



Road King Infrastructure Limited

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

Annual Report

2022



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, Bohai Rim regions and Greater Bay Area, comprising a land reserve of approximately 4.7 million square meters. The current toll road portfolio consists of five expressways in Mainland China and four expressways in Indonesia, all located in major economic corridors and spanning around 670 km in total.



Contents

2	FINANCIAL HIGHLIGHTS
4	CHAIRMAN'S STATEMENT
10	CHIEF EXECUTIVE OFFICER'S REPORT
14	MAJOR AWARDS
16	MANAGEMENT DISCUSSION AND ANALYSIS
62	DIRECTORS AND SENIOR MANAGEMENT
67	DIRECTORS' REPORT
83	CORPORATE GOVERNANCE REPORT
98	ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
148	GLOSSARY
151	CORPORATE INFORMATION
F-1	INDEPENDENT AUDITOR'S REPORT
	AUDITED CONSOLIDATED FINANCIAL STATEMENTS
F-7	– CONSOLIDATED STATEMENT OF PROFIT OR LOSS
F-8	– CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
F-9	– CONSOLIDATED STATEMENT OF FINANCIAL POSITION
F-11	– CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
F-12	– CONSOLIDATED STATEMENT OF CASH FLOWS
F-14	– NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
F-140	FINANCIAL SUMMARY

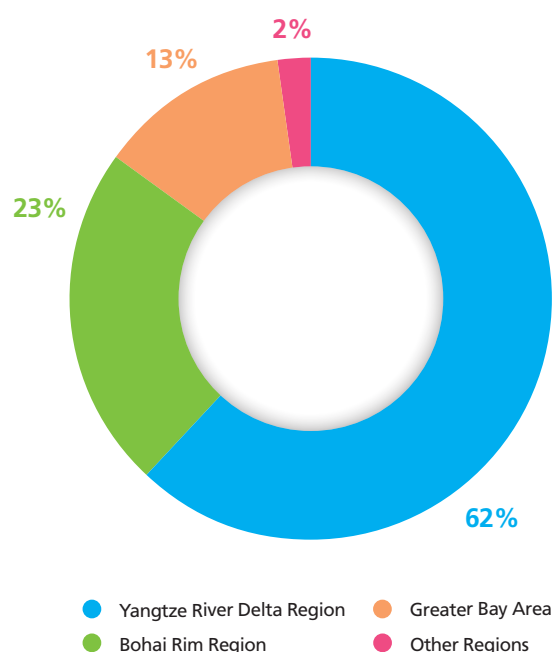


Financial Highlights

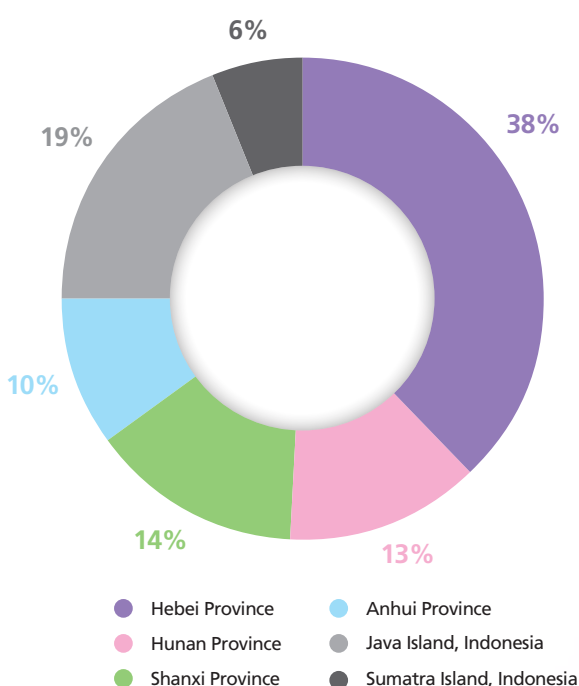
	For the year ended 31 December				
	2022	2021	2020	2019	2018
(RMB'million)					
Property sales (including joint venture and associate projects)					
– Mainland China projects	41,710	39,562	42,193	42,224	34,503
– Hong Kong projects	313	12,922	1,854	541	–
(HK\$'million)					
Revenue of the Group	17,156	24,678	24,196	21,495	22,365
Group's share of revenue of joint ventures and associates	12,102	14,153	7,587	9,673	4,624
Revenue of the Group and Group's share of revenue of joint ventures and associates	29,258	38,831	31,783	31,168	26,989
Cash received from toll road projects (including the repayment of shareholders' loans from toll road projects in Mainland China)	636	604	465	689	827
Profit for the year	459	1,984	2,784	3,677	3,699
(Loss) profit for the year attributable to owners of the Company	(495)	1,028	1,723	3,028	2,988
Equity attributable to owners of the Company	20,246	22,337	20,928	18,866	17,398
Total assets	90,002	108,236	103,281	90,788	78,952
				(Note)	
Bank balances and cash	8,262	12,600	14,056	14,451	11,793
Net assets per share attributable to owners of the Company (HK\$)	27.02	29.81	27.93	25.18	23.22

Note: The figure of 2019 has been restated pursuant to the amendment made to the contingent consideration payable to the vendor for the acquisition of an expressway joint venture. The details have been set out in note 20(d) of the 2020 audited consolidated financial statements.

REVENUE CONTRIBUTION OF PROPERTY PROJECTS IN 2022 BY LOCATION (INCLUDING JOINT VENTURE AND ASSOCIATE PROJECTS)



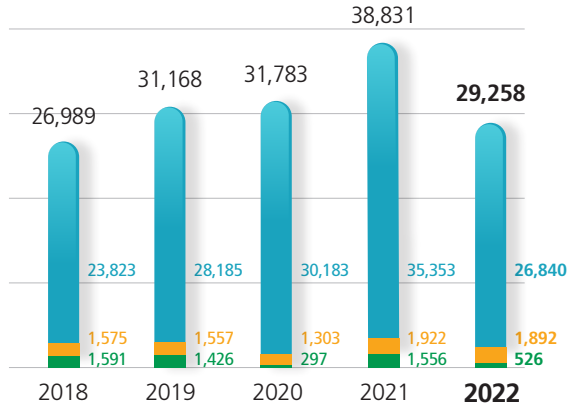
TOLL REVENUE CONTRIBUTION OF EXPRESSWAY PROJECTS IN 2022 BY LOCATION



Financial Highlights (continued)

REVENUE

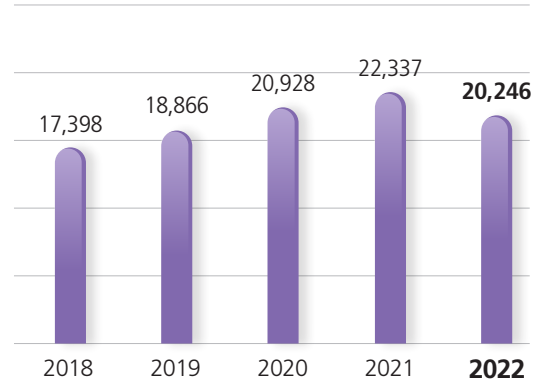
(including share of revenue of joint ventures and associates)
(HK\$'million)



● Property Segment ● IAM Segment
● Toll Road Segment

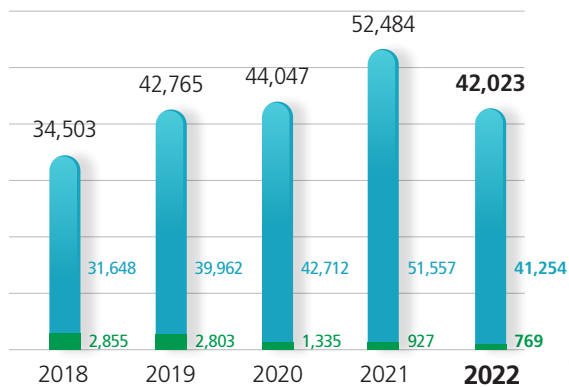
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

(HK\$'million)



PROPERTY SALES

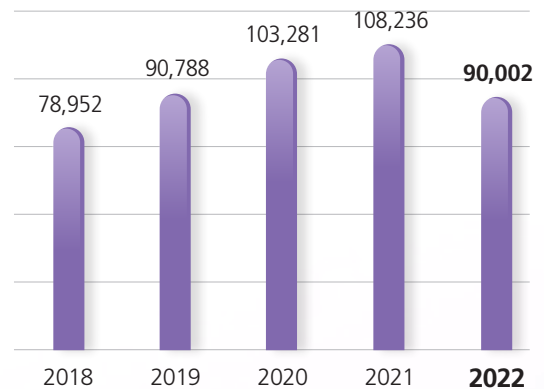
(including joint venture and associate projects)
(RMB'million)



● Property Segment ● IAM Segment

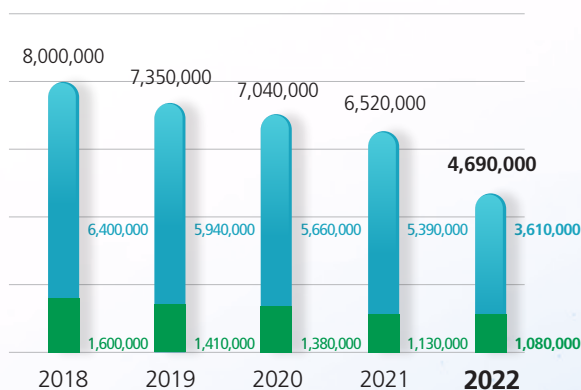
TOTAL ASSETS

(HK\$'million)



LAND RESERVE

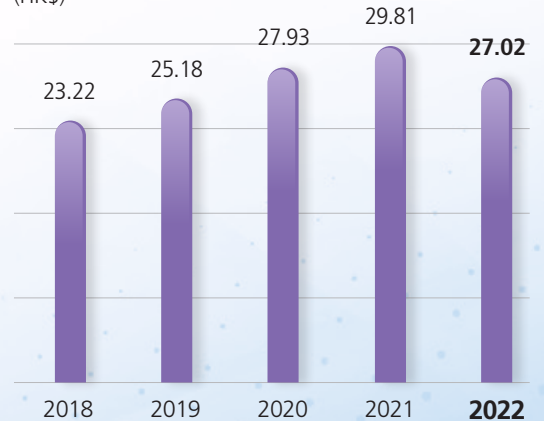
(including joint venture and associate projects)
(sqm)



● Property Segment ● IAM Segment

NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(HK\$)



Chairman's Statement

Zen Wei Peu, Derek
Chairman



The Group's equity attributable to the Shareholders decreased by HK\$2,091 million during 2022 whilst the equity per share decreased by 9% to HK\$27.02. 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 Shareholders' equity) was around 78%, or on the average, approximately 10% as compounded per year, a not so impressive result.

The Group's total property sales (including joint venture and associate projects) in 2022 was RMB42,023 million. The Group's turnover and net loss attributable to Shareholders for the year were HK\$17,156 million and HK\$495 million respectively.

Our performance in 2022 is adversely affected by the following factors:

1) Property Development Business

Our gross profit margin dropped from 22% in 2021 to 17% in 2022, our gross profit in absolute term decreased from HK\$5.4 billion in 2021 to HK\$2.9 billion in 2022 due to negative market sentiment in Mainland China.

2) Exchange Loss

Due to rise of interest rate in the United States of America (the "USA"), the exchange rate between US dollar and Renminbi also rises quickly, from the RMB6.4 to US\$1, to almost RMB7.0 to US\$1 (depending of time one adopts), just this exchange difference contributed an on paper loss of HK\$1.3 billion in our financial report.

3) Investment and Asset Management Business

In this year, we recognized a loss of HK\$1,272 million, including interest cost and impairment provision. This is truly a painful lesson.

It is going to be tough for Road King at least for the coming two years. I shall elaborate on that later.

BUSINESS ANALYSIS

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

A) Toll Road Business

1) Mainland China

Inevitably all activities are affected by the Pandemic in 2022, more so for Mainland China as for quite a long period, one city after the other were closed or imposed restrictions on traffic to/from other cities/provinces, most notable is Shanghai which was shut down for almost 3 months. As a result, the total traffic flow of the Group's toll road projects dropped from 100 million vehicles in 2021 to 83 million vehicles in 2022, ending up in a toll revenue of RMB2,782 million, a 12% drop from last year of RMB3,153 million.

2) Indonesia

Fortunately, our Indonesia expressways have a slightly different story. The year to year traffic flow had increased by 25% for our three existing expressways. In addition, we were able to increase the toll rate more or less in accordance with contract. So total toll revenue of our three existing expressways in 2022 was RMB890 million, 42% higher than 2021. If we include the one month's toll revenue of the newly acquired fourth expressway, it was a total of RMB934 million, 49% more than 2021. As a result, we recognized a net profit of HK\$129 million based on our equity ratio. This is a very good sign, as when we first invested in Indonesia, we did expect we would generate net profit circa 2024/2025, but we manage to do that at least two years ahead of our own plan. Barring any unforeseen circumstances, we do expect the profit from Indonesia will rise rapidly. It is a matter of time when those toll expressways in Indonesia will contribute more profit to Road King versus our existing toll expressways in Mainland China. I shall come to that later.

B) Property Development Business

1) Mainland China

This year maybe one of the darkest year since we entered this business. I had alerted Shareholders of the difficult two to three years in front of us last year. Unfortunately, all these predictions have become reality or even worse, let me update all of you on this matter:

- 1.1) The Pandemic impacts almost on all commercial activities in Mainland China. Property development is of course no exception;
- 1.2) Facing the liquidity squeeze, most developers were at a rush to sell their stock at a cut-throat price, only to get the cashflow going, in order hopefully to pay off their debts (most failed, some miserably), or just to keep afloat. As a result, Road King was forced to reduce the selling price in order to make adequate sales;

Chairman's Statement (continued)

- 1.3) With all the US dollar long term debt almost vanished from the scene, a lot of big private developers defaulted, eroding the confidence of buyers even further;
- 1.4) Hence, most private developers ceased to appear in land auctions in this year. Of the total pieces of land being auctioned in 2022, about 80% of which were taken up by State Owned Enterprises (the "SOE") or investment arm of various cities;
- 1.5) Also, the total market size of property development shrank from total sales amount of RMB18 plus trillion in 2021 to RMB13 plus trillion in 2022, and likely this is a trend in coming two to three years;
- 1.6) Late this year, the Central Government issued quite a lot of new policies, aiming at easing the pressure on the developers. However, so far those benefits mostly went to SOEs, and extremely few private developers could enjoy such benefit;
- 1.7) For Road King, to compete, we have no choice but to:
 - i) Sell our stock at a lower price to get the necessary cash back, so that we can pay the interest as well as principal when our loans/bonds mature;
 - ii) Reduce our purchase of new land, as a result this year, we only bought into two pieces of new land; and
- 1.8) Hence we do observe a significant drop in our gross profit and net profit, affecting our overall Group result.

I shall elaborate on this matter in outlook section.

2) Hong Kong

Situation in Hong Kong is slightly better. We have by now sold all units at Crescent Green, what's remained are some of the car parks.

At Southland, we completed the sales a total of 574 units and by the date of this report received net cash of about HK\$13 billion. The units are gradually handed over to the residents. We intend to launch the remaining units somewhere around mid-2023.

On our So Kwun Wat project, the progress on site is going on smoothly, the current plan is to market those units in mid-2023.

In 2021, we bought in a piece of land with a site area of 1,860m² at Castle Peak Road, and are in the process of obtaining the permission to change the use of land, hopefully the consent/approval can come forth within 2023.

In 2022, the overall market in Hong Kong is sluggish. The property price dropped on average about 10%, however, the market rebound somewhat after China relaxed their control measures on Pandemic.

C) Investment and Asset Management Business

With the Pandemic still on going, this sector (leisure business, commercial centres and asset management) naturally is hit hardest. We recognized a loss (interest plus impairment provision) of HK\$1,272 million in this segment in 2022. It will undoubtedly take time to get ourselves to sort this out.

OUTLOOK

The future of property development in Mainland China is affected by the following factors, some good, some adverse:

- 1) The good signs are:
 - 1.1) Finally, Mainland China has cancelled all the restrictions on Pandemic and things almost go back to normal as per pre-COVID-19 times.
 - 1.2) Recently, Central Government continues to roll out policies which will boost the confidence of buyers and at the same time lower the mortgage interest. We do see the number of transactions rises significantly after Chinese New Year in 2023, but we are not sure how long that will continue. At the very least somehow everybody now realizes, that property development business is a significant portion of national economic activities (circa 10%) and is here to stay, the overall objective of the Government is to guide that into a virtuous cycle, not a vicious one.
 - 1.3) Just looking at the first two months of 2023 of Mainland China's economic figures. They rebound quite strongly, ending up in most economists predicting Mainland China's economic growth in 2023 will certainly exceed 5%, some even say can reach 6%! This is certainly good for Mainland China, including property business.
 - 1.4) It appears obvious now the Government's top priority is to restore the economy. Just in the first two months of 2023, we did see a lot of trade commissions led by mayors of various cities, visiting Hong Kong (plus other countries), inviting business partners to invest in Mainland China.
 - 1.5) Contrary to what the USA is doing, instead of following the USA in raising the interest rate, actually a lot of banks in Mainland China lower their lending rate, in particular the mortgage rates.
- 2) Of course, not everything is rosy, we can foresee the problems around us in the coming years:
 - 2.1) The Sino-US conflict/sanctions etc. and the hostile atmosphere will be with us at least for the coming four or five years. We see no sign of such disappearing or even softening. No one knows how this conflict will end but for sure it would not be in next year or two.
 - 2.2) The Russia-Ukraine war has been fought for over one year, and again we see no sign at this moment of a peace treaty. This impacts on energy, food, and trade all over the world. Again we have no idea of when this saga will end.
 - 2.3) With the likely low economic growth in 2023, the USA is expected to be just increased by 0.6%; Britain is no better, may even fall into recession; the "Western" countries will be at their low single digit figures, hence we recently see quite an obvious drop in international trade volume, and the impact might be felt by all sooner or later. So to say that we are in full recovery is probably an overstatement.
 - 2.4) Though the Central Government pushes out a lot of policies with an aim to help the property industry, unfortunately, most of the benefits, at least for now, goes to SOEs, only extremely few private entities really feel any significant relief. Recently (after Chinese New Year in 2023) there is a surge of buyers surfaced, and second hand housing market is also gradually coming back. We have yet to observe the subsequent development, whether this is only a temporary phenomenon, or really a reverse of past few year's trend, only time will tell.
 - 2.5) Except for a very few private developers, the land auction market is still dominated by SOEs, as up to now, the avenue for private entities to obtain loan is still very limited.

Chairman's Statement (continued)

3) Under these circumstances – Road King's overall directions will be:

3.1) The US dollar-based bond is not likely to resume in the 2023 or even 2024, even if Road King can issue bond, this will come with a high cost. So if possible, we will try our best to look for fund sources in Mainland China.

The added benefit in doing so is the interest cost thus incurred can be recognised as a cost at the project level in Mainland China.

3.2) One of the dilemmas we are facing is, we do keep more than adequate cash in the bank in order to ensure we can pay our debts when matured. Certainly, this is a very unhealthy way in conducting business, as all our working capital comes with a cost, and the more it sits idle, the lower our overall ROE will be. In the shorter term, we have no option but to sell more of our stock and be ultra-discipline in our purchase of new land. We are just hoping the market sentiment really turns better so we can gradually resume our intake of new parcels of land.

3.3) No matter what we do, all players in property business are starting to downsize (with extremely rare exception of some SOEs), reasons being

- i) The market size of property in 2021 was RMB18 plus trillion, but in 2022 it reduced to RMB13 plus trillion, most likely 2023 might even be less, (my guess is RMB10 trillion to RMB12 trillion), and what's more, looks like a sustainable figure in long term. So the market is shrinking.
- ii) Through the restriction of 'the three red lines', almost all developers are forced to reduce their scale so as to meet that criteria.

So Road King has no choice but to focus on cities that still have good potential (basically those top tier cities) instead of spreading to wherever we can buy land.

As I said several times before, our industry is becoming like manufacturing. We compete on our design, quality, speed, product and service and we must compete in places where we do feel Road King has an edge, and find more innovative ways to excel and compete with our competitors.

4) Way forward for Road King in the next few years

Allow me to present my expectation of the route the Group is going forward:

Our toll road business (in particular in Indonesia) is doing very well, and I expect the profit from Indonesia will sooner or later overtake that of our five toll roads in Mainland China (some will expire shortly). We announced this year we had added another toll road (SB Expressway) to our portfolios, and we shall keep on searching for good opportunity to increase the number of roads in Indonesia, of course provided our funding/working capital allows.

Chairman's Statement (continued)

In property development business, since we had purchased very few new parcels of land in 2021 as well as 2022, it is inevitable that our turnover in 2023 and 2024 will shrink somewhat. Given the dropped price of properties we sold, the result certainly is not going to be pretty. I personally believe may be only around mid-2024 things may return to more normal, and also with some players exit from the market, maybe by that time we can start diligently working our way back to where we were in 2021/2022, the growth speed by then depends on how well we do on our projects. More profit made will strengthen our balance sheet and provide more equity (and more borrowings) to increase in scale organically.

Before the market turns to normal, we may explore the opportunities in project management for other entities, as there are groups who need our expertise in all the development aspects, ending up in a win-win scenario. Surely, it is a temporary measure, unless we find it very successful then we may drill deeper.

Things are changing very fast nowadays, who would have expected that all of a sudden, the COVID-19 measures are lifted and who believes the transactions of property market in Mainland China in February 2023 rose by approximately 50% comparing with January and who knows how long this will continue. There are simply too many questions without an answer. So the best we can do is to stay alert. On the one hand, we have to prepare for the worst, yet at the same time we must also be ready to act quickly when things turn for the better.

After almost 20 years operating in Mainland China property market, I sincerely believe we now have an excellent team, and can compete with any other enterprises given a fair competition. Accordingly, although I myself am a bit rather pessimistic of our Mainland China property business in the next one to two years, but actually quite optimistic on our long term prospect.

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 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 2023 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 cash position and the fact we are losing money this year, for the first time in Road King's history, the Board decided not to distribute any dividend. I do hope it won't be too long before we can resume our practice of distributing dividends year after year.

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, 21 March 2023

Chief Executive Officer's Report



Fong Shiu Leung, Keter
Chief Executive Officer

Dear Shareholders,

RESULTS FOR 2022

For the year ended 31 December 2022, property sales and toll revenue of the expressway projects of the Group (including joint venture and associate projects) were RMB42,023 million and RMB3,716 million respectively, totaling RMB45,739 million.

In 2022, the Renminbi depreciated significantly against the US dollar and the Group therefore recorded net exchange loss of HK\$1,335 million, which had a significant impact on the results for the year. The Group's profit after tax for the year was HK\$459 million and loss attributable to Shareholders was HK\$495 million. The Group's bank balances and cash were HK\$8,262 million and net assets per share was HK\$27.02.

BUSINESS OVERVIEW

Property Business

In 2022, confidence crisis was emerged in the real estate market of Mainland China following the ongoing collapse of certain vulnerable enterprises in the sector. Coupled with the repeated Pandemic, the downward trend of the market intensified. 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 boost the sales volume and recover cash. Recovery was hindered due to suspension of loan supply and hence standstill in construction work across multiple regions in the middle of the year, which further dampened confidence of home buyers. As a pillar industry in Mainland China, stability of the real estate sector plays a significant role in the social and economic development. To respond, Central Government and the authorities were on the move to send out positive signals by introducing series of reliefs that aimed to "guarantee property delivery, people's living and stability". The Central Government also implemented flexible policies based on the city's circumstances. Policies relating to restrictions on home purchase and credit policy have been further relaxed from the second half of the year, so financing environment for real estate enterprises had been eased. However, property buyers' confidence in the economy and the property market were yet to recover in the short term, and wait-and-see sentiment remained strong.

Despite the complex and volatile market environment, the Group's operation team made concerted efforts, kept abreast of the market trend and seized the window, achieving total property sales (including joint venture and associate projects) of RMB41,710 million in Mainland China in 2022. The property sales comprised contracted sales of RMB40,254 million and outstanding subscribed sales of RMB1,456 million, representing an increase of approximately 5% as compared to 2021. The Yangtze River Delta Region and Bohai Rim Region are the major sales regions with an average selling price of RMB24,000 per sqm.

In 2022, a series of lands were put to market in Mainland China as part of its centralized land supply strategy. However, dragged by a downturn in the real estate market and the tight liquidity of enterprises, the land market continued to be sluggish. Real estate enterprises remained cautious in land acquisition, and the transaction volume shrank. State-owned enterprises were the major participants in land acquisition. To reserve cash for loan repayment purposes in 2023, the Group had been less active in large-scale land auctions during the year. The Group essentially acquired only two parcels of residential land in Mainland China throughout the year with a total gross floor area of approximately 140,000 sqm, in which the Group accounts for 11.25% and 49% equity interest, respectively. As of 31 December 2022, the Group had a total land reserve of approximately 4,690,000 sqm, of which 1,160,000 sqm were pre-sold but yet to be delivered.

The Hong Kong projects are operating smoothly. In 2021, property sales in Hong Kong surged to HK\$15,568 million as a result of overwhelming responses to the Southland in Wong Chuk Hang. In 2022, the Group recorded a property sales of approximately HK\$358 million in Hong Kong, a significant decrease as compared to the previous year, due to the lack of new projects for pre-sale and also the Pandemic. Southland obtained handover consent in December 2022 and delivered the sold units gradually. Crescent Green in Yuen Long continued to sell its remaining car parks. Construction work of the superstructure of So Kwun Wat Project in Tuen Mun was underway. Owing to the Pandemic and the delay in the obtaining of governmental approval, the project is expected to obtain pre-sale consent and launch sales in the mid-2023.

In 2022, the Group's total property delivery in Mainland China and Hong Kong (including joint venture and associate projects) amounted to approximately RMB34,196 million, with a total delivered area of approximately 1,670,000 sqm, achieving a delivery rate of 100% as agreed in the sales contracts, where the Yangtze River Delta Region (which accounted for approximately 62% of the total delivery) was the major contributor. The Group's gross profit margin for the year was approximately 17%.

Chief Executive Officer's Report (continued)

Toll Road Business

In 2022, economic growth in Mainland China was slow. In the first half of the year, travel restrictions both on vehicles and individuals due to regional poor weather and the adoption of stasis control measures to cope with the Pandemic across various regions, and the government's policy to reduce toll for cargo vehicles by 10% in the fourth quarter, all had a negative impact on the expressway business in Mainland China. Toll revenue in 2022 decreased by 12% to RMB2,782 million compared to the previous year, while average daily traffic volume decreased by 17% to 227,300 vehicles compared to the previous year.

Indonesian expressway business was another story. The Group had completed the acquisition of 39.77% equity interest in the SB Expressway in Central Java Province, Indonesia at a consideration of approximately HK\$1,968 million in December 2022, further expanding its overseas toll road portfolio. In 2022, due to the further relaxation of traffic control measures by the Indonesian government in response to the retreat of the Pandemic, coupled with strong economic growth momentum and the successful increment in toll rates of the expressway projects in Indonesia in mid-2021, traffic volume and toll revenue for the year both experienced significant growth. Toll revenue increased by 49% to RMB934 million compared to 2021. Average daily traffic volume increased to 91,800 vehicles (excluding the newly acquired SB Expressway, average daily traffic volume increased by 25% to 59,000 vehicles compared to 2021).

In 2022, overall average daily traffic volume and toll revenue of the Group's expressway projects in Mainland China and Indonesia reached 319,100 vehicles and RMB3,716 million, respectively, representing a decrease of 1% and 2% compared to the previous year. Due to the surge in toll revenue of the expressways in Indonesia and the decrease in interest costs and operating expenses which offset by the decrease in the toll revenue of the expressways in Mainland China, profit of the Toll Road Segment increased to HK\$627 million. In the same year, the Group's cash distributions received from expressway joint ventures increased to HK\$636 million.

Capital and Financing

In 2022, the strict Pandemic control measures implemented in Mainland China has exerted greater downward pressure on the economy, home buyers were less likely to make a purchase, the decrease in sale proceeds has put real estate enterprises under cash flow pressure. Furthermore, as the peak time for loan repayment has come, we saw ongoing collapse of private real estate enterprises, the financing market of onshore and offshore real estate industries remained sluggish. Investors became prudent and adopted a wait-and-see attitude. In order to stabilise the development of the real estate industry, Mainland China has stepped up its efforts to ease the difficulties in financing faced by enterprises since the second half of the year. The official release of policies such as "guarantee property delivery" and "16 financial points" has eased the restriction on financing for real estate enterprises. However, as such relief measures are targeted at real estate enterprises facing short-term liquidity risk and market confidence have not yet recovered in such a short time, most other real estate enterprises are still encountering sales pressure and financing difficulties.

In line with its prudent financial management policy, the Group actively strengthened its cash flow and debt management. In the second half of 2022, the Group repaid the domestic corporate bond at its maturity and repurchased part of the offshore US dollar bonds, and repaid a total of HK\$10,114 million equivalent of loans throughout the year. At the beginning of 2023, the Group further repaid an offshore bond at its maturity with an outstanding principal amount of US\$343 million, which has greatly reduced the Group's short-term debt repayment pressure.

WORK PLAN FOR 2023

In the long run, the Chinese government continues to implement the policy of “house is for living, not for speculating”, actively promote city-specific policies, support reasonable housing demand, and place more efforts on “guarantee property delivery” to promote the long-term stable and healthy development of the real estate market. Looking forward to 2023, it is expected that the real estate market in Mainland China will bottom out in the short term, and sales will stabilise and rebound at the end of the year, and market performance among various cities might deviate significantly. Since the second half of 2022, financial regulatory policies have been relaxed, onshore and offshore financing markets have shown signs of recovery in early 2023, but the sentiment remains to be monitored. Taking into account the overall cash flow requirements and market uncertainties, the Group will remain prudent in land acquisition in the short term. At present, the international environment is still full of uncertainties, there are still headwinds for Mainland China's economic recovery in the short term. However, with the easing of Pandemic prevention measures in Mainland China and Hong Kong, the real estate industry, as a pillar industry in Mainland China, still plays an important role in supporting economic growth. The Group stays cautiously optimistic in regards to the outlook of property business development.

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 began to accumulate overseas operating experience after expanding its expressway business in Indonesia in 2019. The Group has successfully acquired four expressways in Indonesia up to the present. In 2023, the Group will focus on promoting the increase in toll rates of the expressway projects in Indonesia, and actively follow the economic recovery policies rolled out in Mainland China. Meanwhile, the Group will continue to actively look for toll road projects with reasonable investment returns in Mainland China and the Asia-Pacific region to optimise the Group's toll road business.

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, 21 March 2023

Major Awards

ROAD KING INFRASTRUCTURE LIMITED

2022 Best 25 of China Real Estate Listed Companies with Comprehensive Strengths
 2022 Best 5 of China Real Estate Listed Companies of Risk Management

RK PROPERTIES HOLDINGS LIMITED

2022 TOP10 of China Foreign Real Estate Developers

RK PROPERTY SERVICE HOLDINGS LIMITED

2022 TOP100 Property Management Companies in China

PROPERTY BUSINESS

- Shanghai
 - 2021 TOP30 of Shanghai Real Estate Enterprises Project Sales Amount
 - 2021 TOP1 of The Ten Most Popular Elderly Care Projects in Shanghai
- Changzhou
 - 2021 Top10 of Foreign Investment Companies
 - 2021 Star Enterprise
 - Gold Diamond Award in 2020-2021 International Environmental Art Innovation Design Competition



PROPERTY BUSINESS (continued)

Suzhou	First Half of 2021 Jiangsu Standardized Construction Site Star Award
Beijing	2022 Gold Winner of Muse Design Awards 2022 Planning and Design of Architecture Example
Tianjin	2021 Tianjin Construction Works “Haihe Cup”
Guangzhou	2021 Regional Best Popular Selling Residential Project

TOLL ROAD BUSINESS

Baojin Expressway	Utility Model Patent Certificate – A Highway Barrier Garbage Truck
Tangjin Expressway	Mounting Base Convenient for Dismounting Post Cap Delineator and Utility Model Of Post Cap Delineator Structure
Changyi Expressway	2021 Advanced Unit for Development in Industry 2021 TOP100 Enterprises in Service Industry by Revenue
Longcheng Expressway	2021 Advanced Team
SN Expressway	5th Place Sustainable Service & Rest Area
NKK Expressway	“Operation Battle” Award Transparency Award



Management Discussion and Analysis

PROPERTY PROJECTS

- Yangtze River Delta Region
- Bohai Rim Region
- Greater Bay Area
- Other Regions

BOHAI RIM REGION

Beijing 24-26, 49

Langfang 30

Tianjin 27-29

Jinan 31-33

Hebei Province Shandong Province

YANGTZE RIVER DELTA REGION

Jiangsu Province

Nanjing 6-9

Zhenjiang 5

Changzhou 10-13, 46

Wuxi 14-16, 47

Suzhou 17-22, 48

Shanghai 1-4, 51

Zhejiang Province

Ningbo 23

GREATER BAY AREA

Guangdong Province

Guangzhou 34-35

Foshan 36-37

Hong Kong 38-40

Luoyang 45

Zhengzhou 41-44, 50

Henan Province

Management Discussion and Analysis (continued)

LAND RESERVE

As at 31 December 2022

Region	Floor Area*	
	sqm	Proportion
Shanghai	391,000	8%
Jiangsu Province	1,822,000	39%
Zhejiang Province	70,000	2%
Yangtze River Delta Region	2,283,000	49%
Beijing	240,000	5%
Tianjin	302,000	6%
Hebei Province	210,000	5%
Shandong Province	193,000	4%
Bohai Rim Region	945,000	20%
Guangdong Province	246,000	5%
Hong Kong	88,000	2%
Greater Bay Area	334,000	7%
Henan Province	1,128,000	24%
Other Regions	1,128,000	24%
Total	4,690,000	100%
Of which:		
Properties for sale	4,314,000	92%
Investment properties	376,000	8%

* Including joint venture and associate projects

Management Discussion and Analysis (continued)

MAJOR PROJECTS INFORMATION

PROPERTIES FOR SALE

As at 31 December 2022

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								
Simple Life								
	Floor Area (sqm)	20,000	Nature	Residential	Stage of Completion (note)	C	Land Area (sqm)	78,000
	Approximate attributable interest	49%	Target completion	Completed	Location	East to Yuyan Road, South to Jinjuan Road, West to Shizhu Road, North to Xueyan Road, Chongming District, Shanghai, the PRC		
4								
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	2023	Location	East to Jingnanhe Road, South to Huqingping Road, West to Block 48-03, North to Huixu Road, Qingpu District, Shanghai, the PRC		
5								
RK City (Zhenjiang)								
	Floor Area (sqm)	77,000	Nature	Residential	Stage of Completion (note)	S/C	Land Area (sqm)	257,000
	Approximate attributable interest	100%	Target completion	2023	Location	South of Yihou Road and West of Yandun Shan Road, Dagang Town, Zhenjiang, Jiangsu Province, the PRC		

Management Discussion and Analysis (continued)

MAJOR PROJECTS INFORMATION

PROPERTIES FOR SALE

As at 31 December 2022

Yangtze River Delta Region

6 Breeze Mansion								
	Floor Area (sqm)	119,000	Nature	Residential	Stage of Completion (note)	S/C	Land Area (sqm)	83,000
	Approximate attributable interest	40%	Target completion	2023	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		
7 Hill Mansion II								
	Floor Area (sqm)	23,000	Nature	Residential	Stage of Completion (note)	C	Land Area (sqm)	26,000
	Approximate attributable interest	36%	Target completion	Completed	Location	East to Happy Avenue, South to Guihua Cement Factory Road, West to Guihua Guanjiang Road, North to Guihua Jiangnan Road, Qixia District, Nanjing, Jiangsu Province, the PRC		
8 Dazzling Jiangnan								
	Floor Area (sqm)	76,000	Nature	Residential	Stage of Completion (note)	S	Land Area (sqm)	29,000
	Approximate attributable interest	49%	Target completion	2023	Location	North of Xikou South Road, South of Jixiang Road, Yuhuatai Economic Development Zone, Nanjing, Jiangsu Province, the PRC		
9 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		

Management Discussion and Analysis (continued)

MAJOR PROJECTS INFORMATION

PROPERTIES FOR SALE

As at 31 December 2022

Yangtze River Delta Region

10	Bamboo Grove One							
	Floor Area (sqm)	80,000	Nature	Residential	Stage of Completion (note)	S/C	Land Area (sqm)	52,000
	Approximate attributable interest	51%	Target completion	2023	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		
11	West Side Time							
	Floor Area (sqm)	88,000	Nature	Residential	Stage of Completion (note)	S	Land Area (sqm)	50,000
	Approximate attributable interest	51%	Target completion	2023	Location	South of Juxiang Road, West of Luyang Road, Wujin District, Changzhou, Jiangsu Province, the PRC		
12	Jade Residence							
	Floor Area (sqm)	112,000	Nature	Residential	Stage of Completion (note)	F/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		
13	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	2025	Location	East to Nanfeng River, South to Yunhe Road, West to Xinqing Road, North to Wutang Road, Zhonglou District, Changzhou, Jiangsu Province, the PRC		
14	Cloud Top Life							
	Floor Area (sqm)	43,000	Nature	Residential	Stage of Completion (note)	C	Land Area (sqm)	53,000
	Approximate attributable interest	20%	Target completion	Completed	Location	Southwest of the intersection of Shangwei Road and Jingying Road, Qianqiao Street, Huishan District, Wuxi, Jiangsu Province, the PRC		

Management Discussion and Analysis (continued)

MAJOR PROJECTS INFORMATION

PROPERTIES FOR SALE

As at 31 December 2022

Yangtze River Delta Region

15	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		
16	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	2023	Location	Northwest of the intersection of Guqu Road and Gonghu Avenue, Economic Development Zone, Wuxi, Jiangsu Province, the PRC		
17	RK Phoenix City							
	Floor Area (sqm)	81,000	Nature	Residential	Stage of Completion (note)	S/C	Land Area (sqm)	843,000
	Approximate attributable interest	100%	Target completion	2023	Location	Junction of Zhongxin Da Road East and Xieyu Road South, Suzhou Industrial Park, Suzhou, Jiangsu Province, the PRC		
18	Wonderful Times							
	Floor Area (sqm)	27,000	Nature	Residential	Stage of Completion (note)	C	Land Area (sqm)	36,000
	Approximate attributable interest	49%	Target completion	Completed	Location	South of Sufu Road, East of Suxu Bay, Zhonghai, Mudu Town, Wuzhong District, Suzhou, Jiangsu Province, the PRC		
19	RK Jade Shores							
	Floor Area (sqm)	62,000	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 2022

Yangtze River Delta Region

20	Beautiful Bay Times							
	Floor Area (sqm)	51,000	Nature	Residential	Stage of Completion (note)	C	Land Area (sqm)	48,000
	Approximate attributable interest	30%	Target completion	Completed	Location	South of Sunwu Road, East of Xiangshan North Road, Taihu National Tourism Resort Zone, Wuzhong District, Suzhou, Jiangsu Province, the PRC		
21	Glamorous Garden							
	Floor Area (sqm)	97,000	Nature	Residential	Stage of Completion (note)	S	Land Area (sqm)	50,000
	Approximate attributable interest	35%	Target completion	2023	Location	East of Xiangshan North Road, North of Houtang Road, Taihu National Tourism Resort Zone, Wuzhong District, Suzhou, Jiangsu Province, the PRC		
22	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		
23	RK XinTianDi (Ningbo)							
	Floor Area (sqm)	20,000	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		

Management Discussion and Analysis (continued)

MAJOR PROJECTS INFORMATION

PROPERTIES FOR SALE

As at 31 December 2022

Bohai Rim Region

24	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		
25	RK Noble Mansion							
	Floor Area (sqm)	81,000	Nature	Residential	Stage of Completion (note)	S/C	Land Area (sqm)	99,000
	Approximate attributable interest	51%	Target completion	2023	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		
26	Park Mansion							
	Floor Area (sqm)	71,000	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		
27	RK Sunny Town							
	Floor Area (sqm)	150,000	Nature	Residential	Stage of Completion (note)	P/S/C	Land Area (sqm)	811,000
	Approximate attributable interest	94.74%	Target completion	2025	Location	Junction of Lushan Road and Helan Road, Hedong District, Tianjin, the PRC		
28	RK Junlan Bay							
	Floor Area (sqm)	47,000	Nature	Residential	Stage of Completion (note)	C	Land Area (sqm)	125,000
	Approximate attributable interest	100%	Target completion	Completed	Location	Junction of Chenyong Road and Zhixin Road, Beicang Town, Beichen District, Tianjin, the PRC		


Management Discussion and Analysis (continued)


MAJOR PROJECTS INFORMATION


PROPERTIES FOR SALE


As at 31 December 2022


Bohai Rim Region

29	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		

30	Park Up Town							
	Floor Area (sqm)	210,000	Nature	Residential	Stage of Completion (note)	F/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		

31	RK Center							
	Floor Area (sqm)	59,000	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		

32	Joy Mansion of Glory							
	Floor Area (sqm)	91,000	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, Shandong Province, the PRC		

33	Jin Mao Noble Manor							
	Floor Area (sqm)	43,000	Nature	Residential	Stage of Completion (note)	C	Land Area (sqm)	81,000
	Approximate attributable interest	50%	Target completion	Completed	Location	North of Feiyue Avenue, East of Hancang River, South of Hancang Avenue, Licheng District, Jinan, Shandong Province, the PRC		

Management Discussion and Analysis (continued)

MAJOR PROJECTS INFORMATION

PROPERTIES FOR SALE

As at 31 December 2022

Greater Bay Area

34	Phoenix Residence							
	Floor Area (sqm)	90,000	Nature	Residential	Stage of Completion (note)	S/C	Land Area (sqm)	58,000
	Approximate attributable interest	30%	Target completion	2023	Location	East of Phoenix South Road, South of Huadu Lake, Huadu District, Guangzhou, Guangdong Province, the PRC		
35	RK Rising Star							
	Floor Area (sqm)	61,000	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		
36	Elite's Mansion							
	Floor Area (sqm)	51,000	Nature	Residential	Stage of Completion (note)	C	Land Area (sqm)	40,000
	Approximate attributable interest	49%	Target completion	Completed	Location	North of Ronggui Rongqi Avenue East, West of Xianghe Guojiang Tunnel, Shunde District, Foshan, Guangdong Province, the PRC		
37	RK Rivage Panorama							
	Floor Area (sqm)	44,000	Nature	Residential	Stage of Completion (note)	C	Land Area (sqm)	22,000
	Approximate attributable interest	100%	Target completion	Completed	Location	No. 27 of Rongqi Avenue East, Ronggui Rongli Neighborhood Committee, Shunde District, Foshan, Guangdong Province, the PRC		
38	Crescent Green							
	Floor Area (sqm)	4,000	Nature	Residential	Stage of Completion (note)	C	Land Area (sqm)	28,000
	Approximate attributable interest	100%	Target completion	Completed	Location	Lot No. 1066 in Demarcation District No. 103, Au Tau, Yuen Long, New Territories, Hong Kong		


Management Discussion and Analysis (continued)


MAJOR PROJECTS INFORMATION

PROPERTIES FOR SALE


As at 31 December 2022


Greater Bay Area

39	Southland							
	Floor Area (sqm)	44,000	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		

40	So Kwun Wat Project							
	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		

Other Regions

41	RK International City (Zhengzhou)							
	Floor Area (sqm)	75,000	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		

42	RK Ninth County							
	Floor Area (sqm)	601,000	Nature	Residential and commercial	Stage of Completion (note)	P/S/C	Land Area (sqm)	314,000
	Approximate attributable interest	60%	Target completion	2027	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		



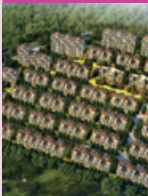
Management Discussion and Analysis (continued)

MAJOR PROJECTS INFORMATION

PROPERTIES FOR SALE

As at 31 December 2022

Other Regions

43	Joyful Park							
	Floor Area (sqm)	82,000	Nature	Residential	Stage of Completion (note)	S	Land Area (sqm)	24,000
	Approximate attributable interest	100%	Target completion	2023	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		
44	RK Slow City (Central China)							
	Floor Area (sqm)	246,000	Nature	Residential	Stage of Completion (note)	P/S	Land Area (sqm)	249,000
	Approximate attributable interest	100%	Target completion	2025	Location	North side of Xinmi West Railway Station, North side of Dabei Ring Planning Road, Micun Town, Xinmi City, Zhengzhou, Henan Province, the PRC		
45	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	2025	Location	Southwest of the junction of Yanhuang Road and Tianzhong Road, Gaoxin District, Luoyang, Henan Province, the PRC		


Management Discussion and Analysis (continued)


MAJOR PROJECTS INFORMATION


INVESTMENT PROPERTIES


As at 31 December 2022


Yangtze River Delta Region

46	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		

17	RK Phoenix City							
	Floor Area (sqm)	23,000	Nature	Commercial	Stage of Completion (note)	C	Land Area (sqm)	17,000
	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		

47	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		

48	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		

23	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		

Management Discussion and Analysis (continued)


MAJOR PROJECTS INFORMATION

INVESTMENT PROPERTIES


As at 31 December 2022

Bohai Rim Region

49	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		

27	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		

Other Regions

50	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		

NEW PROJECT ACQUIRED IN THE SECOND HALF OF 2022

PROPERTIES FOR SALE

Yangtze River Delta Region

51	Atop The Cloud							
	Floor Area (sqm)	65,000	Nature	Residential	Stage of Completion (note)	P	Land Area (sqm)	30,000
	Approximate attributable interest	11.25%	Target completion	2024	Location	East to Hongshi Road, South to Huiyi Road, West to Liuju Road, North to Zhudi Road, Jiading District, Shanghai, the PRC		



Notes:

"P" denotes "Planning and design"
"S" denotes "Superstructure"

"F" denotes "Foundation"
"C" denotes "Completed"

Management Discussion and Analysis (continued)

TOLL ROAD PROJECTS

-  Mainland China
-  Indonesia



Management Discussion and Analysis (continued)

MAJOR PROJECTS INFORMATION

TOLL ROAD PROJECTS

As at 31 December 2022

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	Tangjin Expressway					
	Location	Hebei Province	Length	58km	Equity interest (note)	45%
	Route	National Expressway G25 Tangshan-Tianjin ~ 4/6-lane		Ontex Investments Limited Road Base Investments Limited Road Bond Investments Limited		
3	Changyi Expressway					
	Location	Hunan Province	Length	63km	Equity interest (note)	43.17%
	Route	National Expressway G5513 Changsha-Yiyang ~ 4-lane		Road Crown Investments Limited Road Express Investments Limited Road Famous Investments Limited Road Glorious Investments Limited Road Grand Investments Limited Road Link Investments Limited		
4	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		
5	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		

Management Discussion and Analysis (continued)

MAJOR PROJECTS INFORMATION

TOLL ROAD PROJECTS

As at 31 December 2022

Indonesia

6 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		
7 NKK Expressway						
	Location	East Java province	Length	107km	Equity interest (note)	40%
	Route	Trans Java Expressway Ngawi Kertosono Kediri ~ 4-lane		Kings Key Limited		
8 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		
9 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 2022, the toll road projects are indirectly held by Road King Expressway International Holdings Limited, which is 75% (2021: 75%) held by the Group.

Management Discussion and Analysis (continued)

BUSINESS REVIEW

For the year ended 31 December 2022, property sales and toll revenue of the expressway projects of the Group (including joint venture and associate projects) were RMB42,023 million and RMB3,716 million respectively, totaling RMB45,739 million. The Group's profit after tax for the year was HK\$459 million and loss attributable to Shareholders was HK\$495 million. The Group's bank balances and cash were HK\$8,262 million and net assets per share were HK\$27.02.

As of 31 December 2022, the Group had a total land reserve of approximately 4,690,000 sqm, of which the total area pre-sold but yet to be delivered was 1,160,000 sqm.

BUSINESS SEGMENTS ANALYSIS

(i) PROPERTY SEGMENT

In 2022, confident crisis was emerged in the real estate market of Mainland China following the ongoing collapse of certain vulnerable enterprises in the sector, coupled with the impact of the repeated Pandemic and the standstill in construction work of forward delivery housing projects in many places, which led to a significant drop in the sales scale and investment scale of commodity housing and posed serious challenges to the industry. Since this year, the Central Government, ministries and the authorities, and local governments have successively sent out positive signals by introducing a series of reliefs that aimed to "guarantee property delivery, people's living and stability" and implementing city-specific policies. Policies relating to restrictions on home purchase and real estate financing such as cuts in required reserve ratio and interest rate have been relaxed continuously, hence the financing environment for real estate enterprises has been eased. However, property buyers' confidence in the economy and the property market were yet to recover in the short term, and the wait-and-see sentiment remained strong.

Despite the complex and volatile market environment, the Group's operation team made concerted efforts, kept abreast of the market trend and seized the window, achieving total property sales of the Property Segment in Mainland China and Hong Kong in 2022 (including joint venture and associate projects) of RMB41,254 million, comprising the contracted sales of RMB39,986 million and outstanding subscribed sales of RMB1,268 million.

Management Discussion and Analysis (continued)

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 2022:

Regions (Notes)	Sales		Delivery	
	Amount RMB'million	Area sqm	Amount RMB'million	Area sqm
Yangtze River Delta Region	31,023	1,157,000	21,288	1,075,000
Bohai Rim Region	7,901	392,000	7,966	388,000
Greater Bay Area	2,236	109,000	4,324	138,000
Other regions	94	11,000	15	2,000
Total (2022)	41,254	1,669,000	33,593	1,603,000
Total (2021)	51,557	1,760,000	41,651	2,040,000

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 2022, the average selling price of properties in the Property Segment was RMB25,000 per sqm. Yangtze River Delta Region is the major sales region, accounting for approximately 75% of total sales. As at 31 December 2022, the total area of properties pre-sold but yet to be delivered was approximately 1,120,000 sqm.

Financial Review

Set out below is an analysis of the financial performance of the Group's Property Segment for 2022 and 2021:

	2022 HK\$'million	2021 HK\$'million
Revenue	17,073	24,569
Gross profit	2,937	5,379
Profit for the year	1,262	2,279

In 2022, the revenue of the Group's Property Segment was mainly derived from the delivery of properties in Yangtze River Delta Region (which accounted for approximately 63% of total revenue). The average selling price increased to approximately RMB21,000 per sqm. The gross profit margin for delivery was 17%, and the profit of the Property Segment was HK\$1,262 million.

Management Discussion and Analysis (continued)

Land Reserves

In 2022, the Group's Property Segment acquired two pieces of land for residential purpose through listing-for-sale and co-development respectively, with an aggregate floor area of approximately 140,000 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 sqm	Floor Area sqm	Total consideration RMB'million
Yangtze River Delta Region				
Shanghai	11.25%	30,000	65,000	1,592
Bohai Rim Region				
Beijing	49%	41,000	71,000	1,407

The Group's land reserves include properties under planning and construction, properties held for sale and properties held for investment. As at 31 December 2022, the Property Segment's land reserves were approximately 3,610,000 sqm which were mainly located in Yangtze River Delta Region, representing more than 59% of total land reserves.

Looking forward to 2023, the Chinese government continues to implement the policy of "house is for living, not for speculating", actively promote city-specific policies, fully implement the policy of "guarantee property delivery" and promote the restoration of the real estate market from the bottom. It is expected that the home purchase restrictions and first home purchase policies will be further relaxed, and the implementation of measures such as "guarantee property delivery" can improve market confidence to a certain extent. However, it still takes time for the market to fully recover. Since 2022, the relevant financial regulatory policies have been relaxed, and the financing environment for real estate enterprises will continue to improve. Onshore and offshore financing markets have shown signs of recovery in early 2023, but the sentiment remains to be monitored. Taking into account the overall cashflow requirements and market uncertainties in the coming year, the Group will remain prudent in land acquisition. With the easing of Pandemic prevention measures in Mainland China and Hong Kong, the real estate industry, as a pillar industry in Mainland China, still plays an important role in supporting economic growth, the Group stays cautiously optimistic in regards to the outlook of property business development in Mainland China.

In 2022, the area under construction of the Group was 5,490,000 sqm while the area of completed projects was 2,610,000 sqm. The area under construction and the area of completed projects in 2023 are expected to be 3,090,000 sqm and 1,800,000 sqm, respectively.

Management Discussion and Analysis (continued)

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 2022, sales of Simple Life was RMB1,280 million, with an average selling price of approximately RMB32,000 per sqm. In 2022, the value and area of properties delivered were RMB1,536 million and 54,000 sqm, respectively. It is expected that a total area of 20,000 sqm will be delivered in 2023, of which 9,000 sqm had already been pre-sold as at 31 December 2022.

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.

In 2022, sales of Bright Mansion was RMB10,376 million, with an average selling price of approximately RMB60,000 per sqm. It is expected that a total area of 174,000 sqm will be delivered in 2023, of which 173,000 sqm had already been pre-sold as at 31 December 2022.

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 2022, sales of Breeze Mansion was RMB511 million, with an average selling price of approximately RMB21,000 per sqm. In 2022, the value and area of properties delivered were RMB1,175 million and 58,000 sqm, respectively. It is expected that a total area of 32,000 sqm will be delivered in 2023, of which 14,000 sqm had already been pre-sold as at 31 December 2022.

Management Discussion and Analysis (continued)



Hill Mansion I, Nanjing

Hill Mansion I is located in Qixia District, Nanjing and close to Shanyu Mansion. The plot is adjacent to Qixia Mountain Scenic Area, and the surrounding large amusement park of Happy Valley has opened. Qixia Mountain International Cruise Terminal is under construction. With quality educational facilities, it belongs to the cultural tourism industry area that the government has focused on development and is fit for developing into a high-quality low-density residential area. The project has a site area of 32,000 sqm and a floor area of 49,000 sqm.

In 2022, sales of Hill Mansion I was RMB378 million, with an average selling price of approximately RMB21,000 per sqm for residential building. In 2022, the value and area of properties delivered were RMB1,093 million and 46,000 sqm, respectively. It is expected that a total area of 4,000 sqm will be delivered in 2023, of which 3,000 sqm had already been pre-sold as at 31 December 2022.



Hill Mansion II, Nanjing

Hill Mansion II is located on the west side of Gongnong Road and the north side of Guihua Cement Road in Qixia District, Nanjing and close to Shanyu Mansion and Hill Mansion I. The plot is adjacent to Qixia Mountain Scenic Area, and the surrounding large amusement park of Happy Valley has opened. Qixia Mountain International Cruise Terminal is under construction. With quality educational facilities, it belongs to the cultural tourism industry area that the government has focused on development and is fit for developing into a high-quality low-density residential area. The project has a site area of 26,000 sqm and a floor area of 46,000 sqm.

In 2022, sales of Hill Mansion II was RMB253 million, with an average selling price of approximately RMB24,000 per sqm. In 2022, the value and area of properties delivered were RMB539 million and 22,000 sqm, respectively. It is expected that a total area of 20,000 sqm will be delivered in 2023, of which 4,000 sqm had already been pre-sold as at 31 December 2022.



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 2022, sales of Dazzling Jiangnan was RMB1,174 million, with an average selling price of approximately RMB37,000 per sqm. It is expected that a total area of 51,000 sqm will be delivered in 2023, of which 42,000 sqm had already been pre-sold as at 31 December 2022.

Management Discussion and Analysis (continued)



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 2022, sales of Cloud-Clad Mount was RMB2,445 million, with an average selling price of approximately RMB37,000 per sqm. The project is expected to be delivered in the first half of 2024.



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 2022, sales of Jinmao Palace was RMB1,198 million, with an average selling price of approximately RMB27,000 per sqm for residential building. In 2022, the value and area of properties delivered were RMB2,519 million and 94,000 sqm, respectively. It is expected that a total area of 44,000 sqm will be delivered in 2023, of which 12,000 sqm had already been pre-sold as at 31 December 2022.



RK City Boyue, Changzhou

RK City Boyue is located at the west of Wuyi North Road and the north of Juhu East Road, Hutang Town, Wujin District, Changzhou and at the prime location of Wujin main city area. Equipped with comprehensive public transport facilities and surrounded by two commercial circles with established healthcare and educational resources nearby and is fit for developing into a high-quality low-density residential area. The project has a site area of 40,000 sqm and a floor area of 62,000 sqm.

In 2022, sales of RK City Boyue was RMB449 million, with an average selling price of approximately RMB26,000 per sqm for residential building. In 2022, the value and area of properties delivered were RMB1,458 million and 63,000 sqm, respectively. It is expected that a total area of 8,000 sqm will be delivered in 2023, of which 2,000 sqm had already been pre-sold as at 31 December 2022.

Management Discussion and Analysis (continued)



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 2022, sales of Bamboo Grove One was RMB541 million, with an average selling price of approximately RMB24,000 per sqm for residential building. In 2022, the value and area of properties delivered were RMB794 million and 38,000 sqm, respectively. It is expected that a total area of 41,000 sqm will be delivered in 2023, of which 19,000 sqm had already been pre-sold as at 31 December 2022.

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 2022, sales of West Side Time was RMB377 million, with an average selling price of approximately RMB17,000 per sqm for residential building. It is expected that a total area of 50,000 sqm will be delivered in 2023, of which 27,000 sqm had already been pre-sold as at 31 December 2022.

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 2022, sales of Jade Residence was RMB388 million, with an average selling price of approximately RMB22,000 per sqm for residential building. The project is expected to be delivered in the first half of 2024.

Management Discussion and Analysis (continued)



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. 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 2022, sales of RK Phoenix City was mainly from i-Zone, which recorded sales of RMB474 million, with an average selling price of approximately RMB34,000 per sqm. It is expected that a total area of 24,000 sqm will be delivered in 2023, of which 21,000 sqm had already been pre-sold as at 31 December 2022.

The Legendary One, Suzhou



The Legendary One is located in Chengtie New Town, Suzhou New District, adjacent to the New District Railway Station, Metro Line 3, and large commercial centres such as IKEA and AEON. The project is fit for developing into high-quality residential apartments with convenient access and comprehensive facilities. The project has a site area of 95,000 sqm and a floor area of 188,000 sqm.

In 2022, sales of The Legendary One was RMB788 million, with an average selling price of approximately RMB26,000 per sqm. In 2022, the value and area of properties delivered were RMB801 million and 33,000 sqm, respectively. It is expected that a total area of 8,000 sqm will be delivered in 2023, of which 2,000 sqm had already been pre-sold as at 31 December 2022.

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 2022, sales of Wonderful Times was RMB571 million, with an average selling price of approximately RMB23,000 per sqm. In 2022, the value and area of properties delivered were RMB1,095 million and 48,000 sqm, respectively. It is expected that a total area of 27,000 sqm will be delivered in 2023, of which 3,000 sqm had already been pre-sold as at 31 December 2022.

Management Discussion and Analysis (continued)

璞玉澜岸 花园

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 2022, sales of RK Jade Shores was RMB785 million, with an average selling price of approximately RMB19,000 per sqm. In 2022, the value and area of properties delivered were RMB1,644 million and 93,000 sqm, respectively. It is expected that a total area of 41,000 sqm will be delivered in 2023, of which 3,000 sqm had already been pre-sold as at 31 December 2022.



SIPAC-ZONE 辉 | 映 | 时 | 代 花园

Sipac Zone, Suzhou

Sipac Zone is located on the south side of Jinsheng Road, the north side of Zhensheng Road and the west side of Xinjiang Road, Shengpu Street, Suzhou Industrial Park. Adjacent to the core Hudong sector of the park 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 58,000 sqm and a floor area of 119,000 sqm.

In 2022, sales of Sipac Zone was RMB738 million, with an average selling price of approximately RMB25,000 per sqm for residential building. In 2022, the value and area of properties delivered were RMB2,132 million and 80,000 sqm, respectively.

蔚然锦绣 花园

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 2022, sales of Beautiful Bay Times was RMB511 million, with an average selling price of approximately RMB17,000 per sqm. In 2022, the value and area of properties delivered were RMB706 million and 43,000 sqm, respectively. It is expected that a total area of 22,000 sqm will be delivered in 2023, of which 3,000 sqm had already been pre-sold as at 31 December 2022.

Management Discussion and Analysis (continued)



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 2022, sales of City Valley was RMB707 million, with an average selling price of approximately RMB32,000 per sqm. The project is expected to be delivered in the second half of 2024.



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 2022, sales of Cloud Top Life was RMB479 million, with an average selling price of approximately RMB18,000 per sqm. In 2022, the value and area of properties delivered were RMB866 million and 51,000 sqm, respectively. It is expected that a total area of 21,000 sqm will be delivered in 2023, of which 7,000 sqm had already been pre-sold as at 31 December 2022.



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 2022, sales of Poetic Villa was RMB3,248 million, with an average selling price of approximately RMB36,000 per sqm. It is expected that a total area of 96,000 sqm will be delivered in 2023, of which 91,000 sqm had already been pre-sold as at 31 December 2022.

Management Discussion and Analysis (continued)



RK City, Zhenjiang

RK City is located in the Dagang area of Zhenjiang High-tech Development Zone, which is an important manufacturing base in the Yangtze River Delta. Dagang is promoting the development and construction of the national-level Sino-Swiss Eco-Industrial Park. The project will be developed into an international community of Sino-Swiss Eco-Industrial Park. The project has a site area of 257,000 sqm and a floor area of 435,000 sqm.

In 2022, sales of RK City, Zhenjiang was RMB150 million. The value and area of properties delivered were RMB493 million and 73,000 sqm, respectively. It is expected that a total area of 66,000 sqm will be delivered in 2023, of which 24,000 sqm had already been pre-sold as at 31 December 2022.



Lan Ting Long Yue Hua Yuan, Kunshan

Lan Ting Long Yue Hua Yuan is in proximity of the government office in Lujia Town, Kunshan. People can reach Suzhou Industrial Park, the whole Kunshan City and Shanghai Metro Line 11 through Rail Transit Line S1 under construction. With established commercial, healthcare and educational facilities, excellent living atmosphere with a natural water area nearby, the land is fit for developing into a city improvement benchmark project. The project has a site area of 71,000 sqm and a floor area of 152,000 sqm.

In 2022, the value and area of properties delivered of Lan Ting Long Yue Hua Yuan were RMB1,364 million and 77,000 sqm, respectively. It is expected that a total area of 1,000 sqm will be delivered in 2023, which had already been pre-sold as at 31 December 2022.



RK Xihu Lake Yard, Hangzhou

RK Xihu Lake Yard is located in Longwu Town, Xihu District, Hangzhou and is close to Longwu Scenic Zone. Adjacent to Zhuantang Town in the south and Longjing Mountain and Qiangtang River in the east, the project enjoyed unique geographical advantages, fit for development of high-quality premium project. The project has a site area of 22,000 sqm and a floor area of 23,000 sqm.

In 2022, the value and area of properties delivered of RK Xihu Lake Yard were RMB806 million and 23,000 sqm, respectively. It is expected that a total area of 1,000 sqm will be delivered in 2023, which had already been pre-sold as at 31 December 2022.

Management Discussion and Analysis (continued)

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 2022, sales of RK Royal Yard was RMB1,026 million, with an average selling price of approximately RMB24,000 per sqm for residential building. In 2022, the value and area of properties delivered were RMB912 million and 42,000 sqm, respectively. It is expected that a total area of 29,000 sqm will be delivered in 2023, of which 10,000 sqm had already been pre-sold as at 31 December 2022.

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 2022, sales of RK Noble Mansion was RMB1,636 million, with an average selling price of approximately RMB37,000 per sqm for residential building. In 2022, the value and area of properties delivered were RMB2,728 million and 76,000 sqm, respectively. It is expected that a total area of 57,000 sqm will be delivered in 2023, of which 24,000 sqm had already been pre-sold as at 31 December 2022.

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 2022, sales of Park Mansion were RMB778 million, with an average selling price of approximately RMB37,000 per sqm for residential building. The project is expected to be delivered in the second half of 2024.

Management Discussion and Analysis (continued)

路劲·太阳城 SUNNY TOWN

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 2022, sales of RK Sunny Town was RMB1,235 million, with an average selling price of approximately RMB26,000 per sqm. In 2022, the value and area of properties delivered were RMB1,504 million and 62,000 sqm, respectively. It is expected that a total area of 80,000 sqm will be delivered in 2023, of which 13,000 sqm had already been pre-sold as at 31 December 2022.



RK Junlan Bay, Tianjin

RK Junlan Bay is located in Beicang Demonstration Town, Beichen District, Tianjin. The project is at the west of the North Canal scenery belt and the east of residential area and Hebei University of Technology, and it is planned to be developed as an eco-friendly residential community with comprehensive facilities. The project has a site area of 125,000 sqm and a floor area of 273,000 sqm.

In 2022, sales of RK Junlan Bay was RMB406 million, and the value and area of properties delivered were RMB210 million and 21,000 sqm, respectively. It is expected that a total area of 47,000 sqm will be delivered in 2023.



RK Grandtown, Langfang

RK Grandtown located in Dachang County, Langfang, lying to the east of Yanjiao and is adjacent to Tongzhou District, Beijing. The Group plans to develop it as a high-end residential community. The project has a site area of 495,000 sqm and a floor area of 723,000 sqm and is planned to comprise five phases of villas, semi-detached villas and high-rise residential buildings, coupled with 35,000 sqm for commercial complex and 1,000 sqm for clubhouse.

In 2022, sales of RK Grandtown was RMB222 million, with an average selling price of approximately RMB16,000 per sqm for residential building. In 2022, the value and area of properties delivered were RMB361 million and 29,000 sqm, respectively. It is expected that a total area of 4,000 sqm will be delivered in 2023, of which 3,000 sqm had already been pre-sold as at 31 December 2022.

Management Discussion and Analysis (continued)



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 2022, sales of Park Up Town was RMB515 million, with an average selling price of approximately RMB14,000 per sqm for residential building. In 2022, the value and area of properties delivered were RMB201 million and 12,000 sqm, respectively. It is expected that a total area of 42,000 sqm will be delivered in 2023, of which 26,000 sqm had already been pre-sold as at 31 December 2022.

Joy Mansion of Glory, Jinan

Joy Mansion of Glory is located in Lixia District of Jinan City, which is in the sub-central 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 2022, sales of Joy Mansion of Glory was RMB589 million, with an average selling price of approximately RMB20,000 per sqm for residential building. In 2022, the value and area of properties delivered were RMB491 million and 27,000 sqm, respectively. It is expected that a total area of 48,000 sqm will be delivered in 2023, of which 8,000 sqm had already been pre-sold as at 31 December 2022.

Noble Mansion of Glory, Jinan

Noble Mansion of Glory is located in Lixia District of Jinan City, which is in the sub-central area of Jinan City. It is close to Joy Mansion of Glory and 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 21,000 sqm and a development area of 60,000 sqm.

In 2022, sales of Noble Mansion of Glory was RMB540 million, with an average selling price of approximately RMB18,000 per sqm for residential building. In 2022, the value and area of properties delivered were RMB636 million and 38,000 sqm, respectively. It is expected that a total area of 9,000 sqm will be delivered in 2023, of which 2,000 sqm had already been pre-sold as at 31 December 2022.

Management Discussion and Analysis (continued)

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 2022, sales of Phoenix Residence was RMB894 million, with an average selling price of approximately RMB27,000 per sqm. In 2022, the value and area of properties delivered were RMB1,644 million and 64,000 sqm, respectively. It is expected that a total area of 73,000 sqm will be delivered in 2023, of which 40,000 sqm had already been pre-sold as at 31 December 2022.



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 2022, sales of Elite's Mansion was RMB535 million, and the value and area of properties delivered were RMB639 million and 47,000 sqm, respectively. It is expected that a total area of 55,000 sqm will be delivered in 2023.



Crescent Green, Hong Kong

Crescent Green is located in Au Tau, Yuen Long, New Territories. With a site area of 28,000 sqm and a floor area of 31,000 sqm, the project was developed as a high-quality low-density residence.

In 2022, sales of Crescent Green was HK\$311 million, with an average selling price of approximately HK\$192,000 per sqm for residential building. In 2022, the value and area of properties delivered were HK\$211 million and 1,000 sqm, respectively.

Management Discussion and Analysis (continued)



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 2022, the value and area of properties delivered of Southland were HK\$2,091 million and 6,000 sqm, respectively. It is expected that a total area of 31,000 sqm will be delivered in 2023, for most of which agreements of sales and purchase had already been signed as at 31 December 2022.

So Kwun Wat Project, Hong Kong

Located in So Kwun Wat, Tuen Mun, New Territories and adjacent to Hong Kong Gold Coast, So Kwun Wat Project is fit for developing into a relatively high-end low density residence. With a site area of 12,000 sqm and a floor area of 40,000 sqm. The project is expected to be launched for pre-sale in mid of 2023.

New Projects

Acquired in the second half of 2022:

Yangtze River Delta Region

Atop The Cloud, Shanghai



In September 2022, the Group, in cooperation with its partner, acquired a piece of land in Jiading District, Shanghai for residential development through listing-for-sale. The project 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, and is planned to be launched in mid-2023.

(ii) TOLL ROAD SEGMENT

In 2022, China's economy was affected by turbulent external factors such as changes in the global economy, the interest rate hike cycle of the United States and the severe international environment. In addition, due to the severe weather conditions in northern China in the first half of the year and the impact of stasis control measures of the Pandemic in various regions, the economic operation for the year was extremely unstable, and the annual actual economic growth rate was 3%. In Indonesia, following the government's further relaxation of Pandemic-related restrictions due to the easing of the Pandemic and the government's efforts to promote economic recovery, the annual economic growth was 5.31%. All these factors are closely related to the toll road business.

Expressway Projects in Mainland China

In 2022, the toll revenue of the Group's expressway projects in Mainland China decreased by 12% to RMB2,782 million compared to last year, while the average daily traffic volume decreased by 17% to 227,300 vehicles compared to last year. The significant decrease in toll revenue was mainly due to the slow economic growth in Mainland China, regional poor weather in the first half of the year and the adoption of stasis control measures to cope with the Pandemic across various regions that restricted travel for both vehicles and individuals, as well as the government's policy to reduce toll for cargo vehicles by 10% in the fourth quarter. Facing the various unfavourable factors of the transportation industry as mentioned above, the expressway projects in Mainland China actively took advantage of the supporting policies issued by the government for the reduction and exemption of interest on existing loans for expressway projects in the fourth quarter, and the fiscal policies implemented by the government to stimulate the economy and other favourable factors, striving for the reduction and exemption of interest on existing loans and the substantial reduction in loan interest rates for relevant expressway projects in Mainland China.

After the 20th National Congress of the Communist Party of China, the government implemented a series of powerful regimes on economic growth and the announcement of the nationwide easing of the Pandemic control measures in December and the ending of the 10% reduction in tolls for cargo vehicles by the end of 2022. It is expected that the toll road business in Mainland China will be stabilised and rebound again. At the same time, the factors that keep the long-term economy of Mainland China remains stable with progression, prosperity and strength still exist. The acceleration of the optimisation and upgrading of economic and industrial structure and the maintenance of reform and opening-up will bring stable growth to Mainland China's economy and increase its demand for transportation. The Group's toll road projects are in a good location with prominent advantages and broad room for economic growth in the future.

Expressway Projects in Indonesia

The Group had completed the acquisition of 39.77% equity interests in another project, namely the SB Expressway in Central Java Province, Indonesia at a consideration of IDR3,823.4 billion (approximately HK\$1,968 million) in December 2022, further expanding its overseas toll road portfolio. The overall toll revenue of the expressway projects in Indonesia increased by 49% to RMB934 million as compared with last year. The average daily traffic volume increased to 91,800 vehicles (excluding the newly acquired SB Expressway, the average daily traffic volume still increased by 25% to 59,000 vehicles as compared with last year). During the year, due to the further relaxation of traffic control measures by the Indonesian government in response to the retreat of the Pandemic, coupled with the strong economic growth momentum, and the successful increment in toll rates of the expressway projects in Indonesia in mid-2021, the traffic volume and toll revenue for 2022 recorded a significant year-on-year growth.

Affected by the rising international commodity prices, energy prices and production costs, the inflation rate of Indonesia was 5.51% in 2022. In order to alleviate the financial pressure brought by the fuel subsidies, the Indonesian government significantly cut down the fuel subsidies in September, which resulted in an increase in fuel prices of approximately 30%. However, the upward adjustment mechanism for the toll rates of the Indonesian toll road projects is linked to the inflation rate, which can hedge the temporary negative impact of rising fuel prices on toll revenue. In addition, benefiting from the continuous increase in vaccination rate and the decrease in the infection rate of the Pandemic, the government further relaxed the Pandemic-related restrictions, released the long-suppressed consumption demand, and promoted the resumption of public consumption and travel habits, which is more beneficial to toll roads.

Management Discussion and Analysis (continued)

In 2023, the Group will focus on promoting the increase in toll rates of the expressway projects in Indonesia, and actively follow the economic recovery policies introduced by Mainland China. At the same time, the Group will continue to actively look for expressway projects with reasonable investment returns in Mainland China and the Asia-Pacific region to optimise the Group's toll road business.

Financial Review

The traffic volume and toll revenue of the expressway projects are as follows:

Projects	Average Daily Traffic Vehicles	Increase/ (Decrease) %	Toll Revenue RMB'million	Increase/ (Decrease) %
Expressway projects in Mainland China				
Baojin Expressway	57,500	(22)	767	(14)
Tangjin Expressway	45,400	(22)	641	(11)
Changyi Expressway	67,800	(12)	491	(6)
Longcheng Expressway	24,300	(18)	529	(18)
Machao Expressway	32,300	(12)	354	(5)
Total	227,300	(17)	2,782	(12)
Expressway projects in Indonesia				
SN Expressway	19,800	28	368	37
NKK Expressway	18,500	28	296	28
MKTT Expressway	20,700	20	226	79
SB Expressway (Note)	32,800	N/A	44	N/A
Total	91,800	94	934	49
Total (2022)	319,100	(1)	3,716	(2)
Total (2021)	321,800		3,779	

Note: 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 2022, the total traffic volume of the Group's expressway projects in Mainland China and Indonesia was 105 million vehicles. The average daily traffic volume was approximately 319,100 vehicles, representing a decrease of 1% as compared to last year. The toll revenue for the year was RMB3,716 million, representing a decrease of 2% as compared to last year.

In 2022, the profit of the Group's Toll Road Segment (after deduction of head office income, expenses and taxation) increased to HK\$627 million, mainly due to the significant increase in toll revenue of the expressway projects in Indonesia during the year, coupled with the decrease in interest costs and operating expenses, which offset by the impact of the decrease in toll revenue of the expressways in Mainland China. In the same year, the Group's cash distributions received from expressway joint ventures increased to HK\$636 million.

Overview of Projects

Expressway business in Mainland China



Baojin Expressway

The average daily traffic volume and toll revenue in 2022 recorded a year-on-year decrease of 22% and 14%, respectively. Due to the negative factors such as the economic downturn in Mainland China, restrictions on travel of vehicles and individuals as a result of strict Pandemic prevention and control, the 10% reduction in tolls for cargo vehicles in the fourth quarter, and less-than-expected progress in the construction progress of Xiong'an New Area, the traffic volume and revenue for the year decreased significantly year-on-year. In terms of the road network, except for the temporary benefits brought by the construction and maintenance of the Bayang Line and the Mayang Line of the local road from May to October, the opening of the construction material channels in Xiong'an New Area, such as the Rongwu Line, the Anda Line and the Youyi Line, which are basically parallel to the road section, still has a slight diversion impact on the road section to a certain extent. In addition, the rainy weather in Baoding and the surrounding areas in autumn this year also adversely affected the traffic volume and revenue. The decrease in revenue was lower than the decrease in traffic volume, which was mainly due to the significant decrease in passenger vehicles as a result of the Pandemic prevention and control and the lower decrease in cargo vehicles with the support of the government's logistics support policy, thus resulting in differences.



Tangjin Expressway

The average daily traffic volume and toll revenue in 2022 recorded a year-on-year decrease of 22% and 11%, respectively. Affected by various unfavourable factors such as the economic downturn in Mainland China, restrictions on travel of vehicles and individuals as a result of strict Pandemic prevention and control, and the decrease in traffic volume of cargo vehicles due to pollution control and production restrictions in Tangshan and surrounding provinces during the period of the Winter Olympics at the beginning of the year, and the 10% reduction in tolls for trucks in the fourth quarter, the traffic volume and revenue for the year decreased significantly as compared with last year. In addition, the frequent rainy weather in Tangshan and surrounding areas in autumn this year has also adversely affected the traffic volume and revenue to a certain extent. The decrease in revenue was lower than the decrease in traffic volume, which was mainly due to the significant decrease in passenger vehicles as a result of the Pandemic prevention and control and the lower decrease in cargo vehicles with the support of the government's logistics support policy, thus resulting in differences.

Management Discussion and Analysis (continued)



Changyi Expressway

The average daily traffic volume and toll revenue in 2022 recorded a year-on-year decrease of 12% and 6%, respectively. Due to the adverse factors such as economic downturn in Mainland China, restrictions on travel of vehicles and individuals as a result of strict Pandemic prevention and control which affected the travel business, and the 10% reduction in tolls for cargo vehicles in the fourth quarter. In terms of the surrounding road network, the opening of the Changsha-Yiyang section of the Chang-Yi-Chang High-speed Railway on 6 September brought diversion to the project, which caused a significant year-on-year decrease in traffic volume and revenue for the year. The decrease in revenue was lower than the decrease in traffic volume, mainly due to the significant decrease in passenger vehicles as a result of the Pandemic prevention and control and the lower decrease in cargo vehicles with the support of the government's logistics support policy, thus resulting in differences.



Longcheng Expressway

The average daily traffic volume and toll revenue in 2022 both decreased by 18% year-on-year. Due to the adverse factors such as the economic downturn in Mainland China, restrictions on travel of vehicles and individuals as a result of strict Pandemic prevention and control, and the relaxation of the policy of restricting the use of cargo vehicles in Taiyuan Ring Road, which caused some vehicles to return to Taiyuan Ring Road, and the 10% reduction in tolls for cargo vehicles in the fourth quarter, the traffic volume and revenue for the year decreased significantly as compared with last year. In terms of road network, G108 Qixian Dongguan section was closed for maintenance from May to December, which had a favourable impact on the traffic volume of the section, thus mitigating the decline in revenue and traffic volume for the year. In 2022, the project reduced interest expenses by repaying part of the bank loans in advance, successfully reduced the interest rate of existing loans and strived for a moderate interest reduction and exemption of existing loans granted by the government due to the toll reduction for cargo vehicles, which partially offset the impact of the decrease in toll revenue of the project.



Machao Expressway

The average daily traffic volume and toll revenue in 2022 recorded a year-on-year decrease of 12% and 5%, respectively. Affected by unfavourable factors such as the economic downturn in Mainland China, strict Pandemic prevention and control, especially the strict stasis control adopted in Shanghai and surrounding areas in April, which resulted in restrictions on travel of vehicles and individuals, and the 10% reduction in tolls for cargo vehicles in the fourth quarter, the traffic volume and revenue for the year decreased as compared with last year. In terms of road network, the upgrade and reconstruction of Wuhu Yangtze River First Bridge commenced on 15 July, resulting in the closure of the bridge in the direction of Hefei to Wuhu was closed for construction, which had a favourable impact on the traffic flow of this section, thus mitigating the decline in revenue and traffic volume for the year. The decrease in revenue was lower than the decrease in traffic volume mainly due to the significant decrease in passenger vehicles as a result of the Pandemic prevention and control, while cargo vehicles maintained at a certain level under the logistics support policy, thus resulting in differences. In 2022, the project mitigated the pressure from the decline in toll revenue by striving for the moderate interest reduction for existing loans granted by the government due to toll reduction for cargo vehicles.

Management Discussion and Analysis (continued)

Expressway Business in Indonesia



SN Expressway

The average daily traffic volume and toll revenue in 2022 increased significantly by 28% and 37% respectively, as compared with the corresponding period of last year. The main reason is that the Indonesian government further relaxed the Pandemic-related restrictions in 2022, so the traffic volume of homecoming and return increased significantly year-on-year during the Easter, Ramadan and Eid al-Fitr, school summer and Christmas holidays this year. The successful application for toll rate increment by approximately 15% in August 2021 also led to a significant year-on-year increase in toll revenue for the year. Although the cancellation of fuel subsidies by the government in September this year led to a temporary decrease in the travel desire of small passenger cars, the loss was compensated by the strong economic growth momentum. In addition, the project completed the re-financing at the end of December 2021, the interest rate was reduced from a floating rate to a lower fixed rate in the next five years. Full amount of government compensation for toll adjustment was recovered and utilized for early repayment of certain bank loans, which reduced interest expenses.

During the year, the project received government compensation for toll adjustment of approximately IDR185.5 billion (approximately HK\$99.84 million). After deducting taxes, the Group's share was approximately HK\$31.15 million, which was paid to PT Waskita Toll Road as the transferor according to the acquisition agreement for the year.



NKK Expressway

The average daily traffic volume and toll revenue in 2022 both increased significantly by 28%, as compared with the corresponding period of last year. The main reason is that the Indonesian government further relaxed the Pandemic-related restrictions in 2022, so the traffic volume of homecoming and return increased significantly year-on-year during the Easter, Ramadan and Eid al-Fitr, school summer and Christmas holidays this year. The successful application for toll rate increment by approximately 3% in April 2021 also contributed to the year-on-year increase in toll revenue for the year. Although the government started to cancel fuel subsidies in September this year, which reduced the travel desire of small passenger cars, the loss was compensated by the strong economic growth momentum. In addition, benefiting from the decrease in interest rate and the early repayment of certain bank loans, the interest expenses of the project decreased significantly during the year.

The construction of the remaining unconstructed main section of the project from Kertosono to Kediri is expected to commence next year.

Management Discussion and Analysis (continued)



MKTT Expressway

The average daily traffic volume and toll revenue in 2022 increased significantly by 20% and 79%, respectively, as compared with the corresponding period of last year. The main reason is that the Indonesian government further relaxed the Pandemic-related restrictions in 2022, so the traffic volume of homecoming and return increased significantly year-on-year during the Easter, Ramadan and Eid al-Fitr, school summer and Christmas holidays this year. The significant increase in toll revenue was mainly because toll revenue for the whole year was attributable to the Group this year while toll revenue for only eight months was attributable to the Group last year since the acquisition of MKTT Expressway was completed on 22 April 2021. In addition, the successful application for toll rate increment by approximately 3% in May 2021 also contributed to the year-on-year increase in toll revenue for the year. Although the government started to cancel fuel subsidies in September this year, which temporarily reduced the travel desire of small passenger cars, the loss was compensated by the strong economic growth momentum. In addition, benefiting from the decrease in interest rate and the early repayment of certain bank loans, the interest expenses of the project decreased significantly during the year.



SB Expressway

On 5 December 2022, the Group completed the acquisition of the SB Expressway in Central Java Province, Indonesia, which is an integral part of the Trans Java Expressway network and connects Semarang (the capital of Central Java Province) and Batang. It mainly serves the largest city of Central Java, Semarang, Jenderal Ahmad Yani Airport, Tanjung Emas Port and other industrial areas and cities in Central Java. The concession period of this project is 50 years until 2066, with a total length of 75 km. During the period from the acquisition date to 31 December 2022, the average daily traffic volume was 32,800 vehicles and the toll revenue was RMB44.16 million.

(iii) IAM SEGMENT

In 2022, the property development projects of IAM segment (including joint venture and associate projects) achieved property sales of approximately RMB769 million, comprising the contracted sales of RMB581 million and outstanding subscribed sales of approximately RMB188 million. As of 31 December 2022, the land reserve of IAM Segment was approximately 1,080,000 sqm, which was mainly located in Henan Province, and the total area of properties pre-sold but yet to be delivered was 40,000 sqm. After restructuring and rectification, the business scale of the remaining original businesses, which mainly comprised property fund investment as well as cultural, tourist and commercial 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.

Management Discussion and Analysis (continued)

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 2022 and 2021.

	2022 HK\$'million	2021 HK\$'million
Revenue	17,156	24,678
Gross profit	2,944	5,399
Interest income	396	308
Other (losses) income, net	(571)	267
Selling and operating expenses	(1,627)	(1,852)
Share of results of joint ventures and associates	1,099	1,225
Finance costs	(1,143)	(1,073)
Profit before taxation	1,098	4,274
Income tax expenses	(639)	(2,290)
Profit for the year	459	1,984
(Loss) profit attributable to:		
– Owners of the Company	(495)	1,028
– Owners of perpetual capital securities	537	528
– Other non-controlling interests of subsidiaries	417	428
	459	1,984

Revenue and Gross Profit

Revenue and gross 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".

Other (Losses) Income, Net

Other net losses was mainly attributed by the significant depreciation of Renminbi against the US dollar during the year. The Group recorded net exchange losses of approximately HK\$1,335 million (2021: net exchange gains of HK\$408 million) and the increase in impairment provision for properties and related assets, which was partially offset by gains on buyback of the Group's senior notes of approximately HK\$1,367 million.

Selling and Operating Expenses

The decrease in expenses was mainly attributed to the decrease in property sales volume and the corresponding decrease in sales commission and marketing expenses of the Group as a result of the repeated situation of the Pandemic in various cities in Mainland China during the year.

Management Discussion and Analysis (continued)

Share of Results of Joint Ventures and Associates

During the year, the Group's share of profit was mainly derived from the profit of infrastructure joint ventures of approximately HK\$684 million and the profit of property joint ventures and associates of approximately HK\$415 million. For details, please refer to the analysis of each business segment. The higher profit contribution last year was mainly due to the Group's property associate project in Zhengzhou was completed with substantial delivery in last year which contributed to the Group's profit. Due to the impact of the Pandemic in Mainland China, the construction and delivery schedule of certain property projects were delayed and resulted in the decrease in respective profit contribution during the year.

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 increase in provision for land appreciation tax for the intended settlement of land appreciation tax of certain property projects last 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 2022 and 2021.

	2022 HK\$'million	2021 HK\$'million
Non-current assets		
– Investments in joint ventures and associates (including shareholders' loans)	25,738	32,556
– Investment properties	4,126	4,263
– Other non-current assets	4,544	3,562
	34,408	40,381
Current assets		
– Inventory of properties (including prepayment for land leases)	38,631	45,146
– Bank balances and cash (including pledged bank deposits)	8,381	12,713
– Shareholders' loans to joint ventures and associates	3,565	3,342
– Other current assets	5,017	6,654
	55,594	67,855
Non-current liabilities		
– Bank and other borrowings	(21,890)	(30,402)
– Other non-current liabilities	(1,466)	(1,929)
	(23,356)	(32,331)
Current liabilities		
– Creditors and accrued charges	(8,174)	(10,703)
– Loans from joint ventures and associates	(4,919)	(5,010)
– Deposits from pre-sale of properties	(3,980)	(8,407)
– Bank and other borrowings	(10,258)	(7,924)
– Other current liabilities	(6,555)	(8,063)
	(33,886)	(40,107)
Total equity (including perpetual capital securities)	32,760	35,798

Management Discussion and Analysis (continued)

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

It mainly represented the Group's interests in infrastructure joint ventures of HK\$7,086 million (2021: HK\$5,355 million) and interests in property joint ventures and associates of HK\$22,217 million (2021: HK\$30,543 million), including shareholders' short term loans to projects (included in current assets).

During the year, the Group acquired 39.77% equity interest in the SB Expressway in Indonesia, resulting in a significant increase in its interests in infrastructure joint ventures. In the same year, the Group acquired interests in joint ventures in Jinan, Zhengzhou and Hangzhou from its partners. These joint ventures became wholly-owned subsidiaries of the Group. As a result, the Group's interests in property joint ventures and associates decreased, which offset the increase in interests in infrastructure joint ventures. The details on new land parcels acquired through joint ventures are contained in the subsections headed "Land Reserve" and "New Projects" under "Property Segment".

Investment Properties

This comprises the carrying value of investment properties with the details are set out in note 17 of the consolidated financial statements. During the year, due to the volatile Pandemic situation, the market rental of the investment properties held by the Group decreased, resulting in a decrease in their fair value. As at 31 December 2022, the total floor area of the investment properties of the Group (including joint venture projects) was approximately 376,000 sqm.

Inventory of Properties (including Prepayment for Land Leases)

The decrease in inventory of properties was mainly due to the fact that the existing projects of the Group's subsidiaries have been completed and delivered successively; the newly acquired land was mainly developed through joint ventures, and the number of newly acquired projects of wholly-owned subsidiaries decreased compared with last year.

Bank Balances and Cash (including Pledged Bank Deposits)

The decrease in the bank balances and cash was mainly attributable to the repayment of several bank loans by the Group during the year, including the redemption of domestic bonds and the repurchase of certain offshore bonds, and the decrease in receipts from property sales as compared with last year.

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 while the newly acquired land was mainly developed through joint ventures, and the area of properties pre-sold by the wholly-owned subsidiaries decreased as compared with last year. As at 31 December 2022, the total area of properties (including joint venture and associate projects) pre-sold but yet to be delivered was approximately 1,160,000 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.

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

	At 31 December	
	2022 HK\$'million	2021 HK\$'million
Repayable:		
On demand	392	721
Within one year	9,866	7,203
After one year but within two years	8,554	8,494
After two years but within five years	12,604	21,004
More than five years	732	904
Total Loans	32,148	38,326

Source of Loans

	2022	2021
Short term loans	32%	21%
Long term loans	68%	79%
Total	100%	100%

Nature of Debts

	2022	2021
Unsecured loans	74%	74%
Secured loans	26%	26%
Total	100%	100%

Currency Profile of Loans

	2022	2021
HKD	7%	8%
RMB	23%	32%
USD	70%	60%
Total	100%	100%

Type of Loans

	2022	2021
Guaranteed senior notes*	55%	53%
Other offshore loans	22%	15%
Total	77%	68%
Domestic bonds	0%	3%
Other onshore loans	23%	29%
Total	23%	32%
Total	100%	100%

Interest Rates Basis

	2022	2021
Floating rate	40%	41%
Fixed rate	60%	59%
Total	100%	100%

* Excluding perpetual capital securities (Classified to equity)

Management Discussion and Analysis (continued)

Certain of the Group's borrowings bore fixed interest rates per annum, including US\$2,222 million guaranteed senior notes with interest rates ranging from 5.125% to 7.875% 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 2022, the net gearing ratio and the net capitalisation ratio of the Group were 73% and 42% respectively. Net gearing ratio represents the difference between the Group's total interest bearing borrowings (excluding amounts due to other 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 2022 and 2021.

	2022 HK\$'million	2021 HK\$'million
Payment for land leases	(1,962)	(10,511)
Net cash from operating activities, other than payment for land leases	2,566	11,955
Net cash from (used in) investing activities, other than payment for land leases	3,006	(272)
Net cash used in financing activities	(7,082)	(2,305)
Effect of change in exchange rates	(588)	382
Cash and cash equivalents at 1 January	11,432	12,183
Cash and cash equivalents at 31 December	7,372	11,432

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 Beijing and Shanghai during the year and for projects acquired in Changzhou and Guangzhou in the fourth quarter of last 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 decrease in net cash from operating activities as compared with last year was mainly due to the absence of new projects launched for pre-sale in Hong Kong in 2022, coupled with the decrease in sales volume of the Group as compared with last year due to the impact of the repeated Pandemic and market downturn, and the decrease in cash generated from pre-sale and sale of properties as compared with last year.

Management Discussion and Analysis (continued)

Net Cash from (Used in) Investing Activities, Other Than Payment for Land Leases

Net cash from investing activities for the year was mainly due to the receipt of cash or dividends from infrastructure joint venture projects and the loan repayment from other non-controlling interests of subsidiaries and joint ventures during the year, which offset the investment and loans to joint ventures.

Last year's net cash outflow from investing activities was mainly due to the higher amount of investment and loans to joint ventures.

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 as affected by the Pandemic control measures, and the significant 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 matured loans. Total loan repayment amounted to HK\$10,114 million during the year.

Liquidity and Financial Resources

As at 31 December 2022, the equity attributable to owners of the Company was HK\$20,246 million (2021: HK\$22,337 million). Net assets per share attributable to owners of the Company was HK\$27.02 (2021: HK\$29.81).

As at 31 December 2022, the Group's total assets were HK\$90,002 million (2021: HK\$108,236 million) and bank balances and cash were HK\$8,262 million (2021: HK\$12,600 million), of which 81% was denominated in Renminbi and the remaining 19% 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 healthy treasury strategy and consider various financing channels, so as to manage capital structure and ensure sufficient cash resources for the Group.

In 2022, the strict Pandemic control measures implemented in Mainland China has exerted greater downward pressure on the economy, home buyers were less likely to make a purchase, the decrease in sale proceeds has put real estate enterprises under cash flow pressure. Furthermore, as the peak time for loan repayment has come, we saw ongoing collapse of private real estate enterprises, the financing market of onshore and offshore real estate industries remained sluggish. Investors became prudent and adopted a wait-and-see attitude. In order to stabilise the development of the real estate industry, Mainland China has stepped up its efforts to ease the difficulties in financing faced by enterprises since the second half of the year. The official release of policies such as "guarantee property delivery" and "16 financial points" has eased the restriction on financing for real estate enterprises. However, as such relief measures are targeted at real estate enterprises facing short-term liquidity risk and market confidence have not yet recovered in such a short time, most other real estate enterprises are still encountering sales pressure and financing difficulties.

In 2022, the Group actively strengthened its cash flow and debt management. In the second half of 2022, the Group repaid a domestic corporate bond at its maturity and repurchased part of the offshore US dollar bonds, and repaid a total of HK\$10,114 million equivalent of loans throughout the year. At the beginning of 2023, the Group further repaid an offshore bond at its maturity with an outstanding principal amount of US\$343 million, which has greatly reduced the Group's short-term debt repayment pressure.

Management Discussion and Analysis (continued)

Charges on Assets

As at 31 December 2022, bank balances of HK\$119 million (2021: HK\$113 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\$11,928 million (2021: HK\$10,241 million) were pledged as security for certain loan facilities.

As at 31 December 2022, the Group's borrowings with outstanding principal amount of 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 2022, Renminbi depreciated significantly and the Group recorded net exchange losses of approximately HK\$1,335 million. In order to minimise the impacts arising from fluctuation of exchange rate between US dollar and Renminbi on the Group, the Group had entered into range forward swap contracts for part of its offshore US dollar debts. 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 2022, the Group had provided guarantees of HK\$6,801 million (2021: HK\$8,398 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 2022, the Group had also provided guarantees of HK\$4,088 million (2021: HK\$4,098 million) for banking facilities granted to the joint ventures of the Group.

Employees

Excluding the staff of joint ventures and associates, the Group had 4,374 employees as at 31 December 2022. Expenditure on staff (excluding Directors' emoluments and share-based payment) amounted to HK\$1,099 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 70, 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 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. Ko Yuk Bing

(aged 67, Deputy Chairman)

Mr. Ko has been an Executive Director of the Company since 1995 and retired from the positions of the Managing Director and Chief Executive Officer of the Company in July 2021. He is still the Deputy Chairman of the Company, the Chairman of the Company's toll road business and a director of various companies of the Group. He holds a Master of Science degree in Engineering. He is a Chartered Engineer and a fellow of the Institution of Civil Engineers, the United Kingdom, The Institution of Structural Engineers, the United Kingdom and The Hong Kong Institution of Engineers. Mr. Ko has extensive experience in infrastructure business, especially in toll road, and property development, and has over 33 years of experience in business development and operation in the PRC. He is the spouse of Ms. Chuk Wing Suet, Josephine.

Mr. Fong Shiu Leung, Keter

(aged 60, Chief Executive Officer)

Mr. Fong was appointed as an Executive Director and Finance Director of the Company in July 2000 and July 2005 respectively, and was re-designated as the Chief Executive Officer of the Company with effect from 1 July 2021. He is also a director of various companies of the Group. He 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 35 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 50, Chief Financial Officer)

Mr. Ng, joined the Group in 2011 and was appointed as Executive Director of the Company on 1 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 27 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 48)

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 47)

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 75)

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 Certified Tax Adviser. Mr. Lau has over 45 years of experience in the profession of accounting.

* For identification purpose only

Directors and Senior Management (continued)

Mr. Tse Chee On, Raymond (former name, Tse Chi On)
(aged 72)

Mr. Tse has been appointed as an Independent Non-executive Director of the Company since October 2012. He is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. From 1989 to 1997, he was the Managing Director of Wheelock and Company Limited (HK stock code: 20), the Chairman and Managing Director of Wheelock Properties Limited, a Director of New Asia Realty & Trust Company, Limited and Realty Development Corporation Limited. Mr. Tse holds a Bachelor degree in Business Administration from the University of Montreal, Canada. He has over 40 years of experience in property development and investment, architectural planning and design consulting, property business consulting, international brand licensing and commercial property business in Hong Kong and the PRC.

Mr. Wong Wai Ho
(aged 73)

Mr. Wong has been appointed as an Independent Non-executive Director of the Company since May 2014. He is a member of the Audit Committee, the Nomination Committee and the Remuneration 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 52)

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.

SENIOR MANAGEMENT

Mr. Li Wanle

(aged 52)

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 30 years of experience in property development and operation in the PRC.

Ms. Chuk Wing Suet, Josephine

(aged 51)

Ms. Chuk, joined the Group in 1994, is a Deputy Chief Operating Officer of the Group and a Director of RK Properties Holdings Limited, and responsible for the property development projects in Shanghai, Jiangsu and Zhejiang. She holds a Bachelor of Social Science degree and a Master of Business Administration degree. Ms. Chuk has over 29 years of experience in business investment, operation, development and promotion in Hong Kong and the PRC. She is the spouse of Mr. Ko Yuk Bing.

Mr. Zhang Nan

(aged 50)

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 27 years of experience in property development and management in the PRC.

Ms. Diao Lu, Amy

(aged 48)

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 51)

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 29 years of extensive experience in project financing, public-private partnerships, infrastructure mergers and acquisitions in road and transportation sectors.

Directors and Senior Management (continued)

Mr. Lee Tak Fai, Kennedy

(aged 57)

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 31 years of experience in accounting, assurance, financing and business advisory services.

Mr. Gao Da Peng

(aged 45)

Mr. Gao, joined the Group in 2001, is the regional Director of property development projects in Tianjin, the General Manager of Shanghai and Zhejiang regions 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 23 years of experience in property development, operation and sales management in the PRC.

Mr. Chen Xue Ming

(aged 47)

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 26 years of experience in property development, operation and sales management in the PRC.

Mr. He Peiyong

(aged 52)

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 28 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

(aged 43)

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 22 years of experience in accounting, assurance, financing and compliance services.

Mr. Choi Hung Fat, Allen

(aged 61)

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 25 years extensive experience in business development, toll road projects management and operations in Indonesia, Hong Kong and Mainland China.

The Directors present herewith the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2022.

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 50, 19 and 18 to the consolidated financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2022 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 any final dividend for the year ended 31 December 2022.

CLOSURE OF REGISTER OF MEMBERS

To determine the eligibility to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Friday, 19 May 2023 to Wednesday, 24 May 2023, 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 Thursday, 18 May 2023 for registration.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2022 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 9, pages 10 to 13, pages 16 to 61, pages 83 to 97, 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 28 and 29 to the consolidated financial statements respectively.

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

Directors' Report (continued)

RESERVES

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page F-11 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 2022 were approximately HK\$2,813 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 30 to the consolidated financial statements.

RETIREMENT BENEFIT PLANS

Particulars of the retirement benefit plans of the Group are set out in note 39 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*)

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

Ng Fun Hung, Thomas (*Chief Financial Officer*) (appointed with effect from 1 February 2022)

Non-executive Directors:

Cai Xun

Xu Enli (appointed with effect from 1 January 2022)

Independent Non-executive Directors:

Lau Sai Yung

Tse Chee On, Raymond

Wong Wai Ho

Hui Grace Suk Han (appointed with effect from 1 June 2022)

Pursuant to the Bye-law 86(2) of the Bye-laws, Ms. Hui Grace Suk Han appointed as a Director with effect from 1 June 2022, will retire from office at the 2023 AGM, and being eligible, will offer herself for re-election at the 2023 AGM.

Pursuant to Bye-law 87, Mr. Zen Wei Peu, Derek, Ms. Cai Xun and Mr. Tse Chee On, Raymond ("Mr. Tse") will retire from office by rotation at the 2023 AGM. Mr. Zen Wei Peu, Derek and Ms. Cai Xun, being eligible, will offer themselves for re-election at the 2023 AGM. Mr. Tse 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 2023 AGM.

None of the Directors proposed for re-election at the 2023 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' Report (continued)

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions", 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 (appointed with effect from 22 December 2022)

DISCLOSURE OF INTERESTS

Directors' Interests and Short Positions

As at 31 December 2022, 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 2022.

(II) Underlying Shares – Share Options

The Share Option Scheme was adopted by the Company on 8 May 2013. Particulars of the Share Option Scheme are set out in note 29 to the consolidated financial statements.

During the year ended 31 December 2022, there were no outstanding share options under the Share Option Scheme.

Directors' Report (continued)

(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 <i>(Note 1)</i> (long position)
	RKPF Overseas 2019 (E) Limited	Personal	US\$300 million 7.75% senior guaranteed fixed-spread perpetual capital securities	US\$43,900,000 <i>(Note 2)</i> (long position)
	RKPF Overseas 2019 (A) Limited	Personal	US\$400 million 7.875% guaranteed senior notes due 2023	US\$12,000,000 <i>(Note 3)</i> (long position)
	RKPF Overseas 2019 (A) Limited	Personal	US\$480 million 6.7% guaranteed senior notes due 2024	US\$12,500,000 <i>(Note 4)</i> (long position)
	RKPF Overseas 2019 (A) Limited	Personal	US\$300 million 5.9% guaranteed senior notes due 2025	US\$2,000,000 <i>(Note 5)</i> (long position)
	RKPF Overseas 2019 (A) Limited	Personal	US\$415.6 million 6% guaranteed senior notes due 2025	US\$3,000,000 <i>(Note 6)</i> (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)
	RKPF Overseas 2019 (A) Limited	Personal	US\$480 million 6.7% guaranteed senior notes due 2024	US\$200,000 (long position)

Notes:

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\$42,600,000 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.
3. A principal amount of US\$9,000,000 of US\$400 million 7.875% guaranteed senior notes due 2023 was held by Talent Club and interest of such securities has been pledged to an independent third party other than a qualified lender.
4. A principal amount of US\$3,500,000 of US\$480 million 6.7% guaranteed senior notes due 2024 was held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek. A principal amount of US\$9,000,000 of US\$480 million 6.7% guaranteed senior notes due 2024 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 US\$300 million 5.9% guaranteed senior notes due 2025 was held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek.
6. A principal amount of US\$1,000,000 of US\$415.6 million 6% guaranteed senior notes due 2025 was held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek. A principal amount of US\$1,000,000 of US\$415.6 million 6% guaranteed senior notes due 2025 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 Scheme 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 Scheme 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.

Directors' Report (continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2022, 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		Percentage of holding ^(Note 11) %
		Long position ^(Note 1)	Short position	
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 is a director 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 2022.

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.

* *for identification purpose only*

CONNECTED TRANSACTIONS

On 6 October 2022, Shine Precious Limited ("Shine Precious", an indirect wholly-owned subsidiary of the Company) and Wise Start Global Limited ("Wise Start", an indirect wholly-owned subsidiary of Build King) (collectively "JV Parties") entered into the Investment Agreement regarding Rainbow Triumph Limited (the "Project Company") for the purpose of the development of an urban renewal project involving the demolition and resettlement and re-development of the site located at Haitao Garden, 58 Haitao Road, Yantian District, Shenzhen, the PRC with a development site area of approximately 44,339.4 sqm as extended by the supplemental agreement dated 23 November 2022 (the "Investment Agreement"). The Investment Agreement provides that (i) Shine Precious shall sell and assign, and Wise Start shall have purchase and take assignment of, 2,000 shares of the Project Company (the "Sale Shares", which represent 20% of the Project Company's shares in issue) at the price of HK\$15,700 and the shareholder loans due from the Project Company to Shine Precious in the principal amount of HK\$800,000,000 at the face value, at a total Consideration of HK\$800,015,700; and (ii) Shine Precious shall provide further shareholder loans from the Group to the Project Company which, when aggregated with existing shareholder loans due to the Group immediately following the completion, shall amount to HK\$3,200,000,000 (the "RK Commitment").

Pursuant to the Investment Agreement, Wise Start has the right to require the redemption by the Project Company of all or part of the shareholder loans due to it on certain redemption dates at the redemption price calculated by reference to the formula described therein (the "Loan Redemption Right"), after which Shine Precious shall require transfer of shares of the Project Company from Wise Start to Shine Precious and/or the issue of shares of the Project Company to Shine Precious (the "Balancing Transactions") to be effected in order to achieve the intended proportionality between the respective JV Parties' shareholding in, and shareholder loans (including the RK Commitment) to, the Project Company.

Wai Kee is a substantial shareholder of the Company and therefore a connected person of the Company under the Listing Rules. Build King and Wise Start are associates of Wai Kee and connected persons of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Investment Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules. The resolution in respect of the Investment Agreement and the transactions and possible transactions contemplated thereunder (including but not limited to the transfer of Sale Shares, RK Commitment, Loan Redemption Right and Balancing Transactions) was duly approved by the independent Shareholders at the special general meeting held on 13 January 2023. As at the date of completion (i.e. 18 January 2023), the Project Company is owned as to 80% by Shine Precious and 20% by Wise Start and remains a subsidiary of the Company.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE GROUP

During the year ended 31 December 2022, the Company redeemed the following guaranteed senior notes issued by RKPF Overseas 2019 (A) Limited:

- (i) an aggregate principal amount of US\$53 million of US\$400 million 7.875% guaranteed senior notes due 2023 (the "2023 Notes"), subsequent to which the outstanding principal amount of 2023 Notes was US\$343 million;
- (ii) an aggregate principal amount of US\$121.2 million of US\$480 million 6.7% guaranteed senior notes due 2024 (the "2024 Notes"), subsequent to which the outstanding principal amount of 2024 Notes was US\$358.8 million;
- (iii) an aggregate principal amount of US\$82.94 million of US\$300 million 5.9% guaranteed senior notes due 2025 (the "2025 March Notes"), subsequent to which the outstanding principal amount of 2025 March Notes was US\$217.1 million; and
- (iv) an aggregate principal amount of US\$112.7 million of US\$415.6 million 6% guaranteed senior notes due 2025 (the "2025 September Notes"), subsequent to which the outstanding principal amount of 2025 September Notes was US\$302.9 million.

Subsequent to 31 December 2022, all the outstanding principal amount of the 2023 Notes were redeemed on its final maturity date on 1 February 2023 by RKPF Overseas 2019 (A) Limited. Following the full redemption, the 2023 Notes were cancelled and delisted from the Singapore Exchange Securities Trading Limited.

In addition, 北京路勁雋御房地產開發有限公司 (Beijing RK Junyu Properties Developments Ltd.*), a wholly-owned subsidiary of the Company issued RMB1.5 billion 7% domestic bonds in September 2019 (the "2019 Domestic Bonds") and have a term of three years. The Group redeemed all the remaining principal amount of RMB868.6 million bearing an adjusted fixed interest rate of 6.5% of the 2019 Domestic Bonds in September 2022, being its maturity.

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 2022.

DONATIONS

During the year, donations made by the Group were approximately HK\$10.89 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 existing Shareholders.

* for identification purpose only

Directors' Report (continued)

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 Share Option Scheme as an incentive to the Directors and eligible employees, details of the scheme are set out in note 29 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 2022, is as follows:

	At 31 December 2022
	HK\$'million
<hr/>	
Statement of Financial Position	
Non-current assets	3,023
Current assets	34,079
Current liabilities	(22,402)
Net current assets	11,677
Non-current liabilities	(8,435)
Net assets	6,265

(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.* <small>(Note)</small>	49%	258	–
常州新雋捷房地產開發有限公司 Changzhou Xinjunjie Properties Developments Co., Ltd.*	40%	91	917
佛山市啟輝房地產有限公司 Foshan Qihui Properties Co., Ltd.*	49%	–	534
廣州市潤禾置業有限公司 Guangzhou Runhe Real Estate Co., Ltd.*	30%	–	251
杭州鑫堯置業有限公司 Hangzhou Xinyao Real Estate Co., Ltd.*	30%	–	192
Holovis International Ltd	40%	–	62
南京新勁聯房地產開發有限公司 Nanjing Xinjinlian Properties Developments Co., Ltd.*	25%	263	243
南京中勁房地產開發有限公司 Nanjing Zhongjin Properties Developments Co., Ltd.*	40%	389	–
上海象合雋置業有限公司 Shanghai Xianghejun Real Estate Co., Ltd.*	11.25%	–	444
Shum King Company Limited	50%	1,012	1,988

Directors' Report (continued)

	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
蘇州湖璽房地產開發有限公司 Suzhou Huxi Properties Developments Co., Ltd.*	35%	–	165
蘇州勁商房地產開發有限公司 Suzhou Jinshang Properties Developments Co., Ltd.*	33%	–	2
蘇州勁湖房地產開發有限公司 Suzhou Jinwu Properties Developments Co., Ltd.*	5%	–	12
蘇州瑞茂房地產開發有限公司 Suzhou Ruimao Properties Developments Co., Ltd.*	49%	56	357
天津雋達企業管理有限公司 Tianjin Junda Corporate Management Co., Ltd.*	50%	–	648
天津雋泰房地產開發有限公司 Tianjin Juntai Properties Developments Co., Ltd.*	50%	277	–
無錫鑫昇置業有限公司 Wuxi Xinsheng Real Estate Co., Ltd.*	30%	102	184
		2,448	5,999

Note: As at 31 December 2022, 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) 2023 Notes (issued in February 2019);
- (b) 2024 Notes (issued in September 2019);
- (c) 2025 March Notes (issued in March 2020);
- (d) 2025 September Notes (issued in September 2020);
- (e) US\$500 million 5.2% notes due 2026 (issued in January 2021);
- (f) US\$500 million 5.125% notes due 2026 (issued in July 2021);
- (g) US\$300 million 7.95% perpetual capital securities (issued in February 2017);
- (h) US\$300 million 7% perpetual capital securities (issued in June 2017); and
- (i) US\$300 million 7.75% fixed-spread perpetual capital securities (issued in November 2019).

During the year ended 31 December 2022, the Company redeemed the following guaranteed senior notes issued by RKPF Overseas 2019 (A) Limited:

- (i) an aggregate principal amount of US\$53 million of 2023 Notes, subsequent to which the outstanding principal amount of 2023 Notes was US\$343 million;
- (ii) an aggregate principal amount of US\$121.2 million of 2024 Notes, subsequent to which the outstanding principal amount of 2024 Notes was US\$358.8 million;
- (iii) an aggregate principal amount of US\$82.94 million of 2025 March Notes, subsequent to which the outstanding principal amount of 2025 March Notes was US\$217.1 million; and
- (iv) an aggregate principal amount of US\$112.7 million of 2025 September Notes, subsequent to which the outstanding principal amount of 2025 September Notes was US\$302.9 million.

For details, please refer to the section headed "Repurchase, Sale or Redemption of Listed Securities of the Group".

Directors' Report (continued)

3. Pursuant to Rule 13.51B(1) of the Listing Rules:

Upon specific enquiry by the Company, save as disclosed below, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published interim report:

<u>Name of Directors</u>	<u>Details of changes</u>
Zen Wei Peu, Derek	Mr. Zen entered into a service contract with the Company commencing 1 April 2023 to 31 March 2026. He is entitled to receive an annual salary of HK\$4,816,800 plus bonus which is subject to the performance of the Company and the individual.
Ko Yuk Bing	Mr. Ko's annual salary and allowance was revised to HK\$14,577,200 with effect from 1 January 2023.
Fong Shiu Leung, Keter	Mr. Fong entered into a service contract with the Company commencing 1 April 2023 to 31 March 2026. He is entitled to receive an annual salary and allowance of HK\$13,000,400 plus bonus which is subject to the performance of the Company and the individual.
Ng Fun Hung, Thomas	Mr. Ng's annual salary and allowance was revised to HK\$6,000,000 with effect from 1 January 2023.
Cai Xun	Ms. Cai was appointed as a Non-executive Director of Ping An Insurance (Group) Company of China, Ltd. with effect from 1 July 2022.
Xu Enli	Mr. Xu was appointed as an Executive Director of Shenzhen Investment with effect from 22 December 2022.

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 2023 AGM of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor.

On behalf of the Board
Zen Wei Peu, Derek
Chairman

Hong Kong, 21 March 2023

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 Shareholders and stakeholders.

Throughout 2022, the Company has complied with all the applicable code provisions set out in the CG Code contained in Appendix 14 of the Listing Rules.

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

To become one of the best performing PRC investors and operators

Values

Managing our business with:

- Excellence
- Collaboration
- Proactivity
- 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 2022 and up to the date of this annual report, the Board comprises the following Directors:

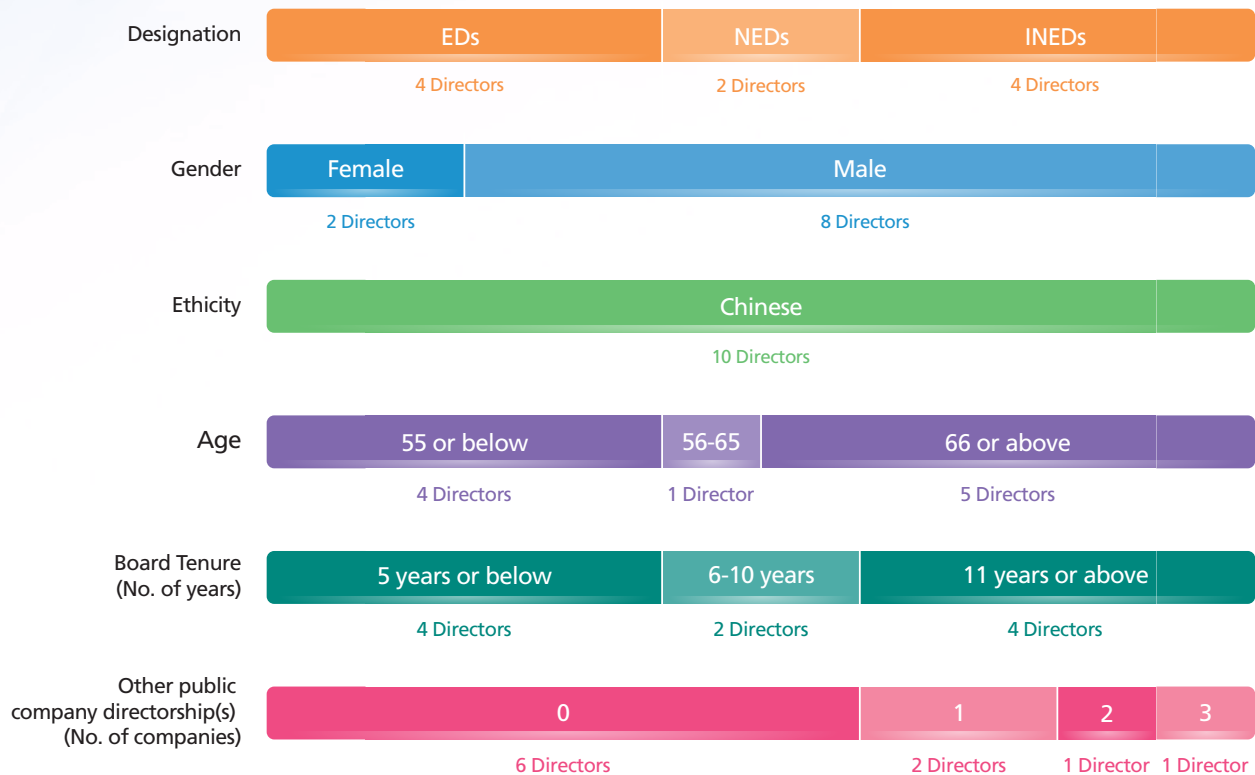
Board		
Executive Directors	Non-executive Directors	Independent Non-executive Directors
Zen Wei Peu , Derek (<i>Chairman</i>)	Cai Xun	Lau Sai Yung
Ko Yuk Bing (<i>Deputy Chairman</i>)	Xu Enli ^(Note 2)	Tse Chee On, Raymond
Fong Shiu Leung, Keter (<i>Chief Executive Officer</i>)		Wong Wai Ho
Ng Fun Hung,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

Notes:

- 1 Mr. Ng Fun Hung, Thomas was appointed as an Executive Director with effect from 1 February 2022.
- 2 Mr. Xu Enli was appointed as a Non-executive Director with effect from 1 January 2022.
- 3 Ms. Hui Grace Suk Han was appointed as an Independent Non-executive Director with effect from 1 June 2022.

Corporate Governance Report (continued)

As at the date of this annual report, the Board comprises ten Directors including four 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 websites of the Company and the Stock Exchange.



Remarks

EDs: Executive Directors

NEDs: Non-executive Directors

INEDs: Independent Non-executive Directors

During the year ended 31 December 2022, 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 shall hold office until the first general meeting after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the Board shall hold office 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 general meeting pursuant to the Bye-laws.

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 2022, 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 qualification 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 2022.

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 (please refer to the paragraph of "Nomination Policy" and "Nomination Procedures" under section headed "Nomination Committee" for details) 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.

Corporate Governance Report (continued)

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 transactions (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 2022 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 2021 and 2022 together with six months ended 30 June 2022, and the Company's disclosures in the Corporate Governance Reports for the years ended 31 December 2021 and 2022.

The Group has adopted a number of policies and procedures of the Company, 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.

Corporate Governance Report (continued)

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 2022, the Company held six Board meetings. Directors' attendance records at Board and Board Committee meetings, the 2022 AGM held on 20 May 2022 and the special general meeting held on 30 November 2022 (the "SGM") are set out below:

Name of Directors	Meetings attended/held					
	Board	Audit Committee	Nomination Committee	Remuneration Committee	2022 AGM	SGM
Executive Directors						
Zen Wei Peu, Derek	6/6	–	4/4	1/1	1/1	1/1
Ko Yuk Bing	6/6	–	–	–	1/1	1/1
Fong Shiu Leung, Keter	6/6	–	–	–	1/1	1/1
Ng Fun Hung, Thomas ^(Note 1)	5/5	–	–	–	1/1	1/1
Non-executive Directors						
Cai Xun	3/6	–	–	–	0/1	0/1
Xu Enli	2/6	–	–	–	0/1	0/1
Independent Non-executive Directors						
Lau Sai Yung	6/6	2/2	4/4	1/1	1/1	1/1
Tse Chee On, Raymond	6/6	2/2	4/4	1/1	1/1	1/1
Wong Wai Ho	6/6	2/2	4/4	1/1	1/1	1/1
Hui Grace Suk Han ^(Note 2)	3/3	–	–	–	–	1/1

Notes:

1 Mr. Ng Fun Hung, Thomas was appointed as an Executive Director with effect from 1 February 2022.

2 Ms. Hui Grace Suk Han was appointed as an Independent Non-executive Director with effect from 1 June 2022.

"–": 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 the minutes of the Board and Board Committees' meetings. Such minutes are open for inspection by the Directors.

Corporate Governance Report (continued)

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 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 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 2022, 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 2022 are summarised as follows:

Name of Directors	Type of continuous professional development
Executive Directors	
Zen Wei Peu, Derek	A,B
Ko Yuk Bing	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
Tse Chee On, Raymond	B
Wong Wai Ho	A,B
Hui Grace Suk Han	A,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 2022, 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. To enhance efficiency, the Chairman has delegated to the Deputy Chairman, Mr. Ko Yuk Bing, the responsibility of directing the long-term development and high level management of the toll road business.

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 August 2013 which was revised and amended in August 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. To enhance gender diversity, one new female Board member was appointed to the Board on 1 June 2022, bringing the female Board members to two or 20% of the Board.

During the year ended 31 December 2022, the Nomination Committee and the Board had taken into account of, among others, the Board Diversity Policy and the Nomination Policy when considering the appointments of Mr. Ng Fun Hung, Thomas as Executive Director and Ms. Hui Grace Suk Han as Independent Non-executive Director.

The Nomination Committee and the Board formed the view that, with their different backgrounds and expertise, each 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 has also set up 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 2022, 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 business may be less relevant due to the nature of work.

Corporate Governance Report (continued)

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 websites of the Company and the Stock Exchange.

Audit Committee

Composition

The Audit Committee comprises three members, namely Messrs. Lau Sai Yung (Chairman of the Audit Committee), Tse Chee On, Raymond and Wong Wai Ho. 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 2022 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 2021 and 2022, and the interim results of the Group for the six months ended 30 June 2022;
- 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 2022;
- 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 2022 AGM and 2023 AGM;
- Review of the effectiveness of the internal audit function of the Company;
- Approval of the 2023 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

During the year ended 31 December 2022, the Nomination Committee comprised four members, namely Messrs. Zen Wei Peu, Derek (Chairman of the Nomination Committee), Lau Sai Yung, Wong Wai Ho and Tse Chee On, Raymond. 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 2022 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 and propose 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;
- Identify and select individuals nominated for directorship; make recommendations to the Board on the appointment of Mr. Ng Fun Hung, Thomas as an Executive Director and Ms. Hui Grace Suk Han 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 2022 AGM and 2023 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.

Corporate Governance Report (continued)

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 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 general meeting after his/her appointment.

Remuneration Committee

Composition

During the year ended 31 December 2022, the Remuneration Committee comprised four members, namely Messrs. Tse Chee On, Raymond (Chairman of the Remuneration Committee), Zen Wei Peu, Derek, Lau Sai Yung and Wong Wai Ho. 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 2022 and up to the date of this annual report:

- Review and approval of the Company's remuneration policy for 2022 and 2023;
- Approval of emoluments of the Executive Directors (including the newly appointed Executive Director) (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 (including the newly appointed Executive Director);
- Approval of year end bonus of the Executive Directors and senior management;
- Review of remuneration and bonus policy of senior management;
- Approval of salary adjustment of staff; and
- Approval of remuneration for newly recruited senior staff.

Remuneration Policy

The Company ensures that the remuneration offered is 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 duties and responsibilities with the Company and the prevailing market situation. Details of the emoluments of the Directors during the year ended 31 December 2022 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 2022 were within the following bands:

	Number of Senior Management
Up to HK\$3,000,000	2
HK\$3,000,001 to HK\$4,000,000	1
HK\$4,000,001 to HK\$5,000,000	3
HK\$5,000,001 to HK\$6,000,000	3
HK\$6,000,001 to HK\$7,000,000	1
HK\$8,000,001 to HK\$9,000,000	1

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, Ms. Chuk Wing Suet, Josephine, Mr. Zhang Nan, Ms. Diao Lu, Amy and Mr. Zhao Min (will cease as a member of this Committee on 31 March 2023).

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, four functional sub-committees, namely Market, Product, Engineering and Property Service, were subsequently 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.

Corporate Governance Report (continued)

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules 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 2022.

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 2022.

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 2022 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 2022 are as follows:

Type of Services	Fee paid/payable HK\$
Audit fee	5,290,000
Non-audit services	
Interim review fee	1,950,000
Transaction-related advisory services	4,463,000
Other services	564,000
Total	12,267,000

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 2022. The Audit Committee considered the risk management system of the Company and its subsidiaries 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 Company and its subsidiaries for the year ended 31 December 2022. The Audit Committee considered the internal control system of the Company and its subsidiaries 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.

Corporate Governance Report (continued)

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 websites of the Company and the Stock Exchange on the day of the general meeting. The Company has not made any change to its Bye-laws during the year ended 31 December 2022. The consolidated versions of the memorandum of association of the Company and the Bye-laws are available on the websites of the Company and the Stock Exchange. However, to align with the Core Shareholder Protection Standards set out in Appendix 3 of the Listing Rules, a special resolution approving the adoption of new Bye-laws is proposed to be passed by the Shareholders at the 2023 AGM to be held on 24 May 2023.

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 websites of the Company and the Stock Exchange.

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 2022 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 2022, 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 REPORT

This Environmental, Social and Governance Report of the Group serves as a summary of the ESG strategy, policies and achievements. It illustrates how Road King pursues its mission to become the best performing investor and operator in Mainland China and Hong Kong through dedication in quality products and services while managing its ESG risks and impacts.

Reporting Scope

This ESG Report provides an overview of the ESG progress of the Group for the period from 1 January 2022 to 31 December 2022 (the "Reporting Period"). Unless otherwise specified, this 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 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 report is prepared in accordance with the ESG Reporting Guide as set out in Appendix 27 to the Listing Rules.

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 report, in its preparation, strictly adhered to the requirements of Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules regarding the mandatory disclosure requirements and "comply or explain" provisions, and the preparation of this report is based on the following four reporting principles:

1 Materiality

Important and relevant information to stakeholders on different ESG aspects is covered in this report. Relative importance of ESG topics has been determined through materiality assessment and approved by the Board.

2 Quantitative

Quantitative information with appropriate annotated and comparative data is provided in this report to assist readers in interpreting the data and assess the group's ESG performance objectively.

3 Consistency

Consistent methodologies (as previous reports) are used to prepare and present ESG data provided in this report, unless otherwise specified.

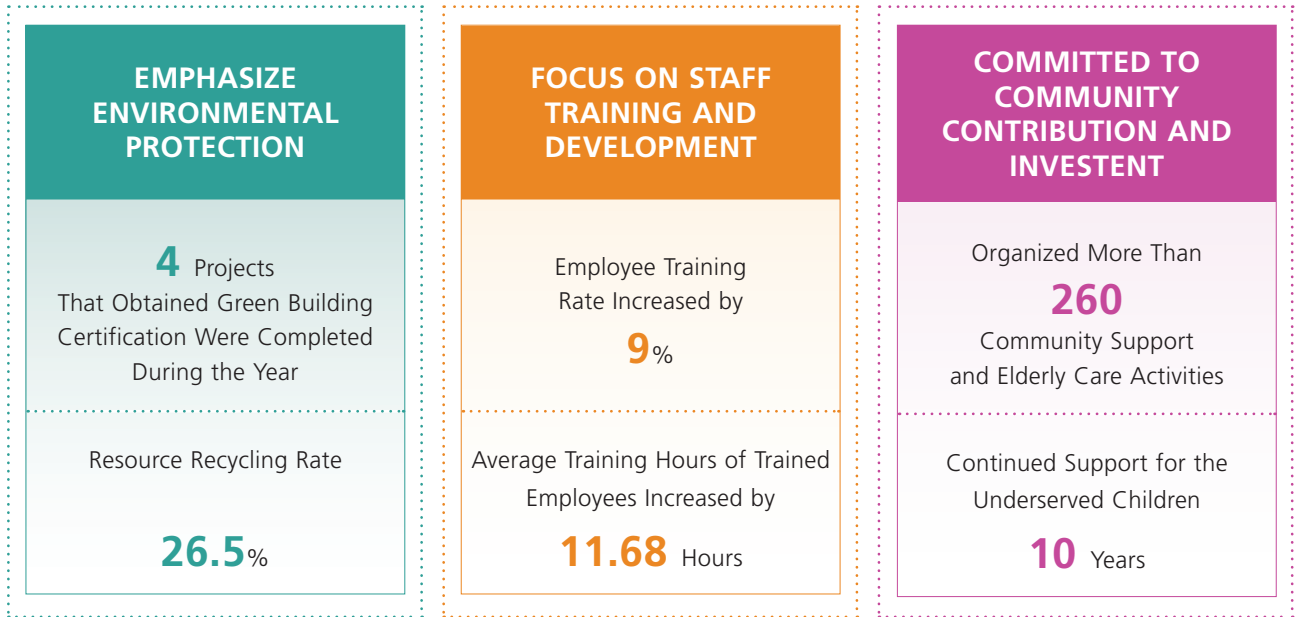
4 Balance

Unbiased information is provided in this report, without the inappropriate use of selections, omissions and presentation formats that would mislead the readers.

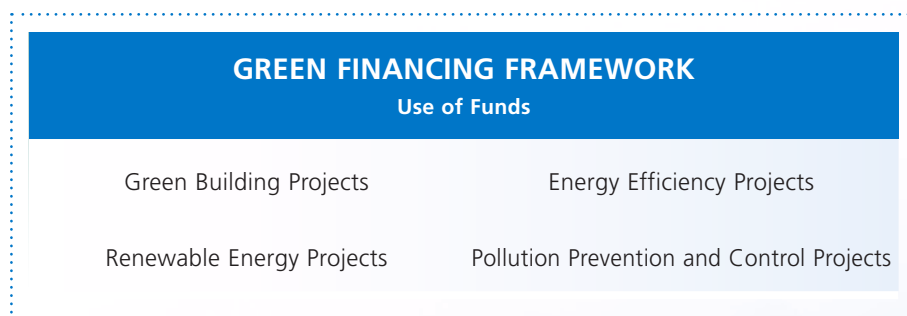
Environmental, Social and Governance Report (continued)

ESG PERFORMANCE HIGHLIGHT

Due to the recurrent Pandemic in 2022, the business environment was still full of variables and challenges. Nonetheless, the Group continued its efforts to improve overall ESG performance in different aspects. Please see below key highlights of results achieved:



In order to support the Group’s green development in the future, the Group has established a green financing framework in 2021 and obtained a second-party opinion letter for the relevant framework. In the future, the funds raised by the Group 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 the report and visit the Group’s website.



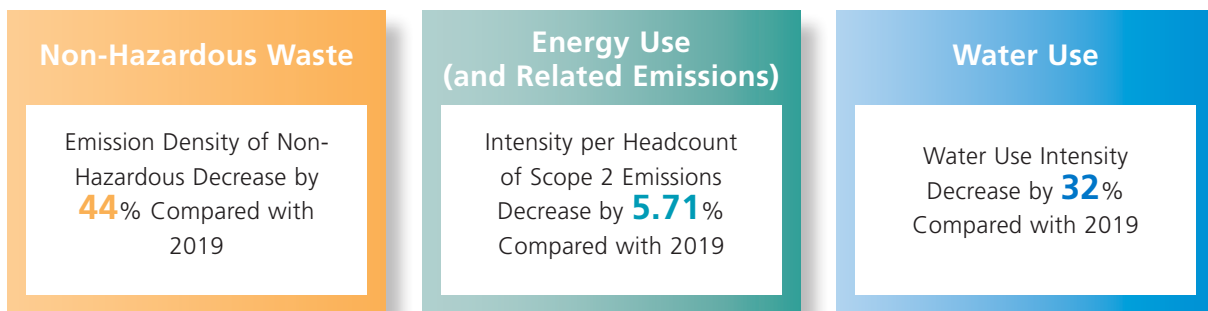
Environmental, Social and Governance Report (continued)

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
Non-Hazardous Waste	Compared with 2019, the emission density of non-hazardous waste shall decrease by 5% in 2023
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
Water Use	Compared with 2019, the water use intensity shall decrease by 5% in 2023

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 the report, and the Group will continue to comply with these measures to achieve these objectives. In 2022, the specific process of the Group for target implementation is as follows:



Environmental, Social and Governance Report (continued)

ESG FRAMEWORK

ESG risks and opportunities are considered at the corporate level, with the Board having 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 the 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, aiming to achieve diversity of the Board 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%. On 1 June 2022, the Company appointed Ms. Hui Grace Suk Han as an Independent Non-executive Director, making female members to achieve two or 20 percent of the Board.

The Board also regularly monitors the overall progress of the ESG goals and regularly assesses the relevance and impact of the established ESG goals to the Company. The Group will also continue to provide Directors with updates on environmental, social and governance developments to enhance their awareness of good corporate environment, society and governance. During the year, 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 Company, 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 reporting standards and reporting scope of the ESG reports meet the requirements.



Environmental, Social and Governance Report (continued)

ESG RISK MANAGEMENT

Moreover, ESG risks have been integrated into the Group's enterprise risk management framework. 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 environmental, social and governance risks and has incorporated these risks into the assessment and determination of 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 the 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 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 summarized below:

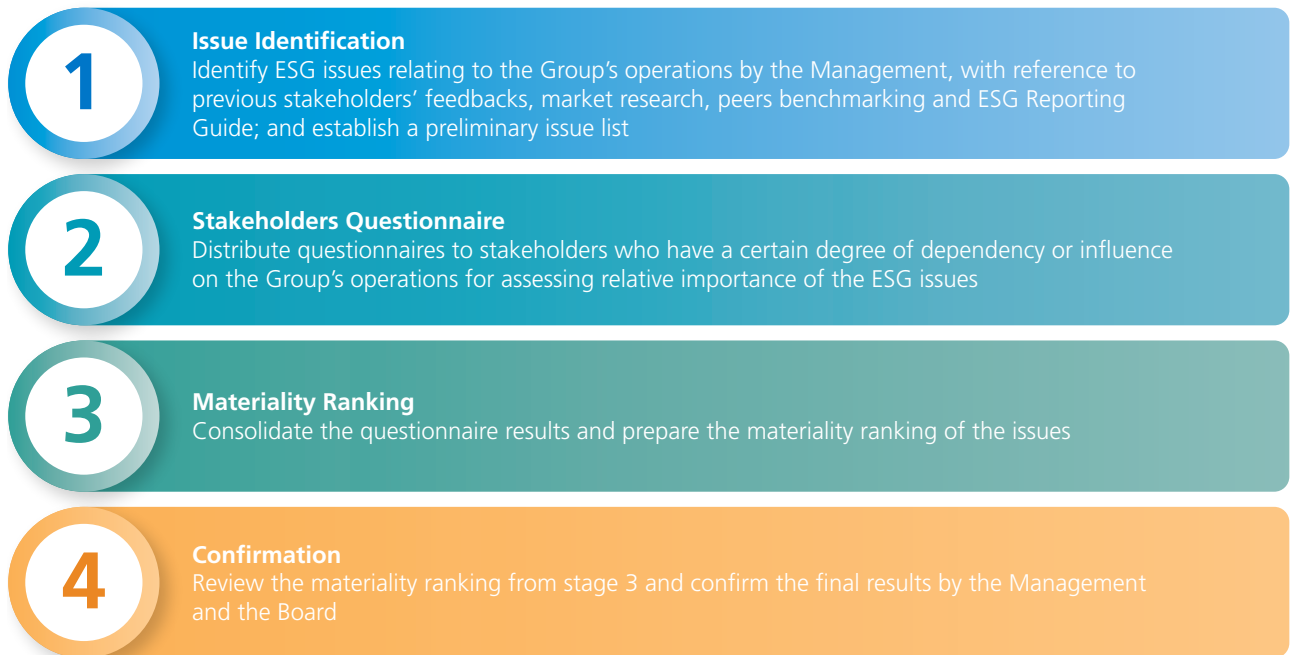
Stakeholder Groups	Engagement Channels
Employees	<ul style="list-style-type: none">• Meetings and Briefings• Training Sessions• Internal Emails and Publications• Employee Activities• Surveys and Interviews
Customers	<ul style="list-style-type: none">• Corporate Website• Surveys• Property Sales Activities• Property Management Work
Suppliers and Business Partners	<ul style="list-style-type: none">• Screening and Assessments• Business Meetings• Surveys
Investors and Shareholders	<ul style="list-style-type: none">• Annual General Meeting• Analyst Briefings and Announcements
Government and Regulators	<ul style="list-style-type: none">• Consultations
Community	<ul style="list-style-type: none">• Community Events
Media	<ul style="list-style-type: none">• Press Releases

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

Environmental, Social and Governance Report (continued)

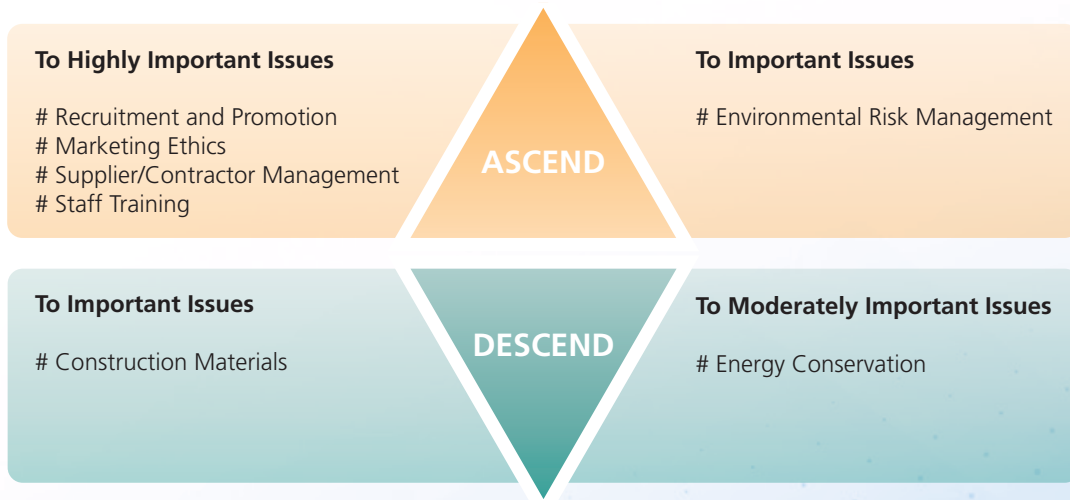
MATERIALITY ASSESSMENT

The Group faces a vast number of ESG issues relating to its operations that are of varying importance to stakeholders. To prioritize the important issues for meaningful reporting and resource allocation, the Group conducted a materiality assessment during the Reporting Period. Such activity consisted of four stages as shown below:



Both internal and external stakeholders were invited to complete the questionnaire for assessing relative importance of the 21 issues identified in stage 1. 13 issues are classified as highly important, 4 issues are classified as important and 4 issues are classified as moderately important. All topics are covered in later sections of this report.

Compared with 2021, the materiality of some issues changed:



Environmental, Social and Governance Report (continued)

The materiality assessment results for 2022 are mapped into the following materiality matrix:



Material Issues

Value Chain

- 1 Supplier/Contractor Management
- 2 Product and Service Responsibility
- 3 Marketing Ethics
- 4 Data Privacy
- 5 Anti-Corruption and Money Laundering
- 6 Whistle-Blowing Mechanism
- 7 Social Responsibility

Labour

- 8 Recruitment and Promotion
- 9 Working Hours
- 10 Remuneration
- 11 Equal Opportunity
- 12 Workplace Health and Safety
- 13 Staff Training
- 14 Anti-Child and Forced Labour

Environment

- 15 Air Emissions and Water Discharges
- 16 Greenhouse Gas Emissions
- 17 Waste Management
- 18 Energy Conservation
- 19 Water Conservation
- 20 Environmental Risk Management
- 21 Construction Materials

Environmental, Social and Governance Report (continued)

ESG APPROACH

With over 46 property development 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. While in recent years public awareness and demand on corporate social responsibility have risen considerably, the Group recognizes and embraces this trend with the determination to contribute to the inclusiveness and sustainable development of the wider community.

Accordingly, the Group has established its ESG approach with 3 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 Workplace

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




III. Building Sustainable Community

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

Environmental, Social and Governance Report (continued)

I. OFFERING QUALITY PROPERTIES AND SERVICES

The Group is committed to providing quality properties and services in a socially and environmentally responsible manner, with the core objective to generate sustainable values to customers and society. 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, every single ESG issue in this production process is taken seriously by the Group.

Issues in This Section	Stock Exchange ESG Indicators Involved	SDGs Issues Involved
Building Design and Supplier Selection Construction Planning and Construction Work Quality Management 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   

1 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.

2 Construction Planning and Construction Work

Construction planning and construction work is the crucial stage of production, during which a significant part of environmental and social impacts are managed. The Group is committed to reducing emission and energy consumption, as well as maintaining construction site safety in this phase.

3 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.

4 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.

Environmental, Social and Governance Report (continued)

Building Design and Supplier Selection

Green Architecture Concept and Goals

Developing green architecture is an urgent need for transforming the growth mode of 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 Assessment Standard for Green Building, we have rigorously conducted environmental management in the entire lifecycle of architecture from design to operation. While ensuring 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 existing new architecture of Road King are in line with relevant national green architecture policy requirements.

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 possible, such as the installation of solar panels and water heating systems to utilize 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 number of projects of the Group that have obtained green building certification has continued to increase, as listed below:

Completed in 2022	<i>Two-Star Green Buildings</i>	
	Sipac Zone, Suzhou RK City, Zhenjiang Park Mansion, Beijing RK City Boyue, Changzhou	
Completed in 2021	<i>Two-Star Green Buildings</i>	<i>One-Star Green Buildings</i>
	RK Royal Bay, Changzhou RK One More Time, Suzhou Time Boutique, Wuxi RK Fabulous Community, Tianjin RK Sheshan Villa • Dongyuan, Shanghai Lan Ting Long Yue Hua Yuan (Phase I), Kunshan	Shan Yu Mansion, Nanjing Hill Mansion I, Nanjing Lakeside Mansion, Nanjing Elite's Mansion, Foshan RK Yunhe Shangyuan, Beijing RK Royal Yard, Beijing RK Yuemao Mansion, Shanghai RK Shanghai Villa, Shanghai Lanshi Li, Hangzhou Haiyi Cuiting, Hangzhou
Completed in 2020	<i>One-Star Green Buildings</i>	
	Guo Shi Jiu Li, Changzhou RK Mont Panorama, Guangzhou RK Rivage Panorama, Guangzhou	

The Group has also applied for green building certification for some projects under construction. It is hoped that a higher proportion of projects will be able to obtain relevant honours and achieve higher standards (such as the three-star rating of the China Green Building Evaluation Label) in the future.

Environmental, Social and Governance Report (continued)

The Group's effort in designing green building has been recognized. For instance, one of the Group's residential development projects, the Bright Mansion of the Group located in Shanghai was awarded the title of The Italian International Design Award – International Innovative Design Award and the Ninth Grand Prix du Design Paris GDPD AWARD for International Innovative Design Award and etc., fully demonstrating the Group's green architecture concept. Details of examples are as follows:

Green Building/Green Architecture



Bright Mansion, Shanghai

The Bright Mansion project was awarded the title of The Italian International Design Award - International Innovative Design Award and the Ninth Grand Prix du Design Paris GDPD AWARD for International Innovative Design Award.

The Bright Mansion project is mainly high-rise, reducing the number of buildings, so that the use of internal landscape resources can be maximized. In the landscape cluster, the owners can relax and entertain, pass freely and safely, creating a warm and natural public space, and the integration of design and nature is considered in all aspects.

The residential area is divided into multiple theme gardens according to the structure, strengthening the communication between the neighbours. During the construction, we paid attention to details to achieve people-oriented design concept.

The Bright Mansion project is a double high-standard project of "ultra-low energy consumption + three-star green buildings"

The project has adopted various technical measures, including the control of the total annual run-off rate of the site, permeable paving, rainwater control and utilization, ecological compensation measures, set-up of the identification system for easy identification and use, garbage sorting and collection, reasonable layout of outdoor smoking areas, light pollution control, measures to reduce heat island intensity and so on, in order to meet the design requirements of three-star green buildings project.

The project has adopted a sponge design, which consists of three features: sunken green area, reservoir and permeable pavement. Roads, pavements and green area are also provided with a reasonable slope to allow rainwater to flow to the sunken green area within the green area, so that rainwater from the green area, paved surfaces and roads nearby can be collected and absorbed. The sunken green area is combined with landscape design to ensure uniform distribution while fitting in with the overall landscape style and functions space requirements. Through these measures, the project has met the requirements of sponge city construction in Shanghai area and achieved the following results:

- The control of total runoff is greater than 75% (the corresponding designed rainfall is 22.2mm)
- The control rate of runoff pollutants is greater than 50%
- The permeable paving reaches 50% of the total paved area
- As for the landscaping irrigation, the daily irrigation water for the road square and the basement (water quota) is taken as 2L/ m² •d

Environmental, Social and Governance Report (continued)

Green Building/Green Architecture



Sipac Zone, Suzhou

The Sipac Zone project is a two-star green design project. The project combined the implementation of new green architecture technology measures: system of 65% building energy saving, renewable solar energy and water heating system, non-traditional water source rainwater harvesting system, water-saving irrigation system, improved building automatic control system, submetering energy monitoring system and signage system.

The landscape design takes the four romantic seasons, the colorful autumn, the healthy footpath and the colorful house as the main theme, creating four seasons of romantic landscape through the flowering trees on both sides of the road. The under plants are mainly comprised of natural clusters combined with dotted flower border plants, to create a landscape space experience with different walking and scenery and enhance the residents' sense of participation in the landscape and the perception of the four changing seasons.

Green Building/Green Architecture



RK City, Zhenjiang

The RK City project is positioned as a green ecological architecture, and is designed by using a series of green technologies to save resources, energy and protect the environment based on the concept of green and low-carbon development and construction. It includes the development and utilisation of the underground space, optimization of the site wind environment, optimization and improvement of advanced technologies such as thermal

performance of the envelope structure, solar water heating system, rainwater collection and utilization. In the mix of plants and tree species, drought-enduring and waterlogging-resistant plants should be chosen, and it should be configured flexibly according to the principle of evergreen in four seasons and flowers in three seasons.

The project also adopts various sponge facilities, including the rain garden, the sunken green space and grass ditch.

Environmental, Social and Governance Report (continued)

Green Building/Green Architecture



Jade Residence, Changzhou

Jade Residence is an innovative constructed residence equipped with a service center for elderly care. The overall residential design of the project is two-star green building, and the elderly housing has been approved for three-star green building, three-star health and ultra-low energy consumption design.

Starting from the concept of green building, healthy building and ultra-low energy consumption building, the project aims to build a dynamic living environment

for the elderly, making a positive contribution to the realization of its carbon peak and carbon neutrality vision, and also reflecting people's new demand for a better life.

The project landscape is combined with a sponge design, and the rainwater is collected and treated for greening irrigation and road washing of the project; the water resources is comprehensively used to relieve the drainage pressure of the whole plot, so as to achieve a beautiful and economic landscape effect.

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 implements 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. 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 serve 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 2022, the Group had a total of 167 major suppliers (2021: 147 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, 75 suppliers (2021: 117 suppliers) were located in Mainland China and 50 suppliers (2021: 30 suppliers) were located in Hong Kong. (Please note the figures above do not include suppliers that provide selling and marketing services and office supplies.)

Environmental, Social and Governance Report (continued)

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, as to provide incentives to suppliers to adopt socially and environmentally preferable practices. To better control ESG risks along the supply chain, 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. Regular review is performed 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 such labours.

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. Unsatisfactory or inadequate commitment to environmental and social performance will be reflected negatively on performance evaluation, affecting their chance of being engaged again in the future.

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, redevelopment or renovation of commercial and residential buildings possessing environmental certification from LEED (minimum gold) or a China Green Building Label (minimum two stars)

Energy Efficiency

Adoption of technologies, equipment and systems 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

Environmental, Social and Governance Report (continued)

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 an ongoing basis and exclude projects that no longer comply with the eligibility criteria or that have been processed to better utilize 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.

Monitoring: 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.

Allocation of unused funds: 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.

Reallocation of funds: 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, 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.

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 2022, the Group did not issue green loans/bonds, and there was no updated information 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 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.

Environmental, Social and Governance Report (continued)

Construction Planning and Construction Work

The Group recognises that construction activities usually consume significant amount of resources and result in 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 noise and light nuisance control measures, 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 apply to the relevant departments before the construction, and will construct at night after the approval; vehicles at the construction site are prohibited from honking to reduce the noise.

Besides, the Group also formulated measures to prevent and control light pollution at the construction site, such as controlling the angle of light exposure during the construction, and adjusted the light return angle of the lampshade at any time with the different construction progress to ensure that the strong light does not shoot out of the construction site; the irradiation direction of the iodine tungsten lamp set on working surface under the construction should always be toward the inside of the site and the dense screen should be set to shield it, in order to prevent lights under the night construction from spilling outside the construction site.

The Group avoids noise and light nuisance at night through the proper planning for construction activities, and closely monitors site noises. 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 of the Group were awarded "Safe and Civilized Construction Sites" by relevant authorities in recognition of their efforts in environmental protection:

- RK Noble Mansion
- Park Up Town
- RK Fabulous Community
- Bamboo Grove One
- West Side Time
- Jinmao Palace (Changzhou)
- Cloud-Clad Mount
- Dazzling Jiangnan
- Breeze Mansion

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.



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.

Environmental, Social and Governance Report (continued)

Climate Change

In addition to the potential negative impacts on construction work which may impose to external environment, the Group also realised the risks posed by external environment to construction activities. The Group is particularly concerned with the effects of climate change, which results in more frequent extreme weather conditions such as extreme temperature, flooding and typhoon. These events may disrupt construction activities, causing damage to the Group's properties and most importantly, threaten the safety of construction workers and construction site.

To control these external risks, the Group closely monitors the weather conditions and climate change related issues of the districts where construction sites locate, and requires its contractors to develop emergency plans and perform regular examination on construction equipment to ensure they meet the safety standards. Besides, the Group is also aware of the difficulties in carrying out construction activities during winter, due to low temperature and intense air pollution (e.g. smog). Accordingly, the Group requires contractors to complete standardized preparation work before starting construction in winter. This includes the installation of relevant heating and warming equipment as well as other heat preservation measures to protect construction machinery, ensuring that they can operate normally. Formal 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 our 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. 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.

Environmental, Social and Governance Report (continued)

Risk Management – Managing Climate-Related Risks	
Physical Risk	
Category	Description
Immediate Risk	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 Risk	
Policy and Regulatory Risk	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 Reputational Risk	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 differ from market expectations.
Technical Risk	Using green technology will bring uncertainty. On the one hand, innovative green technologies will drive revenue, reduce the Company'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 capacity and frequency of the logistics of raw materials are set up 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, and solar panels are installed in certain locations to support the lighting systems at the construction site. As for site members, different communications (such as posters, signs and memos) are launched to raise construction workers' awareness on energy conservation, and site supervisors are assigned to record and monitor the electricity usage and formulate corresponding energy conservation plan.

Environmental, Social and Governance Report (continued)

Water Conservation

Equal importance is also placed on water conservation during the preparation stage. The Group requires its contractors to implement certain measures such as installing sediment tanks and reflux pipes to collect sewage and rainwater, which will be reused after sedimentation for washing trucks and machinery as well as sprinkling roads to reduce dust.

Adoption of measures mentioned above during the preparation stage provides a good foundation for managing negative impacts to external environment as well as conserving energy and water.

Waste Management

At the construction stage, the Group pays close attention to the wastes and emissions generated, and requires its contractors to implement effective control and mitigation measures. The Group also requires its contractors to use energy-saving and environmentally friendly construction materials and building materials as much as possible to reduce the generation of various wastes. Construction site waste management consists of 5 areas, namely, monitoring, reduction, handling, storage and disposal, respective control measures are summarized below:



Monitoring

- Assign site supervisors to record and monitor the 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 for land formation)
- Cover construction materials properly to avoid deterioration caused by weather which will lead to unnecessary disposal
- 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 categorized into inert and non-inert wastes) for handling in accordance with environmental regulations
- Prohibit the use of Asbestos (a traditional hazardous construction material)



Storage

- Arrange designated areas with clear signs for temporary storage of construction wastes, 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 unauthorized 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 and the Waste Disposal Ordinance (Cap. 354) of Hong Kong.

Environmental, Social and Governance Report (continued)

Air Emissions

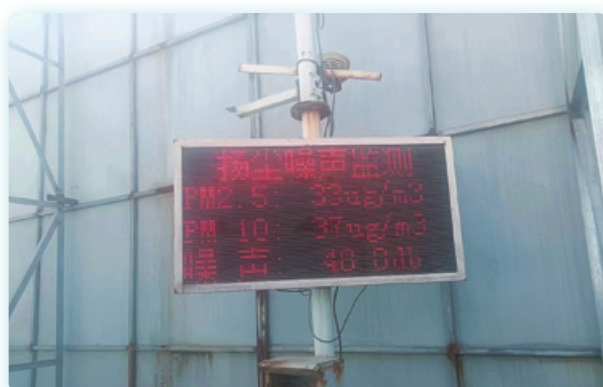
Regarding air emissions at construction site, the Group places special attention to the control of blowing dust, which is a significant source of air and water pollution. The Group requires contractors to implement control measures, as appropriate, to ensure dust generation and dispersion to external environment are minimised. Relevant measures include:

Reduce Dust Generation

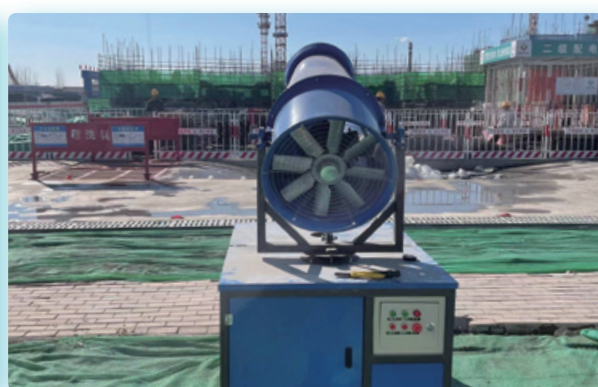
1. Prohibition of on-site mortar mixing
2. Use of commercial mortar
3. Use of appropriate materials for pavements at construction site
4. Proper maintenance and hardening of construction site pavements
5. Assignment of supervisors to monitor the loading of soil from earth excavation onto the trucks

Prevent Dust Dispersion

1. Set the dust monitoring system
2. Use of barriers to contain construction site area
3. Use of water sprinkler systems
4. Covering of cargo compartments of trucks that transport dust generating materials
5. Covering of newly reclaimed land
6. Washing tank and sedimentation tank in place for regular cleaning of construction machinery and trucks
7. Prohibition of dust generating works under strong wind



Example of dust monitoring system



Example of using water sprinkler system to prevent dust dispersion

To further reduce overall air emissions, the Group requires contractors to use electrical construction machinery that does not generate air emissions, and cleaner fuels (e.g. ultralow Sulphur diesel) that generate less air emissions, where feasible. Meanwhile, contractors are prohibited from burning construction waste onsite and required to collect and dispose inflammable wastes timely. CCTV and air quality gauges have been installed to monitor air quality, to ensure that 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 (Cap. 311) of Hong Kong.

Environmental, Social and Governance Report (continued)

Water Discharges

As for water discharges, the Group strictly prohibits any illegal discharges that result in pollution of nearby environment, and complies with applicable laws such as the Water Pollution Prevention and Control Law of the People's Republic of China and the Water Pollution Control Ordinance (Cap. 358) of Hong Kong. Contractors are required to discharge water to designated municipal drainage systems after treatment in accordance with the environmental regulations, where water discharge quality has to be accredited by relevant governmental authorities. The Group also requires contractors to obtain relevant license as commanded by drainage-related authority 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 regular cleaning of sediment tanks.

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 the 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 caused on the site. In addition, engineers can monitor whether the components are designed in accordance with the unified building component design of prefabricated buildings as early as in the process of components prefabrication, and make changes as early as possible before finding that the quality is not up to standard, and avoid uneven quality. 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.

We actively implement prefabricated buildings, and focus on the application research of key fabrication technologies and the training of professional talents. Through prefabricated buildings, we can effectively control and reduce energy and resource consumption during construction, while reducing waste emissions and environmental pollution. Compared with the traditional cast-in-place construction method, the 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 2022, we had a total of 44 projects that applied prefabricated building technology, with a total construction area of 5.65 million sqm.

Environmental, Social and Governance Report (continued)

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. The Group also requests contractors 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; 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 conducts mandatory on-boarding safety training for all staff and workers, and requires all staff and workers to review the on-boarding safety training 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.

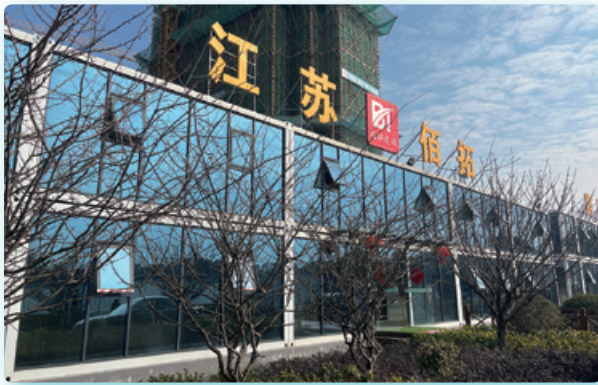
In addition, the Group encourages contractors to care for workers, striving to provide a good work environment for works. The Group encourages contractors to actively participate in and pay attention to safety on site by way of adoption of various activities and implementation of effective measures,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



We encourage contractors to care for workers on site, and distribute watermelon and beverage during the hot weather to promote two-way communication between workers and site management.

Environmental, Social and Governance Report (continued)

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 0.236 per 100,000 man-hours, and so far the construction site has maintained an accident rate that is lower than the target. The project 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 construction safety measures, such as the provision of personal protective equipment, in accordance with local regulations such as the Construction Law of the People's Republic of China and Construction Sites (Safety) Regulations (Cap. 591) of Hong Kong. On top of that, the Group has established clear construction site environment and sanitation requirements to ensure proper working and living conditions of 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' construction safety.



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

Environmental, Social and Governance Report (continued)

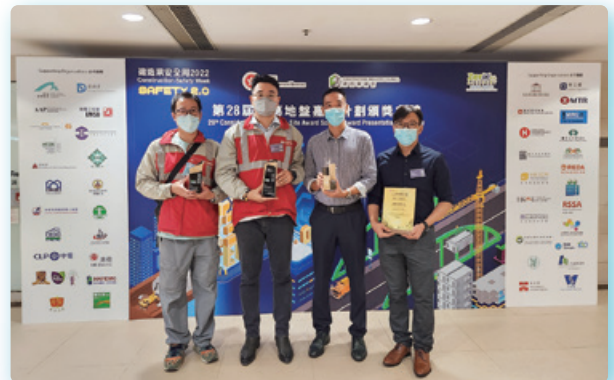
The Group proactively supervises the contractors, regularly conducts self-inspection on the contractors for safe and civilized construction, and organizes the implementation of major engineering inspections on the projects. Meanwhile, the Group publicizes and enforces contractor's occupation health and 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 processes to provide incentives for maintaining and improving living and working conditions of construction workers. The construction sites of various construction projects of the Group have also obtained honours related to civilized construction.

Achievements



RK Noble Mansion and RK Junlan Bay won the 2022 Beijing Structural Great Wall Cup: Construction Golden and Silver Quality Awards.

Achievements



The Southland project in Wong Chuk Hang, Hong Kong won 2022 28th Considerate Contractors Site Award Scheme: Outstanding Contribution Award

Environmental, Social and Governance Report (continued)

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, the areas subject to quality check (including construction equipment, construction work procedures, as well as the finished components of property such as doors and windows) and the methodologies for quality check (e.g. by sampling). Qualified engineers and third parties are appointed to perform such quality assurance procedures. These standards are strictly enforced in every property development project, and reviewed constantly to ensure they are in compliance with applicable laws and remain effective over time. The Group does not accept any quality defects that would potentially impair the health and 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 is satisfactory before accepting the apartments. To further safeguard the interests of property buyers, the Group engage a quality acceptance consultant to inspect building quality prior to delivery on the quality of brand new apartments, 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.

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 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) in 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 Management amid the Pandemic

The health and safety of customers and tenants are of paramount importance to the Group. Different precautionary measures have been implemented to ensure safe and orderly resumption of economic activities at the Group's properties, including performing of temperature check at entrance, strengthening of disinfection work in common areas of the properties, provision of hand sanitizers and adherence to stricter visitor registration processes. The Group will continue to closely monitor the Pandemic situation, and review the contingency measures in timely manner.

Environmental, Social and Governance Report (continued)

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 2022. 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. The results revealed that the overall customer satisfaction has been steadily improving for seven consecutive years. Moreover, the Group is actively analyzing and discussing the survey results, strives to improve the weaknesses and maintain the advantages on its services in the future, 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 in a responsible manner, the Group is committed to ethical sales practices to protect customer interests. As a control measure, the Group reviews all information on its advertisements and promotion materials before publication to ensure there is no untrue or misleading information used. The Group strictly prohibits the use of any illegitimate marketing tactics, and requires its entities to comply with all relevant 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 (Cap. 621) of Hong Kong.

Customer Data Privacy

The Group respects customer privacy and maintains 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 for the purpose of preventing inappropriate collection, holding, processing or use of the customer data that would harm the interests of customers.




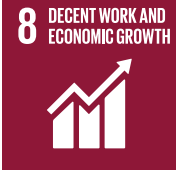


Six Data Protection Principles	
Collection Purpose and Means: Collect adequate but not excessive data through lawful and fair means for a purpose directly related to the Group's business operations.	Data Security: Implement effective security system and apply adequate security measures to protect customer data from unauthorized access.
Data Accuracy and Retention: 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: Disclose to the customer the kind of personal data held, as well as the policies and guidelines on handling such data.
Use of Data: 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: Provide a copy of personal data held to the customer upon request. Correct the data record in accordance to the customer's demand.

Policies and procedures on customer data management have been established accordingly to provide detailed guidance to employees on handling customer data. Such policies and procedures are also regularly reviewed 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 (Cap. 486) of Hong Kong.

Environmental, Social and Governance Report (continued)

II. ESTABLISHING CONSTRUCTIVE WORKPLACE

The Group highly values its employees, for their contributions to the Group’s development and success. The Group takes talent management as top priority and aims at providing a constructive workplace where employees can work efficiently and effectively with job satisfaction. In addition, the operations of such 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	SDGs issues involved
Talent Attraction and Retention Staff Development and Support 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      

1 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.

2 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.

3 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.

Environmental, Social and Governance Report (continued)

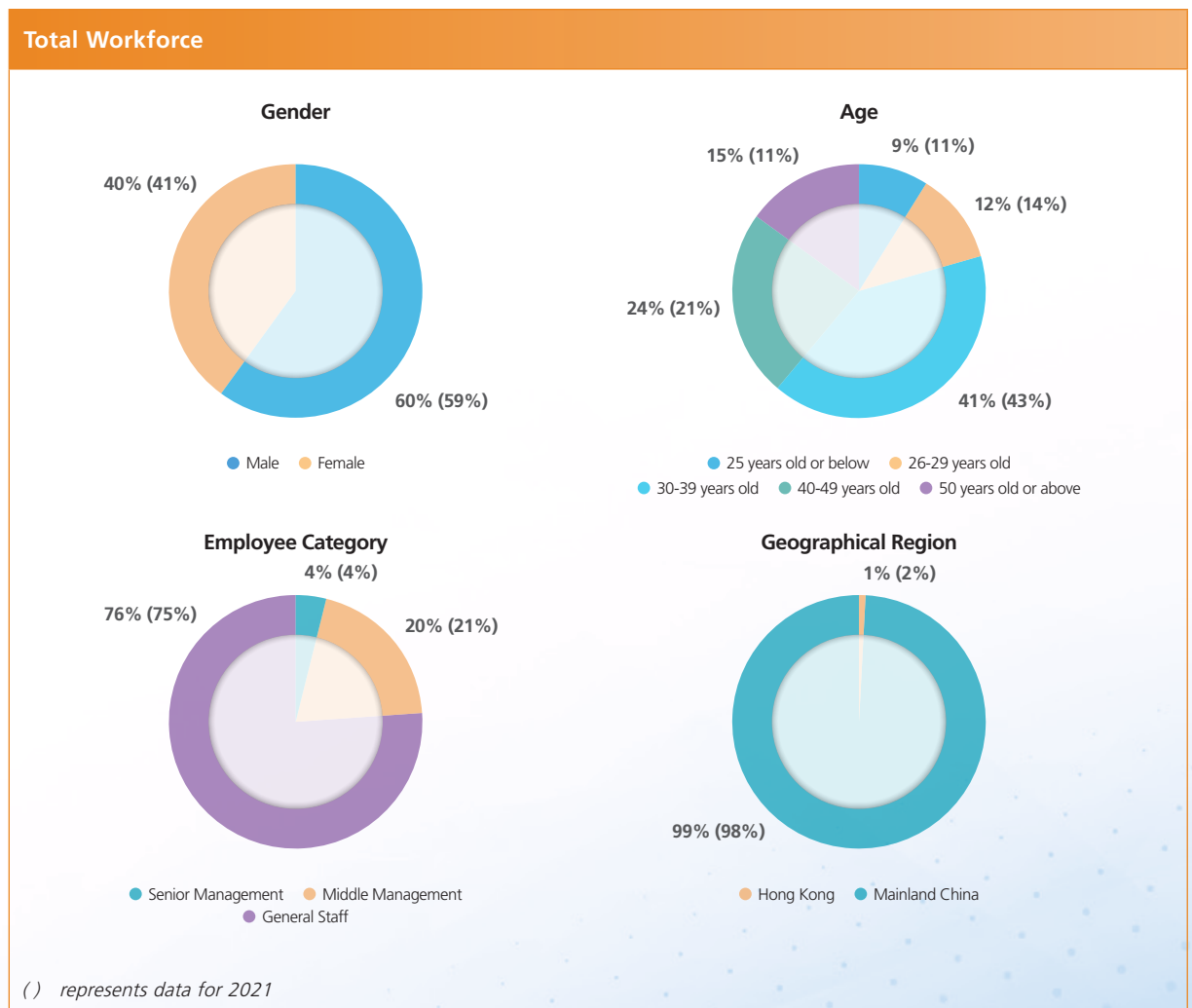
Talent Attraction and Retention

The Group aims at attracting the right talents who possess the suitable skills and knowledges, as well as share the mission and values of the Group. They are the important internal resources the Group can leverage on for the purpose of business operation and development.

Recruitment, Promotion, Compensation and Termination

The Group understands that there are two key elements in talent management. First, the Group has to identify the suitable talents, which is achieved through a carefully designed recruitment process with different means of assessment. Then it has to attract and retain them to serve the Group. In this respect, the Group sets out clear career paths and offers comprehensive opportunities to employees, helping them 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 contribution; other benefits include provident fund, medical insurance, training programmes and bonuses. Meal subsidies and travel allowance are provided under certain circumstances including outbound business trip and overtime work. Meanwhile, the Group also offers different types of leave to address employees' need on personal time for events such as exam, marriage and maternity etc. The Group received awards for being a responsible employer¹. All related 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 and the Employment Ordinance (Cap. 57) of Hong Kong.

As at 31 December 2022, the Group (including those major joint ventures and associates the Group was directly involved in management) had 4,588 employees (2021 : 5,132 employees), out of which more than 99% were full time employees. Further distributions of the Group's employees are shown below:



¹ RK Properties Holdings Limited won the 2022 China Real Estate Best Employer Enterprise Award from Keyan Think Tank and Yihan Think Tank, and RK Property Services Holdings Limited won the 2022 China Property Best Employer Enterprise Award from Keyan Think Tank and Yihan Think Tank.

Environmental, Social and Governance Report (continued)

Meanwhile, the Group strives to retain talents and takes employee turnover rate as a performance indicator in this regard. Optimal level of employee turnover rate implies strong employee loyalty, which indeed benefits the Group's development. Total employee turnover during the Reporting Period was 2,090 employees (2021 : 2,358 employees) which is mainly from property management business.

The Group has also calculated employee turnover rate for different groups. First, during the Reporting Period, in terms of gender, the male employee turnover rate was 47% (2021: 48%), while the female employee turnover rate was 43% (2021: 43%). In terms of the workforce by region, the employee turnover rate in Mainland China was 46% (2021: 43%), while the employee turnover rate in Hong Kong was 30% (2021: 22%). Finally, the Group also classified by age and calculated employee turnover rates for the corresponding groups during the Reporting Period, being 109% (2021: 105%) for 25 years old or below, 66% (2021: 64%) for 26-29 years old, 42% (2021: 41%) for 30-39 years old, 32% (2021: 27%) for 40-49 years old and 25% (2021: 23%) for 50 years old or above, respectively.

% represents the percentage of the number of employees who left over the total workforce in each group as at the end of the Reporting Period, and please refer to the B1.2 of the Appendix 3: Reporting Guidance on Social KPIs issued by Hong Kong Stock Exchange for the specific calculation method of employee turnover rate.



RK Properties Holdings Limited won the 2022 China Real Estate Best Employer Enterprise Award from Keyan Think Tank and Yihan Think Tank



RK Property Services Holdings Limited won the 2022 China Property Best Employer Enterprise Award from Keyan Think Tank and Yihan Think Tank

Environmental, Social and Governance Report (continued)



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. Concerning the skills and knowledge required to perform job duties for the Group, child labour will not be suitable employees for the Group and the risk of employing such labour is low. Nevertheless, the use of child labour is strictly forbidden, and control measures including requirement of proof of identity and age are in place. Use of forced labour is also strictly prohibited, while it remains a low risk issue to the Group, employees are encouraged to report any cases relating to forced labour practices. The Group constantly reviews and assesses its employment practices, as well as engaging employees, to avoid child and forced labour and ensure compliance with relevant laws such as the Labour Law and Provisions on the Prohibition of Using Child Labour of the People's Republic of China, as well as the Employment Ordinance (Cap. 57) of Hong Kong.

Staff Development and Support

The Group takes responsibilities to support its employees at work, with the aims 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 "RK Training Programmes". The purpose of implementing the "RK Training Programmes" is to ensure that the materials used, the course content covered, and the skills and knowledge taught are relevant to the employee's job. The "RK Training Programmes" are divided into the following different schemes:

Environmental, Social and Governance Report (continued)

Training programmes	Training Targets	Training Objectives	Participants in 2022
RK Commander Scheme	Senior management	Expand horizons through external study tours, understand the management models of outstanding companies, and improve comprehensive management capabilities.	1
RK General Scheme	Reserve heads of functions and project general managers	Focus on cultivating the professional and comprehensive capabilities of the reserve heads of functions and project general managers through learning management/professional courses, real estate sand table simulation and benchmarking learning.	Suspended due to the Pandemic in 2022
RK Promotion Scheme	Middle-level and above management	RK Promotion Level 1 and Level 2 are set up according to the different selection and training directions, through professional skills training, leadership training, job apprenticeship, executive coaching and other methods to improve the management mindset and ability of managers.	40
RK Wing Scheme	Business key talent	Solve real pain points in business scenarios and achieve mutual growth of the company and individuals through centralized empowerment, action learning, mentoring, and job apprenticeships.	Suspended due to the Pandemic in 2022
RK Jump Scheme	Grass-roots	Talent with certain professional and management abilities in the grass-roots positions are selected and trained for the supervisor and above positions, aiming to reserve talents for project/department supervisor.	142
RK Elite Scheme New RK Force Scheme	Fresh graduates	Help fresh graduates to achieve rapid career development and cultivate future middle and senior management of the Group through on-the-job practice, job rotation learning, centralized training, dynamic evaluation, etc.	RK Elite Scheme: 11 New RK Force Scheme: 34
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.	Suspended due to the Pandemic in 2022
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 centralized empowerment.	13
Product Lectures	Personnel of functional lines	In 2022, a series of professional empowerment, communication and sharing were carried out, being design line-oriented and centering on products.	Personnel of design lines
Management Lectures	Headquarters M3+ personnel	The general management ability improvement project for M3+ managers of the Group were carried out twice in 2022.	35 people/time

Environmental, Social and Governance Report (continued)

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



RK Promotion Scheme

RK Promotion Scheme is a project for the selection of middle and senior management talents in Road King's property segment, and is committed to establishing an internal training and talent delivery channel for the property segment. According to the different selection and training directions, set the RK Promotion level 1 and level 2, and with reference to the ability model, professional skills training, leadership training, job apprenticeship and other training methods are adopted. Internal and external resources are combined to improve the management mindset and ability of managers. The talent structure of Road King is continuously improved to facilitate business development.



New RK Force Scheme

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

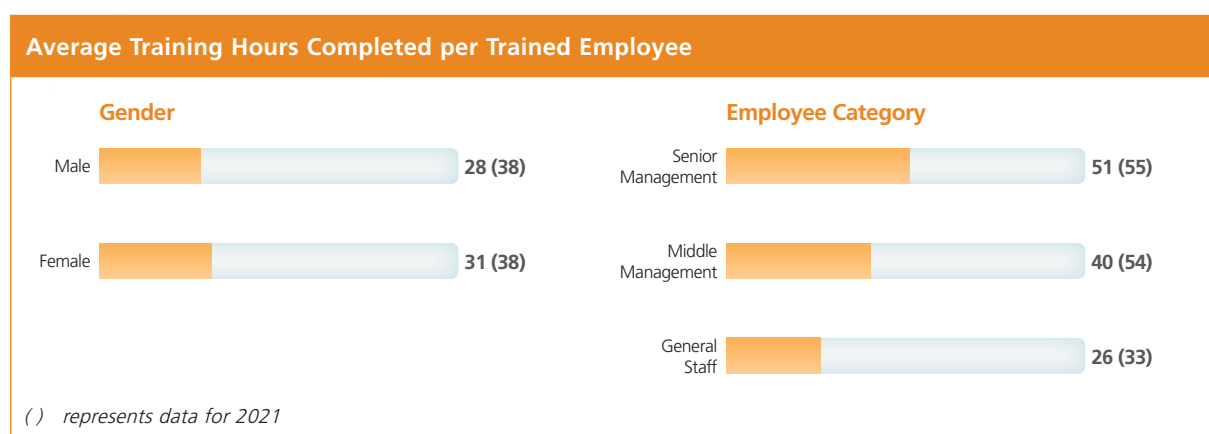
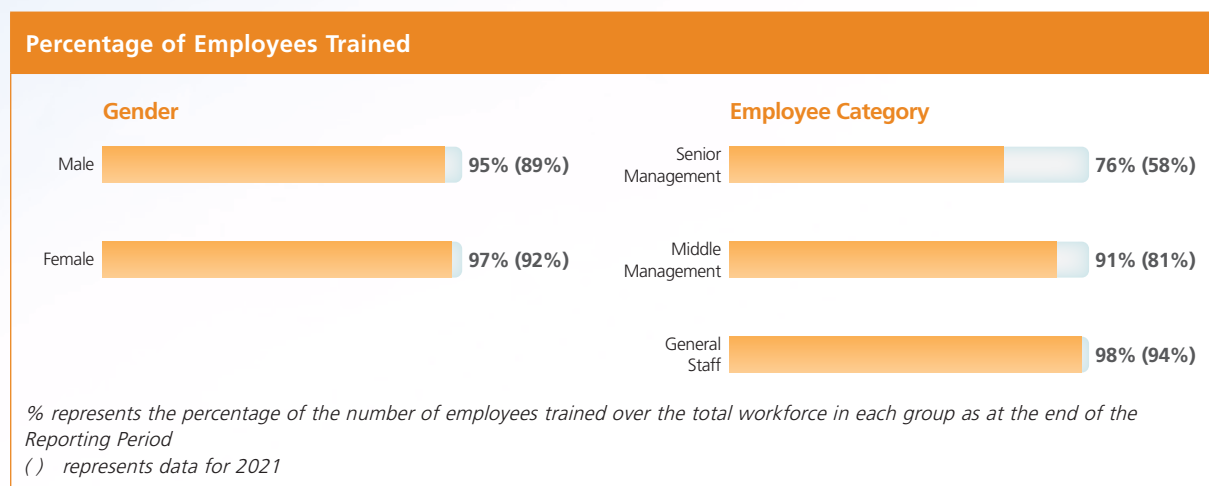


Product Lectures

Product lectures are design line-oriented, center on products and get through the real estate related majors, reflecting the RK team emphasis on products. By employing excellent internal and external lecturers, students can interact with lecturers to achieve "professional empowerment, vision expansion and experience exchange".

Environmental, Social and Governance Report (continued)

During the Reporting Period, a total number of 4,409 employees were trained (2021: 4,631 employees). Details of percentage of employees trained by gender and employee category and respective average training hours completed (per trained employee) are as follows:



In 2022, the average number of training hours completed per trained employee decreased compared with 2021, which was related to less offline training due to the pandemic.

In addition to training programmes, the Group also provides coaching by supervisors to help employees better perform their job duties. Apart from coaching, the Group offers various development opportunities, including job rotation, intending to nurture talents for sustaining and growing the Group's business. As an enduring effort to enhance the programme design, the Group collects and reviews feedback from employees to identify potential improvement areas regarding these training and development programmes. Furthermore, the Group provides subsidies on relevant external training courses to eligible employees, as an encouragement to develop knowledge and skills continuously, which contribute to the Group's operations and their career.

Environmental, Social and Governance Report (continued)

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 of inducing employee loyalty. The Group sets working hours and rest periods in accordance with the guidelines issued by the local labour authorities. Besides, the Group offers flexible working hours for certain positions with special requirements on working hours. In addition, the Group organizes various recreational activities each year for employees to participate.

Workplace Health and Safety

The Group also strives to build and maintain a working environment that is free of workplace health and safety incidents. Health insurance is provided to employees and different workplace health and safety practices are constantly communicated and promoted to employees. Besides, various control measures are in place to prevent electrical and fire hazards, and regular office housekeeping is also performed to keep office environment clean and tidy. Other policies have also been established in accordance to relevant workplace health and safety laws such as the Labour Law of the People's Republic of China and the Occupational Safety and Health Ordinance (Cap. 509) of Hong Kong to ensure compliance. Meanwhile, occupational health and safety risk should be moderate for the Group's employees, as they mainly work at administrative offices. Regarding construction site health and safety, please refer to the section "Construction Planning and Construction Work".

During the Reporting Period, a total of 1,184 lost days due to work injury were recorded (2021: 1,827 days). All work-related injury cases have been followed up in accordance with established procedures, and the Group has taken necessary measures to reduce future work-related injuries. There was no case of work-related fatalities occurred in 2021 and 2020 regarding the Group's employees. In 2022, there were 2 work-related deaths, both of which were due to sudden cardiac death at work. The Group also 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, such as 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.

In order to avoid the occurrence of similar incidents, the Group has also taken targeted improvement measures, including providing safety training for all staff, learning about emergency self-rescue measures during the prime time of sudden heart, cardiovascular and cerebrovascular diseases. At the same time, in order to discover the physical abnormalities of employees as early as possible and make timely reminder, the Human Resources Department has added the "homocysteine" test in the 2022 annual physical examination to further protect the health of employees, because the increased homocysteine levels are an independent risk factor for cardiovascular disease, and the risk of cardiovascular events is significantly increased when hypertension and hyperhomocysteinemia coexist.

Safeguarding Employees' Health and Safety amid the Pandemic

Since the end of 2019, the outbreak of the Pandemic caused an international public health crisis and resulted in global economic downturn. As a responsible employer, the Group has adopted various measures to protect employees' physical and mental well-being, which include implementation of flexible and remote work arrangements, provision of face masks and hand sanitizer, tracking of employees' health status, increased frequency of cleaning of office and office equipment, temperature measurement and registration of guests visiting the office and provision of disinfectant alcohol. In addition, the Group requires companies in each city to update their local Pandemic prevention and control policies once a week (immediate update is required when the Pandemic is severe), strengthen education on personal hygiene, and record COVID-19 vaccination statistics on all employees of the Group. The Group also provides employees with information such as vaccination sites and vaccine manufacturers in real time, and encourages employees to complete the whole process of vaccination. The Group will continue to provide appropriate assistance to employees to jointly overcome the challenges brought about by the Pandemic.

Environmental, Social and Governance Report (continued)

Anti-discrimination and Equal Opportunity

The Group makes every effort to provide an inclusive workplace free of discrimination and harassment in all forms, with the belief that an inclusive workplace fosters collaboration between employees and creates harmony. The Group promotes diversity and respects individual differences. Equal opportunities on employment and promotion are provided to employees regardless of their gender, race, ethnic origin, religion, marital status or disabilities as stipulated in the Group's employee handbook; where employees are assessed with objective criteria. The Group is particularly concerned with sexual harassment at workplace, where relating complaints will be handled by Administration and Personnel departments 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 and the Sex Discrimination Ordinance (Cap. 480) of Hong Kong.

Environmentally Friendly Workplace

The Group is committed to operate 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 operations including its 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 improve its environmental performance.

Waste Management

Regarding waste management, the Group adopts the 4R-principle of "reduce", "reuse", "recycle" and "replace" at workplace and establishes different measures accordingly. The major type of waste at workplace is paper with some other non-hazardous wastes such as ink cartridge and carton box of smaller amounts, while 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, as well as promoting the use of recycled papers. To further reduce overall waste generation at workplace, the Group has implemented other measures. For instance, recycling facilities are provided in offices to separately collect different types of recyclable waste which will be passed to qualified contractors for further processing, where records of recycling are maintained and evaluated regularly to identify improvement areas. Besides, only durable food containers, cutlery and cups are used in office, and staff are also encouraged to bring their own utensils. The Group recognizes the importance of staff participation in this respect, and will continue to raise their awareness on waste management while providing support through different measures.

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

Non-hazardous Wastes ³	2022	2021
Paper Disposed (kg)	29,050	36,575
Intensity per Headcount ⁴ (kg)	15.4	17.1
Paper Recycled (kg)	7,145	11,836
Intensity per Headcount (kg)	3.8	5.5
Other Non-hazardous Wastes Disposed ⁵ (kg)	3,578	4,281
Intensity per Headcount (kg)	1.9	2.0
Other Non-hazardous Wastes Recycled (kg)	1,524	1,984
Intensity per Headcount (kg)	0.8	0.9

³ Environmental data provided in this 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 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.

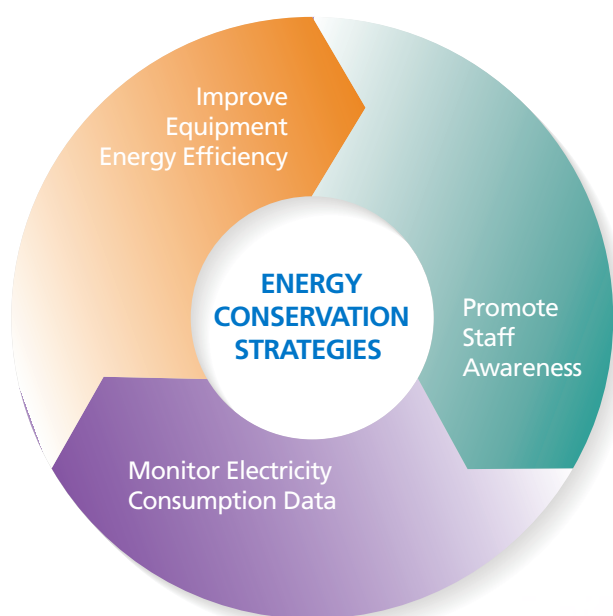
⁵ Other Non-hazardous Wastes include ink cartridges, carton boxes, plastic, glass bottles as well as other general wastes.

Environmental, Social and Governance Report (continued)

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; 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}	2022	2021 ⁸
Petrol (MWh)	1761	2150
Intensity per Headcount (MWh)	0.93	1.00
Electricity (MWh)	4,081.8	4,255.9
Intensity per Headcount (MWh)	2.16	1.99

⁶ Environmental data provided in this 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.

⁸ The consumption unit of petrol is changed from liter to MWh with effect from 2021.

The Group's energy consumption decreased in 2022 compared to 2021, because the business in this year was affected by the Pandemic and some projects were delivered.

Environmental, Social and Governance Report (continued)

The Group places equal importance on water conservation in terms of efficient use of resources. Several measures, such as regular check of unused running taps and leakage from water pipes or faucets, installation of induction faucets in washrooms and display of posters advocating water conservation at prominent places, are implemented at workplace for saving water. Details of water consumption are as follows:

Water Consumption ^{9, 10}	2022	2021
Water (cubic meter)	260,242	267,294
Intensity per Headcount (cubic meter)	138	125

⁹ Environmental data provided in this report is adjusted according to the Group's shareholding percentage in its joint ventures and associates to reflect actual ownership.

¹⁰ 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 2022 was lower than that in 2021.

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 ^{11, 12, 13}	2022	2021
Direct (Scope 1) Emissions (kg CO ₂ e)	505,610	600,846
Intensity per Headcount (kg CO ₂ e)	268	280
Indirect (Scope 2) Emissions (kg CO ₂ e)	2,584,068	2,634,486
Intensity per Headcount (kg CO ₂ e)	1,370	1,229
Other Indirect (Scope 3) Emissions (kg CO ₂ e)	250,679	290,091
Intensity per Headcount (kg CO ₂ e)	133	135

¹¹ Environmental data provided in this report is adjusted according to the Group's shareholding percentage in its joint ventures and associates to reflect actual ownership.

¹² The GHG emissions are calculated with reference to the "Reporting Guidance on Environmental KPIs" issued by the Hong Kong Stock Exchange, the "2019 China Regional Power Grid Baseline Emission Factors for Emission Reduction Project" issued by the Ministry of Ecology and Environment of the PRC and the "Greenhouse Gas Reporting: Conversion Factors 2022" issued by the Department for Business, Energy & Industrial Strategy of the UK Government.

¹³ 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.

The Group's Scope 2 emissions in 2022 were generally similar to those in 2021, the decrease in Scope 1 emissions was due to less vehicles usage resulted from being affected by the Pandemic and the decrease in Scope 3 emissions was related to the reduction in waste disposed of in 2022.

Environmental, Social and Governance Report (continued)

III. BUILDING SUSTAINABLE COMMUNITY

The Group recognizes 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	SDGs Issues Involved
Fair Competition Community Investment	B7.1, B7.2, B7.3, B8.1, B8.2	SDG 16 

1 Fair Competition

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.

2 Community Investment

Community Investment is a crucial way for a corporate to give back to 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 anticorruption laws and regulations.

Environmental, Social and Governance Report (continued)

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. 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. 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 (Cap. 201) of Hong Kong.

The Group strengthens the publicity of "integrity" through explaining relevant provisions of the employee handbook. To facilitate identification of suspected cases of corruption, money laundering and other misconducts, the Group has established a reporting channel to encourage its staff and business partners to take the initiative in reporting 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 personnel independent of the involved functions 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.

In order to strengthen and standardize the behaviour of employees, the Group has also formulated the Integrity Convention. The specific provisions of the Convention are as follows:

1. Commitment not to practice favouritism or cheating at work.
2. Commitment not to solicit or accept the benefits of business-related units, including gifts, cash gift, red envelopes and various forms of commission rebates.
3. Commitment to strictly follow the Company's bidding regulations in production and operation activities, and not to use power or other illegal operations to seek improper benefits.
4. Commitment not to operate, for oneself or others, or participate in the operation of any business that directly or indirectly competes with the Company during his/her tenure with the Company, and not to allow relatives to have any form of business relationship with the Company.
5. Commitment to be economical in business transactions, strictly control expenditure standards, and not to use company funds to welcome and send off internal parties and pay expenses that are unrelated to business.
6. Commitment to keep the remuneration of oneself and others strictly confidential.
7. Commitment not to conceal, condone, shield or protect anyone who violates the Company management system.
8. Commitment not to use the Internet, media, self-media, letters, etc. to fabricate and spread rumours, incite employees to be disloyal to the Company, and damage the Company's reputation and interests.

Environmental, Social and Governance Report (continued)

Intellectual Property Rights

The Group respects intellectual property rights. Employees are required to follow the Group's policies and procedures regarding intellectual property right 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 in order to comply with relevant laws such as the Patent Law of the People's Republic of China and the Patents Ordinance (Cap. 514) 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, in addition to fulfilling corporate responsibility in its day-to-day operations, the Group proactively participates in social welfare activities and makes donations. In 2022, the Group continued to participate in various fundraising activities of the Community Chest, including RK Grand Metropolis Heart-Warming Charitable Activity, Charitable Dress Casual Day, Charitable Green Low Carbon Day, Charitable Love Teeth Day, Charitable Skip Lunch Day, the Community Chest's Walk for Millions in New Territories 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.

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. Since 2009, the Group sponsored a scholarship program, namely the "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)", 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 nurture talents for the society. The Group sponsored RMB400,000 to China Finance 40 Forum (CF40) for the scholarship in 2022, benefiting 45 students.



On 1 November 2022, 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.

Environmental, Social and Governance Report (continued)

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 those 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 funds to support the renovation of 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 contribution, in 2016, China Real Estate Chamber of Commerce and Elite Habitat Development Foundation awarded the Group "ELITE Public Welfare Pioneer".



Environmental, Social and Governance Report (continued)

Caring for the Elderly

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



Elderly Care Services



Golden Wedding Ceremony



Smartphone Class in the Elderly University



Elderly Birthday Party



Door to Door Circuit Maintenance for the Single Elderly



Calligraphy Activities of the Elderly



Door to Door Condolence Service for the Elderly on Chung Yeung Festival



Charity Haircut for Elderly

Environmental, Social and Governance Report (continued)

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



Public Fitness Games



Halloween-themed Event



Online Gesture Dance



Giving Out Mugwort on Dragon Boat Festival



DIY Workshops



Mid-Autumn Festival Activities

Environmental, Social and Governance Report (continued)

SUMMARY OF KEY PERFORMANCE INDICATORS

Environmental Performance

Non-hazardous Wastes	2022	2021	2020
Paper Disposed (kg)	29,050	36,575	41,987
Intensity per Headcount (kg)	15.4	17.1	18.5
Paper Recycled (kg)	7,145	11,836	10,651
Intensity per Headcount (kg)	3.8	5.5	4.7
Other Non-hazardous Wastes Disposed (kg)	3,578	4,281	5,883
Intensity per Headcount (kg)	1.9	2.0	2.6
Other Non-hazardous Wastes Recycled (kg)	1,524	1,984	2,659
Intensity per Headcount (kg)	0.8	0.9	1.2
Energy Consumption	2022	2021	2020
Petrol (MWh)	1,761	2,150	2,187
Intensity per Headcount (MWh)	0.93	1.00	0.96
Electricity (MWh)	4,081.8	4,255.9	4,387.7
Intensity per Headcount (MWh)	2.16	1.99	1.93
Water Consumption	2022	2021	2020
Water (cubic meter)	260,242	267,294	316,580
Intensity per Headcount (cubic meter)	138	125	139
Greenhouse Gas Emissions	2022	2021	2020
Direct (Scope 1) Emissions (kg CO ₂ e)	505,610	600,846	611,021
Intensity per Headcount (kg CO ₂ e)	268	280	269
Indirect (Scope 2) Emissions (kg CO ₂ e)	2,584,068	2,634,486	2,723,751
Intensity per Headcount (kg CO ₂ e)	1,370	1,229	1,197
Other Indirect (Scope 3) Emissions (kg CO ₂ e)	250,679	290,091	484,899
Intensity per Headcount (kg CO ₂ e)	133	135	213

Environmental, Social and Governance Report (continued)

CONTENT INDEX FOR STOCK EXCHANGE ESG REPORTING GUIDE

General Disclosures and KPIs	Description	Reference (Page Number)	Remark
Environmental			
Aspect A1: Emissions			
General Disclosure		Offering Quality Properties and Services (115-117); Establishing Constructive Workplace (132-134)	
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 (134) Summary of KPI (141)	
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 (132) Summary of KPI (141)	
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them	Environmental Goals (100); Offering Quality Properties and Services (106-110, 116); Establishing Constructive Workplace (133-134)	
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 (100); Offering Quality Properties and Services (106-110, 116); Establishing Constructive Workplace (132)	

Environmental, Social and Governance Report (continued)

General Disclosures and KPIs	Description	Reference (Page Number)	Remark
Aspect A2: Use of Resources			
General Disclosure		Offering Quality Properties and Services (106-110, 114-115); Establishing Constructive Workplace (133-134)	
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 (133) Summary of KPI (141)	
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Establishing Constructive Workplace (134) Summary of KPI (141)	
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	Environmental Goals(100); Offering Quality Properties and Services(106-110, 115); Establishing Constructive Workplace (133)	
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 (100); Offering Quality Properties and Services (106-110, 116); Establishing Constructive Workplace (134)	
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		Offering Quality Properties and Services (113)	
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 (113)	

Environmental, Social and Governance Report (continued)

General Disclosures and KPIs	Description	Reference (Page Number)	Remark
Aspect A4 : Climate Change			
General Disclosure		Offering Quality Properties and Services (114-115)	
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 (114-115)	
Social			
Aspect B1 : Employment			
General Disclosure		Establishing Constructive Workplace (125-128, 131)	
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region	Establishing Constructive Workplace (125)	
KPI B1.2	Employee turnover rate by gender, age group and geographical region	Establishing Constructive Workplace (126)	
Aspect B2 : Health and Safety			
General Disclosure		Offering Quality Properties and Services (119-121); Establishing Constructive Workplace (131)	
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 (131)	
KPI B2.2	Lost days due to work injury	Establishing Constructive Workplace (131)	
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	Offering Quality Properties and Services (119-121); Establishing Constructive Workplace (131)	

Environmental, Social and Governance Report (continued)

General Disclosures and KPIs	Description	Reference (Page Number)	Remark
Aspect B3 : Development and Training			
General Disclosure		Establishing Constructive Workplace (127-130)	
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	Establishing Constructive Workplace (130)	
KPI B3.2	The average training hours completed per employee by gender and employee category	Establishing Constructive Workplace (130)	
Aspect B4 : Labour Standards			
General Disclosure		Establishing Constructive Workplace (127)	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Establishing Constructive Workplace (127)	
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		Offering Quality Properties and Services (110-111)	
KPI B5.1	Number of suppliers by geographical region	Offering Quality Properties and Services (110)	
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 (110-111)	
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 (110-111)	

Environmental, Social and Governance Report (continued)

General Disclosures and KPIs	Description	Reference (Page Number)	Remark
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 (111)	
Aspect B6 : Product Responsibility			
General Disclosure		Offering Quality Properties and Services (122-123, 137)	
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 (122-123)	
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Building Sustainable Community (137)	
KPI B6.4	Description of quality assurance process and recall procedures	Offering Quality Properties and Services (122)	
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Offering Quality Properties and Services (123)	

Environmental, Social and Governance Report (continued)

General Disclosures and KPIs	Description	Reference (Page Number)	Remark
Aspect B7 : Anti-corruption			
General Disclosure		Building Sustainable Community (135-136)	
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	N/A	No relevant corruption lawsuit was found by the Group
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Building Sustainable Community (136)	
KPI B7.3	Description of anti-corruption training provided to directors and staff	Building Sustainable Community (136)	
Aspect B8 : Community Investment			
General Disclosure		Building Sustainable Community (137-140)	
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Building Sustainable Community (137-140)	
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	Building Sustainable Community (137-140)	

Glossary

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

“2022 AGM”	the annual general meeting of the Company held on Friday, 20 May 2022
“2023 AGM”	the annual general meeting of the Company to be held on Wednesday, 24 May 2023
“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 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 14 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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“COVID-19”	a novel coronavirus named COVID-19 that causes pneumonia-like 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 27 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 dollar(s), the lawful currency of Hong Kong
“HIBOR”	Hong Kong Interbank Offered Rate
“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
“LIBOR”	London Interbank Offered Rate
“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 10 to the Listing Rules
“N/A” or “n/a”	not applicable
“NKK Expressway”	Ngawi Kertosono Kediri Expressway
“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
“Share Option Scheme”	the share option scheme adopted by the Company on 8 May 2013
“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 and is one of the substantial shareholders of the Company
“SN Expressway”	Solo Ngawi Expressway
“sqm”	square meters

Glossary (continued)

“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 dollar(s)”	United States dollar(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 and is the controlling shareholder of the Company
“%”	per cent

Corporate Information

EXECUTIVE DIRECTORS

Zen Wei Peu, Derek (*Chairman*)
Ko Yuk Bing (*Deputy 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
Tse Chee On, Raymond
Wong Wai Ho
Hui Grace Suk Han

PROPERTY BUSINESS MANAGEMENT COMMITTEE

Zen Wei Peu, Derek
Fong Shiu Leung, Keter (*Convenor*)
Ng Fun Hung, Thomas
Li Wanle
Chuk Wing Suet, Josephine
Zhang Nan
Diao Lu, Amy
Zhao Min (*will cease as a member of this Committee on 31 March 2023*)
Gao Da Peng (*will be appointed as a member of this Committee on 1 April 2023*)

AUDIT COMMITTEE

Lau Sai Yung (*Chairman*)
Tse Chee On, Raymond
Wong Wai Ho

NOMINATION COMMITTEE

Zen Wei Peu, Derek (*Chairman*)
Lau Sai Yung
Wong Wai Ho
Tse Chee On, Raymond

REMUNERATION COMMITTEE

Tse Chee On, Raymond (*Chairman*)
Zen Wei Peu, Derek
Lau Sai Yung
Wong Wai Ho

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

The following commercial mortgage-backed securities ("CMBS") are listed on the Shenzhen Stock Exchange

- RMB270 million 5.5% CMBS due 2024
- RMB440 million 6.5% CMBS due 2024

INVESTOR RELATIONS

Contact Persons:	Lee Tak Fai, Kennedy 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>



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 2022, 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 a summary of significant accounting policies.

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 2022, 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.

Independent Auditor's Report

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.

The Group's revenue from sale of completed properties held for sale for the year ended 31 December 2022 amounted to approximately HK\$16,172 million, which is disclosed in Note 5 to the consolidated financial statements, representing 94% of the Group's total revenue. As disclosed in Note 5 to the consolidated financial statements, revenue from sale 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 a 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:

- Understanding and assessing the effectiveness of the Group's internal control over the revenue recognition for sale of completed properties held for sale;
- 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
- 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.

Independent Auditor's Report

Key audit matter

Net realisable value of inventory of properties

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.

As disclosed in Note 23 to the consolidated financial statements, the Group's PUD of approximately HK\$18,998 million and PFS of approximately HK\$19,633 million are situated in Mainland China and Hong Kong as at 31 December 2022. 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.

How our audit addressed the key audit matter

Our procedures in relation to net realisable value of inventory of properties included:

- 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;
- 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 on a sample basis, to current market data; and
- 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.

Independent Auditor's Report

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.

Independent Auditor's Report

As part of an audit in accordance with HKSAAs, 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

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

21 March 2023

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
Revenue			
Property sales and service income		16,999,550	24,498,509
Other revenue		156,426	179,440
Total revenue	5	17,155,976	24,677,949
Cost of sales		(14,211,696)	(19,278,910)
Gross profit		2,944,280	5,399,039
Interest income		395,726	307,695
Other income		116,551	184,425
Other gains and losses	7	(687,319)	82,950
Selling expenses		(702,236)	(901,018)
Administrative expenses		(924,782)	(950,298)
Share of results of associates		31,970	131,715
Share of results of joint ventures	8	1,067,257	1,093,035
Finance costs	9	(1,143,274)	(1,073,317)
Profit before taxation	10	1,098,173	4,274,226
Income tax expenses	12	(639,561)	(2,289,737)
Profit for the year		458,612	1,984,489
(Loss) profit for the year attributable to:			
Owners of the Company		(495,378)	1,028,245
Owners of perpetual capital securities		536,907	527,775
Other non-controlling interests of subsidiaries		417,083	428,469
		458,612	1,984,489
(Loss) earnings per share			
	14		
– Basic		(HK\$0.66)	HK\$1.37
– Diluted		N/A	N/A

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	NOTE	2022 HK\$'000	2021 HK\$'000
Profit for the year		458,612	1,984,489
Other comprehensive (expense) income			
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		29,656	(79,736)
Share of other comprehensive expense of joint ventures		(8,116)	–
Reclassified to profit or loss upon termination of hedging instruments	32	–	53,111
<i>Item that will not be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation to presentation currency		(1,811,030)	1,006,425
Other comprehensive (expense) income for the year		(1,789,490)	979,800
Total comprehensive (expense) income for the year		(1,330,878)	2,964,289
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(1,941,137)	1,934,109
Owners of perpetual capital securities		536,907	527,775
Other non-controlling interests of subsidiaries		73,352	502,405
		(1,330,878)	2,964,289

Consolidated Statement of Financial Position

At 31 December 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	53,049	93,253
Right-of-use assets	16	41,273	82,685
Investment properties	17	4,125,822	4,263,014
Interests in associates	18	1,041,280	1,606,893
Interests in joint ventures	19	18,612,840	19,320,801
Deferred tax assets	31	227,359	196,304
Amounts due from joint ventures and associates	20	6,084,012	11,628,741
Amounts due from other non-controlling interests of subsidiaries	21	974,183	306,198
Loan receivables	22	2,651,746	1,983,620
Financial assets at fair value through profit or loss ("FVTPL")	26	596,271	899,080
		34,407,835	40,380,589
Current assets			
Inventory of properties	23	38,631,097	44,667,671
Prepayment for land leases	24	–	478,012
Amounts due from joint ventures and associates	20	3,564,733	3,341,987
Amounts due from other non-controlling interests of subsidiaries	21	909,132	2,122,295
Loan receivables	22	68,158	558,008
Debtors, deposits and prepayments	25	2,657,112	2,398,928
Prepaid income tax		1,382,848	1,575,271
Pledged bank deposits	27	119,803	113,395
Bank balances and cash	27	8,261,655	12,599,575
		55,594,538	67,855,142
Total assets		90,002,373	108,235,731

Consolidated Statement of Financial Position

At 31 December 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	28	74,934	74,934
Reserves		20,171,480	22,262,484
		20,246,414	22,337,418
Owners of perpetual capital securities	38	6,961,258	6,954,296
Other non-controlling interests of subsidiaries		5,552,811	6,506,666
		32,760,483	35,798,380
Non-current liabilities			
Bank and other borrowings	30	21,890,008	30,402,464
Amount due to a joint venture	34	–	386,081
Deferred tax liabilities	31	1,238,541	1,362,754
Financial liabilities at FVTPL	26	198,815	111,793
Lease liabilities	37	28,647	67,663
		23,356,011	32,330,755
Current liabilities			
Creditors and accrued charges	33	8,174,131	10,703,320
Amounts due to joint ventures and associates	34	4,919,384	5,010,168
Amounts due to other non-controlling interests of subsidiaries	35	1,505,136	1,938,642
Contract liabilities	36	3,980,427	8,406,644
Lease liabilities	37	15,031	24,417
Income tax payable		4,944,361	5,954,969
Bank and other borrowings	30	10,257,686	7,923,720
Financial liabilities at FVTPL	26	89,723	144,716
		33,885,879	40,106,596
Total equity and liabilities		90,002,373	108,235,731

The consolidated financial statements on pages F-7 to F-139 were approved and authorised for issue by the Board of Directors on 21 March 2023 and are signed on its behalf by:

Zen Wei Peu, Derek
DIRECTOR

Fong Shiu Leung, Keter
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to owners of the Company									Owners of perpetual capital securities HK\$'000	Other non-controlling interests of subsidiaries HK\$'000	Total equity HK\$'000
	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			
Balance at 1 January 2021	74,934	3,224,794	1,237,468	1,260,000	1,002,963	3,742,623	(53,111)	10,438,174	20,927,845	6,952,437	5,161,572	33,041,854
Profit for the year	-	-	-	-	-	-	-	1,028,245	1,028,245	527,775	428,469	1,984,489
Reclassified to profit or loss upon termination of hedging instruments (note 32)	-	-	-	-	-	-	53,111	-	53,111	-	-	53,111
Exchange differences arising on translation of foreign operations	-	-	(59,802)	-	-	-	-	-	(59,802)	-	(19,934)	(79,736)
Exchange differences arising on translation to presentation currency	-	-	912,555	-	-	-	-	-	912,555	-	93,870	1,006,425
Total comprehensive income for the year	-	-	852,753	-	-	-	53,111	1,028,245	1,934,109	527,775	502,405	2,964,289
Sub-total	74,934	3,224,794	2,090,221	1,260,000	1,002,963	3,742,623	-	11,466,419	22,861,954	7,480,212	5,663,977	36,006,143
Capital contributions from other non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	842,689	842,689
Distributions paid for owners of perpetual capital securities	-	-	-	-	-	-	-	-	-	(525,916)	-	(525,916)
Dividends (note 13)	-	-	-	-	-	-	-	(524,536)	(524,536)	-	-	(524,536)
Appropriation	-	-	-	-	-	411,827	-	(411,827)	-	-	-	-
Balance at 31 December 2021	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 in 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

Notes:

- 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.
- 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.
- 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).
- 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 2022

	2022 HK\$'000	2021 HK\$'000
Operating activities		
Profit before taxation	1,098,173	4,274,226
Adjustments for:		
Depreciation of property, plant and equipment	17,582	21,539
Depreciation of right-of-use assets	18,100	28,189
Impairment loss on loan receivables	302,257	136,256
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	8,917	437
Change in fair value of investment properties	119,255	42,766
Change in fair value of financial assets at FVTPL		
– relating to investment in a listed entity	5,344	41,468
– 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)	130,316
– relating to participation rights	(16,156)	–
– relating to contingent consideration	(10,608)	110,371
Net exchange losses (gains)	1,335,442	(538,534)
Gains on buyback of senior notes	(1,366,988)	–
Net gains on termination of hedging instruments	–	(5,443)
Interest income	(395,726)	(307,695)
Finance costs	1,143,274	1,073,317
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	(31,970)	(131,715)
Share of results of joint ventures	(1,067,257)	(1,093,035)
Net gains on disposals/written off of property, plant and equipment	(1,324)	(587)
Operating cash flows before movements in working capital	1,469,495	3,781,876
(Increase) decrease in debtors, deposits and prepayments	(215,512)	205,946
Increase in completed properties held for sale	(6,450,075)	(2,920,961)
Decrease in properties under development for sale	16,491,488	13,580,285
Decrease in creditors and accrued charges	(3,048,164)	(618,807)
(Decrease) increase in contract liabilities	(4,410,138)	293,568
Payment for land leases	(458,250)	(5,544,523)
Cash generated from operations	3,378,844	8,777,384
Income tax paid	(1,270,946)	(2,366,742)
Net cash from operating activities	2,107,898	6,410,642

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
Investing activities			
Cash distributions/dividends received from joint ventures		803,460	1,004,689
Additions to investment properties		(1,925)	(385)
Interest received		524,984	321,297
Purchases of property, plant and equipment		(13,346)	(32,266)
Proceeds on disposal of investment properties		6,205	–
Proceeds on disposal of property, plant and equipment		1,506	2,100
Net cash outflows from acquisition of subsidiaries	43	(520,668)	(12,828)
Net cash proceeds on disposal of interests in joint ventures		79,999	–
Additions to loan receivables		(433,067)	(775,199)
Repayment of loan receivables		77,465	125,368
Addition of investment in an unlisted entity		–	(602,198)
Cash payment for foreign currency forward contracts		(40,971)	(185,330)
Advances to other non-controlling interests of subsidiaries		(132,522)	(1,016,462)
Repayment from other non-controlling interests of subsidiaries		556,789	324,699
Advances to joint ventures		(2,387,408)	(5,089,963)
Repayment from joint ventures		5,469,954	4,887,007
Placement of pledged bank deposits		(17,475)	(7,600)
Withdrawal of pledged bank deposits		5,235	9,004
Placement of restricted bank balances		(608,985)	(562,468)
Withdrawal of restricted bank balances		833,416	1,268,220
Acquisition of interests in joint ventures		(1,984,029)	(517,736)
Capital contributions to joint ventures		(879,113)	(4,666,814)
Capital reductions in joint ventures		413,863	296,342
Settlement of consideration payables		(251,520)	(7,516)
Net cash from (used in) investing activities		1,501,847	(5,238,039)
Financing activities			
New borrowings raised		4,794,303	19,870,326
Repayment of borrowings		(10,114,164)	(20,040,660)
Cash consideration paid for other financial liabilities		–	(448,522)
Repayment of lease liabilities including related interests		(22,498)	(32,066)
Capital contributions from other non-controlling interests of subsidiaries		–	842,689
Reduction in capital of other non-controlling interests of subsidiaries		(384,990)	–
Advances from other non-controlling interests of subsidiaries		428,114	1,719,825
Repayment to other non-controlling interests of subsidiaries		(750,277)	(1,151,894)
Advances from joint ventures and associates		2,730,270	2,454,435
Repayment to joint ventures and associates		(650,007)	(2,092,923)
Dividends paid for other non-controlling interests of subsidiaries		(367,600)	(157,349)
Distributions paid for owners of perpetual capital securities		(529,945)	(525,916)
Dividends paid		(149,867)	(524,536)
Interest paid		(2,168,023)	(2,335,452)
Net cash received from participation rights designated as at FVTPL		102,097	111,793
Cash received on termination of hedging instruments		–	5,367
Net cash used in financing activities		(7,082,587)	(2,304,883)
Net decrease in cash and cash equivalents		(3,472,842)	(1,132,280)
Cash and cash equivalents at beginning of the year		11,432,416	12,183,058
Effect of foreign exchange rate changes		(587,953)	381,638
Cash and cash equivalents at end of the year		7,371,621	11,432,416
Add: designated bank balances	27	890,034	1,167,159
Total bank balances and cash		8,261,655	12,599,575

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

1. GENERAL

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 Mainland China and Indonesia. The principal activity of the major subsidiaries, associates and joint ventures are detailed in notes 50, 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.

Certain comparative information on the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows has been retrospectively adjusted to conform the current year's presentation.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND AGENDA DECISIONS OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS INTERPRETATIONS COMMITTEE

2.1 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 annual periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2022
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND AGENDA DECISIONS OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS INTERPRETATIONS COMMITTEE (CONTINUED)

2.2 New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or 1 January 2024.

Except for the amendments to HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

(a) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND AGENDA DECISIONS OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS INTERPRETATIONS COMMITTEE (CONTINUED)

2.2 New and amendments to HKFRSs in issue but not yet effective (Continued)

(a) 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)

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.

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 2022, 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 30, these bank and other borrowings were classified as non-current at 31 December 2022.

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 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND AGENDA DECISIONS OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS INTERPRETATIONS COMMITTEE (CONTINUED)

2.2 New and amendments to HKFRSs in issue but not yet effective (Continued)

(b) Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

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.

As disclosed in note 3.2, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption.

Upon the application of the amendments, the Group will recognise a deferred tax asset (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 deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for the Group’s annual reporting periods beginning on 1 January 2023. As at 31 December 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK\$41,273,000 and HK\$43,678,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.1 Basis of preparation of consolidated financial statements *(Continued)*

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(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 2022, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(Continued)*

Business combinations or asset acquisitions *(Continued)*

Business combinations *(Continued)*

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.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(Continued)*

Goodwill *(Continued)*

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(Continued)*

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.

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(Continued)*

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.

The results and assets and liabilities of associates and joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(Continued)*

Interests in associates and joint ventures *(Continued)*

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(Continued)*

Interests in associates and joint ventures *(Continued)*

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.

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.

Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(Continued)*

Impairment on property, plant and equipment and right-of-use assets *(Continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(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.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(Continued)*

Taxation *(Continued)*

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. 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(Continued)*

Taxation *(Continued)*

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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.

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (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

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;
- 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (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)

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.

(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;
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and financial guarantee contracts subject to impairment assessment under HKFRS 9 (Continued)

(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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(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)*

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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% different from the discounted present value of the remaining cash flows of the original financial asset.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

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.

Financial liabilities at FVTPL

Financial liabilities are classified as 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities at FVTPL (Continued)

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

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).

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.

Others

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the Group's right to receive payment has been established.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(Continued)*

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. CRITICAL ACCOUNTING JUDGMENTS AND 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.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations, that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Classification of PT Jasamarga Semarang Batang ("SB JV") as joint venture

As disclosed in note 19 (f), 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

Key sources of estimation uncertainty

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 values 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 2022, the carrying amount of properties under development for sale is HK\$18,998,256,000 (2021: HK\$31,042,233,000).

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 2022, the carrying amount of the completed properties held for sale is HK\$19,632,841,000 (2021: HK\$13,625,438,000).

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 2022, the carrying amount of interests in infrastructure joint ventures is HK\$7,086,056,000 (2021: HK\$5,220,704,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

Key sources of estimation uncertainty *(Continued)*

Provision of ECL for loan receivables

Loan receivables 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 to the loan receivables, 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 are disclosed in note 41.

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 41(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. REVENUE

(a) Disaggregation of the Group's revenue from contracts with customers

Segment	2022			2021		
	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	16,102,946	68,955	16,171,901	23,687,815	66,880	23,754,695
Property management and service income	819,305	8,344	827,649	733,604	10,210	743,814
Total	16,922,251	77,299	16,999,550	24,421,419	77,090	24,498,509
Geographical market						
Mainland China	16,711,797	77,299	16,789,096	22,277,549	77,090	22,354,639
Hong Kong	210,454	-	210,454	2,143,870	-	2,143,870
Total	16,922,251	77,299	16,999,550	24,421,419	77,090	24,498,509
Timing of revenue recognition						
Goods recognised at a point in time	16,102,946	68,955	16,171,901	23,687,815	66,880	23,754,695
Services recognised over time	819,305	8,344	827,649	733,604	10,210	743,814
Total	16,922,251	77,299	16,999,550	24,421,419	77,090	24,498,509

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information

Segment	2022			2021		
	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
Revenue from contracts with customers	16,922,251	77,299	16,999,550	24,421,419	77,090	24,498,509
Rental income from commercial properties and other revenue	151,030	5,396	156,426	147,875	31,565	179,440
Total revenue of the Group (note 6)	17,073,281	82,695	17,155,976	24,569,294	108,655	24,677,949

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. REVENUE (CONTINUED)

(b) Total revenue of the Group

	2022 HK\$'000	2021 HK\$'000
Property sales and service income	16,999,550	24,498,509
Rental income from commercial properties and other revenue (note)	156,426	179,440
Total revenue of the Group	17,155,976	24,677,949
Group's share of revenue of property joint ventures and associates	10,210,076	12,230,990
Group's share of toll revenue of infrastructure joint ventures	1,891,614	1,922,471
Revenue of the Group and Group's share of revenue of joint ventures and associates	29,257,666	38,831,410

Note: The rental related outgoings were insignificant to the Group.

(c) Performance obligations for contracts with customers

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. REVENUE *(CONTINUED)*

(c) Performance obligations for contracts with customers *(Continued)*

Property sales *(Continued)*

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.

(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 2022 amounting to HK\$3.2 billion (2021: HK\$5 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. REVENUE (CONTINUED)

(e) Leases

	2022 HK\$'000	2021 HK\$'000
Fixed lease payments	140,129	138,800
Variable lease payments that do not depend on an index or a rate	15,197	13,597
Total for the year	155,326	152,397

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

The following is an analysis of the Group's revenue, profit, assets, liabilities and other information by operating and reportable segments for the years under review:

	2022				2021			
	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	17,073,281	–	82,695	17,155,976	24,569,294	–	108,655	24,677,949
Segment profit (loss)	1,261,966	627,221	(1,272,492)	616,695	2,279,396	579,376	(805,706)	2,053,066
Segment assets (including interests in joint ventures and associates)	71,467,414	7,781,771	9,995,603	89,244,788	90,026,698	6,547,594	10,613,053	107,187,345
Segment liabilities	(53,595,407)	(1,379,316)	(1,147,226)	(56,121,949)	(69,071,043)	(453,764)	(1,599,012)	(71,123,819)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6. SEGMENT INFORMATION *(CONTINUED)*

(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 profit (loss) 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 loss on loan receivables, 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, net gains on termination of hedging instruments, 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, inventory of properties, prepayment for land leases, 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.

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 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6. SEGMENT INFORMATION *(CONTINUED)*

(b) Reconciliation of total segment profit, total segment assets and total segment liabilities

	2022 HK\$'000	2021 HK\$'000
Total segment profit	616,695	2,053,066
Unallocated items:		
Interest income	3,383	1,658
Corporate income	1,123	21,418
Corporate expenses	(87,264)	(15,593)
Finance costs	(75,325)	(76,060)
Consolidated profit for the year	458,612	1,984,489
Total segment assets	89,244,788	107,187,345
Unallocated assets:		
Right-of-use assets	15,062	21,507
Deposits and prepayments	81,699	57,138
Bank balances and cash	660,824	969,741
Consolidated total assets	90,002,373	108,235,731
Total segment liabilities	(56,121,949)	(71,123,819)
Unallocated liabilities:		
Accrued charges	(13,549)	(11,023)
Bank and other borrowings	(1,090,970)	(1,277,521)
Financial liabilities at FVTPL	–	(2,043)
Lease liabilities	(15,422)	(22,945)
Consolidated total liabilities	(57,241,890)	(72,437,351)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6. SEGMENT INFORMATION (CONTINUED)

(c) Other segment information

	2022					2021				
	Property development and investment	Toll road	Investment and asset management	Unallocated	Consolidated total	Property development and investment	Toll road	Investment and asset management	Unallocated	Consolidated total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts included in the measure of segment profit (loss):										
Interest income	368,179	18,491	5,673	3,383	395,726	281,635	24,402	–	1,658	307,695
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 on disposals/written off of property, plant and equipment	665	68	591	–	1,324	586	–	1	–	587
Impairment loss on loan receivables	–	–	(302,257)	–	(302,257)	–	–	(136,256)	–	(136,256)
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	–	–	(8,917)	–	(8,917)	858	–	(1,295)	–	(437)
Change in fair value of investment properties	(59,859)	–	(59,396)	–	(119,255)	43,543	–	(86,309)	–	(42,766)
Depreciation of property, plant and equipment	(15,388)	(751)	(1,443)	–	(17,582)	(18,884)	(798)	(1,854)	(3)	(21,539)
Depreciation of right-of-use assets	(10,152)	(3,171)	(145)	(4,632)	(18,100)	(15,380)	(5,876)	(580)	(6,353)	(28,189)
Finance costs	(431,403)	(12,341)	(624,205)	(75,325)	(1,143,274)	(375,211)	(496)	(621,550)	(76,060)	(1,073,317)
Income tax (expenses) credit	(626,662)	(30,238)	17,339	–	(639,561)	(2,276,706)	(30,206)	17,175	–	(2,289,737)
Share of results of associates	3,200	–	28,770	–	31,970	8,675	–	123,040	–	131,715
Share of results of joint ventures	398,411	683,659	(14,813)	–	1,067,257	322,291	776,388	(5,644)	–	1,093,035
Amounts included in the measure of segment assets:										
Right-of-use assets	25,463	748	–	15,062	41,273	55,620	5,411	147	21,507	82,685
Interests in associates	–	–	1,041,280	–	1,041,280	538,344	–	1,068,549	–	1,606,893
Interests in joint ventures	9,500,207	7,086,056	2,026,577	–	18,612,840	11,818,961	5,220,704	2,281,136	–	19,320,801
Financial assets at FVTPL	–	–	596,271	–	596,271	–	–	899,080	–	899,080
Additions to non-current assets during the year	946,205	1,996,779	63,958	–	3,006,942	4,650,698	657,003	48,459	–	5,356,160

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 and over 75% of the Group's total non-current assets (excluding deferred tax assets and financial instruments) are located in Mainland China and the remaining non-current assets are substantially located in Hong Kong and Indonesia.

(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

	2022 HK\$'000	2021 HK\$'000
Net exchange (losses) gains	(1,335,442)	538,534
Change in fair value of financial liabilities at FVTPL		
– relating to foreign currency forward contracts (note 26)	20	(130,316)
	(1,335,422)	408,218
Change in fair value of financial assets at FVTPL		
– relating to investment in a listed entity (note 26)	(5,344)	(41,468)
– relating to investment in an unlisted entity (note 26)	(261,283)	–
Change in fair value of financial liabilities at FVTPL		
– relating to participation rights (note 26)	16,156	–
– relating to contingent consideration (note 26 and note 19(d))	10,608	(110,371)
Net gains on termination of hedging instruments (note 32)	–	5,443
Gains on buyback of senior notes (note 30)	1,366,988	–
Net gains on disposals/written off of property, plant and equipment	1,324	587
Loss on disposal of interest in an associate (note 18)	(25,114)	–
Net losses on disposal of interests in joint ventures (note 19(h))	(20,905)	–
Impairment loss on loan receivables (note 41(b)(ii))	(302,257)	(136,256)
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)	(8,917)	(437)
Change in fair value of investment properties (note 17)	(119,255)	(42,766)
	(687,319)	82,950

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

8. SHARE OF RESULTS OF JOINT VENTURES

	2022 HK\$'000	2021 HK\$'000
Share of profits of infrastructure joint ventures before amortisation and taxation	1,277,594	1,329,652
Less share of:		
Amortisation of toll road operation rights	(325,127)	(308,647)
Income tax expenses	(268,808)	(244,617)
	683,659	776,388
Share of profits of other joint ventures	383,598	316,647
	1,067,257	1,093,035

9. FINANCE COSTS

	2022 HK\$'000	2021 HK\$'000
Interest on borrowings	2,135,734	2,337,550
Interest on lease liabilities	2,631	5,469
Other interest and finance costs	143,055	184,491
	2,281,420	2,527,510
Less: Capitalised in properties under development for sale	(1,138,146)	(1,454,193)
	1,143,274	1,073,317

Borrowing costs on general borrowings capitalised during the year are calculated by applying a capitalisation rate of 5.94% (2021: 5.57%) per annum to expenditure on qualifying assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

10. PROFIT BEFORE TAXATION

	2022 HK\$'000	2021 HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	17,873	21,906
Depreciation of right-of-use assets (note 16)	18,100	28,189
	35,973	50,095
Less: Capitalised in properties under development for sale	(291)	(367)
	35,682	49,728
Expenses relating to short-term leases with lease terms ending within 12 months (note 16)	6,870	8,942
Salaries and other benefits	909,125	1,126,930
Provident fund scheme contributions, net of forfeited contributions of HK\$164,000 (2021: HK\$430,000)	190,363	170,481
Less: Capitalised in properties under development for sale	(80,800)	(168,208)
Total staff costs (excluding Directors' emoluments)	1,018,688	1,129,203
Audit fee	5,290	5,310
Cost of inventory of properties recognised as an expense	13,482,691	18,485,588
and after crediting:		
Bank interest income	93,972	147,172

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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	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		–	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	(g)	370	–	–	–	370
Independent Non-executive Directors						
Lau Sai Yung		787	–	–	–	787
Tse Chee On, Raymond		776	–	–	–	776
Wong Wai Ho		753	–	–	–	753
Hui Grace Suk Han	(h)	216	–	–	–	216
		3,272	20,213	32,048	1,893	57,426
	Notes	Directors' fees HK\$'000	Salaries and allowances HK\$'000	Performance related payment HK\$'000	Retirement scheme contributions HK\$'000	2021 Total HK\$'000
Executive Directors						
Zen Wei Peu, Derek	(a)	–	4,817	8,413	482	13,712
Ko Yuk Bing	(b)	–	9,023	18,831	525	28,379
Fong Shiu Leung, Keter	(c)	–	4,762	14,000	476	19,238
Non-executive Directors						
Cai Xun	(e)	224	–	–	–	224
Mou Yong	(f)	139	–	–	–	139
Dong Fang	(g)	520	–	–	–	520
Independent Non-executive Directors						
Lau Sai Yung		787	–	–	–	787
Tse Chee On, Raymond		776	–	–	–	776
Wong Wai Ho		753	–	–	–	753
		3,199	18,602	41,244	1,483	64,528

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(CONTINUED)*

Directors' emoluments *(Continued)*

Notes:

- (a) Mr. Zen Wei Peu, Derek was re-designated as the Chairman of the Company with effect from 1 January 2021.
- (b) Mr. Ko Yuk Bing's emoluments disclosed above include those for services rendered by him as the Chief Executive Officer during the period from 1 January 2021 to 30 June 2021. He retired from the position of the Managing Director and Chief Executive Officer with effect from 1 July 2021 but remains as Deputy Chairman and an Executive Director of the Company.
- (c) Mr. Fong Shiu Leung, Keter's emoluments disclosed above include those for services rendered by him as the Chief Executive Officer during the period from 1 July 2021 to 31 December 2021. He became Chief Executive Officer and ceased his roles as Deputy Chief Executive Officer, Finance Director and Company Secretary of the Company with effect from 1 July 2021.
- (d) Mr. Ng Fun Hung, Thomas was appointed as an Executive Director of the Company with effect from 1 February 2022 and he became Chief Financial Officer of the Company with effect from 1 July 2021.
- (e) Ms. Cai Xun was appointed as a Non-executive Director of the Company with effect on 25 May 2021.
- (f) Mr. Mou Yong retired as a Non-executive Director of the Company with effect on 25 May 2021.
- (g) Mr. Xu Enli was appointed as a Non-executive Director of the Company and Mr. Dong Fang resigned as a Non-executive Director of the Company with effect from 1 January 2022.
- (h) Ms. Hui Grace Suk Han was appointed as an Independent Non-executive Director of the Company with effect from 1 June 2022.

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 three (2021: three) individuals who are Executive Directors throughout the year and their emoluments are included above. For the remaining two (2021: 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 2022 were HK\$6,309,000 (2021: HK\$5,776,000), HK\$8,137,000 (2021: HK\$16,793,000) and HK\$528,000 (2021: HK\$471,000), respectively.

During the years ended 31 December 2022 and 2021, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

12. INCOME TAX EXPENSES

	2022 HK\$'000	2021 HK\$'000
Current tax:		
Hong Kong profits tax	772	76,697
PRC enterprise income tax ("EIT")	498,047	890,592
PRC land appreciation tax ("LAT")	49,420	1,078,983
PRC withholding tax	189,637	65,270
	737,876	2,111,542
Deferred tax (note 31)	(98,315)	178,195
	639,561	2,289,737

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 profit before taxation as follows:

	2022 HK\$'000	2021 HK\$'000
Profit before taxation	1,098,173	4,274,226
Tax at the applicable income tax rate of 25% (note)	274,543	1,068,557
LAT provision	49,420	1,078,983
Tax effect of LAT	(12,355)	(269,746)
Tax effect of expenses not deductible for tax purpose	840,914	559,356
Tax effect of income not taxable for tax purpose	(381,459)	(135,033)
Tax effect of share of results of associates	(7,993)	(32,929)
Tax effect of share of results of joint ventures	(259,954)	(277,087)
Tax effect of tax losses not recognised	171,315	180,202
Tax effect of utilisation of tax losses previously not recognised	(84,521)	(18,508)
Deferred tax (credit) expense on undistributed earnings of PRC subsidiaries and joint ventures	(132,128)	101,274
PRC withholding tax	189,637	65,270
Effect of different tax rates of subsidiaries operating in other jurisdictions	(10,359)	(37,352)
Others	2,501	6,750
Income tax expenses for the year	639,561	2,289,737

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

13. DIVIDENDS PAID

	2022 HK\$'000	2021 HK\$'000
2021 final dividend paid of HK\$0.20 (2021: 2020 final dividend of HK\$0.55) per share	149,867	412,135
No 2022 interim dividend paid (2021: 2021 interim dividend of HK\$0.15) per share	–	112,401
	149,867	524,536

The board has resolved not to declare the payment of any final dividend in respect of 2022.

14. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to owners of the Company is based on the following data:

	2022 HK\$'000	2021 HK\$'000
(Loss) earnings for the purposes of basic (loss) earnings per share attributable to owners of the Company	(495,378)	1,028,245

	2022 Number of shares '000	2021 Number of shares '000
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	749,337	749,337

No diluted (loss) earnings per share for the years of 2022 and 2021 were presented as there were no dilutive potential ordinary shares in issue for both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 2021	45,677	56,152	69,891	39,992	211,712
Additions	401	14,610	16,740	515	32,266
Acquisition of subsidiaries	–	–	85	280	365
Disposals/written off	–	–	(3,408)	(2,699)	(6,107)
Exchange adjustments	1,431	2,425	1,534	1,354	6,744
At 31 December 2021	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
Depreciation					
At 1 January 2021	7,589	42,214	51,612	28,392	129,807
Charge for the year	548	9,416	6,962	4,980	21,906
Eliminated on disposals/ written off	–	–	(2,255)	(2,339)	(4,594)
Exchange adjustments	249	1,481	1,798	1,080	4,608
At 31 December 2021	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
Carrying values					
At 31 December 2022	5,215	13,711	27,702	6,421	53,049
At 31 December 2021	39,123	20,076	26,725	7,329	93,253

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

16. RIGHT-OF-USE ASSETS

	2022 HK\$'000	2021 HK\$'000
Leased properties		
Carrying amount as at 31 December	41,273	82,685
Depreciation charge for the year (note 10)	18,100	28,189
	2022 HK\$'000	2021 HK\$'000
Expenses relating to short-term leases (note 10)	6,870	8,942
Cash outflow for lease liabilities	22,498	32,066
Total cash outflow for leases	29,368	41,008
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 2022, lease liabilities of HK\$43,678,000 (2021: HK\$92,080,000) are recognised with related right-of-use assets of HK\$41,273,000 (2021: HK\$82,685,000). 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

17. INVESTMENT PROPERTIES (CONTINUED)

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.

	2022 HK\$'000	2021 HK\$'000
Completed properties, at fair value		
At 1 January	4,263,014	4,046,258
Additions	1,925	385
Transfer from property, plant and equipment (note (a))	27,678	–
Transfer from completed properties held for sale (note (b))	172,926	132,818
Disposals	(6,205)	–
Change in fair value recognised in profit or loss (note (c))	(119,255)	(42,766)
Exchange difference arising on translation to presentation currency	(214,261)	126,319
At 31 December	4,125,822	4,263,014

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 HK\$3,898,000 (2021: Nil) 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\$8,917,000 (2021: HK\$437,000) on transfer of completed properties held for sale to investment properties.
- (c) It included unrealised fair value losses of HK\$119,255,000 (2021: HK\$42,766,000) 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 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.

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 46.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

17. INVESTMENT PROPERTIES (CONTINUED)

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		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity
	31 December 2022 HK\$'000	31 December 2021 HK\$'000				
Commercial properties and shopping malls	4,125,822	4,263,014	Level 3	Income capitalisation of the net income and made provisions for reversionary income potential	<ol style="list-style-type: none"> Term yield 2022: 4% – 6% (2021: 4% – 6%) Reversionary yield 2022: 4.5% – 7% (2021: 4.5% – 7%) Market monthly rental rate (RMB/sqm) 2022: RMB96 – RMB329 (2021: RMB110 – RMB335) 	<p>A significant increase in the term yield would result in a significant decrease in fair value, and vice versa</p> <p>A significant increase in the reversionary yield would result in a significant decrease in fair value, and vice versa</p> <p>A significant increase in the market monthly rental rate would result in significant increase in fair value, and vice versa</p>

There are no transfers into or out of Level 3 in both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

18. INTERESTS IN ASSOCIATES

	2022 HK\$'000	2021 HK\$'000
Cost of unlisted investments	809,576	1,220,235
Share of post-acquisition gains	236,345	320,154
Exchange adjustments	(4,641)	66,504
	1,041,280	1,606,893

Details of the Group's principal associates at 31 December 2022 and 31 December 2021 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
		2022	2021	2022	2021	
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
常州雅勁房地產開發有限公司 ("常州雅勁")*	PRC	-	49%	-	40%	Development and sale of properties

* the company was disposed in 2022

The Group can exercise significant influence over the operating and financing activities of the associates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

18. INTERESTS IN ASSOCIATES (CONTINUED)

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	
	2022 HK\$'000	2021 HK\$'000
Current assets	4,090,744	4,522,205
Non-current assets	62	175
Current liabilities	(2,358,200)	(2,401,202)
Non-current liabilities	–	(343,367)
	2022 HK\$'000	2021 HK\$'000
Profit and total comprehensive income for the year	48,039	191,130
The above profit for the year includes the following:		
Depreciation and amortisation	(108)	(237)
Interest income	178	1,747
Income tax expenses	(46,322)	(204,240)

Reconciliation of the above summarised financial information to the carrying amount of interest in the material associate recognised in the consolidated financial statements:

	2022 HK\$'000	2021 HK\$'000
Net assets of 鄭州華首	1,732,606	1,777,811
Proportion of the Group's ownership interest	60%	60%
Net assets shared by the Group	1,039,564	1,066,687

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

18. INTERESTS IN ASSOCIATES (CONTINUED)

	常州雅勁 2021 HK\$'000
Current assets	3,488,238
Non-current assets	26
Current liabilities	<u>(2,389,604)</u>
	2021 HK\$'000
Profit and total comprehensive income for the year	<u>17,704</u>
The above profit for the year includes the following:	
Depreciation and amortisation	<u>(7)</u>
Interest income	<u>3,256</u>
Income tax expenses	<u>(5,901)</u>
Reconciliation of the above summarised financial information to the carrying amount of interest in the material associate recognised in the consolidated financial statements:	
	2021 HK\$'000
Net assets of 常州雅勁	1,098,660
Proportion of the Group's ownership interest	49%
Net assets shared by the Group	<u>538,343</u>

In November 2022, the Group disposed of all equity interest in an associate 常州雅勁, which is a property development company in the PRC, at a consideration of approximately RMB56,660,000 (equivalent to HK\$64,754,000). Before the disposal, the Group owned 49% of the equity interest in 常州雅勁 and the investment was previously accounted for as an investment in an associate using the equity method of accounting.

This transaction has resulted in the Group recognising a loss of HK\$25,114,000 in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

19. INTERESTS IN JOINT VENTURES

	2022 HK\$'000	2021 HK\$'000
Interests in infrastructure joint ventures		
Cost of investments	7,894,868	6,190,695
Return of cost of investments (note (a))	(2,776,244)	(3,144,149)
Share of post-acquisition profits, net of dividends received	1,694,068	1,566,418
Exchange adjustments	273,364	607,740
	7,086,056	5,220,704
Interests in property and other joint ventures		
Cost of investments	11,447,946	13,300,568
Share of post-acquisition profits, net of dividends received	754,227	699,359
Unrealised profits (note (b))	(162,984)	(228,006)
Exchange adjustments	(512,405)	328,176
	11,526,784	14,100,097
	18,612,840	19,320,801

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 2022 and 2021.
- (c) In March 2017, the Group entered into an undertaking agreement with an independent third party (the land provider) pursuant to which the Company undertakes for a prompt settlement of 50% of the outstanding debts incurred by a joint venture of the Group for a property development project in Hong Kong. The remaining 50% of the outstanding debts incurred by the joint venture is borne by the other joint venture partner. The outstanding debts amounting to HK\$5,418,349,000 incurred by the joint venture was fully settled in April 2022 and the Group bore the pro rata portion.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

19. INTERESTS IN JOINT VENTURES (CONTINUED)

Notes: (Continued)

- (d) 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 approval of the relevant activities of SN JV and NKK JV require unanimous consent of the three joint venture partners and SN JV and NKK JV are accounted for as joint ventures of the Group.

In January 2020, the Group entered into capital injection agreement with two other joint venture partners pursuant to which the joint venture partners agreed to make further capital contribution of SN JV in proportion equity interests of the joint venture partners.

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 before the end of 2022.

At 31 December 2022, 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. A fair value gain of HK\$10,608,000 (2021: fair value loss of HK\$110,371,000) was recognised to profit or loss during the year.

Details of the fair value measurement of the contingent consideration are set out in note 41(c)(i).

- (e) 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 approval of the relevant activities of MKTT JV requires unanimous consent of the two joint venture partners and MKTT JV is accounted for as a joint venture of the Group.

The total consideration for the acquisition of equity interests of MKTT JV is IDR1,236,000,000,000 (equivalent to HK\$656,330,000) in which IDR975,000,000,000 (equivalent to HK\$517,736,000) has been paid by the Group before 30 June 2021 and the remaining consideration of IDR261,000,000,000 (equivalent to HK\$141,519,000) was settled in June 2022.

- (f) In September 2022, the Group entered into conditional sale and purchase agreements with certain independent third parties to acquire 39.77% equity interest in SB JV, a limited liability company established in Indonesia. SB JV owns concession rights of the toll road in Indonesia. The approval of the relevant activities of SB JV requires unanimous consent of the three joint venture partners and SB JV is accounted for as a joint venture of the Group. 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.

- (g) During the year ended 31 December 2022, other than notes (d), (e) and (f), the Group paid cash consideration to independent third parties or/and provided capital contribution in cash to certain joint ventures amounting to HK\$879,113,000 (2021: HK\$4,674,330,000) 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\$25,714,000) will be settled in 2023. This transaction has 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 are 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 are 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).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 2022 and 31 December 2021 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 – Xiongxiang 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 (Xiongxiang – 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 (Xiongxiang 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
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 (Xiongxiang 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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 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
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 (Hengchang) 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 (Hengchang 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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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
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
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 (Acquired in December 2022)	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.

*** These joint ventures are collectively known as Hunan Changsha Expressway JV.

Notes:

- At 31 December 2022, the interests in joint ventures are held by RKE, which is 75% (2021: 75%) held by the Group.
- 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 2022 and 2021, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 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 interests	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
Other adjustments (note)	50,930	(8,487)	(3,878)	-	-	-	-	-	-	38,565
Goodwill	-	-	-	-	-	-	-	-	409,879	409,879
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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

19. INTERESTS IN JOINT VENTURES (CONTINUED)

Infrastructure joint ventures (Continued)

Summarised financial information of material infrastructure joint ventures (Continued)

At 31 December 2021

	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	Total HK\$'000
Non-current assets									
Property and equipment	57,974	59,098	48,540	82,653	92,242	417	21,036	992	362,952
Concession intangible assets	1,660,425	272,622	516,650	4,768,687	3,060,359	5,912,178	2,721,753	3,233,819	22,146,493
Other non-current assets	-	-	-	-	-	1,762	14,935	170	16,867
	1,718,399	331,720	565,190	4,851,340	3,152,601	5,914,357	2,757,724	3,234,981	22,526,312
Current assets									
Bank balances and cash	605,074	720,692	116,125	448,180	50,683	258,311	44,650	60,015	2,303,730
Restricted bank balance	-	-	-	-	-	183,413	69,818	7,085	260,316
Others	35,013	36,810	56,246	28,386	8,572	7,330	27,491	938	200,786
	640,087	757,502	172,371	476,566	59,255	449,054	141,959	68,038	2,764,832
Current liabilities									
Dividend payable	106,058	-	-	-	-	-	-	-	106,058
Bank borrowings	-	-	-	-	129,205	3,802	8,703	10,359	152,069
Loans from shareholders	-	-	-	-	-	-	5,631	-	5,631
Others	116,666	137,888	122,690	148,992	41,496	146,091	19,118	10,438	743,379
	222,724	137,888	122,690	148,992	170,701	149,893	33,452	20,797	1,007,137
Non-current liabilities									
Bank borrowings	-	-	-	2,686,747	1,337,301	3,778,617	1,664,307	1,350,452	10,817,424
Loans from shareholders	-	-	-	-	-	5,981	55,543	-	61,524
Creditors	-	-	-	-	-	102,490	35,684	155,523	293,697
Receipt in advance	7,494	2,942	7,495	4,196	1,776	-	-	90	23,993
Deferred taxation	335,536	20,699	54,829	139,228	73,174	79,381	114,895	281,561	1,099,303
	343,030	23,641	62,324	2,830,171	1,412,251	3,966,469	1,870,429	1,787,626	12,295,941
Net assets of joint ventures	1,792,732	927,693	552,547	2,348,743	1,628,904	2,247,049	995,802	1,494,596	11,988,066
Proportion of the Group's interests	40%	45%	43.17%	45%	49%	40%	40%	45%	N/A
Net assets shared by the Group	717,093	417,462	238,535	1,056,934	798,163	898,820	398,321	672,568	5,197,896
Other adjustments (note)	54,293	(9,490)	(21,995)	-	-	-	-	-	22,808
Carrying amount of the Group's interests in joint ventures	771,386	407,972	216,540	1,056,934	798,163	898,820	398,321	672,568	5,220,704

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 2021

	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	Total HK\$'000
Toll revenue (net of sales related tax)	1,018,243	825,273	599,150	736,600	425,646	319,028	273,896	148,934	4,346,770
Construction revenue	-	-	-	-	-	22,760	-	-	22,760
Total revenue	1,018,243	825,273	599,150	736,600	425,646	341,788	273,896	148,934	4,369,530
Construction costs	-	-	-	-	-	(22,760)	-	-	(22,760)
Other income (expenses)	18,664	3,079	(18,783)	33,976	1,806	218,370	(27,278)	358	230,192
Toll operation expenses	(142,208)	(105,601)	(86,819)	(110,968)	(24,444)	(46,619)	(40,490)	(34,813)	(591,962)
Administrative expenses	(28,439)	(40,265)	(29,746)	(14,772)	(8,741)	(6,135)	(6,938)	(3,395)	(138,431)
Depreciation and amortisation charges	(127,237)	(245,416)	(169,028)	(123,253)	(71,609)	(33,696)	(18,618)	(21,063)	(809,920)
Finance costs (net)	6,263	332	146	(132,652)	(72,727)	(343,573)	(144,973)	(59,189)	(746,373)
Income tax expenses	(189,696)	(110,032)	(73,736)	(72,304)	(66,173)	(23,795)	(7,832)	(6,783)	(550,351)
Profit and total comprehensive income for the year	555,590	327,370	221,184	316,627	183,758	83,580	27,767	24,049	1,739,925
Cash distributions received from joint ventures during the year	193,342	151,779	209,332	-	49,429	-	-	-	603,882

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

19. INTERESTS IN JOINT VENTURES (CONTINUED)

Property joint ventures

Particulars of the Group's interests in principal property joint ventures as at 31 December 2022 and 31 December 2021 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
		2022	2021	2022	2021	
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
上海雋悅置業有限公司 ("上海雋悅")	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
蘇州勁商房地產開發有限公司 ("蘇州勁商")	PRC	33%	33%	20% (note)	20%	Development and sale of properties
蘇州勝悅房地產開發有限公司 ("蘇州勝悅")	PRC	30%	30%	20% (note)	20%	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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

19. INTERESTS IN JOINT VENTURES (CONTINUED)

Property joint ventures (Continued)

Summarised financial information of material property joint ventures

At 31 December 2022

	上海雋悅 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	蘇州勝悅 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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

19. INTERESTS IN JOINT VENTURES (CONTINUED)

Property joint ventures (Continued)

Summarised financial information of material property joint ventures (Continued)

For the year ended 31 December 2022

	上海雋悅 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	蘇州勝悅 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)

At 31 December 2021

	上海雋廷 HK\$'000	南京華勁 HK\$'000	礦勁地產 HK\$'000	濟南雋茂 HK\$'000	蘇州勁商 HK\$'000	蘇州勝悅 HK\$'000	Both Win HK\$'000	Total HK\$'000
Current assets	8,030,875	1,928,735	2,868,756	2,036,468	3,406,302	4,676,312	2,408,099	25,355,547
Non-current assets	955	102	1,101	440	587	-	14	3,199
Current liabilities	(4,179,272)	(377,862)	(216,666)	(511,212)	(447,968)	(2,006,926)	(1,356,624)	(9,096,530)
Non-current liabilities	-	(62,651)	-	(298,279)	-	(803)	-	(361,733)
The above amounts of assets and liabilities include the following:								
Cash and cash equivalents	39,232	207,303	134,264	64,232	173,335	269,789	141,008	1,029,163
Net assets of joint ventures	3,852,558	1,488,324	2,653,191	1,227,417	2,958,921	2,668,583	1,051,489	15,900,483
Proportion of the Group's interests	33%	49%	45%	50%	33%	30%	60%	N/A
Carrying amount of the Group's interests in joint ventures	1,271,344	729,279	1,193,936	613,709	976,444	800,575	630,893	6,216,180

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

19. INTERESTS IN JOINT VENTURES (CONTINUED)

Property joint ventures (Continued)

Summarised financial information of material property joint ventures (Continued)

For the year ended 31 December 2021

	上海雋廷 HK\$'000	南京華勁 HK\$'000	礦勁地產 HK\$'000	濟南雋茂 HK\$'000	蘇州勁商 HK\$'000	蘇州勝悅 HK\$'000	Both Win HK\$'000	Total HK\$'000
(Loss) profit and total comprehensive (expense) income for the year	(2,817)	278,618	(1,362)	21,115	35,021	115,206	47,795	493,576
The above (loss) profit for the year includes the following:								
Depreciation and amortisation	–	(24)	(7)	(338)	(14)	–	(25)	(408)
Interest income	41	61,071	25	2,003	950	1,233	2,112	67,435
Income tax credit (expense)	939	(92,873)	454	(7,508)	(11,674)	(38,402)	(194,719)	(343,783)

Aggregate information of joint ventures that are not individually material

	2022 HK\$'000	2021 HK\$'000
The Group's share of profit and total comprehensive income for the year	243,357	102,445

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

20. AMOUNTS DUE FROM JOINT VENTURES AND ASSOCIATES

	2022 HK\$'000	2021 HK\$'000
Current portion	3,564,733	3,341,987
Non-current portion	6,084,012	11,628,741
	9,648,745	14,970,728
Analysed into:		
Interest bearing at fixed interest rate ranging from 4.75% to 10% (2021: 4.75% to 10%) per annum	5,926,417	8,846,177
Interest bearing at variable interest rate at 30% over the lending rate set by the People's Bank of China ("PBOC") per annum	–	138,104
Interest-free	3,722,328	5,986,447
	9,648,745	14,970,728

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 and the performance of the infrastructure joint ventures.

No impairment loss has been recognised in the current and prior years. Details of impairment assessment for the years ended 31 December 2022 and 2021 are set out in note 41(b)(ii).

21. AMOUNTS DUE FROM OTHER NON-CONTROLLING INTERESTS OF SUBSIDIARIES

	2022 HK\$'000	2021 HK\$'000
Current portion	909,132	2,122,295
Non-current portion	974,183	306,198
	1,883,315	2,428,493
Analysed into:		
Interest bearing at fixed interest rate at 3.85% to 4.75% (2021: 3.85% to 4.75%) per annum	291,102	445,663
Interest-free	1,592,213	1,982,830
	1,883,315	2,428,493

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 2022 are set out in note 41(b)(ii).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

22. LOAN RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Fixed-rate loan receivables	1,607,115	1,699,595
Floating-rate loan receivables	59,432	69,328
Interest-free loan receivables	1,581,929	1,023,307
Total gross carrying amount of loan receivables	3,248,476	2,792,230
Less: Impairment loss on loan receivables (note 41(b)(ii))	(528,572)	(250,602)
Less: Amounts classified as current assets	(68,158)	(558,008)
Amounts due over one year shown and classified as non-current assets	2,651,746	1,983,620

The loan receivables are mainly denominated in Renminbi. As at 31 December 2022, the carrying amount of loan receivables amounting to HK\$2,053,228,000 (2021: HK\$2,111,639,000) 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.

The Group renegotiated with certain borrowers to extend the maturity date for certain loan balances during the year ended 31 December 2022. 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 2022 and 2021 are set out in note 41(b)(ii).

The exposure of the Group's loan receivables to interest rate risks and the contractual maturity dates are as follows:

	2022 HK\$'000	2021 HK\$'000
Within one year	68,158	558,008
In more than one year but not more than two years	1,515,978	743,574
In more than two years but not more than five years	738,344	732,506
More than five years	397,424	507,540
	2,719,904	2,541,628

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

22. LOAN RECEIVABLES (CONTINUED)

The range of interest rates on the Group's loan receivables are as follows:

	2022	2021
Fixed-rate loan receivables	2.88% – 24%	2.88% – 24%
Floating-rate loan receivables	3.25% – 6.37%	3.25% – 6.37%

23. INVENTORY OF PROPERTIES

	2022 HK\$'000	2021 HK\$'000
Completed properties held for sale	19,632,841	13,625,438
Properties under development for sale (note)	18,998,256	31,042,233
	38,631,097	44,667,671

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 2022 and 31 December 2021. Analysis of leasehold lands is as follows:

	2022 HK\$'000	2021 HK\$'000
Leasehold Lands		
Carrying amount as at 31 December	14,597,382	21,369,328
Total cash outflow for the year	(458,250)	(4,273,287)
Additions for the year	911,679	3,795,275

Note: Included in the amounts are properties under development for sale of HK\$12,052,343,000 (2021: HK\$14,498,761,000) which are expected to be completed and available for sale to the customers more than twelve months from the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

24. PREPAYMENT FOR LAND LEASES

As at 31 December 2021, the total consideration of HK\$478,012,000 was fully prepaid in accordance with the sale and purchase agreements entered into with the local government for acquisition of one piece of land in the PRC for the purpose of property development for sale. Upon the delivery of relevant land title document to the Group, the prepaid amount was subsequently reclassified to “properties under development for sale” under “inventory of properties” in 2022.

25. DEBTORS, DEPOSITS AND PREPAYMENTS

	2022 HK\$'000	2021 HK\$'000
Aged analysis of trade debtors, presented based on invoice dates (note (a)):		
Within 60 days	121,986	197,835
61 to 90 days	675	2,175
More than 90 days	32,136	39,954
Trade debtors from contracts with customers derived from goods and services	154,797	239,964
Prepayment for land development cost (note (b))	571,429	602,410
Deposits paid for acquisition of inventory of properties (note (c))	584,917	616,629
Prepayment of value added tax and other taxes	540,844	344,893
Consideration receivable (note 19(h))	25,714	–
Other receivables, deposits and prepayments	779,411	595,032
	2,657,112	2,398,928

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

25. DEBTORS, DEPOSITS AND PREPAYMENTS (CONTINUED)

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 2021, trade receivables from contracts with customers amounted to HK\$289,931,000.
- (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 2022, prepayment of land development cost of HK\$571,429,000 (2021: HK\$602,410,000) 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 2022, 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.

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 the 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 the reporting period for trade debtors. Details of impairment assessment of trade and other receivables for the years ended 31 December 2022 and 2021 are set out in note 41(b)(ii).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

26. FINANCIAL ASSETS/LIABILITIES AT FVTPL

	2022 HK\$'000	2021 HK\$'000
Financial assets at FVTPL:		
Investment in a listed entity (note (b))	571	6,024
Investment in an unlisted entity (note (b))	595,700	893,056
	596,271	899,080
Analysed for reporting purposes as:		
Non-current assets	596,271	899,080
Financial liabilities at FVTPL:		
Foreign currency forward contracts (note (a))	–	40,834
Contingent consideration (note 19(d))	89,723	103,882
Participation rights designated as at FVTPL (note (c))	198,815	111,793
	288,538	256,509
Analysed for reporting purposes as:		
Current liabilities	89,723	144,716
Non-current liabilities	198,815	111,793
	288,538	256,509

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

26. FINANCIAL ASSETS/LIABILITIES AT FVTPL (CONTINUED)

Notes:

- (a) As at December 2021, the Group had two RMB/US\$ net-settled structured foreign currency forward contracts with a bank in Hong Kong in order to manage the Group's currency risk.

The foreign currency forward contracts with gross liabilities amount of HK\$40,834,000 were covered by the International Swaps and Derivatives Association Master Agreements ("ISDA Agreements") signed with one bank. These derivative instruments were not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts.

The Group is required to transact with the bank at the end of the contract period for designated notional amount under the respective contracts. If the spot rate for conversion of US\$ for RMB as prevailing in the international foreign exchange market ("Spot Rate") on fixing date is (1) at or above the capped strike rate, the Group will buy US\$ notional amount at the varied strike rate, which is the Spot Rate on fixing date minus the spread between the capped strike rate and the strike rate; (2) below the capped strike rate, the Group will buy the US\$ notional amount at the strike rate; (3) below the capped strike rate and at or above the floor strike rate, the Group will buy US\$ notional amount at the strike rate, and; (4) at or below the floor strike rate, the Group will buy US\$ notional amount at the varied strike rate, which is the Spot Rate on fixing date plus the spread between the floor strike rate and the strike rate.

Number of contracts outstanding at 31 December		Notional amount	Contract date	Strike rate	Floor strike rate	Capped strike rate	Fixing date (note 1)
2022	2021						
-	2	US\$150,000,000	January 2019	6.874	6.650	7.200	January 2022

Note 1: The contract maturity date is approximate to the fixing date.

Foreign currency forward contracts are measured at fair value at the end of the reporting period. During the year ended 31 December 2022, fair value gains amounting to HK\$20,000 (2021: fair value losses of HK\$130,316,000) were recognised in profit or loss.

- (b) 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 2022 are 47,443. During the year ended 31 December 2022, fair value loss amounting to HK\$5,344,000 (2021: HK\$41,468,000) 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 2022 and 2021 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 2022, fair value loss amounting to HK\$261,283,000 (2021: Nil) was recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

26. FINANCIAL ASSETS/LIABILITIES AT FVTPL (CONTINUED)

Notes: (Continued)

- (c) 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"), of which deposit of US\$14,425,000 (equivalent to HK\$111,793,000) was received in 2021 and the remaining consideration of US\$13,123,000 (equivalent to HK\$102,097,000) was received in 2022.

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\$16,156,000 relating to participation right for the year ended 31 December 2022. Details of the fair value measurement of the derivative contracts and investments are set out in note 41(c)(i).

27. 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\$119,803,000 (2021: HK\$113,395,000) 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\$890,034,000 (2021: HK\$1,167,159,000) 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 4.48% (2021: 0.01% to 2.8%) per annum.

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:

	2022 HK\$'000	2021 HK\$'000
United States dollars	1,379,918	1,616,437
Hong Kong dollars	36,683	780,570

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

28. SHARE CAPITAL

	2022 Number of shares	2021 Number of shares	2022 HK\$'000	2021 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 shares are issued in both years.

29. SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 8 May 2013. The purpose of the 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 for the benefit of the Company and the shareholders as a whole.

The participants of the Scheme include any Executive or Non-executive Directors of the Group, any executives, officers, consultants or full-time employees of the Group.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company and/or any subsidiary shall not in aggregate exceed 10% (the "10% Limit") in nominal amount of the aggregate of the shares in issue on the adoption date. Options lapsed or cancelled in accordance with the terms of the Scheme and such other share option schemes of the Company and/or any subsidiary shall not be counted for the purpose of calculating the 10% Limit. The 10% Limit may be refreshed with the approval of the shareholders of the Company. The limit on the total number of the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme, together with all outstanding options granted and yet to be exercised under any other share option schemes of the Company and/or any subsidiary, must not exceed 30% of the number of issued shares from time to time.

The total number of shares issued and to be issued upon exercise of all options granted and to be granted to each participant under the Scheme and any other share option schemes of the Company and/or any subsidiary (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the number of shares in issue as at the proposed grant date unless the same is approved by the shareholders.

The option exercisable period commences on the commencement date (the date upon which the options are granted and accepted) of such options and ends on the fifth anniversary of the commencement date. Each participant must pay HK\$1 as consideration for the grant of options not later than 30 days after the grant date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

29. SHARE OPTION SCHEME (CONTINUED)

The exercise price shall be determined by the Board of Directors, being not less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the grant date; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the grant date; and (c) the nominal value of the shares.

The Scheme shall be valid and effective for a period of 10 years commencing on the adoption date, i.e. 8 May 2013.

The Group has no outstanding share option as at 31 December 2022 and 31 December 2021.

30. BANK AND OTHER BORROWINGS

	Notes	2022 HK\$'000	2021 HK\$'000
2019 February guaranteed senior notes	(a)	2,755,319	3,159,813
2019 September guaranteed senior notes	(b)	2,818,256	3,751,627
2020 March guaranteed senior notes	(c)	1,710,911	2,355,248
2020 September guaranteed senior notes	(d)	2,363,448	3,231,843
2021 January guaranteed senior notes	(e)	3,951,953	3,927,175
2021 July guaranteed senior notes	(f)	3,938,414	3,913,938
2019 Domestic bonds	(g)	–	1,069,106
Bank loans	(h)	12,784,322	15,960,639
Other loans	(i)	1,825,071	956,795
		32,147,694	38,326,184
Secured		8,392,037	10,085,078
Unsecured		23,755,657	28,241,106
		32,147,694	38,326,184

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

30. BANK AND OTHER BORROWINGS (CONTINUED)

The maturity of the above loans is as follows:

	2022 HK\$'000	2021 HK\$'000
Senior notes and domestic bonds repayable*:		
Within one year	3,060,325	1,518,804
More than one year but not exceeding two years	2,770,984	3,059,112
More than two years but not exceeding five years	11,706,992	16,830,834
	17,538,301	21,408,750
Bank borrowings repayable*:		
Within one year	6,135,043	5,636,529
Repayable on demand (Within one year)	391,857	100,145
Repayable on demand (More than one year but not exceeding two years)	–	500,000
More than one year but not exceeding two years	4,628,401	5,394,087
More than two years but not exceeding five years	897,396	3,426,080
More than five years	731,625	903,798
	12,784,322	15,960,639
Other loans repayable*:		
Within one year	670,461	47,760
Repayable on demand (More than one year but not exceeding two years)	–	120,482
More than one year but not exceeding two years	1,154,610	40,964
More than two years but not exceeding five years	–	747,589
	1,825,071	956,795
Total borrowings	32,147,694	38,326,184
Less: Amounts classified as current liabilities	(10,257,686)	(7,923,720)
Amounts due over one year shown and classified as non-current liabilities	21,890,008	30,402,464

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

30. BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

- (a) The 2019 February guaranteed senior notes with an outstanding principal amount of US\$343,000,000 (2021: US\$396,000,000) are 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 outstanding principal amount of the notes has been redeemed on 1 February 2023 at their principal amount plus accrued and unpaid interest to (but not including) the final maturity date of the notes. The principal amount upon early redemption of US\$53,000,000 resulted in a gain of HK\$81,242,000 was recognised in profit or loss during the year of 2022.
- (b) The 2019 September guaranteed senior notes with an outstanding principal amount of US\$358,831,000 (2021: US\$480,000,000) 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\$121,169,000 resulted in a gain of HK\$401,285,000 was recognised in profit or loss during the year of 2022.

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.

- (c) The 2020 March guaranteed senior notes with an outstanding principal amount of US\$217,064,000 (2021: US\$300,000,000) 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\$82,936,000 resulted in a gain of HK\$369,255,000 was recognised in profit or loss during the year of 2022.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

30. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (Continued)

- (d) The 2020 September guaranteed senior notes with an outstanding principal amount of US\$302,888,000 (2021: US\$415,588,000) 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\$112,700,000 resulted in a gain of HK\$515,206,000 was recognised in profit or loss during the year of 2022.

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 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.

- (e) The 2021 January guaranteed senior notes with an outstanding principal amount of US\$500,000,000 (2021: 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

30. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (Continued)

- (f) The 2021 July guaranteed senior notes with an outstanding principal amount of US\$500,000,000 (2021: 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) The Group issued 2019 Domestic bonds with a principal amount of RMB1,500,000,000 in September 2019. The bonds were listed on the Shanghai Stock Exchange, bearing interest at a fixed rate of 7% per annum and have a term of three years with the Group's option to adjust the coupon rate after the end of the second year of issuance and the investors' entitlement to require the Group to redeem the bonds at the principal amount. The Group redeemed the 2019 Domestic bonds, bearing an adjusted fixed interest rate of 6.5% per annum, with a principal amount of RMB631,450,000 in September 2021 and the remaining principal amount of RMB868,550,000 in September 2022.
- (h) Bank loans with carrying amount of HK\$6,902,768,000 (2021: HK\$10,079,462,000) bear a floating interest rate based on PBOC or Loan Prime Rate ("LPR") plus a specified margin, ranging from 4.19% to 7.13% (2021: 3.8% to 7.13%) per annum. Except for the bank loans with carrying amount of HK\$213,977,000 at 31 December 2021 bear interest rate at a fixed rate ranging from 4.89% to 5.23% per annum, there is no bank loans at 31 December 2022 bearing fixed interest rate. 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 2.69% to 9.66% (2021: 2.11% to 3.23%) per annum.
- (i) At 31 December 2022, other loans with a carrying amount of HK\$1,825,071,000 (2021: HK\$956,795,000) bear interest at a fixed rate ranging from 5.5% to 15% (2021: 5.5% to 9.8%) per annum and mainly include commercial mortgage-backed securities and amounts borrowed from certain trust companies.
- (j) The Group classified the senior notes with an aggregate carrying amount of HK\$14,477,976,000 (2021: HK\$19,889,946,000) as non-current liabilities as at 31 December 2022. 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 2022 and 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

30. BANK AND OTHER BORROWINGS (CONTINUED)

The effective interest rate of the Group's fixed rate borrowings and variable rate borrowings ranged from 5.125% to 15% (2021: 4.89% to 9.8%) per annum and 2.69% to 9.66% (2021: 2.11% to 7.13%) per annum, respectively.

In respect of bank loans with the aggregate carrying amount of HK\$12,784,322,000 as at 31 December 2022 (2021: HK\$15,960,639,000), 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 has complied with these covenants throughout the reporting period.

Details on the fair value disclosures of the guaranteed senior notes and domestic bonds are set out in note 41(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:

	2022 HK\$'000	2021 HK\$'000
United States dollars	22,444,270	23,090,704
Hong Kong dollars	2,184,789	2,916,140

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

31. DEFERRED TAXATION

The following are the major deferred tax (assets) liabilities recognised and movements thereon during the current and prior years:

	Tax losses	Unrealised profit in interests in joint ventures	Undistributed earnings of subsidiaries and joint ventures in the PRC	Change in fair value of investment properties	Interest capitalised on properties under development	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021	(176,587)	(38,352)	809,321	265,926	97,353	957,661
Charge (credit) for the year	55,856	(28,238)	101,274	(9,474)	58,777	178,195
Acquisition of subsidiaries (note 43)	(2,578)	–	–	–	–	(2,578)
Exchange adjustments	(4,727)	(1,678)	27,061	8,170	4,346	33,172
At 31 December 2021	(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 43)	(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

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

31. DEFERRED TAXATION *(CONTINUED)*

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:

	2022 HK\$'000	2021 HK\$'000
Deferred tax assets	(227,359)	(196,304)
Deferred tax liabilities	1,238,541	1,362,754
	1,011,182	1,166,450

At 31 December 2022, the Group has estimated unused tax losses of HK\$2,374,350,000 (2021: HK\$1,835,614,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK\$703,704,000 (2021: HK\$512,144,000) of such losses. No deferred tax asset has been recognised in respect of the remaining losses of HK\$1,670,646,000 (2021: HK\$1,323,470,000) due to the unpredictability of future taxable profit streams. Included in unrecognised tax losses are losses of HK\$1,670,646,000 (2021: HK\$1,323,470,000) that will expire within five years in PRC from the end of the reporting period. As at 31 December 2022 and 2021, 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\$4,411,429,000 (2021: HK\$5,783,133,000) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

32. DERIVATIVE FINANCIAL INSTRUMENTS

During the year ended 31 December 2020, the Group entered into certain interest rate swaps designated as effective hedging instruments in order to minimise its exposures to forecast cash flow interest rate risk on its USD borrowings.

The terms of the interest rate swaps have been negotiated to match the terms of the respective designated hedging items and the Directors consider that the interest rate swaps are effective hedging instruments. The major terms of these swaps as at 31 December 2020 are as follows:

Notional amounts	US\$300,000,000
Maturity date	18 November 2024
Pay fixed rate range	1.6% – 1.75%
Receive floating rate	USD 3-month LIBOR

In February and March 2021, interest rate swaps were terminated because the hedged forecast cash flows were no longer highly probable. As a result, the amounts upon termination of HK\$53,111,000 were immediately reclassified from the cash flow hedging reserve to profit or loss as a reclassification adjustment, resulting in a net gain of HK\$5,443,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

33. CREDITORS AND ACCRUED CHARGES

	2022 HK\$'000	2021 HK\$'000
Aged analysis of creditors presented based on invoice date:		
Trade payables		
Within 60 days	747,042	845,617
61 to 90 days	140,176	47,661
More than 90 days	1,043,669	1,570,151
	1,930,887	2,463,429
Bills payables		
Within 60 days	19,525	38,730
61 to 90 days	–	15,720
More than 90 days	16,614	44,568
	36,139	99,018
Accrued construction costs	3,802,230	5,241,400
	5,769,256	7,803,847
Accrued taxes (other than EIT and LAT)	208,853	670,313
Consideration payable for the acquisition of joint ventures	238,133	489,046
Dividends payable to other non-controlling interests of subsidiaries	274,617	–
Construction related deposits	411,086	367,264
Other payables	1,272,186	1,372,850
	8,174,131	10,703,320

34. AMOUNTS DUE TO JOINT VENTURES AND ASSOCIATES

At the end of reporting period, except for the amounts due to joint ventures of HK\$910,063,000 (2021: HK\$1,514,528,000) which is interest-bearing, all remaining amounts are unsecured and interest-free. Amount due to a joint venture of nil (2021: HK\$386,081,000) is due beyond one year from the end of reporting date and bears interest at 4.75% per annum, all the remaining 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 amounted to HK\$340,820,000 (2021: Nil) and amounts due to joint ventures and associate amounted to HK\$1,977,035,000 (2021: Nil) have been settled by dividends contributed by the joint ventures and capital reductions in joint ventures and an associate respectively as disclosed in note 42.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

35. AMOUNTS DUE TO OTHER NON-CONTROLLING INTERESTS OF SUBSIDIARIES

As at 31 December 2022 and 2021, amounts due to other non-controlling interest of subsidiaries are interest-free, unsecured and either repayable on demand or due within one year.

36. CONTRACT LIABILITIES

	2022 HK\$'000	2021 HK\$'000
Sale of properties	3,980,427	8,406,644

As at 1 January 2021, the contract liabilities amounted to HK\$7,819,246,000. 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\$7,897,976,000 (2021: HK\$7,452,063,000). 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.

37. LEASE LIABILITIES

	2022 HK\$'000	2021 HK\$'000
The maturity of the lease liabilities payable is as follows:		
Within one year	15,031	24,417
More than one year but not exceeding two years	13,885	16,254
More than two years but not exceeding five years	14,762	33,255
More than five years	–	18,154
	43,678	92,080
Less: Amount due for settlement within 12 months shown under current liabilities	(15,031)	(24,417)
Amount due for settlement after 12 months shown under non-current liabilities	28,647	67,663

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

37. LEASE LIABILITIES (CONTINUED)

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2022 HK\$'000	2021 HK\$'000
Hong Kong dollars	24,023	35,742

38. OWNERS OF PERPETUAL CAPITAL SECURITIES

	Notes	2022 HK\$'000	2021 HK\$'000
2017 February perpetual capital securities	(a)	2,347,680	2,348,473
2017 June perpetual capital securities	(a)	2,285,724	2,285,789
2019 November perpetual capital securities	(b)	2,327,854	2,320,034
		6,961,258	6,954,296

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 reset date falling immediately after 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

38. OWNERS OF PERPETUAL CAPITAL SECURITIES *(CONTINUED)*

Additional information for the owners of perpetual capital securities is as follows:

<u>List of perpetual capital securities</u>	<u>Listing date</u>	<u>First call date*</u>
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 2022 and 2021.

39. 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. 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.

40. 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 30 and 37, 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 of 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 monitors the utilisation of bank and other borrowings and ensures full compliance with loan covenants during the year and at the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

41. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2022 HK\$'000	2021 HK\$'000
Financial assets		
Financial assets at amortised cost	24,647,162	34,618,124
Financial assets at FVTPL	596,271	899,080
Financial liabilities		
Financial liabilities at amortised cost	46,537,492	56,364,395
Financial liabilities at FVTPL	288,538	256,509

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

41. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(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.

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. During the year ended 31 December 2021, the Group entered into a number of structured foreign currency forward contracts with banks to manage the Group's currency risk and the details were set out in note 26. 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	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
United States dollars	1,423,855	1,616,437	22,444,270	23,114,691
Hong Kong dollars	39,952	787,513	2,274,281	3,004,908

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 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	
	2022 HK\$'000	2021 HK\$'000
United States dollars	1,051,021	1,074,913
Hong Kong dollars	111,716	110,870

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

41. 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. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in note (b)(iv).

Total interest income and expenses from financial assets and financial liabilities that are measured at amortised cost is as follows:

Interest rate sensitivity

	2022 HK\$'000	2021 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	395,726	307,695
Financial liabilities at amortised cost		
– Interest expense on financial liabilities not measured at FVTPL	1,122,266	1,046,817

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

41. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management objectives and policies *(Continued)*

(i) Market risk *(Continued)*

Interest rate risk management *(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 (2021: 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 (2021: 50 basis point) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2022 would decrease/increase by HK\$31,948,000 (2021: HK\$33,375,000) after capitalisation of additional finance costs of HK\$31,804,000 (2021: HK\$45,218,000) 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 45, 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 2022 and 2021, the Group assessed the ECL for trade debtors were insignificant and thus no loss allowance was recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

41. 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 2022 was HK\$302,257,000 (2021: HK\$136,256,000) due to high default risks of some borrowers. The Group has concentration of credit risks in loan receivables as 63% (2021: 64%) 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. For the years ended 31 December 2022 and 2021, the Group assessed the ECL for amounts due from joint ventures and associates were insignificant in both years. The Group has concentration of credit risks in amounts due from joint ventures and associates as 48% (2021: 32%) 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 2022 and 2021, 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 76% (2021: 75%) of the balances was due from the three largest borrowers within the property development business.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

41. 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 2022 and 2021, 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 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 2022 and 2021 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 2022 and 31 December 2021 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

41. 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		ECL	
					2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Financial assets at amortised costs								
Amounts due from joint ventures and associates	20	N/A	(note 1)	12m ECL	9,648,745	14,970,728	-	-
Amounts due from other non-controlling interests of subsidiaries	21	N/A	(note 1)	12m ECL	1,883,315	2,428,493	-	-
Loan receivables	22	N/A	(note 1)	12m ECL	609,640	550,143	30,927	-
				Lifetime ECL (not credit-impaired)	2,638,836	2,242,087	497,645	250,602
					3,248,476	2,792,230	528,572	250,602
Other debtors	25	N/A	(note 1)	12m ECL	1,858,943	1,724,342	-	-
Trade debtors	25	N/A	(note 2)	Lifetime ECL (not credit-impaired)	154,797	239,964	-	-
Pledged bank deposits	27	Ranged from A+ to BBB-	N/A	12m ECL	119,803	113,395	-	-
Bank balances	27	Ranged from A+ to BBB-	N/A	12m ECL	8,260,300	12,598,364	-	-
Financial guarantee contracts	45	N/A	(note 3)	12m ECL	10,889,109	15,293,916	-	-

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

41. 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 other debtors and loan receivables.

Other debtors

	12m ECL HK\$'000	Lifetime ECL (not credit- impaired) HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Total HK\$'000
At 1 January 2021	12,943	–	–	12,943
Changes due to financial instruments				
– Transfer to credit-impaired	(12,943)	–	12,943	–
– Write-offs	–	–	(12,943)	(12,943)
At 31 December 2021 and 2022	–	–	–	–

During the year ended 31 December 2022, there is no change in the loss allowance for other debtors.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

41. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management objectives and policies *(Continued)*

(ii) Credit risk and impairment management *(Continued)* 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 2021	–	104,027	–	104,027
Changes due to financial instruments				
– Impairment loss recognised	–	136,256	–	136,256
Exchange adjustments	–	10,319	–	10,319
At 31 December 2021	–	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

During the year ended 31 December 2022, changes in the loss allowance for loan receivables of HK\$302,257,000 (2021: HK\$136,256,000) were mainly due to remeasurement of ECL.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

41. 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 the pre-sale and sale of inventory of properties; and
- seeking new debts 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.

	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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

41. 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
2021								
Creditors and accrued charges	-	10,703,320	-	-	-	-	10,703,320	10,703,320
Amounts due to joint ventures and associates	0.81	5,044,494	9,169	404,420	-	-	5,458,083	5,396,249
Bank and other borrowings								
- fixed rate	6.07	1,038,700	1,706,011	4,379,592	19,560,791	-	26,685,094	22,579,523
- variable rate	4.11	4,356,289	2,306,063	6,077,864	3,576,736	1,129,237	17,446,189	15,746,661
Amounts due to other non-controlling interests of subsidiaries	-	1,938,642	-	-	-	-	1,938,642	1,938,642
Lease liabilities	5.33	14,881	13,707	19,398	38,322	19,763	106,071	92,080
Financial liabilities at FVTPL	-	40,834	103,882	-	111,793	-	256,509	256,509
Financial guarantee contracts	-	15,293,916	-	-	-	-	15,293,916	-
		38,431,076	4,138,832	10,881,274	23,287,642	1,149,000	77,887,824	56,712,984

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 2022	394,867	-	-	394,867	391,857
At 31 December 2021	101,573	-	627,125	728,698	720,627

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

41. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management objectives and policies *(Continued)*

(iii) Liquidity risk management *(Continued)*

Liquidity and interest risk tables *(Continued)*

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.

(iv) Interest rate benchmark reform

As listed in note 30, several of the Group's LIBOR/HIBOR bank loans are subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

LIBOR

The Financial Conduct Authority has confirmed all LIBOR settings will either cease to be provided by any administrator or no longer be representative:

- a. immediately after 31 December 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings; and
- b. immediately after 30 June 2023, in the case of the remaining US dollar settings.

HIBOR

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist.

Risks arising from the interest rate benchmark reform

The following are the key risks for the Group arising from the transition:

Interest rate related risks

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward-looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

41. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(iv) Interest rate benchmark reform (Continued)

Risks arising from the interest rate benchmark reform (Continued)

Liquidity risk

The additional uncertainty on various alternative rates which are typically published on overnight basis will require additional liquidity management. The Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

Progress towards implementation of alternative benchmark interest rates

The Group is planning to transition the majority of its remaining IBOR-linked contracts through introduction of, or amendments to, fallback clauses into the contracts which will change the basis for determining the interest cash flows from LIBOR to SOFR at an agreed point in time.

The following table shows the total amounts of outstanding contracts and the progress in completing the transition to alternative benchmark interest rates. The amounts of financial liabilities are shown at their carrying amounts.

As at 31 December 2022

Financial instruments prior to transition	Maturing in	Carrying amounts/ notional amounts HK\$'000	Hedge accounting	Transition progress for financial instruments
Non-derivative financial liabilities				
Bank loans linked to USD LIBOR	2024	2,500,142	N/A	Will transit to SOFR
Bank loans linked to HKD HIBOR	2023-2024	2,184,789	N/A	HIBOR will continue till maturity

As at 31 December 2021

Financial instruments prior to transition	Maturing in	Carrying amounts/ notional amounts HK\$'000	Hedge accounting	Transition progress for financial instruments
Non-derivative financial liabilities				
Bank loans linked to USD LIBOR	2024	2,751,060	N/A	Will transit to SOFR
Bank loans linked to HKD HIBOR	2022-2024	2,916,140	N/A	HIBOR will continue till maturity

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

41. 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 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	(d)	–	–	89,723	89,723
Participation rights designated as at FVTPL	(e)	–	–	198,815	198,815
		–	–	288,538	288,538

Fair value hierarchy as at 31 December 2021

	Notes	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets					
Investment in a listed entity	(a)	6,024	–	–	6,024
Investment in an unlisted entity	(b)	–	–	893,056	893,056
		6,024	–	893,056	899,080
Financial liabilities					
Foreign currency forward contracts	(c)	–	40,834	–	40,834
Contingent consideration	(d)	–	–	103,882	103,882
Participation rights designated as at FVTPL	(e)	–	–	111,793	111,793
		–	40,834	215,675	256,509

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

41. 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 foreign currency forward contracts are grouped into Level 2 fair value measurement and the fair value is determined based on valuation provided by the counterparty financial institutions, which is measured using discounted cash flow analysis based on, inter alia, the contracted exchange rate and the forward exchange rate. The derivative contracts require net settlement on a contract by contract basis.
- (d) 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.
- (e) 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.

During the years ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

41. 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 2021	282,022
Additions (note 26(b))	602,198
Exchange difference arising on translation to presentation currency	8,836
	893,056
At 31 December 2021	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)
	595,700
At 31 December 2022	595,700

	Contingent consideration HK\$'000	Participation rights HK\$'000	Total HK\$'000
Financial liabilities at FVTPL			
At 1 January 2021	105,412	–	105,412
Change in fair value recognised in profit or loss (note 7)	110,371	–	110,371
Issued participation rights (note 26(c))	–	111,793	111,793
Reallocation	(109,340)	–	(109,340)
Exchange difference arising on translation to presentation currency	(2,561)	–	(2,561)
	103,882	111,793	215,675
At 31 December 2021	103,882	111,793	215,675
Change in fair value recognised in profit or loss (note 7)	(10,608)	(16,156)	(26,764)
Additions (note 26(c))	–	102,097	102,097
Exchange difference arising on translation to presentation currency	(3,551)	1,081	(2,470)
	89,723	198,815	288,538
At 31 December 2022	89,723	198,815	288,538

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

41. 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 2022 and 31 December 2021, 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 2022		31 December 2021	
	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	3,159,813	3,084,345
2019 September guaranteed senior notes	2,818,256	2,498,995	3,751,627	3,645,600
2020 March guaranteed senior notes	1,710,911	1,394,830	2,355,248	2,255,250
2020 September guaranteed senior notes	2,363,448	1,909,847	3,231,843	3,116,131
2021 January guaranteed senior notes	3,951,953	2,842,890	3,927,175	3,642,500
2021 July guaranteed senior notes	3,938,414	2,805,857	3,913,938	3,603,750
2019 Domestic bonds	–	–	1,069,106	918,299

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

42. 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 1.1.2022 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 asset 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 reductions 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 30)	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 35)	1,938,642	-	(322,163)	-	-	-	-	-	-	-	-	(11,641)	(99,702)	1,505,136
Amounts due to joint ventures and associates (note 34)	5,396,249	-	2,064,856	29,108	-	-	-	-	-	(340,820)	(1,977,035)	25,647	(278,621)	4,919,384
Lease liabilities (note 37)	92,080	-	(22,498)	2,631	-	-	-	14,968	(35,190)	-	-	-	(8,313)	43,678
Participation rights designated as at FVTPL (note 26)	111,793	-	102,097	-	-	(16,156)	-	-	-	-	-	-	1,081	198,815
Dividend distribution payable (note 33)	-	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

	Balance at 1.1.2021 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	Additions to right-of-use assets HK\$'000	Termination of lease contract HK\$'000	Others HK\$'000	Exchange adjustment HK\$'000	Balance at 31.12.2021 HK\$'000
Bank and other borrowings (note 30)	38,056,191	-	(2,410,702)	2,436,548	-	-	-	(183,960)	428,107	38,326,184
Amounts due to other non-controlling interests of subsidiaries (note 35)	1,424,335	-	501,763	-	-	-	-	(31,542)	44,086	1,938,642
Amounts due to joint ventures and associates (note 34)	4,431,961	-	332,596	64,462	(93,976)	-	-	521,286	139,920	5,396,249
Lease liabilities (note 37)	115,966	-	(32,066)	5,469	-	-	-	-	2,711	92,080
Participation rights designated as at FVTPL (note 26)	-	-	111,793	-	-	-	-	-	-	111,793
Other financial liabilities	448,522	-	(448,522)	-	-	-	-	-	-	-
Dividend distribution payable (note 33)	152,570	524,536	(681,885)	-	-	-	-	-	4,779	-
	44,629,545	524,536	(2,627,023)	2,506,479	(93,976)	-	-	305,784	619,603	45,864,948

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 designated as at FVTPL, other financial liabilities and dividend distribution payable make up the net amount of additions and repayment from those related liabilities in the consolidated statement of cash flows.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

43. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2022

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 significant 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 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

43. ACQUISITION OF SUBSIDIARIES (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
Amounts due from the Group	165,714
Prepaid income tax	39,319
Bank balances and cash	266,189
Creditors and accrued charges	(1,139,869)
Amount due to the Group	(651,201)
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)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

43. ACQUISITION OF SUBSIDIARIES (CONTINUED)

For the year ended 31 December 2021

In January 2021, the Group entered into a sale and purchase agreement to acquire the remaining 40% equity interest in 溧陽宏景房地產開發有限公司 (“溧陽宏景”) from the PRC joint venture partner at a cash consideration of RMB120,000,000 (equivalent to HK\$144,578,000). 溧陽宏景 was a 60% joint venture of the Group engaging in the property development in Changzhou, the PRC. Upon completion of the acquisition, it becomes the wholly-owned subsidiary of the Company. The transaction was accounted for as acquisition of assets.

In January 2021, the Group entered into a sale and purchase agreement to acquire the remaining 49% equity interest in 鄭州路極旅遊小鎮開發有限公司 (“鄭州路極”) from the PRC joint venture partner at cash considerations of RMB5,635,000 (equivalent to HK\$6,789,000). 鄭州路極 was a 51% 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. The transaction was accounted for as acquisition of assets.

In July 2021, the Group entered into a sale and purchase agreement to acquire the entire equity interest in Deltum Company Limited (“Deltum”), which owns a property development project in Hong Kong, at total considerations of HK\$70,000,000 (including a cash consideration of HK\$35,303,000 and the debt assignment of HK\$34,697,000). The consideration was fully paid and control over Deltum has been obtained by the Group. Upon completion of the acquisition, it becomes the wholly-owned subsidiary of the Company. The transaction was accounted for as acquisition of assets.

The aggregate net assets of the subsidiaries at the date of acquisitions were as follows:

	2021 HK\$'000
Property, plant and equipment	365
Deferred tax assets	2,578
Inventory of properties	947,734
Debtors, deposits and prepayments	107,052
Amounts due from the Group	93,976
Prepaid income tax	17,237
Bank balances and cash	173,842
Creditors and accrued charges	(182,117)
Amount due to the Group	(716,237)
Contract liabilities	(27,504)
	<u>416,926</u>
Satisfied by:	
Cash considerations paid	186,670
Interests in joint ventures disposed of	230,256
	<u>416,926</u>
Net cash outflow arising on acquisitions:	
Cash considerations paid	(186,670)
Bank balances and cash acquired	173,842
	<u>(12,828)</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

44. OPERATING LEASES

As lessor

The maturity of the minimum lease payments receivable on leases is as follows:

	2022 HK\$'000	2021 HK\$'000
Within one year	143,126	143,304
In the second year	121,416	119,726
In the third year	95,756	109,241
In the fourth year	79,639	90,216
In the fifth year	76,807	79,516
After five years	368,858	459,903
	885,602	1,001,906

45. FINANCIAL GUARANTEE CONTRACTS

At 31 December 2022, the Group provided guarantees of HK\$6,800,909,000 (2021: HK\$8,398,006,000) 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 2022, the Group provided guarantees of HK\$4,088,200,000 (2021: HK\$4,097,662,000) 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.

The details of undertakings of a property joint venture provided by the Group are disclosed in note 19(c).

46. PLEDGE OF ASSETS

At the end of the reporting period, other than the pledged bank deposits as disclosed in note 27, the Group's inventory of properties of HK\$9,246,842,000 (2021: HK\$8,650,396,000) and investment properties of HK\$2,680,676,000 (2021: HK\$1,590,427,000) were pledged to banks to secure the banking and other facilities granted to the Group.

As at 31 December 2022, the Group's borrowings with outstanding principal amount of HK\$2,372,900,000 were secured by the pledges of the equity shares of certain subsidiaries and joint ventures of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

47. CAPITAL COMMITMENTS

	2022 HK\$'000	2021 HK\$'000
Capital injection into property joint ventures contracted for but not provided in the consolidated financial statements	55,451	59,181
The maturity of the commitments is as follows:		
More than two years but not exceeding five years	12,114	–
More than five years	43,337	59,181
	55,451	59,181

48. RELATED PARTY TRANSACTIONS

Other than set out in notes 20, 21, 26, 33, 34, 35 and 45, the Group had transactions with the following related parties during the year:

Related parties	Nature	2022 HK\$'000	2021 HK\$'000
Infrastructure joint ventures	Interest income	1,362	11,552
Property and other joint ventures	Interest income	279,884	118,058
Other non-controlling interests of subsidiaries	Interest income	15,318	13,380
Property joint ventures	Interest expense	29,108	64,462
Property joint ventures	Management fee income	–	28,113

During the years ended 31 December 2022 and 2021, a subsidiary of a major shareholder of the Company share a pro rata portion of 32.5% of the economic interest attributable to wholly-owned subsidiary of the Company's 70% interest (or 22.75% attributable interest) in a property development project in the PRC. Such sharing of the pro rata portion shall not exceed a particular value with exceed subject to the approval from the shareholders of the Company. Details of the related party transaction are disclosed in note 26(c).

During the year ended 31 December 2021, the Group transferred the title of one piece of land included in prepayment for land lease of the Group at its carrying amount HK\$1,271,236,000 to a joint venture of the Group. As the transfer period is short, the carrying amount approximates its fair value. No gain or loss was resulted from such transfer. The said amount was settled by the joint venture after the pre-sale of properties commenced in 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

48. 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:

	2022 HK\$'000	2021 HK\$'000
Short-term employment benefits	148,456	190,232
Post-employment benefits	6,222	6,080
	154,678	196,312

The remuneration of Directors and key executives is determined with reference to the performance of individuals and market trends.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

49. 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:

	2022 HK\$'000	2021 HK\$'000
ASSETS		
Non-current asset		
Unlisted investments in subsidiaries	16,285,783	18,577,675
Current assets		
Deposits and prepayments	7,585	256
Bank balances and cash	569,749	1,907,973
	577,334	1,908,229
Total assets	16,863,117	20,485,904
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital (note 28)	74,934	74,934
Reserves (note)	6,689,802	7,303,200
	6,764,736	7,378,134
Current liabilities		
Creditors and accrued charges	3,724	3,211
Amounts due to subsidiaries	9,702,800	13,004,414
Bank borrowings	391,857	100,145
	10,098,381	13,107,770
Total equity and liabilities	16,863,117	20,485,904

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

49. 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 2021	3,224,794	786,269	1,260,000	951,947	6,223,010
Profit for the year	–	–	–	1,367,887	1,367,887
Exchange differences arising on translation to presentation currency	–	236,839	–	–	236,839
Total comprehensive income for the year	–	236,839	–	1,367,887	1,604,726
Sub-total	3,224,794	1,023,108	1,260,000	2,319,834	7,827,736
Dividends	–	–	–	(524,536)	(524,536)
Balance at 31 December 2021	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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

50. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2022 and 31 December 2021 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		Principal activity
				Directly %	Indirectly %	
<i>Incorporated in the British Virgin Islands ("BVI")/Hong Kong/Bermuda</i>						
Intersafe Investments Limited	BVI	Hong Kong	US\$16,000,000	–	75	Investment holding
Kings Bless Limited (incorporated on 5 May 2022)	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
Ontex Investments Limited	BVI	Hong Kong	US\$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
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 (C) 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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

50. 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		Principal activity
				Directly %	Indirectly %	
<i>Incorporated in the British Virgin Islands ("BVI")/Hong Kong/Bermuda (Continued)</i>						
Road Base Investments Limited	BVI	Hong Kong	US\$1	–	75	Investment holding
Road Bond Investments Limited	BVI	Hong Kong	US\$1	–	75	Investment holding
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
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\$2,000,000,000	–	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
<i>Registered as wholly foreign owned enterprises in the PRC</i>						
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 (formerly known as Tianjin Kingsvalue Real Estate Investment Management Limited)	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 (formerly known as Tianjin Sunco Binhai Real Estate Investment Management Limited)	PRC	PRC	RMB760,000,000	–	94.74	Investment holding
<i>Registered as sino-foreign equity joint venture enterprises in the PRC</i>						
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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

50. 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		Principal activity
				Directly %	Indirectly %	
<i>Registered as limited liability companies in the PRC</i>						
上海雋崎置業有限公司	PRC	PRC	US\$407,586,804.58	–	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
天津雋德房地產開發有限公司	PRC	PRC	RMB100,000,000	–	100	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
北京雋成房地產開發有限公司	PRC	PRC	RMB50,000,000	–	100	Development and sale of properties
杭州雋龍置業有限公司	PRC	PRC	RMB200,000,000	–	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
常州宏耀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 [#] (note 43)	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 [#] (note 43)	PRC	PRC	RMB1,420,000,000	–	100	Development and sale of properties
鎮江路勁大港房地產開發有限公司	PRC	PRC	RMB680,470,000	–	100	Development and sale of properties
蘇州雋宏房地產開發有限公司	PRC	PRC	RMB50,000,000	–	100	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 acquired in 2022

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

50. 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	
		2022	2021	2022	2021	2022	2021
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RKE	Bermuda	25%	25%	156,812	143,220	1,603,397	1,526,403

At 31 December 2022

	2022 HK\$'000	2021 HK\$'000
Current assets	692,632	1,319,677
Non-current assets	7,088,772	5,227,569
Current liabilities	552,905	405,733
Non-current liabilities	814,911	35,903
Equity attributable to owners of the Company	4,810,191	4,579,207
Non-controlling interest of RKE	1,603,397	1,526,403

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

50. PRINCIPAL SUBSIDIARIES (CONTINUED)

For the year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
Income	768,138	810,656
Expenses	(140,891)	(237,776)
Profit attributable to owners of the Company	470,435	429,660
Profit attributable to non-controlling interest of RKE	156,812	143,220
Profit for the year	627,247	572,880
Other comprehensive (expense) income attributable to owners of the Company	(239,451)	90,782
Other comprehensive (expense) income attributable to non-controlling interest of RKE	(79,818)	30,260
Other comprehensive (expense) income for the year	(319,269)	121,042
Total comprehensive income attributable to owners of the Company	230,984	520,442
Total comprehensive income attributable to non-controlling interest of RKE	76,994	173,480
Total comprehensive income for the year	307,978	693,922

For the year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
Net cash outflow from operating activities	(112,475)	(96,317)
Net cash (outflow) inflow from investing activities	(1,682,116)	207,015
Net cash inflow (outflow) from financing activities	1,180,713	(419,287)
Net cash outflow	(613,878)	(308,589)
Dividends paid to non-controlling interest of RKE	–	(178,000)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

50. PRINCIPAL SUBSIDIARIES (CONTINUED)

None of the subsidiaries had any debt securities at the end of the year except for the following:

	2022 HK\$'000	2021 HK\$'000
RKPF Overseas 2019 (A) Limited	9,647,934	12,498,531
RKPF Overseas 2020 (A) Limited	7,890,367	7,841,113
北京路勁雋御房地產開發有限公司	–	1,069,106
	17,538,301	21,408,750

51. EVENTS AFTER THE END OF THE REPORTING PERIOD

- (a) On 6 October 2022, the Group entered into an investment agreement to dispose of 20% shares in Rainbow Triumph Limited (“Rainbow Triumph”) and the relevant shareholder loans 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 loans. Upon completion of the disposal in January 2023, Rainbow Triumph became a non-wholly owned subsidiary of the Company.
- (b) On 24 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 from a joint venture partner and 49% equity interest in 常州勁雅房地產開發有限公司 from another joint venture partner at a total consideration of approximately RMB423,700,000. Upon completion of the acquisitions in January 2023, these two project companies became wholly-owned subsidiaries of the Company.

52. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group’s total assets less current liabilities at 31 December 2022 amounted to HK\$56,116,494,000 (2021: HK\$68,129,135,000). The Group’s net current assets at 31 December 2022 amounted to HK\$21,708,659,000 (2021: HK\$27,748,546,000).

Financial Summary

RESULTS

	For the year ended 31 December				
	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
Revenue	17,155,976	24,677,949	24,196,103	21,494,796	22,365,223
Profit before taxation	1,098,173	4,274,226	4,733,502	6,759,947	9,497,056
Income tax expenses	(639,561)	(2,289,737)	(1,949,906)	(3,083,321)	(5,798,453)
Profit for the year	458,612	1,984,489	2,783,596	3,676,626	3,698,603
Attributable to:					
Owners of the Company	(495,378)	1,028,245	1,722,848	3,028,005	2,988,242
Owners of perpetual capital securities	536,907	527,775	527,775	371,395	349,830
Other non-controlling interests of subsidiaries	417,083	428,469	532,973	277,226	360,531
	458,612	1,984,489	2,783,596	3,676,626	3,698,603

ASSETS AND LIABILITIES

	As at 31 December				
	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000 (Restated)	2018 HK\$'000
Total assets	90,002,373	108,235,731	103,280,887	90,788,039	78,951,703
Total liabilities	(57,241,890)	(72,437,351)	(70,239,033)	(62,224,022)	(54,184,261)
	32,760,483	35,798,380	33,041,854	28,564,017	24,767,442
Attributable to:					
Owners of the Company	20,246,414	22,337,418	20,927,845	18,866,049	17,398,063
Owners of perpetual capital securities	6,961,258	6,954,296	6,952,437	6,961,919	4,632,638
Other non-controlling interests of subsidiaries	5,552,811	6,506,666	5,161,572	2,736,049	2,736,741
	32,760,483	35,798,380	33,041,854	28,564,017	24,767,442



Road King Infrastructure Limited