or arrangement or any other proposal in which he/she (or his/her close associate (has the meaning ascribed to it under the Listing Rules)) is materially interested nor shall he/she be counted in the quorum present at such meeting.

## Induction and Continuous Professional Development

Directors should keep abreast of their collective responsibilities. Each newly appointed Director would receive a comprehensive induction package covering the Group's business and the statutory and regulatory obligations of a director of a listed company. The Company arranged induction package to Mr. Cheung Hon Kit, who was appointed as an Independent Non-executive Director of the Company on 1 June 2023, including legal advice from a firm of solicitors qualified to advise on Hong Kong law referred to in Rule 3.09D of the Listing Rules as regards the requirements under the Listing Rules that are applicable to him as a Director of the Company and the possible consequences of making a false declaration or giving false information to the Stock Exchange. Mr. Cheung confirmed that he understood his obligations as a Director of the Company on 19 June 2023.

The Group also provides seminars and trainings to develop and refresh the Directors' knowledge and skills. The Group continuously updates the Directors on the latest developments regarding the Listing Rules and applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. During the year ended 31 December 2023, the Group provided seminars, training courses and site visits to the Directors and management.

All Directors are requested to provide the Company with their respective training records pursuant to the CG Code. According to the training records maintained by the Company, the trainings received by each of the existing Directors during the year ended 31 December 2023 are summarised as follows:

| Name of Directors | Type of continuous professional development |
|---|---|
| **Executive Directors** | |
| Zen Wei Peu, Derek | A,B |
| Fong Shiu Leung, Keter | A,B |
| Ng Fun Hung, Thomas | A,B |
| **Non-executive Directors** | |
| Cai Xun | A,B |
| Xu Enli | A,B |
| **Independent Non-executive Directors** | |
| Lau Sai Yung | A,B |
| Wong Wai Ho | A,B |
| Hui Grace Suk Han | A,B |
| Cheung Hon Kit | B |

A: attending seminars and/or conferences and/or forums and/or site visits

B: reading newspapers, newsletters, journals and updates relating to the economy, general business, real estate, laws, rules and regulations, etc.

## Directors' and Officers' Liability Insurance and Indemnity

The Company has arranged appropriate Directors' and Officers' Liability Insurance for its Directors and officers covering the costs, losses, expenses and liabilities arising from the performance of their duties. The insurance policy covers legal action against its Directors and officers to comply with the requirement of the CG Code. During the year ended 31 December 2023, no claim was made against the Directors and officers of the Company.

## Chairman and Chief Executive Officer

The Chairman and the Chief Executive Officer of the Company are Mr. Zen Wei Peu, Derek and Mr. Fong Shiu Leung, Keter respectively.

To ensure a balance of power and authority, the roles of the Chairman and the Chief Executive Officer of the Company are performed by different individuals with separate duties. The division of responsibilities between the Chairman and the Chief Executive Officer is clearly established and set out in writing.

The role of the Chairman is to oversee the functioning of the Board and ensure the establishment of strategic direction of the Group. The Chairman provides leadership for the Board and ensures that the Company establishes sound corporate governance practices and procedures. He also encourages all Directors to make a full and active contribution to the affairs of the Board.

The Chief Executive Officer is responsible for implementing the Board's approved strategies and policies, and focuses on handling the day-to-day operations of the Group.

Detailed duties and responsibilities of the Chairman and the Chief Executive Officer are available on the website of the Company.

## Board Diversity Policy

The Board adopted a Board Diversity Policy in 2013 which was revised and amended in 2022. The Policy aims to set out the approach to achieve diversity of the Board to ensure that the Board has the balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board is committed to maintain the proportion of female Directors of no less than 15% and to increase the proportion of female Directors as and when suitable candidates are identified. As at the date of this annual report, the Board maintains two female Board members or 22% of the Board.

During the year ended 31 December 2023, the Nomination Committee and the Board had taken into account of, among others, the Board Diversity Policy and the Nomination Policy when considering the appointment of Mr. Cheung Hon Kit as Independent Non-executive Director. The Nomination Committee and the Board formed the view that, with his different backgrounds and expertise, the newly appointed Director mentioned above would be a valuable addition to the Board and would further enrich the spectrum of skills, experience and diversity of perspectives of the Board apposite to the leading and overseeing of the Company's business.

The Board maintains the numerical target of having minimum representation of 40% of either gender across the Group's workforce. In striving to maintain gender diversity, similar considerations are used when recruiting and selecting key management and other personnel across the Group's operations. As at 31 December 2023, the ratio of female to male in the workforce (excluding Directors) was 40:60. For details of gender distribution, please refer to our "Environment, Social and Governance Report" contained in this annual report. Notwithstanding the above, gender diversity for the Group's property development segment may be less relevant due to the nature of work.

## BOARD AND MANAGEMENT COMMITTEES

To facilitate the work of the Board, the Board has delegated responsibilities to three Board Committees, namely Audit, Nomination and Remuneration Committees, to oversee particular aspects of the Company's affairs, and Property Business Management Committee to deal with the day-to-day operations of property development business of the Group. The terms of reference of the Audit, Nomination and Remuneration Committees are available on the Company's website and the HKEXnews website.

### Audit Committee

#### Composition

The Audit Committee currently comprises three members, namely Mr. Lau Sai Yung (Chairman of the Audit Committee), Mr. Wong Wai Ho and Ms. Hui Grace Suk Han. Ms. Hui Grace Suk Han was appointed as a member of the Audit Committee in replacement of Mr. Tse Chee On, Raymond after the conclusion of the 2023 AGM. All members are Independent Non-executive Directors.

#### Role and Function

The main responsibilities of the Audit Committee are to review the consolidated financial statements and the auditor's report, and to monitor the integrity of the consolidated financial statements. It also assists the Board to oversee risk management and internal control systems, and internal and external audit functions. The Committee meets at least twice a year with the Company's external auditor to discuss the audit process and accounting issues.

#### Summary of Work Done

The following is a summary of major work performed by the Audit Committee during the year ended 31 December 2023 and up to the date of this annual report:

- Approval of the remuneration and terms of engagement of the external auditor;
- Review of the annual results of the Group for the years ended 31 December 2022 and 2023, and the interim results of the Group for the six months ended 30 June 2023;
- Review of the Group's financial information, financial reporting procedures, risk management and internal control systems, and financial and accounting policies and practices;
- Review of external auditor's independence and objectivity and the effectiveness of the audit process, and review of policy on engaging the external auditor to supply non-audit services;
- Review of the audit plan for financial year ended 31 December 2023;
- Review of adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting and internal audit functions;
- Review of internal/external auditor's significant findings and recommendations, and monitoring of the subsequent implementation;
- Recommendation to the Board to re-appoint the external auditor at the 2023 AGM and 2024 AGM;
- Review of the effectiveness of the internal audit function of the Company;
- Approval of the 2024 internal audit plan;
- Review of the findings in the internal control report;
- Review of reporting mechanism for employees to raise concerns about possible improprieties in financial reporting, internal control or other matters related to the Company;
- Meetings with the external auditor, in the absence of Executive Directors and Management; and
- Review of Risk Management Report.

## Nomination Committee

### Composition

The Nomination Committee currently comprises four members, namely Messrs. Zen Wei Peu, Derek (Chairman of the Nomination Committee), Lau Sai Yung, Wong Wai Ho and Ms. Hui Grace Suk Han. Ms. Hui Grace Suk Han was appointed as a member of the Nomination Committee in replacement of Mr. Tse Chee On, Raymond after the conclusion of the 2023 AGM. Except for Mr. Zen Wei Peu, Derek, an Executive Director, all other members are Independent Non-executive Directors.

### Role and Function

The Nomination Committee was established to ensure that there are deliberative, considered and transparent procedures for the appointment of the Directors. The duties of the Committee include reviewing the structure, size and diversity (including without limitation, gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) of the Board and the Nomination Policy at least annually, and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become Directors and selecting, or making recommendations to the Board on the selection of individuals nominated for directorships. In identifying suitable candidates, the Committee shall consider candidates on merit and against the objective criteria with due regard for benefits of diversity of the Board.

### Summary of Work Done

The following is a summary of the work performed by the Nomination Committee during the year ended 31 December 2023 and up to the date of this annual report:

- Review of the structure, size and diversity (including without limitation, gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) of the Board;
- Assessment of the independence of the Independent Non-executive Directors;
- Review of the Nomination Policy and Board Diversity Policy (the "Policies");
- Review the measurable objectives of gender diversity at the Board level and across the Group's workforce and make recommended amendments on the Board Diversity Policy for the Board's approval;
- Identity and select individuals nominated for directorship; make recommendations to the Board on the appointment of Mr. Cheung Hon Kit as an Independent Non-executive Director after taking into account of the Policies;
- Monitor the progress of succession planning of the Board; and
- Determination of the rotation of the Directors at the 2023 AGM and 2024 AGM.

### Nomination Policy

The Company has a Nomination Policy for the nomination of Directors. The Policy aims to set out the approach to guide the Nomination Committee in relation to the identification of individuals suitably qualified to become Directors and selection or making recommendation to the Board on the selection of individuals nominated for directorships and re-election.

### Nomination Procedures

Appointment of new Directors is first considered by the Nomination Committee. In considering the appointment of a Director, the Committee applies criteria such as relevant experience, professional and educational background, reputation for integrity and independence as well as the diversity of the Board as mentioned in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

For the retiring Directors to be re-elected at annual general meeting, other than the consideration of selection criteria and the diversity of the Board mentioned above, the Committee will evaluate their overall contribution and service to the Company.

The recommendation of the Nomination Committee is then put to the Board for consideration and approval. Thereafter, any Director appointed by the Board is subject to re-election by the Shareholders at the next annual general meeting after his/her appointment.

## Remuneration Committee

### Composition

The Remuneration Committee currently comprises three members, namely Messrs. Wong Wai Ho (Chairman of the Remuneration Committee), Zen Wei Peu, Derek and Lau Sai Yung. Mr. Wong Wai Ho was appointed as the Chairman of the Remuneration Committee in replacement of Mr. Tse Chee On, Raymond after the conclusion of the 2023 AGM. Except for Mr. Zen Wei Peu, Derek, an Executive Director, all other members are Independent Non-executive Directors.

### Role and Function

The Remuneration Committee has been established to ensure that there are formal and transparent procedures to assist the Board in determining the remuneration policy of the Company and structuring the remuneration of all Directors and senior management. The Committee is responsible for making recommendation to the Board on the Company's policy and structuring for all Directors' and senior management's remuneration, and reviewing and approving the management's remuneration proposal with reference to the Board's corporate goals and objectives. It also determines, with delegated responsibility, remuneration packages of individual Executive Directors and senior management, and makes recommendations on the remuneration of Non-executive Directors and Independent Non-executive Directors.

### Summary of Work Done

The following is a summary of the work performed by the Remuneration Committee during the year ended 31 December 2023 and up to the date of this annual report:

- Review and approval of the Company's remuneration policy for 2023 and 2024;
- Approval of emoluments of the Executive Directors (where Mr. Zen Wei Peu, Derek abstained from voting in determining his own remuneration) and senior management;
- Approval of remuneration package of the Executive Directors;
- Approval of year end bonus of the Executive Directors and senior management;
- Review of remuneration and bonus policy of senior management; and
- Approval of salary adjustment of staff.

### Remuneration Policy

The Company ensures that the remuneration offered in appropriate for the duties, in line with market practice and pay levels, and effective in attracting, retaining and motivating employees (including Executive Directors). For Non-executive Directors, the Company ensures that they are sufficiently but not excessively compensated for their efforts and time dedicated to the Company. No individual determines his/her own remuneration.

The remuneration of a Director is determined with reference to his/her duties and responsibilities with the Company and the prevailing market situation. Details of the emoluments of the Directors during the year ended 31 December 2023 are set out in note 11 to the consolidated financial statements of this annual report. The emoluments paid/payable to the senior management for the year ended 31 December 2023 were within the following bands:

| | Number of Senior Management |
|---|---|
| Up to HK$2,000,000 | 2 |
| HK$2,000,001 to HK$3,000,000 | 1 |
| HK$3,000,001 to HK$4,000,000 | 3 |
| HK$4,000,001 to HK$5,000,000 | 4 |

## Property Business Management Committee

### Composition

As at the date of this annual report, the Property Business Management Committee currently comprises eight members, including three Executive Directors, namely Messrs. Zen Wei Peu, Derek, Fong Shiu Leung, Keter (Convenor of the Property Business Management Committee) and Ng Fun Hung, Thomas and five members of senior management, namely Mr. Li Wanle, Mr. Zhang Nan, Ms. Diao Lu, Amy, Mr. Gao Da Peng and Mr. Chen Xue Ming.

### Role and Function

The Property Business Management Committee was formed in 2006 to supervise, monitor and handle major matters arising from the daily operations of the property development business in various cities in Mainland China.

In order to cope with the competitive and complex nature of the business, functional sub-committees, namely Market, Engineering and Property Service, were established to provide professional recommendations and solutions to the Property Business Management Committee for major matters as well as to execute and make decisions in areas delegated by the Property Business Management Committee.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. All the Directors have confirmed, following specific enquiry, that they have complied with the Model Code throughout the year ended 31 December 2023.

The Company has also adopted a code of conduct, on terms no less exacting than the Model Code, governing securities transactions by relevant employees who are likely to be in possession of unpublished inside information in relation to the Group or its securities because of their offices or employment.

Formal notifications are sent by the Company to all Directors and relevant employees before commencement of "black out period" specified in the Model Code to remind them not to deal in the securities of the Group. No incident of non-compliance with the Model Code by the Directors or relevant employees was noted by the Company during the year ended 31 December 2023.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility, with the support from the Finance and Accounting Department, to prepare the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements on a going concern basis.

The Directors are aware of the requirements under the applicable Listing Rules and statutory regulations with regard to the timely and proper disclosure of inside information, announcements and financial disclosures and authorises their publication as and when required.

## EXTERNAL AUDITOR'S REMUNERATION AND REPORTING RESPONSIBILITIES

Messrs. Deloitte Touche Tohmatsu had been re-appointed as the Company's external auditor at the 2023 AGM until the conclusion of the next annual general meeting.

The fees paid/payable to external auditor for audit and non-audit services for the year ended 31 December 2023 are as follows:

| Type of Services | Fee paid/payable<br>HK$ |
|---|---|
| Audit fee | 5,290,000 |
| Non-audit services | |
| Interim review fee | 1,950,000 |
| Transaction-related advisory Services | 3,350,000 |
| Other services | 666,000 |
| Total | 11,256,000 |

The statement of the Company's external auditor, Messrs. Deloitte Touche Tohmatsu, regarding their reporting responsibilities is set out in the "Independent Auditor's Report" on pages F-1 to F-6.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and maintaining sound and effective risk management and internal control systems (including reviewing their effectiveness) to safeguard Shareholders' investment and the Company's assets. The Group has established and developed the risk management system, which is defined by the Risk Management Policy comprising the roles and responsibilities of the Audit Committee, approach and methodology in establishing the risk assessment mechanism with references to international standards and best market practices. A Risk Management Taskforce (the "RMTF") has been set up to oversee the risk management program and assesses the program processes and makes decisions on risk management issues.

The Company has adopted the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO") 2013 framework. The management allocates resources for the internal control and risk management systems compatible with the COSO to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives. The risk assessment comprises five core stages including risk identification, risk assessment and prioritization, risk response, risk monitoring and risk reporting.

The Audit Committee, which was delegated by the Board, assisted by the RMTF has reviewed and evaluated the effectiveness of the Group's risk management system for the year ended 31 December 2023. The Audit Committee considered the risk management system of the Group was effective and adequate.

The internal control system comprises a defined organisational structure and comprehensive policies and standards. Responsibilities of each business and operational unit are defined to ensure effective check and balance.

The Audit Committee, which was delegated by the Board, has reviewed and evaluated, via the internal audit team, the effectiveness of the Group's internal control system put in place by management covering all material controls, including financial, operational and compliance controls as well as risk management functions of the Group for the year ended 31 December 2023. The Audit Committee considered the internal control system of the Group was effective and adequate.

During the year, the internal audit team conducts systematic reviews of the Group's internal control system by using a risk-based audit approach and reviews the effectiveness of the Group's system of internal control against the COSO 2013 framework in order to provide reasonable assurance of the effectiveness of the system. The team reports directly to the Audit Committee and has free access to review all aspects of the Group's activities and controlling system. The team summarises audit findings and control weaknesses and reports to the Audit Committee on a quarterly basis.

## POLICIES FOR WHISTLEBLOWING AND ANTI-CORRUPTION

The Company has established a platform for employees whom in confidence to raise their concerns about possible improprieties in financial, reporting, internal control or other matters and the relevant details are set out in the Staff Handbook. All reported cases are directly addressed to the Chief Executive Officer and investigated by independent investigation work force. Internal Audit Department monitors and reports cases to the Audit Committee on a quarterly basis.

Moreover, the Staff Handbook contains our anti-corruption and bribery policy which provide guidance to our employees on how to recognize and deal with corruption and bribery. Every employee has a duty to report any potential violations of the policy to the Company.

## SHAREHOLDERS' RIGHTS

The Board and management shall ensure Shareholders' rights and all Shareholders are treated equitably and fairly. Pursuant to the Bye-laws, any Shareholder entitled to attend and vote at a general meeting of the Company is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. Shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. In addition, Shareholders holding not less than one-twentieth of the total voting rights or not less than 100 Shareholders may submit a written request to the Company stating the resolution intended to be proceeded at the annual general meeting.

Any vote of the Shareholders at a general meeting must be taken by poll (other than procedural matters). Voting results are posted on the Company's website and the HKEXnews website on the day of the general meeting. To align with the Core Shareholder Protection Standards set out in then Appendix 3 of the Listing Rules, the Company amended its Bye-laws by a special resolution passed by the Shareholders at the 2023 AGM. The updated consolidated versions of the memorandum of association of the Company and the Bye-laws are available on the Company's website and the HKEXnews website.

Detailed procedures for the Shareholders to convene a special general meeting, putting forward proposals at a general meeting and proposing a person for election as a Director are also available on the website of the Company.

## COMMUNICATION WITH SHAREHOLDERS

The Board has established a Shareholders' Communication Policy setting out various channels of communication, with the objective of enabling the Shareholders to assess the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company.

The Company regards its Shareholders' meeting as an important means of communication with the Shareholders in which the Shareholders will be able to have an open dialogue with the Board. The Board members, in particular, the Chairmen of the Board Committees and appropriate management executives are available to answer questions of the Group's business at the annual general meetings. External auditor also attends the Company's annual general meetings and addresses queries from the Shareholders relating to the conduct of the audit and the preparation and content of its auditor's report.

Apart from holding Shareholders' meeting, the Company also endeavours to maintain effective communication with all Shareholders through other channels such as publication of annual and interim reports, announcements and circulars so as to provide extensive information on the Group's activities, business strategies and developments, and financial position. Such information is also available on the Company's website and the HKEXnews website.

Shareholders are also provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, to enable them to make any queries or comments on the Company at any time.

## DIVIDEND POLICY

The Company has adopted a Dividend Policy. It aims to provide Shareholders with stable and sustainable returns. In proposing any dividend payout, the Board shall take into account, inter alia, the Group's financial condition, working capital requirements and future expansion plans, actual operations and liquidity position, the Company's retained earnings, distributable reserves and cash flow situation, general economic condition and other factors that the Board considers appropriate.

## INVESTOR RELATIONS

The Company pursues a proactive policy of promoting investor relations and communications with the Shareholders. To this end, the Company maintains an open dialogue with the Shareholders and investors through the Company's financial reports, press releases, road shows, conferences, annual general meetings and general meetings that may be convened, as well as making available all the disclosures submitted to the Stock Exchange to provide regular and timely public disclosures on the Company's operating performance and corporate developments.

The Company has issued newsletters on a quarterly basis. These newsletters set out the latest developments of the Group's projects, and the quarterly performance of property sales and toll road projects. All the newsletters and publications of the Company issued in 2023 can be retrieved from the website of the Company. Going forward, the Company will continue to enhance its transparency to ensure the Shareholders and investors are kept abreast of the Company's latest development on a timely basis.

During the year ended 31 December 2023, the Company's investor relations team arranged analyst meetings and regular meetings and interviews with the Shareholders, investors and analysts.

## SOCIAL RESPONSIBILITY

The Group is committed to make contributions to the community since its establishment. In addition to fulfilling corporate responsibility in its day to day operations, the Group also proactively participates in social welfare activities and donations. For details, please refer to the subsection headed "Community Investment" under "Building Sustainable Community" of the "Environmental, Social and Governance Report" of this annual report.

# Environmental, Social and Governance Report

## ABOUT THIS ESG REPORT

This ESG report serves as a summary of the ESG strategy, policies and achievements. This Report is the Group's eighth ESG report, showing Road King's development concept and operation strategy. By providing quality products and services and managing environmental, social and governance risks and impacts, Road King strives to integrate sustainable development concept into daily operations and create lasting value for investors and other stakeholders. This ESG report is written in Chinese and English respectively, and has been uploaded to the website of the Hong Kong Exchanges and Clearing Limited (the "Stock Exchange") and the Company's website. If there is any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

### Reporting Scope

This ESG Report provides an overview of the ESG progress of the Group, including policies, measures and performance, for the period from 1 January 2023 to 31 December 2023 (the "Reporting Period"), in order to enable stakeholders to better understand the Group's progress and development direction on sustainability topics. Unless otherwise specified, this ESG report has carefully assessed its business entities and operations based on the materiality criteria according with the Reporting requirements of the Stock Exchange, and covers the Group's property development and investment businesses in Mainland China and Hong Kong, which represent the Group's principal business operations. The total gross floor area of the entities covered in this ESG report represents the principal gross floor area of the Group's property development and investment projects during the Reporting Period, adequately reflecting the Group's overall ESG performance.

### Reporting Standard

This ESG report is prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 to the Listing Rules of the Stock Exchange.

### Reporting Principles

With the aim to offer stakeholders a fair view of the Group's effort in ESG as well as useful information for decision making, this ESG report strictly adhered to the requirements of the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 to the Listing Rules regarding the mandatory disclosure requirements and "comply or explain" provisions, and the preparation of this ESG report is based on the four reporting principles set out therein – materiality, quantitative, balance, and consistency:

| | |
|---|---|
| **Materiality** | Important and relevant information to stakeholders on different ESG aspects is covered in this ESG report. Relative importance of ESG topics has been determined through materiality assessment and approved by the Board for disclosure of their key points. |
| **Quantitative** | Quantitative information with appropriate annotated and comparative data is provided in this ESG report to assist readers in interpreting the data and assess the Group's ESG performance objectively and, where practicable, comparisons with past performance are also provided. |
| **Balance** | Unbiased information is provided in this ESG report, without the inappropriate use of selections, omissions and presentation formats that would mislead the readers. |
| **Consistency** | Consistent methodologies (as previous reports) are used to prepare and present ESG data provided in this ESG report, unless otherwise specified. |

## ESG PERFORMANCE HIGHLIGHT

The Group is firmly committed to the concept of sustainable development. While the business environment was still full of challenges and variables, the Group continued its efforts to provide quality products and services while striving to improve overall ESG performance in different aspects. Below are some of the key achievements of the Group during the Reporting Period:

**EMPHASIZE ENVIRONMENTAL PROTECTION**

**9** Projects that Obtained Green Building Certification Were Completed during the Year

Resource Recycling Rate **25.1**%

**FOCUS ON STAFF TRAINING AND DEVELOPMENT**

Employee Training Rate **96**%

Average Training Hours of Trained Employees **27** Hours

**COMMITTED TO COMMUNITY CONTRIBUTION AND INVESTENT**

Organised More Than **260** Community Support and Elderly Care Activities

Continued Support for the Underserved Children **11** Years

In order to support the Group's green development, the Group has established a green financing framework in 2021. The funds raised through green financing channels (such as bonds and loans) will be used for projects such as green buildings, energy efficiency, renewable energy, pollution prevention and control. For details, please refer to the section headed "Green Finance" in this ESG report and visit the Company's website.

**GREEN FINANCING FRAMEWORK**

**Use of Funds**

- Green Building Projects
- Energy Efficiency Projects
- Renewable Energy Projects
- Pollution Prevention and Control Projects

## ENVIRONMENTAL GOALS

The Group has formulated environment-related goals in 2021 to facilitate the monitoring and improvement of environmental performance. The detailed goals are as follows:

| Category | 2023 Goals | Progress |
|---|---|---|
| Non-Hazardous Waste | Compared with 2019, the emission density of non-hazardous waste shall decrease by 5% in 2023 | Achieved |
| Energy Use (and Related Emissions) | Compared with 2019, the intensity of electricity resource consumption (and its associated greenhouse gas emissions) shall decrease by 5% in 2023 | Achieved |
| Water Use | Compared with 2019, the water use intensity shall decrease by 5% in 2023 | Achieved |

For the emission reduction, waste reduction, energy use and water use measures to achieve the goals, please refer to the section headed "Environmentally Friendly Workplace" in this ESG report, and the Group will continue to comply with these measures to achieve these objectives. The results of the Group's goal implementation for the year 2023 are as follows:

**Non-Hazardous Waste**

Emission Density of Non-Hazardous Waste

Decrease by **29** %
Compared with 2019

**Energy Use (and Related Emissions)**

Intensity per Headcount of Scope 2 Emissions - Location-based

Decrease by **19** %
Compared with 2019

**Water Use**

Water Use Intensity

Decrease by **27** %
Compared with 2019

The Group has successfully achieved the goals of energy use (and related emissions), harmless waste and water resources use, and will continue to adhere to the sustainable development concept in the future.

In order to keep monitoring and improve environmental, social and governance performance, the Group has set new targets, as detailed in the following table:

| Category | 2026 Goals |
|---|---|
| Training | Trained employee percentage shall not be lower than 80% every year until 2026. |
| Environment | Replacement of energy-saving lamps shall not be less than 30,000 per year until 2026. |
| Community Service | The number of people receiving community service shall not be less than 150,000 per year until 2026. |
| Intelligentisation | The elevator intelligent IoT transformation shall not be less than 100 sets per year until 2026. |

## ESG FRAMEWORK

The Group believes that good corporate governance is the cornerstone of sustainable development and has established a long-term sustainable development philosophy by considering ESG risks and opportunities at the corporate level. The Board recognises the importance of sustainable development and has overall responsibility for determining the Group's ESG risks and ensuring effective risk management and internal control systems are in place. In addition, the Board guides the Group in setting direction and targets regarding ESG with reference to the Group's business objectives and operational needs, and incorporates ESG into the Group's businesses with appropriate strategies. The Board adopted a Board Diversity Policy to ensure that the Board has the balance of skills, experience and diversity of perspectives. Members of the Board have diverse backgrounds, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The Group also revised its diversity policy in 2022 and is committed to keeping the percentage of female directors at no less than 15%. During the Reporting Period, female members achieved two or 20 percent of the Board.


The Board, as the supreme regulator of the Group's sustainability issues, regularly monitors the overall progress of the ESG goals and regularly assesses the relevance and impact of the established ESG goals to the Group. The Group will also continue to provide Directors with updates on ESG developments to enhance their awareness of good corporate environment, society and governance. In 2023, the Group provided seminars, training courses and site visits to the Directors and management. Besides, as part of monitoring the Group's ESG performance, the Board also approves ESG reports annually.

To assist the Group in managing daily ESG matters, the Board acts as the general convener and has established an ESG working group. The working group is chaired by Mr. Zen Wei Peu, Derek, the Chairman and Executive Director of the Group, and members include representatives of the Administration and Personnel Department, Sales and Marketing Department, Property Management Department, Design Department, Construction and Costing Department, Finance Department and the Company Secretary, as well as other members appointed by the Chairman. The main duty of the working group is to: formulate specific ESG blueprints, strategies and implementation measures; establish ESG policies and procedures to ensure that the Group complies with relevant ESG policies and procedures in the operation process and meets legal and regulatory requirements; assess ESG issues that may have a significant impact on the Group's business and/or stakeholders, identify risks and opportunities, and ensure that effective risk management and internal control systems are in place to manage ESG risks; ensure positive relationships and effective communication with stakeholders; develop ESG related goals, evaluate the Group's performance against the goals, formulate long-term improvement plans. The working group is also responsible for overseeing the preparation of ESG reports by the Group, ensuring that the standards and scope of the reports meet the requirements.

## ESG RISK MANAGEMENT

An effective risk management framework is an integral part of a corporate governance strategy. Such risk management framework is defined by risk management policies, including the roles and responsibilities of Audit Committee, and should establish guidelines and methodologies for risk assessment mechanisms with reference to international standards and best market practices. The Board also pays attention to ESG risks and has incorporated ESG risks into the corporate risk management framework to assess and determine the nature and extent of the risks that it is willing to take in order to achieve its strategic objectives. An external adviser has also been engaged to assist in annual risk assessment, through which key business and operational risks (including ESG-related risks) are identified and prioritised. The Group has assigned risk owners for major risks and formulated corresponding mitigation plans to ensure the relevant risks can be effectively managed. The results of risk assessment will be confirmed by the Management and the Board.

## STAKEHOLDER ENGAGEMENT

The Group understands that its operations will affect, as well as be affected by different groups of stakeholders. The Group looks forward to listening to and gathering the needs and views of its stakeholders to help determine its sustainability plans and future business direction. The key stakeholders of the Group are identified by the Management by considering their degree of dependency and influence on the Group, and they are constantly engaged through various channels as summarised below to understand their views:

| Stakeholder Groups | Engagement Channels |
|---|---|
| **Employees** | • Meetings and Briefings<br>• Training Sessions<br>• Internal Emails and Publications<br>• Employee Activities<br>• Surveys and Interviews |
| **Customers** | • Corporate Website<br>• Surveys<br>• Property Sales Activities<br>• Property Management Work |
| **Suppliers and Business Partners** | • Screening and Assessments<br>• Business Meetings<br>• Surveys |
| **Investors and Shareholders** | • Annual General Meeting<br>• Analyst Briefings and Announcements |
| **Government and Regulators** | • Consultations |
| **Community** | • Community Events |
| **Media** | • Press Releases |

The Group will continue to communicate with its stakeholders on ESG approach and measures, and improve its strategy and policies based on the feedback to better meet stakeholders' expectation.

## MATERIALITY ASSESSMENT

The Group faces a vast number of ESG issues relating to its operations that are of varying importance to stakeholders. To prioritise the important issues for meaningful reporting and resource allocation, the Group entrusted an independent sustainability consultant to conduct a materiality assessment during the Reporting Period, which was carried out in four stages:

1. **Issue Identification**

   Identify ESG issues relating to the Group's operations by the Management, with reference to previous stakeholders' feedbacks, market research, peers benchmarking and the ESG Reporting Guide, and establish a preliminary issue list

2. **Stakeholders Questionnaire**

   Distribute questionnaires to stakeholders who have a certain degree of dependency or influence on the Group's operations for assessing relative importance of the ESG issues

3. **Materiality Ranking**

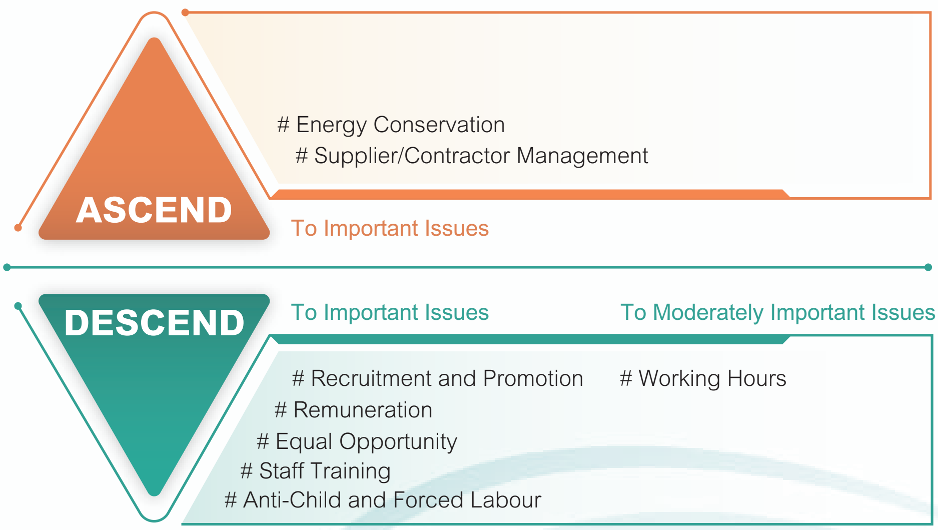
   Consolidate the questionnaire results and prepare the materiality ranking of the issues

4. **Confirmation**

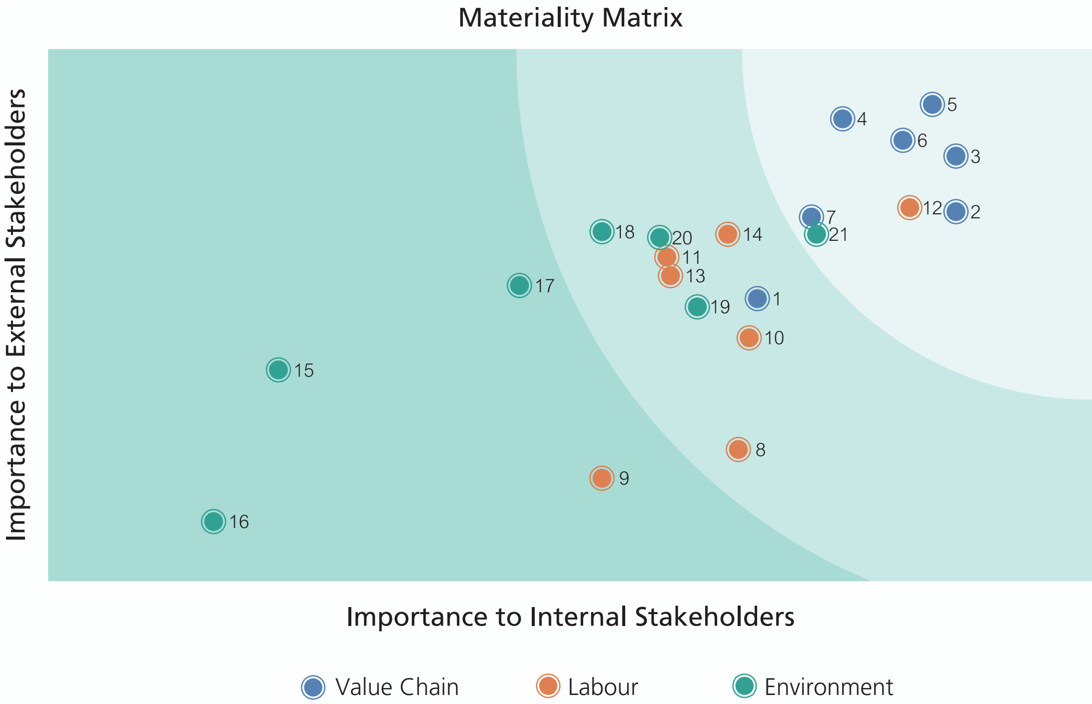
   Review the materiality ranking from stage 3 and confirm the final results by the Management and the Board

Both internal and external stakeholders were invited to complete the questionnaire for assessing relative importance of the 21 issues identified in stage 1. Eight issues are classified as highly important, nine issues are classified as important and the remaining four issues are classified as moderately important. All topics are covered in later sections of this ESG report.

Compared with 2022, the materiality of some issues changed:



The materiality assessment results for 2023 are mapped into the following materiality matrix:




## Material Issues

| Value Chain | | Labour | | Environment | |
|---|---|---|---|---|---|
| 1 | Supplier/Contractor Management | 8 | Recruitment and Promotion | 15 | Air Emissions and Water Discharges |
| 2 | Product and Service Responsibility | 9 | Working Hours | 16 | Greenhouse Gas Emissions |
| 3 | Marketing Ethics | 10 | Remuneration | 17 | Waste Management |
| 4 | Data Privacy | 11 | Equal Opportunity | 18 | Energy Conservation |
| 5 | Anti-Corruption and Money Laundering | 12 | Workplace Health and Safety | 19 | Water Conservation |
| 6 | Whistle-Blowing Mechanism | 13 | Staff Training | 20 | Environmental Risk Management |
| 7 | Social Responsibility | 14 | Anti-Child and Forced Labour | 21 | Construction Materials |

## ESG APPROACH

With over 30 projects in more than 15 cities, the Group is a prominent property developer in Mainland China and Hong Kong. Possessing significant influence, the Group has contributed greatly to the economic development of the regions where it operates through providing quality residential and commercial properties as well as creating numerous job opportunities. In recent years, public awareness and demand on corporate social responsibility have risen considerably, therefore, while focusing on business development and product quality enhancement, the Group is also actively pursuing a sustainable operating model and incorporating sustainability considerations into its business decisions, with the determination to contribute to the inclusiveness and sustainable development of the wider community.

Accordingly, the Group has established its ESG approach with three focuses:


*I. Offering Quality Properties and Services*

- Through socially and environmentally responsible construction practices and production processes.
- With highest standards of business ethic.
- In response to customers' demand and suppliers' request.

*II. Establishing Constructive Workplaces*

- Through desirable employment practices and career development opportunities.
- With comfortable and supportive working environment.
- In response to employees' needs and contribution.

*III. Building Sustainable Communities*

- Through continuous community involvement and social participation.
- With targeted community investment.
- In response to public expectation.

## I. OFFERING QUALITY PROPERTIES AND SERVICES

The Group has always advocated and practised sustainable and responsible development, with the core objective to generate sustainable values to customers and society, and provide quality properties and services in a socially and environmentally responsible manner. From the beginning of a property development project comprising property design and supplier selection, to the end of it which is often marked by the sales of property projects and delivery of residential projects or other forms of commencement of property operation and management, the Group takes every single ESG issue in this production process seriously and will continue to design, build and manage high quality green projects that contribute to the society and environment. The Group also considers ESG issues in a more holistic manner with reference to the relevant SDG issues.

| Issues in This Section | Stock Exchange ESG Indicators Involved | SDG Issues Involved |
|---|---|---|
| Building Design and Supplier Selection<br>Construction Planning and Construction Work<br>Quality Management<br>Property Sales and Customer Relationship | B5.1, B5.2, B5.3, B5.4, B6.1, B6.2, B6.3, B6.4, B6.5 | SDG 9, 11, 12 |

### Building Design and Supplier Selection

Building design and supplier selection mark the start of the property development project. Satisfying customers' needs is the Group's objective. Suppliers are engaged in serving this end within the Group's supply chain framework. Whenever appropriate, the Group incorporates green building elements to enhance the environmental performance and sustainability of the properties.

### Construction Planning and Construction Work

Construction planning and construction work is the crucial stage of production. The Group is committed to reducing emission and energy consumption, as well as maintaining construction site safety in this phase.

### Quality Management

Quality management not only concerns the quality of properties built or services provided, but also the health and safety of the product. The Group places customers' interests at heart when establishing and executing quality management policies and procedures.

### Property Sales and Customer Relationship

Property sales and customer relationship are also the Group's priority. With ethical and professional business practices, the Group is able to maintain the confidence and loyalty of our customers.

There were no material non-compliance cases noted relating to the environment, labour health and safety, as well as product responsibility during the Reporting Period. The Group's production process, sales practices, products and services offered were in compliance with relevant local environmental, labour, product and customer-related laws and regulations.

During the Reporting Period, the Group made great efforts to bring positive impacts on the environment and achieved results as follows:

| Road King Property Environmental Performance | |
|---|---|
| Performance | • Transformed 180,000 energy-saving lamps, saving 2.43 million kWh electricity consumption every year after the transformation.<br>• Installed 456 elevators for energy recovery, saving about 900,000 kWh of electricity every year.<br>• Rebuilt 57 energy-saving domestic and fire pumps, saving about 385,000 kWh of electricity every year.<br>• Applied intelligent green sprinkler irrigation system to save about 24 thousand tons of water every year.<br>• Adopted rainwater recycling technology to save about 8 thousand tons of water every year.<br>• Implemented 94 garbage sorting projects. |

## BUILDING DESIGN AND SUPPLIER SELECTION

### Green Architecture Concept and Goals

Developing green architecture is a major trend in the construction industry and an inevitable choice for building an eco-friendly and energy-saving society. The Group is an active advocate of green architecture. While complying with national and industrial standards such as the "Assessment Standard for Green Building" and the "Green Building Design Standards", we have rigorously conducted environmental management in the lifecycle of architecture from design to operation. Under the premise of ensuring the fundamental requirements such as quality and safety, we do our utmost to save resources and reduce negative impact on the environment to truly realise harmonious coexistence between architecture and nature.

All new architecture of Road King is in line with relevant national green architecture policy requirements since 2019.

### Green Building Design

The Group's core principle in terms of building design is to satisfy customers' and end users' needs, while establishing a comfortable living environment. Furthermore, the Group makes effort to incorporate green elements into building design as much as possible and strictly implements green building technical measures in terms of safety and durability, health and comfort, convenience of living, resource conservation, and environmental livability, aiming to achieve harmonious coexistence between architecture, ecology, and humanity, such as the installation of solar panels and water heating systems to utilise solar energy; the use of heat preservation materials in exterior walls to enhance heat insulation and reduce the need for air-conditioning; as well as the adoption of the "Sponge City" concept for better water resources conservation.

At the same time, the Group refers to different green building standards, such as LEED, WELL, BEAM PLUS and China Green Building Evaluation Label, etc., to encourage property development projects to obtain green building certification and improve environmental performance.

In recent years, the Group has actively developed green buildings, resulting in a continuous increase in the number of green building certification projects. Please refer to the following table for details:

| Completed in 2023 | Completed in 2022 | Completed in 2021 | Completed in 2020 |
|---|---|---|---|
| *Three-Star Green Buildings*<br>Bright Mansion, Shanghai<br>Jinmao Palace, Changzhou<br><br>*Two-Star Green Buildings*<br>Dazzling Jiangnan, Nanjing<br>West Side Time, Changzhou<br><br>*One-Star Green Buildings*<br>Park Up Town Phase I, Beijing<br>RK Noble Mansion, Beijing<br>Land Parcel No. A4, Sunny Town, Tianjin<br>Bamboo Grove One, Changzhou<br><br>*Basic Grade Green Buildings*<br>RK Rising Star, Guangzhou | *Two-Star Green Buildings*<br>Sipac Zone, Suzhou<br>RK City, Zhenjiang<br>Park Mansion, Beijing<br>RK City Boyue, Changzhou | *Two-Star Green Buildings*<br>RK Royal Bay, Changzhou<br>RK One More Time, Suzhou<br>Time Boutique, Wuxi<br>RK Fabulous Community, Tianjin<br>RK Sheshan Villa • Dongyuan, Shanghai<br>Lan Ting Long Yue Hua Yuan (Phase I), Kunshan<br><br>*One-Star Green Buildings*<br>Shanyu Mansion, Nanjing<br>Hill Mansion I, Nanjing<br>Lakeside Mansion, Nanjing<br>Elite's Mansion, Foshan<br>RK Yunhe Shangyuan, Beijing<br>RK Royal Yard, Beijing<br>RK Yuemao Mansion, Shanghai<br>RK Shanghai Villa, Shanghai<br>Lanshi Li, Hangzhou<br>Haiyi Cuiting, Hangzhou | *One-Star Green Buildings*<br>Guo Shi Jiu Li, Changzhou<br>RK Mont Panorama, Guangzhou<br>RK Rivage Panorama, Guangzhou |

The Group has also applied green building certification for some projects under construction. It is hoped that a higher proportion of projects will be able to achieve higher standards (such as the three-star rating of the China Green Building Evaluation Label) in the future. The Group's projects under development with green building certification during the Reporting Period are as follows:

**Projects Under Development**

| *Projects under construction* | *ESG related certifications* |
|---|---|
| City Valley, Suzhou | Two-Star Green Buildings |
| Royal Harmony Residence, Suzhou | Two-Star Green Buildings |
| Jade Residence, Changzhou | Two-Star Green Buildings (Major Area)/Three-Star Green Buildings (Elderly Housing) |
| Land Parcel No. A2, Sunny Town, Tianjin | One-Star Green Buildings |
| Park Up Town Phase II, Beijing | One-Star Green Buildings |
| The Jewel Crown, Panyu, Guangzhou | One-Star Green Buildings |

The Group's effort in designing green building has been recognised. Details of examples are as follows:

## Green Building/Green Architecture

***Suzhou – Royal Harmony Residence***

Road King Royal Harmony Residence is designed as a two-star green building, which is located in the east of Wanshou Street, the north of Ruoshui Road and the west of Qiyue Street in Suzhou Industrial Park. The project covers a total land area of 31,100 square meters.

The project actively responds to the national green building development requirements. Under the guidance of national standards such as "Green Building Evaluation Standard" and "Green Building Design Standard" of Jiangsu Province, the project strictly implemented green building technical measures in terms of safety and durability, health and comfort, convenience of life, resource conservation and environmental liveability, so that architecture, ecology and people can truly achieve harmonious coexistence.

### Green Building Design

The Road King Royal Harmony Residence achieved two-star green building requirements in enclosure structure thermal performance.

The project constructed two sports venues, two children's activity venues and a 150-meter car-free landscape trail, which can meet the needs of outdoor fitness, walking, jogging and children's activities and contribute to the community.

The buildings are equipped with a solar hot water system, with a proportion of 99.68%, which makes full use of renewable energy, thus responding to and implementing the relevant requirements of "dual carbon" goals. In addition, by planning the site surface and roof rainwater runoff, the project controlled the total amount of rainwater discharged from the site to 55%, effectively reducing the use of water resources.

## Green Building/Green Architecture

*Nanjing - Dazzling Jiangnan*

Dazzling Jiangnan Project is a high-standard two-star green building project. The project is mainly high-rise, reducing the number of buildings so as to maximise the use of internal landscape resources. In the landscape cluster, the owners can relax and entertain, pass freely and safely, creating a warm and natural public space. The residential area is divided into multiple theme gardens, strengthening the communication between neighbours. During the construction, we paid attention to details to achieve people-oriented design concept.

*Green Building Design*

Covering an area of 28,500 square meters, the project implemented various technical measures, including total annual runoff control, permeable pavement, rainwater control and utilisation, ecological compensation measures, setting up a sign system for easy identification and use, garbage sorting and collection, and outdoor smoking area arrangement, so as to meet the two-star green building design requirements. According to the sponge city construction requirements in Nanjing, the total runoff control rate is 80% (the corresponding designed rainfall is 31.1mm), and the runoff pollutant control rate is 55%.

The project mainly adopts sponge city technologies such as sunken green space, rain garden, rainwater storage pool and permeable pavement. Roads, pavements and green spaces are equipped with slopes to make rainwater flow to the sunken green spaces, so as to collect and absorb rainwater. Combined with landscape design, the sunken green space ensures even distribution and meets the overall landscape style and functional space requirements. The project permeable pavement is designed to reach 24% of the total pavement area, with an effective rainwater reuse water volume of 300 $m^3$.

## Ultra-low Energy Consumption

The Group takes indoor environment and energy consumption indicators as the constraints, and reasonably determines the technical strategy:

- Optimising passive energy-saving measures such as building shape coefficient, window-to-floor ratio and ventilation area
- Adopting a new type of foamed cement board combined with wall inorganic thermal insulation in the roof, and bridge-cutoff aluminum alloy in doors and windows, and adding energy-saving design measures such as sunshade blinds
- Adopting high air tightness treatment for the enclosure structure, and strengthening the weak position with structural adhesive and film

- Establishing thermal insulation in the exterior door and window openings of the enclosure structure
- Providing the inner side of the parapet with thermal insulation to reduce cold bridges effect
- Adopting capillary radiant cooling, floor radiant heating, fresh air and dehumidification system
- Design measures of high-efficiency and energy-saving electricity such as lighting and elevators
- Design measures of domestic hot water supply system

## Providing Quality Services

In addition to green building design, the Group is also determined to provide quality services to create long-term value. In the era of "Internet of Things", the Group set foot in the intelligent property management, accelerated the establishment of a digital intelligent property service sharing platform while ensuring the basic services, and empowered services and operations with digital technology for a smart life enjoyment. The Group is committed to creating intelligent services, including intelligent access, electronic patrol system and work order system, and improving community safety, service quality and residents' satisfaction through technologies.

| Intelligent Property Management | |
|---|---|
| Digital customer service management | • Established the "Road King Housekeeper" digital platform, including online recording and maintenance, complaints and feedbacks handling<br>• Installed sensors and smart equipment to monitor and control housing facilities remotely<br>• Used management system to analyse customer service data in order to make improvement |
| Intelligent business management | • Achieved full online patrol coverage in the equipment and facilities patrol; Digitised online contract management to improve contract risk control<br>• Realised the visualisation of projects to make management more efficient<br>• Provided safe and clear account management system to the financial centre<br>• Smart access control, face recognition and license plate recognition were used for access control |
| Road King Smart Centre | • Provided intelligent property management to improve corporate image and service quality<br>• Equipped with a property management system to realise automatic management, including property expense management, maintenance report processing, customer complaints and facilities management<br>• Equipped with intelligent monitoring functions, such as intelligent access control, video monitoring and smoke alarm to ensure the community is safe and comfortable |

## Supplier and Contractor Management

Fine building design needs to be complemented by high-standard construction work in order to produce quality properties. Therefore, supplier and contractor management is a crucial part of the Group's quality control. The Group is committed to optimising its supply chain management by implementing a strict supplier and contractor selection process, to ensure the competence and suitability of them in terms of delivering quality work. Factors considered in this process include but not limited to experience, reputation as well as possession of relevant licenses. The Group strictly complies with the requirements of the "Anti-Unfair Competition Law of the People's Republic of China" and other laws and regulations in this process, and has established the "Administrative Measures for the Tendering and Bidding of Construction Projects" and the "Group Strategic Procurement Practices", etc. After qualified suppliers and contractors are identified and engaged, regular evaluation will be conducted throughout the contract period to ensure suppliers are performing the contractual duties as intended. An overall performance assessment will also be conducted at the end of contractual relationship to establish the Group's supplier pool as a reference for supplier selection in the future. The Group maintains a close and long-term relationship with qualified suppliers and contractors to guarantee a stable supply chain.

As at 31 December 2023, the Group had a total of 168 major suppliers (2022: 167 suppliers) that were directly related to the Group's core operations in property development. These included but not limited to construction contractors and construction material providers. In particular, 73 suppliers (2022: 75 suppliers) were located in Mainland China and 95 suppliers (2022: 92[1] suppliers) were located in Hong Kong. (Please note the figures above do not include suppliers that provide selling and marketing services and office supplies.)

## Green Supply Chain

In addition to the quality aspect, sustainable development considerations have also been incorporated into the Group's supply chain management. The Group expects and requires all suppliers and contractors to share the same values in terms of corporate social responsibility. Accordingly, ESG performance is incorporated as one of the assessment criteria during the supplier and contractor selection process to encourage suppliers to consider utilising socially and environmentally preferable business practices. In order to effectively monitor ESG risks along the supply chain, important issues such as human rights, forced labour and pollutions are identified and considered, with specific terms and conditions relating to these matters added to contract appropriately. The Group conducts regular presentations on relevant government documents to raise suppliers' awareness of environmental protection and conducts regular reviews to ensure the issues identified remain relevant and material over time. The Group also strictly prohibits child and forced labour in its operation and would not engage suppliers and contractors known to employ child or forced labour.

During the contractual period, the ESG performance of suppliers and contractors are continuously monitored and evaluated. They are required to follow the Group's policy regarding corporate social responsibility in all material aspects. Inadequate commitment or unsatisfactory results to environmental and social performance will be reflected negatively on performance evaluation, affecting their chance of being engaged again in the future.

1 The data has been adjusted based on the actual situation.

## Green Finance

In accordance with the Green Bond Principles of the International Capital Market Association ("ICMA") and the Green Loan Principles 2021 of the Loan Market Association ("LMA"), we have formulated the Green Bond Framework in 2021 to establish a detailed green bond issuance plan, which was reviewed by Sustainalytics, a Morningstar company, to ensure that the framework complies with the above principles. We expect this framework to lay the foundation for future issuances, helping us drive sustainable green properties and deliver on our commitment to sustainability.

Our Green Bond Framework has four elements:

### Use of Proceeds

We commit to earmarking funds raised under the Green Finance Framework to fund or refinance in whole or in part "eligible projects", including but not limited to refinancing existing debt associated with such projects.

Examples of "eligible projects" are described below:

**Green Building**
Acquisition, construction, renovation and management of new or existing residential or commercial buildings possessing environmental certification from LEED (minimum gold) or a China Green Building Label (minimum two stars)

**Energy Efficiency**
Adoption of technologies and equipment generating at least 10% improvement in energy efficiency or at least 10% in energy reduction

**Renewable Energy**
Investment in solar panel power generation and solar water heaters

**Pollution Prevention and Control**
Expenditure relating to wastewater treatment, dust pollution prevention and treatment, reduction, recycling and reuse of solid waste

### Project Evaluation and Selection Process

We select senior managers from various functional teams to form an ESG working group. The aforementioned working group will identify potential eligible projects based on the eligibility criteria outlined in the Use of Proceeds section and manage the allocation of proceeds to eligible green projects. We will strive to ensure that all eligible green assets comply with international and national standards, as well as local laws and regulations.

The working group will also review the current portfolio of eligible projects on a regular basis and exclude projects that no longer comply with the eligibility criteria or that have been processed to better utilise green funding.

| Management of Proceeds |
|---|
| We commit to allocating an equivalent amount of proceeds of each financing transaction to finance eligible projects within 3 years after the settlement of each financing transaction and/or to refinance existing eligible projects originated within 3 years prior to each financing transaction, and all funds will not be used to invest in fossil fuels.<br><br>**Monitoring:**<br>We will monitor the allocation of proceeds raised under the framework via internal information system and establish a register to monitor and report on net monies raised and deployed towards eligible projects under the framework. The register will include details of loans and bonds under the financing, a list of eligible projects and the total amount of remaining funds.<br><br>**Allocation of unused funds:**<br>The net balance of bonds or loans raised under this framework may be used as part of our funds, invested in cash or cash equivalents, or used to repay existing debt, prior to any allocation to eligible projects.<br><br>**Reallocation of funds:**<br>If any project ceases to comply with the conditions set out in the framework, or is classified as an asset/project to be disposed of on a regular basis proceeds previously allocated to such eligible project will be monitored and reallocated. |
| **Report** |
| We will publish information on green loans/bonds annually in the ESG section of our annual report until any net proceeds from bonds or loans raised under the framework have been allocated.<br><br>We will also do our best to provide additional information, including building certifications, energy efficiency data, environmental performance indicators, and case studies of certain eligible projects that have been funded. |

In 2023, the Group did not issue green loans/bonds, and no further updated about the first batch of green senior notes issued in 2021. The Group expects to promote sustainable development of green properties by way of green loans/bonds in the future, and will continue to publish the relevant information on green loans/bonds annually according to the "green bond framework" principle until the net proceeds of any bonds or loans raised under the framework have been allocated. The Group will also try its best to provide green finance or other related information to enhance the transparency.

## Construction Planning and Construction Work

The Group recognises that construction activities usually consume a significant amount of resources and result in a considerable amount of emissions and wastes. Negative external impacts may also be posed to neighbouring parties and the natural environment through noise and light pollutions. Despite not having direct control over the outsourced construction work, the Group takes a monitoring role in managing contractors' environmental practices and strives to minimise the potential environmental impacts.

### Environmental Risk Management

The Group defines the management of environmental risks in the management system, and strictly monitors the environmental risks related to its construction sites by performing environmental assessments and implementing preventive measures to control the risks. If significant environmental risks are identified, respective mitigating measures would be formulated to address the root causes or lessen the impacts. For instance, the Group requires contractors to implement effective environmental risk prevention and control measures in accordance with the prevailing national standards, including measures that are not limited to noise pollution, light pollution, air pollution, etc., such as the measurement and record of the sound level of the site in the course of construction; for the projects that really need to carry out the construction under the ultra noise standard at night, the engineering department of the project will seek approval from relevant departments before the construction work started. Besides, vehicles at the construction site are prohibited from honking to reduce the noise.

*Noise dosimeters are installed at construction site to monitor noise level. Meter reading is recorded few times a day at random intervals serving as random inspections.*

In addition, the Group also formulated measures to prevent and control light pollution at construction site, such as controlling the angle of light exposure to ensure strong light does not affect surrounding area; the irradiation direction of the iodine tungsten lamp in construction site should always be facing inside of the site. Dense mesh should be set to prevent glaring lights spilling outside the construction site at night.

The Group avoids noise and light nuisance at night through proper planning for construction work. The noise in all construction stages shall be controlled within the limits of the national standard "Noise Limits for Construction Sites" (GB12523-900).

During the Reporting Period, the following projects were awarded "Safe and Civilised Construction Sites" and "Construction Site Star Award" by relevant authorities in recognition of their efforts in environmental protection:

- Second Southern Section, Phase I, Park Up Town
- Jade Residence

Furthermore, all property development projects of the Group in Hong Kong have participated in the BEAM Plus programme to reduce environmental impacts arising from the construction work.


*The Southside Phase 1 project located atop the Wong Chuk Hang MTR station was awarded the Final Gold rating under BEAM Plus New Buildings (V1.2) in 2023*

## Climate Change

With increasing attention on climate change and environmental protection issues, the Group has also begun to assess the impact of climate change in order to formulate long-term strategies to protect its business from risks associated with climate change. Climate change can lead to more frequent extreme weather conditions such as extreme temperature, flooding and typhoon, which may affect construction progress, cause damage to the Group's properties, increase potential operating costs (such as maintenance and insurance premiums) and most importantly, threaten the safety of construction workers and construction site.

To control these external risks, the Group closely monitors the weather and climate change in the districts where construction sites locate, and requires contractors to develop emergency plans and perform regular check on construction equipment to ensure to meet the safety standard. Besides, the Group is also aware of the impact of low temperature and air pollution (e.g. smog) on construction activities during winter. Accordingly, the Group requires contractors to complete standardised preparation work before starting construction work in winter. This includes the installation of heating and warming equipment as well as other heat preservation measures to ensure construction machinery can operate normally. Procedures have also been established to regulate the construction work during winter. For instance, specific temperature requirements on different construction materials and processes are set out, the time intervals for regular temperature check are specified, and methodologies for heat preservation are provided. In addition, contractors are also required to provide trainings to construction site managers and other relevant personnel to ensure they have the required knowledge for monitoring and managing construction activities in winter.

The Group made reference to the proposed framework of the Task Force on Climate-Related Financial Disclosures ("TCFD"), and set policies consistent with the concept of sustainable development. The Group understands that the external environment poses risks to construction activities and has therefore identified climate-related risks that have a significant impact on the Group, including Physical Risk and Transition Risk, focusing on disclosure of information on climate-related "risk management". It is expected that it could explain to stakeholders on the climate-related financial impacts and the response measures, and assist them in their decision-making. The climate change risks of the Group would gradually conform to the disclosure of the "TCFD" framework in future, in order to enhance the Group's climate change resilience and adaptation capabilities. In order to prepare for climate-related financial disclosures, the Group will endeavour to analyse climate-related risks in accordance with the International Financial Reporting Standards S1 and S2 issued by the International Sustainability Standards Board ("ISSB") in 2023 in the coming two years. The Board is also aware of the risks that may arise from climate change and has incorporated them into the Group's environmental, social and governance strategy with reference to the Group's business objectives and operational needs, to enhance our capacity to respond to climate change.

| Risk Management – Managing Climate-Related Risks | |
|---|---|
| **Physical Risks** | |
| **Category** | **Description** |
| Acute Risks | The occurrence of extreme weather scenarios, such as typhoons, floods, etc., will damage physical assets and properties and may result in a temporary suspension of business operations. These climate events may also increase maintenance costs, operating and procurement expenses, etc. In addition, casualties caused by extreme weather will also increase the risk of related legal liabilities. |
| **Transition Risks** | |
| Policy and Regulatory Risks | The Group will be affected by policies related to climate change, restrict or change its original operating policy, and may face an increased risk of litigation due to non-compliance with new policies. Examples include: the increased regulatory risk of non-compliance due to the tightening of building energy codes and guidelines and the promotion of green buildings; or the need to transform into a low-carbon operation mode due to the implementation of carbon pricing policies in the market in which it operates, resulting in increased operating costs. |
| Market and Reputation Risks | The market expects the Group to develop more green products to be more in line with its sustainable development plan. If the market demand for green buildings increases, and the Group fails to obtain green building certification for sufficient projects, its potential revenue may be reduced. Goodwill may be affected if the Group's approach to climate-related issues differs from market expectations. |
| Technology Risks | Using green technology will bring uncertainty. On the one hand, innovative green technologies will drive revenue, reduce the Group's operating costs through new technologies, and attract more investors due to its green features. On the other hand, potential operational risks and costs are also increased. For example, using environmentally friendly materials will increase the procurement cost and the research on renewable energy will increase the investment cost. |

## Energy Conservation

Further to environmental risk management, during the preparation stage of construction work, different preventive measures are adopted with the aim to enhance energy efficiency.

During the planning stage of construction work, work procedures are carefully designed to avoid unnecessary procedures that would lead to energy consumption; optimising the capacity and frequency of raw material logistic to improve fuel efficiency. Regarding the use of equipment, electrical construction machinery with high energy efficiency (as compared to diesel ones) are deployed as possible. Solar panels are installed in certain locations to support the lighting systems at construction site. As for site staff, different communications (such as posters, signs and memos) are launched to raise their awareness on energy conservation. Site supervisors are assigned to record and monitor the electricity usage and formulate corresponding energy conservation plan.

In order to promote renewable energy development and build a green and low-carbon smart city, the Group subscribed for CLP's "Renewable Energy Certificate" in 2023 to implement the sustainable development goal. Each kilowatt hour indicated on the certificate represents the environmental rights and interests of CLP in producing or purchasing renewable energy power generated by solar energy, wind energy and landfill biogas projects.


## Water Conservation

In terms of water conservation, the Group requires its contractors to implement control measures prior to the commencement of works, such as installing sediment tanks and reflux pipes to collect sewage and rainwater, which will be used after sedimentation for washing trucks and machinery as well as sprinkling roads to reduce dust.

## Waste Management

At the construction stage, the Group pays close attention to the wastes and emissions and requires its contractors to implement effective waste control measures through management systems, contracts and technical requirements. The Group also requires its contractors to use energy-saving and environmental friendly construction materials as much as possible to reduce the generation of wastes. Construction site waste management consists of monitoring, reduction, handling, storage and disposal, respective control measures are summarised below:

**Monitoring**

- Assign site supervisors to record and monitor daily waste amount and formulate corresponding control measures

**Reduction**

- Reuse construction materials to reduce waste generation (e.g. inert wastes such as construction debris and rubble are recycled as filling materials for land formation)
- Cover construction materials properly to avoid deterioration caused by weather which will lead to unnecessary waste
- Carry out construction work with proper procedures, advanced techniques (e.g. use of pre-cast materials) and precision to reduce wastage

**Handling**

- Separate domestic and construction wastes (which are further categorised into inert and noninert wastes) for handling in accordance with environmental regulations
- Use of asbestos (a traditional hazardous construction material) is prohibited
- Setting pipelines for cleaning pump pipes in the building
- Setting drainage ditches and sedimentation tanks, with sewage discharge meeting the relevant discharge standards
- Equipping grease trap in canteen and arranging cleaning regularly

**Storage**

- Arrange designated areas with clear signs for temporary storage of construction wastes, oil and chemical solvents, etc. and conduct anti-leakage treatment for the ground
- Store hazardous construction wastes in covered or sealed containers with proper labels for identification before collection by qualified contractors

**Disposal**

- Dispose non-hazardous construction wastes to designated municipal landfills
- Appoint qualified contractors to collect and process hazardous construction wastes
- Install Global Positioning System (GPS) locators on trucks to detect any disposal of construction wastes at unauthorised sites

The measures mentioned above are reviewed by the Group regularly to ensure compliance to relevant laws such as the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes and the Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong).

## Air Emissions

Regarding air emissions at construction site, the Group places special attention to the control of blowing dust, which is a significant source of air and water pollution. The Group requires contractors to implement measures to minimise dust, which include:

**Reduce Dust/Exhaust Generation**

1. Prohibition of on-site mortar mixing
2. Use of commercial mortar
3. Use of appropriate materials for pavements at construction site
4. Proper maintenance and hardening of construction site pavements
5. Assignment of supervisors to monitor the loading of soil from earth excavation onto the trucks
6. Ensure that machinery and equipment, exhaust emissions, welding operations, paint spraying, etc. comply with national environmental emission standards

**Prevent Dust Dispersion**

1. Set dust monitoring system
2. Use of barriers to contain construction site area
3. Use of water sprinkler systems
4. Harden of the main roads on the construction site and pile up the earthwork in a centralised way. Take measures such as covering, hardening or greening for exposed sites and centrally piled-up earthwork
5. Covering of cargo compartments of trucks that transport materials
6. Covering of newly reclaimed land
7. Washing tank and sedimentation tank in place for regular cleaning of construction machinery and trucks
8. Prohibition of dust generating works under strong wind

*Example of environmental monitoring system*


*Example of site hardening*

*Example of vehicle flushing*

*Example of Coverage with Green Net*

To further reduce overall air emissions, the Group requires contractors to use emission-free electrical construction machinery and cleaner fuels (e.g. ultralow Sulphur diesel) that generate less air emissions, where available. Meanwhile, contractors are required to collect and dispose of inflammable wastes timely and prohibited from burning construction waste onsite. CCTV and air quality gauges have been installed to monitor the air quality, to ensure the level of air pollution complies with the standards set by BEAM Plus and other relevant regulations including the Atmospheric Pollution Prevention and Control Law of the People's Republic of China and the Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong). The Group's companies in each city are constantly innovating in green construction and environmental protection measures, all of which have achieved effective results.

### Water Discharges

The Group strictly prohibits any illegal discharges that result in pollution of nearby environment, and complies with local laws such as the Water Pollution Prevention and Control Law of the People's Republic of China and the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong). Contractors are required to discharge the treated water to designated drainage systems in accordance with the environmental regulations and to ensure that the water quality is accredited by relevant governmental authorities. The Group also requires contractors to obtain relevant licences as commanded by drainage-related authorities and perform regular inspections to ensure compliance with discharge standards. Besides, the Group requires contractors to use a 3-tier water discharge control system, consisting of drainage system, storing tank and sediment tank, where possible, for more effective control of water discharge; and perform sediment tanks cleaning regularly.

### Green Construction

The Group encourages the use of green construction materials and requires contractors to use construction materials that are based on the principle of resource conservation, such as recyclable or beneficial to the environment and human health, etc. The Group has set out construction recommendations in its management system, including the use of recyclable and highly reusable construction materials such as prefabricated steel formworks, ironwood joists, and ringlock scaffolds, etc. The Group also encourages innovation and the use of new construction materials, technologies, processes and equipment to reduce the consumption of resources and waste generated from construction activities and to protect the environment.

### Prefabricated Building

Prefabricated building technology refers to the unified planning and design of different parts of a building. The required building parts are prefabricated through mould production and simply assembled in factory, and then transported to the site for construction, thus improving construction efficiency.

Since the prefabricated building adopts dry construction, the assembly work is carried out on site. Compared with the traditional cast-in-place building, the prefabricated building can reduce the amount of sand, mud and lime produced by nearly 30%. Prefabricating parts in the factory can also reduce the number of processes and effectively solve the problems of noise, dust and water pollution in construction site. In addition, engineers can monitor whether the components are produced in accordance with the design in the processing stage, and make changes as early as possible before finding that the quality is not up to standard. This makes it faster and more compact in installation than traditional buildings, effectively reducing water seepage and cracks, thereby improving the quality of buildings and ensuring the interests and safety of users.

The Group actively implements prefabricated buildings, and focuses on the application of fabrication technologies and the training of professional talents. Through prefabricated buildings, energy and resource consumption can be effectively controlled and reduced while reducing waste emissions and environmental pollution. Compared with the traditional cast-in-place construction method, prefabricated building can reduce: water consumption by about 60%; energy consumption by about 30%; wood consumption by about 80%; plastering mortar consumption by about 55%; and construction waste by about 80% while effectively suppressing construction dust and noise pollution.

In 2023, the Group had 26 projects that applied prefabricated building technology, with a total construction area of 3.063 million sqm.

## Construction Health and Safety

Besides the environmental aspect of construction activities, the health and safety of construction workers are of paramount importance to the Group. The Group requires contractors to set up construction safety management working group and deploy sufficient safety supervisors or responsible personnel in construction site to constantly monitor the situation. Furthermore, contractors are requested to provide construction health and safety manual and procedures for review and approval. For example, the contractor of the Southland project in Wong Chuk Hang, Hong Kong provides site safety training, seminars on toolboxes, special safety training and external seminars to all new employees and conduct refresher courses on a regular basis, as well as safety training focusing on high-risk work procedures and related regulatory updates to all relevant employees. The contractor of the So Kwun Wat Project in Tuen Mun, Hong Kong requires all staff and workers to undergo on-boarding safety training, with refresher courses conducted every six months. Staff and workers are also required to receive at least six toolbox safety trainings per month. Contractors of the Group's projects in Mainland China also conduct regular safety training and occupational health training for their staff. In specific, safety training covers topics such as responding to tilting operational platform, emergency rescue, integrated electricity use, firefighting demonstrations, falls from height or into a hole, safety helmet collision and VR experiences. Occupational health training covers topics such as preventing high temperature injuries, dust inhalation, injuries from collision, fall and poisoning and hearing protection.

In addition, the Group encourages contractors to provide good working environment and care for workers. The Group encourages contractors to actively participate in and pay attention to safety on site by way of adoption of various activities and measures, for example, we have organised caring activities with various themes, in order to promote two-way communication between workers and site management, and to foster a safety site culture and motivate frontline workers.

Encourage contractors to care for workers and organise onsite visit to promote two-way communication between workers and site management.

On top of that, the Group enforces a comprehensive set of construction health and safety standards, stipulating the requirements on areas such as safety equipment, worker behaviours and construction work procedures etc. Contractors are subject to penalties should they fail to meet these standards. (The project contractor of the Southland in Wong Chuk Hang, Hong Kong targets to have an accident rate below 0.222 per 100,000 man-hours, and so far the construction site has maintained an accident rate that is lower than the target; the contractor of the So Kwun Wat Project in Tuen Mun, Hong Kong targets to have zero fatal accident and an accident rate of less than 0.21 per 100,000 man-hours. Both of these contractors hold the ISO45001 Occupational Health and Safety certification.) Most of the Group's contractors in Mainland China also hold occupational health and safety related certifications such as ISO45001, GB/T 45001 or GB/T28001, and are committed to achieving the target of 0 to 1.5% casualty rate. The Group requires its contractors to adopt appropriate safety measures, such as the provision of personal protective equipment and the installation of safety warning signs or slogans at main entrances and exits of the construction site, centralised processing areas, passageway entrances, edges, lifting areas, barricades, and equipment removal cordoned off zones in accordance with local regulations such as the Construction Law of the People's Republic of China and the Construction Sites (Safety) Regulations (Cap. 59I) of Hong Kong. On top of that, the Group has established clear site environment and sanitation requirements to provide proper working and living conditions for construction workers. For instance, the dormitory must have good moisture-proof function, ventilation and daylighting; sufficient number of toilets has to be set up (no less than 1 toilet per 50 males and 1 toilet per 25 females); designated resting areas and appropriate facilities have to be provided such that construction workers can take proper rest when needed.



*Examples of being equipped with protective facilities such as stable railings to protect workers.*

*Examples of living area with washrooms, canteens, toilets and bedrooms.*

The Group proactively supervises contractors, regularly conducts self-inspection on the contractors for safe and civilised construction, and organises the implementation of major engineering inspections on the projects. Meanwhile, the Group publicises and enforces contractor's occupational health and safety-related training in the form of regular supervising meetings, and ensures that they have implemented effective measures to reduce health and safety risks in construction site. Their performance in this regard is also taken into account during the contractor selection and evaluation to provide incentives for maintaining and improving the working conditions of construction workers.

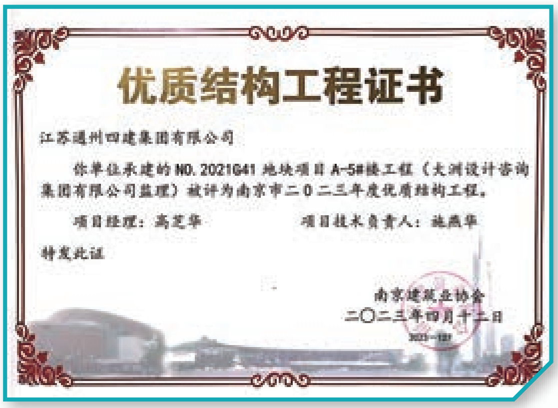
## Quality Management

### Construction Quality

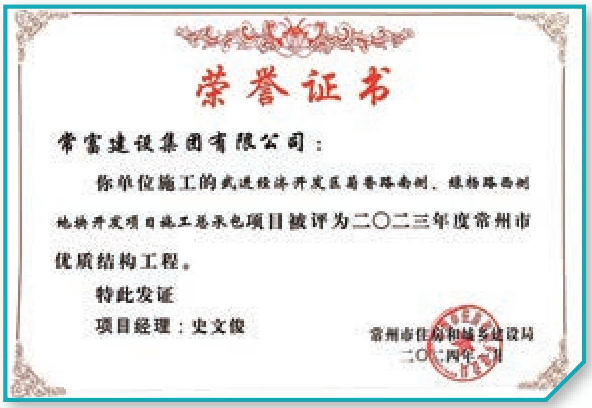
Strict construction quality management is a key success factor of the Group. The Group assumes the responsibilities for ensuring the property is safe for use with high quality before delivering it to customers. As such, the Group has established its Construction Quality Management Policy, setting out the principles of construction quality management, the responsibilities of different personnel, quality check items (including construction equipment, construction work procedures, as well as the finished components of property such as doors and windows) and the methodologies (e.g. by sampling). Qualified engineers and third parties are appointed to perform such quality check procedures. These standards are strictly enforced in every property development project, and reviewed constantly to ensure they are in compliance with laws and remain effective over time. The Group does not accept defects in the quality of properties that would potentially impair the health or safety of customers. If such defects are identified, the Group requires corrective actions to be taken promptly before delivery of property by construction contractors. Also, before the delivery of property to customers, the Group arranges buyer inspection to ensure the quality of the property. To further safeguard the interests of buyers, the Group engages an acceptance consultant to inspect building quality prior to delivery, which specifies the Group's commitment to free repair services on certain items and components with quality defects (that occur under normal operation of property) up to specific years since the date of project completion acceptance, subject to specific terms and conditions.

In addition, under the concept of casting quality life and the demand of continuously improving quality, the Group issued the latest "Excellent Practice of Road King Real Estate – Process Part" to help city companies strengthen quality control. During the Reporting Period, the Group won quality awards for some projects, such as:

**Achievements**




*RK West Side Time won the Changzhou High-Quality Structural Engineering Award for 2023.*




*RK Dazzling Jiangnan won the Nanjing High-Quality Structural Engineering Award for 2023.*

### Product Health and Safety

The Group also concerns about the health and safety impacts arising from the construction materials used. To ensure indoor air quality, the Group requires the use of construction materials to follow the requirements of the "Code for Indoor Environmental Pollution Control of Civil Building Engineering" (民用建築工程室內環境污染控制規範) of the People's Republic of China. Third parties are also engaged to perform quality check on construction materials when necessary. Materials imposing harmful effects on human health or environment are strictly prohibited, for instance, moisture proof agents consist of asphalt cannot be used on wooden materials.

During the Reporting Period, the Group did not receive any significant health and safety related complaints for the residential properties delivered to customers.

## Property Sales and Customer Relationship

The Group pays significant attention to customer relations and customer satisfaction, and as a result, the Group conducted a systematic customer satisfaction survey on the property management business in 2023. The scope included the Group's property management companies in Beijing, Changzhou, Guangzhou, Suzhou, Tianjin, Wuxi, Zhenjiang, Zhengzhou, Jinan and Shanghai, covering areas such as customer service, community activities, daily maintenance, cleaning and hygiene, safe vehicle management, landscaping maintenance, and elderly care. In 2023, the score of the third-party satisfaction survey was 88.4 points, which revealed that the overall performance has been steadily improving for eight consecutive years. Moreover, the Group is actively analysing and discussing the survey results, strives to improve the weaknesses and maintain the advantages on its services, in order to foster good customer relationships.

## Responsible Sales Practices

The Group aims at building long-term relationship with its customers. On top of delivering quality properties and services, the Group is committed to ethical sales practices to protect customer interests. As a control measure, the Group reviews all information on its advertisements or promotion materials before publication to ensure that the content is legal and honest and that there is no untrue or misleading information used. The Group strictly prohibits the use of any illegitimate marketing tactics, and requires its subsidiaries to comply with local laws on property sales including the Urban Real Estate Administration Law of the People's Republic of China and the Residential Properties (First-hand Sales) Ordinance (Chapter 621 of the Laws of Hong Kong). The Group also values diversity and respect for others and does not allow promotional materials to publicise hate, discrimination, prejudice, sensitive issues or violence.

## Protection of Customer Interests

The Group respects customer privacy and is committed to protecting their personal data by maintaining the highest level of accuracy, security and confidentiality when handling customer data. To this end, the Group has applied the six common data protection principles to prevent inappropriate collection, holding, processing or use of the customer data that would harm the interests of customers.

| Six Data Protection Principles | |
|---|---|
| **Collection Purpose and Means:**<br>Collect adequate but not excessive data through lawful and fair means for a purpose directly related to the Group's business operations. | **Data Security:**<br>Implement effective security system and apply adequate security measures to protect customer data from unauthorised access. |
| **Data Accuracy and Retention:**<br>Ensure customer data held are accurate and up-to-date. Data will not be kept after the purpose of data collection is fulfilled. | **Data Openness:**<br>Disclose to the customer the kind of personal data held, as well as the policies and guidelines on handling such data. |
| **Use of Data:**<br>Use customer data only for the purpose of data collection as previously communicated to and consented by customers, unless new consent is obtained. | **Data Access and Correction:**<br>Provide a copy of personal data held to the customer upon request. Correct the data record in accordance with the customer's demand. |

Policies and procedures on customer data management have been established to provide detailed guidance to employees on handling customer data, such as explicit provisions on the protection of consumer privacy in the purchase contract and the requirement for staff to safeguard customers' personal data. Such policies and procedures are also regularly reviewed by the Group to ensure they are sufficient to counter evolving threats on customer data privacy (e.g. cyberattack) and compliant with increasingly stringent customer data privacy laws. Relevant laws include but not limited to the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

## II. ESTABLISHING CONSTRUCTIVE WORKPLACE

The Group highly values its employees and recognises their efforts and contributions as the cornerstone of the Group's development and success. The Group takes talent management as top priority and aims at providing and creating a good, healthy and constructive workplace where employees can work efficiently and effectively, realise their full potential in their jobs and derive satisfaction from their work. In addition, the operations of the workplace shall also be environmentally friendly. The first step towards this goal is attracting the right talents, then supporting them at work with stable development, at last promoting environmentally friendly practices at workplace.

| Issues in this section | Stock Exchange ESG Indicators involved | SDG issues involved |
|---|---|---|
| Talent Attraction and Retention<br>Staff Development and Support<br>Environmentally Friendly Workplace | A1.1, A1.2, A1.3, A1.4, A1.5, A1.6, A2.1, A2.2, A2.3, A2.4, A2.5, A3.1, A4.1, B1.1, B1.2, B2.1, B2.2, B2.3, B3.1, B3.2, B4.1, B4.2 | SDG 3, 6, 7, 8, 10, 13<br>3 GOOD HEALTH AND WELL-BEING<br>6 CLEAN WATER AND SANITATION<br>7 AFFORDABLE AND CLEAN ENERGY<br>8 DECENT WORK AND ECONOMIC GROWTH<br>10 REDUCED INEQUALITIES<br>13 CLIMATE ACTION |

**Talent Attraction and Retention**

Talent attraction and retention are crucial to developing a sustainable talent pool. The objective is to identify the suitable candidates, recruit and retain them ethically.

**Staff Development and Support**

Staff development and support are important factors of employee productivity and satisfaction. The Group offers tailored-made trainings to employees of different business functions and seniorities.

**Environmentally Friendly Workplace**

Environmentally friendly workplace with active employee participation could help us better protect our planet. The Group adopts various green office measures to reduce wastes and energy consumption.

There were no material non-compliance cases noted relating to the Group's employment practices and labour standards as well as regulations on resource use and pollutant discharge during the Reporting Period. The Group's human resource policies, environmental policies and operations were in compliance with relevant local labour and environment laws and regulations.

## Talent Attraction and Retention

The Group seeks to attract and retain the right talents who possess suitable skills and knowledge, as well as share the corporate culture and vision of the Group. They are important internal resources the Group can leverage on for the purpose of business operation and development.

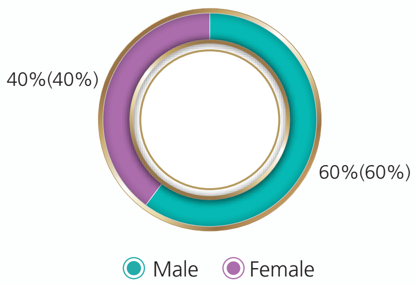
## Recruitment, Promotion, Compensation and Termination

The Group adheres to the principles of fairness and transparency in all aspects of the recruitment process, remuneration and benefits, performance evaluation, recognition, promotion and termination of employment. The Group has established a comprehensive recruitment process and various assessment methods to identify suitable talents, and attract and retain them for serving the Group. The Group sets out clear career paths and offers comprehensive opportunities for employees to gain exposure and achieve their career aspirations. In addition, the Group provides competitive remuneration packages to employees in accordance with their performance, relevant skills, experience and contributions. The Group received awards for being a responsible employer[2]. All employment practices adopted by the Group, including termination, are in compliance with relevant labour laws including the Labour Law of the People's Republic of China, the Trade Union Law of the People's Republic of China and the Employment Ordinance (Chapter 57 of the Laws of Hong Kong).

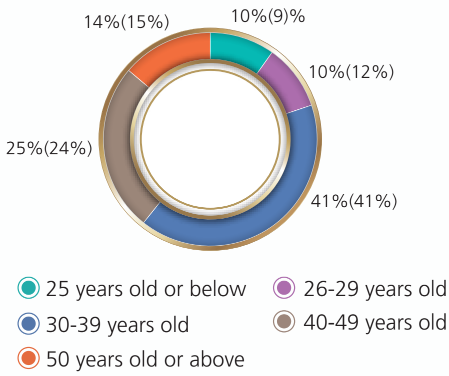
As at 31 December 2023, the Group had 3,994 employees (2022: 4,588 employees), out of which more than 99% were full time employees. Further distributions of the Group's employees are shown below:

### Total Workforce

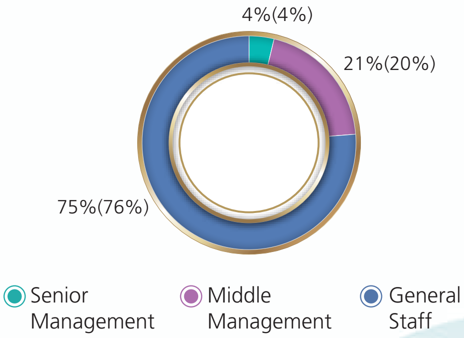
**Gender**



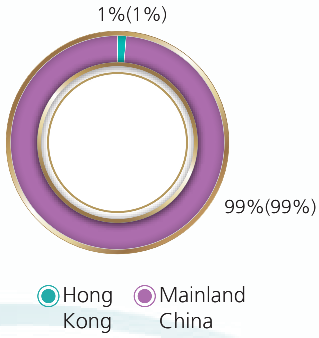

**Age**




**Employee Category**




**Geographical Region**




*( ) represents data for 2022*

Meanwhile, the Group strives to retain talents, employee turnover rate is therefore a performance indicator. An optimal level of employee turnover rate implies strong employee loyalty, which is conducive to the Group's development. Total employee turnover during the Reporting Period was 1,960 employees (2022: 2,090 employees) which is mainly from the property management business.

The Group has also calculated employee turnover rate for different groups. First, in terms of gender, the male employee turnover rate during the Reporting Period was 50% (2022: 47%), while the female employee turnover rate was 46% (2022: 43%). In terms of region, the employee turnover rate in Mainland China was 49% (2022: 46%), while in Hong Kong, it was 25% (2022: 30%). Finally, the Group has also classified employee turnover rates based on age groups during the Reporting Period, being 78% (2022: 109%) for 25 years old or below, 74% (2022: 66%) for 26-29 years old, 47% (2022: 42%) for 30-39 years old, 36% (2022: 32%) for 40-49 years old and 36% (2022: 25%) for 50 years old or above, respectively.

% represents the percentage of the number of employees who left the total workforce in each group at the end of the Reporting Period, and please refer to the B1.2 of the Appendix 2: Reporting Guidance on Social KPIs issued by Hong Kong Stock Exchange for the specific calculation method of employee turnover rate.

2 RK Properties Holdings Limited won the 2023 China Real Estate Best Employer Enterprise Award from Keyan Think Tank, and RK Property Services Holdings Limited won the 2023 China Property Best Employer Enterprise Award and the 2023 China Property Excellent Human Resources Team Award from Keyan Think Tank.


*RK Properties Holdings Limited won the 2023 China Real Estate Best Employer Enterprise Award from Keyan Think Tank*


*RK Property Services Holdings Limited won the 2023 China Property Best Employer Enterprise Award from Keyan Think Tank*


*RK Property Services Holdings Limited won the 2023 China Property Excellent Human Resources Team Award from Keyan Think Tank*


*Road King Infrastructure Limited is honoured as Good MPF Employer and presented with e-Contribution Award and MPF Support Award*


*Road King Infrastructure Management Limited is honoured as Good MPF Employer and presented with e-Contribution Award and MPF Support Award*

## Anti-Child and Forced Labour

The Group respects talents and is convinced that the right talents can only be attracted, recruited and retained through legal and ethical employment practices. The use of child labour is strictly forbidden, and control measures including verification of the authenticity of identity documents and age of job applicants are in place. The use of forced labour is also strictly prohibited, and employees are encouraged to report any cases relating to forced labour. The Group regularly reviews and assesses its employment practices, as well as engaging employees, to avoid the use of child and forced labour and ensure compliance with relevant laws such as the Labour Law and the Provisions on the Prohibition of Using Child Labour of the People's Republic of China, as well as the Employment Ordinance (Chapter 57 of the Laws of Hong Kong).

## Staff Development and Support

The Group supports its employees in their work, aiming to enhance their productivity and sense of belonging to the Group.

### Training and Development

The Group designs training programmes for employees according to the needs of different functions and positions, collectively referred to as the "RK Training Programmes". The "RK Training Programmes" cover course content and teach skills and knowledge that are relevant to the employee's job roles and build a learning organisation by constantly optimising the training content and format, cultivating a team of internal lecturers and encouraging internal knowledge sharing. The "RK Training Programmes" are divided into the following different schemes, which provide a wide range of learning options:

| Training programmes | Training Targets | Training Objectives | Participants in 2023 |
|---|---|---|---|
| RK Commander Scheme | Senior management | Expand horizons through external study tours, understand the management models of outstanding companies, and enhance comprehensive management capabilities. | 4 |
| RK Promotion Scheme | Middle-level and above management | Due to the different training directions, RK Promotion Level 1 and Level 2 are set up, through professional skills training, leadership training, job apprenticeship, executive coaching, etc. to enhance the management mindset and ability. | 54 |
| RK Jump Scheme | Grass-roots | Talent with certain professional and managerial abilities in grass-roots positions are selected and nurtured for the supervisor and above positions, aiming to reserve talents for project/department supervisors. | 99 |
| New RK Force Scheme | Fresh graduates | Help fresh graduates achieve rapid career development and cultivate future middle and senior management of the Group through on-the-job practice, job rotation learning, centralised training, dynamic evaluation, etc. | 23 |

| Training programmes | Training Targets | Training Objectives | Participants in 2023 |
|---|---|---|---|
| Elderly Care Lectures | Property leaders of urban regions and Property leaders of urban elderly care services | Conduct online elderly care learning classes, so as to better develop Road King's elderly care business. The course content is designed from the aspects of understanding the current elderly care industry situation, operation and elderly care services, the three major elderly care systems, marketing business exploration, and sharing of domestic and foreign elderly care development and operational experience. | 57 |
| Business Management Expert | Senior business experts | Through the evaluation and selection of senior business experts of four property system modules, Road King has formed a specialised organisation in property segment titled "Business Management Expert Team", and continuously promoted standardisation construction under the guidance of the Group's Property Services Centre to enhance the basic business service quality. | 36 |
| Property Technicians | Four star or above employees | Select outstanding front-line employees to pass on professional knowledge, ensure the standardisation of Road King property services on-site operations, and continuously improve the quality of basic business services. | 176 |
| RK Start Scheme | All new employees | Help all "Road King's Freshmen" understand Road King in a comprehensive and three-dimensional manner, integrate quickly through pre-online learning, process coaching, and centralised empowerment. | 139 |
| Product Lecture | Personnel of functional lines | Focus on design lines, open up real estate-related lectures around products, invite outstanding internal and external lecturers to share their knowledge and insights and foster the goal of "professional empowerment, horizon broadening and experience exchanging". | Personnel of design lines |
| Construction Lecture | Personnel of functional lines | Focus on construction lines, gathering the best practice from various branches, including but not limited to the pre-construction design schemes, bidding and procurement key points and case studies in the construction process, so as to achieve the goal of "focusing on quality, supporting marketing and enhancing capabilities". | Personnel of construction lines as the mainstay and the remaining production and marketing line functions playing a support role |

| Training programmes | Training Targets | Training Objectives | Participants in 2023 |
|---|---|---|---|
| RK Innovation Pool | All staff | To ensure high-quality proposals are known and utilised by more employees, a series of interview activities on award-winning proposals are introduced, and aim to inspire more high-quality innovative proposals in the future. | 80-100 people/ session |
| One Hour per Week | All staff | Expand business cases across various industries, collectively explore new marketing ideas and new ways of working under the changing user needs in the new era, and encourage employees to apply new ideas and methods to effectively carry out their work. | 50-70 people/ session |
| Cloud Self-Learning Class | All staff | Select high quality external courses, covering various topics such as innovation, communication, management, logic and planning, and encourage employees to start self-learning mode at their own pace and according to their interests, so as to fully explore their fields of interest. | 80-200 people/ course (Featured Course) |
| 1715 Employee Live Broadcast | All staff | Encourage employees to integrate their learning with work scenarios and conduct simple and thoughtful sharing sessions, focusing on "being practical, relaxing and grounding", aiming to help employees understand knowledge more deeply, and create an atmosphere of learning within the organisation. | 70-80 people/ session |
| RK General Scheme/ Management Lecture/ RK Wing Scheme | All staff | The offline centralised training was changed to online training in 2023. Leadership-related courses are open to all staff, and managers are encouraged to teach online, so as to enhance their professional competence and comprehensive capability. | Open to all staff |
| RK Colour Scheme | Newly recruited and newly promoted senior management | Quickly and deeply understand the corporate culture, and help "double new" employee to quickly adapt through executives' lectures and trainees' sharing. | No newly recruited senior management in 2023 |

The following are examples of specific content for five typical training programmes:

### Construction Lecture

The Construction Lecture is led by the construction lines, which gathers practical highlights from various branches, including but not limited to pre-construction design schemes, bidding and procurement planning key points and case studies in the construction process, to insist on customer-centric, and strive to create products that can stand the test of time and achieve "focusing on quality, supporting marketing and enhancing capabilities".

(Nanjing-Changzhou Session)

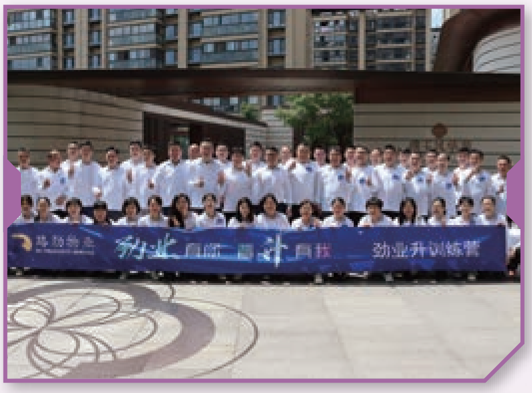
(Shanghai-Zhejiang Session)

### RK Innovation Pool

Road King has conducted innovation work for more than five years. During these five years, Road King has received thousands of innovative proposals from city companies and functional lines. In order for more employees to know and utilise the high-quality proposal, Road King launched the "Feature Interview" for the award-winning proposals, aiming to attract employees to participate in the exchange in a more relaxed and simple way, expand the innovative ideas and achievement transformation influence, and inspire more high-quality innovative proposals in the future.

### RK Promotion Scheme

RK Promotion Scheme is a project for the selection of middle and senior management talents in Road King's property services segment, and is committed to establishing an internal training and talents delivery channel. According to the different selection and training directions, RK Promotion Level 1 and Level 2 are set up, and with reference to the ability model, professional skills training, leadership training, job apprenticeship, executive coaching, etc. are adopted. Internal and external resources are integrated to enhance the management mindset and ability. The talent structure of Road King is continuously improving to facilitate business development.



### Business Management Expert

The Business Management Expert Programme is a training programme for enhancing service capabilities of property services. Through the evaluation and selection of senior business experts of four property system modules, Road King has formed a specialised organisation titled "Business Management Expert Team", and continuously promoted standardisation construction under the guidance of the Group's Property Services Centre to enhance the basic business service quality.

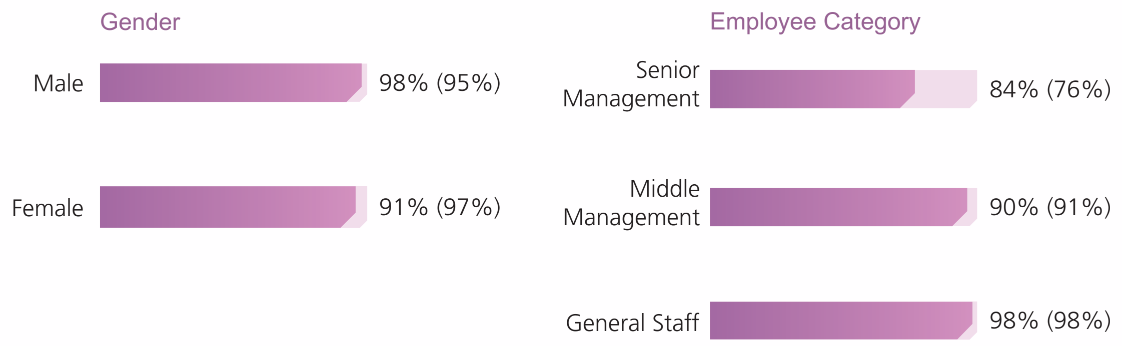


### New RK Force Scheme – Management Trainee Programme

Road King's management trainee programme "New RK Force" was established in 2013. It adopts a customised training system and model to quickly cultivate the backbone of Road King's future development and nuture the future middle and senior management of the Group.

During the Reporting Period, a total number of 3,881 employees were trained, representing 97% (2022: 96%) of all employees. Details of percentage of employees trained by gender and employee category and respective average training hours completed (per trained employee) are as follows:

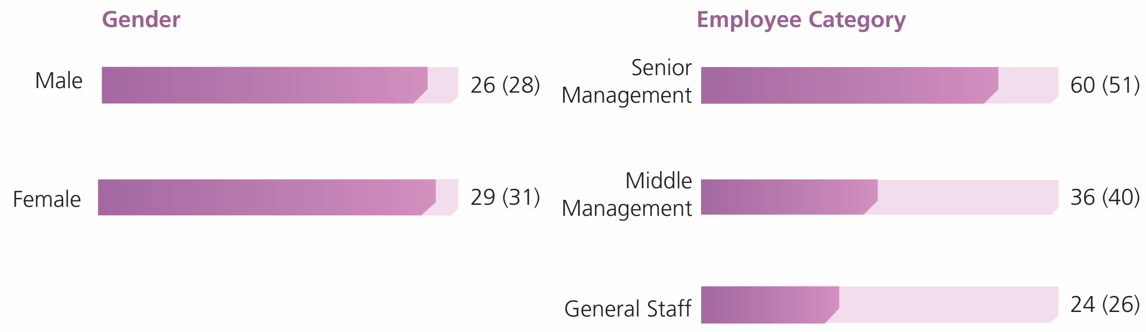
### Percentage of Employees Trained




*% represents the percentage of the number of employees trained over the total workforce in each group as at the end of the Reporting Period*

*() represents data for 2022*

### Average Training Hours Completed per Trained Employee




*() represents data for 2022*

In 2023, the average number of training hours completed per trained employee was 27 hours.

In addition to training programmes, the Group also provides supervisors mentoring and Job Shadowing Programme to help employees better perform their job duties. Apart from mentoring, the Group offers various development opportunities, including job rotation, intending to nurture talents for sustainability and growth of the Group's business. To enhance the design of employee development and training programmes, the Group collects and reviews feedback for improvement. Furthermore, the Group provides subsidies for relevant external training courses to eligible employees to encourage continuous learning, which contribute to the Group's operations and their career development.

## Employee Wellbeing

While work performance is a critical aspect of human resource management, the Group equally values employee wellbeing and believes that it is the key to inducing employee loyalty. The Group provides employees with diversified compensation and benefits to maintain the workforce stability. Salary levels are determined according to employees' performance, relevant skills, experience and contributions. The Group offers competitive compensation packages and other benefits, including training programmes and bonuses, and in some cases, the Group provides meal subsidies and travel allowances for business trips and overtime work. The Group establishes working hours and holidays according to the guidelines from local labour authorities, and provides flexible working hours for positions that need to work at specific hours. In addition, the Group also provides different types of leaves according to the employees' personal needs, such as exams, marriage and childbirth. In addition, the Group organises various recreational activities each year for employees to participate.

## Workplace Health and Safety

The Group attaches great importance to employees' health and safety in offices, construction sites and managed properties, and strives to create and maintain a healthy and safe working environment. Through comprehensive policies and procedures, the Group manages and reduces risks of various stages from construction to operation, Additionally, the Group consistently communicates and promotes various measures regarding health and safety in the workplace to employees. The Group establishes other policies in accordance with laws related to healthy and safe working environment, such as the Labour Law of the People's Republic of China and the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) to ensure compliance. However, as the employees mainly work in the administrative office, the Group faces slight occupational health and safety risks. The Group implements a number of control measures to prevent electricity and fire hazards, and also arranges regular cleaning to keep the office clean and tidy. In addition, the Group has also taken various measures to protect the physical and mental health of employees under special circumstances (such as COVID-19), including implementing work-from-home arrangements and strengthening personal hygiene education. Regarding construction site health and safety, please refer to the section "Construction Planning and Construction Work".

During the Reporting Period, a total of 1,388 lost days due to work injury were recorded (2022: 1,184 days). All work-related injury cases have been followed up in accordance with established procedures, and the Group has taken necessary measures to minimize the occurrence of work-related injuries in the future. There was no case of work-related fatalities occurred regarding the Group's employees in 2023 and 2021. In 2022, there were 2 work-related deaths, both of which were due to sudden cardiac death at work. The Group had provided appropriate support for individual cases, visited family members, and communicated with family members on compensation requirements in accordance with the relevant employee wellbeing policies and resources of the Group. The Group also tried its best to provide assistance, including coordination with the Human Resources and Social Security Bureau to speed up the identification process of employees' work-related injuries and arranging the commercial insurance company to conduct on-site investigation and submit the accident report immediately, timely handling the settlement of social security and medical insurance accounts for deceased employees, and obtainment of the one-time compensation and the funeral condolence from the Human Resources and Social Security Bureau and so on.

## Anti-discrimination and Equal Opportunity

The Group makes every effort to provide an inclusive and equitable workplace that is free from discrimination and harassment, with the belief that such workplace fosters collaboration among employees and creates harmony. The Group promotes diversity and respects individual differences, treating every employee equally and respecting their rights and interests. The commitment is reflected in the Group recruitment practices and internal policies. As stipulated in the Group's employee handbook, the Group follows the equal employment principles, pursues justice and equality, values social trust in terms of legality and ethics. It establishes reasonable regulations and obligations for both shareholders and employees, ensuring that the Group and employees are respected. The Group attaches great importance to each employee's ability to show diversity and creativity in their roles, so all employees should be treated equally and have the opportunities to develop their careers. The Group provides equal employment and promotion opportunities, regardless of gender, race, ethnic origin, religion, marital status or disability, and adopts objective standards to evaluate employees. The employment and development of employees are based on their own potential, work ability, performance and relevant laws and regulations, without considering other factors which are unrelated to their work.

The Group maintains a zero-tolerance attitude towards sexual harassment at workplace, where relating complaints will be handled by Administration and Personnel Department with strict confidentiality. All anti-discrimination and equal opportunity policies established are in alignment with applicable laws such as the Labour Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Rights and Interests of Women and the Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong).

## Environmentally Friendly Workplace

The Group is committed to operating its workplace and offices in an environmentally responsible manner, and aims at reducing wastes and improving efficiency in the use of resources. (Where the Group's offices and properties under management, do not generate material amount of emissions, respective disclosures on policies and data are not applicable except for greenhouse gas emissions). The Group will continue to monitor relevant data and implement effective measures to gradually enhance its environmental performance.

## Waste Management

Regarding waste management, the Group adopts the 4R-principle of "reduce", "reuse", "recycle" and "replace" at workplace and establishes corresponding measures. The major type of waste at workplace is paper, while other non-hazardous wastes such as ink cartridges and carton boxes are secondary waste type, and hazardous wastes produced are of immaterial amount. Several measures targeted at reducing the use of paper include: digitalizing work process with the use of electronic approval as appropriate, encouraging staff to use double-sided printing while collecting single-side printed papers for reuse, not using colour printing unless necessary as well as promoting the use of recycled papers. Recycling bins for waste paper are placed next to the printers. To further reduce overall waste generation at workplace, the Group has implemented additional measures. Recycling facilities are provided in offices to collect different types of recyclable waste (e.g. waste paper, ink cartridges, plastics, etc.), which will be passed to qualified contractors for further processing, where records of recycling are maintained and evaluated regularly to identify improvement areas. Besides, durable food containers, cutlery and cups are primarily used in office, and staff are also encouraged to bring their own utensils to minimize the consumption of disposable products. The Group recognises the importance of staff participation, and will continue to raise their awareness on waste management while providing support through various measures.

Details of amount of paper and other non-hazardous wastes disposed and recycled directly by the Group during the Reporting Period are as follows:

| Non-hazardous Wastes[3] | 2023 | 2022 |
|---|---|---|
| Paper Disposed (kg) | **30,197** | 29,050 |
| Intensity per Headcount[4] (kg) | **19.6** | 15.4 |
| Paper Recycled (kg) | **7,077** | 7,145 |
| Intensity per Headcount (kg) | **4.6** | 3.8 |
| Other Non-hazardous Wastes Disposed[5] (kg) | **3,628** | 3,578 |
| Intensity per Headcount (kg) | **2.4** | 1.9 |
| Other Non-hazardous Wastes Recycled (kg) | **1,404** | 1,524 |
| Intensity per Headcount (kg) | **0.9** | 0.8 |

3 Environmental data provided in this ESG report is adjusted according to the Group's shareholding percentage in its joint ventures and associates to reflect actual ownership.

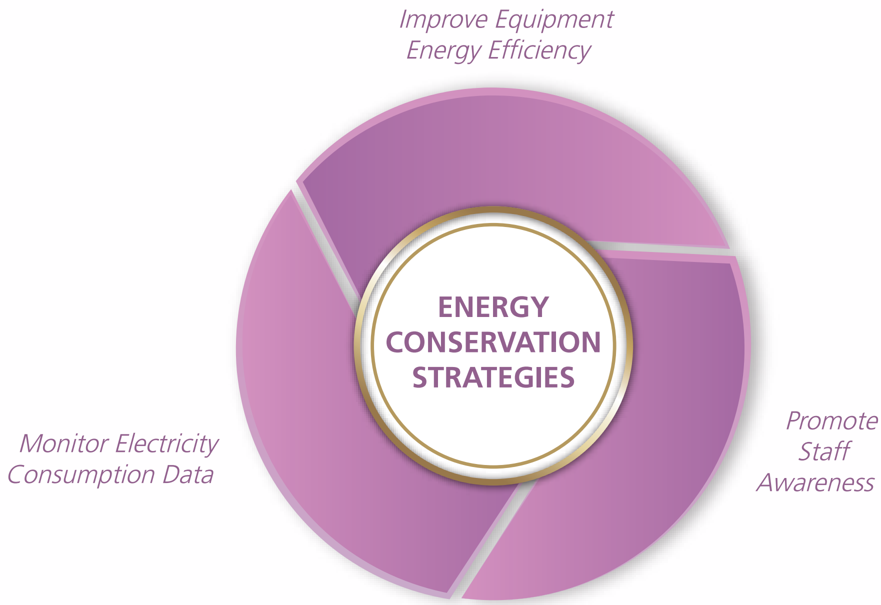
4 Unless otherwise specified, intensity in this ESG report is calculated as amount per headcount (includes employees involved in energy consumption/emissions related activities) that generated the wastes and emissions/consumed the energy.

5 Other Non-hazardous Wastes include ink cartridges, carton boxes, plastic, glass bottles as well as other general wastes.

## Efficient Use of Resources

To improve the efficiency of the use of resources at workplace, the Group establishes practical and specific resources consumption targets, encourages behavioural changes of employees and implements various resource conservation measures in operations.

Understanding energy consumption is the major source of GHG emissions as well as a significant part of operating costs, the Group strives to reduce its energy consumption from both environmental and financial perspectives. The strategies of energy conservation include: improve equipment's energy efficiency through installing energy efficient electrical appliances and devices such as LED light, and setting indoor temperature within a specific range to reduce energy consumption of air-conditioning systems; ensure that the air-conditioning is switched off during off-duty hours when the office is not staffed to avoid wastage of energy; maximise natural light in corridors during day time; select energy-saving devices with variable frequency conversion; use energy-saving office appliances with inverter function to automatically switch off when the appliances are idle; promote staff awareness by posting memos next to power switches for reminding them to switch off idle electrical appliances; and monitor consumption data by assigning coordinators to inspect unnecessary energy consumption, and recording fuel consumption of vehicles to serve as a performance indicator of drivers' performance evaluation.




During the Reporting Period, the major types of energy consumed by the Group were petrol and electricity. Details on consumption amount are as follows:

| Energy Consumption[6, 7] | 2023 | 2022 |
|---|---|---|
| Petrol (MWh) | **1,867** | 1,761 |
| Intensity per Headcount (MWh) | **1.21** | 0.93 |
| Electricity (MWh) | **3,226.5** | 4,081.8 |
| Intensity per Headcount (MWh) | **2.10** | 2.16 |

6 Environmental data provided in this ESG report is adjusted according to the Group's shareholding percentage in its joint ventures and associates to reflect actual ownership.

7 The amounts represent the energy directly controlled and consumed by the Group during the Reporting Period. Indirect energy consumptions (i.e. those consumed by its contractors, agents and other third parties engaged by the Group) are excluded.

The Group's energy consumption decreased in 2023 compared to 2022, as the number of project decreased in 2023.

The Group places equal importance on water conservation in terms of efficient use of resources. To this end, the Group has implemented a number of measures in the workplace, such as regular inspections of water taps and repairs of leaking water pipes and taps in a timely manner, installation of sensors in toilets, and posting posters and slogans advocating water conservation at conspicuous locations. The Group actively promotes rainwater recycling, which is precipitated to clean the office and water the plants. The Group also has sewage sedimentation tanks and sewage return pipelines on the construction site to recover engineering and domestic wastewater and rainwater. After the sewage is precipitated, the Group will pump it into the water tank through the pump, and use the recovered water for vehicle washing, road spraying and dust suppression, etc.. Details of water consumption are as follows:

| Water Consumption[8, 9] | 2023 | 2022 |
|---|---|---|
| Water (cubic meter) | **227,785** | 260,242 |
| Intensity per Headcount (cubic meter) | **148** | 138 |

8 Environmental data provided in this ESG report is adjusted according to the Group's shareholding percentage in its joint ventures and associates to reflect actual ownership.

9 The amounts represent the water directly controlled and consumed by the Group during the Reporting Period. Indirect water consumptions (i.e. those consumed by its contractors, agents and other third parties engaged by the Group) are excluded.

The Group's water conservation measures were slightly effective, and the water consumption in 2023 was lower than that in 2022.

## Greenhouse Gas Emissions

During the Reporting Period, the Group's GHG emissions were mainly resulted from consumption of energy. Whereas consumption of water and production of paper waste contributed a smaller amount as represented by Other Indirect (Scope 3) Emissions.

| Greenhouse Gas Emissions[10, 11, 12] | 2023 | 2022 |
|---|---|---|
| Direct (Scope 1) Emissions (kg CO2e) | **521,635** | 505,610 |
| Intensity per Headcount (kg CO2e) | **339** | 268 |
| Indirect (Scope 2) Emissions – Location-based (kg CO2e) | **1,802,096** | 2,584,068 |
| Intensity per Headcount – Location-based (kg CO2e) | **1,172** | 1,370 |
| Indirect (Scope 2) Emissions – Market-based[13] (kg CO2e) | **1,770,896** | 2,584,068 |
| Intensity per Headcount – Market-based (kg CO2e) | **1,151** | 1,370 |
| Other Indirect (Scope 3) Emissions (kg CO2e) | **232,852** | 250,679 |
| Intensity per Headcount (kg CO2e) | **151** | 133 |

10 Environmental data provided in this ESG report is adjusted according to the Group's shareholding percentage in its joint ventures and associates to reflect actual ownership.

11 The GHG emissions are calculated with reference to the "Reporting Guidance on Environmental KPIs" issued by the Hong Kong Stock Exchange, the "Baseline Emission Factors of China's Regional Power Grids for Emission Reduction Projects in 2022" issued by the Ministry of Ecology and Environment of the People's Republic of China and the "Greenhouse Gas Reporting: Conversion Factors 2023" issued by the Department for Business, Energy & Industrial Strategy of the United Kingdom.

12 Scope 1 emissions include direct emissions from the combustion of unleaded gasoline. Scope 2 emissions include indirect emissions from purchased electricity. Scope 3 emissions include emissions from the Group's disposal of paper, commercial and industrial waste, as well as water consumption.

13 In 2023, the Group purchased a total of 80,000 kWh of renewable energy certificates, which contributed to a reduction of 31,200 kg CO2e of greenhouse gas emissions.

In 2023, the Group's Scope 1 emissions increased compared with that in 2022, which was due to the full opening after the pandemic in 2023. The decrease of Scope 2 emissions was mainly due to the decrease of number of projects in 2023, while the decrease of Scope 3 emissions was related to the decrease of discarded waste in 2023.

## III. BUILDING SUSTAINABLE COMMUNITY

The Group recognises the importance of sustainable community development. While certain stakeholder groups such as customers, suppliers and employees are directly engaged with the Group in its business operations, other community stakeholders are equally important to the Group. The Group is determined to operate in a responsible manner which avoids harming the interests of these stakeholders and generates positive values to them. Accordingly, the Group endorses market competition through various means and makes community investment.

| Issues in This Section | Stock Exchange ESG Indicators Involved | SDG Issues Involved |
|---|---|---|
| Fair Competition<br>Community Investment | B7.1, B7.2, B7.3, B8.1, B8.2 | SDG 16 |

| Fair Competition | Community Investment |
|---|---|
| Fair competition is the basis of innovation and economic growth which should be supported by all corporates. The Group adheres to the highest standards of business ethics and implements various controls to eliminate corruption. | Community Investment is a crucial way for a corporate to give back to the society. The Group strives to promote inclusive growth of the community while honouring its mandate to generate financial returns for investors. |

There were no material non-compliance cases noted relating to corruption, bribery, extortion, fraud and money laundering during the Reporting Period. The Group's operations were in compliance to relevant local anti-corruption laws and regulations.

## Fair Competition

The Group believes that fair competition is the basis of innovation and economic development. As such, the Group considers that integrity and honesty are of paramount importance to gain the trust and respect from stakeholders of the Group.

### Anti-Corruption and Whistle-Blowing Channel

The Group upholds the highest standard of integrity throughout its operations. To fulfil its commitment to ethics, prudent policies and procedures have been established to provide guidance to employees on upholding business ethics, so as to reduce the risk of unethical or inappropriate business practices resulted from inadequate or unclear internal instructions. Code of conduct has been stipulated in the staff handbook to communicate with staff the proper behaviours and prohibited acts. For examples, all employees are prohibited to accept improper personal benefits in the course of performing their duties with the company; directors and employees must not use the confidential information obtained through their duties with the company or during work for acquiring personal benefits. Anti-corruption trainings were also provided, during the Reporting Period, to staff with reference to the contents of employee handbook to enhance their understanding of business ethics, integrity and anti-corruption issues. The Group strictly prohibits all falsifying documents or business records and any soliciting or accepting of advantages to or from clients, suppliers and business partners. Special attention is paid on the supplier selection process to ensure it is fairly carried out to serve its intended purposes. The Group reviews its policies and practices regularly to ensure compliance to relevant laws such as the Criminal Law and Anti-Money Laundering Law of the People's Republic of China and the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong).

The Group strengthens the publicity of "integrity" through explaining relevant provisions of the employee handbook. In order to identify suspected cases of corruption, money laundering and other misconducts, the Group has established a reporting channel to encourage its staff and business partners to report irregularities and suspected cases of fraud, criminal offense as well as non-compliance to laws or internal guidelines to the management for further investigation. Management from other department will be assigned to follow-up on the reported cases to ensure impartiality. For serious occasions, investigation results will be reported to the board. The Group is committed to protecting the interests of the reporter, and the reported cases will be handled with strict confidentiality. During the Reporting Year, there was no corruption litigation involving the Group or its employees.

In order to implement the values of integrity and conform to the honesty and business ethics standards, the Group has added the incorruptibility and anti-money laundering clauses to the contract, and the specific contents are as follows:

Incorruptibility Clauses

1. Party A and Party B shall consciously abide by national and local laws and regulations and the provisions of this agreement, and be honest and self-disciplined in concluding and performing the contract.

2. Party A and Party B and their staff shall not ask for or accept kickbacks, agency fees, consultancy fees and other benefits from each other in any form.

3. Unless otherwise agreed by both parties, Party A and Party B shall not accept family members or relatives introduced by the staff of the other party to engage in business related to the contract.

4. Party A and Party B shall conduct business through normal channels, and shall not offer gifts, securities and valuables to the staff of the other party for obtaining illegitimate interests, or reimburse them for their personal expenses, or invite them for travel and commercial entertainment, or provide convenience for their housing decoration, weddings and funerals, and their families and children's work and going abroad arrangements.

5. When Party A and Party B and their employees have any of the following related party relationships, the first knowing party should take the initiative to declare to the other party, truthfully disclose the related party information or the related transaction contents, and shall not harm the other party's interests in any form:

   - Shareholders, controllers, directors, supervisors and senior managers of one party have relatives who are having close relationships with employees of the other party;

   - The employees of one party have economic relations with the other party or its shareholders, controllers, directors, supervisors and senior managers, including but not limited to partnership, joint stock participation, holding, acquisition, association, agency and personal creditor's rights and debts;

   - The shareholders, controllers, directors, supervisors and senior managers of one party are former employees leaving the company within one year, existing employees or their spouses or close relatives of the other party.

6. Party A and Party B and their staff shall abide by all applicable trade sanctions laws in China and the sanctions imposed by China relevant authorities. If one party conducts any transactions with individuals, entities or governments of countries or regions sanctioned by China, it shall voluntarily report to the other party of this agreement.

7. If any party discovers that the staff of the other party has violated this clause, it shall report to the other party.

8. If any party finds that the other party has violated this clause or bribed its staff by other improper means, or has engaged in any other unfair competition behavior, the observant party has the right to terminate this agreement and demand the defaulting party to pay liquidated damages at the rate of 10% of the total contract amount. If the liquidated damages are insufficient to make up for the losses of the observant party, it has the right to recover the relevant losses from the defaulting party.

Anti-Money Laundering Clause

1. The payer shall abide by the Anti-Money Laundering Law and all international treaties on anti-money laundering concluded or acceded to by China. The payer hereby promises that the source of transaction funds under this contract is legal and the payer is the actual beneficiary of this transaction. If the payer has suspicious transactions, the payee has the right to report to the relevant national authorities, and cooperate with the national anti-money laundering administrative department to conduct anti-money laundering financing verification and freeze the payer's funds and assets. The payee has the right to terminate this contract.

## Intellectual Property Rights

The Group respects intellectual property rights of its partners. Employees are required to strictly follow the Group's policies and procedures regarding intellectual property rights when making use of materials, pictures, contents as well as all other forms of private intellectual property that are not produced by their own or possessed by the Group, and strictly prohibits any use, copying, sale or distribution of any form of intellectual property rights in violation of any local laws or licensing agreements to comply with relevant laws such as the Patent Law of the People's Republic of China and the Patents Ordinance (Chapter 514 of the Laws of Hong Kong). Besides, the Group has registered its trademark and retained a detailed record of the intellectual property rights it possesses and has in place a system to protect its intellectual property rights.

## Community Investment

The Group is dedicated to building a sustainable community where members of all groups are able to share the benefits brought by social and economic development. As such, apart from fulfilling corporate responsibility in its day-to-day operations, the Group proactively participates in social welfare activities and makes donations. In 2023, the Group continued to participate in various fundraising activities of the Community Chest, including Dress Casual Day, Green Low Carbon Day, Love Teeth Day, Skip Lunch Day, and Mooncakes for Charity.

In order to improve the effectiveness of resource allocation, during the Reporting Period, the Group focused on sponsoring education, helping the underserved children and the elderly, and carried out a series of community activities including more than 260 community support and elderly care activities, to create better communities.

### Education

The Group believes that education is vital in enhancing people's human capital and subsequently creating more opportunities to them for a better future. The community will also benefit from having more educated citizens. Therefore, the Group is enthusiastic in sponsoring education for teenagers. Over the years, the Group has awarded scholarships to university students in Mainland and Hong Kong, arranged activities for students to interact with enterprises and subsidised university academic activities. Since 2009, the Group sponsored a scholarship program, namely the "Peking University China Finance 40 Forum Road King Scholarship Program", which is jointly launched by China Finance 40 Forum (CF40), National School of Development of Peking University and the Group. The objective of this scholarship is to nuture talents for the society. In 2023, the Group sponsored RMB400,000 to China Finance 40 Forum (CF40) for the scholarship.

*On 5 November 2023, the launching ceremony for "Peking University China Finance 40 Forum Road King Scholarship Program (北京大學中國金融四十人路勁獎學金項目)" was held at National School of Development of Peking University.*

### Supporting the Underserved Children

The Group places equal emphasis on helping children in poverty with the aim to offer them equal opportunities as children from more financially capable families. Since 2013, the Group has joined hands with China Real Estate Chamber of Commerce and Elite Habitat Development Foundation to launch the ELITE Child Plan, which targets to improve the living and growth environment for children staying in orphanage schools and village kindergarten in the ethnic community of the western regions through various means, including donations. The footprint of ELITE Child Plan spreads across schools and kindergarten classes in minority areas such as Tibet, Qinghai, Yunnan, Guizhou, Sichuan, Guangxi and Xinjiang. We donated and renovated learning and living facilities such as multimedia classrooms, reading rooms, shower rooms, toilets, dormitories, kitchens, roads, playgrounds and so on, benefiting children's happy growth. As a recognition of the Group's contributions, China Real Estate Chamber of Commerce and Elite Habitat Development Foundation awarded the Group the title of "ELITE Public Welfare Pioneer" in 2016.

## Caring for the Elderly

In order to protect the well-being of the elderly, the Group held a series of diversified and content-rich elderly care activities.

Charity Haircut for the Elderly

Elderly Visiting Activities

Volunteer Medical Services

Kite Making

Community Social Programme for the Elderly

Elderly Instrumental Class

Road King Cup – RK Joyful Elderly Sports Competition


Road King Cup – RK Joyful "Fight the Landlord" Tournament for the Elderly

Chinese Chess Tournament

Arts and Crafts Activities for the Elderly

Smartphone Classes in the Elderly University

Elderly Birthday Celebrations

Calligraphy Courses for the Elderly

Elderly Photography Events

In addition, the Group has also carried out a series of community services, not only provide convenience to residents' lives, but also enrich their forms of residents' leisure and entertainment.

Theme Activities for Lantern Festival

Children's Day Celebrations

Children's Picture Book Reading Activities

Chung Yeung Festival-themed Events

Activities for International Women's Day

Parent-Child Activities

Festive Activities for Dragon Boat Festival

Theme Activities for Mid-Autumn Festival

## SUMMARY OF KEY PERFORMANCE INDICATORS

### Environmental Performance

| Non-hazardous Wastes | 2023 | 2022 | 2011 |
|---|---|---|---|
| Paper Disposed (kg) | **30,197** | 29,050 | 36,575 |
| Intensity per Headcount (kg) | **19.6** | 15.4 | 17.1 |
| Paper Recycled (kg) | **7,077** | 7,145 | 11,836 |
| Intensity per Headcount (kg) | **4.6** | 3.8 | 5.5 |
| Other Non-hazardous Wastes Disposed (kg) | **3,628** | 3,578 | 4,281 |
| Intensity per Headcount (kg) | **2.4** | 1.9 | 2.0 |
| Other Non-hazardous Wastes Recycled (kg) | **1,404** | 1,524 | 1,984 |
| Intensity per Headcount (kg) | **0.9** | 0.8 | 0.9 |

| Energy Consumption | 2023 | 2022 | 2011 |
|---|---|---|---|
| Petrol (MWh) | **1867** | 1761 | 2150 |
| Intensity per Headcount (MWh) | **1.21** | 0.93 | 1.00 |
| Electricity (MWh) | **3,226.5** | 4,081.8 | 4,255.9 |
| Intensity per Headcount (MWh) | **2.10** | 2.16 | 1.99 |

| Water Consumption | 2023 | 2022 | 2011 |
|---|---|---|---|
| Water (cubic meter) | **227,785** | 260,242 | 267,294 |
| Intensity per Headcount (cubic meter) | **148** | 138 | 125 |

| Greenhouse Gas Emissions | 2023 | 2022 | 2011 |
|---|---|---|---|
| Direct (Scope 1) Emissions (kg $CO_2e$) | **521,635** | 505,610 | 600,846 |
| Intensity per Headcount (kg $CO_2e$) | **339** | 268 | 280 |
| Indirect (Scope 2) Emissions – Location-based (kg $CO_2e$) | **1,802,096** | 2,584,068 | 2,634,486 |
| Intensity per Headcount – Location-based (kg $CO_2e$) | **1,172** | 1,370 | 1,229 |
| Indirect (Scope 2) Emissions – Market-based (kg $CO_2e$) | **1,770,896** | 2,584,068 | 2,634,486 |
| Intensity per Headcount – Market-based (kg $CO_2e$) | **1,151** | 1,370 | 1,229 |
| Other Indirect (Scope 3) Emissions (kg $CO_2e$) | **232,853** | 250,679 | 290,091 |
| Intensity per Headcount (kg $CO_2e$) | **151** | 133 | 135 |

## CONTENT INDEX FOR STOCK EXCHANGE ESG REPORTING GUIDE

| General Disclosures and KPIs | Description | Reference (Page Number)/Remark |
|---|---|---|
| **Environmental** | | |
| **Aspect A1: Emissions** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | Offering Quality Properties and Services (115-117);<br>Establishing Constructive Workplace (134-137) |
| KPI A1.1 | The types of emissions and respective emissions data | N/A, direct emissions of air and water from the operation/ management of the Group's administrative offices and buildings are of immaterial amount |
| KPI A1.2 | Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Establishing Constructive Workplace (137)<br>Summary of KPI (146) |
| KPI A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | N/A, the amount of hazardous waste generated by the offices and properties under the Group's management is of immaterial amount |
| KPI A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Establishing Constructive Workplace (135)<br>Summary of KPI (146) |
| KPI A1.5 | Description of emissions target(s) set and steps taken to achieve them | Environmental Goals (95);<br>Offering Quality Properties and Services (102-106, 114);<br>Establishing Constructive Workplace (135-137) |
| KPI A1.6 | Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them | Environmental Goals (95);<br>Offering Quality Properties and Services (102-106, 114);<br>Establishing Constructive Workplace (134-135) |

| General Disclosures and KPIs | Description | Reference (Page Number)/Remark |
|---|---|---|
| **Environmental** | | |
| **Aspect A2: Use of Resources** | | |
| General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | Offering Quality Properties and Services (102-106, 114-118); Establishing Constructive Workplace (134-137) |
| KPI A2.1 | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility). | Establishing Constructive Workplace (136) Summary of KPI (146) |
| KPI A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility) | Establishing Constructive Workplace (136-137) Summary of KPI (146) |
| KPI A2.3 | Description of energy use efficiency target(s) set and steps taken to achieve them | Environmental Goals (95); Offering Quality Properties and Services (102-106, 109-117); Establishing Constructive Workplace (135-136) |
| KPI A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them. | Environmental Goals (95); Offering Quality Properties and Services (102-106, 114, 117-118); Establishing Constructive Workplace (136-137) |
| KPI A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | N/A, the amount of packaging materials used by the Group is of immaterial amount |
| **Aspect A3: The Environment and Natural Resources** | | |
| General Disclosure | Policies on minimising the issuer's significant impacts on the environment and natural resources. | Offering Quality Properties and Services (111) |
| KPI A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | Offering Quality Properties and Services (111) |
| **Aspect A4: Climate Change** | | |
| General Disclosure | Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer. | Offering Quality Properties and Services (112-113) |
| KPI A4.1 | Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them. | Offering Quality Properties and Services (112-113) |

| General Disclosures and KPIs | Description | Reference (Page Number)/Remark |
|---|---|---|
| **Social** | | |
| **Aspect B1: Employment** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | Establishing Constructive Workplace (124-126, 133-134) |
| KPI B1.1 | Total workforce by gender, employment type (for example, full- or parttime), age group and geographical region. | Establishing Constructive Workplace (124) |
| KPI B1.2 | Employee turnover rate by gender, age group and geographical region | Establishing Constructive Workplace (125) |
| **Aspect B2: Health and Safety** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to providing a safe working environment and protecting employees from occupational hazards. | Offering Quality Properties and Services (118-120);<br>Establishing Constructive Workplace (133) |
| KPI B2.1 | Number and rate of work-related fatalities occurred in each of the past three years including the reporting year | Establishing Constructive Workplace (133) |
| KPI B2.2 | Lost days due to work injury | Establishing Constructive Workplace (133) |
| KPI B2.3 | Description of occupational health and safety measures adopted, and how they are implemented and monitored | Offering Quality Properties and Services (118-120);<br>Establishing Constructive Workplace (133) |
| **Aspect B3: Development and Training** | | |
| General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | Establishing Constructive Workplace (127-132) |
| KPI B3.1 | The percentage of employees trained by gender and employee category (e.g. senior management, middle management). | Establishing Constructive Workplace (132) |
| KPI B3.2 | The average training hours completed per employee by gender and employee category | Establishing Constructive Workplace (132) |

| General Disclosures and KPIs | Description | Reference (Page Number)/Remark |
|---|---|---|
| **Social** | | |
| **Aspect B4: Labour Standards** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to preventing child and forced labour | Establishing Constructive Workplace (126) |
| KPI B4.1 | Description of measures to review employment practices to avoid child and forced labour | Establishing Constructive Workplace (126) |
| KPI B4.2 | Description of steps taken to eliminate such practices when discovered | N/A, no relevant violation was found by the Group |
| **Aspect B5: Supply Chain Management** | | |
| General Disclosure | Policies on managing environmental and social risks of the supply chain. | Offering Quality Properties and Services (108) |
| KPI B5.1 | Number of suppliers by geographical region | Offering Quality Properties and Services (108) |
| KPI B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored | Offering Quality Properties and Services (108) |
| KPI B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored | Offering Quality Properties and Services (108) |
| KPI B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored | Offering Quality Properties and Services (108) |

| General Disclosures and KPIs | Description | Reference (Page Number)/Remark |
|---|---|---|
| **Social** | | |
| **Aspect B6: Product Responsibility** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | Offering Quality Properties and Services (121-122, 140) |
| KPI B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons | N/A, recalls of the Group's products are not common |
| KPI B6.2 | Number of products and service related complaints received and how they are dealt with | Offering Quality Properties and Services (121-122) |
| KPI B6.3 | Description of practices relating to observing and protecting intellectual property rights | Building Sustainable Community (140) |
| KPI B6.4 | Description of quality assurance process and recall procedures | Offering Quality Properties and Services (121) |
| KPI B6.5 | Description of consumer data protection and privacy policies, and how they are implemented and monitored | Offering Quality Properties and Services (122) |
| **Aspect B7: Anticorruption** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to bribery, extortion, fraud and money laundering. | Building Sustainable Community (138-140) |
| KPI B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases | Building Sustainable Community (138) |
| KPI B7.2 | Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored | Building Sustainable Community (139-140) |
| KPI B7.3 | Description of anti-corruption training provided to directors and staff | Building Sustainable Community (139-140) |
| **Aspect B8: Community Investment** | | |
| General Disclosure | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | Building Sustainable Community (141-145) |
| KPI B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | Building Sustainable Community (141-145) |
| KPI B8.2 | Resources contributed (e.g. money or time) to the focus area. | Building Sustainable Community (141-145) |

# Glossary

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

| | |
|---|---|
| "2023 AGM" | the annual general meeting of the Company held on Wednesday, 24 May 2023 |
| "2024 AGM" | the annual general meeting of the Company to be held on Tuesday, 21 May 2024 |
| "Board" | the board of Directors |
| "Build King" | Build King Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (HK stock code: 240) and is a non-wholly owned subsidiary of Wai Kee |
| "Bye-laws" | the bye-laws of the Company |
| "Central Government" | The Central Government of the Mainland China |
| "CG Code" | Corporate Governance Code set out in Appendix C1 to the Listing Rules |
| "Company"/"Road King" | Road King Infrastructure Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange (HK stock code: 1098) |
| "COVID-19" | a novel coronavirus named COVID-19 that causes pneumonia-lie illness and was declared by the World Health Organization to be a global pandemic on 11 March 2020 |
| "Director(s)" | the director(s) of the Company |
| "ESG" | Environmental, Social and Governance |
| "ESG Reporting Guide" | Environmental, Social and Governance Reporting Guide set out in Appendix C2 to the Listing Rules |
| "Greater Bay Area" | Guangdong – Hong Kong – Macao Bay Area |
| "Group"/"We"/"Our" | the Company and its subsidiaries |
| "HK$"/"Hong Kong dollar(s)" | Hong Kong dollars, the lawful currency of Hong Kong |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |

| | |
|---|---|
| "IAM Segment" | Investment and Asset Management Segment of the Group |
| "IDR" | Indonesian Rupiah, the lawful currency of Indonesia |
| "Indonesia" | The Republic of Indonesia |
| "km" | kilometers |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "Mainland China" | the PRC, excluding Hong Kong, Macau and Taiwan for the purpose of this annual report |
| "MKTT Expressway" | Medan-Kualanamu-Tebing Tinggi Expressway |
| "Model Code" | Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules |
| "N/A" or "n/a" | not applicable |
| "New Scheme" | the share option scheme adopted by the Company at the 2023 AGM |
| "NKK Expressway" | Ngawi Kertosono Kediri Expressway |
| "Old Scheme" | the share option scheme adopted by the Company on 8 May 2013 |
| "Pandemic" | the COVID-19 pandemic |
| "PRC" | the People's Republic of China |
| "Property Segment" | Property Segment of the Group |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "SB Expressway" | Semarang Batang Expressway |
| "SFO" | the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong |
| "Share(s)" | ordinary share(s) of HK$0.10 each in the share capital of the Company |
| "Shareholder(s)" | shareholder(s) of the Company |
| "Shenzhen Investment" | Shenzhen Investment Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (HK stock code: 604) and is one of the substantial shareholders of the Company |

# Glossary (continued)

| | |
|---|---|
| "SN Expressway" | Solo Ngawi Expressway |
| "SOE" | State-owned enterprise |
| "sqm" | square meters |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "substantial shareholder(s)" | has the meaning ascribed to it under the Listing Rules |
| "Toll Road Segment"" | Toll Road Segment of the Group |
| "US$"/"US dollars" | United States dollars(s), the lawful currency of the United States of America |
| "Wai Kee" | Wai Kee Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (HK stock code: 610) and is the controlling shareholder of the Company |
| "%" | per cent |

# Corporate Information

## EXECUTIVE DIRECTORS

Zen Wei Peu, Derek *(Chairman)*
Fong Shiu Leung, Keter *(Chief Executive Officer)*
Ng Fun Hung, Thomas *(Chief Financial Officer)*

## NON-EXECUTIVE DIRECTORS

Cai Xun
Xu Enli

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Lau Sai Yung
Wong Wai Ho
Hui Grace Suk Han
Cheung Hon Kit

## PROPERTY BUSINESS MANAGEMENT COMMITTEE

Zen Wei Peu, Derek
Fong Shiu Leung, Keter *(Convenor)*
Ng Fun Hung, Thomas
Li Wanle
Zhang Nan
Diao Lu, Amy
Gao Da Peng
Chen Xue Ming

## AUDIT COMMITTEE

Lau Sai Yung *(Chairman)*
Wong Wai Ho
Hui Grace Suk Han

## NOMINATION COMMITTEE

Zen Wei Peu, Derek *(Chairman)*
Lau Sai Yung
Wong Wai Ho
Hui Grace Suk Han

## REMUNERATION COMMITTEE

Wong Wai Ho *(Chairman)*
Zen Wei Peu, Derek
Lau Sai Yung

## COMPANY SECRETARY

Lee Tak Fai, Kennedy

## AUDITOR

Deloitte Touche Tohmatsu
*Registered Public Interest Entity Auditors*

## SOLICITORS

Beijing Global Law Office
Conyers, Dill & Pearman
Reed Smith Richards Butler LLP

## PRINCIPAL BANKERS

**Mainland China**
Agricultural Bank of China Limited
Bank of China Limited
China Construction Bank Corporation
Industrial and Commercial Bank of China Limited
PingAn Bank Co., Ltd.

**Hong Kong**
China CITIC Bank International Limited
The Hongkong and Shanghai Banking Corporation Limited

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

# Corporate Information (continued)

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

## PRINCIPAL PLACE OF BUSINESS

Suite 501, 5th Floor
Tower 6, The Gateway
9 Canton Road
Tsimshatsui
Kowloon
Hong Kong

## SHARE LISTING

The Company's shares are listed on the main board of The Stock Exchange of Hong Kong Limited (Stock Code: 1098)

## NOTES, SECURITIES AND BONDS LISTING

The following notes and securities are listed on the Singapore Exchange Securities Trading Limited

– US$480 million 6.7% guaranteed senior notes due 2024
– US$300 million 5.9% guaranteed senior notes due 2025
– US$415.6 million 6% guaranteed senior notes due 2025
– US$500 million 5.2% guaranteed senior notes due 2026
– US$500 million 5.125% guaranteed senior notes due 2026
– US$300 million 7.95% senior guaranteed perpetual capital securities
– US$300 million 7% senior guaranteed perpetual capital securities
– US$300 million 7.75% senior guaranteed fixed-spread perpetual capital securities

## INVESTOR RELATIONS

| | |
|---|---|
| Contact Persons: | Lee Tak Fai, Kennedy<br>Tsoi Yuk Gee, Melissa |
| Telephone: | (852) 2957 6800 |
| Facsimile: | (852) 2375 2477 |
| E-mail address: | ir@roadking.com.hk |

## WEBSITES

http://www.roadking.com.hk
http://www.rkph.com

# Independent Auditor's Report

Deloitte. 德勤

**To the Shareholders of Road King Infrastructure Limited**
*(incorporated in Bermuda with limited liability)*

## OPINION

We have audited the consolidated financial statements of Road King Infrastructure Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages F-7 to F-139, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

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

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Revenue recognised from sale of completed properties held for sale*** | |
| We identified revenue recognised from sale of completed properties held for sale as a key audit matter as it is quantitatively significant to the consolidated statement of profit or loss.<br><br>The Group's revenue from sale of completed properties held for sale for the year ended 31 December 2023 amounted to approximately HK$11,895 million, which is disclosed in Note 5 to the consolidated financial statements, representing 91% of the Group's total revenue. As disclosed in Note 5 to the consolidated financial statements, revenue from sales of properties is recognised at a point in time when the control of completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable. | Our procedures in relation to revenue recognised from sale of completed properties held for sale included:<br><br>• Understanding and assessing the effectiveness of the Group's internal control over the revenue recognition for sale of completed properties held for sale;<br><br>• Inspecting, on a sample basis, the terms set out in sale and purchase agreements to understand the point that customers obtain the control of the completed properties and the Group has present right to payment and collection of the consideration is probable; and<br><br>• Evaluating whether control of completed properties has been transferred to customers by checking, on a sample basis, to the terms of sale and purchase agreements, the relevant completion certificate for construction work and the delivery notice sent to customers. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Net realisable value of inventory of properties***<br>We identified the net realisable value of inventory of properties, which includes properties under development for sale (the "PUD") and completed properties held for sale (the "PFS") (collectively referred to as the "Properties") as a key audit matter as it is significant to the consolidated statement of financial position and significant judgments and estimates are involved in the determination of net realisable value (the "NRV") of the Properties.<br><br>As disclosed in Note 23 to the consolidated financial statements, the Group's PUD of approximately HK$17,562 million and PFS of approximately HK$11,864 million are situated in Mainland China and Hong Kong as at 31 December 2023. As set out in Note 4 to the consolidated financial statements, management of the Group determined the NRV of the PUD with reference to the current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development based on existing asset structure and construction material price lists and the estimated costs necessary to make the sale. Management determined the NRV of the PFS with reference to the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.<br><br>Based on management's assessment, the write-down of Properties of HK$890,996,000 was recognised in profit or loss for the year ended 31 December 2023. | Our procedures in relation to net realisable value of inventory of properties included:<br><br>• Understanding management's process of estimating construction costs to be incurred to complete the development of the PUD and estimating the NRV of the Properties;<br><br>• Evaluating the reasonableness of estimated costs to completion of the PUD, on a sample basis, by comparing budgeted construction costs, to the signed contracts with subcontractors, and actual development costs of similar completed properties of the Group and comparing the adjustments made by management, on a sample basis, to current market data; and<br><br>• Assessing the appropriateness of estimated selling price of the Properties, on a sample basis, by comparing it to the recent market prices achieved in the same project or comparable properties. |

## OTHER INFORMATION

The directors of the Company ("Directors") are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

# Independent Auditor's Report (continued)

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Wong Kuen.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong
20 March 2024

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2023

| | NOTES | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|---|
| **Revenue** | | | |
| Property sales and service income | | **12,857,201** | 16,999,550 |
| Other revenue | | **218,147** | 156,426 |
| **Total revenue** | 5 | **13,075,348** | 17,155,976 |
| Cost of sales | | **(13,723,342)** | (14,211,696) |
| Gross (loss) profit | | **(647,994)** | 2,944,280 |
| Interest income | | **222,133** | 395,726 |
| Other income | | **152,729** | 116,551 |
| Other gains and losses | 7 | **(1,333,446)** | (687,319) |
| Selling expenses | | **(467,508)** | (702,236) |
| Administrative expenses | | **(758,750)** | (924,782) |
| Share of results of associates | | **13,561** | 31,970 |
| Share of results of joint ventures | 8 | **284,242** | 1,067,257 |
| Finance costs | 9 | **(1,054,192)** | (1,143,274) |
| **(Loss) profit before taxation** | 10 | **(3,589,225)** | 1,098,173 |
| Income tax expenses | 12 | **(171,322)** | (639,561) |
| **(Loss) profit for the year** | | **(3,760,547)** | 458,612 |
| **(Loss) profit for the year attributable to:** | | | |
| Owners of the Company | | **(3,961,585)** | (495,378) |
| Owners of perpetual capital securities | | **532,676** | 536,907 |
| Other non-controlling interests of subsidiaries | | **(331,638)** | 417,083 |
| | | **(3,760,547)** | 458,612 |
| **Loss per share** | 14 | | |
| – Basic | | **(HK$5.29)** | (HK$0.66) |
| – Diluted | | **N/A** | N/A |

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| **(Loss) profit for the year** | **(3,760,547)** | 458,612 |
| **Other comprehensive income (expense)** | | |
| ***Items that may be subsequently reclassified to profit or loss:*** | | |
| Exchange differences arising on translation of foreign operations | **128,708** | 29,656 |
| Share of other comprehensive income (expense) of joint ventures | **10,389** | (8,116) |
| ***Item that will not be subsequently reclassified to profit or loss:*** | | |
| Exchange differences arising on translation to presentation currency | **(851,394)** | (1,811,030) |
| **Other comprehensive expense for the year** | **(712,297)** | (1,789,490) |
| **Total comprehensive expense for the year** | **(4,472,844)** | (1,330,878) |
| **Total comprehensive (expense) income for the year attributable to:** | | |
| Owners of the Company | **(4,550,758)** | (1,941,137) |
| Owners of perpetual capital securities | **532,676** | 536,907 |
| Other non-controlling interests of subsidiaries | **(454,762)** | 73,352 |
| | **(4,472,844)** | (1,330,878) |

# Consolidated Statement of Financial Position

At 31 December 2023

| | NOTES | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | **47,966** | 53,049 |
| Right-of-use assets | 16 | **25,801** | 41,273 |
| Investment properties | 17 | **5,244,882** | 4,125,822 |
| Interests in associates | 18 | **1,025,706** | 1,041,280 |
| Interests in joint ventures | 19 | **14,732,503** | 18,612,840 |
| Deferred tax assets | 30 | **134,245** | 227,359 |
| Amounts due from joint ventures and associates | 20 | **3,944,670** | 6,084,012 |
| Amounts due from other non-controlling interests of subsidiaries | 21 | **—** | 974,183 |
| Loan receivables | 22 | **1,842,842** | 2,651,746 |
| Financial assets at fair value through profit or loss ("FVTPL") | 25 | **579,707** | 596,271 |
| | | **27,578,322** | 34,407,835 |
| **Current assets** | | | |
| Inventory of properties | 23 | **29,426,286** | 38,631,097 |
| Amounts due from joint ventures and associates | 20 | **1,788,591** | 3,564,733 |
| Amounts due from other non-controlling interests of subsidiaries | 21 | **1,615,514** | 909,132 |
| Loan receivables | 22 | **79,289** | 68,158 |
| Debtors, deposits and prepayments | 24 | **2,637,368** | 2,657,112 |
| Prepaid income tax | | **1,531,029** | 1,382,848 |
| Pledged bank deposits | 26 | **79,672** | 119,803 |
| Bank balances and cash | 26 | **5,480,197** | 8,261,655 |
| | | **42,637,946** | 55,594,538 |
| Assets classified as held for sale | 47 | **2,930,045** | — |
| **Total assets** | | **73,146,313** | 90,002,373 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 27 | **74,934** | 74,934 |
| Reserves | | **15,620,722** | 20,171,480 |
| | | **15,695,656** | 20,246,414 |
| **Owners of perpetual capital securities** | 36 | **6,963,623** | 6,961,258 |
| **Other non-controlling interests of subsidiaries** | | **4,538,385** | 5,552,811 |
| **Total equity** | | **27,197,664** | 32,760,483 |

# Consolidated Statement of Financial Position (continued)

At 31 December 2023

| | NOTES | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Bank and other borrowings | 29 | **12,753,149** | 21,890,008 |
| Deferred tax liabilities | 30 | **1,044,221** | 1,238,541 |
| Financial liabilities at FVTPL | 25 | **734,734** | 198,815 |
| Lease liabilities | 35 | **14,558** | 28,647 |
| | | **14,546,662** | 23,356,011 |
| **Current liabilities** | | | |
| Creditors and accrued charges | 31 | **5,926,025** | 8,174,131 |
| Amounts due to joint ventures and associates | 32 | **6,250,067** | 4,919,384 |
| Amounts due to other non-controlling interests of subsidiaries | 33 | **1,452,807** | 1,505,136 |
| Contract liabilities | 34 | **3,317,085** | 3,980,427 |
| Lease liabilities | 35 | **14,227** | 15,031 |
| Income tax payable | | **4,358,738** | 4,944,361 |
| Bank and other borrowings | 29 | **9,864,857** | 10,257,686 |
| Financial liabilities at FVTPL | 25 | **199,719** | 89,723 |
| | | **31,383,525** | 33,885,879 |
| Liabilities associated with assets classified as held for sale | 47 | **18,462** | — |
| **Total equity and liabilities** | | **73,146,313** | 90,002,373 |

The consolidated financial statements on pages F-7 to F-139 were approved and authorised for issue by the Board of Directors on 20 March 2024 and are signed on its behalf by:

| | |
|---|---|
| **Zen Wei Peu, Derek** | **Fong Shiu Leung, Keter** |
| *DIRECTOR* | *DIRECTOR* |

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

| | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Foreign currency translation reserve HK$'000 | Special reserve HK$'000 (note a) | Other reserve HK$'000 (note c) | Statutory reserve HK$'000 (note b) | Cash flow hedging reserve HK$'000 | Retained profits HK$'000 | Sub-total HK$'000 | Owners of perpetual capital securities HK$'000 | Other non-controlling interests of subsidiaries HK$'000 | Total equity HK$'000 |
| Balance at 1 January 2022 | 74,934 | 3,224,794 | 2,090,221 | 1,260,000 | 1,002,963 | 4,154,450 | – | 10,530,056 | 22,337,418 | 6,954,296 | 6,506,666 | 35,798,380 |
| (Loss) profit for the year | – | – | – | – | – | – | – | (495,378) | (495,378) | 536,907 | 417,083 | 458,612 |
| Share of other comprehensive expense of joint ventures | – | – | – | – | – | – | (8,116) | – | (8,116) | – | – | (8,116) |
| Exchange differences arising on translation of foreign operations | – | – | 22,242 | – | – | – | – | – | 22,242 | – | 7,414 | 29,656 |
| Exchange differences arising on translation to presentation currency | – | – | (1,459,885) | – | – | – | – | – | (1,459,885) | – | (351,145) | (1,811,030) |
| Total comprehensive (expense) income for the year | – | – | (1,437,643) | – | – | – | (8,116) | (495,378) | (1,941,137) | 536,907 | 73,352 | (1,330,878) |
| Sub-total | 74,934 | 3,224,794 | 652,578 | 1,260,000 | 1,002,963 | 4,154,450 | (8,116) | 10,034,678 | 20,396,281 | 7,491,203 | 6,580,018 | 34,467,502 |
| Released upon deregistration of subsidiaries of the Company | – | – | (50,776) | – | – | – | – | 50,776 | – | – | – | – |
| Reduction of capital of other non-controlling interests of subsidiaries | – | – | – | – | – | – | – | – | – | – | (384,990) | (384,990) |
| Distributions paid for owners of perpetual capital securities | – | – | – | – | – | – | – | – | – | (529,945) | – | (529,945) |
| Dividends paid/payable for other non-controlling interests of subsidiaries | – | – | – | – | – | – | – | – | – | – | (642,217) | (642,217) |
| Dividends (note 13) | – | – | – | – | – | – | – | (149,867) | (149,867) | – | – | (149,867) |
| Appropriation | – | – | – | – | – | 1,629,153 | – | (1,629,153) | – | – | – | – |
| Balance at 31 December 2022 | 74,934 | 3,224,794 | 601,802 | 1,260,000 | 1,002,963 | 5,783,603 | (8,116) | 8,306,434 | 20,246,414 | 6,961,258 | 5,552,811 | 32,760,483 |
| (Loss) profit for the year | – | – | – | – | – | – | – | (3,961,585) | (3,961,585) | 532,676 | (331,638) | (3,760,547) |
| Share of other comprehensive income of joint ventures | – | – | – | – | – | – | 10,389 | – | 10,389 | – | – | 10,389 |
| Exchange differences arising on translation of foreign operations | – | – | 96,531 | – | – | – | – | – | 96,531 | – | 32,177 | 128,708 |
| Exchange differences arising on translation to presentation currency | – | – | (696,093) | – | – | – | – | – | (696,093) | – | (155,301) | (851,394) |
| Total comprehensive (expense) income for the year | – | – | (599,562) | – | – | – | 10,389 | (3,961,585) | (4,550,758) | 532,676 | (454,762) | (4,472,844) |
| Sub-total | 74,934 | 3,224,794 | 2,240 | 1,260,000 | 1,002,963 | 5,783,603 | 2,273 | 4,344,849 | 15,695,656 | 7,493,934 | 5,098,049 | 28,287,639 |
| Capital contributions from other non-controlling interests of subsidiaries | – | – | – | – | – | – | – | – | – | – | 627,793 | 627,793 |
| Reduction of capital of other non-controlling interests of subsidiaries | – | – | – | – | – | – | – | – | – | – | (1,148,568) | (1,148,568) |
| Distributions paid for owners of perpetual capital securities | – | – | – | – | – | – | – | – | – | (530,311) | – | (530,311) |
| Dividends paid/payable for other non-controlling interests of subsidiaries | – | – | – | – | – | – | – | – | – | – | (38,889) | (38,889) |
| Appropriation | – | – | – | – | – | 453,729 | – | (453,729) | – | – | – | – |
| Balance at 31 December 2023 | 74,934 | 3,224,794 | 2,240 | 1,260,000 | 1,002,963 | 6,237,332 | 2,273 | 3,891,120 | 15,695,656 | 6,963,623 | 4,538,385 | 27,197,664 |

# Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2023

Notes:

(a) Special reserve was arisen on group reorganisation and represents the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of the issued share capital of a subsidiary, which was acquired by the Company pursuant to the then group reorganisation.

(b) The statutory reserve of the Company and its subsidiaries (the "Group") represents the reserve required by relevant laws of the People's Republic of China ("PRC") applicable to the Company's PRC subsidiaries.

(c) Other reserve represents the transfers between the relevant reserves attributable to the shareholders of the Company and the other non-controlling interests of subsidiaries upon the partial disposal of interests in subsidiaries as detailed in note (d).

(d) On 2 August 2018, Asia Belt and Road Expressway Company Limited (the "Investor"), a company independent of the Group, the Company and Road King Expressway International Holdings Limited ("RKE"), a wholly-owned subsidiary of the Company, entered into subscription agreement pursuant to which RKE has agreed to allot and issue, and the Investor has agreed to subscribe for 166,666,667 shares of RKE at the subscription price of US Dollars equivalent of HK$2,000,000,000. Upon completion of the share subscription on 4 October 2018, the Investor held 25% equity interest in RKE, which was considered as a non-wholly owned subsidiary of the Company.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2023

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| **Operating activities** | | |
| (Loss) profit before taxation | **(3,589,225)** | 1,098,173 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | **16,612** | 17,582 |
| Depreciation of right-of-use assets | **20,337** | 18,100 |
| Impairment loss on loan receivables | **698,896** | 302,257 |
| Impairment loss on amounts due from joint ventures | **614,848** | — |
| Fair value losses on transfer of property, plant and equipment to investment properties | **—** | 3,898 |
| Fair value losses on transfer of completed properties held for sale to investment properties | **138,734** | 8,917 |
| Change in fair value of investment properties | **(57,412)** | 119,255 |
| Change in fair value of financial assets at FVTPL | | |
| – relating to investment in a listed entity | **—** | 5,344 |
| – relating to investment in an unlisted entity | **—** | 261,283 |
| Change in fair value of financial liabilities at FVTPL | | |
| – relating to foreign currency forward contracts | **—** | (20) |
| – relating to participation rights | **(51,345)** | (16,156) |
| – relating to contingent consideration | **—** | (10,608) |
| – relating to sale loan with redemption right | **(66,297)** | — |
| Net exchange losses | **662,409** | 1,335,442 |
| Gains on buyback of senior notes | **(605,697)** | (1,366,988) |
| Interest income | **(222,133)** | (395,726) |
| Finance costs | **1,054,192** | 1,143,274 |
| Loss on disposal of interest in an associate | **—** | 25,114 |
| Net losses on disposal of interests in joint ventures | **—** | 20,905 |
| Share of results of associates | **(13,561)** | (31,970) |
| Share of results of joint ventures | **(284,242)** | (1,067,257) |
| Net gains on disposals/written off of property, plant and equipment | **(690)** | (1,324) |
| Operating cash flows before movements in working capital | **(1,684,574)** | 1,469,495 |
| Increase in debtors, deposits and prepayments | **(23,335)** | (215,512) |
| Decrease (increase) in completed properties held for sale | **5,927,836** | (6,450,075) |
| Decrease in properties under development for sale | **4,542,165** | 16,491,488 |
| Decrease in creditors and accrued charges | **(1,795,224)** | (3,048,164) |
| Decrease in contract liabilities | **(555,240)** | (4,410,138) |
| Payment for land leases | **(2,963,422)** | (458,250) |
| Cash generated from operations | **3,448,206** | 3,378,844 |
| Income tax paid | **(890,725)** | (1,270,946) |
| **Net cash from operating activities** | **2,557,481** | 2,107,898 |

# Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2023

| | NOTE | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|---|
| **Investing activities** | | | |
| Cash distributions/dividends received from joint ventures | | **556,881** | 803,460 |
| Additions to investment properties | | **—** | (1,925) |
| Interest received | | **169,397** | 524,984 |
| Purchases of property, plant and equipment | | **(14,001)** | (13,346) |
| Proceeds on disposal of investment properties | | **—** | 6,205 |
| Proceeds on disposal of property, plant and equipment | | **1,361** | 1,506 |
| Net cash inflow (outflows) from acquisition of subsidiaries | 41 | **2,328** | (520,668) |
| Net cash proceeds on disposal of interests in joint ventures | | **—** | 79,999 |
| Additions to loan receivables | | **(19,341)** | (433,067) |
| Repayment of loan receivables | | **70,172** | 77,465 |
| Cash payment for foreign currency forward contracts | | **—** | (40,971) |
| Advances to other non-controlling interests of subsidiaries | | **(1,167,967)** | (132,522) |
| Repayment from other non-controlling interests of subsidiaries | | **341,056** | 556,789 |
| Advances to joint ventures | | **(1,217,217)** | (2,387,408) |
| Repayment from joint ventures | | **4,134,411** | 5,469,954 |
| Placement of pledged bank deposits | | **(17,841)** | (17,475) |
| Withdrawal of pledged bank deposits | | **54,645** | 5,235 |
| Placement of restricted bank balances | | **(598,119)** | (608,985) |
| Withdrawal of restricted bank balances | | **495,326** | 833,416 |
| Acquisition of interests in joint ventures | | **—** | (1,984,029) |
| Capital contributions to joint ventures | | **(40,259)** | (879,113) |
| Capital reductions in joint ventures | | **228,571** | 413,863 |
| Settlement of consideration payables | | **(10,526)** | (251,520) |
| Cash paid for contingent consideration designated as at FVTPL | | **(29,801)** | — |
| **Net cash from investing activities** | | **2,939,076** | 1,501,847 |

# Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2023

| | NOTES | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|---|
| **Financing activities** | | | |
| New borrowings raised | | **2,354,196** | 4,794,303 |
| Repayment of borrowings | | **(11,051,031)** | (10,114,164) |
| Repayment of lease liabilities including related interests | | **(21,720)** | (22,498) |
| Capital contributions from other non-controlling interests of subsidiaries | | **544,460** | — |
| Reduction in capital of other non-controlling interests of subsidiaries | | **—** | (384,990) |
| Advances from other non-controlling interests of subsidiaries | | **1,124,020** | 428,114 |
| Repayment to other non-controlling interests of subsidiaries | | **(1,134,243)** | (750,277) |
| Advances from joint ventures and associates | | **2,306,857** | 2,730,270 |
| Repayment to joint ventures and associates | | **(394,987)** | (650,007) |
| Dividends paid for other non-controlling interests of subsidiaries | | **(305,878)** | (367,600) |
| Distributions paid for owners of perpetual capital securities | | **(530,311)** | (529,945) |
| Dividends paid | | **—** | (149,867) |
| Interest paid | | **(1,840,067)** | (2,168,023) |
| Cash (paid) received from participation rights designated as at FVTPL | | **(10,056)** | 102,097 |
| Cash received from sale loan with redemption right designated as at FVTPL | | **800,000** | — |
| **Net cash used in financing activities** | | **(8,158,760)** | (7,082,587) |
| **Net decrease in cash and cash equivalents** | | **(2,662,203)** | (3,472,842) |
| **Cash and cash equivalents at beginning of the year** | | **7,371,621** | 11,432,416 |
| Effect of foreign exchange rate changes | | **(204,767)** | (587,953) |
| **Cash and cash equivalents at end of the year** | | **4,504,651** | 7,371,621 |
| Add: designated bank balances | 26 | **975,557** | 890,034 |
| **Total bank balances and cash** | | **5,480,208** | 8,261,655 |
| Analysis of cash and cash equivalents as at 31 December, represented by bank balance and cash held by: | | | |
| – the Group | | **5,480,197** | 8,261,655 |
| – the disposal group held-for sale | 47 | **11** | — |

## 1. GENERAL INFORMATION

The Company is an exempted company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and principal place of business of the Company is Suite 501, 5/F, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

The Company acts as an investment holding company. The principal activities of the Group are the operation of property development and investment, investment and asset management businesses in Hong Kong and Mainland China; and the development, operation and management of toll roads through the infrastructure joint ventures in the Mainland China and Indonesia. The principal activity of the major subsidiaries, associates and joint ventures are detailed in notes 49, 18 and 19 respectively.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is different from the Company's functional currency of Renminbi ("RMB"). The directors of the Company (the "Directors") adopted HK$ as presentation currency. For the convenience of the financial statements users, the consolidated financial statements are presented in HK$, as the Company's shares are listed on the Stock Exchange.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES

### 2.1 New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual periods beginning on 1 January 2023 for the preparation of the consolidated financial statements:

| | |
|---|---|
| HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17) | Insurance Contracts |
| Amendments to HKAS 8 | Definition of Accounting Estimates |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendments to HKAS 12 | International Tax Reform-Pillar Two model Rules |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies |

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES *(continued)*

### 2.1 New and amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

#### (a) Impacts on application of Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 "Income Taxes" so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision, the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022.

The application of the amendments has had no material impact on the Group's financial position and performance.

#### (b) Impacts on application of Amendments to HKAS 8 "Definition of Accounting Estimates"

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES *(continued)*

### 2.1 New and amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

#### (c) Impacts on application of Amendments to HKAS 12 "International Tax Reform - Pillar Two model Rules"

The Group has applied the amendments for the first time in the current year. HKAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "Pillar Two legislation"). The amendments require that entities apply the amendments immediately upon issuance and retrospectively. The amendments also require that entities to disclose separately its current tax expense/income related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group is yet to apply the temporary exception during the current year because the Group's entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements when the Pillar Two legislation is enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

#### (d) Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

The Group has applied the amendments for the first time in the current year. HKAS 1 "Presentation of Financial Statements" is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 "Making Materiality Judgements" (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES *(continued)*

### 2.1 New and amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

#### (e) Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") - Long Service Payment ("LSP") offsetting mechanism in Hong Kong

The Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory and voluntary MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "Abolition"). The Abolition will officially take effect on 1 May 2025 (the "Transition Date"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee's LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES *(continued)*

### 2.1 New and amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

#### (e) Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") - Long Service Payment ("LSP") offsetting mechanism in Hong Kong *(continued)*

Based on the HKICPA's guidance, as a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as "independent of the number of years of service" and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19. Accordingly, the Group has recognised a cumulative catch-up adjustment in profit or loss for the service cost, interest expense and remeasurement effect from changes in actuarial assumptions for the year ended 31 December 2022, with corresponding adjustment to the LSP obligation. The cumulative catch-up adjustment is calculated as the difference at the enactment date (16 June 2022) between the carrying amount of the LSP liability calculated under paragraph 93(b) of HKAS 19 before the Abolition and the carrying amount of the LSP liability calculated under paragraph 93(a) of HKAS 19 after the Abolition.

This change in accounting policy did not any significant impact on the opening balance of equity at 1 January 2022, and the cash flows amounts for the year ended 31 December 2022.

### 2.2 Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

| | |
|---|---|
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1] |
| Amendment to HKFRS 16 | Lease Liability in a Sale and Leaseback[2] |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2] |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants[2] |
| Amendments to HKAS 7 and HKFRS 7 | Supplier Finance Arrangements[2] |
| Amendments to HKAS 21 | Lack of Exchangeability[3] |

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

Except for the amendment to HKFRSs mentioned below, the Directors anticipate that the application of all other amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES *(continued)*

### 2.2 Amendments to HKFRSs in issue but not yet effective *(continued)*

**Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) " (the "2020 Amendments") and Amendments to HKAS 1 "Non-current Liabilities with Covenants" (the "2022 Amendments")**

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 "Financial Instruments: Presentation".

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES *(continued)*

### 2.2 Amendments to HKFRSs in issue but not yet effective *(continued)*

**Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) " (the "2020 Amendments") and Amendments to HKAS 1 "Non-current Liabilities with Covenants" (the "2022 Amendments")** *(continued)*

The amendments also defer the effective date of the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

As at 31 December 2023, the Group's right to defer settlement for certain bank and other borrowings subject to compliance with certain financial and/or non-financial covenants within 12 months from the reporting date. As disclosed in note 29, these bank and other borrowings were classified as non-current at 31 December 2023.

Except as described above, the application of the 2020 and 2022 Amendments will not affect the classification of the Group's other liabilities as at 31 December 2023.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

### 3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### 3.1 Basis of preparation of consolidated financial statements *(continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### 3.2 Material accounting policy information

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to owners of Company, to owners of the perpetual capital securities and to other non-controlling interests of subsidiaries. Total comprehensive income and expense of subsidiaries attributed to owners of the Company, to owners of the perpetual capital securities and to other non-controlling interests of subsidiaries even if this results in non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Other non-controlling interests in subsidiaries, including owners of perpetual capital securities, are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation, adjusted for consolidation adjustments or eliminations, if applicable.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### 3.2 Material accounting policy information *(continued)*

#### Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and, (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "Financial Instruments", or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

#### Business combinations or asset acquisitions

**Optional concentration test**

The Group can elect to apply an optional concentration test, on a transaction- by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### 3.2 Material accounting policy information *(continued)*

#### Business combinations or asset acquisitions *(continued)*

**Asset acquisitions**

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

When the Group obtains control over a joint venture which does not constitute a business through acquisition of additional interest, the carrying amount of the joint venture is not remeasured. The costs of the underlying assets and the related liabilities are measured at the sum of the carrying amount of the relevant joint venture under equity method and the consideration of the additional interest.

**Business combinations**

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

For business combinations in which the acquisition date is on or after 1 January 2023, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### 3.2 Material accounting policy information *(continued)*

**Business combinations or asset acquisitions** *(continued)*

**Business combinations** *(continued)*

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### 3.2 Material accounting policy information *(continued)*

**Business combinations or asset acquisitions** *(continued)*

**Business combinations** *(continued)*

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### 3.2 Material accounting policy information *(continued)*

#### Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

#### Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

*Output method*

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### 3.2 Material accounting policy information *(continued)*

#### Revenue from contracts with customers *(continued)*

**Existence of significant financing component**

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

**Incremental costs of obtaining a contract**

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### 3.2 Material accounting policy information *(continued)*

#### Inventory of properties

Properties under development which are intended to be sold upon completion of development and properties held for sale are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets, properties under development/properties held for sale are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Properties under development are transferred to properties held for sale upon completion.

The Group transfers a property from inventory of properties to investment properties when there is a change in use to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the inception of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

#### Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's infrastructure joint ventures are Sino-foreign co-operative joint ventures registered in the PRC in respect of which the partners' cash/profit sharing ratios until the expiration of the joint venture periods are predetermined in accordance with the joint venture agreements and may not be in proportion to their capital contribution ratios.

# 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

## 3.2 Material accounting policy information *(continued)*

### Interests in associates and joint ventures *(continued)*

The results and assets and liabilities of associates and joint ventures are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates and joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates and joint ventures based on the predetermined profit sharing ratio. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group.

When the Group's share of losses of an associate or a joint venture equals or exceeds its interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

When the consideration transferred by the Group in an acquisition of joint venture includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in an acquisition of joint venture. The contingent consideration is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### 3.2 Material accounting policy information *(continued)*

#### Interests in associates and joint ventures *(continued)*

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

#### Changes in the Group's interests in associates and joint ventures

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

#### Acquisition of additional interests in associates or joint ventures

When the Group increases its ownership interest in an associate or a joint venture but the Group continues to use the equity method, goodwill is recognised at acquisition date if there is excess of the consideration paid over the share of carrying amount of net assets attributable to the additional interests in associates or joint ventures acquired. Any excess of share of carrying amount of net assets attributable to the additional interests in associates or joint ventures acquired over the consideration paid are recognised in the profit or loss in the period in which the additional interest are acquired.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### 3.2 Material accounting policy information *(continued)*

#### Interests in associates and joint ventures *(continued)*

**Toll road operation rights of joint ventures**

When applying the equity method of accounting, the concession intangible assets, which are the toll road operation rights of the Group's infrastructure joint ventures, are amortised to write off their cost over their expected useful lives or the remaining concession period, whichever is shorter, commencing from the date of commencement of operation of the underlying toll roads using an amortisation method which reflects the pattern in which the intangible asset's future economic benefits are expected to be consumed. The expected useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

#### Assets held for sale

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

#### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### 3.2 Material accounting policy information *(continued)*

#### Financial instruments *(continued)*

Financial assets and financial liabilities are initially measured at fair value except for trade debtors arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

#### Financial assets

*Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### 3.2 Material accounting policy information *(continued)*

**Financial instruments** *(continued)*

**Financial assets** *(continued)*

*Classification and subsequent measurement of financial assets (continued)*

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

*Impairment of financial assets and financial guarantee contracts subject to impairment assessment under HKFRS 9*

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other debtors, loan receivables, amounts due from joint ventures and associates, amounts due from other non-controlling interests of subsidiaries, pledged bank deposits and bank balances) and financial guarantee contracts which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### 3.2 Material accounting policy information *(continued)*

**Financial instruments** *(continued)*

**Financial assets** *(continued)*

*Impairment of financial assets and financial guarantee contracts subject to impairment assessment under HKFRS 9 (continued)*

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12 month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade debtors.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### 3.2 Material accounting policy information *(continued)*

**Financial instruments** *(continued)*

**Financial assets** *(continued)*

*Impairment of financial assets and financial guarantee contracts subject to impairment assessment under HKFRS 9 (continued)*

(i) Significant increase in credit risk *(continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### 3.2 Material accounting policy information *(continued)*

**Financial instruments** *(continued)*

**Financial assets** *(continued)*

*Impairment of financial assets and financial guarantee contracts subject to impairment assessment under HKFRS 9 (continued)*

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; and

(e) the disappearance of an active market for that financial asset because of financial difficulties;

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### 3.2 Material accounting policy information *(continued)*

**Financial instruments** *(continued)*

**Financial assets** *(continued)*

*Impairment of financial assets and financial guarantee contracts subject to impairment assessment under HKFRS 9 (continued)*

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Lifetime ECL for certain trade debtors and loan receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### 3.2 Material accounting policy information *(continued)*

**Financial instruments** *(continued)*

**Financial assets** *(continued)*

*Impairment of financial assets and financial guarantee contracts subject to impairment assessment under HKFRS 9 (continued)*

(v) Measurement and recognition of ECL *(continued)*

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9, and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other debtors, loan receivables and financial guarantee contracts, where the corresponding adjustment is recognised through a loss allowance account.

*Derecognition/modification of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

When the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### 3.2 Material accounting policy information *(continued)*

**Financial instruments** *(continued)*

**Financial assets** *(continued)*

*Derecognition/modification of financial assets (continued)*

For non-substantial modifications of financial assets that do not result in derecognition, the carrying amount of the relevant financial assets will be calculated at the present value of the modified contractual cash flows discounted at the financial assets' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial assets and are amortised over the remaining term. Any adjustment to the carrying amount of the financial asset is recognised in profit or loss at the date of modification.

**Financial liabilities and equity**

*Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

A contract that contains an obligation for an entity to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

*Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### 3.2 Material accounting policy information *(continued)*

**Financial instruments** *(continued)*

**Financial liabilities and equity** *(continued)*

*Financial liabilities at FVTPL*

Financial liabilities are classified at FVTPL when the financial liability is (i) contingent consideration arising from acquisition of a joint venture; (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

*Financial liabilities at amortised cost*

Financial liabilities including creditors and accrued charges, bank and other borrowings, amounts due to joint ventures and associates and amounts due to other non-controlling interests of subsidiaries are subsequently measured at amortised cost, using the effective interest method.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### 3.2 Material accounting policy information *(continued)*

**Financial instruments** *(continued)*

**Financial liabilities and equity** *(continued)*

*Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

*Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

*Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform*

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

a. the change is necessary as a direct consequence of interest rate benchmark reform; and

b. the new basis for determining the contractual cash flows is economically equivalent to the previous basis (ie the basis immediately preceding the change).

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### 3.2 Material accounting policy information *(continued)*

#### Financial instruments *(continued)*

**Derivative financial instruments**

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

*Offsetting a financial asset and a financial liability*

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties also include leased properties which are being recognised as right-of-use assets.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. A leased property which is recognised as a right-of-use asset is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### 3.2 Material accounting policy information *(continued)*

#### Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### 3.2 Material accounting policy information *(continued)*

**Taxation** *(continued)*

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold land, which is always presumed to be recovered entirely through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### 3.2 Material accounting policy information *(continued)*

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise except for exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities and its joint ventures are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to other non-controlling interests of subsidiaries as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### 3.2 Material accounting policy information *(continued)*

**Foreign currencies** *(continued)*

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Exchange differences relating to the retranslation of the Group's net assets in RMB to the Group's presentation currency (i.e.HK$) are recognised directly in other comprehensive income and accumulated in foreign currency translation reserve. Such exchange differences accumulated in the foreign currency translation reserve are not reclassified to profit or loss subsequently.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

**Leases**

**Definition of a lease**

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

**The Group as a lessee**

*Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### 3.2 Material accounting policy information *(continued)*

**Leases** *(continued)*

**The Group as a lessee** *(continued)*

*Short-term leases*

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

*Right-of-use assets*

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property or inventory as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property or inventory are presented within "investment properties" and "inventory of properties", respectively.

*Refundable rental deposits*

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### 3.2 Material accounting policy information *(continued)*

**Leases** *(continued)*

**The Group as a lessee** *(continued)*

*Lease liabilities*

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

*Lease modifications*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### 3.2 Material accounting policy information *(continued)*

#### Leases *(continued)*

**The Group as a lessor**

*Classification and measurement of leases*

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income which are derived from the Group's ordinary course of business are presented as revenue.

*Allocation of consideration to components of a contract*

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

*Refundable rental deposits*

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

#### Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model and inventory of properties. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### 3.2 Material accounting policy information *(continued)*

#### Property, plant and equipment *(continued)*

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### Employee benefits

**Retirement benefit costs**

Payments to the state-managed retirement benefit scheme operated by the government and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

**Short-term and other long-term employee benefits**

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### 3.2 Material accounting policy information *(continued)*

#### Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value and restricted deposits arising from pre-sale of properties that are held for meeting short-term cash commitments. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### Net realisable value of inventory of properties

The assessment of the net realisable values of the properties under development for sale involves, inter-alia, considerable analysis of current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development based on existing asset structure and construction material price lists and the estimated costs necessary to make the sale. If the actual net realisable values of the underlying properties under development for sale are less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material provision for impairment losses may result. As at 31 December 2023, the carrying amount of properties under development for sale is HK$17,562,247,000 (2022: HK$18,998,256,000).

In addition, management exercises its judgment in making allowance for inventory of completed properties held for sale with reference to the existing market environment, the sales performance in previous years and estimated net realisable value of the properties, i.e. the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. A specific allowance for completed properties held for sale is made if the estimated net realisable value of the properties is lower than its carrying amount. If the actual net realisable values of the completed properties held for sale are less than expected as a result of change in market condition, material provision for impairment losses may result. As at 31 December 2023, the carrying amount of the completed properties held for sale is HK$11,864,039,000 (2022: HK$19,632,841,000).

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

### Amortisation of toll road operation rights

Amortisation of toll road operation rights of the Group's infrastructure joint ventures is calculated based on the traffic volume for a particular year to the projected total traffic volume throughout the operating years of the respective toll roads. Estimation of total traffic volume over the remaining concession period is reviewed at the end of each reporting period taking into consideration of the actual traffic volume in the recent periods, the current and future development of the transportation network and government policies related to the toll road operations, as well as forecasted economic growth in the region. The effects of changes in estimates are accounted for prospectively and reflected in the Group's share of results of infrastructure joint ventures should there be a material difference between the projected total traffic volume and the actual traffic volume. As at 31 December 2023, the carrying amount of interests in infrastructure joint ventures is HK$7,218,894,000 (2022: HK$7,086,056,000), including the carrying amount of several interest in infrastructure joint ventures reclassified to assets held for sale amounting to HK$2,850,043,000.

### Provision of ECL for loan receivables and amounts due from joint ventures and associates

Loan receivables and amounts due from joint ventures and associates are assessed for ECL individually. The provision rates are based on internal credit ratings with reference to historical default rates, the fair value of the collateral pledged by the borrowers, and reasonable and supportable forward-looking macroeconomic information that is available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed, changes in the forward-looking information and changes in the fair value of the collateral held are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's loan receivables and amounts due from joint ventures and associates are disclosed in note 39.

### Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Directors are responsible for determining the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Directors work closely with the independent qualified professional valuers to establish the appropriate valuation techniques and inputs to the model. The Directors regularly assess the impact and the cause of fluctuations in the fair value of the assets and liabilities.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments and investment properties. Notes 39(c) and 17 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

## 5. REVENUE

### (a) Disaggregation of the Group's revenue from contracts with customers

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| **Segment** | **Property development and investment HK$'000** | **Investment and asset management HK$'000** | **Total HK$'000** | Property development and investment HK$'000 | Investment and asset management HK$'000 | Total HK$'000 |
| **Types of goods or services** | | | | | | |
| Property sales | **11,841,213** | **53,441** | **11,894,654** | 16,102,946 | 68,955 | 16,171,901 |
| Property management and service income | **958,814** | **3,733** | **962,547** | 819,305 | 8,344 | 827,649 |
| **Total** | **12,800,027** | **57,174** | **12,857,201** | 16,922,251 | 77,299 | 16,999,550 |
| **Geographical market** | | | | | | |
| Mainland China | **12,754,368** | **57,174** | **12,811,542** | 16,711,797 | 77,299 | 16,789,096 |
| Hong Kong | **45,659** | **–** | **45,659** | 210,454 | – | 210,454 |
| **Total** | **12,800,027** | **57,174** | **12,857,201** | 16,922,251 | 77,299 | 16,999,550 |
| **Timing of revenue recognition** | | | | | | |
| Goods recognised at a point in time | **11,841,213** | **53,441** | **11,894,654** | 16,102,946 | 68,955 | 16,171,901 |
| Services recognised over time | **958,814** | **3,733** | **962,547** | 819,305 | 8,344 | 827,649 |
| **Total** | **12,800,027** | **57,174** | **12,857,201** | 16,922,251 | 77,299 | 16,999,550 |

## 5. REVENUE *(continued)*

### (a) Disaggregation of the Group's revenue from contracts with customers *(continued)*

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information

| Segment | 2023 Property development and investment HK$'000 | 2023 Investment and asset management HK$'000 | 2023 Total HK$'000 | 2022 Property development and investment HK$'000 | 2022 Investment and asset management HK$'000 | 2022 Total HK$'000 |
|---|---|---|---|---|---|---|
| Revenue from contracts with customers | **12,800,027** | **57,174** | **12,857,201** | 16,922,251 | 77,299 | 16,999,550 |
| Rental income from commercial properties and other revenue | **200,909** | **17,238** | **218,147** | 151,030 | 5,396 | 156,426 |
| **Total revenue of the Group** (note 6) | **13,000,936** | **74,412** | **13,075,348** | 17,073,281 | 82,695 | 17,155,976 |

### (b) Total revenue of the Group

| | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|
| Property sales and service income | **12,857,201** | 16,999,550 |
| Rental income from commercial properties and other revenue (note) | **218,147** | 156,426 |
| Total revenue of the Group | **13,075,348** | 17,155,976 |
| Group's share of revenue of property joint ventures and associates | **11,078,905** | 10,210,076 |
| Group's share of toll revenue of infrastructure joint ventures | **1,873,573** | 1,891,614 |
| Revenue of the Group and Group's share of revenue of joint ventures and associates | **26,027,826** | 29,257,666 |

Note: The rental related outgoings were insignificant to the Group.

## 5. REVENUE *(continued)*

### (c) Performance obligations for contracts with customers and revenue recognition policies

#### Property sales

For contracts entered into with customers on sale of properties, the relevant properties specified in the contracts are based on customer's specifications with no alternative use. Taking into consideration of the relevant contract terms and the legal environment in Mainland China and Hong Kong, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sale of residential properties is therefore recognised at a point in time when the control of completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has a present right to payment and collection of the consideration is probable.

The Group receives 30% to 100% of the contract value as deposits from customers when they sign the sale and purchase agreement while construction work of property is still ongoing. Certain customers who use mortgage loans provided by the banks and the remaining total contract value will be paid to the Group from the banks once the customers meet the requirements of the banks. Such advance payment schemes result in contract liabilities being recognised throughout the property construction period for the full amount of the contract price. The related financial guarantee contracts issued to banks in favour of customers in respect of the mortgage loans are not recognised separately as the fair value of the guarantees is immaterial.

The Group considers the advance payment schemes contain significant financing component and accordingly the amount of consideration is adjusted for the effects of the time value of money taking into consideration the credit characteristics of the Group. As this accrual increases the amount of the contract liability during the period of construction, it increases the amount of revenue recognised when control of the completed property is transferred to the customer. The Group has applied the practical expedient in HKFRS 15 and has not considered the financing component of contracts which are expected to be completed within one year from the date of payment made by customers.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

#### Property management and service income

It mainly consists of property management services where the Group acts as principal and is primary responsible for providing the property management services to the property owners. The Group bills a fixed rate for services provided on a monthly/regular basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed. As the property owners simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs, the Group recognises the fee received or receivable from property owners as its revenue over time and all related property management costs as its cost of services.

## 5. REVENUE *(continued)*

### (d) Transaction price allocated to the remaining performance obligation for contracts with customers

Certain property sales contracts have an original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

For property sales contracts with an original duration of over one year, the transaction price allocated to the remaining performance obligations from property sales (unsatisfied or partially unsatisfied) as at 31 December 2023 amounting to HK$2.8 billion (2022: HK$3.2 billion), including the amount received in advance in contract liabilities. Management expects that the amounts will be recognised beyond one year upon these property sales contracts were signed. The amounts disclosed above does not include unsatisfied performance obligation that were related to the Group's contracts with customers with an original duration of one year or less.

All property management and service income are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

### (e) Leases

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Fixed lease payments | **193,754** | 140,129 |
| Variable lease payments that do not depend on an index or a rate | **16,779** | 15,197 |
| Total for the year | **210,533** | 155,326 |

## 6. SEGMENT INFORMATION

The Group determines its operating segments based on internal reporting about components that are regularly reviewed by the chief operating decision makers (the "CODM"). Information reported to the Group's CODM, who mainly are the executive directors of the Company, for the purposes of resource allocation and assessment of performance is mainly focused on the different management teams of the related business operations (including interests in joint ventures and associates) stated as below:

| | | |
|---|---|---|
| Property development and investment | – | development of properties for sale and for rental income and/or potential capital appreciation |
| Toll road | – | development, operation and management of toll roads |
| Investment and asset management | – | property development and investment, integrated with property fund, cultural, tourist and commercial businesses |

## 6. SEGMENT INFORMATION *(continued)*

The following is an analysis of the Group's revenue, (loss) profit, assets, liabilities and other information by operating and reportable segments for the years under review:

| | 2023 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Property development and investment HK$'000 | Toll road HK$'000 | Investment and asset management HK$'000 | Total HK$'000 | Property development and investment HK$'000 | Toll road HK$'000 | Investment and asset management HK$'000 | Total HK$'000 |
| Segment revenue | **13,000,936** | **–** | **74,412** | **13,075,348** | 17,073,281 | – | 82,695 | 17,155,976 |
| Segment (loss) profit | **(2,137,716)** | **563,096** | **(2,073,944)** | **(3,648,564)** | 1,261,966 | 627,221 | (1,272,492) | 616,695 |
| Segment assets (including interests in joint ventures and associates) | **56,532,993** | **7,853,630** | **8,281,972** | **72,668,595** | 71,467,414 | 7,781,771 | 9,995,603 | 89,244,788 |
| Segment liabilities | **(43,298,320)** | **(942,238)** | **(871,494)** | **(45,112,052)** | (53,595,407) | (1,379,316) | (1,147,226) | (56,121,949) |

### (a) Measurement

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3.

Segment (loss) profit represents profit or loss generated from each segment, which includes share of results of associates, share of results of joint ventures, net gains on disposals/written off of property, plant and equipment, impairment losses on loan receivables and amounts due from joint ventures, fair value losses on transfer of property, plant and equipment and completed properties held for sale to investment properties, change in fair value of investment properties, change in fair value of financial (liabilities) assets at FVTPL, net exchange losses, gains on buyback of senior notes, loss on disposal of interest in an associate, net losses on disposal of interests in joint ventures, depreciation of property, plant and equipment and right-of-use assets, relevant interest income, finance costs and income tax expenses attributable to the relevant segment but without allocation of headquarters income and expenses.

Segment revenue comprises revenue from external customers. There was no inter-segment revenue.

Segment assets include property, plant and equipment, right-of-use assets, investment properties, interests in associates, interests in joint ventures, assets classified as held for sale, inventory of properties, amounts due from joint ventures and associates, amounts due from other non-controlling interests of subsidiaries, loan receivables, debtors, deposits and prepayments, prepaid income tax, financial assets at FVTPL, pledged bank deposits, bank balances and cash and deferred tax assets which are directly attributable to the relevant reportable segment.

## 6. SEGMENT INFORMATION *(continued)*

### (a) Measurement *(continued)*

Segment liabilities include creditors and accrued charges, amounts due to joint ventures and associates, amounts due to other non-controlling interests of subsidiaries, contract liabilities, lease liabilities, income tax payable, bank and other borrowings, financial liabilities at FVTPL, liabilities associated with assets classified as held for sale and deferred tax liabilities which are directly attributable to the relevant reportable segment.

Additions to non-current assets are the total costs incurred during the year to acquire segment assets that are expected to be used for more than one year and comprise purchase of property, plant and equipment, right-of-use assets, investment properties and capital contributions to joint ventures and associates directly attributable to the segment.

### (b) Reconciliation of total segment (loss) profit, total segment assets and total segment liabilities

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Total segment (loss) profit | **(3,648,564)** | 616,695 |
| Unallocated items: | | |
| Interest income | **4,832** | 3,383 |
| Corporate income | **–** | 1,123 |
| Corporate expenses | **(51,780)** | (87,264) |
| Finance costs | **(65,035)** | (75,325) |
| Consolidated (loss) profit for the year | **(3,760,547)** | 458,612 |
| Total segment assets | **72,668,595** | 89,244,788 |
| Unallocated assets: | | |
| Right-of-use assets | **9,210** | 15,062 |
| Deposits and prepayments | **66,632** | 81,699 |
| Bank balances and cash | **401,876** | 660,824 |
| Consolidated total assets | **73,146,313** | 90,002,373 |
| Total segment liabilities | **(45,112,052)** | (56,121,949) |
| Unallocated liabilities: | | |
| Accrued charges | **(16,093)** | (13,549) |
| Bank and other borrowings | **(810,294)** | (1,090,970) |
| Lease liabilities | **(10,210)** | (15,422) |
| Consolidated total liabilities | **(45,948,649)** | (57,241,890) |

## 6. SEGMENT INFORMATION *(continued)*

### (c) Other segment information

| | 2023 | | | | | 2022 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Property development and investment HK$'000 | Toll road HK$'000 | Investment and asset management HK$'000 | Unallocated HK$'000 | Consolidated total HK$'000 | Property development and investment HK$'000 | Toll road HK$'000 | Investment and asset management HK$'000 | Unallocated HK$'000 | Consolidated total HK$'000 |
| **Amounts included in the measure of segment (loss) profit:** | | | | | | | | | | |
| Interest income | 196,835 | 15,734 | 4,732 | 4,832 | 222,133 | 368,179 | 18,491 | 5,673 | 3,383 | 395,726 |
| Loss on disposal of interest in an associate | – | – | – | – | – | (25,114) | – | – | – | (25,114) |
| Net losses on disposal of interests in joint ventures | – | – | – | – | – | (20,905) | – | – | – | (20,905) |
| Net gains (losses) on disposals/written off of property, plant and equipment | 787 | – | (97) | – | 690 | 665 | 68 | 591 | – | 1,324 |
| Impairment loss on loan receivables | – | – | (698,896) | – | (698,896) | – | – | (302,257) | – | (302,257) |
| Impairment loss on amounts due from joint ventures | (614,848) | – | – | – | (614,848) | – | – | – | – | – |
| Fair value losses on transfer of property, plant and equipment to investment properties | – | – | – | – | – | (3,898) | – | – | – | (3,898) |
| Fair value losses on transfer of completed properties held for sale to investment properties | (138,709) | – | (25) | – | (138,734) | – | – | (8,917) | – | (8,917) |
| Change in fair value of investment properties | 81,176 | – | (23,764) | – | 57,412 | (59,859) | – | (59,396) | – | (119,255) |
| Depreciation of property, plant and equipment | (14,991) | (513) | (1,108) | – | (16,612) | (15,388) | (751) | (1,443) | – | (17,582) |
| Depreciation of right-of-use assets | (9,040) | (5,778) | – | (5,519) | (20,337) | (10,152) | (3,171) | (145) | (4,632) | (18,100) |
| Finance costs | (181,175) | (118,217) | (689,765) | (65,035) | (1,054,192) | (431,403) | (12,341) | (624,205) | (75,325) | (1,143,274) |
| Income tax (expenses) credit | (131,540) | (22,704) | (17,078) | – | (171,322) | (626,662) | (30,238) | 17,339 | – | (639,561) |
| Share of results of associates | – | – | 13,561 | – | 13,561 | 3,200 | – | 28,770 | – | 31,970 |
| Share of results of joint ventures | 88,282 | 788,750 | (592,790) | – | 284,242 | 398,411 | 683,659 | (14,813) | – | 1,067,257 |
| **Amounts included in the measure of segment assets:** | | | | | | | | | | |
| Right-of-use assets | 15,856 | 735 | – | 9,210 | 25,801 | 25,463 | 748 | – | 15,062 | 41,273 |
| Investment properties | 4,368,111 | – | 876,771 | – | 5,244,882 | 3,198,171 | – | 927,651 | – | 4,125,822 |
| Interests in associates | – | – | 1,025,706 | – | 1,025,706 | – | – | 1,041,280 | – | 1,041,280 |
| Interests in joint ventures | 9,008,261 | 4,368,851 | 1,355,391 | – | 14,732,503 | 9,500,207 | 7,086,056 | 2,026,577 | – | 18,612,840 |
| Financial assets at FVTPL | – | – | 579,707 | – | 579,707 | – | – | 596,271 | – | 596,271 |
| Assets classified as held for sale | – | 2,930,045 | – | – | 2,930,045 | – | – | – | – | – |
| Additions to non-current assets during the year | 45,880 | 417 | 7,980 | – | 54,277 | 946,205 | 1,996,779 | 63,958 | – | 3,006,942 |

### (d) Revenue from major products and services

The Group's revenue for the year mainly comprises sale of completed residential properties developed by the Group for sale purposes and property management service income. Details on the revenue by nature are set out in note 5.

## 6. SEGMENT INFORMATION *(continued)*

### (e) Information about geographical areas

All of the Group's revenue is attributable to customers in Mainland China and Hong Kong. Details on the revenue by geographical areas are set out in note 5.

The Group's total non-current assets (excluding deferred tax assets and financial instruments) of HK$16,351,664,000 (2022: HK$19,712,515,000) are located in Mainland China. The remaining non-current assets of HK$4,725,194,000 (2022: HK$4,161,749,000) are substantially located in Hong Kong, Indonesia and the United Kingdom.

### (f) Information about major customers

In view of the nature of the toll road business, there are no major customers. For the property business and investment and asset management business, there was no customer who accounted for over 10% of the total revenue generated from the relevant operating and reportable segments.

## 7. OTHER GAINS AND LOSSES

| | **2023 HK$'000** | 2022 HK$'000 |
|---|---|---|
| Net exchange losses | **(662,409)** | (1,335,442) |
| Change in fair value of financial liabilities at FVTPL | | |
| – relating to foreign currency forward contracts | **–** | 20 |
| | **(662,409)** | (1,335,422) |
| Change in fair value of financial assets at FVTPL | | |
| – relating to investment in a listed entity (note 25) | **–** | (5,344) |
| – relating to investment in an unlisted entity (note 25) | **–** | (261,283) |
| Change in fair value of financial liabilities at FVTPL | | |
| – relating to participation rights (note 25) | **51,345** | 16,156 |
| – relating to contingent consideration (note 19(c)) | **–** | 10,608 |
| – relating to sale loan with redemption right (note 25) | **66,297** | – |
| Gains on buyback of senior notes (note 29) | **605,697** | 1,366,988 |
| Net gains on disposals/written off of property, plant and equipment | **690** | 1,324 |
| Loss on disposal of interest in an associate | **–** | (25,114) |
| Net losses on disposal of interests in joint ventures (note 19(h)) | **–** | (20,905) |
| Impairment loss on loan receivables (note 39(b)(ii)) | **(698,896)** | (302,257) |
| Impairment loss on amounts due from joint ventures (note 39(b)(ii)) | **(614,848)** | – |
| Fair value losses on transfer of property, plant and equipment to investment properties (note 17) | **–** | (3,898) |
| Fair value losses on transfer of completed properties held for sale to investment properties (note 17) | **(138,734)** | (8,917) |
| Change in fair value of investment properties (note 17) | **57,412** | (119,255) |
| | **(1,333,446)** | (687,319) |

## 8. SHARE OF RESULTS OF JOINT VENTURES

| | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|
| Share of profits of infrastructure joint ventures before amortisation and taxation | **1,233,213** | 1,277,594 |
| Less share of: | | |
| Amortisation of toll road operation rights | **(243,385)** | (325,127) |
| Income tax expenses | **(201,078)** | (268,808) |
| | **788,750** | 683,659 |
| Share of (loss) profits of property and other joint ventures | **(504,508)** | 383,598 |
| | **284,242** | 1,067,257 |

## 9. FINANCE COSTS

| | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|
| Interest on borrowings | **1,685,466** | 2,135,734 |
| Interest on lease liabilities | **1,914** | 2,631 |
| Other interest and finance costs | **108,135** | 143,055 |
| | **1,795,515** | 2,281,420 |
| Less: Capitalised in properties under development for sale | **(741,323)** | (1,138,146) |
| | **1,054,192** | 1,143,274 |

Borrowing costs on general borrowings capitalised during the year are calculated by applying a capitalisation rate of 6.46% (2022: 5.94%) per annum to expenditure on qualifying assets.

## 10. (LOSS) PROFIT BEFORE TAXATION

| | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|
| (Loss) profit before taxation has been arrived at after charging: | | |
| Depreciation of property, plant and equipment (note 15) | **17,247** | 17,873 |
| Depreciation of right-of-use assets (note 16) | **20,337** | 18,100 |
| | **37,584** | 35,973 |
| Less: Capitalised in properties under development for sale | **(635)** | (291) |
| | **36,949** | 35,682 |
| Salaries and other benefits | **738,903** | 909,125 |
| Provident fund scheme contributions, net of forfeited contributions of HK$894,000 (2022: HK$164,000) | **168,299** | 190,363 |
| Less: Capitalised in properties under development for sale | **(59,328)** | (80,800) |
| Total staff costs (excluding Directors' emoluments) | **847,874** | 1,018,688 |
| Audit fee | **5,290** | 5,290 |
| Cost of inventory of properties recognised as an expense (including write down of inventories amounting to HK$890,996,000 (2022: HK$213,777,000)) | **12,665,115** | 13,482,691 |
| and after crediting: | | |
| Bank interest income | **68,475** | 93,972 |

## 11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### Directors' emoluments

| | Notes | Directors' fees HK$'000 | Salaries and allowances HK$'000 | Performance related payment HK$'000 | Retirement scheme contributions HK$'000 | 2023 Total HK$'000 |
|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | |
| Zen Wei Peu, Derek | | – | 4,817 | – | 482 | 5,299 |
| Ko Yuk Bing | | – | 15,777 | – | 658 | 16,435 |
| Fong Shiu Leung, Keter | (a) | – | 15,750 | – | 500 | 16,250 |
| Ng Fun Hung, Thomas | | – | 6,096 | – | 300 | 6,396 |
| **Non-executive Directors** | | | | | | |
| Cai Xun | | 370 | – | – | – | 370 |
| Xu Enli | | 370 | – | – | – | 370 |
| **Independent Non-executive Directors** | | | | | | |
| Lau Sai Yung | | 787 | – | – | – | 787 |
| Wong Wai Ho | | 776 | – | – | – | 776 |
| Hui Grace Suk Han | | 537 | – | – | – | 537 |
| Cheung Hon Kit | (b) | 217 | – | – | – | 217 |
| Tse Chee On, Raymond | (c) | 306 | – | – | – | 306 |
| | | 3,363 | 42,440 | – | 1,940 | 47,743 |

| | Notes | Directors' fees HK$'000 | Salaries and allowances HK$'000 | Performance related payment HK$'000 | Retirement scheme contributions HK$'000 | 2022 Total HK$'000 |
|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | |
| Zen Wei Peu, Derek | | – | 4,817 | – | 482 | 5,299 |
| Ko Yuk Bing | | – | 7,558 | 14,000 | 636 | 22,194 |
| Fong Shiu Leung, Keter | (a) | – | 5,000 | 14,000 | 500 | 19,500 |
| Ng Fun Hung, Thomas | (d) | – | 2,838 | 4,048 | 275 | 7,161 |
| **Non-executive Directors** | | | | | | |
| Cai Xun | | 370 | – | – | – | 370 |
| Xu Enli | (e) | 370 | – | – | – | 370 |
| **Independent Non-executive Directors** | | | | | | |
| Lau Sai Yung | | 787 | – | – | – | 787 |
| Wong Wai Ho | | 753 | – | – | – | 753 |
| Hui Grace Suk Han | (f) | 216 | – | – | – | 216 |
| Tse Chee On, Raymond | | 776 | – | – | – | 776 |
| | | 3,272 | 20,213 | 32,048 | 1,893 | 57,426 |

## 11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

### Directors' emoluments *(continued)*

Notes:

(a) Mr. Fong Shiu Leung, Keter's emoluments disclosed above included those for services rendered by him as the Chief Executive Officer.

(b) Mr. Cheung Hon Kit was appointed as an Independent Non-executive Director of the Company with effect from 1 June 2023.

(c) Mr. Tse Chee On, Raymond retired as an Independent Non-executive Director of the Company with effect from the conclusion of the annual general meeting of the Company held on 24 May 2023.

(d) Mr. Ng Fun Hung, Thomas was appointed as an Executive Director of the Company with effect from 1 February 2022.

(e) Mr. Xu Enli was appointed as a Non-executive Director of the Company with effect from 1 January 2022.

(f) Ms. Hui Grace Suk Han was appointed as an Independent Non-executive Director of the Company with effect from 1 June 2022.

Subsequent to the end of the reporting period, Mr. Ko Yuk Bing retired from the positions of Deputy Chairman and Executive Director of the Company with effect from 29 February 2024.

The performance related payment is based on the individual performance of the Executive Directors.

The Executive Directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The Independent Non-executive Directors' emoluments shown above were for their services as Directors of the Company.

There was no arrangement under which a Director or the Chief Executive Officer waived or agreed to waive any remuneration during the years.

Details of the emoluments of the five highest paid individuals of the Group included four (2022: three) individuals who are Executive Directors throughout the year and their emoluments are included above. For the remaining one (2022: two) highest paid individual as the staffs of the Group, the salaries and allowances, performance related payment and retirement benefit contributions for the year ended 31 December 2023 were HK$4,785,000 (2022: HK$6,309,000), Nil (2022: HK$8,137,000) and HK$313,000 (2022: HK$528,000), respectively.

During the years ended 31 December 2023 and 2022, no emoluments was paid by the Group to any of the Directors or five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

## 12. INCOME TAX EXPENSES

| | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|
| Current tax: | | |
| Hong Kong profits tax | – | 772 |
| PRC enterprise income tax ("EIT") | **62,541** | 498,047 |
| PRC land appreciation tax ("LAT") | **43,912** | 49,420 |
| PRC withholding tax | **120,388** | 189,637 |
| | **226,841** | 737,876 |
| Deferred tax (note 30) | **(55,519)** | (98,315) |
| | **171,322** | 639,561 |

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits derived from Hong Kong.

The EIT is calculated at a statutory tax rate of 25%. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The provision for LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations which is charged at progressive rates ranging from 30% to 60% of the appreciation value, with certain allowable deductions.

The income tax expenses for the year is reconciled to (loss) profit before taxation as follows:

| | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|
| (Loss) profit before taxation | **(3,589,225)** | 1,098,173 |
| Tax at the applicable income tax rate of 25% (note) | **(897,306)** | 274,543 |
| LAT provision | **43,912** | 49,420 |
| Tax effect of LAT | **(10,978)** | (12,355) |
| Tax effect of expenses not deductible for tax purpose | **888,166** | 840,914 |
| Tax effect of income not taxable for tax purpose | **(260,469)** | (381,459) |
| Tax effect of share of results of associates | **(3,390)** | (7,993) |
| Tax effect of share of results of joint ventures | **(42,167)** | (259,954) |
| Tax effect of tax losses not recognised | **481,818** | 171,315 |
| Tax effect of utilisation of tax losses previously not recognised | **(19,510)** | (84,521) |
| Deferred tax credit on undistributed earnings of PRC subsidiaries and joint ventures | **(97,684)** | (132,128) |
| PRC withholding tax | **120,388** | 189,637 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **(18,471)** | (10,359) |
| Others | **(12,987)** | 2,501 |
| Income tax expenses for the year | **171,322** | 639,561 |

Note: The domestic tax rate of major subsidiaries in the PRC is used for the reconciliation as it is where the operations of the Group are substantially based.

## 13. DIVIDENDS PAID

| | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|
| No 2022 final dividend paid (2022: 2021 final dividend paid of HK$0.20 per share) | – | 149,867 |
| No 2023 interim dividend paid (2022: No 2022 interim dividend paid) | – | – |
| | – | 149,867 |

The board has resolved not to declare the payment of any final dividend in respect of 2023.

## 14. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

| | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|
| Loss for the purposes of basic loss per share attributable to owners of the Company | **(3,961,585)** | (495,378) |

| | 2023 Number of shares '000 | 2022 Number of shares '000 |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of basic loss per share | **749,337** | 749,337 |

No diluted loss per share for the years of 2023 and 2022 were presented as there were no dilutive potential ordinary shares in issue for both years.

## 15. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land and buildings HK$'000 | Leasehold improvements HK$'000 | Furniture, fixtures and equipment HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| Cost | | | | | |
| At 1 January 2022 | 47,509 | 73,187 | 84,842 | 39,442 | 244,980 |
| Additions | – | 166 | 10,020 | 3,160 | 13,346 |
| Transfer to investment properties | (31,576) | – | – | – | (31,576) |
| Acquisition of subsidiaries | – | – | 67 | 111 | 178 |
| Disposals/written off | – | – | (1,025) | (4,767) | (5,792) |
| Exchange adjustments | (2,443) | (3,764) | (4,679) | (2,104) | (12,990) |
| At 31 December 2022 | 13,490 | 69,589 | 89,225 | 35,842 | 208,146 |
| Additions | **–** | **527** | **11,929** | **1,545** | **14,001** |
| Acquisition of subsidiaries | **–** | **–** | **17** | **–** | **17** |
| Disposals/written off | **–** | **(66)** | **(3,427)** | **(4,668)** | **(8,161)** |
| Exchange adjustments | **(375)** | **(1,933)** | **(2,108)** | **(719)** | **(5,135)** |
| **At 31 December 2023** | **13,115** | **68,117** | **95,636** | **32,000** | **208,868** |
| Depreciation | | | | | |
| At 1 January 2022 | 8,386 | 53,111 | 58,117 | 32,113 | 151,727 |
| Charge for the year | 332 | 5,714 | 8,036 | 3,791 | 17,873 |
| Eliminated on disposals/written off | – | – | (1,002) | (4,608) | (5,610) |
| Exchange adjustments | (443) | (2,947) | (3,628) | (1,875) | (8,893) |
| At 31 December 2022 | 8,275 | 55,878 | 61,523 | 29,421 | 155,097 |
| Charge for the year | **316** | **5,257** | **8,598** | **3,076** | **17,247** |
| Eliminated on disposals/written off | **–** | **(66)** | **(2,896)** | **(4,528)** | **(7,490)** |
| Exchange adjustments | **(235)** | **(1,634)** | **(1,484)** | **(599)** | **(3,952)** |
| **At 31 December 2023** | **8,356** | **59,435** | **65,741** | **27,370** | **160,902** |
| Carrying values | | | | | |
| **At 31 December 2023** | **4,759** | **8,682** | **29,895** | **4,630** | **47,966** |
| At 31 December 2022 | 5,215 | 13,711 | 27,702 | 6,421 | 53,049 |

## 15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment, after taking into account the residual values, are depreciated on a straight-line basis at the following rates per annum:

| | |
|---|---|
| Leasehold land and buildings | Over the term of the lease from 20 to 25 years |
| Leasehold improvements | Over the term of the lease or 5 years, whichever is shorter |
| Furniture, fixtures and equipment | 10% - 25% |
| Motor vehicles | 12.5% - 25% |

The Group's leasehold land and buildings are situated in the PRC.

The allocation of leasehold land and buildings elements cannot be made reliably, and the leasehold interests in land are accounted for as property, plant and equipment.

## 16. RIGHT-OF-USE ASSETS

| | **2023 HK$'000** | 2022 HK$'000 |
|---|---|---|
| **Leased properties** | | |
| Carrying amount as at 31 December | **25,801** | 41,273 |
| Depreciation charge for the year (note 10) | **20,337** | 18,100 |

| | **2023 HK$'000** | 2022 HK$'000 |
|---|---|---|
| Expenses relating to short-term leases | **8,850** | 6,870 |
| Cash outflow for lease liabilities | **21,720** | 22,498 |
| Total cash outflow for leases | **30,570** | 29,368 |
| Additions to right-of-use assets excluding those included in investment properties and inventory of properties | **–** | 14,968 |

For both years, the Group leases office premises for its operations. Lease contracts are entered into for fixed terms of 6 months to 6 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

### Restrictions or covenants on leases

As at 31 December 2023, lease liabilities of HK$28,785,000 (2022: HK$43,678,000) are recognised with related right-of-use assets of HK$25,801,000 (2022: HK$41,273,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes.

## 17. INVESTMENT PROPERTIES

The Group leases out various office and commercial units under operating leases with rentals payable monthly. The leases typically run for an initial period of 6 months to 20 years, and the extension of lease period is subject to negotiation between the lessees and the Group. Majority of the lease contracts contain market review clauses in the event the lessee exercises the option to extend. The leases of shopping mall contain variable lease payment that are based on percentage of sales and minimum annual lease payment that are fixed over the lease term.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain any residual value guarantees or provide any options to the lessee to purchase the property at the end of lease term.

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| **Completed properties, at fair value** | | |
| At 1 January | **4,125,822** | 4,263,014 |
| Additions | **–** | 1,925 |
| Transfer from property, plant and equipment (note (a)) | **–** | 27,678 |
| Transfer from completed properties held for sale (note (b)) | **1,174,989** | 172,926 |
| Disposals | **–** | (6,205) |
| Change in fair value recognised in profit or loss (note (c)) | **57,412** | (119,255) |
| Exchange difference arising on translation to presentation currency | **(113,341)** | (214,261) |
| At 31 December | **5,244,882** | 4,125,822 |

Notes:

(a) It was transferred from property, plant and equipment to investment properties due to the change in use from owner-occupied property to operating leases. The amounts included fair value losses of Nil (2022: HK$3,898,000) on property, plant and equipment.

(b) The change in use of the properties were evidenced by the inception of lease contracts. The amounts included fair value losses of HK$138,734,000 (2022: HK$8,917,000) on transfer of completed properties held for sale to investment properties.

(c) It included unrealised fair value gains of HK$57,412,000 (2022: fair value losses of HK$119,255,000) relating to investment properties.

The investment properties are situated in the Mainland China. The leasehold interests in land held by the Group as right-of-use assets to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of completed investment properties were determined by reference to valuations carried out by an independent firm of professional valuers not connected to the Group, who had recognised qualifications and relevant experience. The valuation report on these properties was signed by directors of the firm of professional valuers who are members of The Hong Kong Institute of Surveyors.

The valuation of the investment properties is arrived at, using the income capitalisation method, by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties. There has been no change from the valuation technique used in the prior year.

## 17. INVESTMENT PROPERTIES *(continued)*

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The details of pledge of investment properties are disclosed in note 44.

The following table gives information about how the fair values of the investment properties are determined (in particular, the valuation techniques and inputs used which involve certain assumptions of market conditions), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1, 2 and 3) based on the degree to which the inputs to the fair value measurements is observable.

| Completed investment properties held by the Group | Fair value<br>31 December 2023<br>HK$'000 | Fair value<br>31 December 2022<br>HK$'000 | Fair value hierarchy | Valuation techniques and key inputs | Significant unobservable inputs | Sensitivity |
|---|---|---|---|---|---|---|
| Commercial properties and shopping malls | **5,244,882** | 4,125,822 | Level 3 | Income capitalisation of the net income and made provisions for reversionary income potential | 1. Term yield 2023: 4% - 6% (2022: 4% - 6%) | A significant increase in the term yield would result in a significant decrease in fair value, and vice versa |
| | | | | | 2. Reversionary yield 2023: 4.5% - 7% (2022: 4.5% - 7%) | A significant increase in the reversionary yield would result in a significant decrease in fair value, and vice versa |
| | | | | | 3. Market monthly rental rate (RMB/sqm) 2023: RMB111 - RMB351 (2022: RMB110 - RMB345) | A significant increase in the market monthly rental rate would result in significant increase in fair value, and vice versa |

There are no transfers into or out of Level 3 in both years.

## 18. INTERESTS IN ASSOCIATES

| | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|
| Cost of unlisted investments | **809,576** | 809,576 |
| Share of post-acquisition gains | **249,906** | 236,345 |
| Exchange adjustments | **(33,776)** | (4,641) |
| | **1,025,706** | 1,041,280 |

Details of the Group's principal associate at 31 December 2023 and 31 December 2022 were as follows:

| Name of entity | Place of incorporation/ establishment | Proportion of equity interest of the Group | | Proportion of voting right of the Group | | Principal activity |
|---|---|---|---|---|---|---|
| | | **2023** | 2022 | **2023** | 2022 | |
| 鄭州華首宏田置業有限公司 ("鄭州華首") | PRC | **60%** | 60% | **60%** | 60% | Development and sale of properties |

The Group can exercise significant influence over the operating and financing activities of the associates.

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs. The associate is accounted for using the equity method in these consolidated financial statements.

| | 鄭州華首 2023 HK$'000 | 鄭州華首 2022 HK$'000 |
|---|---|---|
| Current assets | **4,064,774** | 4,090,744 |
| Non-current assets | **32** | 62 |
| Current liabilities | **(2,358,076)** | (2,358,200) |

## 18. INTERESTS IN ASSOCIATES *(continued)*

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Profit and total comprehensive income for the year | **22,603** | 48,039 |
| The above profit for the year includes the following: | | |
| Depreciation and amortisation | **(29)** | (108) |
| Interest income | **137** | 178 |
| Income tax expenses | **(30,950)** | (46,322) |

Reconciliation of the above summarised financial information to the carrying amount of interest in the material associate recognised in the consolidated financial statements:

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Net assets of 鄭州華首 | **1,706,730** | 1,732,606 |
| Proportion of the Group's ownership interest | **60%** | 60% |
| Net assets shared by the Group | **1,024,038** | 1,039,564 |

## 19. INTERESTS IN JOINT VENTURES

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Interests in infrastructure joint ventures | | |
| Cost of investments | **7,894,868** | 7,894,868 |
| Return of cost of investments (note (a)) | **(2,832,678)** | (2,776,244) |
| Share of post-acquisition profits, net of dividends received | **1,968,003** | 1,694,068 |
| Transfer to assets classified as held for sale (note 47) | **(2,850,043)** | – |
| Exchange adjustments | **188,701** | 273,364 |
| | **4,368,851** | 7,086,056 |
| Interests in property and other joint ventures | | |
| Cost of investments | **11,188,498** | 11,447,946 |
| Share of post-acquisition profits, net of dividends received | **139,845** | 754,227 |
| Unrealised profits (note (b)) | **(109,648)** | (162,984) |
| Exchange adjustments | **(855,043)** | (512,405) |
| | **10,363,652** | 11,526,784 |
| | **14,732,503** | 18,612,840 |

Notes:

(a) Pursuant to the joint venture agreements, the infrastructure joint ventures distribute the cash surplus to the Group based on the agreed profit/cash sharing ratio for cash distribution. The actual amount of cash distribution varies from time to time and depends on the toll road performance, the amount of operating expenses and capital expenditure incurred by the joint ventures.

(b) The unrealised profits related to the Group's attributable interest income from amounts due from certain joint ventures. The related interest expenses were capitalised in inventory of properties of the joint ventures which have not been realised at 31 December 2023 and 2022.

(c) In September 2019, the Group entered into conditional sale and purchase agreements with certain independent third parties to acquire 40% equity interest in PT Jasamarga Solo Ngawi ("SN JV") and PT Jasamarga Ngawi Kertosono Kediri ("NKK JV"), both are limited liability companies established in Indonesia. SN JV and NKK JV own concession rights of toll roads in Indonesia. The acquisition of SN JV includes contingent consideration arrangement, which is measured at FVTPL and the payment of such contingent consideration depends on the achievement of toll road tariff adjustment and receipt of cash compensation from the local government.

At 31 December 2023, the fair value of the consideration payable was determined by the Directors based on probability of the adjustment to the toll road tariff chargeable under the concession agreement and repayment of cash compensation received from the local government. No fair value gain (2022: fair value gain of HK$10,608,000) was recognised to profit or loss during the year.

Details of the fair value measurement of the contingent consideration are set out in note 39(c)(i).

## 19. INTERESTS IN JOINT VENTURES *(continued)*

Notes: *(continued)*

(d) In March 2021, the Group entered into conditional sale and purchase agreements with certain independent third parties to acquire 45% equity interest in PT Jasamarga Kualanamu Tol ("MKTT JV"), a limited liability company established in Indonesia. MKTT JV owns concession rights of the toll road in Indonesia. The total consideration of IDR1,236,000,000,000 (equivalent to HK$656,330,000) for the acquisition of equity interests of MKTT JV was fully settled by December 2022.

(e) In September 2022, the Group entered into conditional sale and purchase agreements with certain independent third parties to acquire 39.77% equity interest in PT Jasamarga Semarang ("SB JV"), a limited liability company established in Indonesia. SB JV owns concession rights of the toll road in Indonesia. The acquisition was completed in December 2022.

The total consideration for the acquisition of equity interests of SB JV is IDR3,823,400,000,000 (equivalent to HK$1,968,309,000) which has been paid by the Group before December 2022. The Group has accounted for SB JV as a joint venture on the initial recognition. In determining whether or not the Group has joint control over SB JV, the Directors have considered the Group's practical ability to jointly direct the relevant activities of SB JV with other shareholders in accordance with the articles of association and the shareholders agreement, such as approval of the work plan and budget and appointment and determination of the key management personnel, etc. In the event where a deadlock matter exists, the measure for resolving the deadlock matter does not lead to the loss of joint control of SB JV that the Group has.

(f) In April 2023, the concession period of Hebei Tangjin Expressway Company Limited ("Tangjin Expressway"), which was 45% held by the Group, was expired and terminated. The Group and joint venture partner of Tangjin Expressway have formed a settlement committee whereas the final distribution will be settled after an independent auditor's report is issued and approved.

(g) During the year ended 31 December 2023, other than notes (c), (d) and (e), the Group paid cash consideration to independent third parties or/and provided capital contribution in cash to certain joint ventures amounting to HK$40,259,000 (2022: HK$879,113,000) in aggregate to obtain the joint control of investees which are mainly engaging in property development in the PRC.

(h) In June 2022, the Group disposed of a joint venture 河北建投路勁城鎮化建設開發有限公司 which is engaged in property development in the PRC at a cash consideration of RMB63,235,000 (equivalent to HK$72,268,000), of which RMB40,735,000 (equivalent to HK$46,554,000) was received up to 31 December 2022 and the remaining consideration of RMB22,500,000 (equivalent to HK$25,000,000) will be settled in 2024. This transaction resulted in a loss on disposal of interest in a joint venture amounting to HK$20,362,000.

In July 2022, the Group disposed of two joint ventures 上海雋品置業有限公司 and 杭州雋遠置業有限公司 which is engaged in property development in the PRC at a cash consideration of RMB25,335,000 (equivalent to HK$28,954,000), resulting in gains on disposal of interests in joint ventures amounting to HK$1,579,000.

In December 2022, the Group disposed of two joint ventures 上海雋譽房地產開發有限公司 and 杭州雋恒置業有限公司 which is engaged in property development in the PRC at a cash consideration of RMB180,330,000 (equivalent to HK$206,091,000), resulting in losses on disposal of interests in joint ventures amounting to HK$2,122,000. The Group had amounts due to these joint ventures of RMB176,400,000 (equivalent to HK$201,600,000) prior to the disposal, the net cash received by the Group from the disposal was RMB3,930,000 (equivalent to HK$4,491,000).

## 19. INTERESTS IN JOINT VENTURES *(continued)*

### Infrastructure joint ventures

All infrastructure joint ventures are established and operating in the PRC and Indonesia, details of the Company's principal infrastructure joint ventures at 31 December 2023 and 31 December 2022 are as follows:

| Name of infrastructure joint venture | Registered capital/ paid-up capital | Proportion of registered capital held directly by the Group (note 1) | Principal activities |
|---|---|---|---|
| Hebei Baofa Expressway Co., Ltd.* 河北保發高速公路有限公司 | RMB96,287,600 | 40% | Investment in and operation and management of Hebei Baojin Expressway (Bazhou Dong Section) in Hebei, the PRC |
| Hebei Baofeng Expressway Co., Ltd.* 河北保豐高速公路有限公司 | RMB95,700,000 | 40% | Investment in and operation and management of Hebei Baojin Expressway (Rongcheng - Xiongxian West Section) in Hebei, the PRC |
| Hebei Baohui Expressway Co., Ltd.* 河北保惠高速公路有限公司 | RMB96,007,600 | 40% | Investment in and operation and management of Hebei Baojin Expressway (Bazhou Zhong Section) in Hebei, the PRC |
| Hebei Baojie Expressway Co., Ltd.* 河北保捷高速公路有限公司 | RMB97,262,000 | 40% | Investment in and operation and management of Hebei Baojin Expressway (Xiongxian - Bazhou Section) in Hebei, the PRC |
| Hebei Baojin Expressway Co., Ltd.* 河北保津高速公路有限公司 | RMB96,843,600 | 40% | Investment in and operation and management of Hebei Baojin Expressway (Xushui - Rongcheng Section) in Hebei, the PRC |
| Hebei Baoli Expressway Co., Ltd.* 河北保利高速公路有限公司 | RMB97,359,600 | 40% | Investment in and operation and management of Hebei Baojin Expressway (Xiongxian East Section) in Hebei, the PRC |
| Hebei Baoming Expressway Co., Ltd.* 河北保明高速公路有限公司 | RMB90,030,400 | 40% | Investment in and operation and management of Hebei Baojin Expressway (Bazhou - Tianjinjie Section) in Hebei, the PRC |

## 19. INTERESTS IN JOINT VENTURES *(continued)*

### Infrastructure joint ventures *(continued)*

| Name of infrastructure joint venture | Registered capital/ paid-up capital | Proportion of registered capital held directly by the Group (note 1) | Principal activities |
|---|---|---|---|
| Hebei Baosheng Expressway Co., Ltd.* 河北保昇高速公路有限公司 | RMB96,507,600 | 40% | Investment in and operation and management of Hebei Baojin Expressway (Xiongxian Section) in Hebei, the PRC |
| Hebei Baoyi Expressway Co., Ltd.* 河北保怡高速公路有限公司 | RMB96,575,200 | 40% | Investment in and operation and management of Hebei Baojin Expressway (Rongcheng Section) in Hebei, the PRC |
| Hebei Baoyu Expressway Co., Ltd.* 河北保裕高速公路有限公司 | RMB97,426,400 | 40% | Investment in and operation and management of Hebei Baojin Expressway (Bazhou West Section) in Hebei, the PRC |
| Hebei Tanghui Expressway Company Limited** 河北唐惠高速公路有限公司 | RMB287,324,000 | 45% | Investment in and operation and management of Hebei Tangjin Expressway (Chenzhuang - Fengnan Section) in Hebei, the PRC |
| Hebei Tangjin Expressway Company Limited** 河北唐津高速公路有限公司 | RMB250,300,000 | 45% | Investment in and operation and management of Hebei Tangjin Expressway (Fengnan - Jijinjie Section) in Hebei, the PRC |
| Hebei Tangrun Expressway Company Limited** 河北唐潤高速公路有限公司 | RMB172,524,000 | 45% | Investment in and operation and management of Hebei Tangjin Expressway (Shuangmiao - Chenzhuang Section) in Hebei, the PRC |
| Hunan Changyi (Baining) Expressway Co., Ltd.*** 湖南長益(白寧)高速公路有限公司 | RMB97,011,500 | 43.17% | Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Baining Section) in Hunan, the PRC |

## 19. INTERESTS IN JOINT VENTURES *(continued)*

### Infrastructure joint ventures *(continued)*

| Name of infrastructure joint venture | Registered capital/ paid-up capital | Proportion of registered capital held directly by the Group (note 1) | Principal activities |
|---|---|---|---|
| Hunan Changyi (Cangyi) Expressway Co., Ltd.*** 湖南長益(滄益)高速公路有限公司 | RMB98,985,400 | 43.17% | Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Cangyi Section) in Hunan, the PRC |
| Hunan Changyi Expressway Co., Ltd.*** 湖南長益高速公路有限公司 | RMB98,553,500 | 43.17% | Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Changbai Section) in Hunan, the PRC |
| Hunan Changyi (Hengcang) Expressway Co., Ltd.*** 湖南長益(衡滄)高速公路有限公司 | RMB101,695,200 | 43.17% | Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Hengcang Section) in Hunan, the PRC |
| Hunan Changyi (Ningheng) Expressway Co., Ltd.*** 湖南長益(寧衡)高速公路有限公司 | RMB98,458,100 | 43.17% | Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Ningheng Section) in Hunan, the PRC |
| Hunan Changyi (Zijiang No. 2 Bridge) Expressway Co., Ltd.*** 湖南長益(資江二橋)高速公路有限公司 | RMB78,328,300 | 43.17% | Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Zijiang No. 2 Bridge) in Hunan, the PRC |
| Jinzhong Longcheng Expressway Co., Ltd. ("Jinzhong Longcheng Expressway JV") 晉中龍城高速公路有限責任公司 | RMB1,497,000,000 | 45% | Investment in and development, operation and management of Longcheng Expressway in Shanxi, the PRC |
| Anhui Machao Expressway Co., Ltd. ("Anhui Machao Expressway JV") 安徽省馬巢高速公路有限公司 | RMB575,000,000 | 49% | Investment in and development, operation and management of Machao Expressway in Anhui, the PRC |

## 19. INTERESTS IN JOINT VENTURES *(continued)*

### Infrastructure joint ventures *(continued)*

| Name of infrastructure joint venture | Registered capital/ paid-up capital | Proportion of registered capital held directly by the Group (note 1) | Principal activities |
|---|---|---|---|
| SN JV | IDR3,718,430,650,000 | 40% | Investment in and development, operation and management of Solo Ngawi Expressway in Indonesia |
| NKK JV | IDR1,664,540,240,000 | 40% | Investment in and development, operation and management of Ngawi Kertosono Kediri Expressway in Indonesia |
| MKTT JV | IDR1,410,700,000,000 | 45% | Investment in and development, operation and management of Medan-Kualanamu-Tebing Tinggi Expressway in Indonesia |
| SB JV | IDR4,178,664,400,000 | 39.77% | Investment in and development, operation and management of Semarang Batang Expressway in Indonesia |

* These joint ventures are collectively known as Hebei Baojin Expressway JV.

** These joint ventures are collectively known as Hebei Tangjin Expressway JV, the toll concession right of which were expired on 19 April 2023.

*** These joint ventures are collectively known as Hunan Changsha Expressway JV.

Notes:

1. At 31 December 2023, the above interests in joint ventures are held by RKE, which is 75% (2022: 75%) held by the Group.

2. Except for SN JV, NKK JV, MKTT JV, SB JV, Jinzhong Longcheng Expressway JV and Anhui Machao Expressway JV, where the profit/cash sharing ratios are same as the proportion of the registered capital held by the Group over the duration of the joint ventures, the profit/cash sharing ratios in other infrastructure joint ventures differ from the proportion of the registered capital held by the Group over the duration of the joint ventures. During the early stage of the joint ventures, the Group is entitled to higher profit/cash sharing ratios than the proportion of registered capital held by the Group as contained in the relevant joint venture agreements. Thereafter, until such time as specified in the joint venture agreements, the other ventures of the joint ventures are entitled to profit/cash sharing ratios higher than their respective proportion of registered capital held by them as contained in the joint venture agreements. Thereafter, the profit/cash sharing ratios of the joint ventures may be the same as the proportion of their registered capital or in accordance with a predetermined ratio stipulated in the joint venture agreements. For the years ended 31 December 2023 and 2022, the profit/cash sharing ratio entitled by the Group for Hebei Baojin Expressway JV, Hunan Changsha Expressway JV and Hebei Tangjin Expressway JV were 40%, 50% and 45%, respectively.

The above table lists the infrastructure joint ventures of the Group which, in opinion of the Directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other joint ventures would, in the opinion of the Directors, result in particulars of excessive length.

## 19. INTERESTS IN JOINT VENTURES *(continued)*

### Infrastructure joint ventures *(continued)*

#### Summarised financial information of material infrastructure joint ventures

Summarised financial information in respect of the Group's material infrastructure joint ventures is set out below.

The summarised financial information below represents amounts shown in the infrastructure joint ventures' financial statements prepared in accordance with HKFRSs. The infrastructure joint ventures are accounted for using the equity method in these consolidated financial statements.

**At 31 December 2023**

| | Hebei Baojin Expressway JV HK$'000 | Hebei Tangjin Expressway JV HK$'000 | Hunan Changsha Expressway JV HK$'000 | Jinzhong Longcheng Expressway JV HK$'000 | Anhui Machao Expressway JV HK$'000 | SN JV HK$'000 | NKK JV HK$'000 | MKTT JV HK$'000 | SB JV HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Non-current assets** | | | | | | | | | | |
| Property and equipment | 35,464 | – | 31,805 | 57,699 | 68,525 | 110 | 13,320 | 735 | 848 | 208,506 |
| Concession intangible assets | 1,358,548 | – | 204,997 | 4,227,101 | 2,715,717 | 5,701,388 | 2,669,122 | 3,097,295 | 8,976,265 | 28,950,433 |
| Other non-current assets | – | – | – | – | – | 6,147 | 19,813 | 451 | 6,922 | 33,333 |
| | 1,394,012 | – | 236,802 | 4,284,800 | 2,784,242 | 5,707,645 | 2,702,255 | 3,098,481 | 8,984,035 | 29,192,272 |
| **Current assets** | | | | | | | | | | |
| Bank balances and cash | 737,276 | 254,033 | 237,777 | 650,276 | 112,079 | 67,658 | 95,698 | 113,585 | 73,292 | 2,341,674 |
| Restricted bank balance | – | – | – | – | – | 61,520 | 101,994 | 9,441 | 152,319 | 325,274 |
| Others | 38,937 | 2,594 | 45,294 | 36,607 | 9,159 | 3,256 | 1,247 | 1,221 | 51,907 | 190,222 |
| | 776,213 | 256,627 | 283,071 | 686,883 | 121,238 | 132,434 | 198,939 | 124,247 | 277,518 | 2,857,170 |
| **Current liabilities** | | | | | | | | | | |
| Bank borrowings | – | – | – | – | 143,956 | 73,385 | 14,548 | 53,219 | 156,677 | 441,785 |
| Others | 149,878 | 37,512 | 51,328 | 95,912 | 34,674 | 123,833 | 39,440 | 51,197 | 87,699 | 671,473 |
| | 149,878 | 37,512 | 51,328 | 95,912 | 178,630 | 197,218 | 53,988 | 104,416 | 244,376 | 1,113,258 |
| **Non-current liabilities** | | | | | | | | | | |
| Bank borrowings | – | – | – | 2,388,889 | 945,378 | 2,886,169 | 1,406,983 | 1,029,100 | 3,988,543 | 12,645,062 |
| Receipt in advance | 2,105 | – | 2,304 | 1,281 | 546 | – | – | 590 | – | 6,826 |
| Deferred taxation | 326,776 | – | 14,584 | 130,510 | 102,688 | 244,349 | 198,173 | 240,168 | 870,524 | 2,127,772 |
| Others | – | – | – | – | – | 27,077 | 39,083 | 163,468 | 50,759 | 280,387 |
| | 328,881 | – | 16,888 | 2,520,680 | 1,048,612 | 3,157,595 | 1,644,239 | 1,433,326 | 4,909,826 | 15,060,047 |
| **Net assets of joint ventures** | 1,691,466 | 219,115 | 451,657 | 2,355,091 | 1,678,238 | 2,485,266 | 1,202,967 | 1,684,986 | 4,107,351 | 15,876,137 |
| Proportion of the Group's interest | 40% | 45% | 43.17% | 45% | 49% | 40% | 40% | 45% | 39.77% | N/A |
| Net assets shared by the Group | 676,586 | 98,602 | 194,980 | 1,059,791 | 822,337 | 994,106 | 481,187 | 758,244 | 1,633,493 | 6,719,326 |
| Goodwill | – | – | – | – | – | – | – | – | 411,471 | 411,471 |
| Other adjustments (note) | 45,516 | (8,252) | 50,833 | – | – | – | – | – | – | 88,097 |
| **Carrying amount of the Group's interests in joint ventures** | 722,102 | 90,350 | 245,813 | 1,059,791 | 822,337 | 994,106 | 481,187 | 758,244 | 2,044,964 | 7,218,894 |

## 19. INTERESTS IN JOINT VENTURES *(continued)*

### Infrastructure joint ventures *(continued)*

### Summarised financial information of material infrastructure joint ventures *(continued)*

**At 31 December 2023** *(continued)*

Note: Other adjustments mainly represent the accumulated differences of the Group's share of the net assets of the individual joint ventures based on the profit/cash sharing ratio of joint ventures during their respective operating periods and the Group's equity interests in the joint ventures.

**For the year ended 31 December 2023**

| | Hebei Baojin Expressway JV HK$'000 | Hebei Tangjin Expressway JV HK$'000 | Hunan Changsha Expressway JV HK$'000 | Jinzhong Longcheng Expressway JV HK$'000 | Anhui Machao Expressway JV HK$'000 | SN JV HK$'000 | NKK JV HK$'000 | MKTT JV HK$'000 | SB JV HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Toll revenue (net of sales related tax) | 868,240 | 217,540 | 590,315 | 525,029 | 444,383 | 482,328 | 351,736 | 274,194 | 558,720 | 4,312,485 |
| Construction revenue | – | – | – | – | – | – | – | – | 36,502 | 36,502 |
| Total revenue | 868,240 | 217,540 | 590,315 | 525,029 | 444,383 | 482,328 | 351,736 | 274,194 | 595,222 | 4,348,987 |
| Construction costs | – | – | – | – | – | – | – | – | (36,502) | (36,502) |
| Other income (expenses) | 15,241 | 1,934 | 27,764 | 5,838 | 938 | 84,128 | (472) | 897 | 1,427 | 137,695 |
| Toll operation expenses | (184,893) | (75,924) | (43,164) | (97,799) | (31,739) | (61,379) | (46,172) | (52,296) | (71,655) | (665,021) |
| Administrative expenses | (37,577) | (26,569) | (31,756) | (12,910) | (10,078) | (7,017) | (7,742) | (7,440) | (8,118) | (149,207) |
| Depreciation and amortisation charges | (114,249) | (56,979) | (137,558) | (93,902) | (72,386) | (31,348) | (19,734) | (31,585) | (53,249) | (610,990) |
| Finance costs (net) | 13,251 | 6,409 | 252 | (72,584) | (51,455) | (215,781) | (99,713) | (66,663) | (293,004) | (779,288) |
| Income tax expenses | (135,226) | (16,411) | (88,644) | (58,021) | (72,908) | (55,205) | (39,139) | 53,304 | (29,506) | (441,756) |
| Profit and total comprehensive income for the year | 424,787 | 50,000 | 317,209 | 195,651 | 206,755 | 195,726 | 138,764 | 170,411 | 104,615 | 1,803,918 |
| Cash distribution received from joint ventures during the year | 74,782 | 190,426 | 101,596 | 73,838 | 60,530 | – | – | – | – | 501,172 |

## 19. INTERESTS IN JOINT VENTURES *(continued)*

### Infrastructure joint ventures *(continued)*

### Summarised financial information of material infrastructure joint ventures *(continued)*

At 31 December 2022

| | Hebei Baojin Expressway JV HK$'000 | Hebei Tangjin Expressway JV HK$'000 | Hunan Changsha Expressway JV HK$'000 | Jinzhong Longcheng Expressway JV HK$'000 | Anhui Machao Expressway JV HK$'000 | SN JV HK$'000 | NKK JV HK$'000 | MKTT JV HK$'000 | SB JV HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Non-current assets** | | | | | | | | | | |
| Property and equipment | 37,219 | 6,419 | 40,889 | 65,527 | 75,556 | 137 | 14,337 | 694 | 1,169 | 241,947 |
| Concession intangible assets | 1,501,490 | 51,593 | 339,586 | 4,424,698 | 2,854,432 | 5,659,959 | 2,607,254 | 3,079,873 | 8,957,249 | 29,476,134 |
| Other non-current assets | – | – | – | – | – | 681 | 19,435 | 723 | 358 | 21,197 |
| | 1,538,709 | 58,012 | 380,475 | 4,490,225 | 2,929,988 | 5,660,777 | 2,641,026 | 3,081,290 | 8,958,776 | 29,739,278 |
| **Current assets** | | | | | | | | | | |
| Bank balances and cash | 554,615 | 620,803 | 199,256 | 542,410 | 92,525 | 35,006 | 104,412 | 51,537 | 64,448 | 2,265,012 |
| Restricted bank balance | – | – | – | – | – | 110,104 | 40,267 | 7,834 | 98,742 | 256,947 |
| Others | 54,386 | 48,951 | 42,624 | 53,666 | 7,379 | 2,929 | 16,675 | 1,755 | 75,942 | 304,307 |
| | 609,001 | 669,754 | 241,880 | 596,076 | 99,904 | 148,039 | 161,354 | 61,126 | 239,132 | 2,826,266 |
| **Current liabilities** | | | | | | | | | | |
| Bank borrowings | – | – | – | – | 148,069 | 14,620 | 79,450 | 33,133 | 80,498 | 355,770 |
| Others | 99,898 | 110,202 | 113,446 | 101,286 | 29,284 | 191,269 | 29,623 | 13,111 | 58,956 | 747,075 |
| | 99,898 | 110,202 | 113,446 | 101,286 | 177,353 | 205,889 | 109,073 | 46,244 | 139,454 | 1,102,845 |
| **Non-current liabilities** | | | | | | | | | | |
| Bank borrowings | – | – | – | 2,457,143 | 1,120,457 | 3,100,958 | 1,437,739 | 1,131,861 | 4,205,148 | 13,453,306 |
| Receipt in advance | 4,330 | – | 4,740 | 2,635 | 1,123 | – | – | – | – | 12,828 |
| Deferred taxation | 335,829 | 7,559 | 30,765 | 132,194 | 87,067 | 189,169 | 158,954 | 291,610 | 838,226 | 2,071,373 |
| Derivative liabilities | – | – | – | – | – | 6,394 | – | – | 9,618 | 16,012 |
| Others | – | – | – | – | – | 34,442 | 34,626 | 161,642 | 33,256 | 263,966 |
| | 340,159 | 7,559 | 35,505 | 2,591,972 | 1,208,647 | 3,330,963 | 1,631,319 | 1,585,113 | 5,086,248 | 15,817,485 |
| **Net assets of joint ventures** | 1,707,653 | 610,005 | 473,404 | 2,393,043 | 1,643,892 | 2,271,964 | 1,061,988 | 1,511,059 | 3,972,206 | 15,645,214 |
| Proportion of the Group's interest | 40% | 45% | 43.17% | 45% | 49% | 40% | 40% | 45% | 39.77% | N/A |
| Net assets shared by the Group | 683,061 | 274,502 | 204,369 | 1,076,869 | 805,507 | 908,786 | 424,795 | 679,977 | 1,579,746 | 6,637,612 |
| Goodwill | – | – | – | – | – | – | – | – | 409,879 | 409,879 |
| Other adjustments (note) | 50,930 | (8,487) | (3,878) | – | – | – | – | – | – | 38,565 |
| **Carrying amount of the Group's interests in joint ventures** | 733,991 | 266,015 | 200,491 | 1,076,869 | 805,507 | 908,786 | 424,795 | 679,977 | 1,989,625 | 7,086,056 |

Note: Other adjustments mainly represent the accumulated differences of the Group's share of the net assets of the individual joint ventures based on the profit/cash sharing ratio of joint ventures during their respective operating periods and the Group's equity interests in the joint ventures.

## 19. INTERESTS IN JOINT VENTURES *(continued)*

### Infrastructure joint ventures *(continued)*

#### Summarised financial information of material infrastructure joint ventures *(continued)*

For the year ended 31 December 2022

| | Hebei Baojin Expressway JV HK$'000 | Hebei Tangjin Expressway JV HK$'000 | Hunan Changsha Expressway JV HK$'000 | Jinzhong Longcheng Expressway JV HK$'000 | Anhui Machao Expressway JV HK$'000 | SN JV HK$'000 | NKK JV HK$'000 | MKTT JV HK$'000 | SB JV HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Toll revenue (net of sales related tax) | 879,461 | 735,278 | 561,318 | 606,809 | 404,780 | 437,433 | 351,282 | 267,881 | 52,444 | 4,296,686 |
| Construction revenue | – | – | – | – | – | 15,557 | – | – | 13,291 | 28,848 |
| Total revenue | 879,461 | 735,278 | 561,318 | 606,809 | 404,780 | 452,990 | 351,282 | 267,881 | 65,735 | 4,325,534 |
| Construction costs | – | – | – | – | – | (15,557) | – | – | (13,291) | (28,848) |
| Other income (expenses) | 16,838 | 4,774 | (1,730) | 5,962 | 1,560 | 151,125 | (538) | 852 | 424 | 179,267 |
| Toll operation expenses | (148,467) | (121,760) | (110,740) | (126,654) | (30,374) | (55,301) | (44,609) | (48,639) | (8,668) | (695,212) |
| Administrative expenses | (41,029) | (43,742) | (32,328) | (13,831) | (10,859) | (5,960) | (8,076) | (6,725) | (1,119) | (163,669) |
| Depreciation and amortisation charges | (103,181) | (270,508) | (167,271) | (112,430) | (64,186) | (41,845) | (22,623) | (36,650) | (5,409) | (824,103) |
| Finance costs (net) | 10,372 | 4,527 | 165 | (108,030) | (64,343) | (244,070) | (115,368) | (77,322) | (29,828) | (623,897) |
| Income tax expenses | (155,194) | (77,739) | (62,691) | (62,826) | (62,608) | (117,967) | (50,692) | (21,868) | (6,191) | (617,776) |
| Profit and total comprehensive income for the year | 458,800 | 230,830 | 186,723 | 189,000 | 173,970 | 123,415 | 109,376 | 77,529 | 1,653 | 1,551,296 |
| Cash distribution received from joint ventures during the year | 274,926 | 221,446 | 98,036 | 7,550 | 33,638 | – | – | – | – | 635,596 |

## 19. INTERESTS IN JOINT VENTURES *(continued)*

### Property joint ventures

Particulars of the Group's interests in principal property joint ventures as at 31 December 2023 and 31 December 2022 are as follows:

| Name of property joint venture | Place of incorporation/ establishment | Proportion of equity interest of the Group | | Proportion of voting right of the Group | | Principal activity |
|---|---|---|---|---|---|---|
| | | **2023** | 2022 | **2023** | 2022 | |
| 上海雋廷房地產開發有限公司 ("上海雋廷") | PRC | **33%** | 33% | **20%** (note) | 20% | Development and sale of properties |
| 上海雋悦置業有限公司 ("上海雋悦") | PRC | **49%** | 49% | **40%** (note) | 40% | Development and sale of properties |
| 南京僑勁房地產開發有限公司 ("南京僑勁") | PRC | **49%** | 49% | **40%** (note) | 40% | Development and sale of properties |
| 南京華勁房地產開發有限公司 ("南京華勁") | PRC | **49%** | 49% | **40%** (note) | 40% | Development and sale of properties |
| 礦勁地產 (蘇州) 有限公司 ("礦勁地產") | PRC | **45%** | 45% | **33%** (note) | 33% | Development and sale of properties |
| 濟南雋茂置業有限公司 ("濟南雋茂") | PRC | **50%** | 50% | **50%** | 50% | Development and sale of properties |
| 蘇州勝悦房地產開發有限公司 ("蘇州勝悦") | PRC | **30%** | 30% | **20%** (note) | 20% | Development and sale of properties |
| 蘇州中交路勁地產有限公司 ("蘇州中交") | PRC | **49%** | 49% | **50%** | 50% | Development and sale of properties |
| Both Win Development Limited ("Both Win") | Hong Kong | **60%** | 60% | **60%** (note) | 60% | Investment holding |

Note: Although the Group has either more than or less than 50% voting rights for the companies, the board resolutions need the unanimous consent of the directors appointed by each joint venture partner and these companies are accounted for as joint ventures of the Group.

The above table lists the property joint ventures of the Group which, in opinion of the Directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other joint ventures would, in the opinion of the Directors, result in particulars of excessive length.

## 19. INTERESTS IN JOINT VENTURES *(continued)*

### Property joint ventures *(continued)*

#### Summarised financial information of material property joint ventures

**At 31 December 2023**

| | 上海雋悅 HK$'000 | 上海雋廷 HK$'000 | 南京華勁 HK$'000 | 礦勁地產 HK$'000 | 蘇州中交 HK$'000 | 南京僑勁 HK$'000 | 蘇州勝悅 HK$'000 | Both Win HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|
| Current assets | 966,692 | 15,483,511 | 1,463,460 | 4,541,129 | 982,127 | 1,351,886 | 2,961,483 | 1,380,311 | 29,130,599 |
| Non-current assets | 1,761 | 1,202 | 44 | 11,389 | – | – | – | 717,239 | 731,635 |
| Current liabilities | (142,115) | (11,933,059) | (77,941) | (1,680,036) | (65,771) | (197,083) | (291,393) | (1,122,532) | (15,509,930) |
| Non-current liabilities | – | – | – | (456,667) | – | – | – | – | (456,667) |
| The above amounts of assets and liabilities include the following: | | | | | | | | | |
| Cash and cash equivalents | 162,952 | 782,323 | 66,487 | 245,321 | 71,013 | 116,311 | 86,795 | 199,215 | 1,730,417 |
| Net assets of joint ventures | 826,338 | 3,551,654 | 1,385,563 | 2,415,815 | 916,356 | 1,154,803 | 2,670,090 | 975,018 | 13,895,637 |
| Proportion of the Group's interests | 49% | 33% | 49% | 45% | 49% | 49% | 30% | 60% | N/A |
| Carrying amount of the Group's interests in joint ventures | 404,906 | 1,172,046 | 678,926 | 1,087,117 | 449,014 | 565,853 | 801,027 | 585,011 | 5,743,900 |

**For the year ended 31 December 2023**

| | 上海雋悅 HK$'000 | 上海雋廷 HK$'000 | 南京華勁 HK$'000 | 礦勁地產 HK$'000 | 蘇州中交 HK$'000 | 南京僑勁 HK$'000 | 蘇州勝悅 HK$'000 | Both Win HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|
| Profit (loss) and total comprehensive income (expense) for the year | 91,267 | 9,292 | 14,479 | (16,299) | (40,956) | 47,865 | 14,293 | (15,285) | 104,656 |
| The above profit (loss) for the year includes the following: | | | | | | | | | |
| Depreciation and amortisation | (20) | (25) | (23) | (169) | – | – | – | – | (237) |
| Interest income | 15,360 | 19,688 | 494 | 3,913 | 194 | 10,739 | 1,880 | 856 | 53,124 |
| Interest expense | – | – | – | – | – | – | – | – | – |
| Income tax (expense) credit | (47,359) | (3,238) | (4,826) | 5,433 | (12,537) | (15,955) | (4,764) | (111,491) | (194,737) |

## 19. INTERESTS IN JOINT VENTURES *(continued)*

### Property joint ventures *(continued)*

#### Summarised financial information of material property joint ventures *(continued)*

At 31 December 2022

| | 上海雋悦 HK$'000 | 上海雋廷 HK$'000 | 南京華勁 HK$'000 | 礦勁地產 HK$'000 | 濟南雋茂 HK$'000 | 南京僑勁 HK$'000 | 蘇州勝悦 HK$'000 | Both Win HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|
| Current assets | 1,311,647 | 15,668,373 | 1,578,146 | 3,650,588 | 1,537,581 | 3,613,031 | 3,092,229 | 2,241,151 | 32,692,746 |
| Non-current assets | 1,831 | 4,540 | 502 | 6,338 | 12,006 | 1,176 | – | – | 26,393 |
| Current liabilities | (441,660) | (12,029,192) | (168,158) | (617,298) | (423,339) | (2,246,305) | (360,323) | (1,222,798) | (17,509,073) |
| Non-current liabilities | – | – | – | (538,286) | – | (228,571) | – | – | (766,857) |
| The above amounts of assets and liabilities include the following: | | | | | | | | | |
| Cash and cash equivalents | 254,917 | 2,026,558 | 65,539 | 432,897 | 332,777 | 879,769 | 260,574 | 61,894 | 4,314,925 |
| Net assets of joint ventures | 871,818 | 3,643,721 | 1,410,490 | 2,501,342 | 1,126,248 | 1,139,331 | 2,731,906 | 1,018,353 | 14,443,209 |
| Proportion of the Group's interests | 49% | 33% | 49% | 45% | 50% | 49% | 30% | 60% | N/A |
| Carrying amount of the Group's interests in joint ventures | 427,191 | 1,202,428 | 691,140 | 1,125,604 | 563,124 | 558,272 | 819,572 | 611,012 | 5,998,343 |

For the year ended 31 December 2022

| | 上海雋悦 HK$'000 | 上海雋廷 HK$'000 | 南京華勁 HK$'000 | 礦勁地產 HK$'000 | 濟南雋茂 HK$'000 | 南京僑勁 HK$'000 | 蘇州勝悦 HK$'000 | Both Win HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|
| Profit (loss) and total comprehensive income (expense) for the year | 199,000 | (11,125) | (1,343) | (16,002) | (39,536) | (3,172) | 208,424 | 21,760 | 358,006 |
| The above profit (loss) for the year includes the following: | | | | | | | | | |
| Depreciation and amortisation | (24) | (11) | (24) | (139) | (234) | – | – | (14) | (446) |
| Interest income | 21,304 | 15,653 | 26,487 | 1,806 | 1,090 | 9,894 | 3,015 | 771 | 80,020 |
| Interest expense | – | – | – | – | (3,941) | – | – | – | (3,941) |
| Income tax (expense) credit | (93,643) | 3,706 | 448 | 5,334 | 13,179 | 1,057 | (69,475) | (67,145) | (206,539) |

## 19. INTERESTS IN JOINT VENTURES (continued)

### Aggregate information of joint ventures that are not individually material

| | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|
| The Group's share of (loss) profit and total comprehensive (expense) income for the year | **(550,558)** | 243,357 |

## 20. AMOUNTS DUE FROM JOINT VENTURES AND ASSOCIATES

| | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|
| Current portion | **1,788,591** | 3,564,733 |
| Non-current portion | **3,944,670** | 6,084,012 |
| | **5,733,261** | 9,648,745 |
| Analysed into: | | |
| Interest bearing at fixed interest rate ranging from 4.75% to 10% (2022: 4.75% to 10%) per annum | **2,994,572** | 5,926,417 |
| Interest-free | **2,738,689** | 3,722,328 |
| | **5,733,261** | 9,648,745 |

The amounts due from joint ventures and associates are all unsecured and the Group expects to receive the current portion within twelve months from the end of the reporting period based on the development and pre-sale status of the property projects of property joint ventures.

Details of impairment assessment for the years ended 31 December 2023 and 2022 are set out in note 39(b)(ii).

## 21. AMOUNTS DUE FROM OTHER NON-CONTROLLING INTERESTS OF SUBSIDIARIES

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Current portion | **1,615,514** | 909,132 |
| Non-current portion | **–** | 974,183 |
| | **1,615,514** | 1,883,315 |
| Analysed into: | | |
| Interest bearing at fixed interest rate at 3.85% (2022: 3.85% to 4.75%) per annum | **277,667** | 291,102 |
| Interest-free | **1,337,847** | 1,592,213 |
| | **1,615,514** | 1,883,315 |

During the year ended 31 December 2023, amounts due from other non-controlling interests of subsidiaries amounted to HK$1,148,568,000 has been settled by capital reductions of subsidiaries as disclosed in statement of changes in equity.

The amounts due from other non-controlling interests of subsidiaries are all unsecured and the Group expects to receive the current portion within twelve months from the end of the reporting period.

No impairment loss has been recognised in both years. Details of impairment assessment for the year ended 31 December 2023 are set out in note 39(b)(ii).

## 22. LOAN RECEIVABLES

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Fixed-rate loan receivables | **1,526,063** | 1,607,115 |
| Floating-rate loan receivables | **49,829** | 59,432 |
| Interest-free loan receivables | **1,549,016** | 1,581,929 |
| Total gross carrying amount of loan receivables | **3,124,908** | 3,248,476 |
| Less: Impairment loss on loan receivables (note 39(b)(ii)) | **(1,202,777)** | (528,572) |
| Less: Amounts classified as current assets | **(79,289)** | (68,158) |
| Amounts due over one year shown and classified as non-current assets | **1,842,842** | 2,651,746 |

The loan receivables are mainly denominated in Renminbi. As at 31 December 2023, the carrying amount of loan receivables amounting to HK$1,975,188,000 (2022: HK$2,053,228,000) are substantially either secured by properties of the borrowers or the equity interests in property companies. The Group is not permitted to sell or re-pledge the collaterals in the absence of default by the borrower. There have not been any significant changes in the quality of the collateral held for the loan receivables.

## 22. LOAN RECEIVABLES *(continued)*

The Group renegotiated with certain borrowers to extend the maturity date for certain loan balances during the year ended 31 December 2023. No gain or loss was recognised in profit or loss for these non-substantial modifications.

Details of impairment assessment for the years ended 31 December 2023 and 2022 are set out in note 39(b)(ii).

The exposure of the Group's loan receivables to interest rate risks and the contractual maturity dates are as follows:

| | **2023 HK$'000** | 2022 HK$'000 |
|---|---|---|
| Within one year | **79,289** | 68,158 |
| In more than one year but not more than two years | **1,294,634** | 1,515,978 |
| In more than two years but not more than five years | **388,059** | 738,344 |
| More than five years | **160,149** | 397,424 |
| | **1,922,131** | 2,719,904 |

The range of interest rates on the Group's loan receivables are as follows:

| | **2023** | 2022 |
|---|---|---|
| Fixed-rate loan receivables | **2.88% - 24%** | 2.88% - 24% |
| Floating-rate loan receivables | **2.93% - 5.86%** | 3.25% - 6.37% |

## 23. INVENTORY OF PROPERTIES

| | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|
| Completed properties held for sale | **11,864,039** | 19,632,841 |
| Properties under development for sale (note) | **17,562,247** | 18,998,256 |
| | **29,426,286** | 38,631,097 |

Due to continuous deterioration of property market in Mainland China and Hong Kong, net realisable value of certain properties of the Group falls below their cost. Accordingly, the write-down of inventory of properties of HK$890,996,000 (2022: HK$213,777,000) was recognised in profit or loss for the year ended 31 December 2023.

The carrying amounts of leasehold lands are measured at cost less any accumulated depreciation and any impairment losses. The residual values are determined as the estimated disposal value of the leasehold land component. No depreciation charge is made on the leasehold lands taking into account the estimated residual values as at 31 December 2023 and 31 December 2022. Analysis of leasehold lands is as follows:

| | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|
| **Leasehold Lands** | | |
| Carrying amount as at 31 December | **13,171,144** | 14,597,382 |
| Total cash outflow for the year | **(2,963,422)** | (458,250) |
| Additions for the year | **2,963,422** | 911,679 |

Note: Included in the amounts are properties under development for sale of HK$15,083,296,000 (2022: HK$12,052,343,000) which are expected to be completed and available for sale to the customers more than twelve months from the end of the reporting period.

## 24. DEBTORS, DEPOSITS AND PREPAYMENTS

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Aged analysis of trade debtors, presented based on invoice dates (note (a)): | | |
| Within 60 days | **109,545** | 121,986 |
| 61 to 90 days | **1,261** | 675 |
| More than 90 days | **106,812** | 32,136 |
| Trade debtors from contracts with customers derived from goods and services | **217,618** | 154,797 |
| Prepayment for land development cost (note (b)) | **555,556** | 571,429 |
| Deposits paid for acquisition of inventory of properties (note (c)) | **518,119** | 584,917 |
| Prepayment of value added tax and other taxes | **528,926** | 540,844 |
| Consideration receivable (note 19(h)) | **25,000** | 25,714 |
| Other receivables, deposits and prepayments | **792,149** | 779,411 |
| | **2,637,368** | 2,657,112 |

Notes:

(a) The debtors are mainly arisen from sale of properties. Consideration in respect of properties sold is paid in accordance with the terms of the related sale and purchase agreements, normally within 60 to 90 days from the agreements. For most of the Group's property projects, consideration will be fully received prior to the delivery of the properties to the property purchasers. As at 1 January 2022, trade receivables from contracts with customers amounted to HK$239,964,000.

(b) In January 2016, the Group entered into an agreement with certain independent third parties who own certain pieces of industrial land in Jinan, the PRC (the "Contracting Parties") pursuant to which the Group will pay not more than RMB500,000,000 to the Contracting Parties to settle the debts of Contracting Parties and for the severance payments and labour compensation of the Contracting Parties such that the land can be cleared up and its use can be changed from industrial to residential purpose and put into public auction. At 31 December 2023, prepayment of land development cost of HK$555,556,000 (2022: HK$571,429,000) has been fully paid in prior years. According to the agreement, if the Group cannot obtain the land through the public auction, the entire amount will be refunded in full along with a daily interest of 0.03% to be received as necessary. During the year ended 31 December 2023, the Group has been actively negotiating with the local government which supports to expedite the whole land development progress with the approval from relevant local authorities and put the land into public auction in due course.

(c) The amount represents refundable deposits paid for acquisition of property development projects in the Mainland China, which will be fully refunded if the Group cannot acquire the land/property projects successfully. Subsequent to the end of the reporting period, the amounts of HK$105,178,000 have been refunded.

In determining the recoverability of trade debtors, the Group considers any change in the credit quality of the trade debtor from the date credit was initially granted up to the end of reporting period. The concentration of credit risk is limited because the customer base is large and unrelated. The Directors consider that no credit loss provision is required at the end of reporting period for trade debtors. Details of impairment assessment of trade and other receivables for the years ended 31 December 2023 and 2022 are set out in note 39(b)(ii).

## 25. FINANCIAL ASSETS/LIABILITIES AT FVTPL

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Financial assets at FVTPL: | | |
| Investment in a listed entity (note (a)) | **555** | 571 |
| Investment in an unlisted entity (note (a)) | **579,152** | 595,700 |
| | **579,707** | 596,271 |
| Analysed for reporting purposes as: | | |
| Non-current assets | **579,707** | 596,271 |
| Financial liabilities at FVTPL: | | |
| Contingent consideration (note 19(c)) | **60,155** | 89,723 |
| Participation rights designated as at FVTPL (note (b)) | **139,564** | 198,815 |
| Sale loan with redemption right designated as at FVTPL (note (c)) | **734,734** | – |
| | **934,453** | 288,538 |
| Analysed for reporting purposes as: | | |
| Current liabilities | **199,719** | 89,723 |
| Non-current liabilities | **734,734** | 198,815 |
| | **934,453** | 288,538 |

Notes:

(a) In May 2018, the Group made an investment of RMB190,000,000 (equivalent to HK$217,143,000) in a subsidiary of an unlisted entity ("Entity A") independent of the Group engaging in providing co-working space in the PRC. In November 2021, Entity A was successfully listed on the Nasdaq Capital Market. The number of ordinary shares held by the Group at 31 December 2023 are 47,443. During the year ended 31 December 2023, fair value loss amounting to Nil (2022: HK$5,344,000) was recognised in profit or loss.

In December 2018 and January 2021, the Group acquired 250,251,751 and 498,000,000 trust units respectively, which represent a non-controlling interest in a unit trust (the "Entity B") with its underlying investment in a tourism related property development project in Yunnan, the PRC at a cash consideration of RMB260,000,000 (equivalent to HK$297,143,000) and RMB499,826,000 (equivalent to HK$602,198,000). The trust units held by the Group at 31 December 2023 and 2022 are 699,400,000. The subject asset of the underlying project is a bare land in Yunnan, pending for development and seeking approval from the local government. During the year ended 31 December 2023, fair value loss amounting to Nil (2022: HK$261,283,000) was recognised in profit or loss.

## 25. FINANCIAL ASSETS/LIABILITIES AT FVTPL *(continued)*

Notes: (continued)

(b) In November 2021, the Group and a subsidiary of a major shareholder of the Company (the "Investor") entered into a participation agreement (the "Participation Agreement") whereby RK Properties Holdings Limited ("RKP"), a wholly-owned subsidiary of the Company agreed to grant participation rights (the "Participation Rights") to the Investor which would allow the Investor to enjoy a pro rata portion of 32.5% of the economic interest attributable to RKP's 70% interest (or 22.75% attributable interest) in a property development project (the "Project") held through a project company (the "Project Co") in the PRC. The Project Co, a non-wholly-owned subsidiary of the Company was incorporated in October 2021 with registered capital of RMB400,000,000 and total land cost of RMB793,500,000 to engage principally in the development of a parcel of land and the sales and marketing of units constructed on the land located in Guangzhou, the PRC. According to the Cooperation Agreement (the "Cooperation Agreement"), the Project Co is owned as to 70% and 30%, respectively by the Group and an independent third party. The total cash consideration paid by the Investor was RMB180,521,000 ("Consideration").

Based on the Participation Agreement, the Investor has the right to surrender its rights to RKP at any time from and after 95% of the total saleable area of the Project has been sold and delivered or the third anniversary of the date on which RKP receives from the Investor the Consideration, whichever is the earlier. In granting the Participation Rights, the Group shall redeem the participation right equal to the relevant pro rata portion (i.e. the attributable economic interests of 22.75% of distribution or proceeds less any tax deductions and/or withholdings required by law which will receive from the Project Co). Should the surrender value exceed a particular value, approval from the shareholders of the Company is required. The Group designated the Participation Rights as a financial liability measured at fair value.

There is unrealised fair value gain of HK$51,345,000 (2022: HK$16,156,000) relating to participation right for the year ended 31 December 2023. Details of the fair value measurement of the investments are set out in note 39(c)(i).

(c) On 6 October 2022, the Group entered into an investment agreement to dispose of 20% sale shares and sale loan in Rainbow Triumph Limited ("Rainbow Triumph") to a subsidiary of a major shareholder. The total consideration is HK$800,015,700, of which HK$15,700 is attributable to the sale shares and HK$800,000,000 is attributable to the sale loan with redemption right. Upon completion of the disposal in January 2023, Rainbow Triumph became a non-wholly owned subsidiary of the Company. The Group designated the sale loan with redemption right as a financial liability measured at fair value. During the year ended 31 December 2023, fair value gain amounting to HK$66,297,000 was recognised in profit or loss.

## 26. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Cash and cash equivalents include demand deposits and short-term deposits for the purpose of meeting the Group's short-term cash commitments.

Pledged bank deposits of HK$79,672,000 (2022: HK$119,803,000) in total are pledged as securities in favour of banks for mortgage facilities granted to the buyers of properties developed by the Group and bank borrowings granted to the Group.

Included in bank balances and cash are restricted bank balances amounting to HK$975,557,000 (2022: HK$890,034,000) that are placed in designated bank accounts mainly for certain property development projects in accordance with the applicable regulatory and contractual requirements. These bank balances are not held for meeting short-term cash commitments and are, thus, excluded in cash and cash equivalents.

Bank balances carried interest at market rates which range from 0.01% to 5.35% (2022: 0.01% to 4.48%) per annum.

## 26. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH (continued)

The Group's pledged bank deposits and bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

| | **2023 HK$'000** | 2022 HK$'000 |
|---|---|---|
| United States dollars | **456,376** | 1,379,918 |
| Hong Kong dollars | **369,506** | 36,683 |

## 27. SHARE CAPITAL

| | **2023 Number of shares** | 2022 Number of shares | **2023 HK$'000** | 2022 HK$'000 |
|---|---|---|---|---|
| Authorised: | | | | |
| Ordinary shares of HK$0.1 each | **20,000,000,000** | 20,000,000,000 | **2,000,000** | 2,000,000 |
| 7.5% convertible preference shares of HK$0.1 each | **518,380** | 518,380 | **52** | 52 |
| Issued and fully paid: | | | | |
| Ordinary shares | | | | |
| At 1 January and 31 December | **749,336,566** | 749,336,566 | **74,934** | 74,934 |

No new share and no convertible preference share are issued in both years.

## 28. SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Old Scheme") on 8 May 2013 which expired on 8 May 2023. The purpose of the Old Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and the shares of the Company (the "Shares") for the benefit of the Company and the shareholders as a whole. The participants of the Old Scheme include any Executive or Non-executive Directors of the Company and its subsidiaries (the "Group"), any executives, officers, consultants or full-time employees of the Group. The Group has no outstanding share option under the Old Scheme as at 31 December 2023 and 31 December 2022.

Pursuant to the ordinary resolution passed by the shareholders of the Company at the annual general meeting held on 24 May 2023, a new share option scheme (the "New Scheme") was adopted on the same date (the "Adoption Date"). The purpose of the New Scheme is to reward the participants who have contributed or will contribute to the Group and to encourage longer term commitment of grantees to the Group and to better align their interests with those of the shareholders, which can contribute towards enhancing the value of the Company and the Shares for the benefit of the Company and its shareholders as a whole.

The participants of the New Scheme include any directors or employees of the Group (including any person who is granted any option as an inducement to enter into any employment contract with the Company or its subsidiaries).

## 28. SHARE OPTION SCHEME *(continued)*

The total number of Shares which may be issued upon exercise of all options to be granted under the New Scheme and (if any) other share option scheme(s) of the Company and the awards to be granted under (if any) share award scheme(s) of the Company, is 74,933,656 Shares, representing 10% of the total number of Shares in issue as at the Adoption Date (the "Scheme Mandate Limit"). The Scheme Mandate Limit may be refreshed with the approval of the shareholders of the Company in a general meeting. As of the date of this report, the total number of shares available for issue under the New Scheme is 74,933,656 Shares, representing 10% of the total number of Shares in issue.

The vesting period for the options granted under the New Scheme shall not be less than 12 months. To ensure the practicability in fully attaining the purpose of the New Scheme, the vesting period of 12-month may be shortened under certain circumstances: (a) at the discretion of the board of Director (the "Board") or the Remuneration Committee of the Company, in circumstances set out in the New Scheme where a strict 12-month vesting requirement would not work or would not be fair to the grantees; (b) there is a need for the Company to retain flexibility to reward exceptional performers with accelerated vesting or in exceptional circumstances where justified; and (c) the Company should be allowed discretion to formulate its own talent recruitment and retention strategies in response to changing market conditions and industry competition, and thus should have flexibility to impose vesting conditions such as performance-based vesting conditions instead of time-based vesting criteria depending on individual circumstances.

The total number of Shares issued and to be issued in respect of all options and awards granted to each participant (excluding the options and the awards lapsed in accordance with terms of the share scheme(s) of the Company) in any 12-month period up to and including the date of grant shall not exceed 1% of the Shares in issue. Any grant of options to any director, chief executive or substantial shareholder of the Company or any of their respective associates shall be subject to the prior approval of the Independent Non-executive Directors (excluding those Independent Non-executive Directors who are the proposed grantees of the options in question). Any grant of options to an Independent Non-executive Director or a substantial shareholder of the Company or any of their respective associates in any 12-month period up to and including the date of grant must not exceed 0.1% of the Shares in issue on the grant date unless the same is approved by the shareholders in a general meeting.

Under the New Scheme, the Board is authorised at any time within 10 years after the Adoption Date to grant options to any participants subject to the terms determined by the Board at its discretion include, among other things, (i) the vesting period, (ii) performance targets that must be achieved before the option can be exercised in whole or in part; (iii) the exercise period (must not be more than 10 years from the grant date); and (iv) any other terms, all of which may be imposed (or not imposed) either on a case-by-case basis or generally. The exercise price of the options is determined by the Board at the time of grant, and shall not be less than the highest of (a) the closing price of the Shares on the grant date; (b) the average closing price of the Shares for the 5 business days immediately preceding the grant date; and (c) the nominal value of the Shares. Each participant must pay HK$1 as consideration for the grant of options not later than 28 days after the grant date.

The New Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date.

No share options have been granted under the New Scheme since the Adoption Date.

## 29. BANK AND OTHER BORROWINGS

| | Notes | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|---|
| 2019 February guaranteed senior notes | (a) | – | 2,755,319 |
| 2019 September guaranteed senior notes | (b) | **2,544,198** | 2,818,256 |
| 2020 March guaranteed senior notes | (c) | **1,555,895** | 1,710,911 |
| 2020 September guaranteed senior notes | (d) | **1,611,507** | 2,363,448 |
| 2021 January guaranteed senior notes | (e) | **3,962,064** | 3,951,953 |
| 2021 July guaranteed senior notes | (f) | **3,948,253** | 3,938,414 |
| Bank loans | (g) | **8,313,523** | 12,784,322 |
| Other loans | (h) | **682,566** | 1,825,071 |
| | | **22,618,006** | 32,147,694 |
| Secured | | **5,730,865** | 8,392,037 |
| Unsecured | | **16,887,141** | 23,755,657 |
| | | **22,618,006** | 32,147,694 |

The maturity of the above loans is as follows:

| | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|
| Senior notes repayable*: | | |
| Within one year | **2,784,323** | 3,060,325 |
| More than one year but not exceeding two years | **3,106,957** | 2,770,984 |
| More than two years but not exceeding five years | **7,730,637** | 11,706,992 |
| | **13,621,917** | 17,538,301 |
| Bank borrowings repayable*: | | |
| Within one year or repayable on demand | **6,397,968** | 6,526,900 |
| More than one year but not exceeding two years | **244,768** | 4,628,401 |
| More than two years but not exceeding five years | **530,440** | 897,396 |
| More than five years | **1,140,347** | 731,625 |
| | **8,313,523** | 12,784,322 |
| Other loans repayable*: | | |
| Within one year | **682,566** | 670,461 |
| More than one year but not exceeding two years | – | 1,154,610 |
| | **682,566** | 1,825,071 |

## 29. BANK AND OTHER BORROWINGS *(continued)*

| | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|
| Total borrowings | **22,618,006** | 32,147,694 |
| Less: Amounts classified as current liabilities | **(9,864,857)** | (10,257,686) |
| Amounts due over one year shown and classified as non-current liabilities | **12,753,149** | 21,890,008 |

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Notes:

(a) The 2019 February guaranteed senior notes with a principal amount of US$400,000,000 were listed on the Singapore Stock Exchange Securities Trading Limited ("Singapore Exchange") and were issued in February 2019. The notes, bearing interest at a fixed rate of 7.875% per annum, matured in February 2023. All the then outstanding principal amount of US$343,000,000 of the notes was fully redeemed on 1 February 2023.

(b) The 2019 September guaranteed senior notes with an outstanding principal amount of US$322,731,000 (2022: US$358,831,000) are listed on the Singapore Exchange and were issued in September 2019. The notes, bearing interest at a fixed rate of 6.7% per annum, will mature in September 2024. The principal amount upon early redemption of US$36,100,000 (2022: US$121,169,000) resulted in a gain of HK$135,134,000 (2022: HK$401,285,000) was recognised in profit or loss during the year of 2023.

The Group may at any time prior to 30 September 2022 redeem the senior notes, in whole and not in part, at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest to the redemption date. At any time on or after 30 September 2022, the Group may redeem the senior notes, in whole or in part, at a redemption price equal to 103.350% of the principal amount for the period beginning on 30 September 2022 to 29 September 2023 or 101.675% of the principal amount for the period from 30 September 2023 and thereafter and plus accrued and unpaid interest to the redemption date. In addition, at any time prior to 30 September 2022, the Group may redeem the senior notes using proceeds from certain equity offerings at a redemption price of 106.7% of the principal amount plus accrued and unpaid interest to the redemption date provided that at least 65% of aggregate principal amount of the senior notes originally issued remain outstanding after each such redemption. The Group will be obliged to make an offer to repurchase all the senior notes then outstanding at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest to the date of repurchase upon the occurrence of a change of control event (including (1) the permitted holders are collectively the beneficial owners of less than 30% of the total voting power of the voting stock of the Company; (2) any person or group is or becomes the beneficial owner of total voting power of the voting stock of the Company greater than such total voting power held beneficially by the permitted holders; or (3) individuals who on the original issue date constitute the board of directors cease for any reason to constitute a majority of the members of the board of directors of the Company) and a rating decline. Details are set out in the offering memorandum.

In the opinion of the Directors, the fair value of the early redemption option is insignificant at initial recognition and the end of the reporting period.

## 29. BANK AND OTHER BORROWINGS *(continued)*

Notes: (continued)

(c) The 2020 March guaranteed senior notes with an outstanding principal amount of US$196,966,000 (2022: US$217,064,000) are listed on the Singapore Exchange and were issued in March 2020. The notes, bearing interest at a fixed rate of 5.9% per annum, will mature in March 2025. The principal amount upon early redemption of US$20,098,000 (2022: US$82,936,000) resulted in a gain of HK$80,279,000 (2022: HK$369,255,000) was recognised in profit or loss during the year of 2023.

The Group may at any time prior to 5 March 2023 redeem the senior notes, in whole and not in part, at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest to the redemption date. At any time on or after 5 March 2023, the Group may redeem the senior notes, in whole or in part, at a redemption price equal to 102.95% of the principal amount for the period beginning on 5 March 2023 to 4 March 2024 or 101.475% of the principal amount for the period from 5 March 2024 and thereafter and plus accrued and unpaid interest to the redemption date. In addition, at any time prior to 5 March 2023, the Group may redeem the senior notes using proceeds from certain equity offerings at a redemption price of 105.9% of the principal amount plus accrued and unpaid interest to the redemption date provided that at least 65% of aggregate principal amount of the senior notes originally issued remain outstanding after each such redemption. The Group will be obliged to make an offer to repurchase all the senior notes then outstanding at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest to the date of repurchase upon the occurrence of a change of control event (including (1) the permitted holders are collectively the beneficial owners of less than 30% of the total voting power of the voting stock of the Company; (2) any person or group is or becomes the beneficial owner of total voting power of the voting stock of the Company greater than such total voting power held beneficially by the permitted holders; or (3) individuals who on the original issue date constitute the board of directors cease for any reason to constitute a majority of the members of the board of directors of the Company) and a rating decline. Details are set out in the offering memorandum.

In the opinion of the Directors, the fair value of the early redemption option is insignificant at initial recognition and the end of the reporting period.

(d) The 2020 September guaranteed senior notes with an outstanding principal amount of US$206,339,000 (2022: US$302,888,000) are listed on the Singapore Exchange and were issued in September 2020. The notes, bearing interest at a fixed rate of 6% per annum, will mature in September 2025. The principal amount upon early redemption of US$96,549,000 (2022: US$112,700,000) resulted in a gain of HK$390,284,000 (2022: HK$515,206,000) was recognised in profit or loss during the year of 2023.

The Group may at any time prior to 4 September 2023, redeem the senior notes, in whole and not in part, at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest to the redemption date. At any time on or after 4 September 2023, the Group may redeem the senior notes, in whole or in part, at a redemption price equal to 103.0% of the principal amount for the period beginning on 4 September 2023 to 3 September 2024 or 101.5% of the principal amount for the period from 4 September 2024 to 3 June 2025 or 100% of the principal amount for the period from 4 June 2025 and thereafter and plus accrued and unpaid interest to the redemption date. In addition, at any time prior to 4 September 2023, the Group may redeem the senior notes using proceeds from certain equity offerings at a redemption price of 106% of the principal amount plus accrued and unpaid interest to the redemption date provided that at least 65% of aggregate principal amount of the senior notes originally issued remain outstanding after each such redemption. The Group will be obliged to make an offer to repurchase all the senior notes then outstanding at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest to the date of repurchase upon the occurrence of a of a change of control event (including (1) the permitted holders are collectively the beneficial owners of less than 30% of the total voting power of the voting stock of the Company; (2) any person or group is or becomes the beneficial owner of total voting power of the voting stock of the Company greater than such total voting power held beneficially by the permitted holders; or (3) individuals who on the original issue date constitute the board of directors cease for any reason to constitute a majority of the members of the board of directors of the Company) and a rating decline. Details are set out in the offering memorandum.

In the opinion of the Directors, the fair value of the early redemption option is insignificant at initial recognition and the end of the reporting period.

## 29. BANK AND OTHER BORROWINGS *(continued)*

Notes: (continued)

(e) The 2021 January guaranteed senior notes with an outstanding principal amount of US$500,000,000 (2022: US$500,000,000) are listed on the Singapore Exchange and were issued in January 2021. The notes, bearing interest at a fixed rate of 5.2% per annum, will mature in January 2026.

The Group may at any time prior to 12 January 2024 redeem the senior notes, in whole and not in part, at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest to the redemption date. At any time on or after 12 January 2024, the Group may redeem the senior notes, in whole or in part, at a redemption price equal to 102.6% of the principal amount for the period beginning on 12 January 2024 to 11 January 2025 or 101.3% of the principal amount for the period from 12 January 2025 to 11 October 2025 or 100.0% on or after 12 October 2025 and plus accrued and unpaid interest to the redemption date. In addition, at any time prior to 12 January 2024, the Group may redeem the senior notes using proceeds from certain equity offerings at a redemption price of 105.2% of the principal amount plus accrued and unpaid interest to the redemption date provided that at least 65% of aggregate principal amount of the senior notes originally issued remain outstanding after each such redemption. The Group will be obliged to make an offer to repurchase all the senior notes then outstanding at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest to the date of repurchase upon the occurrence of a change of control event (including (1) the permitted holders are collectively the beneficial owners of less than 30% of the total voting power of the voting stock of the Company; (2) any person or group is or becomes the beneficial owner of total voting power of the voting stock of the Company greater than such total voting power held beneficially by the permitted holders; or (3) individuals who on the original issue date constitute the board of directors cease for any reason to constitute a majority of the members of the board of directors of the Company) and a rating decline. Details are set out in the offering memorandum.

In the opinion of the Directors, the fair value of the early redemption option is insignificant at initial recognition and the end of the reporting period.

(f) The 2021 July guaranteed senior notes with an outstanding principal amount of US$500,000,000 (2022: US$500,000,000) are listed on the Singapore Exchange and were issued in July 2021. The notes, bearing interest at a fixed rate of 5.125% per annum, will mature in July 2026.

The Group may at any time prior to 26 July 2024 redeem the senior notes, in whole and not in part, at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest to the redemption date. At any time on or after 26 July 2024, the Group may redeem the senior notes, in whole or in part, at a redemption price equal to 102.5625% of the principal amount for the period beginning on 26 July 2024 to 25 July 2025 or 101.28125% of the principal amount for the period from 26 July 2025 to 25 April 2026 or 100% on or after 26 April 2026 and plus accrued and unpaid interest to the redemption date. In addition, at any time prior to 26 July 2024, the Group may redeem the senior notes using proceeds from certain equity offerings at a redemption price of 105.125% of the principal amount plus accrued and unpaid interest to the redemption date provided that at least 65% of aggregate principal amount of the senior notes originally issued remain outstanding after each such redemption. The Group will be obliged to make an offer to repurchase all the senior notes then outstanding at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest to the date of repurchase upon the occurrence of a change of control event (including (1) the permitted holders are collectively the beneficial owners of less than 30% of the total voting power of the voting stock of the Company; (2) any person or group is or becomes the beneficial owner of total voting power of the voting stock of the Company greater than such total voting power held beneficially by the permitted holders; or (3) individuals who on the original issue date constitute the board of directors cease for any reason to constitute a majority of the members of the board of directors of the Company) and a rating decline. Details are set out in the offering memorandum.

In the opinion of the Directors, the fair value of the early redemption option is insignificant at initial recognition and the end of the reporting period.

(g) Bank loans with carrying amount of HK$5,209,766,000 (2022: HK$6,902,768,000) bear a floating interest rate based on PBOC or Loan Prime Rate ("LPR") plus a specified margin, ranging from 2.3% to 6.5% (2022: 4.19% to 7.13%) per annum. The remaining bank loans carry at floating interest rates based on either Hong Kong Interbank Offered Rate ("HIBOR"), London Interbank Offered Rate ("LIBOR") or Secured Overnight Financing Rate ("SOFR") plus a specified margin, ranging from 5.61% to 10.23% (2022: 2.69% to 9.66%) per annum.

## 29. BANK AND OTHER BORROWINGS *(continued)*

Notes: (continued)

(h) At 31 December 2023, other loans with a carrying amount of HK$682,566,000 (2022: HK$1,825,071,000) bear interest at a fixed rate ranging from 9.7% to 15% (2022: 5.5% to 15%) per annum and mainly include amounts borrowed from certain trust companies.

(i) The Group classified the senior notes with an aggregate carrying amount of HK$10,837,594,000 (2022: HK$14,477,976,000) as non-current liabilities as at 31 December 2023. The senior notes have been classified as non-current liabilities on the basis that the management of the Group considered the Group has the unconditional right to defer settlement for at least twelve months after the reporting period as the events which will cause the Group's obligation to redeem had not been triggered as at 31 December 2023 and 2022.

The effective interest rate of the Group's fixed rate borrowings and variable rate borrowings ranged from 5.125% to 15% (2022: 5.125% to 15%) per annum and 2.3% to 10.47% (2022: 2.69% to 9.66%) per annum, respectively.

In respect of bank loans with the aggregate carrying amount of HK$8,313,523,000 as at 31 December 2023 (2022: HK$12,784,322,000), the Group is required to comply with the financial covenants throughout the continuance of the relevant loans and/or as long as the loans are outstanding. The Group regularly monitored its compliance with these covenants throughout the reporting period.

Details on the fair value disclosures of the guaranteed senior notes are set out in note 39(c)(iii).

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

| | **2023**<br>**HK$'000** | 2022<br>HK$'000 |
|---|---|---|
| United States dollars | **17,005,999** | 22,444,270 |
| Hong Kong dollars | **335,574** | 2,184,789 |

## 30. DEFERRED TAXATION

The following are the major deferred tax (assets) liabilities recognised and movements thereon during the current and prior years:

| | Tax losses HK$'000 | Unrealised profit in interests in joint ventures HK$'000 | Undistributed earnings of subsidiaries and joint ventures in the PRC HK$'000 | Change in fair value of investment properties HK$'000 | Interest capitalised on properties under development HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| At 1 January 2022 | (128,036) | (68,268) | 937,656 | 264,622 | 160,476 | 1,166,450 |
| (Credit) charge for the year | (55,789) | 13,846 | (132,128) | (1,772) | 77,528 | (98,315) |
| Acquisition of subsidiaries (note 41) | (1,656) | – | – | – | – | (1,656) |
| Exchange adjustments | 9,555 | 2,989 | (43,239) | (13,542) | (11,060) | (55,297) |
| At 31 December 2022 | (175,926) | (51,433) | 762,289 | 249,308 | 226,944 | 1,011,182 |
| Charge (credit) for the year | **75,036** | **12,395** | **(97,684)** | **(103,222)** | **57,956** | **(55,519)** |
| Transfer to liabilities associated with assets classified as held for sale (note 47) | **–** | **–** | **(18,462)** | **–** | **–** | **(18,462)** |
| Exchange adjustments | **4,447** | **1,236** | **(19,655)** | **(5,320)** | **(7,933)** | **(27,225)** |
| **At 31 December 2023** | **(96,443)** | **(37,802)** | **626,488** | **140,766** | **276,967** | **909,976** |

Note: Deferred tax has been provided for (i) tax losses; (ii) unrealised profit in interests in joint ventures; (iii) undistributed earnings of subsidiaries and joint ventures in the PRC; (iv) change in fair value of investment properties and (v) temporary differences between the carrying amount and the tax base of properties under development for sale, arising from the capitalisation of certain interest expenses in properties under development for sale at consolidation level.

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

| | **2023 HK$'000** | 2022 HK$'000 |
|---|---|---|
| Deferred tax assets | **(134,245)** | (227,359) |
| Deferred tax liabilities | **1,044,221** | 1,238,541 |
| | **909,976** | 1,011,182 |

## 30. DEFERRED TAXATION *(continued)*

At 31 December 2023, the Group has estimated unused tax losses of HK$3,905,649,000 (2022: HK$2,374,350,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK$385,772,000 (2022: HK$703,704,000) of such losses. No deferred tax asset has been recognised in respect of the remaining losses of HK$3,519,877,000 (2022: HK$1,670,646,000) due to the unpredictability of future taxable profit streams. Included in unrecognised tax losses are losses of HK$3,519,877,000 (2022: HK$1,670,646,000) that will expire within five years in PRC from the end of the reporting period. As at 31 December 2023 and 2022, no remaining tax losses will be carried forward indefinitely due to all tax losses has been used in respect of profits earned by a Hong Kong subsidiary in the year.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred tax has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$5,200,000,000 (2022: HK$4,411,429,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

## 31. CREDITORS AND ACCRUED CHARGES

| | **2023**<br>**HK$'000** | 2022<br>HK$'000 |
|---|---|---|
| Aged analysis of creditors presented based on invoice date: | | |
| Trade payables | | |
| Within 60 days | **355,202** | 747,042 |
| 61 to 90 days | **6,146** | 140,176 |
| More than 90 days | **988,938** | 1,043,669 |
| | **1,350,286** | 1,930,887 |
| Bills payables | | |
| Within 60 days | **–** | 19,525 |
| More than 90 days | **–** | 16,614 |
| | **–** | 36,139 |
| Accrued construction costs | **2,918,137** | 3,802,230 |
| | **4,268,423** | 5,769,256 |
| Accrued taxes (other than EIT and LAT) | **246,839** | 208,853 |
| Consideration payable for the acquisition of joint ventures | **221,285** | 238,133 |
| Dividends payable to other non-controlling interests of subsidiaries | **–** | 274,617 |
| Construction related deposits | **265,626** | 411,086 |
| Other payables | **923,852** | 1,272,186 |
| | **5,926,025** | 8,174,131 |

## 32. AMOUNTS DUE TO JOINT VENTURES AND ASSOCIATES

At the end of the reporting period, except for the amounts due to joint ventures of HK$1,005,137,000 (2022: HK$910,063,000) which is interest-bearing ranging from 1.75% to 4.35%, all remaining amounts are unsecured and interest-free. All outstanding balances are either repayable on demand or due within one year from the end of reporting date.

During the year ended 31 December 2022, amounts due to joint ventures amounting to HK$340,820,000 and amounts due to joint ventures and associate amounting to HK$1,977,035,000 have been settled by dividend declared by the joint ventures and capital reductions in joint ventures and an associate respectively as disclosed in note 40.

## 33. AMOUNTS DUE TO OTHER NON-CONTROLLING INTERESTS OF SUBSIDIARIES

As at 31 December 2023 and 2022, amounts due to other non-controlling interest of subsidiaries are interest-free, unsecured and either repayable on demand or due within one year.

## 34. CONTRACT LIABILITIES

| | **2023**<br>**HK$'000** | 2022<br>HK$'000 |
|---|---|---|
| Sale of properties | **3,317,085** | 3,980,427 |

As at 1 January 2022, the contract liabilities amounted to HK$8,406,644,000. The contract liabilities of the Group are all expected to be settled within the Group's normal operating cycle and thus are classified as current liabilities.

The revenue recognised in the current year that was included in the contract liability balance at prior year end was HK$3,673,236,000 (2022: HK$7,897,976,000). No revenue is recognised in the current year which was related to the performance obligations satisfied in prior period.

Typical payment terms in respect of sale of properties, which impact on the amount of contract liabilities recognised are as follows:

The Group receives 30% to 100% of the contract value from customers when they sign the sale and purchase agreements while construction work of properties is still ongoing. For the customers who applied mortgage loans provided by the banks, the remaining consideration will be paid to the Group from the banks once the mortgage loan application has been completed and release of fund has been approved. Such advance payment schemes result in contract liabilities being recognised through the property construction period until the customer obtains control of the completed property.

## 35. LEASE LIABILITIES

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| **The maturity of the lease liabilities payable is as follows:** | | |
| Within one year | **14,227** | 15,031 |
| More than one year but not exceeding two years | **10,197** | 13,885 |
| More than two years but not exceeding five years | **4,361** | 14,762 |
| | **28,785** | 43,678 |
| Less: Amount due for settlement within 12 months shown under current liabilities | **(14,227)** | (15,031) |
| Amount due for settlement after 12 months shown under non-current liabilities | **14,558** | 28,647 |

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Hong Kong dollars | **15,905** | 24,023 |

## 36. OWNERS OF PERPETUAL CAPITAL SECURITIES

| | Notes | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|---|
| 2017 February perpetual capital securities | (a) | **2,347,651** | 2,347,680 |
| 2017 June perpetual capital securities | (a) | **2,285,669** | 2,285,724 |
| 2019 November perpetual capital securities | (b) | **2,330,303** | 2,327,854 |
| | | **6,963,623** | 6,961,258 |

Notes:

(a) In February 2017 and June 2017, two wholly-owned subsidiaries of the Company issued US$300 million 7.95% senior guaranteed perpetual capital securities ("2017 February perpetual capital securities") and US$300 million 7% senior guaranteed perpetual capital securities ("2017 June perpetual capital securities") respectively at issue price of 100% of the principal amounts. Both capital securities were then listed on the Singapore Exchange and guaranteed by the Company for the due payment. Distributions are paid semi-annually in arrears and can be deferred at the discretion of the issuers. The perpetual capital securities have no fixed maturity and are redeemable at the issuers' option at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company cannot declare or, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank, which includes the ordinary shares of the Company.

(b) In November 2019, a wholly-owned subsidiary of the Company issued US$300 million 7.75% senior guaranteed fixed spread perpetual capital securities ("2019 November perpetual capital securities") at issue price of 100% of the principal amounts. The distribution rate is subject to reset at the first call date and each day falling every five calendar years after the first call date. The reset distribution rate is equal to the sum of 6.003% and the Treasury Rate as defined in the terms and conditions of the perpetual securities. The capital securities were then listed on the Singapore Exchange and guaranteed by the Company for the due payment. Distributions are paid semi-annually in arrears and can be deferred at the discretion of the issuers. The perpetual capital securities have no fixed maturity and are redeemable at the issuers' option at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company cannot declare or, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank, which includes the ordinary shares of the Company.

Additional information for the owners of perpetual capital securities is as follows:

| List of perpetual capital securities | Listing date | First call date* |
|---|---|---|
| 2017 February perpetual capital securities | 20 February 2017 | 17 February 2022 |
| 2017 June perpetual capital securities | 27 June 2017 | 23 June 2022 |
| 2019 November perpetual capital securities | 19 November 2019 | 18 November 2024 |

* The issuer may redeem the perpetual capital securities on or after the first call date. In the opinion of the Directors, the fair value of call options is insignificant as at 31 December 2023 and 2022.

## 37. RETIREMENT BENEFIT PLANS

For the operations in Hong Kong, the Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees including Directors in Hong Kong. Under MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of the independent trustee. Both the Group and the employees contribute a fixed percent to the MPF Scheme based on their monthly salary in accordance with government regulations. The MPF Scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the MPF Scheme. Where there are employees who leave the MPF Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions will be refunded to the Group. There were no forfeited contributions available to be refunded at the end of the reporting period.

For the operations in the PRC, the employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government. The subsidiaries are required to contribute a fixed percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement scheme is to make the specified contributions.

## 38. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debts and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which include bank and other borrowings and lease liabilities disclosed in notes 29 and 35, and equity comprising issued capital and reserves, owners of perpetual capital securities and other non-controlling interests of subsidiaries.

The management of the Group reviews the capital structure periodically. As part of this review, the management of the Group assesses the annual budget which incorporates the planned construction projects and takes into account the provision of funding. Based on the proposed annual budget, the management of the Group considers the cost of capital and the risks associated with the capital. The management of the Group also balances its overall capital structure through the payment of dividends, the issue of new share as well as new debts or the redemption of existing debts.

The management of the Group has procedures and policies in place and delegated teams to monitor the continuous compliance of covenant terms attached to the bank and other borrowings. At the same time, the teams would communicate with the banks or agents of the relevant borrowings in respect of the Group's financial performance and position regularly throughout the term of the borrowings and seek advice, consent or approval from these relevant parties in the case the need arises.

## 39. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| ***Financial assets*** | | |
| Financial assets at amortised cost | **16,789,876** | 24,647,162 |
| Financial assets at FVTPL | **579,707** | 596,271 |
| ***Financial liabilities*** | | |
| Financial liabilities at amortised cost | **36,000,066** | 46,537,492 |
| Financial liabilities at FVTPL | **934,453** | 288,538 |

### (b) Financial risk management objectives and policies

The management of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

There has been no material change to the Group's exposure to market risks or the manner in which it manages and measures these risks.

#### (i) Market risk

The Group's activities expose primarily to the financial risks of changes in foreign exchange rate and interest rates. In addition, the Group is exposed to price risk through its investments in financial assets and financial liabilities measured at FVTPL, which are further disclosed in note (c) fair value of financial instruments.

## 39. FINANCIAL INSTRUMENTS *(continued)*

### (b) Financial risk management objectives and policies *(continued)*

#### (i) Market risk *(continued)*

**Foreign currency risk management**

Certain transactions of the Group are denominated in foreign currencies which are different from the functional currency of the respective group entities and therefore the Group is exposed to foreign currency risk. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | **2023 HK$'000** | 2022 HK$'000 | **2023 HK$'000** | 2022 HK$'000 |
| United States dollars | **478,258** | 1,423,855 | **17,005,999** | 22,444,270 |
| Hong Kong dollars | **372,999** | 39,952 | **1,147,002** | 2,274,281 |

*Foreign currency sensitivity analysis*

The following table details the Group's sensitivity to a 5% increase and decrease in the RMB against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A positive number below indicates an increase in profit before tax where RMB strengthens against the relevant currencies. For a 5% weakening of RMB against the relevant currencies, there would be an equal and opposite impact on the profit, and the amounts below would be negative.

| | Profit or loss | |
|---|---|---|
| | **2023 HK$'000** | 2022 HK$'000 |
| United States dollars | **826,387** | 1,051,021 |
| Hong Kong dollars | **38,700** | 111,716 |

## 39. FINANCIAL INSTRUMENTS *(continued)*

### (b) Financial risk management objectives and policies *(continued)*

#### (i) Market risk *(continued)*

**Interest rate risk management**

The Group is exposed to cash flow interest rate risk due to the fluctuation of SOFR, HIBOR, LIBOR, PBOC and LPR prescribed interest rates on bank balances, pledged bank deposits, amounts due from (to) joint ventures, loan receivables and bank and other borrowings.

The Group's fair value interest rate risk relates primarily to loan receivables, amounts due from (to) joint ventures, amounts due from other non-controlling interests of subsidiaries, lease liabilities, and fixed-rate bank and other borrowings which carry interest at fixed interest rates.

The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates.

Total interest income and expenses from financial assets and financial liabilities that are measured at amortised cost is as follows:

**Interest rate sensitivity**

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| **Financial assets at amortised cost** | | |
| – Interest income from bank deposits and amounts due from joint ventures and other non-controlling interests of subsidiaries and others | **222,133** | 395,726 |
| **Financial liabilities at amortised cost** | | |
| – Interest expense on financial liabilities not measured at FVTPL | **1,050,640** | 1,122,266 |

## 39. FINANCIAL INSTRUMENTS *(continued)*

### (b) Financial risk management objectives and policies *(continued)*

#### (i) Market risk *(continued)*

**Interest rate sensitivity** *(continued)*
The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2022: 50 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The Group's bank balances and pledged bank deposits are excluded from sensitivity analysis as the Directors consider the exposure of cash flow interest rate risk arising from variable-rate bank balances and pledged bank deposits is insignificant.

If the interest rate had been 50 basis point (2022: 50 basis point) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2023 would decrease/increase by HK$24,299,000 (2022: HK$31,948,000) after capitalisation of additional finance costs of HK$17,087,000 (2022: HK$31,804,000) in properties under development for sale.

#### (ii) Credit risk and impairment management

The Group's maximum exposure to credit risk which will cause a financial loss to the Group is arising from the financial guarantees provided by the Group and the financial assets as disclosed in the consolidated statements of financial position. Other than the collateral to cover the credit risks of the loan receivables and financial guarantee contracts as detailed in note 22 and note 43, the Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In order to minimise the credit risk, the management of the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on financial assets at amortised cost individually or collectively, where appropriate. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

**Trade debtors arising from contracts with customers**
The Group has no concentration of credit risk for the trade debtors as no single trade debtor is accounted for 5% of the total trade debtor balances of the Group at the end of the reporting period.

In addition, the Group performs impairment assessment under ECL model on trade debtor balances on a collective basis based on historical credit loss experience and the forward-looking macroeconomic information at the reporting date. For the years ended 31 December 2023 and 2022, the Group assessed the ECL for trade debtors were insignificant and thus no loss allowance was recognised.

## 39. FINANCIAL INSTRUMENTS *(continued)*

### (b) Financial risk management objectives and policies *(continued)*

#### (ii) Credit risk and impairment management *(continued)*

**Loan receivables**

The Group has designated team to assess the credit quality of the borrowers before an advance is made. The Group would generally require the borrowers to provide collaterals for the loans with material balances i.e. the properties owned by the borrowers or equity interests in the property companies. The Group also closely monitor the repayment status of the loan receivables and the status and conditions of the collaterals and request for credit enhancements if necessary. The Directors estimate the loss rates of loan receivables based on historical credit loss experience of the borrowers as well as the fair value of the collateral pledged by the borrowers to the loan receivables. Based on assessment under ECL model by the Directors, the ECL on loan receivables for the year ended 31 December 2023 was HK$698,896,000 (2022: HK$302,257,000) due to high default risks of some borrowers. The Group has concentration of credit risks in loan receivables as 64% (2022: 63%) of the loan receivables was due from the three largest borrowers.

**Amounts due from joint ventures and associates**

The joint ventures and associates of the Group mainly engage in toll road operation and property development business in the PRC, Hong Kong and Indonesia. The Group regularly monitors the business performance, financial position and repayment status of the joint ventures and associates. The Group's credit risks in these balances are mitigated through the power to jointly control or has significant influence over the relevant activities of the investees. Based on assessment under ECL model by the Directors, the ECL on amounts due from joint ventures and associates for the year ended 31 December 2023 was HK$614,848,000 (2022: Nil) due to high default risks of some investees. The Group has concentration of credit risks in amounts due from joint ventures and associates as 52% (2022: 48%) of the balances was due from the three largest borrowers within the property development business.

**Amounts due from other non-controlling interests of subsidiaries**

The other non-controlling interests of subsidiaries of the Group mainly engage in property development business in the PRC. The Group regularly monitors the business performance, financial position and repayment status of the other non-controlling interests of subsidiaries. For the years ended 31 December 2023 and 2022, the Group assessed the ECL for amounts due from other non-controlling interests of subsidiaries were insignificant in both years. The Group has concentration of credit risks in amounts due from other non-controlling interests of subsidiaries as 66% (2022: 76%) of the balances was due from the three largest borrowers within the property development business.

## 39. FINANCIAL INSTRUMENTS *(continued)*

### (b) Financial risk management objectives and policies *(continued)*

#### (ii) Credit risk and impairment management *(continued)*

**Other receivables**

For other receivables and deposits, the Directors make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. For the years ended 31 December 2023 and 2022, the Group assessed the ECL for amounts due from other receivables and deposits were insignificant and thus no loss allowance was recognised in both years.

**Pledged bank deposits and bank balances**

The Group's credit risk on pledged bank deposits and bank balances is limited because the counterparties are banks with high credit ratings and good reputation established in the PRC and Hong Kong. The Group assessed 12m ECL for pledged bank deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on pledged bank deposits and bank balances for the years ended 31 December 2023 and 2022 is considered to be insignificant and no loss allowance was recognised.

**Financial guarantee contracts**

For the financial guarantee contracts provided by the Group to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties, the Group measured the loss allowance on financial guarantee contracts by reference to the historical default rate of the purchasers, the loss on default based on the current property value and the pre-sale deposits already received and the forward-looking information. The Directors considered that the loss allowances on financial guarantee contracts at 31 December 2023 and 31 December 2022 were insignificant to the Group. For properties which have been pre-sold, or for the completed properties that sold but the building ownership certificate not yet issued, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount of the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's sales deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

## 39. FINANCIAL INSTRUMENTS *(continued)*

### (b) Financial risk management objectives and policies *(continued)*

#### (ii) Credit risk and impairment management *(continued)*

The tables below detail the credit risk exposures of the Group's financial assets and financial guarantee contracts, which are subject to ECL assessment:

| | Notes | External credit rating | Internal credit rating | 12-month or lifetime ECL | Gross carrying amount 2023 HK$'000 | Gross carrying amount 2022 HK$'000 | ECL 2023 HK$'000 | ECL 2022 HK$'000 |
|---|---|---|---|---|---|---|---|---|
| **Financial assets at amortised costs** | | | | | | | | |
| Amounts due from joint ventures and associates | 20 | N/A | (note 1) | Lifetime ECL (not credit-impaired) | **6,341,483** | 9,648,745 | **608,222** | – |
| Amounts due from other non-controlling interests of subsidiaries | 21 | N/A | (note 1) | 12m ECL | **1,615,514** | 1,883,315 | **–** | – |
| Loan receivables | 22 | N/A | (note 1) | 12m ECL | **570,973** | 609,640 | **91,667** | 30,927 |
| | | | | Lifetime ECL (not credit-impaired) | **2,553,935** | 2,638,836 | **1,111,110** | 497,645 |
| | | | | | **3,124,908** | 3,248,476 | **1,202,777** | 528,572 |
| Other debtors | 24 | N/A | (note 1) | 12m ECL | **1,741,483** | 1,858,943 | **–** | – |
| Trade debtors | 24 | N/A | (note 2) | Lifetime ECL (not credit-impaired) | **217,618** | 154,797 | **–** | – |
| Pledged bank deposits | 26 | Ranged from A+ to BBB- | N/A | 12m ECL | **79,672** | 119,803 | **–** | – |
| Bank balances | 26 | Ranged from A+ to BBB- | N/A | 12m ECL | **5,478,773** | 8,260,300 | **–** | – |
| **Financial guarantee Contracts** | 43 | N/A | (note 3) | 12m ECL | **6,108,241** | 10,889,109 | **–** | – |

## 39. FINANCIAL INSTRUMENTS *(continued)*

### (b) Financial risk management objectives and policies *(continued)*

#### (ii) Credit risk and impairment management *(continued)*

Notes:

1. For the purposes of internal credit risk management, the Group uses the financial performance of the joint ventures and associates including their profitability and net asset position to assess whether credit risk on amounts due from joint ventures and associates has been increased significantly since initial recognition. The Group assess whether credit risk on loans receivables has been increased significantly since initial recognition based on the settlement status of the loans principal and interest and whether the loan period has been extended during the year. For other debtors and amounts due from other non-controlling interests of subsidiaries, the Group considered there is insignificant credit risk for the debtors during the year.

2. For trade debtors, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group uses provision matrix to calculate ECL for the trade debtors. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort.

3. For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts.

The following tables show reconciliation of loss allowances that have been recognised for amounts due from joint ventures and associates and loan receivables.

## 39. FINANCIAL INSTRUMENTS *(continued)*

### (b) Financial risk management objectives and policies *(continued)*

#### (ii) Credit risk and impairment management *(continued)*

**Amounts due from joint ventures and associates**

| | 12m ECL HK$'000 | Lifetime ECL (not credit-impaired) HK$'000 | Lifetime ECL (credit-impaired) HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1 January 2022 and 31 December 2022 | – | – | – | – |
| Changes due to financial instruments – Impairment loss recognised | **–** | **609,467** | **–** | **609,467** |
| New financial assets originated or purchased | **–** | **5,381** | **–** | **5,381** |
| Exchange adjustments | **–** | **(6,626)** | **–** | **(6,626)** |
| **At 31 December 2023** | **–** | **608,222** | **–** | **608,222** |

During the year ended 31 December 2023, changes in the loss allowance for amounts due from joint ventures and associates of HK$614,848,000 (2022: Nil) were mainly due to changes arising from the loss allowance is measured from 12m ECL to lifetime ECL.

**Loan receivables**

| | 12m ECL HK$'000 | Lifetime ECL (not credit-impaired) HK$'000 | Lifetime ECL (credit-impaired) HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1 January 2022 | – | 250,602 | – | 250,602 |
| Changes due to financial instruments – Impairment loss recognised | – | 129,431 | – | 129,431 |
| New financial assets originated or purchased | 33,629 | 139,197 | – | 172,826 |
| Exchange adjustments | (2,702) | (21,585) | – | (24,287) |
| At 31 December 2022 | 30,927 | 497,645 | – | 528,572 |
| Changes due to financial instruments – Impairment loss recognised | **58,247** | **632,561** | **–** | **690,808** |
| New financial assets originated or purchased | **4,375** | **3,713** | **–** | **8,088** |
| Exchange adjustments | **(1,882)** | **(22,809)** | **–** | **(24,691)** |
| **At 31 December 2023** | **91,667** | **1,111,110** | **–** | **1,202,777** |

During the year ended 31 December 2023, changes in the loss allowance for loan receivables of HK$698,896,000 (2022: HK$302,257,000) were mainly due to changes arising from the loss allowance is measured from 12m ECL to lifetime ECL.

## 39. FINANCIAL INSTRUMENTS *(continued)*

### (b) Financial risk management objectives and policies *(continued)*

#### (iii) Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

Ultimate responsibility for liquidity risk management rests with the management of the Group who has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk to finance its existing financial obligations, future operating activities and capital expenditures by:

- maintaining adequate working capital and available banking facilities;
- continuously monitors the forecast and actual cash flows, including repatriation of dividends from the PRC to Hong Kong, the pre-sale and sales of inventory of properties; and
- seeking new debt financing at costs acceptable to the Group.

**Liquidity and interest risk tables**

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

## 39. FINANCIAL INSTRUMENTS *(continued)*

### (b) Financial risk management objectives and policies *(continued)*

#### (iii) Liquidity risk management *(continued)*

**Liquidity and interest risk tables** *(continued)*

| | Weighted average effective interest rate % | On demand or less than 6 months HK$'000 | 6 - 12 months HK$'000 | 1 - 2 years HK$'000 | 2 - 5 years HK$'000 | Over 5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount HK$'000 |
|---|---|---|---|---|---|---|---|---|
| **2023** | | | | | | | | |
| Creditors and accrued charges | – | 5,679,186 | – | – | – | – | 5,679,186 | 5,679,186 |
| Amounts due to joint ventures and associates | 0.13 | 6,257,954 | – | – | – | – | 6,257,954 | 6,250,067 |
| Bank and other borrowings | | | | | | | | |
| – fixed rate | 6.04 | 491,423 | 3,445,178 | 3,618,637 | 7,896,416 | – | 15,451,654 | 14,304,483 |
| – variable rate | 5.16 | 4,543,669 | 2,187,527 | 293,289 | 654,789 | 1,490,355 | 9,169,629 | 8,313,523 |
| Amounts due to other non-controlling interests of subsidiaries | – | 1,452,807 | – | – | – | – | 1,452,807 | 1,452,807 |
| Lease liabilities | 4.66 | 8,422 | 6,855 | 10,911 | 3,662 | – | 29,850 | 28,785 |
| Financial liabilities at FVTPL | – | 60,155 | 139,564 | 734,734 | – | – | 934,453 | 934,453 |
| Financial guarantee contracts | – | 6,108,241 | – | – | – | – | 6,108,241 | – |
| | | 24,601,857 | 5,779,124 | 4,657,571 | 8,554,867 | 1,490,355 | 45,083,774 | 36,963,304 |

| | Weighted average effective interest rate % | On demand or less than 6 months HK$'000 | 6 - 12 months HK$'000 | 1 - 2 years HK$'000 | 2 - 5 years HK$'000 | Over 5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount HK$'000 |
|---|---|---|---|---|---|---|---|---|
| 2022 | | | | | | | | |
| Creditors and accrued charges | – | 7,965,278 | – | – | – | – | 7,965,278 | 7,965,278 |
| Amounts due to joint ventures and associates | 1.02 | 4,507,233 | 732,017 | – | – | – | 5,239,250 | 4,919,384 |
| Bank and other borrowings | | | | | | | | |
| – fixed rate | 6.72 | 3,240,991 | 1,099,799 | 5,053,864 | 12,454,150 | – | 21,848,804 | 19,363,372 |
| – variable rate | 5.04 | 4,507,388 | 2,577,571 | 4,915,349 | 1,044,225 | 919,652 | 13,964,185 | 12,784,322 |
| Amounts due to other non-controlling interests of subsidiaries | – | 1,505,136 | – | – | – | – | 1,505,136 | 1,505,136 |
| Lease liabilities | 4.75 | 8,810 | 8,027 | 14,956 | 14,774 | – | 46,567 | 43,678 |
| Financial liabilities at FVTPL | – | 89,723 | – | 198,815 | – | – | 288,538 | 288,538 |
| Financial guarantee contracts | – | 10,889,109 | – | – | – | – | 10,889,109 | – |
| | | 32,713,668 | 4,417,414 | 10,182,984 | 13,513,149 | 919,652 | 61,746,867 | 46,869,708 |

## 39. FINANCIAL INSTRUMENTS *(continued)*

### (b) Financial risk management objectives and policies *(continued)*

#### (iii) Liquidity risk management *(continued)*

Bank loan with a repayment on demand clause is included in the "on demand or less than 6 months" time band in the above maturity analysis. The table below summarises the maturity analysis of bank loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include principal and interest payments computed using contractual rates. Taking into account the Group's financial position, the Directors did not believe that it is probable that the banks would exercise their discretionary rights to demand immediate repayment. The Directors believe that these bank loans would be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

| | Less than 6 months HK$'000 | 6 - 12 months HK$'000 | 1 - 2 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount HK$'000 |
|---|---|---|---|---|---|
| **At 31 December 2023** | **125,284** | **–** | **–** | **125,284** | **124,892** |
| At 31 December 2022 | 394,867 | – | – | 394,867 | 391,857 |

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of the reporting period, the management considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

## 39. FINANCIAL INSTRUMENTS *(continued)*

### (c) Fair value of financial instruments

#### Fair value measurements

**(i) Financial assets and financial liabilities measured at fair value on a recurring basis**

Some of the Group's financial instruments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Fair value hierarchy as at 31 December 2023

| | Notes | Level 1 HK$'000 | Level 2 HK$'000 | Level 3 HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Investment in a listed entity | (a) | **555** | **–** | **–** | **555** |
| Investment in an unlisted entity | (b) | **–** | **–** | **579,152** | **579,152** |
| | | **555** | **–** | **579,152** | **579,707** |
| **Financial liabilities** | | | | | |
| Contingent consideration | (c) | **–** | **–** | **60,155** | **60,155** |
| Participation rights designated as at FVTPL | (d) | **–** | **–** | **139,564** | **139,564** |
| Sale loan with redemption right as at FVTPL | (e) | **–** | **–** | **734,734** | **734,734** |
| | | **–** | **–** | **934,453** | **934,453** |

Fair value hierarchy as at 31 December 2022

| | Notes | Level 1 HK$'000 | Level 2 HK$'000 | Level 3 HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Investment in a listed entity | (a) | 571 | – | – | 571 |
| Investment in an unlisted entity | (b) | – | – | 595,700 | 595,700 |
| | | 571 | – | 595,700 | 596,271 |
| **Financial liabilities** | | | | | |
| Contingent consideration | (c) | – | – | 89,723 | 89,723 |
| Participation rights designated as at FVTPL | (d) | – | – | 198,815 | 198,815 |
| | | – | – | 288,538 | 288,538 |

## 39. FINANCIAL INSTRUMENTS *(continued)*

### (c) Fair value of financial instruments *(continued)*

#### Fair value measurements *(continued)*

**(i) Financial assets and financial liabilities measured at fair value on a recurring basis** *(continued)*

(a) The Group owns 47,443 ordinary shares in Entity A mainly engaging in providing co-working space in the PRC. Entity A is listed on the Nasdaq Capital Market, with its shares traded in an active market. Therefore, the fair value of the investment is determined based on a published price quotation available on the Nasdaq Capital Market and was classified as Level 1 of the fair value hierarchy.

(b) It represents investment in an unlisted investment trust with the underlying investment in a tourism related property development project in Yunnan. Currently, the property project only has a land pending for development and seeking approval from the local government. It is grouped under Level 3 fair value measurement and its fair value is determined by an independent professional valuer based the market comparison approach of the land value. A significant increase in market value of the land would result in a significant increase in fair value of the unlisted investment trust, and vice versa.

(c) The contingent consideration is grouped into level 3 fair value measurement and the fair value is determined by the Directors based on probability of the adjustment to the toll road tariff chargeable under the Concession Agreement. A significant increase in toll tariff adjustment probability would result in a significant increase in the fair value, and vice versa.

(d) The participation rights is grouped into level 3 fair value measurement and the fair value is determined based on valuation provided by an independent professional valuer which is measured using discount cash flow analysis based on surrender price, distribution, discount rate. A significant increase in surrender value would result in a significant increase in fair value of the participation rights, and vice versa.

(e) The sale loan with redemption right is grouped into level 3 fair value measurement and the fair value is determined based on valuation provided by an independent professional valuer which is measured using Monte Carlo simulation based on the current property prices, China risk-free rate, the expected volatility of the property prices and expected return.

During the years ended 31 December 2023 and 2022, there were no transfers between Level 1, Level 2 and Level 3.

## 39. FINANCIAL INSTRUMENTS *(continued)*

### (c) Fair value of financial instruments *(continued)*

**Fair value measurements** *(continued)*

**(ii) Reconciliation of Level 3 fair value measurements**

| | Investment in an unlisted entity HK$'000 |
|---|---|
| **Financial assets at FVTPL** | |
| At 1 January 2022 | 893,056 |
| Change in fair value recognised in profit or loss (note 7) | (261,283) |
| Exchange difference arising on translation to presentation currency | (36,073) |
| At 31 December 2022 | 595,700 |
| Change in fair value recognised in profit or loss (note 7) | – |
| Exchange difference arising on translation to presentation currency | **(16,548)** |
| **At 31 December 2023** | **579,152** |

| | Sale loan with redemption right HK$'000 | Contingent consideration HK$'000 | Participation rights HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Financial liabilities at FVTPL** | | | | |
| At 1 January 2022 | – | 103,882 | 111,793 | 215,675 |
| Change in fair value recognised in profit or loss (note 7) | – | (10,608) | (16,156) | (26,764) |
| Additions | – | – | 102,097 | 102,097 |
| Exchange difference arising on translation to presentation currency | – | (3,551) | 1,081 | (2,470) |
| At 31 December 2022 | – | 89,723 | 198,815 | 288,538 |
| Additions | **800,000** | **–** | **–** | **800,000** |
| Change in fair value recognised in profit or loss (note 7) | **(66,297)** | **–** | **(51,345)** | **(117,642)** |
| Settlement | **–** | **(29,801)** | **(10,056)** | **(39,857)** |
| Exchange difference arising on translation to presentation currency | **1,031** | **233** | **2,150** | **3,414** |
| **At 31 December 2023** | **734,734** | **60,155** | **139,564** | **934,453** |

## 39. FINANCIAL INSTRUMENTS *(continued)*

### (c) Fair value of financial instruments *(continued)*

#### Fair value measurements *(continued)*

**(iii) Financial assets and financial liabilities not measured at fair value on a recurring basis (but fair value disclosures are required)**

The Directors consider that the carrying amounts of the Group's financial assets and financial liabilities carried at amortised cost in the consolidated financial statements approximate their fair values as at 31 December 2023 and 31 December 2022, which are determined in accordance with generally accepted pricing models based on discounted cash flow, except for the following financial liabilities, for which their carrying amounts and fair values (reference to the quoted ask price available in an inactive market) are disclosed below:

| | **31 December 2023** | | 31 December 2022 | |
|---|---|---|---|---|
| | **Carrying amount HK$'000** | **Fair value HK$'000** | Carrying amount HK$'000 | Fair value HK$'000 |
| 2019 February guaranteed senior notes | **–** | **–** | 2,755,319 | 2,646,498 |
| 2019 September guaranteed senior notes | **2,544,198** | **1,976,740** | 2,818,256 | 2,498,995 |
| 2020 March guaranteed senior notes | **1,555,895** | **832,305** | 1,710,911 | 1,394,830 |
| 2020 September guaranteed senior notes | **1,611,507** | **738,382** | 2,363,448 | 1,909,847 |
| 2021 January guaranteed senior notes | **3,962,064** | **1,014,201** | 3,951,953 | 2,842,890 |
| 2021 July guaranteed senior notes | **3,948,253** | **939,630** | 3,938,414 | 2,805,857 |

## 40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | Balance at 1.1.2023 HK$'000 | Dividend distribution declared HK$'000 | Financing cash flows HK$'000 (note) | Financing cost incurred during the year HK$'000 | Acquisition of subsidiaries HK$'000 | Change in fair value of financial liabilities at FVTPL HK$'000 | Gains on buyback of senior notes HK$'000 | Lease modification HK$'000 | Settlement with amount due from joint ventures and associates HK$'000 | Exchange adjustment HK$'000 | Balance at 31.12.2023 HK$'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Bank and other borrowings (note 29) | 32,147,694 | – | (10,522,949) | 1,785,912 | – | – | (605,697) | – | – | (186,954) | 22,618,006 |
| Amounts due to other non-controlling interests of subsidiaries (note 33) | 1,505,136 | – | (10,223) | – | – | – | – | – | – | (42,106) | 1,452,807 |
| Amounts due to joint ventures and associates (note 32) | 4,919,384 | – | 1,897,917 | 6,051 | (149,200) | – | – | – | (287,341) | (136,744) | 6,250,067 |
| Lease liabilities (note 35) | 43,678 | – | (21,720) | 1,914 | – | – | – | 5,760 | – | (847) | 28,785 |
| Participation rights designated as at FVTPL (note 25) | 198,815 | – | (10,056) | – | – | (51,345) | – | – | – | 2,150 | 139,564 |
| Sale loan with redemption right designated as at FVTPL (note 25) | – | – | 800,000 | – | – | (66,297) | – | – | – | 1,031 | 734,734 |
| Dividend distribution payable (note 31) | 274,617 | 38,889 | (305,878) | – | – | – | – | – | – | (7,628) | – |
| | 39,089,324 | 38,889 | (8,172,909) | 1,793,877 | (149,200) | (117,642) | (605,697) | 5,760 | (287,341) | (371,098) | 31,223,963 |

| | Balance at 1.1.2022 HK$'000 | Dividend distribution declared HK$'000 | Financing cash flows HK$'000 (note) | Financing cost incurred during the year HK$'000 | Acquisition of subsidiaries HK$'000 | Change in fair value of financial liabilities at FVTPL HK$'000 | Gains on buyback of senior notes HK$'000 | Additions to right-of-use assets HK$'000 | Termination of lease contract HK$'000 | Dividend contributed by joint ventures HK$'000 | Capital reduction in joint ventures and an associate HK$'000 | Others HK$'000 | Exchange adjustment HK$'000 | Balance at 31.12.2022 HK$'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bank and other borrowings (note 29) | 38,326,184 | – | (7,472,477) | 2,231,305 | 811,429 | – | (1,366,988) | – | – | – | – | – | (381,759) | 32,147,694 |
| Amounts due to other non-controlling interests of subsidiaries (note 33) | 1,938,642 | – | (322,163) | – | – | – | – | – | – | – | – | (11,641) | (99,702) | 1,505,136 |
| Amounts due to joint ventures and associates (note 32) | 5,396,249 | – | 2,064,856 | 29,108 | – | – | – | – | – | (340,820) | (1,977,035) | 25,647 | (278,621) | 4,919,384 |
| Lease liabilities (note 35) | 92,080 | – | (22,498) | 2,631 | – | – | – | 14,968 | (35,190) | – | – | – | (8,313) | 43,678 |
| Participation rights designated as at FVTPL (note 25) | 111,793 | – | 102,097 | – | – | (16,156) | – | – | – | – | – | – | 1,081 | 198,815 |
| Dividend distribution payable (note 31) | – | 792,084 | (517,467) | – | – | – | – | – | – | – | – | – | – | 274,617 |
| | 45,864,948 | 792,084 | (6,167,652) | 2,263,044 | 811,429 | (16,156) | (1,366,988) | 14,968 | (35,190) | (340,820) | (1,977,035) | 14,006 | (767,314) | 39,089,324 |

Note: The cash flows from bank and other borrowings, amounts due to other non-controlling interests of subsidiaries, amounts due to joint ventures and associates, lease liabilities, participation rights, contingent consideration, sale loan with redemption right designated as at FVTPL and dividend distribution payable make up the net amount of additions and repayment from those related liabilities in the consolidated statement of cash flows.

## 41. ACQUISITION OF SUBSIDIARIES

**For the year ended 31 December 2023**

The Group elected to apply the optional concentration test in accordance with HKFRS 3 and concluded that inventory of properties are considered a group of similar identifiable assets of each subsidiary acquired. The Group determined that substantially all of the fair value of the gross assets (excluding cash and cash equivalents and deferred tax assets) acquired is concentrated in a group of similar identifiable assets and concluded that the acquired set of activities and assets is not a business. In the event where the concentration test is not met, the Directors have performed a detail assessment of the acquired subsidiaries which are engaged in property development but without substantive process at the date of acquisition. Therefore, the acquired set of activities and assets is not a business and these transactions are accounted for as acquisition of assets and liabilities through acquisition of subsidiaries. Details of the acquisitions are as follows:

In November 2022, the Group entered into a sale and purchase agreement to acquire the remaining 50% equity interest in 常州路勁雅居房地產開發有限公司("常州路勁雅居") from a joint venture partner at a total consideration of RMB25,000,000 (equivalent to HK$27,778,000), which was settled by debt assignment. 常州路勁雅居was a 50% joint venture of the Group engaging in the property development in Changzhou, the PRC. Upon completion of the acquisition in January 2023, it became a wholly-owned subsidiary of the Company.

The aggregate net assets of the subsidiary at the date of acquisition was as follows:

| | 2023<br>HK$'000 |
|---|---|
| Property, plant and equipment | 17 |
| Inventory of properties | 18,113 |
| Debtors, deposits and prepayments | 31,116 |
| Amounts due from the Group | 149,200 |
| Bank balances and cash | 2,328 |
| Creditors and accrued charges | (81,336) |
| Contract liabilities | (847) |
| Income tax payable | (32,549) |
| | 86,042 |
| Satisfied by: | |
| Interest in a joint venture disposed of | 86,042 |
| Net cash inflow arising on acquisition: | |
| Bank balances and cash acquired | 2,328 |

## 41. ACQUISITION OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2022

In July 2022, the Group entered into a sale and purchase agreement to acquire the remaining 49% equity interest in 上海雋瑞置業有限公司 ("上海雋瑞") and 杭州雋洋置業有限公司 ("杭州雋洋") from the PRC joint venture partner at total considerations of RMB63,500,000 (equivalent to HK$72,571,000) (including a cash consideration of RMB3,500,000 and debt assignment of RMB60,000,000). 上海雋瑞and 杭州雋洋were 51% joint ventures of the Group engaging in the property development in Hangzhou, the PRC. Upon completion of the acquisition, it becomes the wholly-owned subsidiary of the Company.

In August 2022, the Group entered into a sale and purchase agreement to acquire the remaining 50.1% equity interest in 鄭州雋正房地產開發有限公司 ("鄭州雋正") from the PRC joint venture partner at total considerations of RMB24,366,000 (equivalent to HK$27,847,000) (including a cash consideration of RMB5,000,000 and debt assignment of RMB19,366,000). 鄭州雋正was a 49.9% joint venture of the Group engaging in the property development in Zhengzhou, the PRC. Upon completion of the acquisition, it becomes the wholly-owned subsidiary of the Company.

In September 2022, the Group entered into a sale and purchase agreement to acquire the remaining 50% equity interest in 濟南雋盛房地產開發有限公司 ("濟南雋盛") from the PRC joint venture partner at total considerations of RMB520,000,000 (equivalent to HK$594,286,000) (including a cash consideration of RMB10,682,000 and shareholder loan assignment of RMB509,318,000). 濟南雋盛was a 50% joint venture of the Group engaging in the property development in Jinan, the PRC. Upon completion of the acquisition, it becomes the wholly-owned subsidiary of the Company.

In September 2022, the Group entered into a sale and purchase agreement to acquire the remaining 50% equity interest in 濟南雅雋房地產開發有限公司 ("濟南雅雋") from the PRC joint venture partner at total considerations of RMB160,000,000 (equivalent to HK$182,857,000) (including a cash consideration of RMB5,000,000 and shareholder loan assignment of RMB155,000,000). 濟南雅雋was a 50% joint venture of the Group engaging in the property development in Jinan, the PRC. Upon completion of the acquisition, it becomes the wholly-owned subsidiary of the Company.

## 41. ACQUISITION OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2022 *(continued)*

The aggregate net assets of the subsidiaries at the date of acquisitions were as follows:

| | 2022 HK$'000 |
|---|---|
| Property, plant and equipment | 178 |
| Deferred tax assets | 1,656 |
| Inventory of properties | 3,480,385 |
| Debtors, deposits and prepayments | 144,661 |
| Prepaid income tax | 39,319 |
| Bank balances and cash | 266,189 |
| Creditors and accrued charges | (1,139,869) |
| Amount due to the Group | (485,487) |
| Contract liabilities | (398,580) |
| Bank and other borrowings | (811,429) |
| | 1,097,023 |
| Satisfied by: | |
| Cash considerations paid (including assignment of shareholders' loans) | 786,857 |
| Interests in joint ventures disposed of | 310,166 |
| | 1,097,023 |
| Net cash outflow arising on acquisitions: | |
| Cash considerations paid (including assignment of shareholders' loans) | (786,857) |
| Bank balances and cash acquired | 266,189 |
| | (520,668) |

## 42. OPERATING LEASES

### As lessor

The maturity of the minimum lease payments receivable on leases is as follows:

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Within one year | **184,561** | 143,126 |
| In the second year | **153,704** | 121,416 |
| In the third year | **122,204** | 95,756 |
| In the fourth year | **108,406** | 79,639 |
| In the fifth year | **92,073** | 76,807 |
| After five years | **373,931** | 368,858 |
| | **1,034,879** | 885,602 |

## 43. FINANCIAL GUARANTEE CONTRACTS

At 31 December 2023, the Group provided guarantees of HK$3,725,830,000 (2022: HK$6,800,909,000) to banks in favour of its customers in respect of the mortgage loans provided by the banks to such customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks will be released upon receiving the building ownership certificate of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted. The Directors consider that the fair value of such guarantees on initial recognition was insignificant.

At 31 December 2023, the Group provided guarantees of HK$2,382,411,000 (2022: HK$4,088,200,000) to banks in connection with the banking facilities granted to joint ventures. The Directors consider that the fair value of such guarantees on initial recognition was insignificant as the joint ventures have strong net asset position and the default risk is low.

## 44. PLEDGE OF ASSETS

At the end of the reporting period, other than the pledged bank deposits as disclosed in note 26, the Group's inventory of properties of HK$5,062,515,000 (2022: HK$9,246,842,000) and investment properties of HK$2,892,326,000 (2022: HK$2,680,676,000) were pledged to banks to secure the banking and other facilities granted to the Group.

As at 31 December 2023, the Group's borrowings with outstanding principal amount of HK$2,223,247,000 (2022: HK$2,372,900,000) were secured by the pledges of the equity shares of certain subsidiaries and joint ventures of the Company.

## 45. CAPITAL COMMITMENTS

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Capital injection into property joint ventures contracted for but not provided in the consolidated financial statements | **53,911** | 55,451 |
| The maturity of the commitments is as follows: | | |
| More than two years but not exceeding five years | **11,778** | 12,114 |
| More than five years | **42,133** | 43,337 |
| | **53,911** | 55,451 |

## 46. RELATED PARTY TRANSACTIONS

Other than set out in notes 20, 21, 25, 31, 32, 33 and 43, the Group had transactions with the following related parties during the year:

| **Related parties** | **Nature** | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|---|
| Infrastructure joint ventures | Interest income | **–** | 1,362 |
| Property and other joint ventures | Interest income | **129,275** | 279,884 |
| Other non-controlling interests of subsidiaries | Interest income | **9,818** | 15,318 |
| Property joint ventures | Interest expense | **6,051** | 29,108 |

## 46. RELATED PARTY TRANSACTIONS *(continued)*

### Compensation of key management personnel

The remuneration of Directors and other members of key management during the year was as follows:

| | **2023** **HK$'000** | 2022 HK$'000 |
|---|---|---|
| Short-term employment benefits | **108,200** | 148,456 |
| Post-employment benefits | **5,894** | 6,222 |
| | **114,094** | 154,678 |

The remuneration of Directors and key executives is determined with reference to the performance of individuals and market trends.

## 47. DISPOSAL GROUP HELD FOR SALE

On 20 December 2023, the shareholders of the Company resolved to dispose of all the shares in issue of Road King (China) Infrastructure Limited ("Disposal Group") by RKE pursuant to the sale and purchase agreement dated on 17 November 2023. The assets attributable to the Disposal Group, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position (see below). The operations of the Disposal Group are included in the Group's toll road segment for segment reporting purposes (see note 6). The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and accordingly, no impairment loss has been recognised.

At 31 December 2023, the major classes of assets and liabilities of the Disposal Group classified as held for sale are as follows:

| | **2023** **HK$'000** |
|---|---|
| Interests in joint ventures | **2,850,043** |
| Amount due from a joint venture | **79,991** |
| Bank balances and cash | **11** |
| Total assets classified as held for sale | **2,930,045** |
| Deferred tax liabilities | **18,462** |
| Total liabilities classified as held for sale | **18,462** |

## 48. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| **ASSETS** | | |
| **Non-current asset** | | |
| Unlisted investments in subsidiaries | **13,439,143** | 16,285,783 |
| **Current assets** | | |
| Deposits and prepayments | **211** | 7,585 |
| Bank balances and cash | **138,612** | 569,749 |
| | **138,823** | 577,334 |
| **Total assets** | **13,577,966** | 16,863,117 |
| **EQUITY AND LIABILITIES** | | |
| **Equity attributable to owners of the Company** | | |
| Share capital (note 27) | **74,934** | 74,934 |
| Reserves (note) | **6,368,219** | 6,689,802 |
| | **6,443,153** | 6,764,736 |
| **Current liabilities** | | |
| Creditors and accrued charges | **6,918** | 3,724 |
| Amounts due to subsidiaries | **7,003,003** | 9,702,800 |
| Bank borrowings | **124,892** | 391,857 |
| | **7,134,813** | 10,098,381 |
| **Total equity and liabilities** | **13,577,966** | 16,863,117 |

## 48. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

| | Share premium HK$'000 | Foreign currency translation reserve HK$'000 | Special reserve HK$'000 | Retained profits HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| Balance at 1 January 2022 | 3,224,794 | 1,023,108 | 1,260,000 | 1,795,298 | 7,303,200 |
| Loss for the year | – | – | – | (92,541) | (92,541) |
| Exchange differences arising on translation to presentation currency | – | (370,990) | – | – | (370,990) |
| Total comprehensive expense for the year | – | (370,990) | – | (92,541) | (463,531) |
| Sub-total | 3,224,794 | 652,118 | 1,260,000 | 1,702,757 | 6,839,669 |
| Dividends | – | – | – | (149,867) | (149,867) |
| Balance at 31 December 2022 | 3,224,794 | 652,118 | 1,260,000 | 1,552,890 | 6,689,802 |
| Loss for the year | **–** | **–** | **–** | **(135,786)** | **(135,786)** |
| Exchange differences arising on translation to presentation currency | **–** | **(185,797)** | **–** | **–** | **(185,797)** |
| Total comprehensive expense for the year | **–** | **(185,797)** | **–** | **(135,786)** | **(321,583)** |
| **Balance at 31 December 2023** | **3,224,794** | **466,321** | **1,260,000** | **1,417,104** | **6,368,219** |

## 49. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2023 and 31 December 2022 are as follows, all of these are limited liability companies:

| Name of subsidiary | Place of incorporation/ establishment | Place of operation | Issued and fully paid ordinary share capital/paid registered capital | Proportion of amount paid/ nominal value of issued ordinary share capital/registered capital held by the Company Directly % | Indirectly % | Principal activity |
|---|---|---|---|---|---|---|
| ***Incorporated in the British Virgin Islands ("BVI")/Hong Kong/Bermuda*** | | | | | | |
| Intersafe Investments Limited | BVI | Hong Kong | US$16,000,000 | – | 75 | Investment holding |
| Kings Bless Limited | Hong Kong | Hong Kong | HK$1 | – | 75 | Investment holding |
| Kings Key Limited | Hong Kong | Hong Kong | HK$1 | – | 75 | Investment holding |
| Kings Ring Limited | Hong Kong | Hong Kong | HK$1 | – | 75 | Investment holding |
| Power Truth Development Limited | Hong Kong | Hong Kong | HK$1 | – | 100 | Development and sale of properties |
| RKE | Bermuda | Hong Kong | HK$66,666,667 | – | 75 | Investment holding |
| RKE International Limited | Hong Kong | Hong Kong | HK$1 | – | 100 | Investment holding |
| RK Investment and Asset Management Group Limited | Hong Kong | Hong Kong | HK$1 | – | 100 | Investment holding |
| RKI Overseas Finance 2017 (A) Limited | BVI | # | US$1 | 100 | – | Provision of financial services |
| RK Properties Holdings Limited | BVI | Hong Kong | US$1 | – | 100 | Investment holding |
| RK Properties Management Limited | Hong Kong | Hong Kong | HK$1 | – | 100 | Provision of management services |
| RK Properties (Overseas) Limited | BVI | # | US$1 | – | 100 | Investment holding |
| RKP Overseas Finance 2016 (A) Limited | BVI | # | US$1 | 100 | – | Provision of financial services |
| RKPF Overseas 2019 (A) Limited | BVI | # | US$1 | – | 100 | Provision of financial services |
| RKPF Overseas 2019 (E) Limited | BVI | # | US$1 | – | 100 | Provision of financial services |
| RKPF Overseas 2020 (A) Limited | BVI | # | US$1 | – | 100 | Provision of financial services |
| Road Crown Investments Limited | BVI | Hong Kong | US$1 | – | 75 | Investment holding |
| Road Express Investments Limited | BVI | Hong Kong | US$1 | – | 75 | Investment holding |
| Road Famous Investments Limited | BVI | Hong Kong | US$1 | – | 75 | Investment holding |

## 49. PRINCIPAL SUBSIDIARIES *(continued)*

| Name of subsidiary | Place of incorporation/ establishment | Place of operation | Issued and fully paid ordinary share capital/paid registered capital | Proportion of amount paid/ nominal value of issued ordinary share capital/registered capital held by the Company Directly % | Indirectly % | Principal activity |
|---|---|---|---|---|---|---|
| ***Incorporated in the British Virgin Islands ("BVI")/Hong Kong/Bermuda** (continued)* | | | | | | |
| Road Glorious Investments Limited | BVI | Hong Kong | US$1 | – | 75 | Investment holding |
| Road Grand Investments Limited | BVI | Hong Kong | US$1 | – | 75 | Investment holding |
| Road King (China) Infrastructure Limited | BVI | Hong Kong | HK$475,050,691 | – | 75 | Investment holding |
| Road King Infrastructure Management Limited | Hong Kong | Hong Kong | HK$2 | – | 100 | Provision of management services |
| Road Link Investments Limited | BVI | Hong Kong | US$1 | – | 75 | Investment holding |
| Road Rise Investments Limited | BVI | Hong Kong | US$1 | – | 75 | Investment holding |
| Shine Precious Limited | BVI | # | US$1 | – | 100 | Investment holding |
| Sunco Property Holdings Company Limited | BVI | Hong Kong | US$250 | – | 94.74 | Investment holding |
| ***Registered as wholly foreign owned enterprises in the PRC*** | | | | | | |
| Changzhou Hongxi Management Consultants Co Ltd. | PRC | PRC | RMB1,520,000,000 | – | 100 | Investment holding |
| Changzhou Great Gallop Properties Developments Ltd. | PRC | PRC | US$153,245,300 | – | 100 | Development and sale of properties |
| Changzhou Great Superior Properties Developments Ltd. | PRC | PRC | RMB612,220,000 | – | 100 | Development and sale of properties |
| 天津啟威企業管理有限公司 | PRC | PRC | RMB678,500,000 | – | 94.74 | Investment holding |
| Tianjin Sunco Binhai Land Co., Ltd. | PRC | PRC | RMB600,000,000 | – | 94.74 | Investment holding |
| 天津順祥企業管理有限公司 | PRC | PRC | RMB760,000,000 | – | 94.74 | Investment holding |
| ***Registered as sino-foreign equity joint venture enterprises in the PRC*** | | | | | | |
| 常州宏智房地產開發有限公司 | PRC | PRC | RMB500,000,000 | – | 100 | Development and sale of properties |
| 蘇州雋御地產有限公司 | PRC | PRC | RMB1,008,600,000 | – | 100 | Development and sale of properties |

## 49. PRINCIPAL SUBSIDIARIES *(continued)*

| Name of subsidiary | Place of incorporation/ establishment | Place of operation | Issued and fully paid ordinary share capital/paid registered capital | Proportion of amount paid/ nominal value of issued ordinary share capital/registered capital held by the Company Directly % | Indirectly % | Principal activity |
|---|---|---|---|---|---|---|
| ***Registered as limited liability companies in the PRC*** | | | | | | |
| 上海雋崎置業有限公司 | PRC | PRC | RMB2,571,050,000 | – | 100 | Development and sale of properties |
| 天津順馳新地置業有限公司 | PRC | PRC | RMB1,000,000,000 | – | 94.74 | Development and sale of properties |
| 北京路勁雋御房地產開發有限公司 | PRC | PRC | RMB4,385,300,000 | – | 100 | Development and sale of properties |
| 洛陽路勁宏駿房地產開發有限公司 | PRC | PRC | RMB30,000,000 | – | 100 | Development and sale of properties |
| 常州宏曜房地產開發有限公司 | PRC | PRC | RMB100,000,000 | – | 95 | Development and sale of properties |
| 鄭州雋正房地產開發有限公司 | PRC | PRC | RMB120,000,000 | – | 100 | Development and sale of properties |
| 寧波甬鴻置業有限公司 | PRC | PRC | RMB710,000,000 | – | 100 | Development and sale of properties |
| 廣州雋順房地產開發有限公司@ | PRC | PRC | RMB400,000,000 | – | 51 | Development and sale of properties |
| 廣州雋新房地產開發有限公司 | PRC | PRC | RMB400,000,000 | – | 70 | Development and sale of properties |
| 濟南雋盛房地產開發有限公司 | PRC | PRC | RMB1,420,000,000 | – | 100 | Development and sale of properties |
| 蘇州勁鼎房地產開發有限公司@ | PRC | PRC | RMB600,000,000 | – | 51 | Development and sale of properties |

# The subsidiaries of the Company are either investment holding or provision of financial services companies only and do not have any operations.

@ The companies were established in 2023.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affect the results of the year or constituted a substantial portion of the net asset of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

## 49. PRINCIPAL SUBSIDIARIES *(continued)*

The table below shows details of non-wholly-owned subsidiary of the Group that has material non-controlling interest:

| Name of subsidiary | Place of Incorporation/ establishment | Proportion of ownership interests and voting rights held by non-controlling interest | | Profit allocated to non-controlling interest | | Accumulated non-controlling interest | |
|---|---|---|---|---|---|---|---|
| | | **2023** | 2022 | **2023 HK$'000** | 2022 HK$'000 | **2023 HK$'000** | 2022 HK$'000 |
| RKE | Bermuda | **25%** | 25% | **140,788** | 156,812 | **1,730,576** | 1,603,397 |

**At 31 December 2023**

| | **2023 HK$'000** | 2022 HK$'000 |
|---|---|---|
| Current assets | **3,481,936** | 692,632 |
| Non-current assets | **4,371,423** | 7,088,772 |
| Current liabilities | **930,240** | 552,905 |
| Non-current liabilities | **816** | 814,911 |
| Equity attributable to owners of the Company | **5,191,727** | 4,810,191 |
| Non-controlling interest of RKE | **1,730,576** | 1,603,397 |

## 49. PRINCIPAL SUBSIDIARIES *(continued)*

**For the year ended 31 December 2023**

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Income | **822,855** | 768,138 |
| Expenses | **(259,705)** | (140,891) |
| Profit attributable to owners of the Company | **422,362** | 470,435 |
| Profit attributable to the non-controlling interest of RKE | **140,788** | 156,812 |
| Profit for the year | **563,150** | 627,247 |
| Other comprehensive expense attributable to owners of the Company | **(40,825)** | (239,451) |
| Other comprehensive expense attributable to non-controlling interest of RKE | **(13,609)** | (79,818) |
| Other comprehensive expense for the year | **(54,434)** | (319,269) |
| Total comprehensive income attributable to owners of the Company | **381,537** | 230,984 |
| Total comprehensive income attributable to non-controlling interest of RKE | **127,179** | 76,994 |
| Total comprehensive income for the year | **508,716** | 307,978 |

**For the year ended 31 December 2023**

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Net cash outflow from operating activities | **(102,810)** | (112,475) |
| Net cash inflow (outflow) from investing activities | **476,163** | (1,682,116) |
| Net cash (outflow) inflow from financing activities | **(507,330)** | 1,180,713 |
| Net cash outflow | **(133,977)** | (613,878) |
| Dividends paid to non-controlling interest of RKE | **–** | – |

## 49. PRINCIPAL SUBSIDIARIES *(continued)*

None of the subsidiaries had any debt securities at the end of the year except for the following:

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| RKPF Overseas 2019 (A) Limited | **5,711,600** | 9,647,934 |
| RKPF Overseas 2020 (A) Limited | **7,910,317** | 7,890,367 |
| | **13,621,917** | 17,538,301 |

## 50. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 17 November 2023, the Group entered into a sales and purchase agreement to dispose of 100% equity interest of Disposal Group to a third party. The consideration is RMB4,411.8 million subjects to downward adjustments. Upon completion of the disposal in the first half of 2024, the Company will lose the control of Disposal Group.

## 51. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities at 31 December 2023 amounted to HK$41,744,326,000 (2022: HK$56,116,494,000). The Group's net current assets at 31 December 2023 amounted to HK$14,166,004,000 (2022: HK$21,708,659,000).

# Financial Summary

## RESULTS

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2023** | 2022 | 2021 | 2020 | 2019 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Revenue** | **13,075,348** | 17,155,976 | 24,677,949 | 24,196,103 | 21,494,796 |
| **(Loss) profit before taxation** | **(3,589,225)** | 1,098,173 | 4,274,226 | 4,733,502 | 6,759,947 |
| Income tax expenses | **(171,322)** | (639,561) | (2,289,737) | (1,949,906) | (3,083,321) |
| **(Loss) profit for the year** | **(3,760,547)** | 458,612 | 1,984,489 | 2,783,596 | 3,676,626 |
| **Attributable to:** | | | | | |
| Owners of the Company | **(3,961,585)** | (495,378) | 1,028,245 | 1,722,848 | 3,028,005 |
| Owners of perpetual capital securities | **532,676** | 536,907 | 527,775 | 527,775 | 371,395 |
| Non-controlling interests of subsidiaries | **(331,638)** | 417,083 | 428,469 | 532,973 | 277,226 |
| | **(3,760,547)** | 458,612 | 1,984,489 | 2,783,596 | 3,676,626 |

## ASSETS AND LIABILITIES

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | **2023** | 2022 | 2021 | 2020 | 2019 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| | | | | | (Restated) |
| Total assets | **73,146,313** | 90,002,373 | 108,235,731 | 103,280,887 | 90,788,039 |
| Total liabilities | **(45,948,649)** | (57,241,890) | (72,437,351) | (70,239,033) | (62,224,022) |
| | **27,197,664** | 32,760,483 | 35,798,380 | 33,041,854 | 28,564,017 |
| **Attributable to:** | | | | | |
| Owners of the Company | **15,695,656** | 20,246,414 | 22,337,418 | 20,927,845 | 18,866,049 |
| Owners of perpetual capital securities | **6,963,623** | 6,961,258 | 6,954,296 | 6,952,437 | 6,961,919 |
| Non-controlling interests of subsidiaries | **4,538,385** | 5,552,811 | 6,506,666 | 5,161,572 | 2,736,049 |
| | **27,197,664** | 32,760,483 | 35,798,380 | 33,041,854 | 28,564,017 |

**Road King Infrastructure Limited**