新創建 NWS

新創建集團有限公司*

NWS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(stock code: 659)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2020

HIGHLIGHTS

- **The Group's AOP: HK$3,514.3 million**
  - **Core Business' AOP was HK$3,145.7 million, decreased by 10% (accounted for 90% of the Group's AOP)**
  - **Strategic Portfolio's AOP was HK$368.6 million**
- **Disposal of non-core assets recuperated cash of approximately HK$1.7 billion**
- **Ample liquidity with total capital resources amounted to approximately HK$27.8 billion, including cash and bank balances amounting to HK$13.2 billion and unutilized committed banking facilities of approximately HK$14.6 billion**
- **Net gearing ratio was stable at 31% (31 December 2019: 30%)**
- **Proposed final dividend of HK$0.29 per share, together with the interim dividend of HK$0.29 per share, total dividends for FY2020 will be HK$0.58 per share (FY2019: HK$0.58 per share), in line with the Group's prevailing sustainable and progressive dividend policy**

The board of directors (the "Board") of NWS Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the financial year ended 30 June 2020 ("FY2020") together with comparative figures for the financial year ended 30 June 2019 ("FY2019").

BUSINESS REVIEW

Group overview

FY2020 was a difficult year for many businesses of the Group. Having impacted by the public activities in Hong Kong, COVID-19, as well as the protracted disputes between the United States and China, the Group's Attributable Operating Profit ("AOP") dropped 25% from FY2019 to HK$3,514.3 million in FY2020. Despite a decline in AOP, the fundamentals of the Group's all business segments remain solid. Our Core Business was hit by a combined impact of challenging business environment, Renminbi depreciation and toll fee exemption policy imposed by the People's Republic of China ("PRC") Government, whilst mitigated by the new contributions from FTLife Insurance Company Limited ("FTLife Insurance") and Changliu Expressway since November 2019 and July 2019, respectively, and the full year contribution from the acquisition of Sky Aviation Leasing International Limited by Goshawk Aviation Limited ("Goshawk"), along with a relatively stable construction business, AOP edging down only by 10% to HK$3,145.7 million, and our Core Business accounted for 90% of the Group's total AOP. Within the Strategic Portfolio, while underlying results of Logistics segment remained resilient, Facilities Management and Transport segments were facing mounting pressure under the difficult business environment. Together with the absence of one-off fair value gain of HK$232.5 million from SUEZ NWS Limited ("SUEZ NWS") shared by the Group in FY2019, as well as the absence of profits after the disposal of investments in two ports in Tianjin in June 2019, AOP of Strategic Portfolio declined 69% to HK$368.6 million in FY2020.

Portfolio optimization and capitalizing on opportunities with additional AOP and cash flow contribution remains one of our key strategies. The completion of acquisition of FTLife Insurance marked our foray into the insurance industry and had immediate meaningful AOP contribution for the eight months since completion. The acquisition of Changliu Expressway has also enhanced our toll road portfolio and strengthened our position in Central China. Meanwhile, by disposing of a number of non-core assets including the remaining stakes in Beijing Capital International Airport Company Limited ("BCIA"), all of our shares in Healthcare Assets Management Limited, 60% of our stake in New World First Ferry Services Limited ("NWFF") and the discontinued operations of Free Duty in Macau, and subsequent to FY2020, all of our shares in NWS Transport Services Limited ("NWS Transport") that owns New World First Bus Services Limited ("NWFB") and Citybus Limited ("Citybus"), the Group has continued to streamline our business portfolio. The cash of approximately HK$1.7 billion recuperated from the disposals in FY2020 has also solidified the Group's balance sheet to absorb any market shock and well positioned the Group for capturing new opportunities ahead.

In FY2020, non-operating losses of HK$1.7 billion was mainly attributable to the impairment losses and provisions for various legacy projects being recognized, including, but not limited to, the impairment losses for non-current assets of HK$700.0 million (net of tax), HK$330.0 million and HK$294.8 million for NWS Transport, Tharisa plc and Chongqing Silian Optoelectronics Science & Technology Co., Ltd. ("Chongqing Silian"), respectively, the provision of HK$230.0 million for Free Duty business to meet obligation under committed contract, and also the provision of HK$107.7 million shared for Goshawk as a result of assets impairment and provision for expected credit loss.

Net gain on disposal of projects for FY2020 is mainly resulted from the disposal of our 60% stake in NWFF.

Taking into account the aforesaid contributions from AOP, non-operating losses and gains, together with increase in finance costs mainly arising from the fixed rate bond issued in June 2019 and after deduction of profit attributable to holders of perpetual capital securities issued in January 2019 and July 2019, profit attributable to shareholders declined 94% to HK$253.2 million, as a result earnings per share was down by 94% to HK$0.06. Contribution from the operations in Hong Kong accounted for 49% of FY2020's AOP (FY2019: 28%), while Mainland China and other regions contributed 39% and 12% of the AOP, respectively (FY2019: 60% and 12% respectively). Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") was down by 14% to HK$4.7 billion.

To optimize our capital structure and for general corporate purpose, US$300.0 million senior perpetual capital securities were issued in July 2019, which were consolidated and formed a single series with the original issue in early 2019. As at 30 June 2020, the Group's net gearing ratio was stable at 31% (31 December 2019: 30%). The Group's unutilized committed banking facilities were approximately HK$14.6 billion, and total cash and bank balances were HK$13.2 billion as at 30 June 2020. The Group has upheld a prudent financial policy and has maintained a healthy and sound financial position.

Contribution by Division

For the year ended 30 June

	2020 HK$'m	2019 HK$'m
Core Business	**3,145.7**	3,509.6
Strategic Portfolio	**368.6**	1,197.8
Attributable operating profit	**3,514.3**	4,707.4
Corporate office and non-operating items		
(Loss)/gain on fair value of investment properties	**(22.9)**	33.7
Impairment losses and provisions	**(1,709.4)**	-
Net gain on disposal of projects, net of tax	**101.0**	285.1
Net gain on fair value of derivative financial instruments, net of tax	**73.1**	40.1
Interest income	**107.5**	78.3
Finance costs	**(737.4)**	(373.8)
Expenses and others	**(491.1)**	(540.7)
	(2,679.2)	(477.3)
Profit for the year^	**835.1**	4,230.1
Profit attributable to:		
Shareholders of the Company	**253.2**	4,043.2
Holders of perpetual capital securities	**581.9**	186.9
	835.1	4,230.1
Adjusted EBITDA#	**4,729.9**	5,479.8

^ *After non-controlling interests*

Adjusted EBITDA is calculated as gross profit minus general and administrative expenses, and selling and marketing expenses plus depreciation/amortization, dividends received from associated companies and joint ventures and interest income from financial assets at fair value through other comprehensive income (debt instruments).

OPERATIONAL REVIEW – CORE BUSINESS

AOP Contribution by Segment

For the year ended 30 June

	2020 HK$'m	2019 HK$'m	Change % Fav./(Unfav.)
Roads	**907.4**	1,805.5	(50)
Aviation	**421.9**	500.3	(16)
Construction	**1,066.0**	1,203.8	(11)
Insurance	**750.4**	-	N/A
Total	**3,145.7**	3,509.6	(10)

Roads

Despite a stable interim result, Roads segment in the second half of FY2020 was adversely affected by the outbreak of COVID-19 and the unprecedented toll fee exemption policy implemented for all toll roads by the PRC Government for a period of 79 days between 17 February 2020 and 5 May 2020. As a result, together with the impact of Renminbi depreciation, AOP of the Roads segment declined 50% to HK$907.4 million in FY2020. While protective measures in relation to this policy, such as extension of concession period, are expected to be given, negotiation with the PRC Government is still underway. Overall traffic volume and toll revenue of our existing projects declined 22% and 23% year-on-year, respectively, in FY2020. Yet, both traffic flow and toll revenue have been recovering strongly since the resumption of the toll fee collection in May 2020. Together with the contribution from the newly acquired Changliu Expressway, the overall traffic volume of the Group's roads portfolio in June 2020 grew approximately 3% year-on-year, and toll fee income of our portfolio almost reached the same level as the month of December 2019.

The Group's four anchor expressways, including Hangzhou Ring Road, Tangjin Expressway (Tianjin North Section), Guangzhou City Northern Ring Road and Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section), collectively contributed over 80% of the Roads segment's AOP. While the traffic flow during FY2020 was hit by the outbreak of COVID-19, Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) was further impacted by the traffic diversion of Nansha Bridge and prohibition of certain types of large size vehicles using Humen Bridge. In June 2020, excluding Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section), the overall traffic volume for the other three expressways resumed to a growth of close to 1% year-on-year.

The three expressways in Central China that the Group had acquired in recent years, namely Suiyuenan Expressway (acquired in January 2018), Sui-Yue Expressway (acquired in December 2018) and Changliu Expressway (acquired in July 2019), aggregately contributed an AOP of approximately HK$100 million to the Group during FY2020. Following the acquisition of these expressways with long remaining concession period of roughly 20 years, the overall average remaining concession period of the Group's roads portfolio has been extended to about 11 years as of 30 June 2020. The long remaining concession period of our roads portfolio is set to offer sustainable income to the Group in the forthcoming years.

In order to encourage drivers to use the electronic toll collection system ("ETC"), toll road operators in China are required to offer at least 5% discounts to all ETC users since 1 July 2019. Meanwhile, with an aim of increasing efficiency of expressway networks nationwide, toll stations at provincial boundaries were revoked by the end of 2019 and there was a change of charging method for trucks from toll-by-weight to toll-by-axis starting from January 2020. We would monitor closely the near term financial impact of such policy changes but we expect these measures will facilitate traffic growth and improve efficiency over the longer term.

Aviation

The Group's Aviation segment principally engages in commercial aircraft leasing business through our full service leasing platform Goshawk (after the divestment of the remaining 2.77% interest in BCIA in September 2019 at a cash consideration of approximately HK$778.3 million).

In FY2020, in the absence of dividend income from BCIA and less gain arising from aircraft trading, AOP of Aviation segment was HK$421.9 million, representing a decline of 16%. Excluding dividend income from BCIA of approximately HK$45.9 million recognized in FY2019 and the reduced aircraft trading gains in FY2020, AOP would increase by 8%. In FY2020, a mark-to-market accounting loss of HK$146.4 million (FY2019: HK$158.0 million) from unfavourable interest rate swap contracts was shared by the Group.

The outbreak of COVID-19, which has brought global air travel to a sudden halt, has buffeted the whole aviation industry in the world with many airlines facing potential liquidity challenges. Included in the FY2020's non-operating losses, the Group shared impairments on aircraft and provision for expected credit loss of HK$107.7 million.

As at 30 June 2020, together with the direct orders of 40 narrow-body aircraft delivering in 2023 to 2025 from the two major aircraft manufacturers, the number of aircraft owned, managed and committed by Goshawk totalled 233 (as at 30 June 2019: 223), with aggregate appraised value amounted to approximately US$11.7 billion. Goshawk continues to be a global leading commercial aircraft lessor in terms of fleet value with one of the youngest fleet and one of the longest average remaining lease term in the industry. The 162 aircraft on book as at 30 June 2020 (as at 30 June 2019: 154) had an average age of 4.4 years and an average remaining lease term of 6.3 years. Thanks to our diversified portfolio that comprises 62 airlines in 35 countries, as well as our stringent measures on risk management, including, but not limited to, maintaining an appropriate mix of aircraft assets, monitoring lessees' operational and financial performance for prompt risk identification, and engaging lessees proactively on collection issues/lease restructuring with necessary and adequate actions taken, risks arising from COVID-19 outbreak have been closely managed. Due to aviation business disruption, as at 30 June 2020, Goshawk has granted rent deferrals on a case by case basis to 9 customers (totaling 24 aircraft) with aggregate rent representing 1% of Goshawk's annual revenue, but the impact on the AOP of FY2020 was insignificant. The collection rate from airline customers during the first half year of 2020 (from January to June 2020) was 78%.

Goshawk's liquidity position remains strong, with US$1.4 billion cash and undrawn banking facilities as at 30 June 2020. In order to preserve liquidity to weather the crisis, Goshawk has also implemented immediate cost cutting measures and deferred the original capital expenditure plan until further clarity is seen.

Construction

Construction segment, comprising our wholly-owned interest in NWS Construction Limited and its subsidiaries ("Hip Hing Group") and approximately 23% interest in Wai Kee Holdings Limited, reported a 11% decrease in AOP to HK$1,066.0 million. AOP of Hip Hing Group declined by 13% to HK$753.5 million which was mainly due to less gross profit recognitions compared to FY2019, challenging business environment and rising competition. Major gross profit contributors included construction works and management services for Kai Tak Sports Park, Home Ownership Scheme Developments at Kiu Cheong Road, Tin Shui Wai and Ngan Kwong Wan Road, Mui Wo, as well as West Kowloon Government Offices.

As at 30 June 2020, Hip Hing Group's gross value of contracts on hand slightly edged down 5% to approximately HK$52.6 billion (30 June 2019: HK$55.6 billion), while the remaining works to be completed decreased by HK$5.5 billion to HK$36.1 billion. About 62% of the remaining works to be completed are from private sector that includes both commercial and residential, and the remaining 38% are government and institutional related projects. While there was a temporary suspension of meetings of the Legislative Council in the first half of FY2020 that led to a slowdown of the projects from the Hong Kong Government, the Group has maintained a well-balanced source of projects, which helps mitigate the impact of volatility in the market. New projects contracted for in FY2020 amounted to around HK$8.8 billion, including the commercial development at Kai Tak Area, the office development at Murray Road, and foundation works for public housing development at Long Bin Phase 1, Yuen Long and at Ko Chiu Road, Yau Tong, to name a few.

Insurance

The acquisition of FTLife Insurance, a quality Hong Kong life insurance company that was ranked the 13th largest Hong Kong life insurance company by Annual Premium Equivalent ("APE") as at 30 June 2020 with over 30 years of history, marked an important step for the Group to enter the insurance industry. After becoming part of the Group, FTLife Insurance is set to breathe new growth element to the Group. Despite the strong headwinds in the Hong Kong life insurance market, for the eight months after the completion of acquisition on 1 November 2019, FTLife Insurance contributed an AOP of HK$750.4 million to the Group.

During the first half of 2020 (from January to June 2020), while business from Mainland Chinese Visitors was severely impacted by the border closure and containment measures to control the spread of COVID-19, our sales targeting the Hong Kong market remained resilient and well-supported by our new products, such as Voluntary Health Insurance Scheme, Qualifying Deferred Annuity Policy, Reward Pro, Fortune Saver, Regent Prime and Regent Elite insurance products. Along with the early signs of positive contribution from the synergies and support from the New World Group (being New World Development Company Limited, the Company's ultimate holding company, and its subsidiaries), FTLife Insurance's APE in the first half of 2020 was HK$807.3 million, only dropped 12% year-on-year, which outperformed Hong Kong overall industry's drop of 44%. Total gross written premium reached HK$4,482.1 million, up 19%. Yet, impacted by the significant drop in interest rate, FTLife Insurance's Value of New Business ("VONB") in the first half of 2020 was HK$180 million. VONB margin, representing VONB as a percentage of APE, was 22%.

Despite industry wide disruptions and a persistent low interest rate environment, FTLife Insurance's financial position remains sound. As at 30 June 2020, solvency ratio was 542%, which was well above the minimum regulatory requirement of 150%. Embedded value was HK$17.7 billion, compared with HK$17.3 billion as at 31 December 2019. Total assets value and net assets value (excluding the goodwill arising from business combination) were HK$69.5 billion and HK$18.0 billion, respectively.

In recognition of FTLife Insurance's improving distribution strength and profitability over the past few years, as well as the strong support from the Group, Moody's upgraded the insurance financial strength rating of FTLife Insurance to A3/Stable from Baa1/Stable in January 2020. In view of FTLife Insurance's robust capital base and solvency ratio, Fitch Rating also affirmed FTLife Insurance's A- insurer financial strength rating with stable rating outlook.

OPERATIONAL REVIEW – STRATEGIC PORTFOLIO

AOP Contribution by Segment

For the year ended 30 June

	2020 **HK$'m**	2019 HK$'m	Change % Fav./(Unfav.)
Environment	**354.8**	629.0	(44)
Logistics	**627.8**	650.6	(4)
Facilities Management	**(771.8)**	(393.4)	(96)
Transport	**(118.8)**	(10.1)	(1,076)
Strategic Investments	**276.6**	321.7	(14)
Total	**368.6**	1,197.8	(69)

Environment

In FY2020, Environment segment saw a decrease in AOP by 44% to HK$354.8 million. The decrease was mainly due to the lack of one-off fair value gain from SUEZ NWS of HK$232.5 million which was shared by the Group in FY2019. If excluding the aforesaid one-off fair value gain and the impairment loss of HK$21.7 million shared by the Group from Chongqing Derun Environment Co., Ltd. ("Derun Environment") in FY2019, AOP would decline by 15% in FY2020, which was impacted by less industrial and commercial activities in the Greater China region due to the COVID-19 outbreak.

SUEZ NWS continues to be the main contributor to Environment segment and accounted for more than 65% of its AOP. In spite of the impact from the outbreak of COVID-19, the overall water and wastewater treatment volume of SUEZ NWS in FY2020 maintained largely stable, mainly attributable to the full year contributions of Macao Peninsula Wastewater Treatment Plant and Taiwan Chengcing Lake Water Treatment Plant, of which the contracts became effective from January 2019 and February 2019 respectively, but were partly offset by the loss of contribution from Zhongshan Water Plants upon contract expiration in April 2020. Meanwhile, the COVID-19 outbreak has led to a 6% decrease in overall waste treatment volume.

Despite expiry of Zhongshan Water Plants which led to a drop in overall water treatment capacity, the daily treatment capacity of a water treatment plant in Chongqing has been expanded by 400,000 m^3 which commenced operation in June 2020.

After the release of the COVID-19 lockdown in China, SUEZ NWS has seen water volumes recovering, whereas hazardous waste underlying volumes have been progressively catching up to last year's levels, with our volumes growing year-on-year given the additional hazardous waste treatment capacity in Suzhou and Taixing brought on stream this year.

Derun Environment continued to generate positive AOP to the Group in FY2020. In FY2020, two waste-to-energy plants in Guangdong and Xinjiang Provinces commenced operations, which have raised the total daily operating waste-to-energy capacity by 1,750 tonnes. In addition, three waste-to-energy contracts and expansion of three waste-to-energy plants with total daily treatment capacity of 2,850 tonnes in Chongqing, Gansu, Sichuan and Zhejiang Provinces were awarded. Its water treatment business has also expanded its footprint to Henan through acquisition of a water treatment platform. In June 2020, Derun Environment's investment in Chongqing Sanfeng Environment Group Corp., Ltd. ("Sanfeng Environment") was successfully listed on the Shanghai Stock Exchange at a price-to-earning ratio of 22.7 times. The RMB2.5 billion raised through the listing is set to provide additional capital for its future growth.

ForVEI II S.r.l., the investment platform that is dedicated to grasp the opportunities in solar power segment in Europe, which currently mainly invests in Italy, continued to see growth in installed capacity. During FY2020, a total of 46.26MW installed capacity of solar plants was acquired, giving a total installed capacity of 49.12MW as of 30 June 2020.

Included in the non-operating losses, a one-off impairment on goodwill on Chongqing Silian, an associated company of the Group, of HK$294.8 million was provided in FY2020, as Chongqing Silian has continued to suffer an operating loss due to keen competition in LED market.

Logistics

Logistics segment maintained its steady and resilient performance in FY2020 notwithstanding volatilities in the market. AOP for FY2020 was HK$627.8 million, slightly lower than FY2019 by 4% due to cessation of profit contribution from the two port projects in Tianjin which were disposed of in FY2019.

Accounted for over 70% of the AOP in Logistics segment, ATL Logistics Centre ("ATL") continued to deliver sturdy performance in FY2020, underpinned by a steady growth in average rent of 4% year-on-year and the consistently high average occupancy rate of 99.7% (FY2019: 99.3%).

The further development of rail intermodal transportation, the contribution from the new Qinzhou terminal since its commencement of operation in June 2019, and the continuous growth in international block train service under the Belt and Road Initiatives have contributed to the throughput growth of China United International Rail Containers Co., Limited ("CUIRC"). In FY2020, CUIRC's throughput grew respectably at 13% year-on-year to 3,895,000 TEUs. The expansion of logistics business was in good progress in FY2020 and all terminals were offering one-stop logistics service to its customers which boosted CUIRC's logistics revenue significantly. As part of CUIRC's expansion plan, doubling of capacity at Xian and Qingdao terminals was completed in FY2020, and the new Guangzhou terminal has commenced construction. CUIRC's AOP, however, declined slightly in FY2020 due to slight drop of average tariff for its container handling business, one-time adjustment of railway depreciation policy and operating loss of Qinzhou terminal in its ramp up stage.

The Group's port business is principally operated through our investment in Xiamen Container Terminal Group Co., Ltd. after the disposal of the interests in the two Tianjin port projects in FY2019. In FY2020, despite the outbreak of COVID-19, throughput decreased slightly by 1% to 8,469,000 TEUs, demonstrating the resilience of the business.

Facilities Management

Public activities in Hong Kong and the COVID-19 outbreak have taken a toll on Facilities Management segment's performance in FY2020. Attributable Operating Loss ("AOL") was HK$771.8 million in FY2020.

The performance of Hong Kong Convention and Exhibition Centre ("HKCEC") in FY2020, especially in the second half, was severely impacted by the outbreak of COVID-19, as nearly all events at the HKCEC were cancelled or postponed. As a result, number of events held at HKCEC plunged 57% to only 428 in FY2020 with total patronage dropping 46% to 4.6 million. Cost saving initiatives have been implemented to partially offset the impact from the loss in revenue.

The modest growth in revenue of Gleneagles Hospital Hong Kong ("GHK Hospital") generated from the increase in both outpatient visits and the inpatient admissions, and increase in regularly utilized beds, which were offset by the increase in staff cost associated to the operational ramp up, has resulted in a stabilizing AOL in FY2020. Regularly utilized beds have increased to around 200 as at 30 June 2020 with average occupancy rate of 54%. Despite the outbreak of COVID-19, due to the continuous marketing efforts and opening of a clinic in Central, the number of outpatient increased by 8%, while the number of inpatient increased by 2%. Deepening collaboration with the New World Group and FTLife Insurance, as well as on-going enhancement in services and patient experience, will continue to foster growth in GHK Hospital.

Free Duty continued to face various challenges such as high rental pressure and tough business environment prompted by the drop in number of cross-border passengers and visitors triggered by the public activities in Hong Kong in the first half and the outbreak of COVID-19 in the second half of FY2020. With the closure of the borders, we have also temporarily closed the three outlets at Lo Wu, Hung Hom and Lok Ma Chau MTR stations since late January/early February 2020. In response to the mounting operating pressure, the Group was able to mitigate the negative impact by implementing vigorous cost controlling measures, securing rental concessions, and streamlining our business to focus in Hong Kong by discontinuing the operations in Macau. Since persistent travel restrictions have resulted in a significant slump in the whole retail industry, the Group has made a provision of HK$230.0 million in FY2020 to account for the obligations under the business contracts. This amount is included under non-operating impairment losses and provisions.

Transport

Transport segment underwent a tough year in FY2020 with AOL widening to HK$118.8 million. The drop in patronage driven by the public activities in Hong Kong and outbreak of COVID-19, together with the escalating operating costs, have far offset the positive effect from the bus fare increase of Citybus (Franchise for Hong Kong Island and Cross-Harbour Bus Network) ("Citybus F1") and NWFB effective from January 2019, the ridership growth from the Hongkong-Zhuhai-Macao Bridge routes and the recognition of various subsidies from the Hong Kong Government. Though NWFF continued to contribute positive AOP to the Group, its AOP contribution also declined due to the outbreak of COVID-19. In order to cope with the operating pressure under the current economic environment, austerity measures have been introduced. In August 2019, NWFB and Citybus F1 applied to the Transport Department for a fare increase of 12%, which is pending approval from the Hong Kong Government.

Included in FY2020's non-operating losses, the Group recognized an impairment loss on goodwill and property, plant and equipment of HK$700.0 million (net of tax) in aggregate after taking into consideration the impact on fair value owing to the difficult operating environment and the subsequent proposed disposal of NWS Transport announced in August 2020.

In May 2020, the Group disposed of 60% of its interest in NWFF to Chu Kong Shipping Enterprises (Group) Co., Ltd. ("Chu Kong Shipping") at a consideration of HK$232.8 million. The Group continues to hold 40% interest in NWFF which has been accounted for as an associated company of the Group.

Strategic Investments

This segment includes investments with strategic value to the Group, growth potential which will enhance and create value for our shareholders. AOP of this segment mainly comprised the share of results, net fair value changes and dividends from certain investments.

One of the investments included in this segment is the Group's interest in Tharisa plc, an associated company principally engaged in chrome and platinum group metals mining, processing and trading in South Africa. In view of the decline in long-term forecast chrome price and the challenging environment of chrome mining industry, and taking into consideration the share price of Tharisa plc, the Group has recognized an impairment loss of HK$330.0 million in the mining rights in FY2020, which is included in the non-operating losses.

BUSINESS OUTLOOK

Core Business

Roads

While the unprecedented toll fee exemption policy imposed by the PRC Government has posed significant pressure to our Roads segment's performance in the second half of FY2020, we have seen an encouraging sign of traffic recovery since the resumption of toll fee collection in May 2020. Together with the contribution from the newly acquired Changliu Expressway, the overall average daily traffic flow of our roads portfolio for June 2020 grew 3% year-on-year, which further validates the encouraging signs of recovery. AOP of the Roads segment is expected to recover rapidly in the financial year ending 30 June 2021 ("FY2021"). The Group will also continue its discussion with government authorities for compensation during toll fee exemption period. Other government policies rolled out in FY2020, including the ETC initiative, the revocation of toll station at provincial boundaries and the change of charging method of trucks, are expected to facilitate the traffic growth over the longer term.

Given the impact of COVID-19 on various industries including toll road sector in China, the Group sees the market may have distressed opportunities in the near term and we are ready to capitalize on them and continue to enrich our roads portfolio in China, in particular expressways in Central China and the Greater Bay Area, where we see untapped growth potential.

Aviation

The aviation industry has been facing enormous headwinds with an unprecedented crisis stalling global air traffic due to quarantine policies and travel restrictions rolled out by governments arising from the outbreak of COVID-19. While domestic travel is leading the recovery, travel bubbles among countries are paving the way to restore international travel gradually. The outlook of the industry will depend on the evolution of outbreak, supportive measures by the governments and the pace of the post COVID-19 recovery on global air traffic. Goshawk will continue to work closely with its lessees in this volatile horizon.

Nevertheless, Goshawk's solid fundamental and sound financial position have well prepared to weather the crisis. With Goshawk's well-diversified customer base and geographic spread, together with our young and well-diversified portfolio with straggled lease maturities and by including the most liquid and agile narrowbody aircraft such as B737-800, A320neo family and A320ceo family, it is able to maintain a relatively lower risk profile. Goshawk has maintained a strong liquidity position with US$1.4 billion cash and undrawn banking facilities as at 30 June 2020 that covers all debt repayments maturing and capital expenditure requirements for the next 18 months.

Construction

During uncertain times, developers in Hong Kong tend to adopt a more cautious approach in relation to the pace of construction and launching of new projects. Nevertheless, projects from government, such as public housing projects, are expected to speed up and help make up for the shortfall. Against this backdrop, having a well-balanced portfolio among private, government and institutional sectors will allow the Group to maintain steady growth. Despite a cautious outlook in the short run due to the uncertainties and turbulence in Hong Kong driven by COVID-19 outbreak and political tensions, we remain positive on the construction industry in Hong Kong over the medium to longer term underpinned by strong demand from both the government and the private sectors.

While the Group’s Construction segment may encounter profit margin pressure stemming from the rising competition and escalating costs related to labour, construction material, industrial safety and environmental protection, the Group’s proven track record and technical expertise will set us apart from the competition and empower us with stronger bargaining power on securing new projects. At the same time, our continuous investment in research and development, and adoption of new construction technologies will also foster improvement in efficiency in time, cost and quality control, as well as optimization of construction safety, in all of our projects going forward. A typical example is being the main contractor for the construction of the InnoCell at the Hong Kong Science Park, a pilot high rise and permanent building using Modular Integrated Construction in Hong Kong that incorporates the concept of “factory assembly followed by on-site installation”, which evidenced Hip Hing Group as a pioneer in the industry. InnoCell is a 17-storey building providing short to medium term accommodation and working space for tech talents.

Insurance

The growth of the whole insurance industry in Hong Kong in the first half of 2020 (from January to June 2020) was dampened by the outbreak of COVID-19, which may have rippling effect in Hong Kong into the second half of the year. While the emergence of COVID-19 has posed temporary challenges to the industry, it has raised the healthcare and insurance protection awareness among people, which is poised to benefit the long term development of the overall life insurance industry. Against this backdrop, FTLife Insurance will continue to expand its distribution channel and innovate customer-centric insurance products to capitalize on these new opportunities. Meanwhile, FTLife Insurance will also explore any potential insurtech and digitalization opportunities to further leverage our platform and customer base for a long term sustainable growth. The accelerating integration to the ecosystem of the New World Group will add additional growth momentum to FTLife Insurance.

PRC Government’s new guidelines to support the financial reform and opening-up of the Greater Bay Area are set to generate more new opportunities for the Hong Kong insurance market. FTLife Insurance fully supports such initiatives and is well positioned to leverage New World Group’s resources and expand into the Greater Bay Area swiftly once the policy is confirmed. The Group is optimistic towards the outlook of FTLife Insurance and the insurance industry in Greater China.

Strategic Portfolio

Environment

While the outbreak of COVID-19 has increased uncertainties in China's economic growth outlook, environmental and safety awareness is rising with more attention paid to wastewater and waste treatment, environmental inspection and remediation aspects. Stringent ecological protection measures in China are also set to continue to generate strong demand for environmental services.

The growing demand for high quality environmental services has provided SUEZ NWS with the opportunity to further expand its footprint in China. In FY2020, two industrial wastewater treatment projects were contracted in Dongying (Shandong) and Taixing (Jiangsu), and a hazardous waste treatment project was secured in Hekou Blue Economy Chemical Industry Park in Dongying (Shandong). In addition, SUEZ NWS also announced to form a 30% joint venture with Shanghai Chemical Industry Park and SAIC Motor Corporation Limited to treat hazardous waste from automotive sector in Shanghai. These projects are scheduled to commission in forthcoming years. SUEZ NWS will continue to extend the recovery and recycling footprints in Greater China by securing more hazardous waste contracts, and to further seek synergies among the environmental quality monitoring platform, engineering and procurement's clients, as well as existing business units and partners.

Derun Environment will continue to strengthen its national footprint in Mainland China through expanding its capacity inside and outside Chongqing. With the successful listing of Sanfeng Environment and the new growth capital, it is poised to further grow through expanding its capacity in Chongqing, Guangdong and Shandong.

ForVEI II S.r.l. will maintain its growth strategy of seeking acquisition opportunities in small solar farms and continue to build its total installed capacity in Europe, particularly in Italy, to seize the growth opportunity in the industry. With gradually expanding portfolio, we expect to improve efficiency and capital structure through economies of scale.

Logistics

Rising competition among existing players and challenging business environment to our clients caused by the COVID-19 outbreak may have potentially delayed impact on ATL in the near term. Against this backdrop, ATL will opt to adopt a more flexible approach when negotiating with customers to mitigate the impact and stay competitive in the market. On the other hand, the lack of new supply in large facilities in Hong Kong in recent terms would also be able to cushion any substantial drop in warehouse rental. Boasting high quality logistics facilities at prime location with proven track record, ATL is expected to continue to be a leading market player in Hong Kong over the longer term.

While CUIRC is expected to continue to benefit from the shift of modes of international freight transport driven by COVID-19 in the short term, the on-going supports from the government in relation to the international block train services are set to depict a sustainable long term growth outlook. The expanding logistics services and increased handling capacity together with the completion of the new Guangzhou terminal scheduled in 2021 are poised to capture the growing demand especially in the Greater Bay Area and are expected to contribute positively to CUIRC.

Facilities Management

While the recovery of Facilities Management segment rests on the success in responding swiftly and planning meticulously once COVID-19 is contained and when the borders reopen, the Group will continue to deploy every measure in reviving the businesses.

HKCEC has adopted a proactive approach in keeping a close dialogue with organizers of the exhibitions and conventions to reschedule their events and accommodate their needs flexibly. Leveraging on Hong Kong Government's pledge of HK$1.02 billion aid for the exhibition and convention industry, HKCEC is well prepared to work hand in hand with stakeholders to reinvigorate the industry as soon as the COVID-19 outbreak subsides.

GHK Hospital endeavours to provide the best quality healthcare services in Hong Kong. Through deepening collaboration with major insurance companies in Hong Kong, launching various patient experience enhancing initiatives such as patient mobile app, developing clinical services such as new service centres, collaborating with other platforms and corporates in telemedicine like DrGo, as well as further integrating into the ecosystem of the New World Group, GHK Hospital will continue to ramp up positively.

In view of the challenging operating environment of Free Duty, the Group will continue to review its organization structure, implement cost saving measures and explore new business opportunity to rejuvenate the Free Duty's business.

Transport

On 21 August 2020, the Group announced the proposed disposal of 100% of its interest in NWS Transport that owns NWFB and Citybus to Bravo Transport Holdings Limited at a total consideration of HK$3.2 billion (subject to instalment arrangements). Upon completion of the transaction, the Group will no longer operate any bus business. The Group believes that the new operator will continue to lead NWFB and Citybus to maintain its excellent service to serve the citizens in Hong Kong, and at the same time bring the bus business to a new stage of growth.

Despite the short term pressure brought by COVID-19, the introduction of Chu Kong Shipping as a new partner of NWFF is expected to bring new growth drivers to NWFF. The Group will continue to cooperate closely with Chu Kong Shipping to improve both the service quality and business performance of NWFF. On 8 September 2020, NWFF successfully tendered for the five-year ferry service licences for operating three outlying-island ferry routes, namely Central - Cheung Chau, Central - Mui Wo and Inter Islands (Peng Chau - Mui Wo - Chi Ma Wan - Cheung Chau). The new licences will become effective from 1 April 2021 to 31 March 2026. In addition, under the new ferry licences, there will have around 4.6% fare increment to cope with the rise in the operating cost.

LOOKING FORWARD

COVID-19 has posed an unprecedented challenge to the whole world in the first half of 2020 and the risk of further wave of outbreak continues to cloud the outlook of the world’s economy. Though China has seen initial success in containing the spread of COVID-19, and the raft of fiscal and monetary measures to reboot the economy have driven its GDP in the second quarter of 2020 back to an expansionary territory with a 3.2% growth, a reversal from a contraction of 6.8% recorded in the first quarter of 2020, uncertainties still abound due to the escalating tensions between the United States and China, as well as the uncertain economic situation in the rest of the world.

In view of the uncertainties in the market, the Group will maintain a cautious stance in the near term in deploying capital to minimize any potential risks, but at the same time will strive to embrace the changes that brought by COVID-19 to further optimize our portfolio to boost long term growth, as evidenced by our latest disposals such as NWFB and Citybus. The proceeds from the disposals will allow us to further strengthen our balance sheet, to leverage on our strong foundation to capture the opportunities ahead and to support our sustainable and progressive dividend policy. The Group believes, with our solid foundation, prudent financial and risk management policy, and continuous efforts to seek new growth drivers, stakeholders’ value could be maximized in the future.

FINANCIAL RESOURCES

Treasury management and cash funding

The Group's funding and treasury policy is designed to maintain a diversified and balanced debt profile and financing structure. The Group operates a centralized treasury function to monitor its cash position, cash flow and debt profile as well as optimize its funding cost-efficiency. In order to maintain maximum financial flexibility with adequate liquidity for the Group's operations, potential investments and growth plans, the Group has built a strong base of funding resources, optimizes our capital structure and expands our source of funding from time to time such as perpetual capital securities, capital market issue and bank borrowings, for which the proportion will change depending on financial market conditions. The capital structure of the Group was 35% debt and 65% equity as at 30 June 2020, compared with 21% debt and 79% equity as at 30 June 2019.

In June 2020, for reinforcing our commitment to improve sustainability performance in our businesses, HK$1.0 billion existing facilities with Crédit Agricole Corporate & Investment Bank were converted into our first sustainability-linked loan, of which interest rates will be reduced according to improvement targets on the Group's annual sustainability performance.

The Group manages its financial risks including interest rate exposure and foreign exchange risks. Interest rate swaps are used to hedge against part of the Group's exposures to changes in interest rates, while foreign exchange forward contracts are used to hedge against foreign currency exposures of the Group's businesses which involve foreign currencies. Cross currency swaps are entered to reduce the Group's overall cost of funding and to manage the exposure from foreign currency translation. For our Transport segment, fuel price swap contracts are used to hedge against fuel price exposure. The Group's Insurance segment enters into cross currency swaps and forward starting swaps to hedge against its foreign currency risk from bond investments and its interest rate risk for bonds to be purchased respectively. The Group did not have any material exposure to exchange risk other than Renminbi and United States Dollar during FY2020. Certain subsidiaries, associated companies and joint ventures have local currency project loans in place, and these are naturally hedged against the investments in the same local currency of the entity concerned.

Liquidity and capital resources

As at 30 June 2020, the Group's total cash and bank balances amounted to HK$13,221.8 million, compared with HK$15,058.9 million as at 30 June 2019. Cash and bank balances were mainly denominated as to 49% in United States Dollar, 27% in Hong Kong Dollar and 23% in Renminbi. The Group's net debt as at 30 June 2020 was HK$17,733.9 million, compared with HK$10.5 million as at 30 June 2019. The increase in net debt was mainly due to payments for the acquisition of FTLife Insurance and the concession rights of Changliu Expressway, payments of dividends, net of the proceeds from the additional issuance of senior perpetual capital securities and dividends received. The Group's net gearing ratio (calculated as net debt over total equity) increased to 31% as at 30 June 2020 (30 June 2019: close to zero per cent). The Group had unutilized committed banking facilities of approximately HK$14.6 billion as at 30 June 2020.

Debt profile and maturity

As at 30 June 2020, the Group's total debt increased to HK$30,955.7 million from HK$15,069.4 million as at 30 June 2019. The Group has managed to evenly distribute its debt maturity profile to reduce refinancing risks. Amongst the non-current portion of the long-term loans and borrowings of HK$26,891.7 million as at 30 June 2020, 7% will mature in the second year, 60% will mature in the third to fifth year and 33% will mature after the fifth year. Bank loans were mainly denominated in Hong Kong Dollar and Renminbi and bearing interest at floating rates while fixed rate bonds were denominated in United States Dollar. As at 30 June 2020, the Group has provided a pledge over its 30% equity interest in an associated company which owns and operates Suiyuenan Expressway as security for a bank loan made to that associated company.

Commitments

The Group's total commitments for capital expenditures was HK$1,159.8 million as at 30 June 2020, compared with HK$19,711.0 million as at 30 June 2019. These comprised commitments for capital contributions to certain associated companies, joint ventures and other financial investments of HK$959.7 million as well as additions of concession rights and property, plant and equipment of HK$200.1 million. Commitments as at 30 June 2019 also included HK$18,380.0 million for acquisition of the entire share capital of FTLife Insurance. The completion of the acquisition of FTLife Insurance took place on 1 November 2019. Sources of funds for capital expenditures include internal resources of the Group and committed external financing from reputable international banks.

Financial guarantee contracts

Financial guarantee contracts of the Group were HK$3,807.9 million as at 30 June 2020, compared with HK$3,712.6 million as at 30 June 2019. These comprised guarantees for banking facilities of associated companies and joint ventures.

In addition, as at 30 June 2020, the Company and New World Development Company Limited, through their respective wholly-owned subsidiaries, provided a joint and several guarantee in favour of the Hong Kong Government for the punctual, true and faithful performance and observance by Kai Tak Sports Park Limited ("KTSPL") under the contract entered into between the Hong Kong Government and KTSPL for the design, construction and operation of Kai Tak Sports Park. Taking into consideration the deed of counter-indemnity entered, the Group's guarantee towards KTSPL is up to the extent of 25% or amounts to approximately HK$7.5 billion. KTSPL is an associated company of the Group in which the Group has a 25% interest.

MAJOR ACQUISITIONS AND DISPOSALS

1. On 27 December 2018, Earning Star Limited, an indirect wholly-owned subsidiary of the Company, entered into a share purchase agreement to acquire the entire issued share capital of FTLife Insurance at a total consideration of HK$21,812.2 million (after adjustments). FTLife Insurance is a life insurance company operating in Hong Kong, providing a broad range of protection and savings-related life and medical insurance products. This acquisition was completed on 1 November 2019 and FTLife Insurance became an indirect wholly-owned subsidiary of the Company since then.

2. On 19 July 2019, NWS (Guangdong) Investment Company Limited (formerly known as Guangdong Xin Chuan Co., Ltd.), an indirect wholly-owned subsidiary of the Company, won a bid for acquiring the concession rights (and other related rights and assets) to operate Changliu Expressway in Hunan Province, the PRC at the bid purchase price of RMB4,571.0 million (equivalent to approximately HK$5,099.1 million). The bid purchase price had been fully paid. As of the date of this announcement, the Group is in the process of negotiating with the Department of Transportation of Hunan Province, the PRC for the concession right agreement.

3. On 5 September 2019, the Group disposed of all the remaining 2.77% interest in BCIA for a consideration of approximately HK$778.3 million and thereafter, the Group no longer holds any interest in BCIA.

RESULTS

The audited consolidated results of the Group for FY2020 together with comparative figures for FY2019 are set out as follows:

Consolidated Income Statement
For the year ended 30 June

	Note	**2020 HK$'m**	2019 HK$'m
Revenue	*3*	**25,920.5**	26,833.5
Cost of sales	*5*	**(23,399.6)**	(23,625.7)
Gross profit		**2,520.9**	3,207.8
Other income/gains (net)	*4*	**779.5**	1,029.6
Selling and marketing expenses	*5*	**(829.5)**	(231.1)
General and administrative expenses	*5*	**(1,719.3)**	(1,351.4)
Overlay approach adjustments on financial assets	*2(b)(xiii)*	**208.2**	-
Operating profit	*5*	**959.8**	2,654.9
Finance costs		**(995.8)**	(452.2)
Share of results of			
Associated companies	*3(c),11*	**80.2**	759.3
Joint ventures	*3(c),12*	**1,240.9**	1,948.5
Profit before income tax		**1,285.1**	4,910.5
Income tax expenses	*6*	**(457.6)**	(651.8)
Profit for the year		**827.5**	4,258.7
Profit attributable to			
Shareholders of the Company		**253.2**	4,043.2
Holders of perpetual capital securities		**581.9**	186.9
Non-controlling interests		**(7.6)**	28.6
		827.5	4,258.7
Earnings per share attributable to			
the shareholders of the Company	*7*		
Basic		**HK$0.06**	HK$1.04
Diluted		**N/A**	HK$1.04

Consolidated Statement of Comprehensive Income
For the year ended 30 June

	Note	**2020 HK$'m**	2019 HK$'m
Profit for the year		**827.5**	4,258.7
Other comprehensive loss			
Items that will not be reclassified to profit or loss			
Net fair value changes on financial assets at fair value through other comprehensive income (equity instruments)		**(774.1)**	(391.8)
Remeasurement of post-employment benefit obligation		**32.0**	(8.3)
Items that have been reclassified/may be subsequently reclassified to profit or loss			
Net fair value changes and other net movements on financial assets at fair value through other comprehensive income (debt instruments)		**1,881.1**	-
Release of reserve upon disposal of financial assets at fair value through other comprehensive income (debt instruments)		**(309.7)**	-
Release of reserves upon disposal of subsidiaries		**24.7**	0.1
Release of reserves upon disposal/partial disposal of interests in associated companies		**(14.5)**	(57.1)
Share of other comprehensive (loss)/income of associated companies and joint ventures		**(12.9)**	88.1
Cash flow/fair value hedges		**131.4**	(543.2)
Amount reported in other comprehensive income applying overlay approach adjustments on financial assets	*2(b)(xiii)*	**(208.2)**	-
Currency translation differences		**(1,293.2)**	(1,553.5)
Other comprehensive loss for the year, net of tax		**(543.4)**	(2,465.7)
Total comprehensive income for the year		**284.1**	1,793.0
Total comprehensive income attributable to			
Shareholders of the Company		**(281.7)**	1,582.7
Holders of perpetual capital securities		**581.9**	186.9
Non-controlling interests		**(16.1)**	23.4
		284.1	1,793.0

Consolidated Statement of Financial Position
As at 30 June

	Note	**2020 HK$'m**	2019 HK$'m
ASSETS			
Non-current assets			
Investment properties		**1,703.1**	1,726.5
Property, plant and equipment	*9*	**4,881.5**	5,413.4
Intangible concession rights		**14,083.9**	10,060.8
Intangible assets	*10*	**5,906.8**	718.7
Value of business acquired		**5,651.5**	-
Right-of-use assets		**1,999.7**	-
Deferred acquisition costs		**688.2**	-
Associated companies	*11*	**13,353.5**	14,552.3
Joint ventures	*12*	**12,287.5**	13,645.1
Financial assets at fair value through other comprehensive income		**38,011.7**	2,125.1
Financial assets at fair value through profit or loss		**8,488.2**	4,300.0
Derivative financial instruments		**1,972.0**	34.4
Other non-current assets		**1,198.7**	4,003.5
		110,226.3	56,579.8
Current assets			
Inventories		**328.6**	428.6
Trade, premium and other receivables	*13*	**16,207.5**	13,992.0
Investments related to unit-linked contracts		**9,053.6**	-
Financial assets at fair value through other comprehensive income		**528.1**	-
Financial assets at fair value through profit or loss		**373.2**	0.1
Derivative financial instruments		**0.7**	5.6
Cash and bank balances		**13,221.8**	15,058.9
		39,713.5	29,485.2
Assets held-for-sale		**112.2**	-
Total assets		**150,052.0**	86,065.0
EQUITY			
Share capital		**3,911.1**	3,911.1
Reserves		**42,455.9**	45,134.9
Shareholders' funds		**46,367.0**	49,046.0
Perpetual capital securities		**10,528.5**	8,039.8
Non-controlling interests		**562.2**	160.8
Total equity		**57,457.7**	57,246.6

Consolidated Statement of Financial Position
As at 30 June

	Note	**2020 HK$'m**	2019 HK$'m
LIABILITIES			
Non-current liabilities			
Borrowings and other interest-bearing liabilities		**26,891.7**	12,666.1
Deferred tax liabilities		**2,285.9**	2,262.2
Insurance and investment contract liabilities		**14,454.8**	-
Liabilities related to unit-linked contracts		**168.2**	-
Derivative financial instruments		**140.7**	8.3
Lease liabilities		**1,575.1**	-
Other non-current liabilities		**189.3**	152.7
		45,705.7	15,089.3
Current liabilities			
Borrowings and other interest-bearing liabilities		**4,064.0**	2,403.3
Insurance and investment contract liabilities		**20,445.3**	-
Liabilities related to unit-linked contracts		**9,053.6**	-
Derivative financial instruments		**97.7**	23.8
Trade, other payables and payables to policyholders	*14*	**12,475.0**	10,818.8
Lease liabilities		**377.3**	-
Taxation		**375.7**	483.2
		46,888.6	13,729.1
Total liabilities		**92,594.3**	28,818.4
Total equity and liabilities		**150,052.0**	86,065.0

Notes:

1. Basis of preparation and accounting policies

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

As analyzed in note 3(b), the Group, before taking into consideration the newly acquired insurance business, is in net current assets position as at 30 June 2020, while the Group is in net current liabilities position of HK$7,062.9 million after taking into consideration the consolidation of FTLife Insurance, which is mainly due to the classification of the full surrender value of insurance and investment contract liabilities of HK$20,445.3 million as current liabilities at the reporting date.

Under Hong Kong Accounting Standard 1 "Presentation of Financial Statements", liability is classified as current if there is no unconditional right by the issuer to defer the settlement for at least 12 months after the reporting period. The unavoidable payment obligation exists if all the policyholders choose to exercise their surrender option at the reporting date and accordingly the full surrender value of insurance and investment contract liabilities is classified as current liabilities as at the year end. However, management considered the likelihood for all policyholders to exercise the surrender option and leading to the settlement of the aforesaid liabilities within one year is low. Based on historical pattern, management considered the amount of insurance and investment contract liabilities expected to be settled within one year is approximately HK$3,200.5 million.

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

1. Basis of preparation and accounting policies (continued)

(a) Adoption of new standard, amendments to standards and interpretation

During the year, the Group has adopted the following new standard, amendments to standards and interpretation which are relevant to the Group's operations and are mandatory for FY2020:

HKFRS 16	Leases
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKAS 19 (Amendments)	Employee Benefits
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments
HKFRSs Amendments	Annual Improvements to HKFRSs 2015-2017 Cycle

The Group also early adopted HKFRS 16 (Amendments) "COVID-19-Related Rent Concessions". Except for the adoption of Hong Kong Financial Reporting Standard 16 "Leases" ("HKFRS 16") as disclosed in notes 1(b) and 2(a) and amendments to Hong Kong Accounting Standard 28 "Long-term Interests in Associates and Joint Ventures" which resulted in reclassification of expected credit loss provision from share of net assets to set off against amounts receivable from associated companies and joint ventures, the adoption of other amendments to standards and interpretation does not have significant effect on the results and financial position of the Group.

(b) Adoption of Hong Kong Financial Reporting Standard 16 "Leases"

The Group has adopted HKFRS 16 retrospectively from 1 July 2019, but has not restated comparative information for the prior reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore not reflected in the consolidated statement of financial position as at 30 June 2019, but are recognized in the opening consolidated statement of financial position as at 1 July 2019. Details of the changes in accounting policy are set out in note 2(a).

On adoption of HKFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of Hong Kong Accounting Standard 17 "Leases" ("HKAS 17"). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing annual rates applied to the lease liabilities on 1 July 2019 were 3.8% for leases in Hong Kong.

1. Basis of preparation and accounting policies (continued)

(b) Adoption of Hong Kong Financial Reporting Standard 16 "Leases" (continued)

For right-of-use assets, the Group has elected to measure the right-of-use assets as if HKFRS 16 had been applied since the commencement date of a lease using the same incremental borrowing rate.

For a lease previously classified as finance lease, the Group recognized the carrying amount of the leased asset as the carrying amount of the right-of-use asset at the date of initial application.

The Group reassessed all lease contracts as well as contracts which did not satisfy the definition of a lease under HKAS 17 on 1 July 2019 of which, there is one contract that was not previously classified as an operating lease when applying HKAS 17 now meets the definition of a lease under HKFRS 16.

There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The adoption of HKFRS 16 resulted in changes in certain terminology used. The right-of-use assets in relation to prepaid leasehold land were previously presented as leasehold land.

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

	At 30 June 2019 HK$'m	Upon adoption of HKFRS 16 HK$'m	At 1 July 2019 HK$'m
Consolidated statement of financial position (extract)			
Assets			
Property, plant and equipment	5,413.4	(184.9)	5,228.5
Right-of-use assets	-	1,623.0	1,623.0
Associated companies	14,552.3	(0.7)	14,551.6
Joint ventures	13,645.1	(2.2)	13,642.9
Trade, premium and other receivables	13,992.0	(30.9)	13,961.1
Liabilities			
Lease liabilities			
- current	-	233.8	233.8
- non-current	-	1,277.1	1,277.1
Equity			
Revenue reserve	28,290.7	(106.6)	28,184.1

1. Basis of preparation and accounting policies (continued)

(c) Amendments to standard early adopted by the Group

The Group has early adopted HKFRS 16 (Amendments) "COVID-19-Related Rent Concessions" which allow lessee to elect not to assess whether a rent concession is a lease modification. Such practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-Related rent concessions. Rent concessions have been recognized in other income/gains (net) in the consolidated income statement for FY2020. There is no impact on the opening balance of equity at 1 July 2019.

(d) Standard and amendments to standards which are not yet effective

The following new standard and amendments to standards are mandatory for accounting period beginning on or after 1 July 2020 or later periods but which the Group has not early adopted:

HKFRS 17	Insurance Contracts
HKFRS 3 (Amendments)	Definition of a Business
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current
HKAS 1 and HKAS 8 (Amendments)	Amendments to Definition of Material
HKAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge Accounting
HKFRSs Amendments	Annual Improvements to HKFRSs 2018-2020 Cycle
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

1. Basis of preparation and accounting policies (continued)

(d) Standard and amendments to standards which are not yet effective (continued)

HKFRS 17 “Insurance Contracts” (“HKFRS 17”)

HKFRS 17 will replace the current HKFRS 4 “Insurance Contracts”. HKFRS 17 includes some fundamental differences to current accounting treatment in both insurance contract measurement and profit recognition. The general model is based on a discounted cash flow model with a risk adjustment and deferral of unearned profits. A separate approach applies to insurance contracts that are linked to returns on underlying items and meet certain requirements. Additionally, HKFRS 17 requires more granular information and a new presentation format for the statement of comprehensive income as well as extensive disclosures. The Group is yet to undertake a detailed assessment of the new standard. The standard is mandatorily effective for accounting periods beginning on or after 1 January 2021. International Accounting Standards Board has issued amendments to International Financial Reporting Standards 17 in June 2020 to defer the effective date to 1 January 2023, however, HKICPA has yet to adopt the amendments as of the date of this announcement.

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

2. Changes in/adoption of accounting policies

(a) Changes in accounting policy upon adoption of HKFRS 16

As explained in note 1(b) above, the Group has adopted HKFRS 16 which resulted in changes in accounting policy used in the preparation of the consolidated financial statements.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- account for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application.

Accounting policies applied from 1 July 2019

The Group leases various land, office buildings and premises. Rental contracts are made for a range of fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until FY2019, leases were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognized as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities primarily include the net present value of the fixed payments, less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

2. Changes in/adoption of accounting policies (continued)

(a) Changes in accounting policy upon adoption of HKFRS 16 (continued)

Right-of-use assets are measured at cost comprising the following items:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less.

Some leases contain variable payment terms that are linked to sales or net profits generated. Variable lease payments that depend on sales or net profits are recognized in the profit or loss in the period in which the condition that triggers those payments occurs. Most leases are subject to fixed payments.

(b) Adoption of accounting policies upon acquisition of insurance business

As detailed in note 15, the Group completed its acquisition of the entire equity interest in FTLife Insurance on 1 November 2019 which resulted in adoption of the following accounting policies used in the preparation of the consolidated financial statements.

(i) Product classification

The Group's insurance business issues contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts for which the Group has accepted significant insurance risk from policyholders providing insurance coverage at the inception of the contract. As a general guideline, the Group determines whether it has significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur. The Group also accepts financial risk on insurance contracts. Financial risk is the risk of a possible future change in a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variables.

Investment contracts are those contracts on which the Group accepts financial risk but that do not transfer significant insurance risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

2. Changes in/adoption of accounting policies (continued)

(b) Adoption of accounting policies upon acquisition of insurance business (continued)

(ii) Insurance contract liabilities

Insurance contract liabilities represent net future policy liabilities as determined by the appointed actuary of the Group using a net level premium approach.

The provision for life insurance contracts with fixed level premiums is calculated on the basis of the prospective actuarial valuation method where the assumptions used depend on the circumstances prevailing. The liability is determined as the sum of the expected discounted value of the benefit payments, less the expected discounted value of the theoretical premiums that would be required to meet the benefits, based on the valuation assumptions as to discount rates, mortality and morbidity rates, lapse and partial lapse rates, persistency, expenses, inflation, policy dividend and fund growth rate that are appropriate at the time of valuation. Changes to the liabilities at each reporting date are recorded in the profit or loss or other comprehensive income for the year as appropriate. The liabilities on yearly renewable premium contracts are the liabilities for the unexpired risks carried at the end of the reporting period. The liability is derecognized when the contract expires, is discharged or is cancelled.

For insurance with pure risk coverage such as accident benefit, dread disease, medical insurance and disability insurance, the liabilities are the unearned gross premiums.

(iii) Investment contract liabilities

Liabilities for investment contracts are carried at fair values.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the consolidated statements of financial position.

The liability is derecognized when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value cannot be less than the surrender value.

2. Changes in/adoption of accounting policies (continued)

(b) Adoption of accounting policies upon acquisition of insurance business (continued)

(iv) Reinsurance

The Group cedes insurance risk in the normal course of business for its insurance contracts. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the insurance contract liabilities and are in accordance with the reinsurance contract and are accounted for in the same period as the underlying claim.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the consolidated income statement for the year.

Reinsurance arrangements do not relieve the Group from its obligations to policyholders.

(v) Value of business acquired ("VOBA")

VOBA, in respect of a portfolio of long-term insurance and investment contracts, is an intangible asset that reflects the estimated fair value of in-force contracts in acquisition of an insurance company and represents the portion of the purchase price that is allocated to the value of the right to receive future cash flows from the business in-force at the acquisition date. VOBA is based on actuarially determined projections, by each block of business, of future policy and contract charges, premiums, mortality and morbidity, separate account performance, surrenders, operating expenses, investment returns and other factors. VOBA is amortized over the estimated life of the contracts in the acquired portfolio on a systematic basis primarily based on expected future profits. The carrying value of VOBA is reviewed annually for impairment and any reduction is charged to the consolidated income statement.

(vi) Deferred acquisition costs ("DAC")

The direct acquisition costs and a portion of indirect acquisition costs relating to the production of new business are deferred so far as there are sufficient margins in the future profits of the new business to fund the amortization of DAC. DAC include first year commissions and other costs related to the acquisition of new business. All other acquisition costs and all maintenance costs are expensed as and when incurred. The Group has adopted an approach by which DAC of new business is amortized according to the expected future premiums or expected future profits, which are projected based on the Group's best estimate assumptions and actual persistency.

2. Changes in/adoption of accounting policies (continued)

(b) Adoption of accounting policies upon acquisition of insurance business (continued)

(vii) Liability adequacy test

A liability adequacy test is performed at each reporting date to verify whether the insurance contract liabilities, net of DAC and VOBA, are adequate using current estimates of future cash flows under the insurance contracts. The liability value is adjusted if insufficient to meet future obligations, taking into account the future premiums, investment income, benefits and expenses and cash flows from embedded options and guarantees. If the test shows that a deficiency exists, the shortfall is immediately recorded in the consolidated income statement for the year.

(viii) Premiums

Premiums arising from insurance contracts in respect of traditional policies and group policies are recognized as income when they fall due, whereas those in respect of universal life and unit-linked contracts are accounted for as they are received.

Premiums on reinsurance contracts held which related to direct insurance contracts are recognized in profit or loss over the insurance coverage to policyholders.

(ix) Fees and commission income

Insurance and investment contract policyholders are charged for policy administration services and investment management services. The policy administration fee is recognized as revenue over time when services are rendered. Investment management fees related to asset management services are recognized over time when services are rendered.

(x) Benefits and insurance claims

Death claims and surrenders are recorded when notifications have been received. Maturities and annuity payments are recorded when due.

Ceded reinsurance recoveries are accounted for in the same period as the underlying claim.

(xi) Commissions and bonuses

Commissions and bonuses payable to agents for the first policy year are included as a component of DAC.

Commissions from reinsurance policies that transfer underwriting risk are recognized as income at the same time as the reinsurance premiums are accounted for.

2. Changes in/adoption of accounting policies (continued)

(b) Adoption of accounting policies upon acquisition of insurance business (continued)

(xii) Premiums receivables

Premiums receivables represent premiums which are due for payment. The Group normally allows policyholders to make payment within a grace period of one month from the due date. The grace period may be extended by management purely on a discretionary basis. Insurance policies continue in force if default premiums are settled before the expiry of the grace period.

Premiums receivables are stated at amortized cost using the effective interest rate method less provision for impairment.

(xiii) Adoption of overlay approach in accordance with HKFRS 4 (Amendment)

The Group elected to apply an “overlay approach” in accordance with HKFRS 4 (Amendments) “Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts” which allows the Group to reclassify fair value gain or loss from profit or loss to other comprehensive income for those designated eligible financial assets previously classified as available-for-sale financial assets under HKAS 39 but currently classified as financial assets at fair value through profit or loss under HKFRS 9.

3. Revenue and segment information

The Group's revenue is analyzed for FY2020 and FY2019 as follows:

2020 **HK$'m**	**Hong Kong**	**Mainland China**	**Global and others**	**Total**
Roads	**-**	**2,070.5**	**-**	**2,070.5**
Construction	**12,454.4**	**-**	**-**	**12,454.4**
Insurance	**6,180.0**	**-**	**-**	**6,180.0**
Facilities Management	**1,637.0**	**47.0**	**223.3**	**1,907.3**
Transport	**3,308.3**	**-**	**-**	**3,308.3**
	23,579.7	**2,117.5**	**223.3**	**25,920.5**

2019 HK$'m	Hong Kong	Mainland China	Global and others	Total
Roads	-	2,529.0	-	2,529.0
Aviation	-	-	161.6	161.6
Construction	16,211.0	-	-	16,211.0
Facilities Management	3,391.7	71.2	688.8	4,151.7
Transport	3,780.2	-	-	3,780.2
	23,382.9	2,600.2	850.4	26,833.5

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

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

3. Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for FY2020 and related comparative figures is as follows:

HK$'m	Roads	Aviation	Construction	Environment	Logistics	Facilities Management	Transport	Strategic Investments	Subtotal	Insurance	Total	
2020												
Total revenue	**2,070.5**	**-**	**12,462.4**	**-**	**-**	**1,911.1**	**3,308.6**	**-**	**19,752.6**	**6,180.0**	**25,932.6**	
Inter-segment	**-**	**-**	**(8.0)**	**-**	**-**	**(3.8)**	**(0.3)**	**-**	**(12.1)**	**-**	**(12.1)**	
Revenue – external	**2,070.5**	**-**	**12,454.4**	**-**	**-**	**1,907.3**	**3,308.3**	**-**	**19,740.5**	**6,180.0**	**25,920.5**	
Revenue from contracts with customers:												
Recognized at a point in time	**2,070.5**	**-**	**-**	**-**	**-**	**1,144.1**	**3,131.5**	**-**	**6,346.1**	**-**	**6,346.1**	
Recognized over time	**-**	**-**	**12,454.4**	**-**	**-**	**763.2**	**176.8**	**-**	**13,394.4**	**412.8**	**13,807.2**	
	2,070.5	**-**	**12,454.4**	**-**	**-**	**1,907.3**	**3,308.3**	**-**	**19,740.5**	**412.8**	**20,153.3**	
Revenue from other source:												
Insurance revenue	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,767.2**	**5,767.2**	
	2,070.5	**-**	**12,454.4**	**-**	**-**	**1,907.3**	**3,308.3**	**-**	**19,740.5**	**6,180.0**	**25,920.5**	
Attributable operating profit												
Company and subsidiaries	**543.3**	**-**	**757.1**	**25.7**	**-**	**(419.5)**	**(124.5)**	**243.4**	**1,025.5**	**750.4**	**1,775.9**	
Associated companies	**101.6**	**-**	**308.9**	**159.3**	**91.8**	**(357.7)**	**5.7**	**91.5**	**401.1**	**-**	**401.1**	**(c)**
Joint ventures	**262.5**	**421.9**	**-**	**169.8**	**536.0**	**5.4**	**-**	**(58.3)**	**1,337.3**	**-**	**1,337.3**	**(c)**
	907.4	**421.9**	**1,066.0**	**354.8**	**627.8**	**(771.8)**	**(118.8)**	**276.6**	**2,763.9**	**750.4**	**3,514.3**	
Reconciliation – corporate office and non-operating items												
Loss on fair value of investment properties											**(22.9)**	
Impairment losses and provisions											**(1,709.4)**	**(i)**
Net gain on disposal of projects, net of tax											**101.0**	
Net gain on fair value of derivative financial instruments, net of tax											**73.1**	
Interest income											**107.5**	
Finance costs											**(737.4)**	**(ii)**
Expenses and others											**(491.1)**	
Profit for the year after non-controlling interests											**835.1**	
Profit attributable to holders of perpetual capital securities											**(581.9)**	
Profit attributable to shareholders											**253.2**	

(i) The amount mainly represents impairment losses and expected credit loss provision for Tharisa plc of HK$330.0 million (note 11), Chongqing Silian of HK$294.8 million (note 11), Goshawk of HK$107.7 million (note 12), transport business of HK$700.0 million (being impairment loss against goodwill of HK$386.9 million (note 10) and against property, plant and equipment of HK$375.0 million (note 9), net of tax HK$61.9 million) and UMP Healthcare China Limited of HK$40.0 million (note 11) as well as provision for onerous contract of HK$230.0 million (note 14(b)).

(ii) The finance cost recognized in the consolidated income statement for the year amounting to HK$995.8 million, in which the above HK$737.4 million represents corporate office finance costs and HK$258.4 million is recognized as part of attributable operating profit in various reportable segments.

3. Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for FY2020 and related comparative figures is as follows (continued):

HK$'m	Roads	Aviation	Construction	Environment	Logistics	Facilities Management	Transport	Strategic Investments	Subtotal	Insurance	Segment Total	Corporate	Consolidated
2020													
Depreciation of property, plant and equipment	45.0	-	41.5	-	-	122.5	397.1	-	606.1	26.0	632.1	7.8	639.9
Depreciation of right-of-use assets	0.7	-	25.3	-	-	95.6	110.5	-	232.1	93.1	325.2	22.8	348.0
Amortization of intangible concession rights	714.9	-	-	-	-	-	-	-	714.9	-	714.9	-	714.9
Amortization of intangible assets	-	-	-	-	-	31.2	1.4	-	32.6	23.9	56.5	-	56.5
Amortization of VOBA	-	-	-	-	-	-	-	-	-	173.5	173.5	-	173.5
Interest income	(49.1)	(0.1)	(3.7)	(30.3)	(0.1)	(58.5)	(1.5)	(93.1)	(236.4)	(877.3)	(1,113.7)	(107.5)	(1,221.2)
Finance costs	59.7	-	54.7	-	-	35.1	29.0	-	178.5	79.9	258.4	737.4	995.8
Income tax expenses/(credit)	368.0	-	139.1	1.4	8.5	(2.8)	(132.0)	8.0	390.2	43.2	433.4	24.2	457.6
Overlay approach adjustments on financial assets	-	-	-	-	-	-	-	-	-	(208.2)	(208.2)	-	(208.2)
Net (gain)/loss on fair value of financial assets at fair value through profit or loss	-	-	-	-	-	-	-	(158.6)	(158.6)	223.0	64.4	-	64.4
Additions to non-current assets (remark)	5,387.6	-	80.5	-	-	188.9	274.0	3.3	5,934.3	6,566.4	12,500.7	17.7	12,518.4
At 30 June 2020													
Company and subsidiaries	15,554.1	6,332.7	7,462.8	165.2	118.1	4,284.5	4,977.2	6,988.5	45,883.1	75,061.9	120,945.0	3,466.0	124,411.0
Associated companies	2,530.9	-	2,009.4	4,722.9	1,587.4	528.2	160.3	1,811.2	13,350.3	-	13,350.3	3.2	13,353.5
Joint ventures	3,984.3	978.1	0.1	3,199.8	2,848.9	5.6	-	1,257.2	12,274.0	-	12,274.0	13.5	12,287.5
Total assets	22,069.3	7,310.8	9,472.3	8,087.9	4,554.4	4,818.3	5,137.5	10,056.9	71,507.4	75,061.9 (b)	146,569.3	3,482.7	150,052.0
Total liabilities	6,034.7	-	8,065.6	44.1	68.5	1,544.1	2,116.4	33.2	17,906.6	51,448.3 (b)	69,354.9	23,239.4	92,594.3

3. Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for FY2020 and related comparative figures is as follows (continued):

HK$'m	Roads	Aviation	Construction	Environment	Logistics	Facilities Management	Transport	Strategic Investments	Total	
2019										
Total revenue	2,529.0	161.6	16,211.0	-	-	4,154.8	3,780.6	-	26,837.0	
Inter-segment	-	-	-	-	-	(3.1)	(0.4)	-	(3.5)	
Revenue – external	2,529.0	161.6	16,211.0	-	-	4,151.7	3,780.2	-	26,833.5	
Revenue from contracts with customers:										
Recognized at a point in time	2,529.0	161.6	-	-	-	2,768.1	3,593.8	-	9,052.5	
Recognized over time	-	-	16,211.0	-	-	1,383.6	186.4	-	17,781.0	
	2,529.0	161.6	16,211.0	-	-	4,151.7	3,780.2	-	26,833.5	
Attributable operating profit										
Company and subsidiaries	899.7	63.9	853.7	28.2	-	(12.7)	(10.1)	196.8	2,019.5	
Associated companies	184.6	-	348.4	506.1	112.2	(390.7)	-	(1.2)	759.4	(c)
Joint ventures	721.2	436.4	1.7	94.7	538.4	10.0	-	126.1	1,928.5	(c)
	1,805.5	500.3	1,203.8	629.0	650.6	(393.4)	(10.1)	321.7	4,707.4	
Reconciliation – corporate office and non-operating items										
Gain on fair value of investment properties									33.7	
Net gain on disposal of projects, net of tax									285.1	
Net gain on fair value of derivative financial instruments, net of tax									40.1	
Interest income									78.3	
Finance costs									(373.8)	
Expenses and others									(540.7)	
Profit for the year after non-controlling interests									4,230.1	
Profit attributable to holders of perpetual capital securities									(186.9)	
Profit attributable to shareholders									4,043.2	

3. Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for FY2020 and related comparative figures is as follows (continued):

HK$'m	Roads	Aviation	Construction	Environment	Logistics	Facilities Management	Transport	Strategic Investments	Segment Total	Corporate	Consolidated
2019											
Depreciation of property, plant and equipment	29.0	-	49.7	-	-	110.6	394.8	-	584.1	6.3	590.4
Amortization of intangible concession rights	859.0	-	-	-	-	-	-	-	859.0	-	859.0
Amortization of intangible assets	-	-	-	-	-	31.2	1.7	-	32.9	-	32.9
Interest income	(49.4)	(1.6)	(11.1)	(53.5)	-	(58.0)	(1.2)	(56.9)	(231.7)	(78.3)	(310.0)
Finance costs	-	-	65.8	-	-	0.8	11.8	-	78.4	373.8	452.2
Income tax expenses/(credit)	400.7	5.2	177.5	10.6	22.4	44.0	(7.8)	(1.6)	651.0	0.8	651.8
Net gain on fair value of financial assets at fair value through profit or loss	-	-	-	-	-	-	-	(117.9)	(117.9)	-	(117.9)
Additions to non-current assets (remark)	34.0	-	31.9	-	-	95.1	479.2	-	640.2	7.4	647.6
At 30 June 2019											
Company and subsidiaries	11,199.8	6,592.0	7,616.4	177.2	-	4,481.2	5,864.5	5,873.8	41,804.9	16,062.7	57,867.6
Associated companies	2,573.1	-	2,029.0	5,173.1	1,663.6	1,029.7	-	2,080.4	14,548.9	3.4	14,552.3
Joint ventures	4,621.6	1,612.5	0.1	3,007.9	2,959.1	5.4	-	1,424.5	13,631.1	14.0	13,645.1
Total assets	18,394.5	8,204.5	9,645.5	8,358.2	4,622.7	5,516.3	5,864.5	9,378.7	69,984.9	16,080.1	86,065.0
Total liabilities	2,194.4	2.2	8,651.9	55.0	0.3	1,212.2	1,730.6	18.9	13,865.5	14,952.9	28,818.4

3. Revenue and segment information (continued)

(b) Total assets and total liabilities mainly represents the following items of the consolidated statement of financial position:

At 30 June 2020

HK$'m	Non-insurance and corporate	Insurance	Total
Total assets			
Intangible concession rights	**14,083.9**	**-**	**14,083.9**
Intangible assets	**219.3**	**5,687.5**	**5,906.8**
Value of business acquired	**-**	**5,651.5**	**5,651.5**
Associated companies	**13,353.5**	**-**	**13,353.5**
Joint ventures	**12,287.5**	**-**	**12,287.5**
Financial assets at fair value through other comprehensive income ("FVOCI")	**1,209.8**	**37,330.0**	**38,539.8**
Financial assets at fair value through profit or loss ("FVPL")	**4,650.5**	**4,210.9**	**8,861.4**
Derivative financial instruments	**0.7**	**1,972.0**	**1,972.7**
Other non-current assets	**483.4**	**715.3**	**1,198.7**
Trade, premium and other receivables	**14,625.5**	**1,582.0**	**16,207.5**
Investments related to unit-linked contracts	**-**	**9,053.6**	**9,053.6**
Cash and bank balances	**5,773.5**	**7,448.3**	**13,221.8**
Others	**8,302.5**	**1,410.8**	**9,713.3**
	74,990.1	**75,061.9**	**150,052.0**
Representing by			
Non-current assets	**53,809.6**	**56,416.7**	**110,226.3**
Current assets	**21,180.5**	**18,645.2**	**39,825.7**
	74,990.1	**75,061.9**	**150,052.0**
Total liabilities			
Borrowings and other interest-bearing liabilities	**27,043.1**	**3,912.6**	**30,955.7**
Insurance and investment contract liabilities	**-**	**34,900.1**	**34,900.1**
Liabilities related to unit-linked contracts	**-**	**9,221.8**	**9,221.8**
Derivative financial instruments	**229.1**	**9.3**	**238.4**
Trade, other payables and payables to policyholders	**10,084.4**	**2,390.6**	**12,475.0**
Others	**3,789.4**	**1,013.9**	**4,803.3**
	41,146.0	**51,448.3**	**92,594.3**
Representing by			
Non-current liabilities	**28,015.8**	**17,689.9**	**45,705.7**
Current liabilities	**13,130.2**	**33,758.4**	**46,888.6**
	41,146.0	**51,448.3**	**92,594.3**
Net current assets/(liabilities) (note 1)	**8,050.3**	**(15,113.2)**	**(7,062.9)**

3. Revenue and segment information (continued)

(c) Reconciliation of attributable operating profit from associated companies and joint ventures to the consolidated income statement:

	Associated companies		Joint ventures	
HK$'m	**2020**	2019	**2020**	2019
Attributable operating profit	**401.1**	759.4	**1,337.3**	1,928.5
Corporate and non-operating items				
Impairment losses and expected credit loss provision (notes 3(a)(i),11,12)	**(330.0)**	-	**(107.7)**	-
Others	**9.1**	(0.1)	**11.3**	20.0
Share of results of associated companies and joint ventures	**80.2**	759.3	**1,240.9**	1,948.5

(d) Information by geographical areas:

	Non-current assets (remark)	
HK$'m	**2020**	2019
Hong Kong	**14,181.4**	7,686.7
Mainland China	**14,360.9**	10,166.4
Global and others	**32.7**	66.3
	28,575.0	17,919.4

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

Remark: Being additions to/balance of non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, value of business acquired and deferred acquisition costs.

4. Other income/gains (net)

	Note	**2020 HK$'m**	2019 HK$'m
Net profit on disposal of financial assets at FVOCI (debt instruments)		**309.7**	-
Gain associated with investments related to unit-linked contracts		**122.2**	-
Profit on disposal of subsidiaries		**174.8**	140.1
Net gain on fair value of derivative financial instruments		**105.6**	-
Net (loss)/gain on fair value of financial assets at FVPL		**(64.4)**	117.9
(Loss)/profit on disposal of an associated company		**(9.7)**	83.0
Profit on disposal of assets held-for-sale		**-**	67.6
Profit on disposal of financial assets at FVPL		**-**	60.4
Interest income			
Financial assets at FVOCI (debt instruments)		**822.7**	-
Bank deposits and others		**398.5**	310.0
Dividend income		**204.6**	92.1
Government grants and subsidies		**288.8**	74.6
Other income		**104.0**	127.9
Impairment losses related to associated companies	*3(a)(i),11*	**(334.8)**	-
Impairment loss on goodwill	*3(a)(i),10*	**(386.9)**	-
Impairment loss on property, plant and equipment	*3(a)(i),9*	**(375.0)**	-
Provision for onerous contract	*3(a)(i),14(b)*	**(230.0)**	-
Charges related to unit-linked contracts		**(133.9)**	-
Loss on partial disposal of interests in an associated company		**(67.3)**	(54.2)
Net exchange loss		**(76.6)**	(1.3)
(Loss)/gain on fair value of investment properties		**(22.9)**	33.7
Expected credit loss provision			
Financial assets at FVOCI		**(32.2)**	-
Trade, premium and other receivables		**(17.7)**	(22.2)
		779.5	1,029.6

5. Operating profit

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

	Note	**2020 HK$'m**	2019 HK$'m
Crediting			
Gross rental income from investment properties		**54.8**	61.0
Less: outgoings		**(12.3)**	(14.1)
		42.5	46.9
Charging			
Auditor's remuneration		**25.7**	20.8
Cost of inventories sold		**1,044.9**	2,269.6
Cost of construction		**9,894.9**	13,637.7
Cost of services of transport business		**1,226.7**	1,257.1
Claims and benefits, net of reinsurance	*2(b)(ii),(x)*	**5,084.1**	-
Amortization of VOBA		**173.5**	-
Depreciation of property, plant and equipment		**639.9**	590.4
Depreciation of right-of-use assets		**348.0**	-
Amortization of intangible concession rights		**714.9**	859.0
Amortization of intangible assets		**56.5**	32.9
Agency commission and allowances, net of change in deferred acquisition costs (including amortization of HK$136.1 million)	*2(b)(vi),(xi)*	**640.0**	-
Expenses on short-term leases		**118.1**	-
Expenses on variable lease payments		**86.3**	-
Operating lease rental expenses – properties		**-**	263.1
Staff costs (including directors' emoluments)		**4,562.1**	4,554.2
Other costs and expenses		**1,332.8**	1,723.4
		25,948.4	25,208.2
Representing by			
Cost of sales		**23,399.6**	23,625.7
Selling and marketing expenses		**829.5**	231.1
General and administrative expenses		**1,719.3**	1,351.4
		25,948.4	25,208.2

6. Income tax expenses

Hong Kong profits tax is provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the year. Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profits for the year at the rates of tax prevailing in the countries in which the Group operates. These rates range from 12% to 28% (2019: 12% to 25%). Withholding tax on dividends is mainly provided at the rate of 5% or 10% (2019: 5% or 10%).

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

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

	2020 **HK$'m**	2019 HK$'m
Current income tax		
Hong Kong profits tax	**211.3**	237.6
Mainland China and overseas taxation	**426.6**	577.0
Deferred income tax credit	**(180.3)**	(162.8)
	457.6	651.8

Share of taxation of associated companies and joint ventures of HK$118.5 million (2019: HK$140.4 million) and HK$323.9 million (2019: HK$237.6 million) respectively are included in the consolidated income statement as share of results of associated companies and joint ventures respectively.

Dividends withholding tax of HK$140.5 million (2019: HK$104.8 million) is included in the above income tax charge.

7. Earnings per share

The calculation of basic earnings per share for the year is based on earnings of HK$253.2 million (2019: HK$4,043.2 million), being profit attributable to shareholders of the Company, and on the weighted average of 3,911,137,849 (2019: 3,901,972,770) ordinary shares outstanding during the year.

The share options of the Company had an anti-dilutive effect on the basic earnings per share for the year and therefore were not included in the calculation of diluted earnings per share.

The calculation of diluted earnings per share was as follows :

	2019 HK$'m
Profit attributable to shareholders of the Company and for calculation of diluted earnings per share	4,043.2

	Number of shares 2019
Weighted average number of shares for calculating basic earnings per share	3,901,972,770
Effect of dilutive potential ordinary shares	
Share options	4,053,508
Weighted average number of shares for calculating diluted earnings per share	3,906,026,278

8. Dividends

	2020 **HK$'m**	2019 HK$'m
Interim dividend paid of HK$0.29 (2019: HK$0.29) per share	**1,134.2**	1,132.6
Final dividend proposed of HK$0.29 (2019: paid of HK$0.29) per share	**1,134.3**	1,134.2
	2,268.5	2,266.8

At the meeting held on 30 September 2020, the Board recommended a final dividend of HK$0.29 per share. This proposed dividend is not reflected as dividend payable in the consolidated financial statements but will be reflected as an appropriation of the retained profits for FY2021.

Subject to the passing of the relevant resolution at the annual general meeting of the Company to be held on 25 November 2020 ("AGM"), it is expected that the final dividend will be paid on or about 17 December 2020.

9. Property, plant and equipment

During the year, an impairment loss of HK$375.0 million against property, plant and equipment associated with the Group's transport business is recognized in the consolidated income statement. The Group reviews whether property, plant and equipment has suffered any impairment according to its recoverable amount based on either fair value less cost of disposal or value in use calculations, whichever is higher. The recoverable amount as at 30 June 2020 is primarily determined based on fair value less cost of disposal approach after considering both internal and external factors and with reference to expected disposal consideration. The disposal of the entire issued share capital of NWS Transport is further detailed in note 16.

10. Intangible assets

During the year, an impairment loss of HK$386.9 million against goodwill associated with the Group's transport business is recognized in the consolidated income statement. The Group tests annually whether goodwill has suffered any impairment according to its recoverable amount determined by the cash-generating units based on either fair value less cost of disposal or value in use calculations, whichever is higher. The recoverable amount as at 30 June 2020 is primarily determined based on fair value less cost of disposal approach after considering both internal and external factors and with reference to expected disposal consideration. The disposal of the entire issued share capital of NWS Transport is further detailed in note 16.

11. Associated companies

The share of results of associated companies in FY2020 includes an impairment loss of HK$330.0 million for Tharisa plc in which the Group holds approximately 15% equity interest. Tharisa plc is an associated company of the Group and principally engaged in chrome and platinum group metals mining, processing and trading in South Africa. Management has carried out an impairment assessment on the carrying value of such investment based on value in use approach using the discounted cash flow method over a forecast period of life of mine of about 17 years. Based on the assessment, an impairment loss was provided against the Group's investment in Tharisa plc for FY2020.

In addition, impairment losses on investments in associated companies amounting to HK$334.8 million was recognized in other income/gains (net) in the consolidated income statement in FY2020, among which (i) HK$294.8 million was provided against the Group's goodwill associated with investment in Chongqing Silian (in which the Group holds 20% equity interest and is principally engaged in manufacturing and sale of sapphire substrate and wafer, LED packaging and application) after management's assessment on recoverability of the Group's carrying value of Chongqing Silian primarily based on fair value less cost of disposal approach and taking into consideration the value of assets pledged held by the Group; and (ii) HK$40.0 million was provided against the Group's goodwill associated with investment in UMP Healthcare China Limited (in which the Group holds 20% equity interest) as the Group intended to recover the investment through a sale transaction and the investment was reclassified to assets held-for-sale as at 30 June 2020.

12. Joint ventures

The share of results of joint ventures in FY2020 includes the Group's share of impairment loss for Goshawk (in which the Group holds 50% equity interest) on aircraft portfolio of HK$64.3 million. Goshawk is principally engaged in aircraft leasing industry. In view of the outbreak of COVID-19 during the year which brought challenges to aviation industry, Goshawk management has carried out an impairment assessment on the carrying value of its aircraft portfolio. Impairment arises when an aircraft's carrying amount exceeds its recoverable amount (which is the higher of fair value less cost to sell and value in use). Besides, the share of results of joint ventures also includes the Group's share of an expected credit loss provision of HK$43.4 million from Goshawk in relation to accounts receivables as at 30 June 2020.

13. Trade, premium and other receivables

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

	2020 **HK$'m**	2019 HK$'m
Under 3 months	**1,796.1**	1,673.4
4 to 6 months	**11.2**	1.6
Over 6 months	**117.1**	296.1
	1,924.4	1,971.1

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

14. Trade, other payables and payables to policyholders

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

	2020 **HK$'m**	2019 HK$'m
Under 3 months	**558.8**	866.1
4 to 6 months	**1.4**	7.3
Over 6 months	**24.6**	60.3
	584.8	933.7

(b) An onerous contract provision of HK$230.0 million is recognized as at 30 June 2020 for the Group's duty free business in view of impact on financial performance and market condition arising from COVID-19.

15. Business combination

(a) In December 2018, Earning Star Limited, an indirect wholly-owned subsidiary of the Company, entered into a share purchase agreement to acquire the entire issued share capital of FTLife Insurance at a total consideration of HK$21,812.2 million (after adjustments) of which deposits in an aggregate amount of HK$3,120.0 million were paid during FY2019. FTLife Insurance is a life insurance company operating in Hong Kong providing a broad range of protection and savings-related life and medical insurance products. This acquisition was completed on 1 November 2019 and FTLife Insurance became an indirect wholly-owned subsidiary of the Company since then.

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

	HK$'m
Consideration (after adjustments)	
Cash	**18,692.2**
Deposits paid in prior year	**3,120.0**
	21,812.2

	Provisional fair value HK$'m
Property, plant and equipment	**110.8**
Intangible assets	**90.5**
Value of business acquired	**5,825.0**
Right-of-use assets	**557.5**
Financial assets at FVOCI	**33,569.5**
Financial assets at FVPL	**2,803.6**
Derivative financial instruments (net)	**1,512.3**
Other non-current assets	**724.3**
Trade, premium and other receivables	**1,125.9**
Investments related to unit-linked contracts	**9,168.3**
Cash, bank balances and pledged deposits	**8,586.8**
Borrowings and other interest-bearing liabilities	**(3,548.8)**
Deferred tax liabilities	**(299.0)**
Insurance and investment contract liabilities	**(31,543.4)**
Liabilities related to unit-linked contracts	**(9,330.8)**
Lease liabilities	**(559.8)**
Other non-current liabilities	**(64.5)**
Trade, other payables and payables to policyholders	**(2,411.4)**
Taxation	**(80.9)**
Identifiable assets acquired and liabilities assumed	**16,235.9**
Provisional goodwill on acquisition	**5,576.3**
	21,812.2

15. Business combination (continued)

(b) (continued)

	HK$'m
Purchase consideration settled in cash during the year	**18,692.2**
Less: cash and cash equivalents of the subsidiaries acquired	
Cash and bank balances	**(8,576.8)**
Cash and bank balances attributable to investments related to unit-linked contracts	**(17.7)**
Net cash outflow on acquisition during the year	**10,097.7**

(c) A provisional goodwill of HK$5,576.3 million arising from the acquisition is attributable mainly to the benefit of talents and experience of the management and workforce of the acquired insurance business and integration of the Group's existing premium products and services into the attractive insurance sector.

(d) The measurement of goodwill, identifiable assets acquired and liabilities assumed at the acquisition date will be subject to finalization within one year from the acquisition date in accordance with HKFRS 3. Any adjustment to the provisional amount, if necessary, will be reflected in the upcoming interim condensed consolidated financial statements of the Group.

16. Event subsequent to year end

In August 2020, the Group entered into a sale and purchase agreement with Bravo Transport Holdings Limited (a company in which Templewater Bravo Holdings Limited, Hans Energy Company Limited and Ascendal Group Limited hold approximately 90.8%, 8.6% and 0.6% shareholding interest respectively) to dispose of the entire issued share capital of NWS Transport (an indirect wholly-owned subsidiary of the Company) at a consideration of HK$3,200 million (subject to instalment arrangements). The transaction is yet to complete up to the date of this announcement. Upon completion of this disposal, it is anticipated that no further material disposal gain or loss will be recognized by the Group for FY2021.

17. Comparative figures

Certain comparative figures for FY2019 have been reclassified or extended to conform with the presentation for FY2020.

FINAL DIVIDEND

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

The Board has resolved to recommend a final dividend for FY2020 (the "Final Dividend") of HK$0.29 per share (2019: final dividend of HK$0.29 per share) in cash to the shareholders whose names appear on the register of members of the Company on 1 December 2020. Together with the interim dividend of HK$0.29 per share (2019: HK$0.29 per share) paid in April 2020, total distribution of dividend by the Company for FY2020 will be HK$0.58 per share (2019: HK$0.58 per share).

Subject to the passing of the relevant resolution at the AGM, it is expected that the Final Dividend will be paid on or about 17 December 2020.

CLOSURE OF REGISTER OF MEMBERS

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

For determining eligibility to attend and vote at the AGM:	
Latest time to lodge transfer documents for registration	4:30 pm on 19 November 2020
Closure of register of members	20 to 25 November 2020 (both days inclusive)
Record date	25 November 2020
AGM date	25 November 2020
For determining entitlement to the Final Dividend:	
Latest time to lodge transfer documents for registration	4:30 pm on 30 November 2020
Closure of register of members	1 December 2020
Record date	1 December 2020
Final Dividend payment date	on or about 17 December 2020

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the AGM and to qualify for the Final Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the aforementioned latest time.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, approximately 28,100 staff were employed by entities under the Group's management of which approximately 10,000 staff were employed in Hong Kong. Total staff related costs including provident funds, staff bonus and deemed share option benefits but excluding directors' remunerations during FY2020 were HK$4.525 billion (2019: HK$4.463 billion). Remuneration packages including salaries, bonuses and share options are granted to employees according to individual performance and are reviewed according to general market conditions every year. Structured training programmes were provided to employees on an ongoing basis.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Audit Committee of the Company was set up by the Board with specific terms for the purpose of reviewing and providing supervision over the Group's financial reporting process, and risk management and internal control. It currently comprises four independent non-executive directors and a non-executive director of the Company. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the audited consolidated financial statements of the Group for FY2020 with the management and the external auditor.

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for FY2020 as set out in the preliminary results announcement have been agreed by the Group's auditor, PricewaterhouseCoopers ("PwC Hong Kong"), to the amounts set out in the Group's audited consolidated financial statements for FY2020. The work performed by PwC Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PwC Hong Kong on the preliminary results announcement.

CORPORATE GOVERNANCE PRACTICES

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

Throughout FY2020, the Company has complied with all the applicable code provisions under the Corporate Governance Code as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), with the exception of code provision E.1.2.

Code provision E.1.2 provides that the chairman of the board should attend the annual general meeting. Dr Cheng Kar Shun, Henry, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 18 November 2019 (the "2019 AGM") due to his other engagement. Mr Ma Siu Cheung, the Chief Executive Officer and Executive Director of the Company who took the chair of the 2019 AGM, together with other members of the Board who attended the 2019 AGM, were of sufficient caliber for answering questions at the 2019 AGM and had answered questions at the 2019 AGM competently.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during FY2020.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as its own code of conduct for securities transactions by directors. Specific enquiry was made with all directors of the Company and it was established that they had all complied with the required standard of the Model Code during FY2020.

The Company has also adopted the "Code for Securities Transactions by Relevant Employees", which is no less exacting than the Model Code, for governing the securities transactions of specified employees ("Relevant Employees") who, because of their positions, are likely to come across unpublished inside information. Following specific enquiry by the Company, all Relevant Employees had confirmed that they complied with the standard set out in the "Code for Securities Transactions by Relevant Employees" during FY2020.

THE BOARD

As at the date of this announcement, (a) the executive directors of the Company are Dr Cheng Kar Shun, Henry, Mr Ma Siu Cheung, Dr Cheng Chi Kong, Adrian, Mr Cheung Chin Cheung, Mr Cheng Chi Ming, Brian, Mr Ho Gilbert Chi Hang and Mr Chow Tak Wing; (b) the non-executive directors of the Company are Mr To Hin Tsun, Gerald, Mr Dominic Lai, Mr Tsang Yam Pui, Mr Lam Wai Hon, Patrick and Mr William Junior Guilherme Doo; and (c) the independent non-executive directors of the Company are Mr Kwong Che Keung, Gordon, Dr Cheng Wai Chee, Christopher, The Honourable Shek Lai Him, Abraham, Mr Lee Yiu Kwong, Alan, Mrs Oei Fung Wai Chi, Grace and Mr Wong Kwai Huen, Albert.

Dr Cheng Kar Shun, Henry
Chairman

Hong Kong, 30 September 2020

* *For identification purposes only*