NWS Holdings Limited

(Incorporated in Bermuda with limited liability)
Stock code: 659

Annual Report 2021

新創建 NWS

CONTENT

Where the English and the Chinese texts conflict, the English text prevails.
This annual report is also available at www.nws.com.hk.

CORPORATE STRUCTURE

New World Development Company Limited

(Stock Code: 17)

approximately 61%

新創建 NWS

(Stock Code: 659)

Core Business

Roads

GOSHAWK

協興 HIP HING

FTLife 富通保險

Strategic Portfolio

ATL Logistics Centre Hong Kong

CRINTERMODAL 中铁联集

FREE DUTY

Gleneagles Hospital HONG KONG 港怡醫院

香港會議展覽中心 Hong Kong Convention and Exhibition Centre

Note: We will exit the Environment segment upon completion of the SUEZ NWS disposal

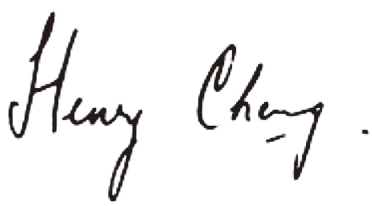
CHAIRMAN'S STATEMENT

Dear Shareholders,

The years of 2020 and 2021 have been very challenging to the whole society as well as individuals, with many ups and downs from its low of COVID-19, its subsequent variant outbreak, to the global rollout of vaccination programme. Governments around the world have paid tremendous efforts to control the outbreak with concerted subsidies and accommodative monetary policies to help the recovery in the economy.

Despite these challenges, the Group has continued its strategy of focusing on its core businesses and optimising its portfolio. Thanks to everyone's invaluable efforts and contributions, the Group has emerged with a simplified business portfolio with enhanced earnings quality and visibility, fortified balance sheet and a more lucid corporate strategy. The Group is well positioned and primed for the next stage of growth.

While the worst maybe behind us, the outbreak of COVID-19 variant is still casting shadow over the world, it is vital for the Group to stay ahead of the curve and exercise strong risk management in this fast-paced and ever-changing business environment. The Group is optimistic about the development and the opportunities posed in the Mainland and Hong Kong, and with the support of New World Group and its ecosystem, the Group is committed to continuing to optimize its business portfolio whilst targeting value-accretive investment opportunities with lucrative return and cashflow for a sustainable long term growth and to support our sustainable and progressive dividend policy to share our success with our shareholders. The Group is also devoted to continuing to innovate and grow together with our stakeholders with the belief of creating shared value together with the community.



Dr Cheng Kar Shun, Henry
Chairman

Hong Kong, 30 September 2021

FINANCIAL HIGHLIGHTS

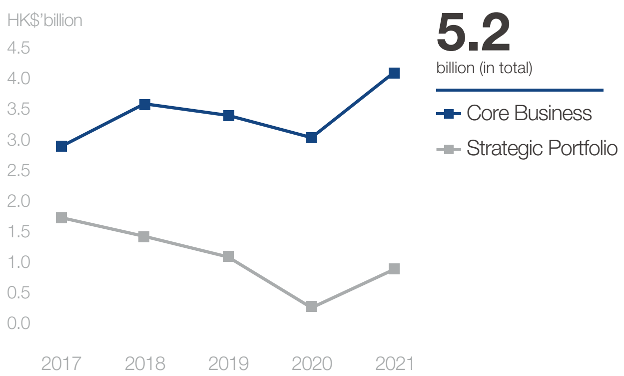
	2021 HK$'m	2020 HK$'m
Revenue [(1)]	**28,197.3**	22,612.2
Attributable Operating Profit	**5,225.9**	3,514.3
Dividend per share – interim and final	**HK$0.59**	HK$0.58
Dividend payout ratio	**201%**	896%

	As at 30 June 2021 HK$'m	As at 30 June 2020 HK$'m
Total assets	**152,572.9**	150,052.0
Net Assets	**58,454.0**	57,457.7
Net Assets per Share	**HK$14.95**	HK$14.69
Cash and bank balances	**10,804.6**	13,221.8
Unutilized committed banking facilities	**19,400.0**	14,600.0
Net Debt	**14,543.4**	17,733.9
Net Gearing Ratio	**25%**	31%

Remark:
(1) Revenue from continuing operations (comparative figure for FY2020 has been restated)

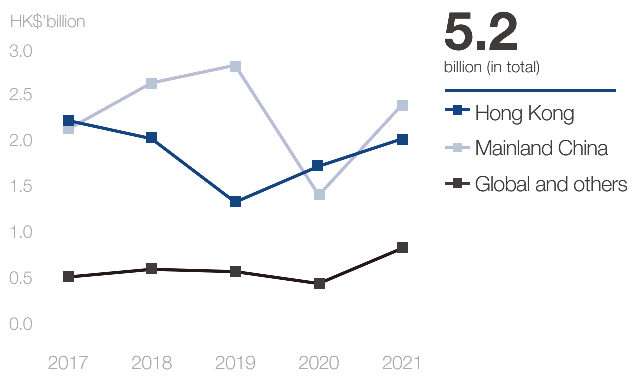
AOP by Division

for the year ended 30 June



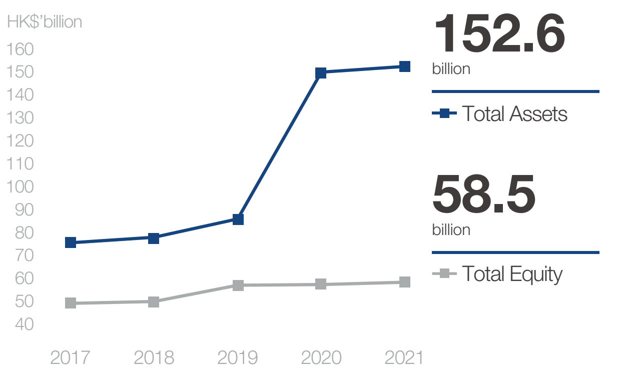
AOP by Region

for the year ended 30 June



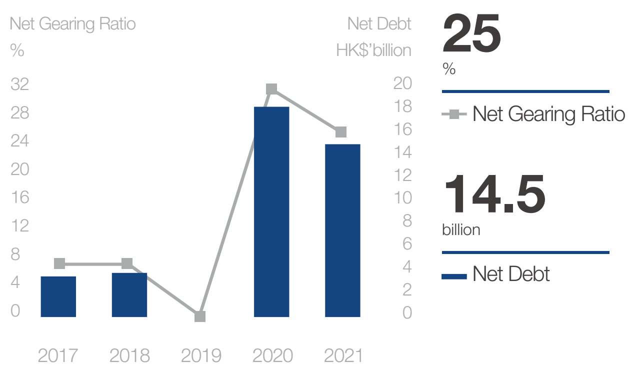
Total Assets and Total Equity

as at 30 June



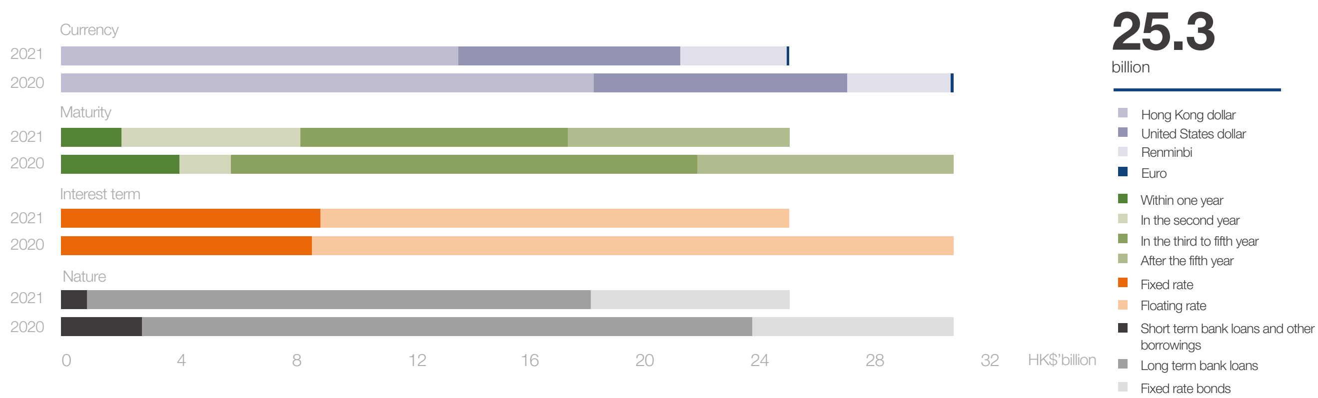
Net Gearing Ratio and Net Debt

as at 30 June



Debt Profile

as at 30 June



BOARD OF DIRECTORS

Dr Cheng Kar Shun, Henry *GBM, GBS*

Chairman

Dr Cheng, aged 74, was appointed as Executive Director in March 2000 and became the Chairman from March 2001. He is also the Chairman of the Executive Committee and the Nomination Committee of the Company. Dr Cheng is the Chairman and an executive director of each of NWD (a substantial shareholder of the Company) and Chow Tai Fook Jewellery Group Limited, the Chairman and a non-executive director of FSE Lifestyle Services Limited (formerly known as FSE Services Group Limited) and the Vice Chairman and a non-executive director of i-CABLE Communications Limited, all being listed public companies in Hong Kong. He was a non-executive director of SJM Holdings Limited (retired on 11 June 2019) and DTXS Silk Road Investment Holdings Company Limited (resigned on 19 March 2021) as well as the Chairman and a non-executive director of New World Department Store China Limited (resigned on 13 May 2021), all being listed public companies in Hong Kong. Dr Cheng is also a director and the Honorary Chairman of NWCL and a director of several substantial shareholders of the Company, namely Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited, CTFC, CTFH, CTF Enterprises and Mombasa Limited. Dr Cheng is the Chairman of the Advisory Council for The Better Hong Kong Foundation. He was a Standing Committee Member of the Twelfth Chinese People's Political Consultative Conference of the People's Republic of China. Dr Cheng was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal in 2001 and 2017 respectively by the Government of the HKSAR. Dr Cheng is the father of Dr Cheng Chi Kong, Adrian, Mr Cheng Chi Ming, Brian and Mr Cheng Chi Leong, Christopher, and the uncle of Mr William Junior Guilherme Doo.

Mr Ma Siu Cheung *GBS, JP*

Executive Director and Chief Executive Officer

Mr Ma, aged 58, was appointed as Executive Director in July 2018. He was the Chief Operating Officer of the Company during the period from July to December 2018 and became the Chief Executive Officer of the Company from January 2019. He is also the Chairman of the Sustainability Committee and a member of the Executive Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee of the Company. He is also a director of certain subsidiaries of the Group and is responsible for overseeing the overall strategic development and business operations of the Group. During the period from February to June 2018, Mr Ma was the Acting Chief Executive Officer of Hong Kong-Shenzhen Innovation and Technology Park Limited. He joined the Government of the HKSAR in January 2014 as the Under Secretary for Development and was subsequently appointed as the Secretary for Development in February 2017 and remained in the post until June 2017. Prior to working with the Government of the HKSAR, Mr Ma was the Executive Vice-President for Civil and Infrastructure Business (Asia Pacific) of AECOM Asia Company Limited. Mr Ma is a Fellow of the Hong Kong Institution of Engineers, the Institution of Civil Engineers, United Kingdom, the Institution of Structural Engineers, United Kingdom, the Chartered Institution of Highways and Transportation, United Kingdom and Royal Institution of Chartered Surveyors, United Kingdom. He is also a Registered Professional Engineer in Hong Kong and a Chartered Engineer in the United Kingdom. Mr Ma holds a Bachelor of Science degree in Engineering (Civil) from The University of Hong Kong and a Master of Engineering degree in Transportation Planning from Monash University, Australia. He is a Vice President of The Hong Kong Institution of Engineers, an Honorary Professor of the School of Science and Technology of The Hong Kong Metropolitan University and an Adjunct Professor of the Department of Civil and Environmental Engineering, Faculty of Construction and Environment of The Hong Kong Polytechnic University and the Department of Real Estate and Construction, Faculty of Architecture of The University of Hong Kong. Mr Ma is a committee member of the Chinese People's Political Consultative Conference of Shenzhen. Mr Ma was appointed as Justice of the Peace in 2014 and was awarded the Gold Bauhinia Star by the Government of the HKSAR in 2017.

Dr Cheng Chi Kong, Adrian *JP*

Executive Director

Dr Cheng, aged 41, was appointed as Executive Director in October 2019 and is a member of the Executive Committee of the Company. He is also a director of a subsidiary of the Group and is responsible for overseeing the strategic direction of the Group's businesses. He is the Executive Vice-Chairman and Chief Executive Officer of NWD (a substantial shareholder of the Company), a non-executive director and the Chairman of New World Department Store China Limited (re-designated from an executive director to a non executive director and appointed as the Chairman both on 13 May 2021), an executive director of Chow Tai Fook Jewellery Group Limited, and a non-executive director of Giordano International Limited and New Century Healthcare Holding Co. Limited, all being listed public companies in Hong Kong. Dr Cheng is a director and the Executive Chairman of NWCL and the Chairman of New World Group Charity Foundation Limited. He is also a director of CTFH and CTF Enterprises, both being substantial shareholders of the Company. Dr Cheng was a non-executive director of i-CABLE Communications Limited (resigned on 2 July 2019), a listed public company in Hong Kong.

Dr Cheng is a member of the Tianjin Municipal Committee of The Chinese People's Political Consultative Conference of the People's Republic of China, the Chairman of China Young Leaders Foundation, the Honorary Chairman of K11 Art Foundation and the Vice-Chairman and Group Chief Executive Officer of CTF Education Group. He was the Vice-Chairman of the 11th and 12th committee of the All-China Youth Federation. He was acknowledged by Fortune as one of "40 Under 40" global business stars and a "Young Global Leader" by the World Economic Forum in 2012. Dr Cheng is a Justice of Peace appointed by the Government of the HKSAR since 2016 and was made an Officier in the Ordre des Arts et des Lettres by the French Government in 2017. Dr Cheng holds a Bachelor of Arts Degree *(cum laude)* from Harvard University, and was conferred the Honorary Doctorate of Humanities by the Savannah College of Art and Design in 2014. Prior to joining NWD in 2006, Dr Cheng worked in a major international bank and has substantial experience in corporate finance. He is the son of Dr Cheng Kar Shun, Henry, the brother of Mr Cheng Chi Ming, Brian and Mr Cheng Chi Leong, Christopher and the cousin of Mr William Junior Guilherme Doo.

Mr Cheung Chin Cheung

Executive Director

Mr Cheung, aged 65, was appointed as Executive Director in October 2003 and is also a member of the Executive Committee, the Corporate Governance Committee and the Sustainability Committee of the Company. He had been an executive director of the Company during the period from May 1998 to January 2003. Mr Cheung is currently the Chairman of Guangzhou Nothring Intelligent Transportation Technology Company Limited and Tianjin Xinzhan Expressway Company Limited and the Vice Chairman of Beijing-Zhuhai Expressway Guangzhou-Zhuhai Section Company Limited and Hunan Daoyue Expressway Industry Company Limited. He is also a director of a number of companies in Mainland China and certain subsidiaries of the Group, and is mainly responsible for overseeing the Group's infrastructure business. Mr Cheung was a director of Chongqing Water Group Company Limited (resigned on 29 January 2021), a company listed in Shanghai, the PRC. He was also a director of Sino-French Holdings (Hong Kong) Limited (now known as SUEZ NWS Limited) and Far East Landfill Technologies Limited, the Vice Chairman of Derun Environment and Companhia de Electricidade de Macau – CEM, S.A., and the Managing Director of The Macao Water Supply Company Limited. He had been a member of the Infrastructure Development Advisory Committee and the China Trade Advisory Committee of the Hong Kong Trade Development Council. He has over 30 years of experience in business development, investment and management in the infrastructure business in Mainland China. Mr Cheung is a member of the Hebei Province Committee of the Twelfth Chinese People's Political Consultative Conference of the People's Republic of China. He holds a Bachelor of Commerce degree from Curtin University, Australia and is a Chartered Professional Accountant of Canada.

Mr Cheng Chi Ming, Brian

Executive Director

Mr Cheng, aged 38, was appointed as Executive Director in July 2009 and is also a member of the Executive Committee and the Sustainability Committee of the Company. He is also a director of certain subsidiaries of the Group. He has been with the Company since January 2008 and is mainly responsible for overseeing the infrastructure business and the merger and acquisition affairs of the Group. Mr Cheng is the Chairman and a non-executive director of Integrated Waste Solutions Group Holdings Limited and a non-executive director of Haitong International Securities Group Limited and Wai Kee, all being listed public companies in Hong Kong. He is also the Chairman of Goshawk, and a director of SUEZ NWS, PBA International Pte. Ltd. and a number of companies in Mainland China. Mr Cheng was a non-executive director of Leyou Technologies Holdings Limited (resigned on 5 June 2019), whose shares were listed on the Hong Kong Stock Exchange. He is currently a member of the Thirteenth Shanghai Municipal Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. Before joining the Company, Mr Cheng had been working as a research analyst in the Infrastructure and Conglomerates sector for CLSA Asia-Pacific Markets. Mr Cheng holds a Bachelor of Science degree from Babson College in Massachusetts, USA. Mr Cheng is the son of Dr Cheng Kar Shun, Henry, the brother of Dr Cheng Chi Kong, Adrian and Mr Cheng Chi Leong, Christopher, and the cousin of Mr William Junior Guilherme Doo.

Mr Ho Gilbert Chi Hang

Executive Director

Mr Ho, aged 45, was appointed as Executive Director in July 2018 and is also a member of the Executive Committee of the Company. Joining the Company in January 2018, he is also a director of certain subsidiaries of the Group and is responsible for overseeing the business development and merger and acquisition affairs, and certain businesses of the Group. Mr Ho has extensive experience in the area of corporate management, investments, corporate finance, merger and acquisition transactions and international brand and retail management. Prior to joining the Group, Mr Ho was a director and/or senior executive in several Hong Kong listed public companies. He was the senior investment director of NWD (a substantial shareholder of the Company) and an executive director of New World Strategic Investment Limited. He was also a partner of an international law firm Fried, Frank, Harris, Shriver & Jacobson LLP. Mr Ho is an independent non-executive director of Asia Allied Infrastructure Holdings Limited and Kam Hing International Holdings Limited, and a non-executive director of Shoucheng Holdings Limited and Wai Kee, all being listed public companies in Hong Kong. He was an independent non-executive director of Hailiang International Holdings Limited (resigned on 1 September 2020), a listed public company in Hong Kong. Mr Ho is a member of the Industry Advisory Committee of Insurance Authority, the Deputy Chairman of the Greater Bay Area Committee of CPA Australia, a member of the China Committee of Hong Kong General Chamber of Commerce, a committee member of the Chinese People's Political Consultative Conference of Shenyang, a standing committee member of the Youth Federation of Inner Mongolia and the Vice Chairman of Inner Mongolia & Hong Kong Youth Exchange Association. Mr Ho holds a Bachelor of Commerce degree and a Bachelor of Laws degree from the University of Sydney, Australia and was admitted as a solicitor in New South Wales, Australia and England and Wales and as a solicitor and barrister in the High Court of Australia. He is also a fellow member of CPA Australia.

Mr Chow Tak Wing

Executive Director

Mr Chow, aged 54, was appointed as Executive Director in July 2018 and is also a member of the Executive Committee and the Corporate Governance Committee of the Company. He joined the Company in August 2002 and is a director of certain subsidiaries of the Group. He is responsible for the management of certain businesses of the Group. Mr Chow is a director of HML and Hip Hing Construction Company Limited. He was the Company Secretary of the Company during the period from October 2004 to February 2021. Mr Chow has over 32 years' experience in accounting and financial management and corporate governance. Prior to joining the Group, he was a manager of an international accounting firm and senior executive of several Hong Kong listed public companies. Mr Chow is a member of HKICPA and a fellow member of the Association of Chartered Certified Accountants, United Kingdom, The Hong Kong Chartered Governance Institute and The Chartered Governance Institute, United Kingdom. He holds an Executive Master of Business Administration degree from Western University, Canada.

Mr Cheng Chi Leong, Christopher

Executive Director

Mr Cheng, aged 32, was appointed as Executive Director in December 2020 and is a member of the Executive Committee of the Company. He is also a director of certain subsidiaries of the Group. He has been with the Company since January 2019 and is mainly responsible for overseeing the business development and strategic investments of the Group. Prior to joining the Company, Mr Cheng has worked in the venture capital and hedge fund industry for a number of years and has in-depth experience in portfolio management of global equities with focus on Asian developed markets, management of various hedge funds, trade bookings and executions on a variety of products and has substantial experience in corporate finance. Mr Cheng holds a Bachelor of Arts in Economics Degree from Harvard University. He is the son of Dr Cheng Kar Shun, Henry, the brother of Dr Cheng Chi Kong, Adrian and Mr Cheng Chi Ming, Brian, and the cousin of Mr William Junior Guilherme Doo.

Mr To Hin Tsun, Gerald

Non-executive Director

Mr To, aged 72, was appointed as Independent Non-executive Director in May 1998 and was re-designated as Non-executive Director in August 2002. Mr To has been a practising solicitor in Hong Kong since 1975. He is also qualified as a solicitor in the United Kingdom, as well as an advocate and solicitor in Singapore. Mr To is also a non-executive director of Mongolia Energy Corporation Limited whose shares are listed on the Main Board of the Hong Kong Stock Exchange.

Mr Dominic Lai

Non-executive Director

Mr Lai, aged 74, was appointed as Independent Non-executive Director in August 2002 and was re-designated as Non-executive Director in September 2004. He is also a member of the Audit Committee and the Sustainability Committee of the Company. He is a director of NWS Holdings Charities Foundation Limited. Mr Lai is a practising solicitor in Hong Kong and is also admitted in England and Wales, the Republic of Singapore and the States of New South Wales and Victoria, Australia. He is a senior partner of the Hong Kong law firm, Iu, Lai & Li. Mr Lai is also a non-executive director of Chuang's China Investments Limited and Oriental Enterprise Holdings Limited (formerly known as Oriental Press Group Limited), both being listed public companies in Hong Kong.

Mr William Junior Guilherme Doo *JP*

Non-executive Director

Mr Doo, aged 47, was appointed as Director in December 2005 and was re-designated from Executive Director to Non-executive Director in July 2014. He is also a member of the Sustainability Committee of the Company. Mr Doo is an executive director of FSE Lifestyle Services Limited (formerly known as FSE Services Group Limited) and an independent non-executive director of The Bank of East Asia, Limited, both being listed public companies in Hong Kong. Mr Doo is a solicitor admitted in the HKSAR and is currently a non-practising solicitor in England and Wales. He had legal practice experience in one of the largest global law firms specializing in finance and corporate transactions. He is a member of the Standing Committee of the Thirteenth Chinese People's Political Consultative Conference in Beijing of the People's Republic of China. He has been appointed as Justice of the Peace in 2018. Mr Doo is the nephew of Dr Cheng Kar Shun, Henry and the cousin of Dr Cheng Chi Kong, Adrian, Mr Cheng Chi Ming, Brian and Mr Cheng Chi Leong, Christopher.

Mr Lam Wai Hon, Patrick

Alternate director to Mr William Junior Guilherme Doo

Mr Lam, aged 59, was appointed as Executive Director in January 2003 and was re-designated as Non-executive Director in January 2016, and retired on 25 November 2020. He was appointed as an alternate director to Mr William Junior Guilherme Doo, a non-executive director of the Company, on 25 November 2020. Mr Lam is currently an executive director and the Chief Executive Officer of FSE Holdings Limited. He is also an executive director and the Vice Chairman of the board of directors of FSE Lifestyle Services Limited (formerly known as FSE Services Group Limited), a listed public company in Hong Kong. Mr Lam is a Chartered Accountant by training and is a fellow of HKICPA and the Institute of Chartered Accountants in England and Wales, and a member of the Chartered Professional Accountants of Ontario, Canada. He is a member of the Asia advisory board of Ivey Business School of Western University, Canada.

Mr Kwong Che Keung, Gordon

Independent Non-executive Director

Mr Kwong, aged 72, was appointed as Independent Non-executive Director in October 2002 and is the Chairman of the Audit Committee and the Corporate Governance Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. He is an independent non-executive director of a number of Hong Kong listed public companies including Agile Group Holdings Limited, Chow Tai Fook Jewellery Group Limited, COSCO SHIPPING International (Hong Kong) Co., Ltd., FSE Lifestyle Services Limited (formerly known as FSE Services Group Limited), Henderson Investment Limited and Henderson Land Development Company Limited. He is also an independent non-executive director of Piraeus Port Authority S.A., a listed company in Athens, Greece. He was an independent non-executive director of OP Financial Limited (now known as Wealthking Investments Limited) (retired on 27 August 2019), Global Digital Creations Holdings Limited (retired on 22 May 2020) and China Power International Development Limited (retired on 3 June 2021), all being listed public companies in Hong Kong. Mr Kwong is a fellow member of the Institute of Chartered Accountants in England and Wales and HKICPA. He was a Partner of Price Waterhouse from 1984 to 1998 and an independent member of the Council of the Hong Kong Stock Exchange from 1992 to 1997, during which, he had acted as convener of both the Compliance Committee and the Listing Committee.

Dr Cheng Wai Chee, Christopher *GBS, OBE, JP*

Independent Non-executive Director

Dr Cheng, aged 73, was appointed as Independent Non-Executive Director in January 2003 and is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Dr Cheng is the Chairman and an executive director of Wing Tai Properties Limited, a listed public company in Hong Kong. He is an independent non-executive director of Eagle Asset Management (CP) Limited (as manager of Champion Real Estate Investment Trust which is listed on the Hong Kong Stock Exchange). Dr Cheng is also an independent non-executive director of The Hongkong and Shanghai Banking Corporation Limited. Dr Cheng has a keen interest in the public services. He serves as a member of the Board of Overseers of Columbia Business School and a member of the President's Council on International Activities of Yale University. He retired as a member of the board of Temasek Foundation CLG Limited on 7 September 2016. Dr Cheng holds a Doctorate in Social Sciences *honoris causa* from The University of Hong Kong and a Doctorate in Business Administration *honoris causa* from The Hong Kong Polytechnic University. He graduated from the University of Notre Dame, Indiana with a BBA degree and from Columbia University, New York with an MBA degree.

The Honourable Shek Lai Him, Abraham *GBS, JP*

Independent Non-executive Director

Mr Shek, aged 76, was appointed as Independent Non-executive Director in September 2004 and is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Mr Shek is an independent non-executive director of China Resources Cement Holdings Limited, Chuang's China Investments Limited (also acts as Honorary Chairman), Chuang's Consortium International Limited, Cosmopolitan International Holdings Limited, Country Garden Holdings Company Limited, CSI Properties Limited, Everbright Grand China Assets Limited, Far East Consortium International Limited, Hao Tian International Construction Investment Group Limited, ITC Properties Group Limited (also acts as Vice Chairman), Lai Fung Holdings Limited, Landing International Development Limited, Lifestyle International Holdings Limited, Paliburg Holdings Limited, and International Alliance Financial Leasing Co., Ltd. (appointed on 28 July 2021), and an executive director and the Vice Chairman of Goldin Financial Holdings Limited (re-designated from independent non-executive director to executive director and appointed as the Vice Chairman both on 1 March 2021), all being listed public companies in Hong Kong. He is also an independent non-executive director of Eagle Asset Management (CP) Limited (the manager of Champion Real Estate Investment Trust) and Regal Portfolio Management Limited (the manager of Regal Real Estate Investment Trust), both of which are listed on the Hong Kong Stock Exchange. Mr Shek was an independent non-executive director of MTR Corporation Limited (retired on 22 May 2019), Hop Hing Group Holdings Limited (retired on 2 June 2020) and SJM Holdings Limited (retired on 28 May 2021) and the Chairman of Chuang's China Investments Limited (retired on 29 April 2019), all being listed public companies in Hong Kong. Mr Shek is a member of the Legislative Council for the HKSAR representing real estate and construction functional constituency since 2000. He was appointed as Justice of the Peace in 1995 and was awarded the Gold Bauhinia Star in 2013. Mr Shek graduated from the University of Sydney with Bachelor of Arts.

Mr Lee Yiu Kwong, Alan

Independent Non-executive Director

Mr Lee, aged 77, was appointed as Independent Non-executive Director in October 2012 and he is also a member of the Audit Committee and the Sustainability Committee of the Company. He is also a member of a steering committee on insurance business of the Group. Mr Lee is the former Chief Executive Officer of CSX World Terminals Hong Kong Limited and ATL Logistics Centre Hong Kong Limited. Mr Lee has over 40 years of shipping and logistics experience, including over 15 years of international experience working in the United States, the Netherlands, Malaysia, Singapore and Thailand. Mr Lee is the former Chairman of Hong Kong Container Terminal Operators Association. He was also a committee member of Hong Kong Business Advisory Committee, Logistics Advisory Committee of Hong Kong Trade Development Council, Hong Kong Port Development Council, Hong Kong Logistics Development Council and the Sailors Home and Missions to Seamen Hong Kong. Mr Lee is an accountant by training and has over six years of experience at KPMG.

Mrs Oei Fung Wai Chi, Grace

Independent Non-executive Director

Mrs Oei, aged 68, was appointed as Independent Non-executive Director in January 2016 and is also a member of the Corporate Governance Committee and the Sustainability Committee of the Company. She is currently the Chairperson of Ronald McDonald House Charities in Hong Kong since September 2008 and she has been elected to the global board of trustees of Ronald McDonald House Charities in Chicago since 1 January 2015. Mrs Oei had worked in investment banking and wholesale banking for 36 years. She was the Vice Chairman, Corporate & Institutional Clients, at Standard Chartered Bank, Hong Kong when she retired from the bank in November 2014. Before joining Standard Chartered Bank in 2002, she had worked with UBS for nine years including service as Managing Director responsible for corporate finance and fixed income. During her service with UBS, Mrs Oei had regional responsibilities for institutional sales, fixed income, supervising a team in Hong Kong and Singapore which covered 13 countries in Asia (excluding Japan). Her team advised central banks and other institutional investors in Asia on fixed income investments and hedging strategies for interest rates and currencies. Mrs Oei had taken on a number of public service responsibilities over the years, including as a member of the Takeovers and Mergers Panel and the Takeovers Appeal Committee of the Securities and Futures Commission and a member of the Finance Committee of the Hong Kong Housing Authority. Mrs Oei graduated from the London School of Economics and Political Science, London University, with a BSc (Econ) degree, majoring in Accounting and Finance.

Mr Wong Kwai Huen, Albert *BBS, JP*

Independent Non-executive Director

Mr Wong, aged 69, was appointed as Independent Non-executive Director in July 2018 and is also a member of the Corporate Governance Committee of the Company. He is currently the principal of Huen Wong & Co. He was the principal of Fried, Frank, Harris, Shriver & Jacobson (China Offices) and has served as its Managing Partner in Asia from 2006 until 2011. He is also an independent non-executive director of China Oilfield Services Limited, Hua Hong Semiconductor Limited and Vinda International Holdings Limited, all being listed public companies in Hong Kong. He was an independent non-executive director of China International Marine Containers (Group) Co., Ltd. (retired on 3 June 2019), a listed public company in Hong Kong. Mr Wong holds a Bachelor of Arts degree from The Chinese University of Hong Kong and a Bachelor of Laws degree from the University of London, United Kingdom. He is admitted as a solicitor in Hong Kong, the United Kingdom and Singapore.

Mr Wong is a board member of Aviation Security Company Limited and The Hong Kong Mortgage Corporation Limited, and the Honorary Chairman of Hong Kong International Arbitration Centre. He is also the Chairman of the Board of Review (Inland Revenue Ordinance), a council member of The Hong Kong Institute of Directors, the Honorary Adviser of Financial Reporting Council, the Honorary Legal Adviser of Hong Kong Business Accountants Association, the former President of the Law Society of Hong Kong and the Inter-Pacific Bar Association and the former Chairman of the Copyright Tribunal. Mr Wong holds the posts of honorary lecturer, external examiner and professorships at The University of Hong Kong, The Chinese University of Hong Kong, City University of Hong Kong, The Hang Seng University of Hong Kong and Hong Kong Shue Yan University. He was appointed as Justice of the Peace in 2010 and was awarded the Bronze Bauhinia Star by the Government of the HKSAR in 2014.

SENIOR MANAGEMENT

Mr Cheng Chi Kwok

Senior Director – Infrastructure
NWS Infrastructure Management Limited

Mr Cheng, aged 57, joined New World Group in 1993 and is the Senior Director (Infrastructure) of NWS Infrastructure Management Limited, a wholly-owned subsidiary of the Company. He is also a director of NWS Infrastructure Management Limited and several major PRC joint ventures in the Roads segment of the Group. Mr Cheng holds a Bachelor of Business Administration degree and he has over 25 years of experience in project development, investment and management in the infrastructure and roads business in Mainland China.

Mr Lam Jim

Chief Financial Officer
NWS Holdings Limited

Mr Lam, aged 51, joined the Company in January 2021 and is responsible for overseeing the overall finance and accounting functions of the Group. Before joining the Company, he was the director of Finance and Accounts of NWD, a substantial shareholder of the Company. Prior to working with New World Group, Mr Lam was the chief financial officer of ANTA Sports Products Limited as well as an executive director and the chief financial officer of SOHO China Limited. Mr Lam is a member of HKICPA. He holds a Bachelor of Business Administration degree from The Chinese University of Hong Kong and a Master of Science degree in Accounting and Finance from The London School of Economics and Political Science. Mr Lam is also a seasoned investor relations professional with a strong equity research background. He was awarded the Hong Kong Investor Relations Association's Best IR by CFO Large Cap and Institutional Investor's Best CFOs Buy-side (Consumer) in 2017.

Mr Tang Wai Yau

Company Secretary and Head of Legal
NWS Holdings Limited

Mr Tang, aged 51, joined the Company in November 2018 as Head of Legal and was appointed as the Company Secretary of the Company on 1 March 2021. He is a solicitor qualified to practise in Hong Kong and England and Wales. Prior to joining the Company, Mr Tang served as Head of Legal, Legal and Compliance Department of CMB International Capital Corporation Limited and worked in various international law firms and corporates. He has over 25 years of experience in legal, compliance and company secretarial fields.

Mr Tang holds a Bachelor of Arts degree in Public Policy and Management from University of Ulster, a Master of Social Sciences degree and postgraduate certificate in Laws from The University of Hong Kong, a Bachelor of Laws degree from Manchester Metropolitan University, a Master of Laws degree from University College London and a Bachelor of Laws degree from Peking University.

Mr Chu Tat Chi

Managing Director
Hip Hing Construction Company Limited

Mr Chu, aged 64, joined Hip Hing Construction Company Limited, a wholly-owned subsidiary of the Company, in 1979 and is currently its Managing Director. Mr Chu graduated from the Hong Kong Polytechnic in 1978 with a Diploma in Building Studies. He has over 40 years of experience in the civil engineering and construction industries. Mr Chu is also a director of Quon Hing Concrete Company Limited. Prior to joining Hip Hing Construction Company Limited, he had worked in the Public Works Department of Hong Kong Government.

Ms Lee Yuk Har, Monica

Managing Director
Hong Kong Convention and Exhibition Centre (Management) Limited

Ms Lee, aged 56, joined HML, a wholly-owned subsidiary of the Company, in 1994 and is currently its Managing Director. Ms Lee is a proven veteran in the hospitality industry and venue management for over 30 years. She is an executive committee member of the Hong Kong Exhibition & Convention Industry Association. She has served as a board member of UFI, The Global Association of the Exhibition Industry since 2008 and has been elected as the Incoming President for 2021/22 to lead the organization, which comprised 781 members in 85 countries and regions. Ms Lee was conferred the Honorary Fellowship by the Vocational Training Council in 2016. Ms Lee holds a Master degree in Management from Macquarie University, Sydney, Australia, a Professional Certificate in Event Management & Marketing from the School of Business and Public Management of George Washington University, USA.

Mr Wong Ho Shing, Alex

Chief Executive Officer
Sky Connection Limited

Mr Wong, aged 65, joined Sky Connection Limited, a wholly-owned subsidiary of the Company, in November 2019 as Director – Operations and is currently its Chief Executive Officer. Prior to joining Sky Connection Limited, Mr. Wong worked in Dannemann Cigars (Burger Sohne Group) and was in charge of tobacco sales, marketing and brand building for both Domestic and Duty Free market in Asia Pacific Region. He has also worked in DFS Group Limited for many years with procurement function on Liquor and Tobacco products. Mr. Wong has over 37 years of experience in duty free business operation development and with in-depth knowledge on investment and marketing development of tobacco business, in particular the market of Mainland China.

CORPORATE GOVERNANCE REPORT

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 FY2021, the Company has complied with all the applicable code provisions under the Corporate Governance Code (the "CG Code") as contained in Appendix 14 of 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 25 November 2020 ("2020 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 2020 AGM, together with other members of the Board who attended the 2020 AGM, were of sufficient caliber for answering questions at the 2020 AGM and had answered questions at the 2020 AGM competently.

Governance Overview

Leadership

- **Board governance**
- **Board composition**

Effectiveness

- **Board diversity**
- **Professional experience**
- **Commitment and independence**
- **Continuous professional development to Directors**
- **Company Secretary**

Accountability

- **Board committees**
- **Risk management and internal control**
- **Financial reporting and disclosures**
- **External auditor**

Engagement

- **Communication with shareholders**
- **General meetings**
- **Investor relations**

LEADERSHIP

Board Governance

The Board

Major Roles and Responsibilities and Delegation

- The primary role of the Board is to protect and enhance long-term shareholder value. It sets the overall strategy for the Group, supervises executive management and ensures good corporate governance policies and practices are implemented within the Group.

- In the course of discharging its duties, the Board acts in good faith, with due diligence and care, and in the best interests of the Company and its shareholders.

- Day-to-day operation of the businesses of the Company is delegated to the management who is led by the Executive Committee. The management is being closely monitored by the Board and is accountable for the performance of the Company as measured against the corporate goals and business targets set by the Board.

- The Board has separate and independent access to the senior management and the Company Secretary at all times. With prior request to the Company Secretary, the Board is given access to independent professional advice at any time when it thinks appropriate.

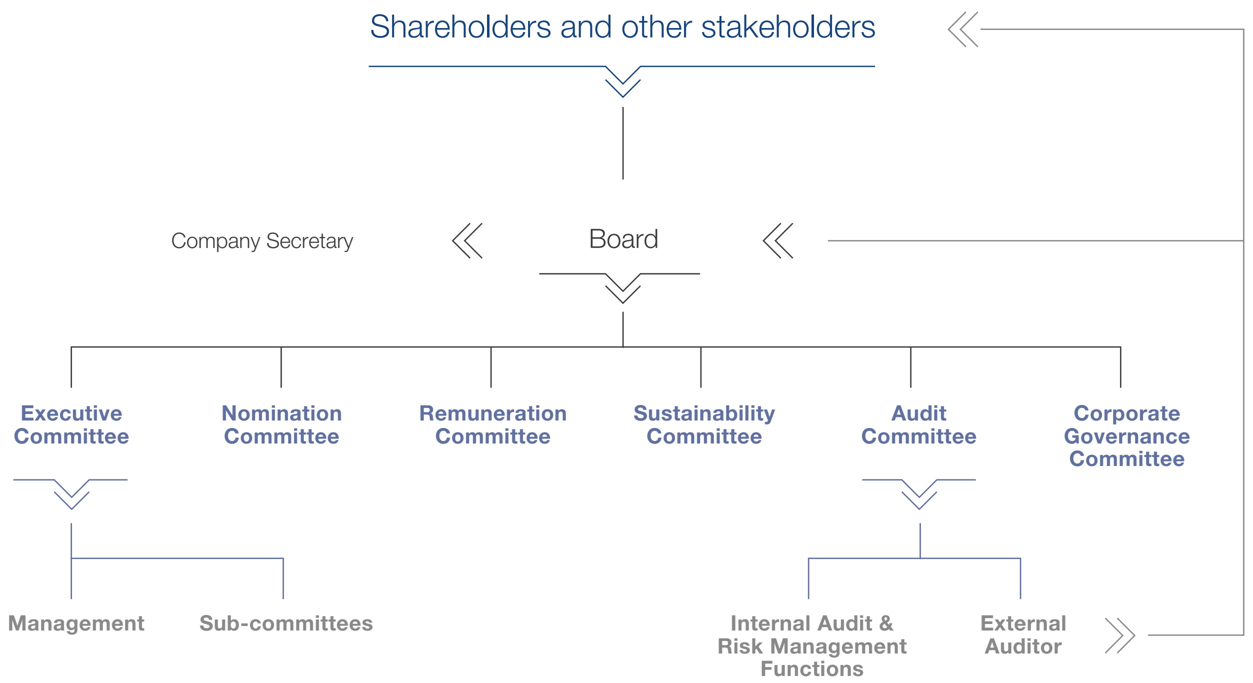
- Appropriate liability insurance for directors has been arranged for indemnifying their liabilities arising out of corporate activities. This insurance coverage is reviewed on an annual basis.

Chairman and Chief Executive Officer

- The two posts are separate to ensure a clear distinction between the Chairman's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Company's business.

- Division of responsibilities between the Chairman and the Chief Executive Officer is clearly established and set out in writing.

Governance Framework



- In support of the Group's governance framework, comprehensive guidelines, policies and procedures have been formulated by the Board and are reviewed regularly by the Board and the relevant board committees. Such guidelines and policies include:

    - Director's Manual
    - Guidelines on Risk Management & Internal Control Systems
    - Whistleblowing Policy
    - Board Diversity Policy
    - Shareholders' Communication Policy
    - Corporate Governance Manual
    - Corporate Policy on Staff Responsibility
    - Disclosure Policy for Inside Information
    - Dividend Policy
    - Sustainability Policy
    - Terms of reference for various board committees

  These documents are updated in line with the amendments of applicable legislations and rules as well as the current market practices from time to time.

- The Board is responsible for performing the corporate governance duties. Specific terms of reference are set out in the Corporate Governance Manual of the Company and the relevant duties include the following:

  (a) to develop and review the Company's policies and practices on corporate governance;

  (b) to review and monitor the training and continuous professional development of directors and senior management;

  (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) to review the Company's compliance with the CG Code and disclosures in the Corporate Governance Report.

Board Meeting

- The Board meets regularly at least four times a year at quarterly intervals and holds additional meetings as and when the Board thinks appropriate. Five Board meetings were held during FY2021.

- Notice of no less than 14 days was given to all directors for the regular Board meetings. Draft agendas for Board meetings were prepared by the Company Secretary and were circulated to all directors for comment before each meeting. Directors were given an opportunity to include any other matters in the agenda. Board papers were made available to the directors not less than three business days before the intended date of the regular Board meetings.

- Minutes of Board meetings were prepared by the Company Secretary with details of decisions reached, any concerns raised and dissenting views expressed. The draft minutes were sent to all directors within a reasonable time after each meeting for their comment before being formally signed by the chairman of the meeting. Final versions of minutes of the Board meetings were made available to the directors for information and record.

- At each regular Board meeting, executive directors of the Company made presentations to the Board on various aspects, including the business performance, financial performance, corporate governance and outlook, etc.

- Throughout FY2021, directors of the Company also participated in the consideration and approval of matters of the Company by way of written resolutions circulated to them. Supporting written materials were provided in the circulation and verbal briefings were given by the subject executive directors or the Company Secretary when required.

- Pursuant to the bye-laws of the Company, a director, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his/her interest at the meeting of the Board at which the question of entering into the contract or arrangement is first considered. Furthermore, a director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates is to his/her knowledge materially interested. Matters to be decided at Board meetings are decided by a majority of votes from directors entitled to vote. These bye-laws were strictly observed throughout FY2021.

Securities Transactions of Directors and Relevant Employees

- The Company has adopted 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 FY2021.

- 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 FY2021.

- Employees are bound by the corporate policy issued by the Company, among other things, to keep unpublished inside information confidential and refrain from dealing in the Company's securities if they are in possession of such inside information.

- Formal notifications are sent by the Company to all directors and Relevant Employees reminding them that they should not deal in the securities of the Company during the "black-out period" specified in the Model Code.

Board Composition

- The Board is a diversified board comprising 17 members, with expertise and experience covering a wide range of professions. Their biographical details (including their relationships (if any)) are set out in the "Board of Directors and Senior Management" section of this annual report and available on the Company's website.

- The non-executive directors have actively participated in the board committees of the Company and have made significant contribution of their skills and expertise to these committees.

Nomination, Appointment and Re-election of Directors

Nomination

- Formal nomination procedures were adopted by the Board for governing the nomination and re-election of directors. Nomination Committee will review and discuss the nomination of any director for his/her suitability on the basis of qualifications, experience and background.

- Suitable candidate will be recommended by the Nomination Committee to the Board for consideration.

Appointment

- The Board, having considered the recommendation from the Nomination Committee, will decide whether to approve the proposed appointment.

- None of the directors of the Company has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

- All non-executive directors are appointed under fixed term and are also subject to retirement on a rotational basis in accordance with the bye-laws of the Company.

During FY2021, the appointment of Mr Cheng Chi Leong, Christopher as executive director was considered by the Nomination Committee and recommendation was made to the Board for approval of his appointment. This appointment was then approved by the Board and took effect on 1 December 2020.

Re-election

- Nomination Committee will make recommendations to the Board on the re-appointment of directors.

- The Board will consider whether to put forward the proposal for re-election of directors for shareholders' consideration.

  - Newly appointed directors
    All directors appointed to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

Mr Cheng Chi Leong, Christopher, who was appointed as executive director of the Company on 1 December 2020, hold office until the conclusion of the forthcoming annual general meeting ("2021 AGM") and, being eligible, will offer himself for re-election at the 2021 AGM.

- Existing directors
  One-third of the directors who have been the longest in office since their last re-election or appointment shall retire and be eligible for re-election at each annual general meeting. Each director is subject to retirement by rotation at least once every three years.

  Any further re-appointment of an independent non-executive director, who has served the Board for more than nine years, will be subject to a separate resolution to be approved by the shareholders.

  Mr Cheung Chin Cheung, Mr To Hin Tsun, Gerald, Mr Dominic Lai, Mr William Junior Guilherme Doo and Mr Lee Yiu Kwong, Alan will retire by rotation at the 2021 AGM, and being eligible, will offer themselves for re-election at the meeting.

Remuneration of Directors

- Each director will be entitled to a director's fee which is determined by the Board with authorization granted by the shareholders at the Company's annual general meetings.

- The remuneration of executive directors and senior management of the Company is determined with reference to the Company's performance and profitability, as well as remuneration benchmarks in the industry and the prevailing market conditions. The Company's Human Resources Department assists in providing relevant remuneration data and market conditions for the Remuneration Committee's consideration. Remuneration is performance-based and coupled with an incentive system which is competitive to attract and retain talented employees.

- The emoluments paid to each director for FY2021 are shown in note 15(a) to the financial statements contained in this annual report.

EFFECTIVENESS

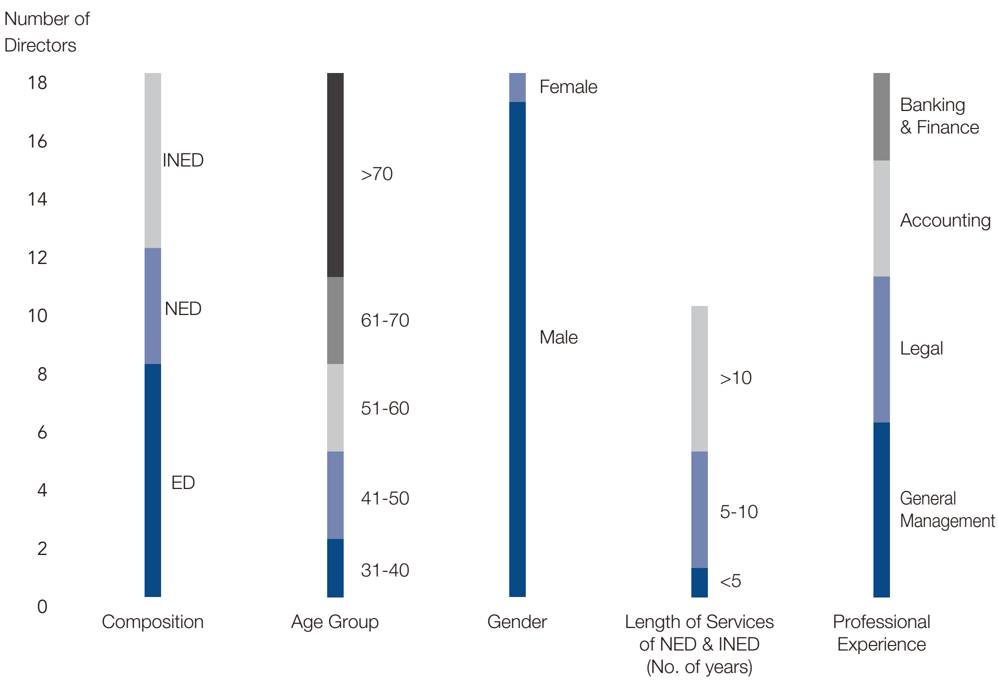
Board Diversity

- The Board currently comprises eight executive directors and nine non-executive directors, six of whom are independent non-executive directors. Coming from diverse business and professional backgrounds, the non-executive directors have shared their valuable experience to the Board for promoting the best interests of the Company and its shareholders.

- The Board adopted the "*Board Diversity Policy*" in June 2013 setting out the approach to achieve diversity on the Board, and strives for a broad spectrum of directors' background to bring along comprehensive considerations in forming board decisions.

- According to the "*Board Diversity Policy*", a truly diverse board will include and make good use of differences in the skills, regional and industrial experience, background, race, gender and other qualities of the members of the Board. These differences will be taken into account in determining the optimum composition of the Board.

- The following illustrates the diversity profile of the Board:



ED – executive directors
NED – non-executive directors
INED – independent non-executive directors

Note: Non-executive directors include an alternate director.

Professional Experience

- The "*Board Diversity Policy*" also states that the Nomination Committee is responsible for setting annual measurable objectives to implement diversity on the Board and recommends them to the Board for adoption. The "*Board Diversity Policy*" has been reviewed by the Nomination Committee during FY2021 to ensure its effectiveness.

Commitment and Independence

Directors' Attendance

- Directors of the Company play an active role in participating in the Company's meetings through contribution of their professional opinions and their active participation in discussion.
- The attendance record of each of the directors for the Board meetings, board committees meetings and general meeting held during FY2021 is listed as follows:

	Meetings attended/held						
Name of director	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting	Sustainability Committee meeting	Corporate Governance Committee meeting	General meeting
Executive directors:							
Dr Cheng Kar Shun, Henry (Chairman of the Board)	3/5	–	1/1	–	–	–	0/1
Mr Ma Siu Cheung	5/5	2/2[1]	1/1	2/2	2/2	1/1	1/1
Dr Cheng Chi Kong, Adrian	5/5	–	–	–	–	–	1/1
Mr Cheung Chin Cheung	5/5	–	–	–	2/2	1/1	1/1
Mr Cheng Chi Ming, Brian	5/5	–	–	–	2/2	–	1/1
Mr Ho Gilbert Chi Hang	5/5	–	–	–	–	–	1/1
Mr Chow Tak Wing	5/5	2/2[2]	1/1[2]	–	–	1/1	1/1
Mr Cheng Chi Leong, Christopher[3]	4/5	–	–	–	–	–	0/1
Non-executive directors:							
Mr To Hin Tsun, Gerald	5/5	–	–	–	–	–	1/1
Mr Dominic Lai	5/5	2/2	–	–	2/2	–	1/1
Mr William Junior Guilherme Doo	5/5	–	–	–	0/2	–	1/1
Mr Lam Wai Hon, Patrick[4]	1/5	–	–	–	1/2	–	1/1
Mr Tsang Yam Pui[5]	2/5	–	–	–	–	–	1/1
Independent non-executive directors:							
Mr Kwong Che Keung, Gordon	5/5	2/2	1/1	2/2	–	1/1	1/1
Dr Cheng Wai Chee, Christopher	5/5	2/2	1/1	2/2	–	–	1/1
Mr Shek Lai Him, Abraham	5/5	2/2	1/1	2/2	–	–	1/1
Mr Lee Yiu Kwong, Alan	5/5	2/2	–	–	2/2	–	1/1
Mrs Oei Fung Wai Chi, Grace	5/5	–	–	–	2/2	1/1	1/1
Mr Wong Kwai Huen, Albert	5/5	–	–	–	–	1/1	1/1

Notes:

1. Attended the meeting as an invitee.
2. Attended the meeting as the Secretary of the board committee.
3. Mr Cheng Chi Leong, Christopher was appointed as director of the Company with effect from 1 December 2020.
4. Mr Lam Wai Hon, Patrick retired as a non-executive director of the Company with effect from the conclusion of the 2020 AGM and was appointed as an alternate director to Mr William Junior Guilherme Doo on 25 November 2020.
5. Mr Tsang Yam Pui resigned as director of the Company with effect from 1 January 2021.

Independence

- Independent non-executive directors represent one-third of the Board, which facilitates in bringing to the Board independent advice and judgement. During the year, the Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules which require at least one-third (and not less than three) directors being independent non-executive directors, and at least one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.

- A written confirmation was received by the Company under Rule 3.13 of the Listing Rules from each of the independent non-executive directors in relation to his/her independence to the Company. The Company considers all its independent non-executive directors to be independent.

- Mr Kwong Che Keung, Gordon, Dr Cheng Wai Chee, Christopher and Mr Shek Lai Him, Abraham, all being independent non-executive directors of the Company, have served the Board for more than nine years. Notwithstanding their long term service, given their extensive business experience and not being connected with any director or substantial shareholder of the Company, the Board is of the opinion that they continue to bring independent and objective perspectives to the Company's affairs.

Continuous Professional Development to Directors

Seminars

- Seminars are arranged or organized from time to time as part of the training programme to develop and refresh knowledge and skills.

- During FY2021, seminars on corporate governance related topics and economic outlook were organized for directors.

Director Induction

- Newly appointed directors are provided with orientation immediately upon his/her appointment.

- They are also provided with a director's manual containing a package of orientation materials on the operations and businesses of the Group, together with information relating to the duties and responsibilities of directors under regulatory requirements and the Listing Rules.

Legal and Regulatory Updates

- The Company Secretary updates directors on the latest developments and changes to the Listing Rules and the applicable legal and regulatory requirements. Reading materials on regulatory updates are provided to directors to update their knowledge.

- An online training platform was introduced since 2019 of which directors can access the training materials provided by the Company through the Company's board website.

- According to the training records maintained by the Company, the training received by each of the directors during FY2021 is summarized in the following table.
- In accordance with the training records provided by the Company's directors, an average of approximately 24 training hours were undertaken by each director (not including time spent for reviewing information relevant to the Company or its businesses or attending corporate events of the Group) during FY2021.

	Type of continuous professional development	
Name of director	Attending expert briefings/ seminars/conferences relevant to the businesses or directors' duties	Reading regulatory updates or corporate governance related materials
Executive directors:		
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	✓	✓
Mr Chow Tak Wing	✓	✓
Mr Cheng Chi Leong, Christopher	✓	✓
Non-executive directors:		
Mr To Hin Tsun, Gerald	✓	✓
Mr Dominic Lai	✓	✓
Mr William Junior Guilherme Doo	✓	✓
Mr Lam Wai Hon, Patrick	✓	✓
Independent non-executive directors:		
Mr Kwong Che Keung, Gordon	✓	✓
Dr Cheng Wai Chee, Christopher	✓	✓
Mr Shek Lai Him, Abraham	✓	✓
Mr Lee Yiu Kwong, Alan	✓	✓
Mrs Oei Fung Wai Chi, Grace	✓	✓
Mr Wong Kwai Huen, Albert	✓	✓

Company Secretary

- As an employee of the Group, the Company Secretary reports to the Chairman and the Board. He is responsible for providing advice on compliance and corporate governance matters and ensuring the effective conduct of meetings and proper procedures are followed.
- The Company Secretary has undertaken over 15 hours of professional training during FY2021 for updating his skills and knowledge.

ACCOUNTABILITY

Board Committees

- The Board delegates its powers and authorities from time to time to committees in order to ensure operational efficiency and specific issues are being handled with relevant expertise.
- Six board committees have been established and each of them has its specific duties and authorities set out in its own terms of reference which are reviewed from time to time.
- Written terms of reference of each of the Audit Committee, the Nomination Committee and the Remuneration Committee are available on the website of each of the Hong Kong Stock Exchange and the Company pursuant to the requirements under the Listing Rules.
- Written terms of reference of each of the Sustainability Committee and the Corporate Governance Committee are available on the website of the Company.
- Regular board committee meetings were held during the year and the number of meetings and attendance of individual committee members are set out on page 23 of this annual report.
- All board committees are provided with sufficient resources to discharge their duties and are empowered to obtain independent legal or other professional advice at the Company's expense.

Members:
Dr Cheng Kar Shun, Henry *(Chairman)*
Mr Ma Siu Cheung
Dr Cheng Chi Kong, Adrian
Mr Cheung Chin Cheung
Mr Cheng Chi Ming, Brian
Mr Ho Gilbert Chi Hang
Mr Chow Tak Wing
Mr Cheng Chi Leong, Christopher

Executive Committee (all are executive directors)

Members:
Dr Cheng Kar Shun, Henry *(Chairman)*
Mr Ma Siu Cheung
Mr Kwong Che Keung, Gordon*
Dr Cheng Wai Chee, Christopher*
Mr Shek Lai Him, Abraham*

Nomination Committee (majority are independent non-executive directors)

Members:
Mr Ma Siu Cheung *(Chairman)*
Mr Cheung Chin Cheung
Mr Cheng Chi Ming, Brian
Mr Dominic Lai
Mr William Junior Guilherme Doo
Mr Lee Yiu Kwong, Alan*
Mrs Oei Fung Wai Chi, Grace*

Sustainability Committee (majority are non-executive directors)

Board

Audit Committee (majority are independent non-executive directors)

Members:
Mr Kwong Che Keung, Gordon* *(Chairman)*
Mr Dominic Lai
Dr Cheng Wai Chee, Christopher*
Mr Shek Lai Him, Abraham*
Mr Lee Yiu Kwong, Alan*

Remuneration Committee (majority are independent non-executive directors)

Members:
Mr Shek Lai Him, Abraham* *(Chairman)*
Mr Ma Siu Cheung
Mr Kwong Che Keung, Gordon*
Dr Cheng Wai Chee, Christopher*

Corporate Governance Committee (half of members are independent non-executive directors)

Members:
Mr Kwong Che Keung, Gordon* *(Chairman)*
Mr Ma Siu Cheung
Mr Cheung Chin Cheung
Mr Chow Tak Wing
Mrs Oei Fung Wai Chi, Grace*
Mr Wong Kwai Huen, Albert*

* independent non-executive director

Executive Committee

Meeting schedule

- meets from time to time when necessary

Major responsibilities

- to review the Group's performance and manage its assets and liabilities in accordance with the policies and directives of the Board
- to make recommendations to the Board in respect of the overall strategy for the Group from time to time

Audit Committee

Meeting schedule

- two meetings were held during FY2021
- a private meeting with the Company's external auditor was held during FY2021 in the absence of the Company's management

Major responsibilities

- to monitor the financial reporting process of the Company and to ensure its financial statements comply with relevant accounting standards
- to review the Company's financial control, risk management and internal control systems and arrangements under the Company's "*Whistleblowing Policy*"
- to govern the engagement of external auditor and its performance and independence

Work performed during FY2021

- reviewing the audited consolidated financial statements of the Group for FY2020 and the interim results of the Group for the six months ended 31 December 2020
- reviewing the continuing connected transactions of the Company during FY2020 and during the six months ended 31 December 2020
- reviewing the risk management and internal control systems of the Company
- making recommendation to the Board on the revised "*Guideline on Risk Management and Internal Control Systems*"
- reviewing the internal audit plan of the Group for FY2022 and the internal audit reports prepared by the Group Audit & Risk Assurance Department of the Company ("GARA")
- reviewing the audit plans from external auditor and its remuneration
- making recommendation to the Board on the re-appointment of the external auditor
- reviewing the resources of GARA and the Group's finance team
- reviewing the performance, constitution and terms of reference of the Audit Committee

Nomination Committee

Meeting schedule

- one meeting was held during FY2021

Major responsibilities

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board
- to identify qualified individuals and to make recommendations to the Board on the appointment or re-appointment of directors

Work performed during FY2021

- reviewing the terms of reference of the committee
- reviewing the structure, size and composition of the Board
- reviewing the results of the board evaluation for FY2020
- reviewing the independence of independent non-executive directors
- making recommendations to the Board in relation to the re-appointment of the retiring directors
- making recommendation to the Board in relation to the appointment of an executive director

Remuneration Committee

Meeting schedule

- two meetings were held during FY2021

Major responsibilities

- to review and make recommendations to the Board on the Company's policy and structure for remuneration of directors and on the establishment of a formal and transparent procedure for developing policy on such remuneration
- to make recommendations to the Board on the remuneration packages, including benefits in kind, pension rights and compensation payments, of individual executive directors
- to determine the remuneration packages of senior management

Work performed during FY2021

- reviewing the remuneration policy, structure and packages for directors and senior management
- making recommendations to the Board regarding the directors' fee and other allowances for FY2021 and the remuneration packages of executive directors
- determining the remuneration packages of senior management
- making recommendation to the Board regarding the remuneration package for a newly-appointed executive director and the new company secretary

Sustainability Committee

Meeting schedule

- two meetings were held during FY2021

Major responsibilities

- to review and report to the Board on the Group's sustainability frameworks, standards, priorities and goals, and to oversee group-level strategies, policies and sustainability matters to attain those standards and goals
- to oversee and evaluate the Group's sustainability performance in terms of internationally-recognized metrics relevant to the industry
- to review and advise the Board on public reporting of the Group's performance on sustainability matters
- to oversee the Group's community, charitable and environmental partnerships, strategies and related group-level policies

Work performed during FY2021

- reviewing the progress of the Group's overall corporate sustainability development, including target setting, performance review and reporting
- reviewing the development and implementation of the Group's corporate social responsibility, human resources management and environmental-friendly initiatives
- reviewing the funding commitments and statement of financial position of NWS Holdings Charities Foundation
- reviewing the Sustainability Report of the Company for FY2020
- reviewing the policies relating to the Group's sustainability matters, including "*Sustainability Policy*", "*Climate Change Policy*" and "*Health and Safety Policy*", etc.
- making recommendation to the Board for the adoption of the "*Environmental, Social and Governance – Board Oversight Statement*"
- making recommendation on the amendment to the terms of reference of the Sustainability Committee

Corporate Governance Committee

Meeting schedule

- one meeting was held during FY2021

Major responsibilities

- to develop and review the Company's policies and practices on corporate governance and to make recommendations to the Board
- to review and monitor the training and continuous professional development of directors and senior management of the Company
- to review and monitor the Company's policies and practices on investor relations, and compliance with legal and regulatory requirements

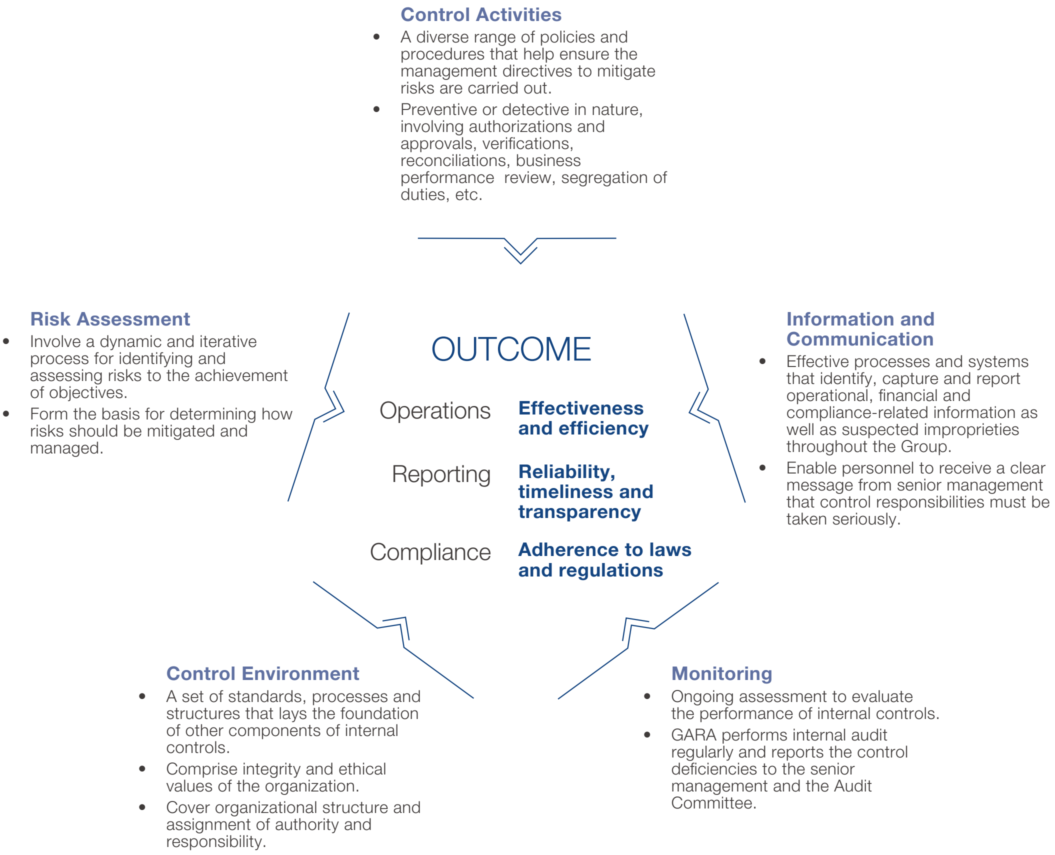
Work performed during FY2021

- reviewing the Corporate Governance Report and Risk Management Report of the Company for FY2020
- reviewing the directors' training plan for 2021
- reviewing the terms of reference of the committee

The Disclosure Committee, a sub-committee, was set up in 2013 under the supervision of the Executive Committee to govern the dissemination of inside information within the Group and ensure proper compliance procedures are followed.

Risk Management and Internal Control

- Risk management and internal control are essential parts of corporate governance. With reference to the "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), ISO 31000 Risk Management from International Organization for Standardization ("ISO"), and the "Internal Control and Risk Management – A Basic Framework" issued by HKICPA, the main features of our risk management and internal control systems are illustrated below:



Risk Management

- The Board is responsible for overseeing the risk management and internal control systems while the Enterprise Risk Management ("ERM") Team assists by establishing and maintaining an appropriate and effective ERM framework to facilitate business and functional units in the risk management process. Details of the ERM framework and risk management processes are described in the Risk Management Report of this annual report.

Internal Audit

Internal Audit Framework

- The internal audit function is carried out by GARA, which serves as the third line of defence that is independent of management, and directly reports to the Audit Committee. The primary role of GARA is to provide professional and value-added assurance and consulting services to assist management in accomplishing the Group's missions and objectives as well as fulfilling its obligations and creating shared values to stakeholders. GARA also facilitates continuous improvement through the application and sharing of expertise and insight across the Group.

- The audit charter, which was approved by the Audit Committee, granted GARA unrestricted access to all records, information, assets and physical properties of the Group in the course of audit.

Assurance and Consulting Services

- GARA provides independent and objective assurance on the adequacy and effectiveness of the Group's corporate governance, risk management and internal control systems, for business and functional units and corporate office departments, where the Group is involved in day-to-day management.

- The frequency and scope of audit/review are formulated in a risk-based approach, and the methodology is based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) internal control framework. Taking into account of the risk factors, amongst others, materiality and the dynamic of the business operations and environment and also regular risk profiles updates from Enterprise Risk Management Team, the four core businesses are audited at least once every year and the other major businesses and corporate office departments are audited at least once every three years.

- The risk-based annual audit plan was approved by the Audit Committee and the execution of the FY2021 audit plan was completed. Audit or review reports, which include the audit findings identified and recommendations, are issued to management for their remedial actions. Key audit findings and the remediation status are periodically reported to senior management and/or the Audit Committee.

- High-level reviews are conducted by GARA on the internal audit results from the business units with in-house internal audit teams or external consultant.

- GARA also performs ad-hoc projects as and when requested by senior management and/or the Audit Committee. Ad-hoc projects including but not limited to fraud investigation, procedural review, compliance review and special project review.

- The compliance of the ESG-related policies and guidelines at the corporate level is embedded as part of the internal audit scope. Regular dialogue between GARA and the Sustainability Department is maintained pertaining to ESG-related issues, so that their status, including compliance of associated policies and guidelines, is being updated from time to time and reported to the senior management accordingly.

Policies, Guidelines and Practices

Guideline on Risk Management & Internal Control Systems

- The guideline outlines the regulatory requirements on corporate governance and describes the Group's risk management and internal control systems, including the Three Lines of Defence model. It provides guidance to business and functional units and corporate office departments of the Group in implementing risk management and internal control measures.

Whistleblowing Policy

- The Company has established the "*Whistleblowing Policy*" for stakeholders to directly report to GARA for any serious concerns about suspected fraud, corruption, malpractice, misconduct or irregularity of the Group. GARA will investigate the reported cases in a confidential and timely manner and report the results of investigations to the Executive Committee and/or the Audit Committee.

- In FY2021, 5 whistleblowing cases were reported to GARA and all the investigations were completed and considered to be unfounded or unsubstantiated.

Anti-Fraud and Counter-Corruption Policy

- Supplementing other relevant corporate policies of the Company including "*Whistleblowing Policy*", "*Guidelines on Risk Management & Internal Control Systems*" and "*Code of Conduct*", this policy is an integral part of the Company's corporate governance framework. It outlines the Company's expectations and requirements relating to the prevention, detection, reporting and investigation of any suspected fraud, corruption and other similar irregularities.

Sustainability Policy

- The policy outlines the Company's commitment to apply sustainability principles across all aspects of the business, from strategic planning and community investment to the operations thereof, through minimizing environmental impacts, promoting green and healthy living, and improving the quality of the communities where the Company operates while providing a reasonable return to the investors.

Corporate Policy on Staff Responsibility/Human Rights Policy

- Upholding high standards of ethics and integrity by all staff is critical to the success of our business. The Company has the "*Corporate Policy on Staff Responsibility*" and the "*Human Rights Policy*" which provide guidelines and instructions on best management and personal integrity.

- These policies ensure the Group's businesses are conducted in accordance with applicable laws and regulations, including those on health and safety at work and environment, equal opportunities, social responsibilities, safeguard of company information and assets, avoidance of conflict of interest, and work against corruption in all forms, including extortion, fraud, and bribery.

- It is the duty of every staff member to comply with the policies. These policies are under periodic review by the Board and the relevant board committees. Reporting mechanisms and communication channels between the staff and management are in place to ensure compliance of these policies across the Group.

Disclosure Policy for Inside Information

- The Company has adopted this policy and established the Disclosure Committee, under the authority delegated by the Executive Committee, to promote consistent disclosure practices. Various internal control measures such as management review, use of project codes and assignment of project coordinators are instituted in the reporting procedures. Furthermore, GARA conducts a review on the compliance of the policy and reports the results to the Audit Committee annually.

Review on the Effectiveness of Risk Management and Internal Control Systems

- The Board has reviewed the effectiveness of the risk management and internal control systems of the Group in FY2021. With the assistance from the Audit Committee, the Board evaluated the effectiveness of the Group's risk management and internal control systems through communication with management, GARA and external auditors as well as review of their reporting. There was no significant issue identified that might have material impact on the Group for FY2021. Management confirmed the effectiveness of the risk management and internal control systems to the Board through the Integrated Internal Control Self-Assessment Certificate and such systems were considered to remain effective and adequate during the period. However, these systems are designed to manage rather than eliminate the risks, and they could only provide reasonable assurance but not absolute assurance against such risks.

Directors' Responsibilities for Financial Reporting and Disclosures

- The Company's directors acknowledge their responsibilities to prepare accounts for each half and full financial year which give a true and fair view of the state of affairs of the Group. The directors consider that in preparing financial statements, the Group ensures statutory requirements are met, applies appropriate accounting policies that are consistently adopted and makes judgements and estimates that are reasonable and prudent in accordance with the applicable accounting standards.

- The directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities within the Group. They consider that the Group has adequate resources to continue in operational existence for the foreseeable future and are not aware of material uncertainties in relation to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Group's financial statements have accordingly been prepared on a going concern basis.

- The directors are responsible for ensuring that proper accounting records are kept so that the Group can prepare financial statements in accordance with statutory requirements and the Group's accounting policies. The Board is aware of the requirements under the applicable Listing Rules and statutory regulations with regard to the timely and proper disclosure of inside information, announcements and financial disclosures and authorizes their publication as and when required.

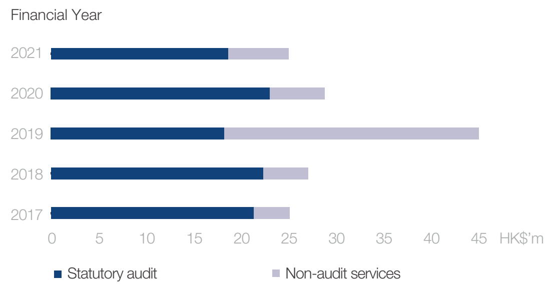
External Auditor

- The Audit Committee is responsible for considering the appointment, re-appointment and removal of external auditor subject to endorsement by the Board and final approval and authorization by the shareholders of the Company in general meetings.

- PricewaterhouseCoopers, who was first appointed in 2000 and is also the Group's principal auditor, is the existing auditor of the Company. The reporting responsibilities of PricewaterhouseCoopers are stated in the Independent Auditor's Report on pages 123 to 131 of this annual report.

- Total auditors' remuneration for FY2021 in relation to statutory audit work of the Group amounted to HK$19.6 million (2020: HK$25.7 million), of which a sum of HK$18.7 million (2020: HK$23.1 million) was paid/payable to PricewaterhouseCoopers. A sum of HK$6.4 million (2020: HK$5.8 million) was paid/payable to PricewaterhouseCoopers for its non-audit services provided to the Group for FY2021. The remuneration paid/payable to PricewaterhouseCoopers and its affiliated firms for services rendered is illustrated as follows:

Auditor's Remuneration



Note: Non-audit services comprise primarily accounting advisory, tax advisory and other consulting services.

- A resolution for re-appointment of PricewaterhouseCoopers as auditor of the Company will be proposed at the forthcoming annual general meeting.

Review of Audited Results

- The Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Group and the audited consolidated financial statements of the Group for FY2021.

ENGAGEMENT

Communication with Shareholders

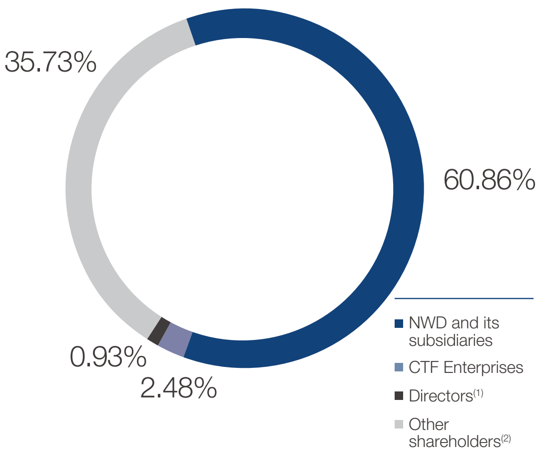
- The Board recognizes the importance of communication with the Company's shareholders. A "*Shareholders' Communication Policy*" was adopted by the Board for ensuring effective and transparent communication between the Company and its shareholders.

- General meetings of the Company provides an opportunity for face-to-face communication between the Board and the shareholders of the Company. Shareholders are welcome to raise any query in relation to the Group's businesses at the general meetings.

- Shareholders' enquiries, either received by telephone or by email, are properly attended by the Company Secretarial Department and are addressed to the Executive Committee, if necessary. Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary at the Company's head office in Hong Kong.

- Useful information for reference by the Company's shareholders:

Shareholding Structure as at 30 June 2021



Notes:

(1) Including their deemed interests under the Securities and Futures Ordinance.
(2) Including individuals, institutions, corporates and nominees.

Stock Code

- 659 (Listed on the Main Board of the Hong Kong Stock Exchange)

Board Lot

- 1,000 shares

Shareholder Services

- Any matter in relation to the transfer of shares, change of name or address, or loss of share certificates or dividend cheques, registrations and requests for printed copies of annual/interim report should be addressed to the Company's branch share registrar as follows:

  Tricor Standard Limited
  Level 54, Hopewell Centre
  183 Queen's Road East
  Hong Kong
  Tel: 2980 1333
  Fax: 2810 8185

Dividend Policy

- The Board has adopted a new dividend policy of the Company in 2019.

- 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.

- Subject to the financial performance of the Company, we expect to pay two dividends each financial year.

Financial Calendar

Announcement of FY2021 annual results	30 September 2021
For determining eligibility to attend and vote at the 2021 AGM:	
Latest time to lodge transfer documents for registration	4:30 pm on 16 November 2021
Closure of register of members	17 to 22 November 2021 (both days inclusive)
Record date	22 November 2021
2021 AGM date	22 November 2021
For determining entitlement to the proposed final dividend:	
Latest time to lodge transfer documents for registration	4:30 pm on 25 November 2021
Closure of register of members	26 November 2021
Record date	26 November 2021
Final dividend payment date	on or about 20 December 2021

Company Website and Annual Report

- To ensure all shareholders have equal and timely access to important company information, the Company makes extensive use of the Company's website to deliver up-to-date information. Latest information regarding the activities and publications of the Group is included in the Company's website at www.nws.com.hk.

- The Company's annual report is printed in both English and Chinese and is available on the Company's website. Shareholders may at any time change their choice of means of receiving the Company's corporate communications free of charge by notice in writing to the Company's branch share registrar, Tricor Standard Limited.

Shareholders' Rights

- The Board and management shall ensure shareholders' rights and all shareholders are treated equitably and fairly. Pursuant to the Company's bye-laws, any shareholder entitled to attend and vote at a general meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. Shareholders who hold not less than one-tenth of the paid up capital of the Company shall have the right, by written requisition to the Board or the Company Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

- The procedures for shareholders to put forward proposals at general meetings are stated as follows:

    1. The written requisition must state the purposes of the meeting, and must be signed by all the shareholders concerned and may consist of several documents in like form each signed by one or more shareholders concerned.

    2. The written requisition must be deposited at the Company's registered office in Bermuda as well as the principal place of business in Hong Kong for the attention of the Company Secretary.

    3. The written requisition will be verified with the Company's branch share registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the relevant resolution in the agenda for such general meeting provided that the shareholders concerned have deposited a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders. Such general meeting shall be held within two months after deposit of such requisition.

    4. If within 21 days of such deposit, the Board fails to proceed to convene such general meeting, the shareholders concerned, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

- Details of the abovementioned procedures are also available on the website of the Company. Any vote of shareholders at a general meeting must be taken by way of poll and the Company will announce the results of the poll in the manner prescribed under the Listing Rules.

- Chairman of each of the board committees, or failing the Chairman, any member from the respective committees, must attend the annual general meetings of the Company to address shareholders' queries. External auditor is also invited to attend the Company's annual general meetings and is available to assist the directors in addressing queries from shareholders relating to the conduct of the audit and the preparation and content of its auditor's report.

General Meetings

2020 AGM

Matters resolved

(i) Receipt and consideration of the audited financial statements and Reports of the Directors and Auditor for FY2020.

(ii) Declaration of final dividend of HK$0.29 per share for FY2020.

(iii) Re-election of Dr Cheng Kar Shun, Henry, Mr Ma Siu Cheung, Mr Ho Gilbert Chi Hang, Mr Chow Tak Wing, Dr. Cheng Wai Chee, Christopher and Mr Wong Kwai Huen, Albert as directors and authorization of the Board to fix directors' remuneration.

(iv) Re-appointment of PricewaterhouseCoopers as the Company's auditor and authorization of the Board to fix the auditor's remuneration.

(v) Granting a general mandate to directors to issue shares not exceeding 20% of the then existing issued share capital of the Company.

(vi) Granting a general mandate to directors to repurchase shares not exceeding 10% of the then existing issued share capital of the Company.

(vii) Extending the general mandate granted to directors pursuant to the resolution in (v) above.

(viii) Adoption of the new bye-laws of the Company.

Notice

More than 20 clear business days' notice was given.

Proceedings and attendance

- Voting on each resolution was conducted by way of poll.
- Poll voting procedure was explained fully to shareholders.
- A separate resolution was proposed by the chairman of the meeting in respect of each separate issue.
- Tricor Standard Limited, the branch share registrar of the Company in Hong Kong, was appointed as scrutineer to monitor and count the poll votes cast at the meeting.
- The meeting was chaired by the Chief Executive Officer of the Company. Chairman and members of the board committees, as well as representative from the Company's external auditor, were available at the 2020 AGM to answer questions from shareholders.

All resolutions proposed at the 2020 AGM were passed by the Company's shareholders.

2021 AGM

The 2021 AGM will be held on 22 November 2021. Details of the meeting are set out in the notice of the 2021 AGM which constitutes part of the circular to shareholders sent together with this annual report. Notice of the 2021 AGM and the proxy form are also available on the HKEXnews website and the Company's website.

Investor Relations

- The Company maintains effective communication with shareholders and an open-dialogue with investors and analysts to ensure transparent, timely and accurate dissemination of information, including operating performance and strategic business developments.

- The investor relations team of the Company, which comprises executive directors and senior management, meets existing shareholders and potential investors, research analysts and investment managers on a regular basis. The Company is often invited to attend large-scale investor conferences at home and abroad. With the social distancing measures implemented globally due to the outbreak of COVID-19, we have hosted and attended virtual conferences and webinars, to enhance our investors outreach, share our corporate strategy and keep our stakeholders abreast of the recent developments of the Company. During FY2021, the team participated in more than 10 non-deal virtual roadshows and investor conferences. Including one-on-one meetings and teleconferences, over 90 investor meetings were held with institutional investors and analysts. A webinar jointly held with FTLife Insurance was also organized to share the recent development of FTLife Insurance to enhance investors' understanding of the Company's business.

- Press conference and analyst briefing session are held as soon as practicable following results announcement to promote direct interaction between analysts and the management team. The positive recommendations from reputable financial research institutions, including CLSA, J.P. Morgan, HSBC and CMB International during FY2021 bear testimony to the Company's devotion in fostering transparency and accountability.

- The Company utilizes multiple communication channels such as results announcements and presentations, press releases, annual and interim reports, corporate website, webinars and e-news notifications to ensure fair and equal access to material information.

- In recognition of the Company's efforts in fostering close ties with shareholders and improving transparency and disclosures, the Company was awarded the "Most Progress in IR" in the Hong Kong Investor Relations Association 6th IR Awards in FY2021.

Constitutional Documents

- During FY2021, the Company's bye-laws was amended and the new bye-laws was adopted by the shareholders of the Company at the 2020 AGM. The purposes of making the amendments were to provide flexibility to the Company in relation to the conduct of general meetings and reflecting certain amendments to the Listing Rules and the applicable laws of Bermuda.

- Consolidated version of the Company's constitutional documents is available on the website of each of the Hong Kong Stock Exchange and the Company.

RISK MANAGEMENT REPORT

Effective risk management is essential to achieve the Group's business objectives and sustainable growth.

Risk Management

The Board recognizes the importance of effective risk management and internal control systems. The Audit Committee, delegated by the Board, oversees the overall risk management and internal control systems including the implementation of the Enterprise Risk Management ("ERM") framework, and reviews the effectiveness of these systems.

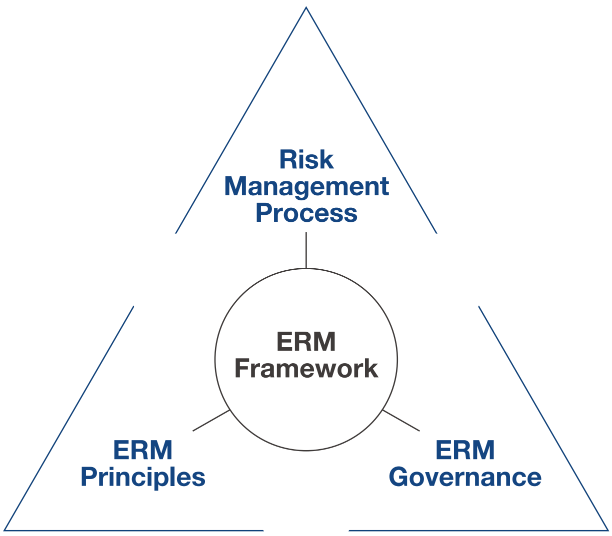
Our risk management adopts a holistic approach, embedding into business strategy, operations and management processes. The COVID-19 pandemic brought disruption on an unprecedented level that strengthened the collaboration and cooperation between operations and risk management. With a robust ERM framework and effective systems in place to identify, evaluate and manage key risks, the Group has demonstrated proactive risk management to build resilience amid uncertainty and COVID-19 impacts.

ERM Framework

Overview of the ERM Framework

With reference to the international standards published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and the International Organization for Standardization ("ISO"), the Group establishes its own tailor-made ERM framework, which fits in with the business nature, structure, sustainable growth and development of the Group. The ERM framework consists of three components:

- ERM Principles
- ERM Governance
- Risk Management Process



ERM Principles

Risk Culture

The Group embraces a risk-aware culture and believes that an ingrained risk culture is the key to effective risk management, while training is a useful tool to promote and engage management and employees in ERM implementation. The Group promotes the risk culture with the following key themes:

- Effective ERM is beyond processes and forms – it is a change of culture in terms of mindset and behaviour.
- ERM is not a standalone programme – it should be tailored and embedded in the Group's business processes.

Risk Management Objectives

Risk management aims to assist the Group in achieving business objectives and sustainable growth, thus, ERM is integrated into operations and business planning. ERM supports the Group in risk mitigation and optimizes risk and return decisions by a risk-informed approach to cope with the dynamic business environment.

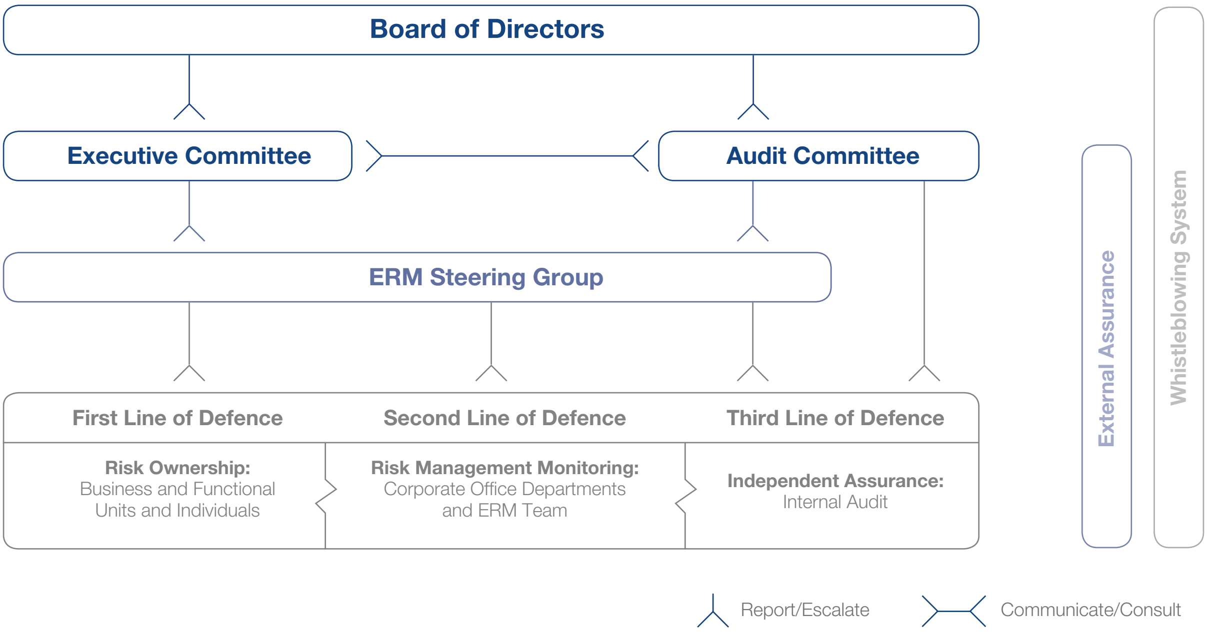
Risk Appetite

The Board sets the Group's risk appetite that strikes a balance between risks and opportunities as well as sustains the growth and development of the Group. The risk appetite statements are disseminated across the Group and reviewed by the Board periodically, to ensure alignment with its business objectives and strategies amid business changes and evolutions.

ERM Governance

Risk Governance Structure

The overall risk management process is overseen by the Board. The Group adopts the Three Lines of Defence model as its risk governance structure with defined roles and responsibilities, which facilitates risk management activities and provides assurance to the Board.



Risk Oversight

Board of Directors
• Hold the ultimate responsibility for risk oversight including setting and reviewing the risk appetite. • Ensure the Group maintains appropriate and effective risk management and internal control systems. • Empower and delegate the ERM oversight responsibility to the Audit Committee.

Executive Committee
• Determine and allocate sufficient resources to effectively implement the ERM system. • Review and prioritize the Group's key risks and endorse the risk treatment plans. • Ascertain the effectiveness of the risk management and internal control systems.

Audit Committee
• Oversee the risk management and internal control systems and review their adequacy and effectiveness. • Review the risk profile of the Group and advise the Board on the current and potential risk exposures and their corresponding risk treatment plans.

ERM Steering Group
• Lead and supervise the ERM implementation. • Advise the Audit Committee and the Executive Committee on all ERM-related matters. • Improve risk awareness and promote risk-aware culture across the Group.

Three Lines of Defence

First Line of Defence
Business and Functional Units and Individuals (Frontline Staff and Operational Management) • Act as risk owners to perform risk assessments to identify, analyze, and evaluate risks in daily operations and in areas of accountability. • Design, prioritize and implement risk treatment plans and report in the Risk Register. • Conduct periodic self-assessment on the effectiveness of risk treatment plans.

Third Line of Defence
Internal Audit • Provide independent assurance on the adequacy, effectiveness and efficiency of the risk management and internal control systems. • Consider the key and emerging risks upon formulating the annual audit plan and planning for each audit. • Perform risk-based validation on the risk treatment plans.

Second Line of Defence
Corporate Office Departments (including the Executive Office) • Act as risk owners and perform ERM responsibilities for respective departments. • Remain current with best practices and provide recommendations to the ERM Steering Group.
ERM Team • Assist management in the design and development of ERM processes and risk controls. • Facilitate the risk management process, including the identification and monitoring of the known and emerging risks, aggregation and prioritization of the key risks identified by the Group as well as reporting to senior management and committees. • Promote risk-aware culture across the Group. • Review the implementation of risk treatment plans.

External Assurance

External Auditor
• Provide independent assurance on the Group's processes and controls over financial reporting.

Independent Experts from Respective Professions
• Advise standards on best practice and/or assure compliance, when applicable.

Regulatory Authorities
• Execute regulatory oversight on relevant entities, areas or activities.

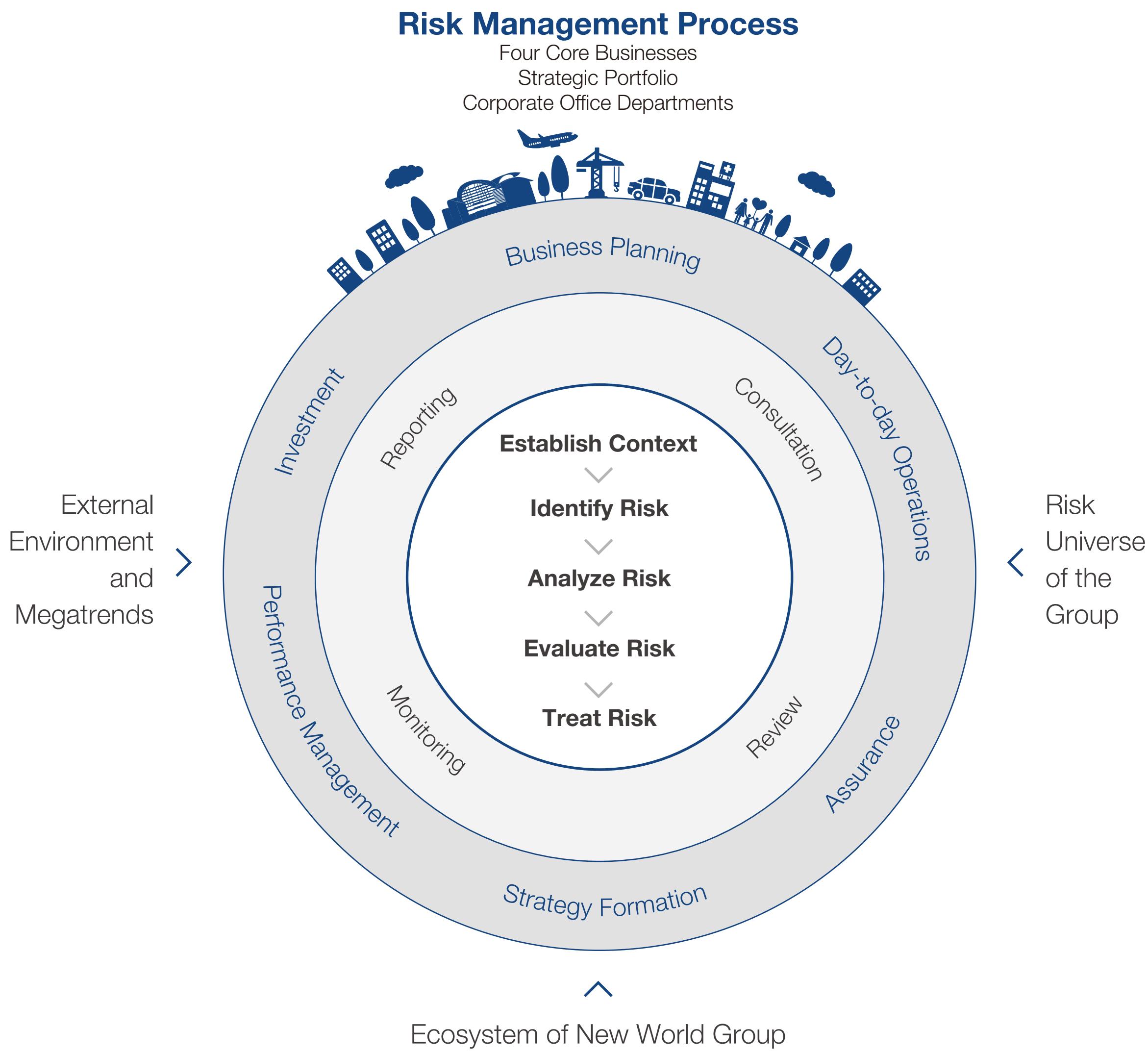
Whistleblowing System

Whistleblowing
• Provide an independent and confidential channel for stakeholders to directly report to GARA for any serious concerns including suspected fraud, corruption, malpractice, misconduct or irregularity of the Group. Please refer to the Corporate Governance Report of this annual report for details.

Risk Management Process

Risk management process starts from the establishment of context, by taking into the consideration of the external environment and megatrends, risk universe of the Group and ecosystem of New World Group. Risks are then identified, analyzed, evaluated and treated with measures. With constant review, monitoring, reporting and consultation, the risk management process integrates with various business processes and activities in optimizing the risk and return.

To facilitate risk management processes, *"ERM Policy"* and *"ERM Manual"* are in place to provide proper guidance. Also, interactive communications between the risk owners and the ERM Team are employed to enable both parties to keep abreast of risk updates.



Risk Assessment and Treatment

Establishment of Context
The Group defines the internal and external contexts as well as the parameters for risk assessment criteria.

Risk Identification
The Group adopts both top-down and bottom-up approaches to facilitate a comprehensive risk identification process, including extensive top-down interviews with management to discuss their views on risk landscape and bottom-up discussion meetings with business and functional units to assist potential risk identification.

- Executive directors and senior management provide directions on key risks that the Group should focus on. This enables the understanding of key risks from a top-down perspective and the subsequent cascade down to each entity and individual.
- The ERM Team performs benchmarking analysis on key risks as well as identification and tracking of emerging risks.
- Business and functional units and corporate office departments identify risks and report to the ERM Team in the Risk Register every half year.
- The ERM Team consults with risk owners, aggregates and prioritizes all the identified risks to compile the risk profile of the Group. The risk profile is then reviewed by the ERM Steering Group, the Executive Committee and the Audit Committee.
- The ERM Team conducts risk campaigns with business and functional units and corporate office departments periodically. The purpose is to engage and guide the management, risk owners and relevant individuals to perform the risk management activities.

Risk Analysis
Business and functional units and corporate office departments assess the likelihood, impact, inherent risk level and residual risk level of the key risks identified.

Risk Evaluation
The risk analysis results are compared with the risk appetite and tolerance level. This allows management to determine the risk response strategy for each risk and prioritize risk treatment plans.

Risk Treatment
Risk treatment plans for implementing risk mitigation measures are developed by respective business and functional units and corporate office departments, based on the priority and nature of risks.

Review and Monitoring

Continual tracking, review and validation of the implementation of risk treatment plans, have been in place to monitor various risks, change in risk exposure and their residual risk levels.

Risk Register
Business and functional units and corporate office departments perform self-assessment on the effectiveness of the risk treatment plans upon the submission of the Risk Register every half year.

Key Risk Indicator ("KRI")
KRIs are set by core businesses to measure and monitor changes in risk exposure of key risks. If there is any KRI value exceeding the pre-defined threshold, risk alerts to management will be mandated so that they can timely administer corresponding responses, and proper reporting to Executive Directors will be made.

Integrated Internal Control Self-Assessment Certificate ("Certificate")
The Certificate is applied across the Group to evaluate the effectiveness of its risk management and internal control systems semi-annually, with reference to the COSO framework. Regarding the review of the effectiveness of the risk management and internal control systems and its results, please refer to the Corporate Governance Report of this annual report for details.

Risk Treatment Validation
The ERM Team reviews the implementation and the effectiveness of risk mitigation measures stated in the Risk Register. The Internal Audit Team also performs risk-based validation to test risk mitigation measures of key risks during the internal audit process.

Early Risk Flagging Mechanism
An early risk flagging mechanism is applied across the Group, to proactively identify and assess emerging risks and risks with high velocity such as quality, health and safety, disaster and media events. For the details of the management approach of risks with high velocity, please refer to Case Study 2 "Management of risks with high velocity: disaster and health and safety related risks" in this Risk Management Report.

Whistleblowing Mechanism
The Group has established a whistleblowing policy and provided reporting channels for internal and external stakeholders. Whistleblowing cases are reported to the Executive Committee and/or the Audit Committee. For details, please refer to Whistleblowing System in this Risk Management Report or the Corporate Governance Report of this annual report.

Consultation and Reporting

Periodic reporting, regarding identified risks and the status of risk management activities, is provided to management, the ERM Steering Group, the Executive Committee and the Audit Committee to facilitate the risk management process and decision-making. The ERM Steering Group Meeting is held every half year to discuss key risk matters and updates.

Integration of Risk Management

ERM is embedded into decision-making and business processes, including but not limited to the following key organizational processes:

Business Planning
Potential risks, which may impact the achievement of business objectives, are identified and considered in strategic planning, and project and operational plans. This could better align business strategy and process with the risk appetite set at the early stage.

Investment
Investment proposals are reviewed with the consideration of risks before decision-making. Feasibility study and/or due diligence are conducted to identify and assess potential risks and relevant costs for risk treatment. Review and reporting processes are in place to analyze and monitor the change of risks.

Day-to-day Operations
ERM establishes a framework for business and functional units and corporate office departments to understand and evaluate their risk profiles and exposures systematically. Risk treatment plans designed during the ERM process have been incorporated in their operational plans and implemented with regular monitoring. KRI mechanism is applied to discover abnormal change to risk exposure for timely escalation and treatment.

Case Study 1 – An application of integrated risk management: Climate-related Transition Risks

Climate change is widely recognized as a key topic that all sectors need to address, as it could bring multi-faceted impacts to city development and business growth. The Task Force on Climate-related Financial Disclosures ("TCFD") divided climate-related risks into two major categories: i) transition risks to achieve a lower-carbon economy; and ii) physical risks related to the physical impacts of climate change. To facilitate the achievement of our risk management objectives and the New World Sustainability Vision 2030, a holistic integration of transition and physical risks into the ERM framework was implemented during the year.

Here, take transition risk as an example to illustrate the ERM integration. According to TCFD recommendations, transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address the mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risks to organizations. As such, the Group should consider transition risks during the assessment of policy and legal risks, technology risk, market risk, and reputation risk.

The Group aligned ERM work steps with the logic of ISO 31000 risk management process to facilitate alignment with the existing ERM framework and TCFD. A technical manual was established to stipulate the approach for identification, assessment and management of transition risks. A transition risk assessment was performed based on the integrated ERM framework, with an external consultant, to identify top transition risks and the respective mitigation measures. The transition risk assessment result was analyzed and included in the compilation of the risk profile of the Group, and reported to the ERM Steering Group, Executive Committee and Audit Committee.

The integration enables the Group to formalize the management of the existing climate-related measures and future treatment plans. For the details of the transition risk assessment, please refer to the Sustainability Report of this annual report.

Continuous Improvement of Risk Management Activities

To strive for excellence, the Board is committed to continuous improvement of the risk management system. With the support from the Board, the Audit Committee and the strong foundation of the risk management and internal control systems, the Group has implemented the following improvements during the year:

Continuous Improvement in FY2021

Strategic review of Risk Appetite implementation

- Updated the risk appetite statements with consideration and alignment among NWD Strategic Focus, the Group's business objectives and strategies, to institutionalize our risk management policy and enable the implementation of a robust ERM system.
- Assessed the Group's ERM strategies on an ongoing basis to assure they remain current with business objectives, regulatory requirements, and operational plans.

Promoted Risk Culture via training and sharing

- Conducted risk campaigns and training seminars, including ERM refresher training and KRI workshop, to promote risk awareness and discuss risk trends and updates.
- Employed hybrid training formats amid the COVID-19 pandemic impacts, such as webinars for mass risk refresher training and in-person workshops for deep-dive risk review training for small target groups, to enhance the effectiveness of risk assessments among management and key team members.
- Shared experiences in identifying emerging risks regarding sustainability aspects, together with the Group's Sustainability Team, at FTLife Insurance Emerging Risk Workshop.

Enhanced Policies and Procedures to facilitate ERM processes

- Updated the Guideline on Risk Management and Internal Control Systems to be in line with the latest practice, including the update of the compliance and finance requirements from Corporate Secretarial and Finance departments respectively, and the whistleblowing requirement to mandate reporting of all substantiated fraud and/or whistleblowing cases identified at business unit level to GARA.
- Established manuals for guiding the implementation of KRI and Transition Risk Assessment.
- Adhered to updated Terms of Reference of Sustainability Committee for ESG-related risk monitoring.

Enhanced collaboration within ecosystem of New World Group

- Provided advisory services to NWD on their risk management framework implementation and enhancement based on the Group's latest framework, to ensure synergy and integration.

- Performed mapping between the NWS Risk Bank and the newly established NWD Risk Inventory for alignment.

- Collaborated with the Sustainability Team in the climate-related transition risk assessment project, including meetings with business and functional units for the climate-related risks discussion and interviews with the external consultant for framework integration.

- Shared ERM experiences in the ecosystem (e.g. ERM tools and emerging risk information with business units, ERM roadmap and Risk Register & Certificate digitalization with NWD, as NWS was the first to pilot run such ERM digitalization in New World Group).

Strengthened Risk Management Process

- Embedded and integrated the climate-related risks in the ERM framework, including the appointment of an external consultant to conduct and facilitate the transition risk assessment.

- Established the KRI mechanism for key risk monitoring and actions.

- Developed new modules in the Risk Management Online System for digitalizing the reporting of Certificate and KRI.

- Identified risks with high velocity for ongoing monitoring.

Case Study 2 – Management of Risks with High Velocity: disaster and health and safety risks

Velocity is the speed at which the risk develops over time and how fast it can affect the Group and its operations. As such, key risks with high velocity are identified and crisis management and ongoing monitoring are indispensable to tackle these risks.

In view of our businesses like construction and facilities management, disaster risk as well as health and safety related risks are of high velocity, which might lead to an immediate service outage or change in processes, especially with the ongoing outbreak of COVID-19 during the year. Take HML as an example, Emergency Procedure Manual and a set of emergency preparedness plans as well as Emergency Management Organization and Emergency Health Response Committee are established to be activated in the event of an emergency situation. A team of Executive Duty Managers is trained and on duty roster to handle incidents occurring in non-office hours.

Further mitigation measures including strict access controls, social distancing and hygiene measures with more advanced disinfection technology (e.g. Anti-virus Nano Titanium Photocatalyst Coating and antimicrobial surface protectant), are implemented in day-to-day operations in response to the changing regulatory requirements and to curb any potential spread of COVID-19.

Top Risks

The Group invests and operates a wide range of businesses predominantly in Hong Kong and the Mainland. Our core businesses include toll roads, commercial aircraft leasing, construction and insurance, while the Group also manages a strategic portfolio including logistics and facilities management.

Through the combined top-down and bottom-up risk review processes, the Group identified top risks which may affect the achievement of the Group's business objectives. However, risk evolves from the interactions of many dynamic forces and factors in the business environment. Some risks are not significant now but could become key ones in the future; certain risks exist but we are not aware of; and/or new risks come to light. Therefore, the top risk portfolio would be reviewed and updated to react and respond to the changing risk landscape.

The following table deals with the top risks identified by the Group, and it is neither intended to be exhaustive nor comprehensive.

Risk Trend

The COVID-19 pandemic has induced uncertainties to the business environment, and still remained as one of the key risk drivers for corporates. With its multifaceted impacts to human lifestyle, it has affected various business aspects of the Group, including but not limited to strategy, operations, finance and compliance. Risks interacted with the Group have inevitable connections to the pandemic directly or indirectly. In FY2021, the world has devoted efforts to confront the COVID-19 pandemic. The overall situation is more predictable through deployment of vaccines and social distancing measures. Corporates actively implemented COVID-19 mitigation measures to enhance resilience over the adverse impacts of the pandemic, and society has been adapting and adjusting to the new normal.

With the experience and learning during the year, the overall risk trend of the Group's risk profile remained generally stable. Please refer to the mitigation measures below for the Group's efforts in managing top risks. The Group will keep monitoring the COVID-19 situation and other key risks to manage the uncertainties in achieving the business objectives.

Risk Description	Risk Trend	Mitigation Measures
Macroeconomic risk Global economic uncertainties and slow recovery affecting business growth and financial performance, particularly due to enduring COVID-19 impacts (e.g. travel restriction and economic sentiment)	⊖	• Identify opportunities for business collaboration and partnership to leverage the synergies within the ecosystem of New World Group • Explore new business opportunities for new growth drivers and optimize project portfolio • Evaluate the potential impacts from the economy by analyzing the financial performance and monitoring business data continuously.
Please refer to the section of Looking Forward in Management Discussion and Analysis of this annual report for more analysis.		
Government policy / Regulatory compliance risk 🌐 Failure to comply with government policies, laws or regulations, exposing the Group to legal or regulatory action, business disruption, reputational and/or financial loss	⊖	• Compliance measures in place to ensure regulatory compliance (e.g. ESG disclosure requirements) and close monitoring of the change of applicable government policies, laws and regulations for implementation • Formulate responsive strategy for anticipated changes and provide updates and/or training to staff to cope with the new practices • Proactively communicate with external parties (e.g. the relevant council or association) to understand the changes and practices among the industry peers
Disaster event risk 🌐 Major disasters, such as extreme weather conditions and widespread pandemic crises, interrupting the operations, production and service delivery	⊖	• Implement preventive anti-pandemic measures and arrange on-site vaccination • Establish business continuity plans and various task forces like Emergency Deal Team for crises (e.g. extreme weather conditions) • Conduct drill testings and provide periodic trainings • Assess and ensure sufficient insurance coverage

Risk Description	Risk Trend	Mitigation Measures
Cyber security risk Cyber security issues such as cyber attack, compromising data integrity, confidentiality and system availability, which may in turn lead to adverse impacts on reputation, businesses, financial conditions, and operational performance		• Assess cyber security risk, maturity level and vulnerabilities and remedy whenever necessary • Strengthen the information security architecture with enhanced authorization and authentication mechanisms • Provide periodic trainings and conduct phishing drill exercise to promote cyber security awareness
Credit/default risk Default or failure to fulfil obligation by an obligor (e.g. debtor, client, tenant), exposing the Group to financial loss, in particular for business operations adversely affected by the COVID-19 impacts		• Perform due diligence or credit assessment on new customers or business partners • Closely monitor the receivables collection status and identify possible uncollectible as early as possible • Liaise with concerned parties for their settlement arrangement
Interest rate risk Interest rate fluctuation which impacts cash flow and/or fair value of financial instruments, exposing the Group to increased uncertainty of funding cost and financial impact		• Improve capital management through portfolio optimization with disposal of non-core businesses/investments • Review and optimize the structure of capital and debt, and the financing strategy periodically • Maintain a balanced portfolio of bank loans to maintain flexibility and avoid concentration of bank loan rollovers • Monitor the trend and fluctuation of HIBOR and review derivative contracts with floating rates periodically
Talent attraction and retention risk Failure to attract and/or retain qualified staff to support operations and impact the achievement of business objectives		• Foster the culture of New World Group and create shared value with our staff • Review the existing remuneration packages and compare with industry benchmark periodically • Provide development and training program to improve staff's competency and promote career progression • Reduce administrative burden or simplify the routine manual work through digitization

Risk Description	Risk Trend	Mitigation Measures
Competition risk Intense competition arising from existing competitors and/or new entrants to the market regarding the businesses the Group are operating (e.g. Insurance, Construction, and Aviation)	Risk level remained similar as FY2020	• Monitor the market trend, review the existing market positioning, branding, services and products and formulate corresponding strategic plan • Continuously improve the competitive edge and business performance by understanding the customer needs and expectations • Utilize technology to enhance customer experience and to increase operational efficiency and effectiveness
Strategic direction risk Adoption of inappropriate strategies or deviated execution resulting in misalignment with the Group's directions, impacting the achievement of the Group's objectives	Risk level remained similar as FY2020	• Align with New World Group's overall directions and initiatives • Hold periodic discussion on strategic directions between the Group and the local management • Dedicate specific committees or strategy teams to perform research and assess the suitability and effectiveness of the existing strategies
Business investment risk Non-performing business investments due to commitment to unprofitable projects, deviation from desired return of investment, and failure to recognize poor risk-informed investment decision, new investment opportunities, or exit strategies	Risk level decreased during FY2021	• Streamline the Group's business portfolio to focus on the core competency • Conduct comprehensive feasibility study and due diligence • Ensure proper execution of post investment integration with close management oversight for projects • Monitor the performance of projects and provide periodic update to management for timely actions • Require approval from the Group on major business decisions or material transactions of the projects

Risk level increased during FY2021 **Risk level decreased during FY2021** **Risk level remained similar as FY2020** **Involve ESG-related risk**

Risk Analysis by Business

Business	Business Risk Analysis
Roads	**Competition and Government Policy Risks** There are numerous factors affecting the traffic flow of toll road operations, including newly constructed competing roads, launch of new government policies like differentiated pricing implemented by the Ministry of Transport of PRC and strict traffic control policies in response to the outbreak of pandemic. These may lead to undesirable effects on toll revenue, which in turn hinder the growth on project profitability and return on investment. As risk mitigation, management will perform comprehensive study on the road network and gather all newly planned roads routing to anticipate possible market changes and competition for refining investment decisions. In operational aspects, with deployment of artificial intelligence and related technologies, traffic accidents and congestion could be reduced. This could maintain a smooth traffic flow, and hence, improve the travel time and driving experience of road users.
Aviation	**Credit and Macroeconomic Risks** As vaccines gradually roll out across the globe, travel restrictions and other barriers implemented by government authorities have been relieved to certain extent for the vaccinated. The resurgence of COVID-19 variants, however, has stoked concerns on delaying a rebound on business and tourism travel. The muted demand of air travel, in particular on the long haul intercontinental one, has challenged certain Goshawk's lessees' ability to continue their business, which in turn increased Goshawk's credit and default risk. Goshawk has been in active discussion with our customers, for example, granting certain deferrals on rental payments in order to support the lessees through the crisis. The security deposit and maintenance reserves under our leases do help us mitigate a certain degree of the credit and default risk.
Construction	**Quality, Health and Safety Risks** Construction site related incidents, including accidents affecting the health and safety of employees and workers, and substandard product quality could severely affect the business operations and reputation. Emphasizing the importance of work safety, Hip Hing has established comprehensive and site-specific safety procedures as well as implemented strict health and safety measures, supplementing with periodic training and safety performance assessment by independent consultant. Robotic technologies are also leveraged to reduce the reliance on labour workforce in certain high safety risk activities. Furthermore, Hip Hing Group hold steadfast commitment to product quality, with the application of quality management system and the adoption of various construction technologies, such as Building Information Modelling ("BIM").
Insurance	**Macroeconomic and Competition Risks** As the world has entered into its second year of the COVID-19 pandemic, the global economy has still not been able to reverse its shrinking trend. The Hong Kong insurance market has been significantly impacted and the new business volume of many of the industry peers has been reduced significantly. With the availability of the COVID-19 vaccines and the increasing vaccination rate in Hong Kong, many of the life insurance companies in Hong Kong expect that the economy and the new business volume would be resumed when the Mainland-Hong Kong border opens. FTLife Insurance management team is working on a company-wide transformation program so as to ensure that the company business model is sustainable and be able to capture the business opportunities in Hong Kong as well as the proposed regulatory initiatives on accelerating financial and trade integration of Greater Bay Area.

Business	Business Risk Analysis
Facilities Management	**Government Policy and Intervention Risks** The HKSAR Government has imposed various regulations and stringent restrictions on border control, compulsory quarantine requirements, social gathering, and seating capacity for catering and event premises to contain the spread of COVID-19. These measures prevent the hosting of international trade exhibitions and conferences, and seriously affect the local industry. If the pandemic remains severe globally and the travel restrictions continue being effective, it will result in further postponement or cancellation of international events and hence directly impact on the profitability of HML. HML has been working closely with the exhibition organizers, and supporting them to shift their focus from business-to-business to business-to-customer exhibitions targeting local exhibitors and visitors before the borders are reopened. HML has also been facilitating these exhibition organizers to apply for subsidies from the HKSAR Government, and targeting large-scale non-exhibition events by offering rental incentives. Meanwhile, the high vaccination rate among HML employees enables all HKCEC restaurants and catering venues to be operated with a higher seating capacity.

For further analysis by business, please refer to Management Discussion and Analysis section of this annual report.

Discussion of Other Risks

The Group acknowledges that other risks including emerging risks could have an impact on the business objectives of the Group, and they could evolve or change rapidly. The Group also acknowledges that megatrends or other risk factors might affect the Group's businesses. Several focus areas are discussed as follows:

Risk Type	Risk Discussion
ESG-related Risks	Stakeholders have increased awareness towards ESG-related matters of corporations. Regulators have enhanced the ESG reporting requirements to satisfy the growing expectations from stakeholders, especially on the climate-related disclosures. This trend is expected to continue and impact the business strategy and operations of the Group. The Group integrates considerations relating to environmental and social sustainability into the decision-making and day-to-day operations. Our tailored ERM framework, which is embedded in the Group's business processes and supports the decision-making, has been integrated with the ESG-related risks and climate-related risks. ESG-related risks are identified, analyzed and treated by business and functional units and corporate office departments, with the facilitation of the ERM Team and Sustainability Team. The Group has formalized the management of climate-related transition risks in the ERM framework. For the details on the efforts of the transition risk integration, please refer to Case Study 1 "An application of integrated risk management: Climate-related Transition Risks" in this Risk Management Report. For the analysis of the ESG performance and transition risks, please refer to the Sustainability Report of this annual report.

Risk Type	Risk Discussion
Data Protection and Customer Privacy Risks	Data Protection and Customer Privacy was rated as one of the critically important aspects, in terms of materiality, by both internal and external stakeholders in the stakeholder engagement exercise conducted in FY2021. The Group has strengthened the information security architecture with enhanced authorization and authentication mechanisms. Data privacy and information security related policies and procedures, including Personal Information Collection Statement, are in place at the Group and business unit levels, to govern the data lifecycle management and safeguard the integrity and confidentiality of the data. Our insurance arm, FTLife Insurance, has established Cyber Security Policy and deployed data protection solutions, for example, firewalls, email gateway, data leakage prevention technologies, to the overall information security architecture. Also, it has implemented the Privacy Management Programme for years, in which Data Protection Officer and Data Privacy Managers for each work area are appointed for discharging responsibilities and duties on protecting personal data. For details of the stakeholder engagement exercise, please refer to the Sustainability Report of this annual report.
Geopolitical Risk	Global geopolitical tensions are observed and they may impact the international policies, local regulations and stakeholder expectations in the locations we operate in. The Group's business strategy, operations, performance and prospects may be affected by the dynamic geopolitical actions. While the geopolitical tensions including the Sino-US relations continued, there were more sanctions imposed on the local politically exposed persons. Our insurance arm, FTLife Insurance, closely monitored the sanctions updates from the relevant authorities and applicable guidelines from the regulators, to ensure compliance under the robust foundation. Meanwhile, for the local political context, the Group keeps a watchful eye on various media for any signal of incidents. In case of operational disruption, our business units would adjust the strategy to mitigate impact from the incident and identify responsive measures to recover operations to planned service level.
Innovation Risk	Innovation tightly links to growth and sustainability. To keep pace with the ever-changing risk landscape, various types of innovation, including product, process and technology innovations, should be pursued to navigate opportunities and develop competitive edge. Innovation is one of the core values of the Group. With support from New World Group, the Group has organized webinars and trainings to inspire the innovative mentality of our staff. Strategies are implemented to enhance the adoption of innovation at business unit level, with the following examples: • Hip Hing Group has adopted BIM technology to improve the management of construction information and productivity, through defining the project delivery target, with tailor-made BIM execution plan and deployment of in-house experts and external consultants to enable an effective implementation of the technology. • Hangzhou Ring Road transformed the traditional concept of toll road service area. Its Hangzhou West Lake Service Area aims to provide a high standard, comprehensive and pleasurable visitor experience. It features modern capsule hotels, diversified restaurants and an unmanned convenience store to refresh and engage road users. The renovated service area also gained international awards for its sustainable architectural design. • Recognizing the trend of product innovation in the insurance industry, FTLife Insurance made a breakthrough in traditional life insurance by introducing a brand new built-in Policy Reverse Mortgage Function. Owners of the new plan can choose to withdraw benefit as annuity to satisfy their retirement needs. For details of the innovation examples, please refer to the Sustainability Report of this annual report.

Innovating for a BRIGHTER, GREENER FUTURE

About This Sustainability Report

Contents

* Refer to online Sustainability Report for details.

Reporting boundary

This report focuses on the sustainability governance and performance of NWS Holdings' corporate office and principal subsidiaries[1] from business segments including Roads, Construction, Insurance and Facilities Management, represented by the business units outlined below.

Roads

- Zhejiang NWS Expressway Co., Ltd. ("Zhejiang NWS Expressway"), is mainly responsible for the management of Hangzhou Ring Road, a 103.4 km expressway in Zhejiang Province.
- Hunan NWS Expressway Management Co., Ltd. ("Hunan NWS Expressway") is responsible for the management of Changliu Expressway, a 65 km expressway connecting Changsha and Liuyang in Hunan Province.

Insurance

- FTLife Insurance offers a comprehensive range of life insurance products, accidents and health products to serve the diverse needs of its customers.

Construction

- Hip Hing Group provides professional design, procurement, engineering and construction services to a wide range of public, commercial and private projects.
- Vibro (H.K.) Limited ("Vibro"), a member of Hip Hing Group, is principally engaged in the design and construction of foundations and civil engineering works, and site investigation in the public and private sectors.

Facilities Management

- HML manages this award-winning venue for international exhibitions and conventions, an iconic landmark.
- Free Duty offers retail of a wide range of merchandise to general merchandise at Hong Kong's cross-border railway terminal and the Hongkong-Zhuhai-Macao Bridge.

In FY2021, the Group fully disposed of its interest in the transport business[2]; hence, the relevant environmental and social performance figures have been restated, with the removal of historical performance figures related to the disposed assets, so as to provide a more comparable performance trend for stakeholders' reference.

The Group's portfolio spans a diverse range of industries, with varying levels of ownership and operational control over individual entities. For subsidiaries and associated companies over which we do not have controlling interest, we endeavour to leverage our influence as board members and investors to engage them in sharing our values and vision for sustainability stewardship.

Reporting period

This report provides an overview of the NWS Group's sustainability performance during the reporting period of 1 July 2020 to 30 June 2021 ("FY2021").

Reporting Standards and Principles

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide ("ESG Guide") set out in Appendix 27 of the Listing Rules (effective as of 1 July 2020), and with reference to Core Option of the Global Reporting Initiative Standards ("GRI Standard"). The report is developed based on the reporting principles of materiality, quantitative, consistency and balance, set out in the ESG Guide.

Defining Report Content

In line with the materiality principles of the ESG Guide and GRI Standard, the report content is determined by the most significant and relevant environmental and social sustainability issues endorsed by the Group's Sustainability Committee, through a methodical materiality assessment process involving both external and internal stakeholders. The "Environmental Performance Data Summary" and "Social Data Summary" supplement the discussion, with more detailed information available on the Group's website under the sustainability section.

Sustainability Report Assurance

Hong Kong Quality Assurance Agency ("HKQAA") was commissioned to conduct independent assurance of the Sustainability Report in accordance with the International Standard on Assurance Engagement ("ISAE") 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and the ISAE 3410, Assurance Engagements on Greenhouse Gas Statements issued by the International Auditing and Assurance Standards Boards, and also to provide an independent Verification Statement on whether the reported information complies with the ESG Guide.

Contact Us

We welcome feedback on our sustainability disclosure and performance. Please share your suggestions and comments with us at sustainability@nws.com.hk.

1 The Sustainability Report features performance of subsidiaries that are 100% owned by the Group and their combined revenue had a material contribution to the Group's total revenues of over 90% in FY2019, FY2020 and FY2021, and with the most material ESG impact to the Group and its stakeholders.

2 During FY2021, transport business including NWFB, Citybus and NWFF were fully disposed of.

Our Sustainability Approach

As a responsible company and in full support of our parent company, New World Development ("NWD"), we strive to achieve the New World Sustainability Vision 2030 ("SV2030") which references the United Nations Sustainable Development Goals ("SDGs") and establishes four priority pillars. The 17 SDGs tackle the most pressing environmental and social challenges of our time, among which we have identified the four most relevant to our business in driving impact for a sustainable future. The four pillars of SV2030 is intricately linked with each of the four SDGs. In this report, we integrate these two frameworks into our reporting on the environmental and social issues material to the Group.

NEW WORLD SUSTAINABILITY VISION 2030

Connecting lives and building a sustainable and inclusive future

SDG 3 Good Health and Well Being

- Provide access to safe, effective and high-quality care and medical treatment
- Reduce environmental impacts through proper handling of emissions including greenhouse gas, air and water, etc.
- Enhance customer experiences by improving quality and wellness of our services

SDG 8 Decent Work and Economic Growth

- Contribute to economic growth
- Enhance economic productivity through business diversification, technological upgrades and innovation
- Provide employment and decent work for women and men, including young people and those with disabilities, and provide equal opportunity and pay for work of equal value
- Protect labour rights and provide safe and secure working environments for all employees

SDG 11 Sustainable Cities and Communities

- Provide safe road, sustainable and quality transport networks for the wider community and improve road safety
- Enhance inclusive and sustainable urbanization, enabling people to feel a sense of community
- Support positive economic, social and environmental links between urban and rural areas by strengthening local and regional development planning
- Environmental conservation

SDG 17 Partnerships for the Goals

- Promote the development, transfer, and dissemination of environmentally sound technologies to the wider communities in need
- Support effective and targeted capacity-building in communities for the implementation of SDGs
- Encourage and promote effective public, public-private and civil society partnerships

SUSTAINABLE DEVELOPMENT GOALS

Message from the Chairman of the Sustainability Committee

We prioritize the sustainability agenda by fully integrating it with strong corporate governance throughout the Group, recognising that its importance has only been heightened by the challenging business context and the wide-ranging impacts of the pandemic.

Sustainability means adapting not to survive but to thrive for generations to come. We are continually searching for ways to adapt to the "new normal" under the pandemic, preparing ourselves to meet shifting customer needs and thrive in a changing climate and business environment. We continually innovate our offers as a premium service provider, integrating sustainability into the wider agenda to drive lasting business growth and raise our service standards, working closely with our stakeholders.

In FY2021, we pioneered a new concept at Hangzhou West Lake Service Area. Other than wide application of AI technology, we rebuilt a greener service centre with various sustainable features in which the service area is expected to begin operation by end-2021. We also introduced an award-winning insurance product that supports longer retirement spans and innovated new solutions at the Hong Kong Convention and Exhibition Centre to help customers stay connected with their stakeholders during the pandemic. We strived to push our boundary continuously and steadily, contributing to raising industry standards through innovations and excellence in execution.

Stakeholders play a crucial role in supporting our innovation process, helping us to identify the most material issues for a thriving future, and guiding us in prioritization. In addition to the regular engagement channels, this year we conducted a comprehensive stakeholder engagement exercise, consulting close to 350 internal and external stakeholders through a survey. We have engaged also our senior management team through in-depth interviews, sharing their aspirations to best integrate social and environmental sustainability in the way we do business and making sustainability a defining part of our premium services, while creating shared value for the company and society.

We understand that the pursuit of these important aspirations demands both a systems perspective and a cultural approach. Going forward, we will prioritize defining clear value propositions and strategies for sustainable business and enhancing employee engagement efforts to bring this commitment to sustainability to all parts of our business.

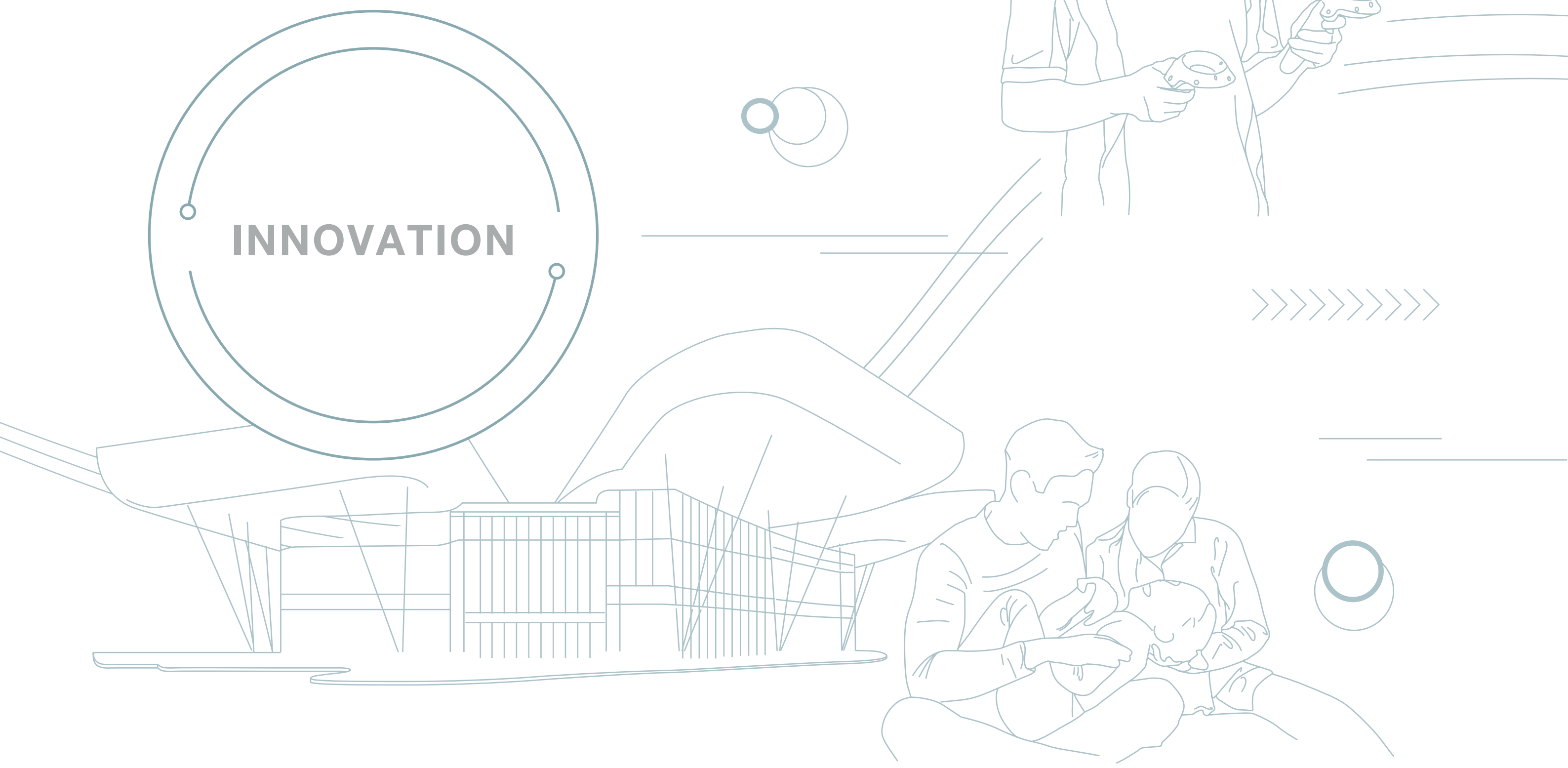
We look forward to hearing your thoughts on our progress and continuing our journey towards our Sustainability Target 2030 with you.

Regards,

MA Siu Cheung
Chief Executive Officer and Chairman of Sustainability Committee

Sustainable Innovation at a Glance

We believe that the key drivers for lasting business growth and service innovation depend on our ability to institutionalize a culture of effective innovation and operational excellence as well as our capacity to listen to and collaborate closely with our stakeholders. Here are some highlights of how we have integrated sustainability in our operations and service offerings through innovation, institutionalization and partnership with stakeholders in the reporting year:



- Introduced a new design concept at **Hangzhou West Lake Service Area**, which received the 2021 "A' Design Award (Silver)" in recognition of its sustainable built environment and the unique visitor experience which has disrupted the traditional concept of service areas along expressways

- Created a **new insurance plan**, "**On Your Mind**", enabling policyholders to withdraw their death benefits as an annuity to support their retirement needs. FTLife Insurance scooped the "Most Innovative Product Award" in the Greater Bay Area for FTLife Insurance, among seven awards

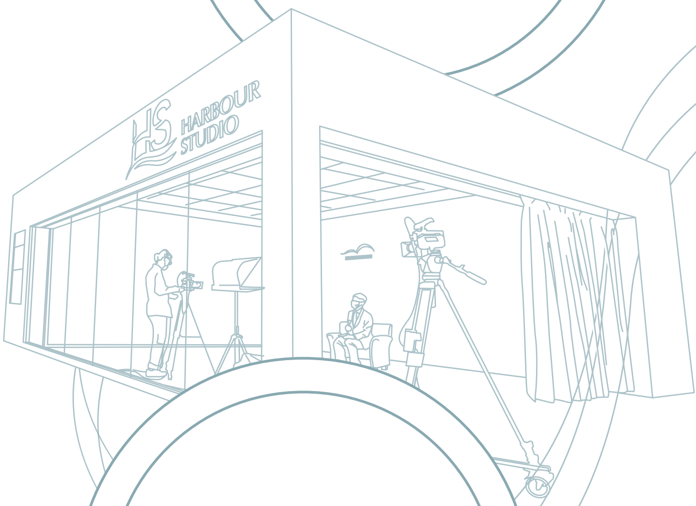
- Pioneered the **adoption of new technology in construction**, from Building Information Modelling ("BIM") and Modular Integrated Construction ("MiC") to the latest Digital Works Supervision System ("DWSS") and 5G communication system, pushing the boundaries for reduction in carbon, waste and pollution in construction, while delivering premium quality outcomes timely

- Developed **Harbour Studio** at the HKCEC, a state-of-the-art solution for hosting online and virtual events, such as live broadcasts, interviews and webinars, to help customers stay connected with their stakeholders during the pandemic

- Procured a number of **mass battery energy storage systems** and collaborated with the supplier to optimize their applications in various construction sites, dispatching best energy management solution, supporting electrification in the industry
- Kickstarted **NWS EXP Journey**, a new community programme leveraging our business ecosystem to provide a variety of work experiences and mentorships for secondary school students

- Launched a pilot scheme for upcycling wood waste, supported by St. James' Settlement Jockey Club Upcycling Centre, a non-profit organization, with our ecosystem striving to reduce **wood waste** to **landfill** from our operations
- Joined hands with our parent company, New World Development, to make **more than 200 training courses available online** to employees
- Consulted nearly 350 internal and external stakeholders through quantitative surveys and in-depth interviews to understand their expectations on sustainability leadership for NWS

COLLABORATION



INSTITUTIONALIZATION

- Formalized our commitment to **phasing out investments relating to coal-fired power plants**
- Extended the **internal audit** coverage scope to include ESG-related policies beginning FY2021 to safeguard their implementation across the Group
- Performed **climate-related transition risk assessment** in light of the migration to a low-carbon economy, and integrated material transition risk into the enterprise risk management framework for on-going review and management
- Diversified our funding sources by increasing and institutionalizing the use of **green financing instrument**, with a total of HK$3.8 billion in sustainability-linked loans to date
- Maintained **ISO 20121 Event Sustainability Management System** certification for event operation by HML

- Adopted **green building standards** in nearing 100% of building projects; implemented management systems for quality, environmental protection, energy use and occupational health and safety in 100% of construction sites

How We Govern and Manage

We recognize that our long-term business success depends on the shared value we create with our stakeholders. We strive for positive impact on the environment and the communities we serve, and are keenly aware of the damage that poorly managed operations can do. We therefore place great emphasis on good governance and sustainable development in all our operations, going above and beyond compliance with laws and regulations.

The Board of Directors of NWS Holdings – the Group's highest governance body – oversees all matters relating to our Environmental, Social and Governance ("ESG") through the Sustainability Committee, which includes at least one executive director and one non-executive director appointed by the Board. The Committee is currently chaired by our CEO, Mr Ma Siu Cheung, and includes three executive directors, two non-executive directors, and two independent non-executive directors. This Committee is mandated by the Board in accordance with its terms of reference to review and evaluate the adequacy and effectiveness of Group-level frameworks of sustainability and to manage ESG-related issues material to the Group, as well as monitors progress made towards the Group's 2030 sustainability targets.

The Sustainability Committee is supported by four task forces and sub-committees which work with our employees, business partners, customers and the local community to maximize shared value creation across our operations. The Enterprise Risk Management ("ERM") Team also incorporates ESG-related risks in the wider enterprise risk assessment and management process. More information can be found in the Risk Management Report of this annual report.

A framework of policies supports us in institutionalizing and enacting our sustainability principles across the Group's business units and geographies, alongside dedicated committees and management systems. We also conduct regular policy and process reviews, staff training and communications, to ensure our approach to sustainability is rigorous, well communicated and soundly implemented. Our policies are publicly available and we warmly invite you to explore them at these links:

"Sustainability Policy" Provides top-down direction covering sustainability aspects of our businesses	**"Anti-Fraud and Counter-Corruption Policy"** Outlines our expectations and requirements for the prevention, detection, reporting and investigation of any suspected fraud, corruption and other related irregularities
"Climate Change Policy" Outlines the commitments of NWS to manage climate risks across our business strategy and operations	**"Whistleblowing Policy"** Provides reporting channels and guidance on whistleblowing to employees and third parties, as an important part of effective risk management and internal control systems
"Health and Safety Policy" Outlines the commitments and approach of NWS in fostering a healthy and safe workplace for our employees by minimizing risks	**"Human Rights Policy"** Outlines our commitment to human rights by ensuring our employees are treated with dignity and respect in a manner consistent with the principles of United Nations Global Compact ("UNGC")
"Supply Chain Management Guide" Provides an overview to incorporate ESG into supply chain management at the corporate level	**"Sustainable Procurement Guide"** Outlines our commitment to reducing environmental footprint and encouraging responsible and ethical sourcing
"Supplier Code of Conduct (NWD)" Adopted NWD's Supplier Code of Conduct, which sets out the criteria for vendor selection based on demonstrable commitment to principles for sustainable development	**"Sustainable Procurement Policy (NWD)"** Adopted NWD's Sustainable Procurement Policy, which sets out our approach in making purchasing decisions that meet our needs in a way that benefits not only the organisation but society as a whole, while minimizing its ESG impacts.

NWS regularly conducts internal audits to ensure policies and procedures are implemented and complied with across our diverse business portfolios. In FY2021, we extended the internal audit coverage scope to include ESG-related policies to safeguard their implementation across the group; no non-compliance issues were identified.

Ethics and Anti-corruption

Our latest stakeholder engagement and materiality assessment highlighted the importance placed on ethics and anti-corruption, which ranked most highly in importance both to stakeholders and importance to business continuity and development. At NWS, we place great emphasis on institutionalizing the management of ESG risks. Processes and policies to support this include our *"Anti-Fraud* and *Counter-Corruption Policy"*, our *"Supplier Code of Conduct (NWD)"* and our *"Whistleblowing Policy"*, in addition to the *"NWS Employee Handbook"*, which contains elaborated sections on staff responsibility and Code of Ethics and outlines the expected behaviours of all employees. Other preventive measures include regular employee trainings by Hong Kong's Independent Commission Against Corruption. GARA records all reported cases and undertakes investigations as designated by the Audit Committee in a confidential and timely manner. Every effort would also be made to keep the whistleblower's identity confidential. Results of all investigations are reported to the Group's senior management.

Risk Management

Risk management was also identified by both internal and external stakeholders as a highly important issue for NWS. The identification, assessment and management of ESG-related risks, such as risks relating to sustainability, quality, and health and safety, are well incorporated into our Enterprise Risk Management ("ERM") process. Risks are attributed to designated "owners" who are required to implement risk treatment plans for risk mitigation. In FY2021, the Group also engaged an external consultant to support climate-related transition risk assessment (detailed discussion in the section of Greener Future), referencing the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") for alignment with our own ERM framework. Further details of our risk management processes are discussed in the Risk Management Report of this annual report.

Sustainable Financing and Investment

Sustainable financing depends on expanding the choices available to investors by developing appropriate tools and mechanisms. In response, NWS has raised a total of HK$3.8 billion through green financing instrument, in particular sustainability-linked loans since FY2020, of which interest rates would be reduced according to progress on the Group's annual and cumulative sustainability performance.

ESG principles are also embedded in our investment decisions. For instance, our *"Sustainability Policy"* sets out our commitments to invest in clean and energy-efficient technologies to drive the reduction of our greenhouse gas emissions, and to investing in technologies and innovative solutions to enhance customer experience, communication, health and safety, privacy and protection in our business operations. Following the announcement of a commitment to phase out investments relating to coal-fired power plant by our CEO in 2020, we formalized this important divestment commitment in our group-wide Sustainability and Climate Change policies in FY2021 to ensure that this decision is being followed.

Intellectual Property Rights

The NWD's *"IT Policy and Procedures"* ensure intellectual property rights are observed and protected. This policy assures our compliance to the relevant and applicable intellectual property laws, and provides our employees with the proper guidance to safeguard our intellectual property.

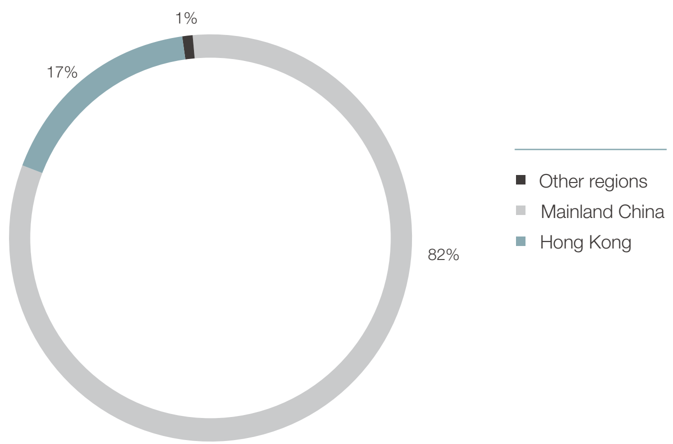
Supply Chain Management[3]

Similarly, ESG considerations are integrated into our selection and management of new and existing service providers including suppliers and contractors through our *"Supplier Code of Conduct (NWD)"* and *"Supply Chain Management Guide"*, and all related processes.

Our guidelines promote efforts to reduce the environmental footprint of our supplies and encourage sourcing from and gives preference to local, responsible and ethical suppliers. Suppliers who value and act on the principles of sustainable development are preferred. All suppliers must comply with regulatory requirements regarding environmental, health and safety, and labour practices; an example of this would be to prohibit the use of forced and child labour. In line with our *"Sustainable Procurement Policy (NWD)"*, we prioritize local suppliers[4]: with aim to reduce carbon footprint in the value chain. In FY2021, 82% of our suppliers[5] were from Hong Kong, 17% were from the Mainland, with only 1% were from other regions.

As social and environmental issues vary across the Group, they are managed according to the needs of each business unit. Our business units also have supply chain and procurement management framework in place that suit their needs. As we commit to SV2030, close collaboration with our service providers plays also an essential part of our roadmap towards decarbonization. Further examples on our collaborations throughout our value chain are covered throughout this report.

Geographical Breakdown of Suppliers



3 In FY2021, 82% of our suppliers were from Hong Kong, 17% were from the Mainland and 1% were from other regions.
4 Including suppliers from Hong Kong and the Mainland.
5 Total number of suppliers refers to those that have a valid contract with the company and with a total expenditure of HK$500,000 or above within FY2021.

Performance Targets and Progress

In 2020 we established Group-wide environmental and social targets for FY2030 in line with our parent company New World Development's New World Sustainability Vision 2030 ("SV2030") and SDGs, demonstrating our long-term commitment to being part of a low-carbon economy, and creating shared value for our customers and stakeholders.

Sustainability Targets 2030 and Progress

The following table provides an overview of our Sustainability Targets 2030 and our progress towards them. We will continue to review our metrics and introduce new performance indicators as required, in order to increase our impact across all four areas of SV2030.

SV2030	FY2021 Progress		Relevant SDGs
Green Moving us towards a greener future	(Baseline: FY2013) ▽ **50%** **Energy Intensity** FY2021: ↓ 42% On Track ▽ **30%** **Water Intensity** FY2021: ↓ 4% On Track	▽ **50%** **Carbon Intensity** FY2021: ↓ 56%[6] On Track **> 90% reuse of construction and demolition materials** FY2021: >96% Target Met	3, 11, 17
Wellness Promoting health in body and mind	(Since FY2015) **Maintain Lost-Time Injury Rate ("LTIR") below 3.0 per 100 employees** FY2021: 0.4 LTIR Target Met	**Improve the well-being of >4 million beneficiaries** FY2021: Reached 2.02 million beneficiaries On Track	3, 8, 17
Caring Nurturing our communities and culture	(Since FY2015) **Enhance the quality of life of >17 million beneficiaries** FY2021: Reached 9.2 million beneficiaries On Track	**Accumulate 175,000 hours of voluntary service to the community** FY2021: Accumulated 102,000 hours volunteering service On Track	3, 8, 11, 17
Smart Using innovation to unlock potential	• A pioneering concept and experimenting new technologies of construction in Hangzhou West Lake Service Area • Building Information Modelling ("BIM") and Digital Works Supervision System ("DWSS") to enhance quality and safety management at construction sites. • Award winning insurance plan "On Your Mind" of FTLife Insurance provides a "reverse mortgage" feature to meet needs of different customers. • Harbour Studio at the HKCEC to support clients' need on holding virtual events during pandemic		3, 8, 11, 17

6 The significant drop in carbon intensity was mainly impact by the abnormal business operations during pandemic in FY2021. It is expected the data for coming years will reflect a more realistic scenario in performance.

Stakeholder Engagement and Materiality

Our stakeholders play a crucial role in our sustainability strategy by working with us to identify topics that are most material to our business success, now and in the future. It is of great importance to our work to maximize opportunities to understand their perspectives.

In FY2021, we drew on key issues identified in previous assessments, and refreshed our understanding by inviting stakeholders to share their feedback on current and emerging risks as well as opportunities to our business and the communities in which we operate. We also undertook a comparative study, noting the priority issues identified by industry peers to ensure that no emerging trends affecting the industry are overlooked.

The vast majority of participating stakeholders were based in Hong Kong and the Mainland where the Group's businesses are based. They included:

- 250 internal stakeholders, including senior management, middle management and general staff across business units
- 92 external stakeholders, including service providers, non-profit organizations, peer companies, financial institutions, suppliers, customers and academic and professional institutions

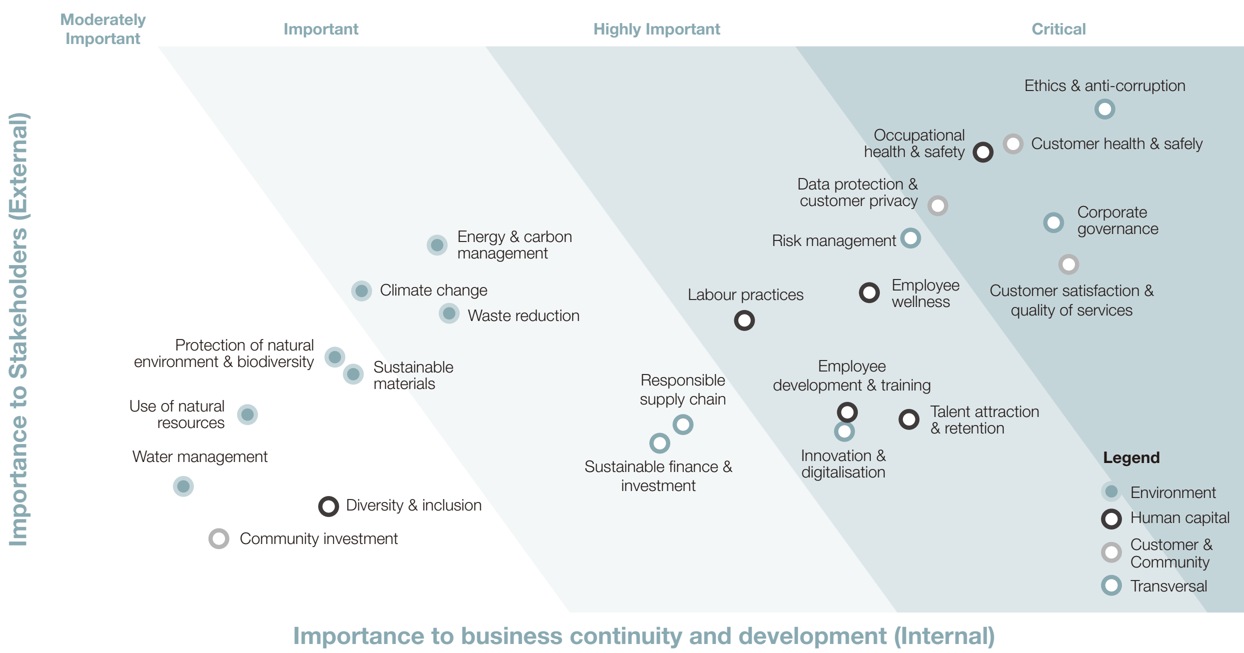
The outcome of our FY2021 materiality assessment process is a refreshed materiality matrix as shown, with priority issues that internal and external stakeholders rated at various levels of importance for the Group to consider in its sustainability efforts and investments. External stakeholders were invited to rate each topic in terms of its importance to society and the environment and also its relevance to NWS. Internal stakeholders rated these topics according to their likelihood and magnitude of potential impact on NWS' business continuity and development. The views of external and internal stakeholders can be referenced through the materiality matrix where the y-axis reflects the views of external stakeholders while the x-axis represents that of internal stakeholders.

Ethics and anti-corruption, customer and occupational health and safety, corporate governance, and customer satisfaction and quality of services were prioritized as top issues for NWS. These are mostly transversal topics underpinning the foundation of a business and are critical for safeguarding a company's legal and social licence to operate. These material topics are addressed throughout the report content.

Beyond the materiality assessment and report preparation process, we continually engage with stakeholders to maintain a thorough understanding of their concerns and expectations, helping us enhance our strategies for sustainable growth to create shared value. This includes stakeholders directly impacted by our operations, such as employees, investors, customers and supply chain partners, as well as our wider partners in society, such as community organizations, trade and industry associations, academia and the media.

Our business units also carry out communications with their stakeholders regularly, tailoring these to industry needs and interests. Our stakeholder communications channels include face-to-face meetings, mobile apps and social media, enabling a broad reach and targeted responses. We also offer stakeholders regular updates via press releases, newsletters and our websites.

NWS materiality matrix 2021



Material issues for prioritization and their impact boundaries

Material Topics (1 being the most important)	How We Address Them (corresponding sections in this chapter)	Impact Boundary	
		Internal	External
1. Ethics and anti-corruption	How We Govern and Manage	✓	✓
2. Customer health and safety	Continuous Innovation for Quality Customer Service	✓	✓
3. Occupational health and safety	Thriving Peoples	✓	✓
4. Corporate governance	How We Govern and Manage	✓	✓
5. Customer satisfaction and quality of services	Continuous Innovation for Quality Customer Service		✓
6. Data protection and customer privacy	Continuous Innovation for Quality Customer Service	✓	✓
7. Risk management	How We Govern and Manage	✓	
8. Employee wellness	Thriving Peoples	✓	
9. Talent attraction and retention	Thriving Peoples	✓	
10. Labour practices	Thriving Peoples, How We Govern and Manage	✓	✓
11. Employee development and training	Thriving Peoples	✓	
12. Innovation and digitalisation	Greener Future, Continuous Innovation for Quality Customer Service	✓	✓
13. Responsible supply chain	How We Govern and Manage	✓	✓
14. Energy and carbon management	Greener Future	✓	✓
15. Sustainable finance and investment	How We Govern and Manage	✓	✓
16. Waste reduction	Greener Future	✓	✓
17. Climate change	Greener Future	✓	✓
18. Protection of natural environment & biodiversity	Greener Future	✓	✓
19. Sustainable materials	Greener Future	✓	✓
20. Use of natural resources	Greener Future	✓	✓
21. Diversity and inclusion	Thriving Peoples	✓	✓
22. Water management	Greener Future	✓	✓
23. Community investment	Fostering an Inclusive Community	✓	✓

Continuous Innovation for Quality Customer Service

This year's materiality assessment revealed the importance our stakeholders, both internal and external, place on customer wellbeing. Among six material issues rated of "critical" importance (the highest rating), three are related to customer wellbeing, specifically: customer health and safety, data protection and customer privacy, and customer satisfaction, achieved through quality service delivery.

NWS has always placed strong emphasis on customer wellbeing and will continue to strive to improve with a number of innovative measures to push the boundaries of high service standards and practices:

Service and Product Quality

We take pride in the quality of products and services provided to our customers, which is essential for our business sustainability. We have strict protocols that guide our product and service quality, and we continue to take the advantage of technological advancement to deliver premium services to meet our customers' satisfaction.

Customer Health and Safety

We strive to provide the safest environments for both our customers and employees and we strongly believe that the risk of injuries can be minimized through better care and technology. We invest in comprehensive training for our employees as well as in the latest technologies to enhance safety that directly impact on our community of users. We have also increased efforts to protect our customers and staff throughout the COVID-19 pandemic.

Data Protection and Customer Privacy

We have a clear approach in identifying and addressing information security risks. In FY2021, the Group has further strengthened the information security architecture with enhanced authorization and authentication mechanisms. Data privacy and information security related policies and procedures, including *Personal Information Collection Statement*, are in place at Group and business unit levels, to govern the data lifecycle management and safeguard the integrity and confidentiality of personal data.

FTLife Insurance won 5 awards in *Bloomberg Businessweek/Chinese Edition* "Financial Institution Awards 2021"

At the corporate level, our IT is centralized at the New World Group where senior management is kept informed of information security matters through Cyber Security Committee and Data Leakage Prevention Committee. We have relevant training programmes including the New World Group's *"IT Policy and Procedures"* and "Cyber Security Awareness Training" available on our e-learning platform. Cyber security reinforcement training is conducted annually. Penetration tests are routinely done and we seek for IT service review periodically by external consultants.

To protect privacy and personal data, we collect only necessary information from our customers and restrict the use of that data. All customer data is handled in compliance with the Personal Data (Privacy) Ordinance (Cap. 486). The Data Confidentiality and Protection Policy section of the New World Group's *"IT Policy and Procedures"* provides further guidance on data storage and handling for computer users, the IT department and IT service providers. There were no substantiated incidents with significant impact recorded in FY2021.

Customer Feedback and Communication

The Group values all feedback from our customers – Voice of Customer, which we see as opportunities to improve customer relationship and demonstrate our commitment to getting the basics right. We are dedicated to offering quality services to our customers by understanding their needs and expectations. Our business units have customer feedback handling systems tailored to their business, ensuring insights from our customers are dealt with in timely and appropriate ways. Contact information is available at each of their websites. Comments and complaints are carefully handled by dedicated teams. All are properly recorded and reviewed by management on a regular basis to identify areas for improvement.

Although advertising and labelling are not central to our businesses, we strive to the accuracy of information in marketing and promotional materials used to communicate with our customers. All materials and messages for the public are reviewed by designated staff to ensure accuracy and compliance with the Trade Descriptions Ordinance (Cap. 362).

There were no reported cases of regulatory non-compliance regarding advertising or labelling during reporting year.

While we take pride in the premium level of customer service we offer, we are not complacent and strive always to identify innovative ways to improve their experience and safeguard all aspects of their wellbeing. Our premium service offers range across many aspects of our customers' daily lives, from the construction and management of space, to supporting their mobility through key infrastructure such as toll-road management, and more recently offering life insurance to support their peace of mind.

Not only do we cater to the demands of customers today, but we also anticipate the needs of our future customers. We are fully aware that the next generations of customers expect premium services to include robust sustainability management and continual innovation: both of these are essential for our businesses to remain competitive. NWS takes great care to embed sustainability in all its processes through strong governance. This also enables us to identify opportunities for sustainable innovation.

Hangzhou Ring Road: Innovation for enhanced, sustainable customer experiences

Situated in Hangzhou City of Zhejiang Province, Hangzhou Ring Road ("HZRR") has a length of 103.4 km and is one of the longest and busiest dual two-to-three lanes' expressway in the Yangtze River Delta Region. HZRR is connected to several major national expressways and links up Hangzhou's neighbouring provinces and cities such as Shanghai, Nanjing, Ningbo and Suzhou. As the operator of HZRR, we strive to demonstrate our quality of service through continually improving road safety and traffic for better customer experience, and staying ahead of the latest needs of the industry by adopting of advance technologies.

A Pioneering Concept for West Lake Service Area

A number of international accolades for innovation were awarded to Hangzhou West Lake Service Area, scheduled to begin operation by end-2021. Our team has transformed the concept of toll-road service areas in the Mainland, which is traditionally limited to the provision of toilets and convenience stores, by offering a holistic experience to refresh and engage road users. Design features, fusion of old and new included an unmanned convenience store that minimizes manual operation as well as social contact during the pandemic, two modern capsule hotels with a total of 20 rooms, in addition to opportunities for cultural immersion in the history of Hangzhou. Moreover, features such as rooftop mounted solar panels, over 50 charging points for electric vehicles including, double and/or triple glazed façade and LED lighting enables the service area to maximize efficient use of energy, towards our ambition for this to be the first LEED certified service area in Mainland China.

After receiving a US-based MUSE Design Award in 2020, the Service Area won a silver medal for architectural design in Italy's world-renowned "A' Design Award", which received entries from 108 countries and regions. A panel of more than 200 international professionals judged the competition, recognizing both the sustainability considerations embedded in the design and construction of the service area as well as the high standard of experience the unique design offers to visitors. Commended features include the architects' consideration of the visual connection between the architectural space and the surrounding landscape, as well as their cultural sensitivity in the use of the sweet-scented osmanthus, the city flower of Hangzhou, as inspiration to design the roof.

Supporting Drivers to Adopt Electric Vehicles

In support of the national's goals for electrifying and decarbonizing its mobility sector, HZRR is expanding its provision of charging stations to encourage the use of electric vehicles ("EV"). For instance, five new charging points were installed at Zhuantang Station, Hangzhou. There are 17 charging points in total along Hangzhou Ring Road in operation, including 12 charging points in Xiasha Service Area; 50 charging points will be added in the new West Lake Service Area, offering customers an additional opportunity to green their lifestyles while reducing roadside air pollution.

Artificial Intelligence to Improve Road Safety

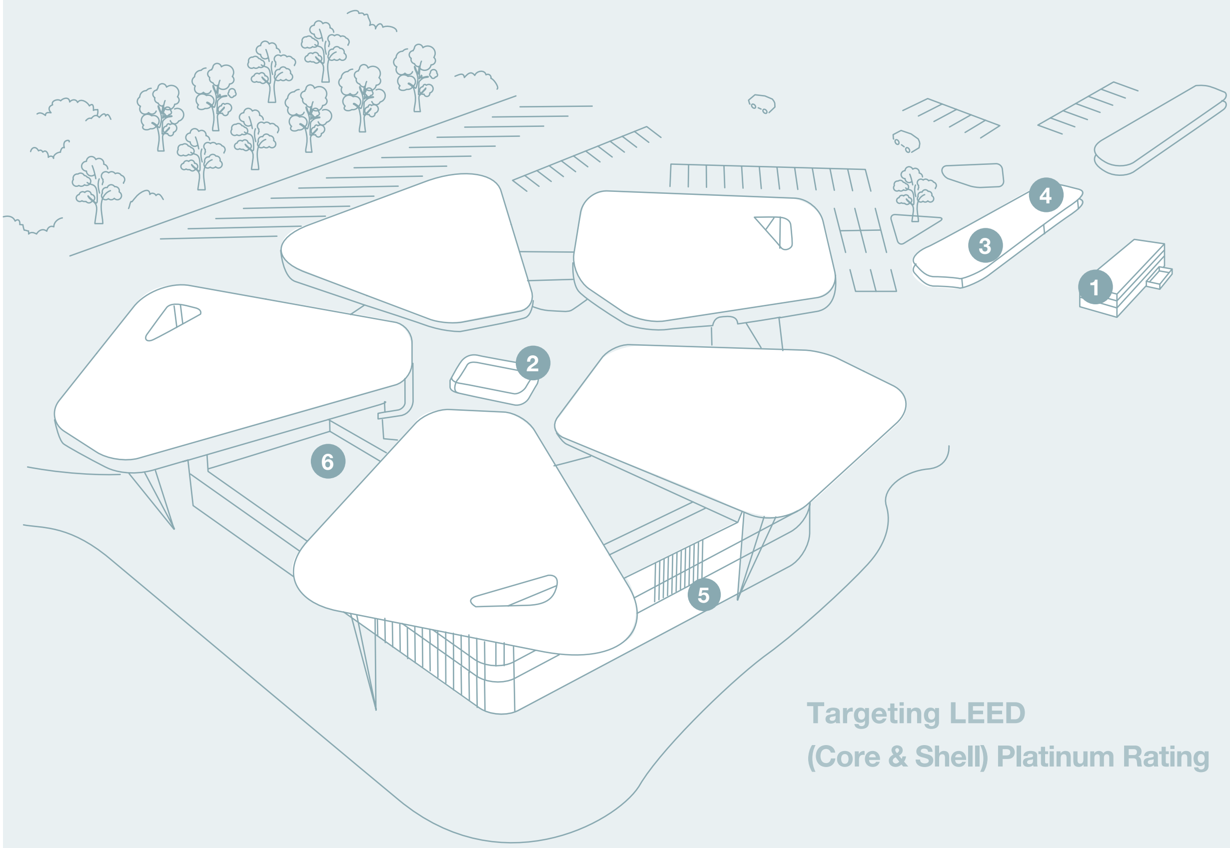
HZRR launched an automatic high traffic volume forecasting alert system, launched in December 2020. This provides warnings to road users through an automatic lighting alert and speaker announcement system at traffic hotspots, such as congested ramps on the HZRR, where 35 warning lights and six sets of speakers are now installed. The smart system utilizing AI technology can detect traffic congestion and road incidents to alert road users, in order to minimize incidents. This improves the safety of all road users, and offers them peace of mind at the wheel.

Hangzhou West Lake Service Area (3D Rendering)

Hangzhou West Lake Service Area

Sustainability Design Features

Having taken into consideration the surrounding landscape and climatic conditions, the design layout optimizes the application of natural lighting and ventilation. Design measures were adopted to enhance insulation and automate shading of the building envelope to reduce heat gain and thus energy demand of the building. Weather sensors are in place to collect data from sunlight, wind and rainfall. Together with the smart design, indoor temperature can be better controlled through air-conditioning and lighting based on real-time weather conditions.



1. **Zero Wastewater Discharge Design** included a wastewater treatment facility with capacity of 400 tonne/day, enabling secondary water reuse for flushing, landscaping and/or cleaning. A 200 m^3 rainwater collection tank was also designed to reduce freshwater use.

2. Use of **energy efficient variable refrigerant flow ("VRF") system** for centralized air-conditioning along with real time energy monitoring and control through wireless control platforms.

3. Scheduled installation of more than **50 EV chargers**, including NIO Battery Swap Station, to encourage and enable the use of EV of various models, supporting the reduction of road-side air emission.

4. **Solar panels** have total power capacity of 438 kW. The annual generation of renewable energy is estimated to be 440,000 kWh, equivalent to 94 households' annual electricity consumption in Hong Kong[1].

5. **Double and/or triple glazed façade** to provide better insulation, reducing heat gain to the building envelope in summer while the specially coated surface re-radiates indoor heat in cold weather.

6. **Energy efficient lighting system design** included LEDs, lighting zoning and control, along with optimized utilization of natural daylight.

1: Source: https://www.emsd.gov.hk/energylabel/en/cal/cal.php

Hip Hing: Technological Innovation for Premium Services

As a leading contractor in Hong Kong, Hip Hing Group is committed to developing outstanding, high-quality projects that exceed clients' expectations. Hip Hing Group implements an integrated management approach on quality, safety, environmental protection and energy, which conforms to international standards of ISO 9001, ISO 45001, ISO 14001 and ISO 50001 respectively. In light of the increasing digitalization of its operations, Hip Hing Group is the first construction company in Hong Kong to be certified under ISO/IEC 27001:2013 on its Information Security Management System in FY2021. Hip Hing Group continues to innovate means to enhance our performance in all of these aspects. Examples of highlights are provided in the following sections.

In addition to maintaining the culture on delivering quality products through excellent skills and workmanship in construction, Hip Hing Group established an Innovation and Technology ("InnoTech") Department in 2019 to spearhead construction-related research and innovations. A number of innovations have since been patented.

Patented technology invented to avoid overloading of tower cranes

One success story to come out of Innotech addresses health and safety issues connected to operating tower cranes for lifting heavy objects at height. This has always been a high-risk construction activity with serious consequences for any mishandling. To better monitor and to ensure the proper operations, Hip Hing Group created and patented the Wireless Lifting Monitoring System for Tower Cranes in 2020. Traditionally, conventional load indicators are only visible to the tower crane operator. The new system enables safety officers at ground level to observe the real-time loads of the crane, eliminating the risk of overload. This system, implemented across the majority of tower cranes in construction sites managed by Hip Hing Group, has effectively eradicated any overloading incidents.

Wireless lifting monitoring system for tower cranes

Well-recognized BIM Achievement

Hip Hing Group's success in innovation was also recognized in the 2020 BIM Achievement Awards, organized by the Construction Industry Council of Hong Kong, where it scooped seven accolades for sustainable construction, in particular its application of Building Information Modelling ("BIM") to reduce waste and costs, and innovation in building design.

Modular Integrated Construction for Fast and Smooth Construction

Hip Hing Group adopted the innovative construction approach Modular Integrated Construction ("MiC") to build Hong Kong's first high-rise MiC building, InnoCell – a smart living and cocreation space at Hong Kong Science and Technology Park. The adoption of MiC helps reduce on-site processes, enhancing overall productivity and safety, construction quality and sustainability. In addition, the project has also adopted an integrated construction information platform for real-time information access and paperless inspection, enhancing construction efficiency. InnoCell was awarded a commemorative plaque by the Construction Industry Council for this successful pilot demonstration of MiC and related knowledge-sharing.

Modular flats with factory assembled furniture – InnoCell

Following this success, Hip Hing Group has used MiC for 97% of the design and construction process of temporary quarantine facilities at Penny's Bay, completing the process in just three months in response to urgent need in the pandemic, with 857 quarantine units were developed using this advanced technology.

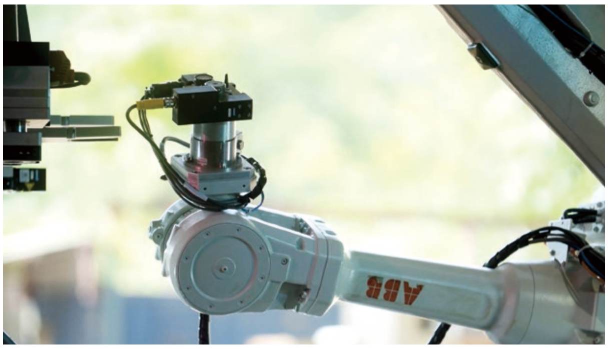
MiC was also used in the construction of security booths in the main hall of the Transport Department's Vehicle Examination Centre, reducing on-site construction time by 40%. The client expressed appreciation for the outstanding performance of the project team.

Quarantine facilities of 857 units were completed in 3 month using MiC

Temporary quarantine facilities at Penny's Bay

Adoption of Advanced Construction Technologies

Hip Hing Group deploys a wide range of advanced construction technologies, including 5G-powered applications, robotics and the Internet of Things to help boost work efficiency and communication among construction personnel, as well as the use of augmented and virtual reality in building information modelling, drones for surveillance, and smart analytics. With the support of technology, we are able to further minimize disturbances from noise and pollution in the process, reduce waste generation, and enhance the quality of our projects.



Adoption of robotics to enhance safety and building quality

Digital Works Supervision System for Efficiency and Collaboration at Work

To streamline project management processes, improve productivity and facilitate closer collaboration among client representatives, contractors and sub-contractors, Hip Hing Group uses a digital works supervision system ("DWSS") which enables rapid access to information, particularly records of necessary forms and documents for fact-checking when issues arises. This level of centralized information improves the transparency of our contractor relations, and enables us to identify sub-contractors that are more susceptible to error, so that we can offer them support to improve or address any concerns.

Unmanned Aircraft Systems for on-site Safety

Since 2019, Hip Hing Group has adopted unmanned aircraft system technology – or drones – to improve the way we manage safety on site. For instance, in our LOHAS Park residential development site in Tseung Kwan O, drones support the site team to conduct inspections more effectively and efficiently, from fire patrol to scaffolds and suspended working platforms. Not only can they capture footage of locations that are inaccessible to on-the-ground vision, but – being equipped with thermal imaging cameras – they can detect fire hazards more rapidly and efficiently than the human eye. This helps to maintain the safety of our workers and prevent accidents. Similar technology is also being implemented at other sites, including Kai Tak Sports Park and Immigration Department Headquarters at Tseung Kwan O.

Applying drones and thermal imaging technique to manage on-site safety and quality in construction project

FTLife Insurance: Innovation for Long-term Customer Wellbeing

FTLife Insurance was awarded seven major accolades in the *Bloomberg Businessweek/Chinese Edition* "Financial Institution Awards 2021", and the *Metro Finance* "GBA Insurance Awards", in recognition of its outstanding achievement in product development, talent recruitment, training and development, and marketing strategies. FTlife Insurance's award-winning insurance products demonstrate how the company is striving to meet society's rapidly evolving needs in a time of crisis.

Another award-winning product of FTLife Insurance responds to the trend of novel diseases with health implications that are not yet scientifically documented and so not easily diagnosed. "HealthCare 168 Plus" Critical Illness Protector is the first in the market to offer protection against the loss of functionality of key organs, enabling claims even where clear diagnosis is not possible.

Endorsement of FTLife Insurance's commitment to innovation and excellence

Bloomberg Businessweek/Chinese Edition "Financial Institution Awards 2021"

- Life Insurance – Excellence Performance – "On Your Mind" Insurance Plan
- Critical Illness – Outstanding Performance – "HealthCare 168 Plus" Critical Illness Protector
- Recruitment Program of the Year – Excellence Performance – LEAP & Beyond Programme
- Training and Development Achievement – Excellence Performance – Agency Force
- Integrated Marketing (Branding Promotion) – Outstanding Performance – "Embrace Change for Better Future"

Metro Finance "GBA Insurance Awards – Hong Kong Region 2021"

- Most Innovative Product Award – "On Your Mind" Insurance Plan
- Outstanding Training and Development Award

Wellness Protection during COVID-19

In addition to the above product innovations, FTLife Insurance was quick to extend a grace period of 180 days to all customers with effective life insurance and group life insurance policies, in case their ability to pay on time was affected by adverse economic circumstances during the pandemic. This extension was effective from 23 January to 31 December 2020. An additional extension of 90 days was offered to any customers unable to travel to Hong Kong from the Mainland.

Having the elderly "On Your Mind"

FTLife Insurance's award-winning insurance plan, "On Your Mind", addresses the financial difficulty often faced by an ageing population by offering policy holders a "reverse mortgage" feature, whereby they are able to withdraw their death benefits as an annuity to support their retirement needs. The plan has been particularly well received by customers because it covers diverse needs both before and after retirement, offering senior customers the peace of mind and the means of support for their wellbeing in the long run.

"On Your Mind" insurance plan offers policy holders a 'reverse mortgage' feature

Protecting Customer Privacy

At FTLife Insurance, we have multiple facets of protection implemented to safeguard collected customer data and prevent unauthorized access, including administrative, physical and technical measures. Our *"Privacy Policy Statement"* informs our customers about their rights and the reasons for collecting their personal data.

At FTLife Insurance, we strive to enhance customer experience and wellbeing by providing quality products and services, as well as to nurture long-term relationships of trust with our customers.

The HKCEC's Harbour Studio: Innovation for Excellence

HML prioritizes customers' experience with quality service through their wellbeing, from food safety and hygiene, to providing a facility that offers high standards of safety and comfort to users. While some of the food and beverage outlets were already certified for Hazard Analysis and Critical Control Points ("HACCP"), HML is also the first organization in Hong Kong to attain ISO 20121, Event Sustainability Management System certification. During COVID-19, HML has demonstrated its resilience by developing new service products tailored to virtual events and has ramped up its hygiene measures to strengthen public and visitors' confidence to the venue, enabling the successful commencement of number of public exhibitions. HML has received accolades at the "Business Resilience & Community Contribution Awards 2021" organized by the HKQAA in recognition of anti-epidemic efforts and commitment to execute a series of preventive measures for a safe event environment.

Mindful Responses to COVID-19

In response to the rapid migration of events online during the pandemic, HML has developed Harbour Studio, a state-of-the-art solution dedicated to online and virtual events, such as live broadcasts, interviews, webinars and product launches. The new event space is equipped with LED wall panels, professional cameras and AV facilities as well as a fast and reliable broadband connection, offering event organizers maximum flexibility in designing and producing bespoke online or hybrid events with full technical support.

Newly developed Harbour Studio at the HKCEC

Moreover, to protect all staff members and visitors to the HKCEC, the entire venue is sanitized. This includes all event venues, restaurants, public facilities, staff offices, staff changing rooms, washrooms, all lifts and escalators, handrails, door handles, lift buttons, glass railing, stanchions and mill barriers. This is just one of a range of stringent hygiene measures enforced at this iconic event venue of Hong Kong, from frequent COVID-19 testing to robot-led sanitisation, to support long-term business generation.

Disinfection at the HKCEC using robots

Protecting Customer Privacy

To protect privacy and personal data, only necessary information from customers is collected and the use of that data is restricted. *"Personal Information Collection Statement"* are available for customers of HML before they make bookings, submit enquiries or subscribe to the HKCEC newsletter. These statements ensure customers know the reason for the collection of personal data and understand their rights. HML references the EU General Data Protection Regulation in a pop-up message about its cookie policy on the HKCEC website. This clarifies the purposes of data being collected from the website users.

Gearing up for the future

The HML team turned this time of crisis into an opportunity to accelerate hardware upgrades at the HKCEC to enhance customer and employee safety as well as its service offering to the customers. The upgrade programme covered its automatic fire alarm system, its public address system, and its heavily utilized lifts and escalators. Moreover, HML also adopted smart technology, from the application of 5G to security robots and the IoT system for air quality, humidity and temperature monitoring.

Thriving Peoples

The Group has a workforce of 4,938[7], with about 16% located in the Mainland while the majority are based in Hong Kong where the Group is headquartered. Employees are our assets and their wellbeing is essential to the Group's sustainable operations and long-term growth. We are committed to attracting and retaining talent, and to creating a healthy and inclusive environment for our staff to foster their growth.

This section of the report discusses how we protect the health and safety of our employees and care for their wellness and emotional wellbeing, and how we foster a culture of operational excellence, collaboration and innovation. All of these are essential drivers for the Group's sustainability development and are topics of interest to our stakeholders.

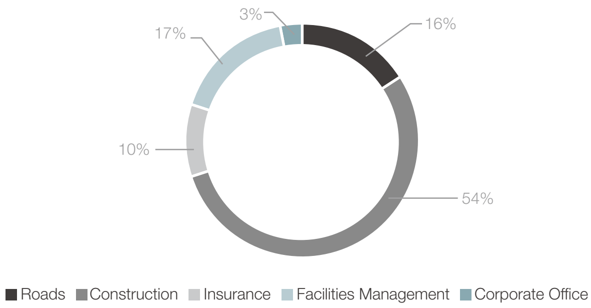
Health and Safety a Priority

OHS of our employees is of paramount importance to our operations and a top priority for NWS in the views of our stakeholders. Our Lost-Time Injury rate in FY2021 is 0.4, well beyond our target of 3.0, while our Lost Day rate is 65.4 per 100 employees. Our fatality rate has remained zero for the last three years. We continue to enforce robust health and safety protocols and extensive provision of occupational health and safety training (12,230 hours in FY2021, including COVID-19-related topics) to institutionalize a safety-first culture, alongside ongoing innovation, including the implementation of advanced technologies, to enhance health and safety.

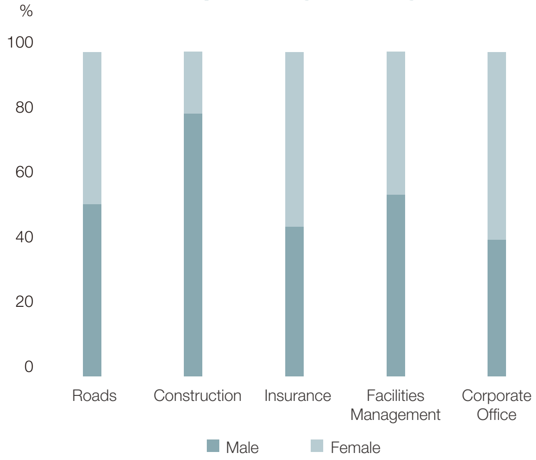
Zero fatality for past 3 years

Putting the right governance and leadership in place is critical for instilling a strong health and safety culture. All our construction sites are certified with ISO 45001:2018, with robust occupational health and safety management systems in place to reduce injuries and disease, while promoting and protecting wellness of staff and workers. A dedicated and independent OHS team, reporting directly to an executive director of Hip Hing Group, ensures an effective monitoring mechanism across its operations. At the construction site level, by delivering daily safety briefings and morning exercise sessions, safety supervisors can ensure the workers are reminded daily of the importance of a good health and safety culture, and made aware of the potential failures or hazards.

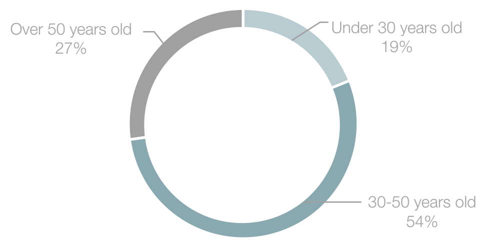
Total workforce by industry



Gender profile by industry



Total workforce by age group



7 By end of FY2021, the Group had 4,938 employees, of whom 99% were full-time and 96% in permanent employment term.

COVID-19 protection measures

In addition to dedicated training programmes, we have rapidly implemented new measures to protect our employees during the pandemic. These include:

- Our "Novel Coronavirus Free Protection" scheme, applicable to all employees in Hong Kong. If an employee is unfortunately diagnosed with COVID-19 within the protection period, he or she will be eligible to a one-off diagnosis benefit of HK$20,000, and an additional Hospital Cash Benefit of HK$4,000 per week (up to 8 weeks maximum).

- Our "COVID-19 Vaccination Leave" scheme which entitles each employee to two days of paid leave while HML staff are even entitled to four days' paid leave after receiving two doses of vaccine. This arrangement aims to encourage higher rates of vaccination across our workforce, protecting more employees, their families and the wider community.

- In an effort to monitor and report employees' personal health status daily, our corporate office has set automatic reminders to staff in submitting their health declarations.

- Our escalation channel, through which any suspected or confirmed cases of COVID-19 are communicated to staff members on a regularly basis to enable timely measures to reduce transmission at work.

- Standardized COVID-19 preventative measures, specifically at the HKCEC, implemented to minimize the risk of transmission and protect the safety of all staff and customers. This ranges from installing air filters and purifiers, anti-virus coating, and robots spraying disinfectant, to strict access control.

For more information on our approach to health and safety, please see our dedicated policy available on our corporate website.

Case Study –
Vibro's danger zone alert system

Vibro has developed a smart Danger Zone Alert System in-house, using computer vision to detect human presence in the proximity of moving plants (such as crawler cranes), and prompts an alert to prevent collision. A wide-angle camera is installed at the rear of the plant and captures the blind spots of the operator. The image is processed in real time using an artificial intelligence system, trained with live data, to distinguish people from other objects. Only the identification of human bodies will prompt an alert, minimising the problem of alert fatigue associated with conventional proximity sensors. Alerts, which include an audible alarm and flash light, are also differentiated to indicate the proximity of the worker, and therefore the level of danger. A visual monitor in the operator's cabinet also displays real-time image, highlighting any human presence. This system has been installed in all crawler cranes at Vibro's foundation sites, effectively enhancing site safety by protecting against the risk of collisions between workers and moving plants.

Danger zone alert system adopted to enhance site safety

Use of sensors and AI to alert workers from danger

Employee Wellness, Diversity and Inclusion

Health and safety is just the first step for us when it comes to employee wellness. We use a wide variety of communication channels to promote holistic wellness, including digital platforms, surveys, departmental gatherings, all-hands meetings and internal newsletter, ("*New Voice*").

We also leverage our network of partners and business ecosystem to care for the wellness of our employees. For example:

- Our partnership with Hong Kong Family Welfare Society ("HKFWS") provides Employee Assistance Programme services to employees, offering free counselling services via a hotline to support our colleagues in coping with challenges at work or at home.

- WeCare wellness online programme, led by NWD offers talks on a wide range of topics including how to manage family relations when working from home, improving your quality of sleep, skills for effective online communication, and stretching exercises.

Promoting wellness at work

Some of the initiatives organized by FTLife Insurance to promote employee wellbeing include: healthy eating programmes, from workshops and tips to distribution; sponsorship of fitness programme fees; massage and acupuncture workshops; sports activities such as hiking and running; and wellness and mental health seminars.

Yoga classes was organized to enhance employees' health and well-being

In 2021, NWS signed The Racial Diversity and Inclusion Charter for Employers, created by Equal Opportunities Commission ("EOC"), which offers best practice guidelines to ensure equal opportunities in employment for racial minorities. In an effort to raise awareness on racial inclusion and minimize the risk of discrimination in our recruitment and development practices, we organized a live webinar on "Understanding Discrimination Ordinances and Creating an Equal Opportunity Workplace" in June 2021. We received the "Equal Opportunity Employer – Family Status Equality" Award, introduced by EOC to recognize outstanding efforts to foster the spirit of inclusion and diversity. The Group regularly organizes various staff and family events and offers a medical subsidy for dependents. During FY2021, there were no reported cases of regulatory non-compliance regarding employment.

平等機會僱主
Equal Opportunity Employer
家庭崗位平等
Family Status Equality

NWS awarded "Equal Opportunity Employer – Family Status Equality" Award

Employees Rights

In addition to employee safety and wellness, we are committed to protecting our employees' rights and ensuring their dignity by implementing fair labour practices across our operations, consistent with the principles of the United Nations Global Compact. Our "*Human Rights Policy*" outlines our commitment to equality, diversity and inclusion at work, including details such as providing facilities as well as a welcoming environment to support for breastfeeding. During FY2021, there were no reported cases of regulatory non-compliance regarding labour practices on child and forced labour employment.

We respect each employee's right to form, join or not join associations and/or labour unions. In cases where employees are represented by associations and/or labour unions, the Group is committed to bargaining in good faith with their representatives.

Talent Management, Training and Development

Being able to attract and retain talent is critical to the continuation of our premium service delivery, business success and growth. In FY2021, we provided an average of 12.7 training hours per employee. The greatest share of training hours (25,777) were in professional development, followed by occupational health and safety (12,230), and also corporate culture, environmental protection and anti-corruption.

We collaborate with our parent company, NWD, to make more than 200 training courses available online to all employees, in addition to recorded talks or informative sessions that encourage employees to learn and re-visit at any time.

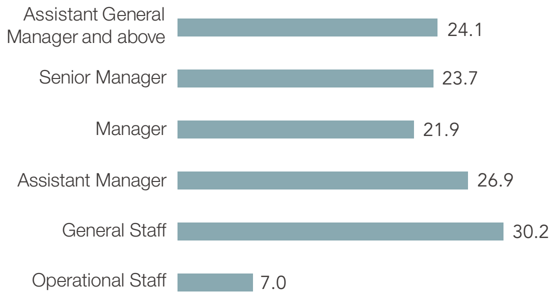
We have various channels to identify specific training needs at the Group and operation levels, including an intranet suggestion box, departmental training programmes, and annual performance reviews, etc. For instance, we offered trainings on wellness, mental health, physical exercise and anti-corruption in response to employee needs. We also have an education subsidy schemes to provide financial support to members of our staff for attending external trainings.

One talent attraction and development success story is "Hip Hing Group's Apprentice Scheme" which offers secondary school graduates the opportunity to take fully subsidized Higher Diploma courses and be selected for a Hip Hing Group Scholarship, which includes mentorship support and a fast-track to employment. Two young female talents, a foreman of Hip Hing Group and an assistant quantity surveyor of Vibro were named the "Outstanding Apprentice" at the Vocational Training Council's 2020 Outstanding Apprentice Award Scheme.

Another example of innovation in training and development comes from FTLife Insurance, which has become the first insurance company to introduce Moodie, an artificial intelligence system, to train our customer service agents. This system makes use of big data to analyze the behaviours of participants, and provide customized advice. This will enhance the efficiency of our training, in anticipation of the recruitment of 1,000 new agents as borders re-open following the lifting of COVID-19 restrictions, and help lay a solid foundation for our agents to pursue their professional career.

Average training hours per employee by gender

Average training hours per employee by category



Total training hours by training topics

Training Topic	Total Hours of Training Provided
Anti-corruption	1,435
Corporate culture	8,637
Environmental protection	4,063
Occupational health and safety	12,230
Professional development	25,777

Development programme for high potential staff

Across the Group, we prioritize the development of high potential ("HiPo") talents who can drive and sustain entrepreneurship in the Group. We have identified six core competencies of such talents to ensure they are recognized and nurtured. These comprise: creativity and strategic planning ability; leadership and talent grooming; complex problem-solving; driving results; a high level of emotional intelligence ("EQ") and resilience (or "adversity quotient", AQ); and self-awareness. In 2021, we identified and nurtured a total of 30 HiPo talents across the Group.

Inspiring Employees to Prioritize Sustainability

We strive to build capacity across our workforce to pioneer opportunities to advance sustainability, starting with enhancing internal understanding of critical issues through our Sustainability Policies and related e-learning modules. We provide around 80 courses online, on topics such as "How can we create shared value?", "Enterprise Risk Management" and "NWS Climate Change Policy", alongside webinars. Strong uptake of these offers indicated our success in promoting a sustainable culture across our workforce.

NWS sustainability forum "Building our Resilience against Climate Change"

With severe damages and disruption brought by extreme weather to communities and cities globally, combating climate change has become a new normal for both governments and private sectors. We hosted a sustainability seminar, inviting speakers from different industry backgrounds to share with us their insights on tackling climate change. The seminar attracted more than 400 attendances over two sessions.

Our CEO (left one) and guests sharing insights on climate resilience

Case Study – Partnership to repurpose waste materials

To minimize wastes from operations and to encourage upcycling, NWS Volunteer Alliance (Volunteer Alliance) had partnered with St. James Settlement Jockey Club Upcycling Centre in organizing six workshops during the period from March to May in 2021, to upcycle wastes including wooden pallets collected from ATL, wine boxes, broken umbrellas and turned them into furniture, musical instruments and home decorations etc. The workshops had engaged a total of 180 participants, from our volunteers to underprivileged children. A bazaar to promote these upcycled products along with a few workshops, was held in July at D•Park to further engage with the public on resource conservation.

Upcycling workshops turning waste wood into new products

Engaged 180 participants to waste material upcycling workshops

Greener Future

NWS aspires to build a greener future and contribute to limiting global warming, in line with our parent company's SV2030 and the SDGs. Construction and toll roads management are part of our core business portfolio, and we recognize that globally the significant contribution of the building and construction sector and the transport sector have significant impact on the world's greenhouse gas emissions, accounting for 38% and 23% of all energy-related carbon emissions respectively[8].

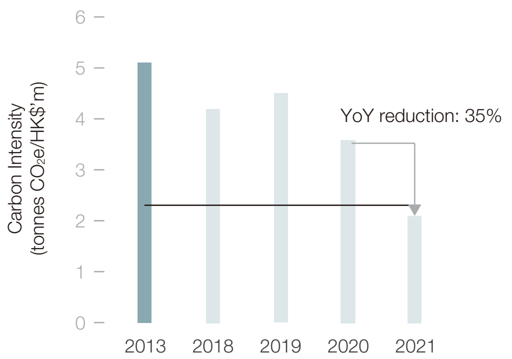
We endeavour to go beyond regulatory compliance, and consistently drive innovation in our business operations and service offerings to become greener and more resource-efficient. In addition to the oversight of the Sustainability Committee driving the group-wide sustainability objectives, our Environmental Management Committee, chaired by an executive director of the Group and comprising representatives from our subsidiary companies, meets twice a year. The Environmental Management Committee provides an institutional platform to ensure the implementation of green initiatives and the exchange of knowledge, experience and environmental best practices among business units.

Our 2030 Environmental Targets

NWS Sustainability Targets 2030 demonstrate our long-term commitment towards a low carbon economy. Among the Group's wide range of businesses, we have identified the business segment that contributes most significantly to each target. The decarbonization roadmap for construction and facilities management are further detailed under the section Greenhouse Gas Emissions and Energy Use. Our group-wide 2030 Targets, against a FY2013 baseline, are to:

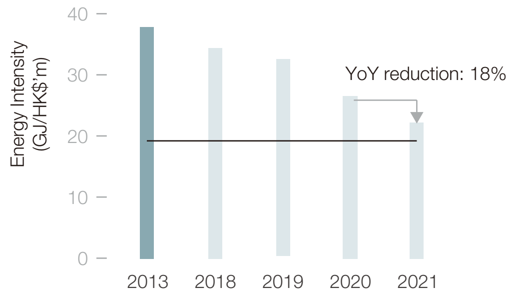
Carbon intensity

Reduce GHG intensity by 50%



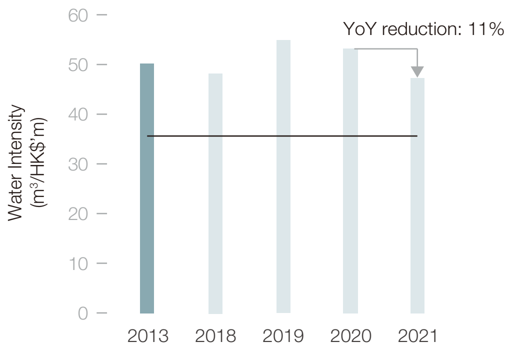
Energy intensity

Reduce energy intensity by 50%



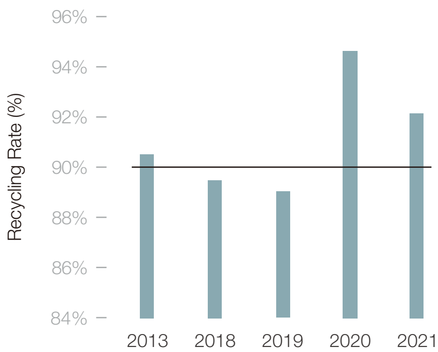
Water intensity

Reduce water intensity by 30%



Recycling rate of C&D material

Achieve at last 90% reuse of construction and demolition material



The metrics for FY2021 suggest significant progress towards our Sustainability Targets 2030. However, the impact of the pandemic has led to a reduction in business activities and correspondingly reduction in energy and water consumption intensity. For example, the energy consumption of HML has reduced by >50% in FY2021 comparing to FY2019 (before COVID-19) and the three outlets of Free Duty has remained closed as a result of border closure. We are thus taking a longer-term perspective in monitoring the target performances as we anticipate sequential business rebound from the pandemic.

[8] Source: https://globalabc.org/news/launched-2020-global-status-report-buildings-and-construction

Combating Climate Change

Climate resilience is an essential part of our sustainability strategy, evidenced in Hong Kong and the Mainland by the increased occurrence of acute weather conditions. As part of a Group-wide initiative, a climate scenario planning study was piloted to assess the physical climate risks faced by the HKCEC in order to identify areas for improvements, such as enhancing existing facility management practices to better prepare for more extreme wind and flooding events. In the coming years, we plan to further explore climate studies in relation to our wider business operations.

Understanding our Transition Risks

In 2021, NWS has conducted the first climate-related transition risk assessment of its key businesses with reference to the Recommendation of the Task Force on Climate-related Financial Disclosure ("TCFD"). Our transition risk assessment covered corporate headquarters and five business segments with reference to the International Energy Agency's Stated Policies Scenario ("STEPS") and the research findings of emerging policy and legal regulation aimed at addressing or related to climate change, within a time frame from present to about 5 years into the future.

We have identified relevant regulatory, technological, market and potential reputational risks which are local to where we operate during the global transition to a low carbon economy. As we work to incorporate these identified risks into our business strategy, we have also integrated the assessment approach and results into our Enterprise Risk Management ("ERM") framework for ongoing identification, assessment and management of these risks in accordance with the "*Climate-related Transition Risk Assessment Technical Manual*". For details of how we manage risks, including ESG and climate-related risks, please refer to the Risk Management Report of this annual report.

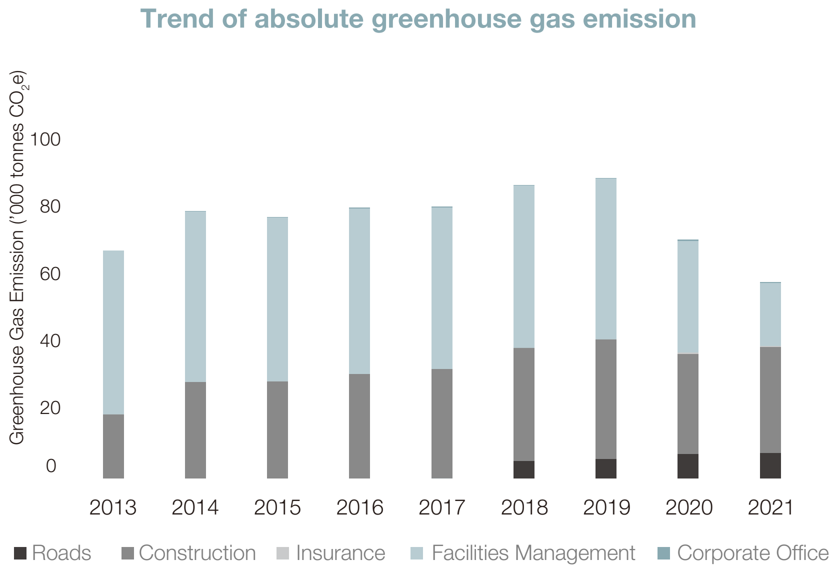
The Company is exposed to multiple channels of climate-related regulatory risks. While these risks include the exposure to relevant regulatory requirement that would have potential cost implications due to expectations or requirements to the current normal practices, none would be derived from the Company's direct greenhouse gas emissions. In Hong Kong, there is currently no carbon tax or emission limits. In the Mainland, the carbon tax and carbon emission limit only cover energy and industrial sectors, yet the continual expansion on the coverage may finally cover the upstream supply chain, such as the raw materials suppliers, causing indirect cost implications to other businesses.

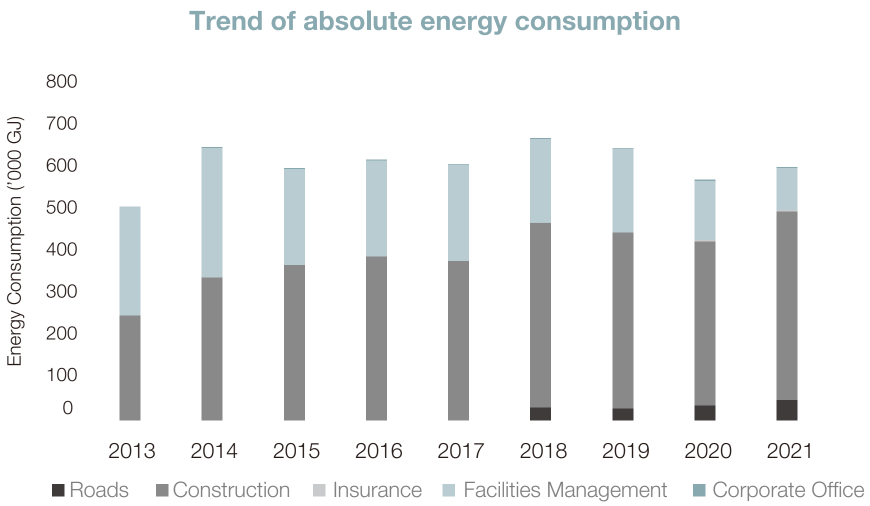
The following table summarizes the top transition risks identified based on inherent risk assessment and respective mitigation measures followed. The expected time horizon of the risk anticipation is of short to medium term.

	Top Transition Risk Identified	Mitigation Measures
Roads	• Increasing demand for green vehicle facilities along major expressways as a result of the issuance of the Guidelines for Developing Electric Vehicle Charging Infrastructure by National Development and Reform Commission ("NDRC") in October 2015, along with continuous strong sales of EV, the demand of charging facilities especially in support of long haul trips will become stronger	• Collaborate with third-party to install electric vehicle charging facilities at the service areas and other appropriate sites
Construction	• With the mandatory adoption of BIM and MiC, by the government of HKSAR, on capital works projects and certain public sector building works respectively, alongside with the government's commitment in adopting green buildings in public sector, the clients' expectation and the change of market demand would require our preparedness on resource and expertise in coping with the new trends in construction	• Adoption of new approach and technology in construction • Strategically adopt new construction technology and meet clients' expectations
Aviation	• Shift in market demand for low emission aircrafts as regulatory bodies and industry association set targets in reducing carbon emissions from aviation industry since 2010	• Acquire young and low-emission aircraft in the fleet
Insurance	• More stringent regulatory disclosure requirements on climate change • Requirement of financial management for climate change through stress testing	• Closely monitor the development of regulations on prudent financial management and disclosure relating to climate change • Consider establishing a sustainability task force to drive initiatives
Facilities Management	• Growing stakeholder expectation on sustainability achievement	• Obtain certification, participate in external initiatives, publicize sustainability efforts
Corporate Office	• More stringent regulatory disclosure requirements on climate change	• Closely monitor regulatory disclosure requirements and establish plan to conduct climate risk assessment

Greenhouse Gas Emissions and Energy Use

The graph below shows our historic greenhouse gas emissions and energy use across different business units. The Group's overall energy consumption increased 3.5% from FY2020, mainly due to a 21% increase in Hip Hing Group's number of active projects. Given its business nature, by far the greatest contributor to our greenhouse gas emissions and energy consumption is Hip Hing Group, at 53.9% and 71.7% respectively in FY2021. The second largest contributor is HML, though its energy consumption and thus greenhouse gas emissions were still highly impacted by COVID-19 since FY2020.





Our Roadmap towards Decarbonization

With SV2030 objectives alongside with our sustainability management framework, as part of the sustainability roadmap, we are stepping up a greenhouse gas emission intensity reduction of 30% by 2025 using FY2013 as baseline, as a mid-term target. The intension is to stay robust in achieving the overall target of 50% reduction by 2030.

While we will continue to reduce our demand-side energy consumption, and particularly those sourced from burning of fossil fuels like diesel, we have conducted analyses of our greenhouse gas emissions, looking for means to more strategically decarbonize as a Group. Having understood the profiling of greenhouse gas emissions and energy use within the Group in recent years, the cleaner electricity provision from the power companies, and trend of rapid technological advancement, we know we have to prioritize our decarbonization effort in the most carbon-intensive business or operations which are construction and facilities management of the HKCEC, among our in-scope businesses.

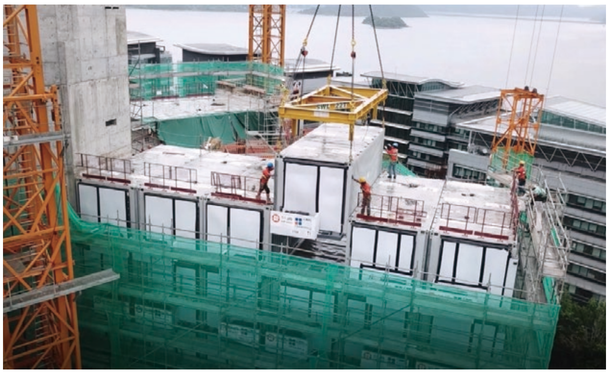
Construction

Industrial Trend of Sustainable Construction

As part of the low-carbon transition in Hong Kong construction sector, key trends include the adoption of Building Information Modelling ("BIM") and Modular Integrated Construction ("MiC") in the building and construction industry.

Since 2013, Works Policies Coordination Committee of HKSAR endorsed the proposal to adopt an incremental strategy in using BIM technology in public works projects and we have since phased in the use BIM in our construction operations. Hip Hing Group continually supports BIM's development by providing financial resources to develop our IT infrastructure and staff's expertise to adequately adopt the wider use of BIM in our projects, staying ahead of the industry trend. As a key driver of the technology in the industry, our BIM team at Hip Hing Group is highly recognized with numerous awards in its capability.

As for MiC, its implication of prefabrication plays an essential role in reducing buildings life-cycle carbon emission, as well as improving operational efficiency in construction. MiC is the methodology to construct buildings using free-standing integrated modules completed with finishes, fixtures and fittings that are manufactured in factories and then transported to site for assembly. Since 2019, Hip Hing Group has begun constructing its first MiC building – Innocell, a smart living and co-creation space for the innovation and technology community at Hong Kong Science Park. InnoCell was awarded a commemorative plaque by the Construction Industry Council for its successful pilot demonstration of MiC and for related knowledge-sharing among the industry.



On-site installation of modules manufactured in factories

Electrification

With the power companies' commitment to a cleaner supply of electricity in the very near future, electrification in construction sites would be key towards construction decarbonization. Key measures to electrification would include the reducing the use of diesel generators by wider adoption of temporary electricity and the use of mass battery energy storage system ("BESS"); reduce diesel consumption by wider use of electric plant and equipment; use of lower greenhouse gas emissions alternative such as biodiesel where electrification is not practicable; use of on-site renewables and use of electric vehicles.

Digitalization in Construction

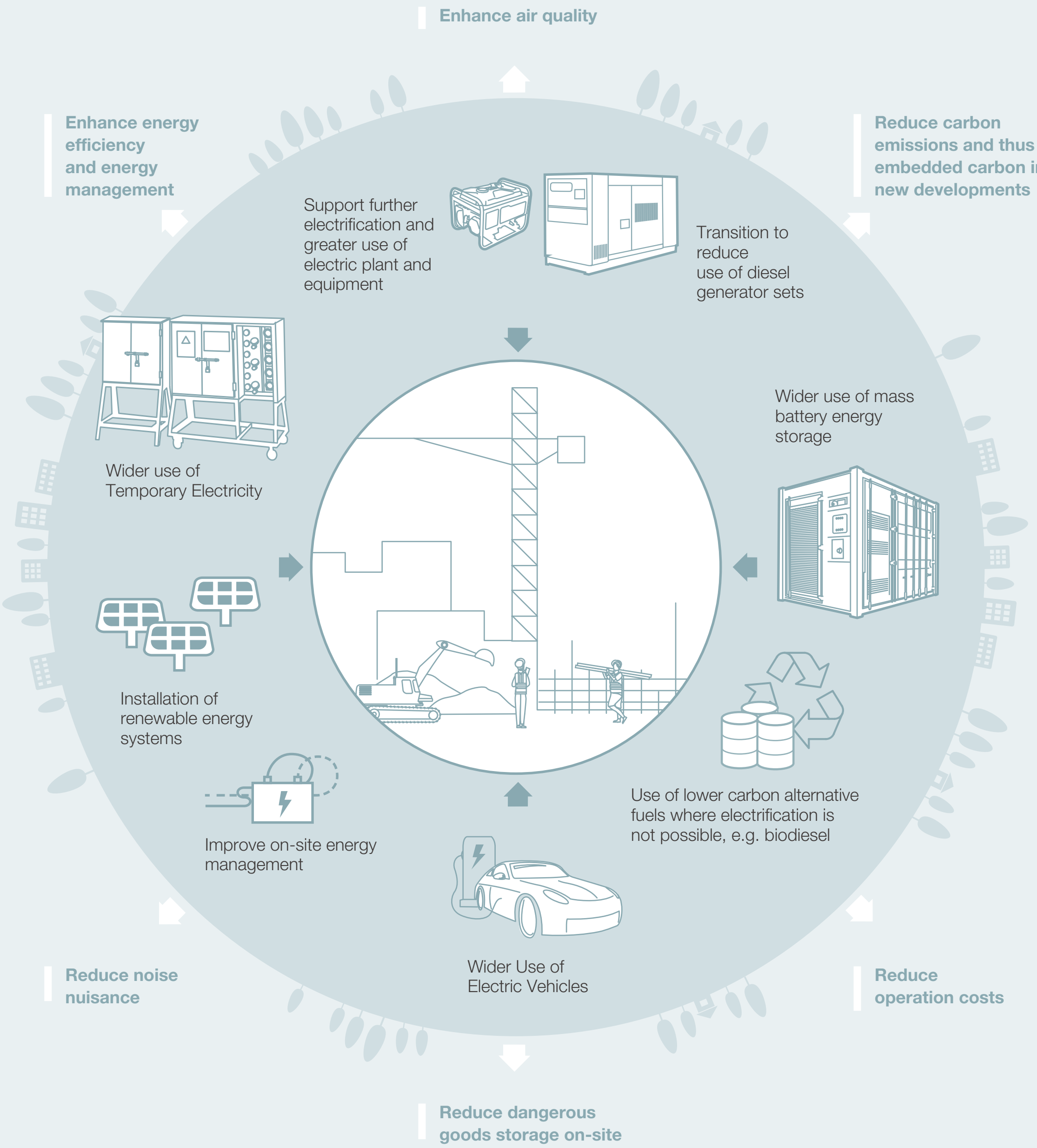
New technologies continued to be invented and at Hip Hing Group, we make use of the most advanced construction technologies available, such as DfMA (Design for Manufacture and Assembly), Augmented and Virtual Reality, drones and Artificial Intelligence analytics alongside BIM, enabling the integration of project information into a common platform for more effective communication and accurate decision at construction, resulting in less rework, avoiding waste and reducing embodied carbon. With 5G-powered applications, robotics and the Internet of Things becoming more common, digitalization will offer profound improvements in the construction industry, significantly improving constructability and project efficiency in the very near future.

Practising Green Construction

At Hip Hing Group, almost 100% of new building projects are green projects[9], that are either BEAM Plus and/or LEED certified, or of an equivalent standard. Besides on-site construction works, as a contractor of a green project, we play a significant role in supporting our client to attain the green certification by properly managing environmental emissions (e.g., air, wastewater, noise etc.), materials procurement (for temporary works) and waste management during construction.

9 Except for Temporary Quarantine Facilities at Penny's Bay and Transitional Housing at Tung Tau, Yuen Long

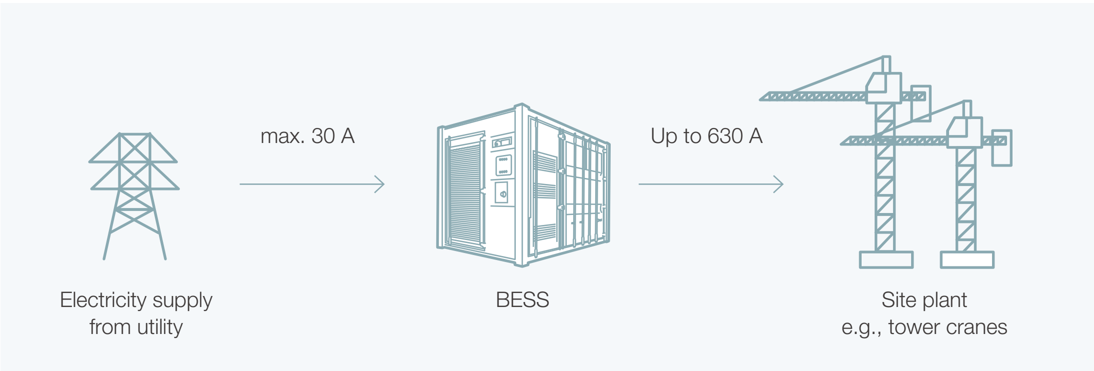
Optimize electrification in construction sites



Carbon Offset Program

Hip Hing Group has initiated a programme to offset its carbon footprint from fossil fuel consumption of its construction equipment. In FY2021, Hip Hing Group has procured carbon offsets for a total of 54.6 m^3 of fuels, including gasoline and diesel, equivalent to 134 tonnes of CO_2e compensated.

Case Study – Collaborate with supplier to enhance “BESS” application in construction



Connecting electricity supply to efficiently operate plants on-site through BESS

As part of its roadmap to decarbonization, Hip Hing Group has increased the number of BESS to 12 units in FY2021, making it the highest adoption of the BESS in Hong Kong. With the high penetration of BESS application in our projects, Hip Hing Group has been collaborating closely with the supplier AMPD in optimizing on-site applications of BESS and fine-tuning the product’s software to better tailor it to construction site situations. For example, BESS fits well high power equipment with intermittent loads such as tower cranes draws significant electricity demand when loaded alternative to generator sets which otherwise stay idle with energy wastage when the tower crane is not loaded. Under these situation, BESS serves well as an alternative to generators.

The use of BESS also enables centralized remote monitoring of the energy system, enhance energy management and the use of cleaner energy at construction sites, improving GHG emissions as well as reducing the operating cost.

In addition, the system produces zero direct air emissions of the construction sites, improving environmental and health benefits such as:

- quieter operations
- less downtime for refuelling and maintenance
- enhance site safety with less fire hazards resulted from diesel handling
- reduce hazardous waste generation from fewer generator sets maintenance
- a healthier working environment for site workers by minimizing noise and air pollution from generators

12 number of BESS procured to support electrification in construction sites

Facility Management of the HKCEC

Our Facilities Management business HML, which manages and operates the HKCEC, is implementing its decarbonization strategy through the following:

Infrastructure Upgrade to enable Real-time Monitoring through Smart BMS

In FY2019, HML installed 670 sensors in the venue to collect and transmit real-time indoor environment data, using Internet of Things ("IoT") technology in the revamped Building Management System ("BMS"). Coupled with our Smart Building Management System, which included installation of digital power meters, we can better monitor, control and optimize the venue's indoor comfort and temperature more effectively and efficiently.

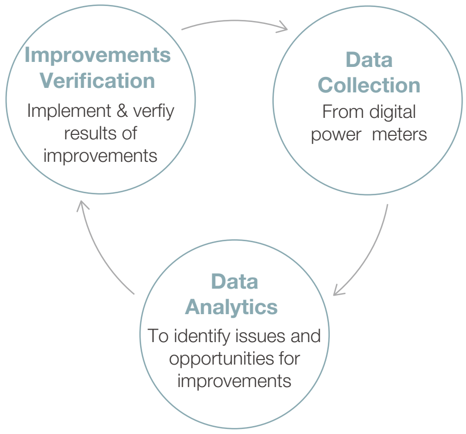
Five-year Advancement Project to enhance Customer Experience and Energy Efficiency

The Five-year Advancement Project aims to enhance customer experience by providing a safer, more efficient and comfortable environment for users. The Project involves large-scale renovation and upgrade of the HKCEC facilities and infrastructure. The new improvements will contribute towards our energy and water conservation efforts. Progress in FY2021 included replacing air handling units ("AHU") in a major exhibition hall, including the adoption of high-efficiency EC plug fans, and the installation of a free cooling mode (enabling non-mechanical exchange of warm inside air with cooler outside air) in AHUs. Existing chillers will be replaced to significantly improve energy efficiency.

Energy Management through Smart Monitoring-based Commissioning

On-going energy management is essential for efficient buildings operation. Analysis of operation data helps detect faults and inefficiencies of the building facilities. Since the energy audit in 2016, HML has begun a journey of energy management with on-going retro-commissioning. With the installation and implementation of Data Analytics System ("DAS") in 2018, HML is now digitally-enabled to conduct monitoring-based commissioning ("MBCx"), to continuously improve building energy performance.

Retro-commissioning of the HKCEC has been in place since the energy audit in 2016. With the support of data analytics, retro-commissioning helps fine-tune the building operation systems, optimising its energy performance. In FY2021, examples of retro-commissioning included the AHU free-cooling mode control; chilled water supply temperature reset and chiller plant control optimization etc.



Core elements of MBCx

Renewable energy installation

At HML, we have installed grid-connected solar photovoltaic system at the rooftop of the HKCEC, which has generated a total 9,639 kWh in FY2021 as part of the Feed-in Tariff ("FiT") scheme by the power companies in Hong Kong.

Decarbonization strategy in facilities management of the HKCEC

Decarbonization Strategy

5-year Advancement Project:

(since 2019) to include enhancement of building facilities' energy efficiency.
Examples of facilities improvement include:
- Replacement of chillers, AHUs/ PAUs
- Boiler replacement
- Lighting replacement
- Water pumps

Infrastructure upgrade:

- Revamp of BMS,
- Installation of power/ energy meters

On-going Practices:

- Retro-commissioning to optimize energy performance
- Use of big data analytics to improve energy management
- Installation of Solar Power for Feed-in Tariff

Aspiration towards Green Building Certification

- Targeting LEED and BEAM Plus EB Gold rating

Managing Waste through Circular Innovation

We use resources on a needs-only basis and we reduce, reuse and recycle as much as is possible and practical. This year, we strive to further encourage our businesses and staff for more innovative solutions towards waste circularity, and to repurpose our waste.

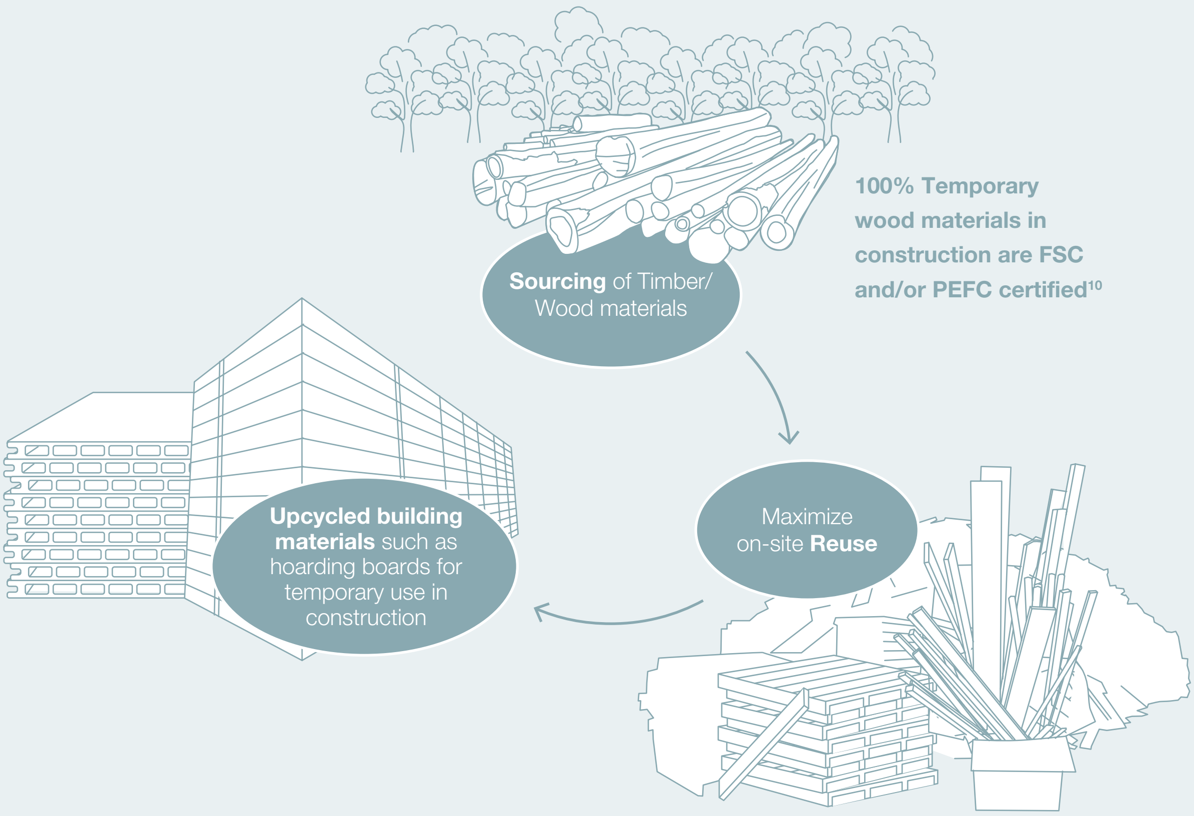
Construction and demolition ("C&D") waste is the main waste type from our businesses and we recognize how the disposal of C&D waste can put tremendous strain on landfills. This year, while we are developing an online platform to strengthen our management of inert C&D waste by enabling more efficient communication and coordination among Hip Hing Group's project sites, we have also collaborated with Impact Kommons, an UNSDGs-focused incubator of impact start-up companies, in identifying a couple of technology companies to repurpose waste timber materials into new building materials or products, as well as applying technology to better manage waste in construction sites. With the support throughout the value chain, from the clients, the project teams and the startups, we were able to test-trial some of the upcycled products with progressive results. Though research and development of a new product is a long journey, we see this collaborative approach the way forward for a greener future benefiting the industry and community.

Support start-up in developing new solutions to upcycle wood pallets

Mixing biochar to plastering materials to trial on a project site

Hip Hing Group supported a start-up in conducting researches and trials by applying biochar, upcycled from used wooden pallets through a proprietary advance ozone treatment process, as a component of building materials. Pilot testing for construction was conducted in one our Hip Hing Group's project sites and was well supported by our client.

Our approach to timber management in construction



[10] FSC refers to Forest Stewardship Council ("FSC") and PEFC refers to Programme for the Endorsement of Forest Certification ("PEFC")

Other business units of the Group are demonstrating how waste reduction can also enhance customer experience, delivering shared value. As the operator of a world-class convention and exhibition center, HML motivates staff, event organizers and visitors to recycle waste by introducing various on-site waste recycling facilities and measures. Public as well as back of house areas are equipped with recycle bins for separation of paper, cardboard, glass, plastic, metal and rechargeable batteries. Large recycling cag are also available during exhibition move in and out periods. HML is one of the first organizations in Hong Kong to utilize the Government's food waste processing facility Organic Resources Recovery Centre Phase 1 ("O • Park1") food waste processing facility since its opening in mid-2018. In support of waste management, HML has launched the "Think Before Plastic" campaign in July 2018 and introduced a series of waste reduction measures. Disposable plastic cutlery, straws and stirrers have been replaced by wooden or paper alternatives in daily operations. Glass or canned beverages are provided through vending machines and restaurants instead of plastic bottled versions. HML will continue to source non-disposable plastic alternatives for other items, such as meal boxes and cup lids etc.

To minimize material waste, our team at Hunan NWS Expressway looked into reclaiming and reusing the waste bituminous materials in road maintenance works in FY2021. Since we began recycling bituminous materials in the maintenance of Changliu Expressway, we have saved 270 tonnes of waste bituminous materials, while lowering the material cost of the surface pavement and the base layer of the road.

Reuse of 270 tonnes of waste bituminous for surface pavement

Collected waste bituminous for recycling

Hangzhou Ring Road has been collecting green waste from regular trimming of trees along the expressway, for composting. First shredded, then composted for five to six months to create an organic compost suitable for growing vegetables and nursing seedlings. During the two months, from April to June 2021, 30 truckloads of green waste, weighing over 47 tonnes in total, were collected to produce 23.6 tonnes of compost. This reduces not only waste but also produces compost that enhances soil quality to promote sustainable farming and food production.

The level of hazardous waste generation varies among our business units and all is managed in accordance with the local regulatory requirements, from storage to disposal, where the use of a qualified third party contractor is mandatory.

Smart canteen app to reduce waste and enhance community relations

Employees at Hunan NWS Expressway can now order their meals online one week in advance. The newly developed app enables the canteen to better plan the meals according to the employees' preferences and thus minimizes food waste. For any food waste generated, we gave it out to the local villagers as animal feed (mainly poultry). This reduces not only our waste generation, but also enhances our relation with the local community.

Biodiversity

We are aware of the relation between material use and biodiversity, and seek to select materials that minimize impacts to the natural ecosystem. Our "*Sustainable Procurement Guide*" provide guidance on how we should embed considerations of ESG impacts when procuring products and services to meet our operational needs; for example, requesting suppliers to provide certification, test report, third-party verification or other references to ascertain the product meets best practice in sustainable forest management, farming and fishery practices, and contributes to conserving precious biodiversity.

We strive to conserve biodiversity through minimizing habitat disturbance and degradation, and promoting the awareness of biodiversity among our stakeholders such as employees and the community. In construction, we adopt tree protection guidelines and procedures to properly preserve trees at construction sites, including measures from the delineation of tree protection zones, to erecting fencing for trees retained in-situ, and conducting routine inspections. On occasion where tree transplanting is needed, procedures to ensure the proper growth of these trees at the temporary or permanent receptor site will be tailored accordingly, and we try to transplant the affected trees back to the project site after construction where feasible.

Protection of transplanted tree in construction site for future reinstatement

As a road operator, we ensure roadside slope stability through regular monitoring and maintenance. Along Changliu Expressway, we support roadside greening by adopting soft landscape treatment where practicable, and we plant local species such as Cynodon dactylon (狗牙根) and Trifolium repens (白三葉), minimizing water use for irrigation as well as restoring the local biodiversity as far as we can.

As the first organization in Hong Kong to achieve ISO 20121 Event Sustainability Management System certification, HML has long removed shark's fin soup from all its restaurant and banquet menus and promotes sustainable seafood as preferred choices in banquets at the HKCEC. HML also provides a "LoveGreen" meeting package to help its business associates to meet their own corporate responsibility goals by providing eco-friendly menus and beverages, and providing support to donate unconsumed food to social welfare organizations.

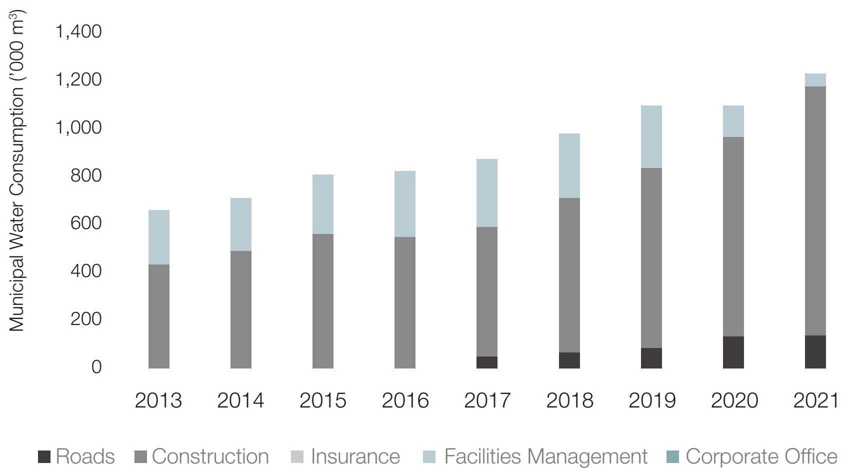
Oyster reef restoration

In enhancing biodiversity awareness and to support the World Environment Day 2021's theme on "Ecosystem Restoration", we partnered with The Nature Conservancy to put on three events to help restore local oyster habitats at Pak Nai, a wetland area in Yuen Long, Hong Kong. Over 60 participants, including staff, volunteers and their family members, all received hands-on experience towards protecting the ecosystem engineers – oysters which play an important role in supporting the marine environment.

Supporting local biodiversity through oyster reef restoration

Water Management

Absolute municipal water consumption



We recognize that water is a precious resource, particularly in a warming world, and are concerned by the high levels of water stress experienced across the Mainland in particular. Our SV2030 target is to achieve a 30% reduction in water intensity usage from a FY2013 baseline.

FY2021 saw increased freshwater consumption of 12%. Among our business units, the single largest contributor to water use is Hip Hing Group, at 54.3% of the Group's overall water footprint. The second largest contributor is our roads division, at around 11%. HML, responsible for just under 5% of the Group's water use, lowered its water use by 57.7% from the previous year, primarily due to reduced activities during the pandemic.

Water consumption in our construction business depends on key factors including the quantity of projects, the project stage and scale. In FY2021, not only did Hip Hing Group have a 21% increase in active projects by numbers, we have also a higher ratio of projects from Vibro, which consumed intensive amounts of water, in particular for site formation and foundation works. Typical essential uses of water at construction sites include dust suppression, and cleaning vehicles to remove dirt as they leave the construction sites. Water is most intensively used for foundation works and flushing of plumbing networks during the commissioning of buildings. We maximize water reuse on-site for vehicle washing and floor cleaning, but we continually explore further conservation measures to reduce water consumption in construction.

In the reporting year, Hip Hing Group conducted water conservation studies at a few construction sites. Suggestions for improvements were launched including a water reuse guideline with specific water recycling practices during systematic flushing in particular, which is to be practised as far as practicable in future building projects. In terms of wastewater discharge from construction sites, Hip Hing Group has adopted the use of a real-time wastewater monitoring system, which is to ensure the compliance of waste water quality before discharge. Automated monitoring and logging of water quality allows any issues related to the treatment of wastewater be identified and rectified at speed.

Harry and Hana at HML

Water use at HML could be as high as over 20% of the Group's overall water consumption before COVID-19 and we are expecting a rebound of water use post COVID-19. In light of this, HML has not only replaced their water faucets with water efficient ones, they have also adopted the use cleaning robots – Gaussian Ecobot Scrub 75, who can clean not only 3,000 m^2 of floor area per hour, but also saves 6 m^3 water use per month, equivalent to 80% saving of cleaning water use.

Introducing Ecobot Harry and Hana to support water efficient floor cleaning

Cleaning robots use 80% less water for floor cleaning

Fostering an Inclusive Community

NWS is committed to supporting the sustainable and inclusive development of the communities where we have a presence, particularly on nurturing the next generation as leaders for sustainability. We aim to provide young people with the opportunities that can help them develop resilience and a positive attitude to life, elevate their self-confidence, acquire new interest and skills, and cultivate their natural creativity.

Spearheaded by the NWS Holdings Charities Foundation and the NWS Volunteer Alliance, our community investment strategy focuses on empowering the next generations, fostering a volunteer culture, and promoting environmental sustainability. We aspire to achieve these objectives through nurturing and supporting our community partners, establishing closer collaboration with our parent company, NWD, and leveraging our business strengths and resources to optimize positive social impact through direct community engagement. In FY2021, the Group's employees contributed more than 15,000 hours over 250 events to serve the community and also contributed HK$3.8 million towards charitable causes.

Our new flagship project, NWS EXP Journey (EXP), demonstrates how we can leverage our business ecosystem to offer rich experiences to young people, creating shared value by supporting them to learn and grow beyond a classroom setting, while building the pipeline for our future workforce. The programme builds on our previous award-winning flagship, the NWS Career Navigator for Youth. Having an accumulated experience and networks, NWS EXP Journey provides customized activities which offers participants the exposure to a variety of career options and opportunities to explore their passion. More than 200 students from 12 schools were recruited for first batch.

Case Study – NWS EXP Journey

EXP stands for three key building blocks of the learning journey of teenagers: Explore, Experience and Experiment. We leverage our business ecosystem, across both NWS and the New World Group, to identify opportunities for a variety of career experiences for secondary school students in years 4 and 5, enabling participants to discover their strengths and interests. Launched in April 2021, NWS EXP Journey, with a term of 18 months for each journey, provides a wide array of activities.

For instance, FTLife Insurance welcomed 50 students from two schools, inspired them on how insurance addresses to societal needs and how insurance interacts with businesses and the community. Hip Hing Group led another group of students to the Construction Industry Council BIM Space, where participants are invited to wear virtual reality devices and experienced how to use this technology to simulate the construction site environment. The assembly and synthesis technology is also demonstrated through games to the participants by using a holographic projection table, as well as the latest development in the construction industry. Other activities included dessert-making classes with HML's Executive Pastry Chef at the HKCEC, and talks from university professors and market expertise on the development of digital industry.

The programme recruited also NWS' colleagues as EXP mentors who shared their daily work experience with the participants through eight sessions of "Chill Talk by EXP Mentor".

Top management's (left one) participating to cheer-up events

A User-centric Approach

Prior to designing for the experience activities of EXP, this time we have taken a user-centric approach by conducting a survey to better understand the participants' ambitions and interests, as well as skills that they believe would support their future career development. As a result, we are able to better tailor the programme that arouses enthusiasm of the participants throughout the EXP journey.

Participation from 12 secondary schools with > 200 beneficiaries

Caring under New Norm

In the second year of this global pandemic, we focused our response on two main aspects, alongside the ongoing distribution of care packs (including food and face masks) to those in need:

- Adapting to the new normal ourselves, and supporting our communities to adapt
- Addressing needs of the community through ongoing support from our volunteering program

Digital transformation has a huge role to play in our ability to function well as individuals, families, communities and businesses during a pandemic. Our Volunteer Alliance brings together colleagues from business units in Hong Kong and the Mainland through the digital platform. During the pandemic, we brought 40% of our activities online, offering remote support to those in need via virtual events.

Our online 'Help from Home' activities included a virtual baking workshop, the conversion of printed books to digital versions for the blind, online tutorial groups in arts and crafts to occupy children during school closures, and warm calls to the elderly to find out how they have been and relieving their stress caused by COVID-19. These activities were identified through a user experience perspective exercise, to ensure they responded to the needs and preferences of our beneficiaries.

Additional online activities were organized by specific business units to mark festivals throughout the year. At Christmas, Free Duty collaborated with Hans Andersen Club to organize a virtual Christmas Party for 60 children, which featured storytelling and games. And in celebration of Mother's Day, HML chefs conducted a two-hour virtual workshop teaching 20 six- to eight-year olds – all members of Little Life Warriors Society – a childhood haematology and cancer mutual-support organization – to make chocolate truffles.

To support the elderly people in Hong Kong with ongoing physical needs, we offered home safety assessments and small-scale home repair services for older singles and couples living in Kowloon City, in collaboration with Hong Kong Sheng Kung Hui Welfare Council and Repair Fairy. We also engaged an occupational therapist to provide consultation and assessments to 46 elderly families. Throughout this programme, 151 participants contributed more than 910 volunteering hours. Over 200 elderly were benefitted from the programme.

Daddies mastering resilience during COVID-19

NWS partnered with the DADs Network to launch the new 'Daddy Master Academy', offering fathers a series of four online workshops, which covered a wide range of topics from parenting skills to ways to deal with family conflicts under the pandemic. The programme maintains contact with graduates of the Academy and invites them as guest speakers to support other fathers. This programme also helps participants set up peer-to-peer support groups, in facing the current challenging economic and social environment together.

Participants joining the Daddy Master Academy

Young People and Their Futures

Financial security is a crucial aspect of overall wellbeing, and mental health in particular, for people at all stages in life. The sooner the youth can develop skills in financial literacy to manage our personal finances well in the immediate and long term, the better. Leveraging the expertise of FTLife Insurance in financial management and protection planning, we are able to empower members of our community, especially the underprivileged, to make informed and responsible financial decisions for themselves and their families, ultimately helping them to build a better future.

Partnerships to Support our Community

In extending the positive impact to support those in need in the community, NWS and Hip Hing Group has in turn partnered and collaborated with AESIR, a start-up cultivated from Eureka Nova founded by the New World Group that creates games and interactive solutions for people with special needs using Augmented and Virtual Reality technologies. We have arranged programmes for children with special education needs ("SEN") to learn from playing interactive games especially during COVID-19, through our "Catch Your 5**" programme. Through the "SEED Programme", offered by the Home Affairs Bureau and the Hong Kong Productivity Council, AESIR was matched with Hip Hing Group, who helped reaching out to more beneficiaries, for instance, in providing VR training to prevent the elderly from falling.

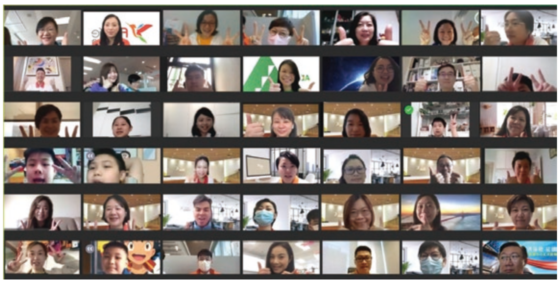
SEN students learning through specially designed interactive games.

Empowering young people with financial literacy

FTLife Insurance partnered with Junior Achievement's Hong Kong chapter, Investor and Financial Education Council ("IFEC"), and Principal Chan Free Tutorial World to offer a free online Money Smart Workshop for 108 students in-need from 60 primary schools. 35 volunteers from FTLife Insurance assisted the facilitation in 12 virtual classrooms. This event was created in support of the Financial Literacy Strategy led by the IFEC and as part of Hong Kong Money Month in March 2021, a territory-wide initiative to enhance financial literacy in Hong Kong.

108 students from 60 schools learnt to be money smart

It complements FTLife Insurance's ongoing endeavours to support young people in learning financial management and protection planning and its scholarship programme for students from Principal Chan Free Tutorial World, empowering them with financial literacy to make good life choices. In 2020, 332 students benefited from the scholarship. In addition, FTLife Insurance's "Go Green Go Digital" SIM Card Donation Programme supports underprivileged children to learn online, while at the same time contributes to reducing our environmental impact.



Money Smart Workshop held online for students in-need by FTLife Insurance

Hong Kong Stock Exchange ESG Reporting Guide Content Index

The following indicates the location of or direct response to the disclosures required by Hong Kong Stock Exchange ESG Reporting Guide included in this report.

Aspect & Key Performance Indicator	General Disclosure and Key Performance Indicators (KPIs)	Section/Remarks
Governance structure	A statement from the board containing: 1. a disclosure of the board's oversight of ESG issues 2. how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses 3. the board's ESG management approach and strategy, including the process used to evaluate, prioritize and manage material ESG-related issues	How We Govern and Manage
Reporting principles	A description of, or an explanation on, the application of the (i) Materiality, (ii) Quantitative, (iii) Consistency reporting principles	About this Sustainability Report
Reporting boundary	Reporting boundaries of the ESG report and process of setting them	About This Sustainability Report
A. ENVIRONMENTAL		
A1: Emissions	Compliance with emissions laws and regulations	There were no reported cases of non-compliance that had a significant impact on the Group in FY2021.
	Policies relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	How We Govern and Manage; "*Sustainability Policy*"
KPI A1.1	Types of emissions and waste and respective data	Environmental Performance Data Summary
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity	Environmental Performance Data Summary
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity	Environmental Performance Data Summary
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity	Environmental Performance Data Summary
KPI A1.5	Description of emission targets set and steps taken to achieve them	Greener Future
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction targets set and steps taken to achieve them	Greener Future; Environmental Performance Data Summary

Aspect & Key Performance Indicator	General Disclosure and Key Performance Indicators (KPIs)	Section/Remarks
A2: Use of Resources	Policies on the efficient use of resources, including energy, water and other raw materials	How We Govern and Manage
KPI A2.1	Direct and/or indirect energy consumption by type in total (kWh in '000s) and intensity	Environmental Performance Data Summary
KPI A2.2	Water consumption in total and intensity	Environmental Performance Data Summary
KPI A2.3	Description of energy use efficiency targets set and steps taken to achieve them	Greener Future
KPI A2.4	Any issue in sourcing water that is fit for purpose, water efficiency targets set and steps taken to achieve them	Greener Future; Freshwater used by the Group's operations is sourced locally from the respective municipalities that are considered adequate and fit for purpose and we strive to conserve water consumption
KPI A2.5	Total packaging (in tonnes), and, if applicable, packaging intensity	Data not tracked. The use of packaging material is not material to the Group
A3: The Environment and Natural Resources	Policies on minimising significant impacts on the environment and natural resources	How We Govern and Manage
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Greener Future
A4: Climate Change	Policies on identification and mitigation of significant climate-related issues	How We Govern and Manage; Greener Future
KPI A4.1	Description of significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	How We Govern and Manage; Greener Future
B. SOCIAL		
Employment and Labour Practices		
B1: Employment	Compliance with employment practices laws and regulations	There were no reported cases of non-compliance that had a significant impact on the Group in FY2021
	Policies on employment practices	How We Govern and Manage; Thriving Peoples
KPI B1.1	Total workforce by gender, employment type, age group, geographical region	Social Data Summary
KPI B1.2	Employee turnover rate by gender, age group, geographical region	Social Data Summary

Aspect & Key Performance Indicator	General Disclosure and Key Performance Indicators (KPIs)	Section/Remarks
B2: Health and Safety	Policies on health and safety	How We Govern and Manage; Thriving Peoples
	Compliance with health and safety laws and regulations	One minor conviction case was reported by Hip Hing Group Group due to improper PPE used in one construction site.
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	Social Data Summary
KPI B2.2	Lost days due to work injury	Social Data Summary
KPI B2.3	Description of OHS measures adopted, and how they are implemented and monitored	Thriving Peoples
B3: Development and Training	Policies of employees' development and training and description of such activities	How We Govern and Manage; Thriving Peoples
KPI B3.1	Percentage of employees trained by gender and employee category	Social Data Summary; Data not tracked. Relevant data including the average training hours completed per employee by gender and employee category, and total training hours by training topics completed is available under Thriving Peoples chapter.
KPI B3.2	Average training hours completed per employee by gender and employee category	Social Data Summary
B4: Labour Standards	Policies on preventing child and forced labour	How We Govern and Manage
	Compliance with child and forced labour laws and regulations	There were no reported cases of non-compliance related to child and forced labour that had a significant impact on the Group in FY2021.
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	How We Govern and Manage
KPI B4.2	Description of steps taken to eliminate child and forced labour practices when discovered	How We Govern and Manage
Operating Practices		
B5: Supply Chain Management	Policies on managing environmental and social risks of the supply chain	How We Govern and Manage
KPI B5.1	Number of suppliers by geographical region	How We Govern and Manage
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	How We Govern and Manage
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, how they are implemented and monitored	How We Govern and Manage
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, how they are implemented and monitored	How We Govern and Manage; Greener Future

Aspect & Key Performance Indicator	General Disclosure and Key Performance Indicators (KPIs)	Section/Remarks
B6: Product Responsibility	Policies on product responsibility (health and safety, advertising, labelling and privacy matters) Compliance with product responsibility laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	How We Govern and Manage There were no reported cases of non-compliance that had a significant impact on the Group in the reporting year.
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	There were no recalls concerning the provision and use of products and services for safety and health reasons in the reporting year
KPI B6.2	Number of products and service related complaints received and how they are dealt with	The Group received a total of 634 complaints in relation to product and services during FY2021. Refer to Continuous Innovation for Quality Customer Service section for description of complaint handling mechanism.
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	How We Govern and Manage
KPI B6.4	Description of quality assurance process and recall procedures	Recall is not material to the Group's operations, yet recall procedures are in place for Free Duty to inform customers for refund when recall incidents are confirmed with manufacturers. Free Duty purchase products from "Authorized Distributors" only. To ensure the quality of products, the Best Before Date of Free Duty's products are reviewed on monthly basis and the storage temperature is regularly checked internally.
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored	How We Govern and Manage
B7: Anti-Corruption	Policies relating to bribery, extortion, fraud and money laundering Compliance with anti-corruption laws and regulations that have a significant impact on the issuer	How We Govern and Manage There were no reported cases of non-compliance related to anti-corruption laws and regulations that had a significant impact on the Group in FY2021.
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuers or its employees during the reporting period and the outcomes of the cases	There were no reported or concluded legal cases of corruption brought against the Group or its employees that had a significant impact on the Group in FY2021.
KPI B7.2	Description of preventative measures and whistleblowing procedures, how they are implemented and monitored	How We Govern and Manage
KPI B7.3	Description of anti-corruption training provided to directors and staff	How We Govern and Manage
Community		
B8: Community Investment	Policies on community investment	Fostering an Inclusive Community
KPI B8.1	Focus areas of contribution	Fostering an Inclusive Community
KPI B8.2	Resources contributed to the focus area	Fostering an Inclusive Community

HONG KONG QUALITY ASSURANCE AGENCY
香 港 品 質 保 證 局

VERIFICATION STATEMENT

Scope and Objectives

Hong Kong Quality Assurance Agency ("HKQAA") performed a limited assurance engagement on the sustainability disclosures stated in the Sustainability Report 2021 ("the Report") of NWS Holdings Limited ("NWS") for the period from 1 July 2020 to 30 June 2021.

The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide ("ESG Reporting Guide") set out in the Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (SEHK), and with reference to the Core option of the Global Reporting Initiative Sustainability Reporting Standards ("GRI Standards").

Our responsibility is to express an assurance conclusion on the completeness, accuracy and reliability of the sustainability data and information stated in the Report. The objectives are to:

- assess the completeness of the scope to cover all significant aspects of NWS sustainability performance;
- verify the fulfillment in addressing the ESG Reporting Guide and review the referencing of the Core option of the GRI Standards;
- evaluate the accuracy of the selected data and information presented in the Report including the performance of 2030 Targets and Progress status, Environment and Social Performance Data and, etc.; and
- review the reliability of the data and information management mechanism for preparing the Report.

Level of Assurance and Methodology

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and the International Standard on Assurance Engagements (ISAE) 3410, Assurance Engagements on Greenhouse Gas Statements issued by the International Auditing and Assurance Standards Board. The verification procedure was designed for devising opinions and conclusions to obtain a limited level of assurance. The extent of this verification process undertaken covered the criteria specified in the ESG Reporting Guide and the GRI Standards (Core option).

Within the scope of our verification, we conducted the following procedures and activities:

- reviewing internal systems and processes for collecting, analyzing, aggregating and reporting of the performance data,
- verifying performance data of Environment, Social, 2030 Targets and Progress, including key metrics of energy, greenhouse gases, water, waste, health and safety, employment and training, etc.,
- interviewing responsible personnel with accountability for preparing the Report, and
- examining raw data and supporting evidence of the selected samples according to the risk-based sampling plan.

Independence

NWS is responsible for the collection and presentation of the information. Our verification activities are independent and impartial.

Conclusion

Based on the verification procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the information and data stated in the Report has not been prepared, in all material aspects, in accordance with the ESG Reporting Guide and the Core option of the GRI Standards. The data and information provided for verification is considered reliable and accurate.

Signed on behalf of Hong Kong Quality Assurance Agency

Connie

Connie Sham
Head of Audit
Hong Kong Quality Assurance Agency
September 2021

MANAGEMENT DISCUSSION AND ANALYSIS

Group Overview

The Group concluded FY2021 with solid results despite all the volatilities brought by COVID-19 outbreak, economic stimulus package introduced by governments, looming inflation pressure and the protracted tensions between the United States and Mainland China. Thanks to sequential improvement in performance in majority of our business segments, AOP increased by 49% year-on-year to HK$5,225.9 million in FY2021.

Among our Core Business, powered by the swift recovery in overall traffic volume of Roads segment following the resumption of toll fee collection in May 2020 and full year contribution of FTLife Insurance with robust Hong Kong domestic business performance which has outperformed the industry, AOP of Core Business grew by 34% year-on-year to HK$4,223.7 million, partly offset by lower AOP contribution from Construction segment which was mainly due to the reclassification of investment in Wai Kee from an associated company to an asset held-for-sale as at 31 December 2020 and ceased to equity account for its profit afterwards.

For Strategic Portfolio, AOP surged by 172% year-on-year to HK$1,002.2 million, mainly attributable to i) the steady growth in Logistics segment; ii) the improved performance of Facilities Management segment spurred by the further ramp up of operations of GHK Hospital and the cost-saving initiatives implemented by Free Duty; iii) an increase in contribution from Strategic Investments segment benefited from improved share of results from some associated companies or joint ventures due to the recovery of underlying businesses and the net fair value gain from certain strategic investments; and iv) the absence of loss contribution from Transport segment following the disposal of bus and ferry businesses. The strong performance was partially offset by the operating pressure faced by HKCEC and the decline in AOP contribution from SUEZ NWS and Derun Environment as the Group no longer share their profits after their reclassification as assets held-for-sale as at 31 December 2020.

In FY2021, further progress has been made in optimizing our business portfolio with the disposals of several non-core assets, including the completion of the disposal of i) the whole Transport segment that encompasses NWS Transport (which owns New World First Bus Services Limited and Citybus Limited) in October 2020, as well as the remaining 40% stake in New World First Ferry Services Limited in December 2020; ii) approximately 11.5% interest in Wai Kee; iii) all of our 25% interests in Zhujiang Power Station – Phase II; and iv) all of our interests in Derun Environment. Together with the disposal of all of our shares in SUEZ NWS which is pending completion and the proposed disposal of our entire 20% stake in XCTG announced on 30 June 2021, total considerations involved in all of our non-core disposals amounted to approximately HK$14.2 billion in FY2021. Part of the proceeds from non-core disposals will be used as growth capital to fund our future investments as well as support our sustainable and progressive dividend policy. Upon completion of disposal of XCTG, the Group will have completely exited all investments in port-related projects.

Non-operating losses recorded in FY2021 was mainly due to the remeasurement, impairments and provisions for various projects totalled approximately HK$2.6 billion, entailing the remeasurement loss of HK$1,373.8 million owing to the reclassification of investment in Wai Kee to an asset held-for-sale, the Group's share of provisions of HK$553.3 million from Goshawk which was due to assets impairment, provision for expected credit loss and aircraft repossession/recovery costs, a remeasurement loss of HK$228.1 million in relation to the reclassification of Derun Environment to an asset held-for-sale, and other impairments and provisions for certain investments of the Group.

With a decrease in other corporate expenses due to the implementation of stringent cost control measures and reduction in finance costs attributable to lower interest rate and average loan balance and including the non-operating losses, profit attributable to shareholders, after the deduction of profit attributable to holders of perpetual capital securities, surged by 353% to HK$1,146.5 million in FY2021, with basic earnings per share increasing to HK$0.29.

Contribution from operations in Hong Kong accounted for 39% of the AOP in FY2021 (FY2020: 49%), while the Mainland and other regions contributed 46% and 15% of the AOP, respectively (FY2020: 39% and 12%, respectively). Adjusted EBITDA was up by 19% to HK$5,637.5 million.

The Group's balance sheet continued to be solid with a net gearing ratio of 25% as at 30 June 2021 (30 June 2020: 31%; 31 December 2020: 26%). The Group's unutilized committed banking facilities were approximately HK$19.4 billion, and total cash and bank balances were HK$10.8 billion. Our strong balance sheet and strengthening cash flow have allowed us to maintain our sustainable and progressive dividend policy.

In FY2021, the Group has redeemed a portion of the 10-year 4.25% senior notes in an effort to optimize capital structure and lower interest expense. Meanwhile, the Group has arranged three sustainability-linked loan facilities with an aggregate total of HK$2.8 billion during the year. The sustainability-linked loan facilities incentivize the Group's achievement of improvement targets on the Group's annual and cumulative sustainability performance by way of interest rates reduction.

Contribution by Division

For the year ended 30 June	**2021 HK$'m**	2020 HK$'m
Core Business	**4,223.7**	3,145.7
Strategic Portfolio		
Continuing operations	**753.1**	107.0
Discontinued operations	**249.1**	261.6
Attributable Operating Profit	**5,225.9**	3,514.3
Corporate office and non-operating items		
Net loss on fair value of investment properties	**(13.2)**	(22.9)
Remeasurement, impairments and provisions	**(2,551.6)**	(1,709.4)
Net gain on disposal of projects, net of tax	**9.3**	101.0
Net (loss)/gain on fair value of derivative financial instruments	**(59.1)**	73.1
Interest income	**37.5**	107.5
Finance costs	**(483.4)**	(737.4)
Expenses and others	**(435.8)**	(491.1)
	(3,496.3)	(2,679.2)
Profit for the year after tax and non-controlling interests	**1,729.6**	835.1
Profit attributable to:		
Shareholders of the Company	**1,146.5**	253.2
Holders of perpetual capital securities	**583.1**	581.9
	1,729.6	835.1
Adjusted EBITDA#	**5,637.5**	4,729.9

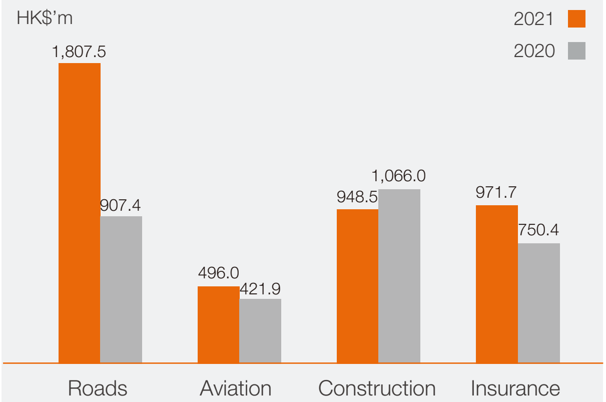
Adjusted EBITDA is calculated as gross profit minus general and administrative expenses, and selling and marketing expenses plus depreciation/amortization, dividends received from associated companies and joint ventures and interest income from debt instruments as financial assets at FVOCI.

Operational Review – Core Business

AOP of Core Business was HK$4,223.7 million during FY2021, contributing 81% to the Group's AOP.

AOP Contribution by Segment

For the year ended 30 June	2021 HK$'m	2020 HK$'m	Change % Fav./(Unfav.)
Roads	**1,807.5**	907.4	99
Aviation	**496.0**	421.9	18
Construction	**948.5**	1,066.0	(11)
Insurance	**971.7**	750.4	29
Total	**4,223.7**	3,145.7	34



Roads

Our Roads segment witnessed noticeable rebound in traffic flow and toll revenue upon the toll fee exemption policy in the Mainland ended in May 2020 and benefited from the swift reopening of the Mainland's economy and fast-growing logistics sector. Overall traffic volume and toll revenue of our road portfolio increased 45% and 42% year-on-year, respectively (or grew 13% and 9%, respectively, versus FY2019). Along with the benefit from Renminbi appreciation, AOP of the Roads segment surged by 99% year-on-year to HK$1,807.5 million in FY2021 and has already surpassed that in FY2019. The three expressways in Central region that were being acquired in the past few years, namely Suiyuenan Expressway, Sui-Yue Expressway and Changliu Expressway, have started to bear fruits and contributed over 10% of the Roads segment's AOP. Excluding the impact of Renminbi appreciation, underlying AOP growth from operation of the Roads segment was 88% year-on-year.

The Group's four anchor expressways, which include Hangzhou Ring Road, Tangjin Expressway (Tianjin North Section), Guangzhou City Northern Ring Road and Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section), have altogether contributed approximately 80% of the Roads segment's AOP in FY2021. Traffic flow of these roads has also seen rapid recovery and registered a 38% year-on-year growth in FY2021 (or 2% growth versus FY2019).

The overall average remaining concession period of our roads portfolio was around 10 years and such long remaining concession period is set to generate sustainable income and cash flow for the Group for years to come.

Changliu Expressway

Aviation

The Group's Aviation segment principally engages in commercial aircraft leasing business through our full service leasing platform Goshawk. While the aviation industry has been confronted by the challenges posed by the outbreak of COVID-19, Goshawk's strategy of diversifying client portfolio, strategic focus on young narrowbody aircraft and efforts in exploring innovative financing solutions to expand and diversify funding source, combined with our well-established risk management policies, have successfully steered Goshawk through these challenges and facilitated an improvement in AOP by 18% to HK$496.0 million in FY2021. In FY2021, a mark-to-market accounting gain of HK$51.1 million (FY2020: loss of HK$146.4 million) from interest rate swap contracts was shared by the Group.

Included in the non-operating items of FY2021, a provision of HK$553.3 million was shared by the Group for impairments on aircraft and provision for expected credit loss, as well as aircraft repossession/recovery costs resulted from lease restructuring and airline reorganization driven by the impact of COVID-19, in which Goshawk's 8 aircraft across 5 airlines were involved as at 30 June 2021.

Thanks to the global rollout of vaccination, gradual resumption of domestic flights, formation of travel bubbles by governments and relaxation of travel restrictions in certain countries, business environment has seen noticeable improvement. Number of requests for rental deferral continued to decrease and deferred rental payment continued to be repaid, resulting in further improvement in our collection rate to 92% in the second quarter of 2021 from 82% in the fourth quarter of 2020 and 68% in the second quarter of 2020. Our owned aircraft utilization rate maintained at an almost fully utilized level of 99% in FY2021.

Goshawk's strategy of focusing on young and in-demand fleet with long leases and maintaining a globally broad customer base with 60 airlines in 34 countries as of 30 June 2021 is crucial for us to diversify and minimize risk exposure during uncertain times and benefit from the air travel recovery. As at 30 June 2021, taking into account the direct orders of 40 narrow-body aircraft from two major aircraft manufacturers, the number of aircraft owned, managed and committed totalled 222 (30 June 2020: 233), and the overall appraised value amounted to approximately US$9.9 billion. The 162 aircraft on book as at 30 June 2021 (30 June 2020: 162) had an average age of 5.4 years and an average remaining lease term of 5.6 years. With 78% of our aircraft on book being narrowbody, together with the staggering lease maturities, our fleet is well positioned for demand pick up when short-haul flight rebounds.

Goshawk maintained a firm financial footing in FY2021. As at 30 June 2021, alongside a well-balanced debt maturities profile, Goshawk had ample liquidity, while cash and undrawn liquidity stood at record high of US$1.6 billion. Goshawk will maintain a prudent stance in terms of capital expenditure to strike a balance between growth and risk.

Construction

Construction segment comprises solely our wholly-owned interest in Hip Hing Group after the reclassification of investment in Wai Kee to an asset held-for-sale as at 31 December 2020. The drop of 11% in AOP of Construction segment in FY2021 to HK$948.5 million was mainly due to the decrease in AOP contribution from Wai Kee after its reclassification and only six months of AOP was accounted for. AOP of Hip Hing Group alone grew steadily by 6% to HK$801.2 million in FY2021, notwithstanding a challenging business environment and rising competition. Major projects during FY2021 mainly included construction management services and foundation works for Kai Tak Sports Park, construction works of public rental housing development at Queen's Hill, residential development at Ap Lei Chau, KOKO HILLS at Kwun Tong, commercial development at Kai Tak, Two Taikoo Place at Quarry Bay, Inland Revenue Centre at Kai Tak and Immigration Headquarters at Tseung Kwan O.

Overview of Kai Tak Sports Park (3D Rendering)

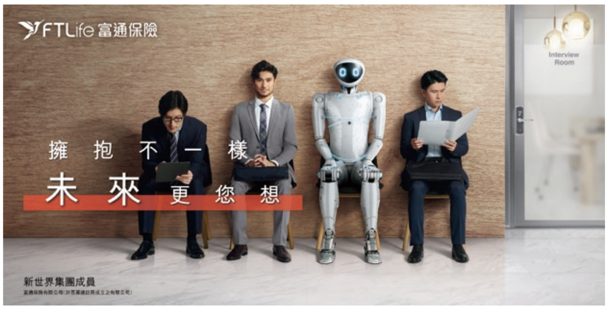
Hip Hing Group's gross value of contracts on hand dropped slightly by 6% year-on-year to approximately HK$49.4 billion, and the remaining works to be completed declined by 22% to HK$28.2 billion, mainly impacted by existing projects completion outpacing new tenders offered in the market, in which the delay was caused by the outbreak of COVID-19. Approximately 70% of the remaining works to be completed were from private sector which included both commercial and residential, while the remaining about 30% were from government and institutional related projects. In FY2021, Hip Hing Group successfully secured around HK$7.0 billion of new contracts, which included the residential development at Tai Wo Ping, AIA urban campus redevelopment, transitional housing project at Tung Tau, Yuen Long, the design and construction of temporary quarantine facilities at Penny's Bay and foundation works for public housing development at Sheung Shui.

Hip Hing Group endeavours to improve the construction efficiency and reduce onsite energy use and construction waste through adoption of wider electrification and innovative technologies. In FY2021, Hip Hing Group completed the construction of InnoCell at the Hong Kong Science Park using MiC which has been widely recognized by the industry and received many industry leading awards. Meanwhile, the construction of temporary quarantine facilities at Penny's Bay, which was completed within 89 days and a total of 901 MiC modules were fabricated to provide 857 quarantine units plus ancillary facilities, has demonstrated not only our technical expertise, but also our commitment to contribute to our society and community.

Insurance

FY2021 marked the first full year contribution of FTLife Insurance to the Group since the completion of acquisition on 1 November 2019. While FTLife Insurance has gone through various challenges since the completion of acquisition, our flexible business strategy as well as swift product innovation and adjustments to meet our policyholders' needs have prompted FTLife Insurance to deliver a set of solid results to our shareholders. In FY2021, FTLife Insurance contributed an AOP of HK$971.7 million to the Group, representing an increase of 29% versus FY2020 (8 months contribution).

Albeit border closure and containment measures imposed to curb the transmission of COVID-19 have seriously affected business from Mainland visitors, our swift response to market change and launch of innovative products have allowed us to outshine the competition that was testified by our outstanding performance in APE in FY2021. In the first half of 2021, our overall APE growth was 27%, versus flat in the industry, and the APE of our Hong Kong domestic business jumped 49%, outperforming the 16% growth in the industry. As at 30 June 2021, FTLife Insurance ranked 12th amongst Hong Kong life insurance companies by APE, improved from 13th as at 30 September 2020.



FTLife Insurance Company Limited

In FY2021, FTLife Insurance has reviewed its brand strategy and adopted "Think Beyond Insurance" as its core value to reflect its new strategy to tap into the thriving ecosystem of New World Group to bring more innovative products and unique services to customers. To further enrich our insurance product diversity, a series of new insurance products have been introduced in market to meet the rising needs of people from all walks of life in Hong Kong. New insurance plans such as "On Your Mind" Insurance Plan (launched in September 2020) with first-in-market, innovative built-in reverse mortgage function and "Prosperous Deferred Annuity Plan 2" (launched in January 2021), our new Qualifying Deferred Annuity Policy targeting young customers who are 20 years old or above to capture demand from new generation and encourage them to start retirement planning early have been gaining traction in the Hong Kong market. These initiatives, as a result, have fuelled the growth of APE of our Hong Kong domestic business by 49%, and overall APE by 4% to HK$1,956.3 million, despite a lack of contribution from Mainland visitors. Gross written premium increased by 9% to HK$10,259.2 million, VONB grew by 1% to HK$485.4 million, and VONB margin, representing VONB as a percentage of APE, was 25%. Overall investment return of FTLife Insurance's investment portfolio was 4.3% in FY2021.

FTLife Insurance's financial position stayed strong in FY2021. At as 30 June 2021, solvency ratio of 524% remained well above minimum industry regulatory requirement of 150%. Embedded value continued to grow by 21% year-on-year to HK$21.4 billion. Total assets value and net assets value (excluding goodwill arising from business combination) were HK$79.1 billion and HK$18.6 billion, respectively. Moody's has maintained the insurance financial strength rating of FTLife Insurance at A3/Stable and Fitch Rating has also continued to affirm FTLife Insurance's A- insurer financial strength rating with stable rating outlook.

Hangzhou West Lake Service Area (3D Rendering)

Business Outlook –

Core Business

Roads

Following a rapid recovery in FY2021, notwithstanding the uncertainties created by COVID-19 and the ongoing trade tensions between Mainland China and the United States, the Mainland's economy remains on the recovery path and stands out in the global major economies. The increase in car ownership as well as booming logistics sector in the post-COVID-19 era have enhanced our confidence that our Roads segment will continue to maintain a healthy growth trajectory over the long term. In order to capture the growth opportunities in this sector, the Group will continue to pursue new investment opportunities in the Mainland to enrich our roads portfolio, particularly in the areas with decent long term growth outlook, such as Greater Bay Area and Central region. At the same time, the Group will also continue to explore and leverage technology to improve safety, efficiency and traffic of our roads, as well as to explore other source of income such as our premium service area at Hangzhou Ring Road which will commence operation by the end of 2021.

Negotiation with the Mainland Government regarding the compensation measures for toll fee exemption period such as extension of concession period is still ongoing. While some provinces have already announced compensation policies that allow application for extension in concession period when approaching concession expiry, other provinces are still waiting for official announcement. The Group will continue to discuss with the Mainland Government to strive for the best compensation to safeguard stakeholders' interest.

Aviation

The aviation industry is experiencing recovery in air travel in several markets such as Mainland China, the United States, Russia and Brazil upon the rollout of global vaccination programme and the gradual easing of travel restrictions in some countries. While the emergence of Delta variant may delay the resumption of international travel, the recovery trajectory and improvement in business sentiment remain intact and have increased optimism about passenger demand. The long term demand outlook stays constructive and is expected to see a strong rebound once the international travel returns to normal, and Goshawk's most liquid narrowbody aircraft such as B737-800, A320ceo family and A320neo family are set to spearhead our post-COVID-19 recovery. Since COVID-19 outbreak, more than 40 new start-up airlines in countries such as the United States and Norway were set up and over 30 airlines are actively planning to launch within 12 to 24 months. These new start-up airlines have also demonstrated the long term confidence amongst industry players.

While there is an overhang of short term uncertainties with current international traffic remaining stalled as travel restrictions have yet to be fully eased and certain airlines continuing to be susceptible to some forms of restructuring, Goshawk's prudent and disciplined business strategy with focus on young fleet and well-diversified customer portfolio, alongside a strong balance sheet and stringent risk management policy, will definitely guide us over these uncertainties. Meanwhile, Goshawk is also exploring new income streams such as asset management in an effort to enhance return of the business.

Construction

Though tenders coming to the market in Hong Kong may still be hindered by COVID-19 in the short term, that does not change our positive medium to long term view on Hip Hing Group. With government's resolution in alleviating housing shortage in Hong Kong through increasing supply in land and public housing, construction demand from both government and private sectors remains optimistic over the longer term and is set to benefit Hip Hing Group. Hip Hing Group's proven track record in both private and public sectors and sound technical expertise will definitely allow us to stand out from the competition and place us in a better position to secure new projects. Our strategy of maintaining a balanced portfolio among private, government and institutional sectors will also ensure the Group to enjoy a steady growth.

While the whole industry is facing margin pressure from rising competition and raw material costs, Hip Hing Group's continuous efforts in optimizing building procedure, along with the adoption of various construction technologies such as MiC and BIM, will facilitate us to further improve construction efficiency, reduce onsite construction energy and waste consumption and mitigate cost pressure.

Insurance

Despite the current challenges brought by COVID-19, the secular outlook remains firm for life insurance industry in Hong Kong, driven by the structural growth benefiting from the rising healthcare awareness and solid demand for insurance protection, alongside the keen demand from Mainland visitors. Meanwhile, the reopening of borders when COVID-19 subsides is poised to be a boost to both the insurance industry and FTLife Insurance in view of the strong pent-up demand during the COVID-19 outbreak.

Against this backdrop, with additional high-calibre management joining FTLife Insurance, FTLife Insurance is ready to further effectuate its strategy through actively recruiting quality agents, expanding distribution channel and creating more innovative products to meet the rising demand and at the same time well prepared to grasp the opportunities from Mainland visitors once the borders reopen. Being part of the New World Group's ecosystem, FTLife Insurance is privileged to be able to tap the growth opportunities generated from the synergies within the New World Group. FTLife Insurance's latest collaboration with GHK Hospital to launch an "Insurance + Medical Care" model that is designed to explore and create synergies by developing in-depth and long-term cooperation to upgrade customer journey, product development as well as health management and wellness programmes is set to create a unique medical insurance experience for our customers. Through this new collaboration, customers can enjoy three major privileges including ward upgrade, cashless arrangement service and e-Connect Health Platform on the "Reach FTLife" mobile app that enables customers to browse information on network medical clinics and hospitals and doctors for outpatient colonoscopy and gastroscopy procedures and get an instant out-of-pocket estimation anytime and anywhere. Going forward, the Group will continue to look for opportunities to deploy capital and further expand in the Mainland, especially in the Greater Bay Area.

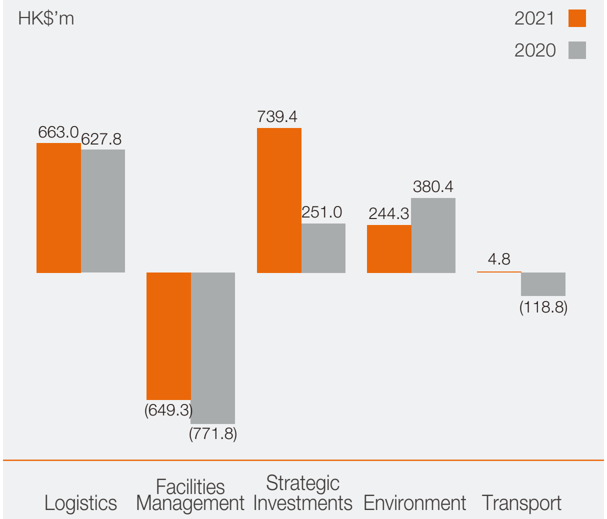
Operational Review –

Strategic Portfolio

The Strategic Portfolio reported an increase in AOP of 172% to HK$1,002.2 million in FY2021.

AOP Contribution by Segment

For the year ended 30 June	**2021 HK$'m**	2020 HK$'m	Change % Fav./(Unfav.)
Logistics	**663.0**	627.8	6
Facilities Management	**(649.3)**	(771.8)	16
Strategic Investments	**739.4**	251.0	195
Discontinued operations			
Environment	**244.3**	380.4	(36)
Transport	**4.8**	(118.8)	104
Total	**1,002.2**	368.6	172



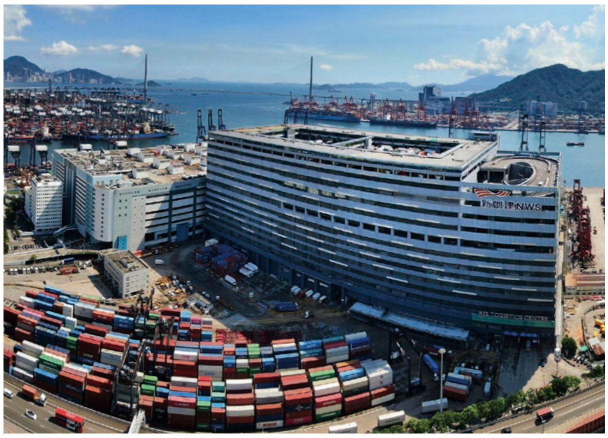
Logistics

Logistics segment reported resilient performance in FY2021 with AOP increasing 6% to HK$663.0 million.

ATL continued to maintain steady performance in FY2021 and accounted for approximately 70% of the segment's AOP. While the outbreak of COVID-19 has posed a pressure on the warehouse leasing market in Hong Kong, ATL's outstanding facilities and quality services remain to be the leader in the market. Average occupancy rate maintained at a high level of 99.7% (FY2020: 99.7%), and average rent edged up 1% in FY2021.

CUIRC has benefited from the further development of rail intermodal transportation and international block train service as well as the brisk expansion of logistics services. Throughput increased remarkably by 25% to 4,869,000 TEUs, while AOP jumped 63% in FY2021. The new Guangzhou terminal is under construction and will commence operation in FY2022, while the expansion of Wuhan terminal is in progress.

Propelled by the recovery from COVID-19, XCTG's throughput in FY2021 grew by 9% to 9,245,000 TEUs while AOP rose 16% year-on-year (or dropped 3% versus FY2019) and contributed approximately 15% of the Logistics segment's AOP. On 30 June 2021, the Group entered into a framework agreement with Xiamen International Port Co., Ltd. for the proposed disposal of its entire 20% equity interest in XCTG at a consideration of RMB1,568 million. On 20 August 2021, the Group has further announced the signing of the sale and purchase agreement and the completion of the transaction is subject to the fulfilment of the condition precedents in the sale and purchase agreement. Upon completion of the disposal of XCTG, the Group will have completely exited all investments in port-related projects. As at 30 June 2021, the Group has reclassified the investment in XCTG as an asset held-for-sale and ceased to equity account for the financial results of XCTG.



ATL Logistics Centre

Gleneagles Hospital
Hong Kong

Free Duty shop at Hong Kong-Zhuhai-Macao Bridge (Hong Kong Port)

Hong Kong Convention and Exhibition Centre

Facilities Management

Business performance of Facilities Management saw mixed results and continued to be weighed down by the outbreak of COVID-19 in FY2021. Yet, with the further ramp up of operations of GHK Hospital and our efforts in stringent cost control in Free Duty, AOL narrowed by 16% to HK$649.3 million.

Attributable to our superb healthcare service standard, advanced equipment and constant marketing initiatives that have enhanced the brand awareness in the market, GHK Hospital's business further advanced in FY2021. AOL further narrowed while EBITDA breakeven has been achieved since May 2021. Revenue saw remarkable growth in FY2021 with number of outpatient increasing by 45% and number of inpatient growing by 29%. As at 30 June 2021, number of regularly utilized beds increased to 210 (30 June 2020: 194) with average occupancy rate of 60%. To further extend and expand our clinical service, new service centres such as Spine Centre and Musculoskeletal Tumour Centre providing the latest and advanced treatment protocols have been set up and our Central clinic has continued to ramp up quickly after relocating to New World Tower in October 2020. Moreover, with an aim of accelerating growth of GHK Hospital, collaborations with New World Group and various major insurance companies have been made and other new services and promotion campaigns such as DrGo, a teleconsultation platform, and GHK Hospital's patient mobile application, My Gleneagles SmartHealth, have been launched in FY2021.

The exhibition and convention industry in Hong Kong has been severely hammered by COVID-19 in FY2021. Yet, with the lifting of some social distancing measures, there was sequential improvement in HKCEC's performance in the second half of FY2021 compared with the first half of FY2021. While number of events held at HKCEC declined by 45% year-on-year to 235 in FY2021, it has improved to 130 in the second half versus 105 in the first half of FY2021. Total patronage surged to around 672,000 in the second half from about 365,000 in the first half of FY2021, despite a full year plunge of 77% year-on-year to approximately 1.0 million in FY2021. In FY2021, HKCEC's AOL accounted for close to half of the AOL of the Facilities Management segment.

Free Duty's business remained in worst shape in FY2021 under the impact of COVID-19. Our three outlets at Lo Wu, Hung Hom and Lok Ma Chau MTR stations remain closed as a result of border closure. Besides a slew of cost-cutting measures in place in a move to minimize losses, our outlet at Hong Kong-Zhuhai-Macao Bridge, together with new business initiatives like pop-up stores at D•Park, THE FOREST and Kowloon City Plaza, alongside an e-commerce website, FDMall, which have been launched to cope with border closure as well as to explore new distribution channel, have all contributed positively to Free Duty.

Strategic Investments

This segment includes investments with strategic value to the Group and with growth potential which will enhance and create value for our shareholders. AOP in FY2021, which mainly comprised the share of results, net fair value change, interest and dividends from certain investments, grew markedly by 195% to HK$739.4 million. The respectable increase in AOP was mainly attributable to improved share of results from some associated companies or joint ventures due to recovery of underlying businesses and the net fair value gain from certain strategic investments.

Discontinued Operations

Environment

In the wake of the disposal of all of our interests in SUEZ NWS and Derun Environment announced in January 2021, the Group has presented the result of both businesses as a discontinued operation, and six months of AOP contribution totalled HK$244.3 million was recorded in FY2021. A remeasurement loss (net of tax and transaction costs) of approximately HK$228.1 million in relation to the reclassification of Derun Environment to an asset held-for-sale was recognized and was included in the non-operating items. The disposal of Derun Environment was completed in May 2021, while the disposal of SUEZ NWS remains to be completed, subject to the fulfilment of the condition precedents in the sale and purchase agreement, and the Group expects the disposal to be completed in FY2022. The Group is entitled to a dividend covering the period from 1 January 2021 till the date of completion and it is anticipated that a gain will be derived from the disposal of SUEZ NWS upon its completion. ForVEI II S.r.l., our solar energy platform in Europe, together with the remaining environmental projects, have been reclassified to Strategic Investments segment.

Transport

In FY2021, the Group has completely exited the transport business after disposing of NWS Transport which owns New World First Bus Services Limited and Citybus Limited in October 2020, as well as the remaining 40% stake in New World First Ferry Services Limited in December 2020 at a consideration of HK$142.8 million. AOP of HK$4.8 million was contributed by Transport segment in FY2021.

Business Outlook –

Strategic Portfolio

Logistics

Outlook of Logistics segment remains sanguine driven by the rapid development of the new economy and the post-COVID-19 economic recovery.

Business environment for ATL continues to be favourable driven by the solid demand for high quality warehouse in Hong Kong. Situated in the prime location in Hong Kong, combined with its unmatched scale and excellent service, ATL is poised to continue to be the top player in the market in coming years.

Benefiting from the Central Government's support on sea-rail intermodal and international rail container transportation, CUIRC will continue to ride on these favourable government policies and explore new opportunities including the development of new Guangzhou terminal which is scheduled to be operational in FY2022, the expansion of Wuhan terminal which is in progress and Zhengzhou terminal which is in the pipeline, as well as further expansion of its terminal network.

Against the backdrop of rising demand for logistics service post-COVID-19 driven by the expansion of cross-border trade, increasing demand for e-commerce and leveraged use of multimodal transportation, as well as supportive government policies, the Group is actively expanding investment in modern logistics, targeting businesses such as cold chain and logistics services, aiming at riding on the synergies with ATL and CUIRC and establishing a logistics ecosystem in the Group with a holistic platform backed by core assets and network.

Facilities Management

Apart from GHK Hospital's ongoing improvement in the quality of healthcare services provided, with the deepening collaboration with various major insurance companies in Hong Kong, coupled with further integration into New World Group's ecosystem and enhancement of partnership with different business units within the New World Group to explore new business opportunities, GHK Hospital is stand to deliver better performance in the coming future. While EBITDA breakeven has been achieved in GHK Hospital and its Central clinic since May and July 2021, respectively, we expect GHK Hospital to continue to deliver its performance.

While HKCEC has seen some improvements in business in the wake of the relaxation of some social distancing measures in Hong Kong, resumption of regional expos and events depends on the timing of border reopening and full recovery hinges on the restart of international travel. The Group will continue to work closely together with organizers of exhibitions and conventions and leverage upon government subsidies to accelerate the recovery in the exhibition and convention industry, whilst cautiously implementing cost saving initiatives to revive business performance.

The timing of reopening of borders between the Mainland and Hong Kong will be critical to determine when Free Duty's outlets can resume normal operation, and we are well prepared for that. Cost reduction measures will continue to be in place to minimize losses until full recovery.

Looking Forward

While COVID-19 is still ravaging the world, the massive rollout of the vaccination programme in different countries along with the stimulus packages launched by governments to resuscitate the battered economy have given a shot in the arm for the recovery. The Mainland's GDP growth of 12.7% in the first half of 2021, one of the fastest in the world, is also on track to achieve its target expansion of over 6% in 2021. With normalizing economic activities and a positive economic outlook, we are seeing light at the end of the tunnel.

Against the backdrop of the gradually improving business sentiment while uncertainties brought by COVID-19, geographical tensions and looming inflation still exist, the Group will remain cautious in terms of our capital deployment, with an aim of balancing risks posed by these uncertainties and the growth opportunities offered by the optimization of our business portfolio that entails non-core disposals and further investment in areas such as roads, modern logistics and insurance.

On the back of the various changes to our business portfolio and the non-core disposals that took place in the last few years, we may from time to time seek opportunities to further capital enhancement and optimize our capital structure.

As part of our continuous effort to further integrate ESG aspects into our corporate strategy, we are continually adopting ESG risks as part of our Enterprise Risk Management, including climate risks of which we have conducted our first climate-related transition risk assessment in FY2021. The sustainability-linked loans we entered into have also reinforced our commitment to improve sustainability performance in our business, emphasizing the importance in tackling climate change by reducing our carbon emissions and improving wellness of our stakeholders.

Following a solid result amid COVID-19 outbreak, with our lucid corporate strategy, revitalized portfolio, improved earnings quality, solid financial footing and risk management policies, we are ready to grasp growth opportunities in the post-COVID-19 era with our new and improved platform and grow together with our stakeholders.

Financial Resources

Treasury management and cash funding

The Group's funding and treasury policy is designed to maintain a diversified and balanced debt profile and financing structure. The Group operates a centralized treasury function to monitor its cash position, cash flow and debt profile as well as optimize its funding cost-efficiency. In order to maintain maximum financial flexibility with adequate liquidity for the Group's operations, potential investments and growth plans, the Group has built a strong base of funding resources and will continue to optimize our capital structure and expand our sources of funding which include perpetual capital securities, debt issuance in the capital markets and bank borrowings, for which the proportion will change depending on financial market conditions. The capital structure of the Group was 30% debt and 70% equity as at 30 June 2021, compared with 35% debt and 65% equity as at 30 June 2020.

As a means to optimize capital structure and lower interest expense, the Group has redeemed and cancelled US$14.1 million in the aggregate principal amount of 10-year 4.25% senior notes during the year. After the redemption, US$635.9 million in aggregate principal amount of the senior notes remains outstanding.

For reinforcing our commitment to improve sustainability performance in our businesses, the Group has entered into three sustainability-linked loan facilities with an aggregate total of HK$2.8 billion during the year. The sustainability-linked loan facilities incentivize the Group's achievement of improvement targets on the Group's annual and cumulative sustainability performance by the way of interest rates reduction.

The Group manages its financial risks including interest rate exposure and foreign exchange risks. Interest rate swaps contracts are used to hedge against part of the Group's exposures to changes in interest rates, while foreign exchange forward contracts are used to hedge against foreign currency exposures of the Group's businesses which involve foreign currencies. Cross currency swaps contracts are entered to manage the Group's overall cost of funding and the exposure from foreign currency translation. The Group's Insurance segment enters into cross currency swaps and forward starting swaps contracts to hedge against its foreign currency risk from bond investments and its interest rate risk for bonds to be purchased respectively. The Group did not have any material exposure to exchange risk other than Renminbi and United States Dollar during FY2021. Certain subsidiaries, associated companies and joint ventures have local currency project loans in place, and these are naturally hedged against the investments in the same local currency of the entities concerned.

Liquidity and capital resources

As at 30 June 2021, the Group's total cash and bank balances amounted to HK$10,804.6 million, compared with HK$13,221.8 million as at 30 June 2020. Cash and bank balances were mainly denominated as to 51% in United States Dollar, 26% in Hong Kong Dollar and 22% in Renminbi. The Group's Net Debt as at 30 June 2021 was HK$14,543.4 million, compared with HK$17,733.9 million as at 30 June 2020. The decrease in Net Debt was mainly due to the proceeds from the disposal of interests in NWS Transport, Derun Environment, and certain non-core businesses/investments, repayment of shareholder's loan by and dividends received from associated companies and joint ventures, net of payments of dividends and investments made. The Group's Net Gearing Ratio reduced from 31% as at 30 June 2020 to 25% as at 30 June 2021. The Group had unutilized committed banking facilities of approximately HK$19.4 billion as at 30 June 2021.

Debt profile and maturity

As at 30 June 2021, the Group's total debt decreased to HK$25,348.0 million from HK$30,955.7 million as at 30 June 2020. 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$23,229.4 million as at 30 June 2021, 27% will mature in the second year, 40% 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 2021, 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$2,209.6 million as at 30 June 2021, compared with HK$1,159.8 million as at 30 June 2020. These comprised commitments for capital contributions to certain associated companies, joint ventures and other financial investments of HK$1,231.4 million as well as additions of intangible assets and property, plant and equipment of HK$978.2 million. 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$3,881.8 million as at 30 June 2021, compared with HK$3,807.9 million as at 30 June 2020. These comprised guarantees for banking facilities of associated companies and joint ventures.

In addition, the Company and NWD, 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 KTSPL under the contract entered into between the Hong Kong Government and KTSPL for the design, construction and operation of Kai Tak Sports Park. Taking into consideration the deed of counter-indemnity which has been entered into, the Group's guarantee towards KTSPL is up to the extent of 25% of the contract sum or an amount of approximately HK$7.5 billion as at 30 June 2021 (30 June 2020: HK$7.5 billion). KTSPL is an associated company of the Group in which the Group has a 25% interest.

Report of the Directors

The directors of NWS Holdings Limited submit their report together with the audited financial statements of the Group for FY2021.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The principal activities of its subsidiaries include:

(i) the development of, investment in and/or operation of roads, commercial aircraft leasing, construction and insurance; and

(ii) the investment in and/or operation of environmental, logistics and facilities management projects.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 6 to the financial statements.

Business Review

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position, as well as the outlook for the Group's business, are provided in the "Chairman's Statement" (page 3) and the "Management Discussion and Analysis" (pages 96 to 108) sections. Particulars of significant events affecting the Group that have occurred since the end of FY2021, if applicable, can also be found in the aforesaid sections and the notes to the financial statements (pages 140 to 271). Description of the principal risks and uncertainties faced by the Group can be found throughout this annual report, particularly in the "Risk Management Report" (pages 38 to 51). An analysis using financial key performance indicators is provided in the "Financial Highlights" section (pages 4 and 5). Description of the Group's relationships with its key stakeholders is included in the "Corporate Governance Report" (pages 16 to 37) and the "Sustainability Report" (pages 52 to 95) sections. Furthermore, the Group's environmental policies and performance are set out in the "Sustainability Report" section (pages 52 to 95) and details regarding the Group's compliance with relevant laws and regulations which have a significant impact on the Group are provided in the "Corporate Governance Report" section (pages 16 to 37).

The above discussion forms part of this report of the directors.

Results and Appropriations

The results of the Group for the year and the state of affairs of the Company and of the Group as at 30 June 2021 are set out in the financial statements on pages 132 to 271.

The Board has resolved to recommend a final dividend FY2021 (the "Final Dividend") of HK$0.30 per share (2020: HK$0.29 per share) in cash to the shareholders whose names appear on the register of members of the Company on 26 November 2021. Together with the interim dividend of HK$0.29 per share (2020: HK$0.29 per share) paid in April 2021, total distribution of dividend by the Company for FY2021 will be HK$0.59 per share (2020: HK$0.58 per share).

Subject to the passing of the relevant resolution at the 2021 AGM, it is expected that the Final Dividend will be paid on or about 20 December 2021.

Subsidiaries

Particulars of the Company's principal subsidiaries are set out in note 55 to the financial statements.

Associated Companies and Joint Ventures

Particulars of the Group's principal associated companies and joint ventures are set out in notes 56 and 57 to the financial statements respectively.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in notes 37 and 54 to the financial statements respectively.

Distributable Reserves

At 30 June 2021, the Company's reserves available for distribution amounted to HK$24,556.2 million (2020: HK$23,778.6 million).

Donations

During the year, the charitable donations made by the Group amounted to HK$1.2 million (2020: HK$6.0 million).

Investment Properties

Details of movements in the investment properties of the Group during the year are set out in note 16 to the financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the financial statements.

Share Capital

There was no movement in either the authorized or issued share capital of the Company during the year. Details of the share capital of the Company during the year are set out in note 36 to the financial statements.

Debentures Issued

The Group has not issued any debentures during the year.

Borrowings and Other Interest-bearing Liabilities

Particulars of the borrowings and other interest-bearing liabilities of the Group are set out in note 39 to the financial statements.

Equity-Linked Agreements

Save for the share option scheme of the Company (the "Share Option Scheme") disclosed in the section headed "Share Option Scheme" below and note 36 to the financial statements, no equity-linked agreements were entered into by the Group or existed during the year.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's bye-laws or the laws of Bermuda.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year, a tender offer was made by Celestial Dynasty Limited ("CDL", an indirect wholly-owned subsidiary of the Company) to purchase for cash the US$650,000,000 4.25 per cent. guaranteed senior notes due 2029 (the "CDL Notes"), which are listed on the Hong Kong Stock Exchange, issued by CDL and unconditionally and irrevocably guaranteed by the Company. An aggregate principal amount of US$14,050,000 of the CDL Notes were purchased and redeemed, representing 2.16 per cent. of the then outstanding principal amount of the CDL Notes, on 23 April 2021. US$635,950,000 in aggregate principal amount of the CDL Notes remain outstanding as at the date of this report.

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

Major Customers and Suppliers

The amount of revenue attributable to the Group's five largest customers in aggregate and the Group's largest customer accounted for 38% and 11% respectively of the Group's total revenue for FY2021. None of the directors, their close associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued shares) had an interest in these major customers.

The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for less than 30% of the Group's total purchases for FY2021.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Permitted Indemnity Provisions

The bye-laws of the Company provides that directors, secretary or other officers of the Company shall be indemnified out of the assets and profits of the Company from and against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

In addition, a directors and officers liability insurance policy insuring claims made against, among others, the directors and the senior management of the Group members and the persons representing the Group in associates as directors or senior management was in effect throughout FY2021 and remained in effect up to the date of this report.

Directors

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

Executive directors

Dr Cheng Kar Shun, Henry *(Chairman)*
Mr Ma Siu Cheung *(Chief Executive Officer)*
Dr Cheng Chi Kong, Adrian
Mr Cheung Chin Cheung
Mr Cheng Chi Ming, Brian
Mr Ho Gilbert Chi Hang
Mr Chow Tak Wing
Mr Cheng Chi Leong, Christopher (appointed on 1 December 2020)

Non-executive directors

Mr To Hin Tsun, Gerald
Mr Dominic Lai
Mr Tsang Yam Pui (resigned on 1 January 2021)
Mr William Junior Guilherme Doo
Mr Lam Wai Hon, Patrick *(alternate director to Mr William Junior Guilherme Doo)*
(retired as a non-executive director and was appointed as an alternate director, both on 25 November 2020)

Independent non-executive directors

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
Mr Wong Kwai Huen, Albert

In accordance with bye-law 86(2) of the Company's bye-laws, Mr Cheng Chi Leong, Christopher, who was appointed as a director of the Company by the Board with effect from 1 December 2020, holds office until the conclusion of the 2021 AGM and, being eligible, will offer himself for re-election at the 2021 AGM.

Moreover, in accordance with bye-law 87 of the Company's bye-laws, Mr Cheung Chin Cheung, Mr To Hin Tsun, Gerald, Mr Dominic Lai, Mr William Junior Guilherme Doo and Mr Lee Yiu Kwong, Alan will retire by rotation at the 2021 AGM, and being eligible, will offer themselves for re-election at the meeting.

Directors' Service Contracts

No director has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Directors' Interests in Transactions, Arrangements or Contracts

Save as disclosed in the section headed "Connected Transactions" below and note 15(b) to the financial statements, and the contracts amongst group companies, no other transactions, arrangements or contracts of significance in relation to the Group's businesses to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party, and in which any director of the Company or the director's connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Competing Business

During the year and up to the date of this report, the following directors of the Company are considered to have interests in the business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group (other than those businesses where the directors of the Company were appointed as directors to represent the interests of the Company and/or the Group), pursuant to Rule 8.10(2) of the Listing Rules as set out below:

Name	Entity whose business is considered to compete or likely to compete with the businesses of the Group	Description of business of the entity which is considered to compete or likely to compete with the businesses of the Group	Nature of interest of the director in the entity
Dr Cheng Kar Shun, Henry	CTF Enterprises group of companies	Investment in healthcare and commercial aircraft leasing businesses	Director
	FSE Holdings Limited group of companies	Carpark management	Shareholder*
	FSE Lifestyle Services Limited group of companies	Carpark management	Director
	NWD group of companies	Investment in healthcare, development and operation of sports park complex, and management and construction of building and civil engineering works	Director
Mr Ma Siu Cheung	Hip Seng Construction Company Limited group of companies	Management and construction of building and civil engineering works	Director*
Dr Cheng Chi Kong, Adrian	CTF Enterprises group of companies	Investment in healthcare and commercial aircraft leasing businesses	Director
	NWD group of companies	Investment in healthcare, development and operation of sports park complex, and management and construction of building and civil engineering works	Director
	New Century Healthcare Holding Co. Limited group of companies	Investment in healthcare	Director
Mr Cheng Chi Ming, Brian	Integrated Waste Solutions Group Holdings Limited	Investment in waste management business	Director
Mr To Hin Tsun, Gerald	Mongolia Energy Corporation Limited	Investment in coal mining	Director
Mr William Junior Guilherme Doo	FSE Holdings Limited group of companies	Carpark management	Director
	The Dynasty Club Limited	Food and beverage operations	Director
Mr Lam Wai Hon, Patrick	FSE Holdings Limited group of companies	Carpark management	Director

* ceased to be so interested in the entity during and/or after FY2021.

As the Board is independent of the boards of the abovementioned entities and none of the above directors of the Company can control the Board, the Group is therefore capable of carrying on its businesses independently of, and at arm's length from the businesses of these entities.

Directors' Rights to Acquire Shares or Debentures

Save for the interests disclosed in the section headed "Directors' Interests in Securities" below, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors or chief executives of the Company or their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Securities

As at 30 June 2021, the directors of the Company had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or were recorded in the register kept by the Company pursuant to Section 352 of the SFO or were notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code:

(a) Long position in shares

	Number of shares				Approximate percentage of shareholding
Name	Personal interests	Family interests	Corporate interests	Total	as at 30.06.2021
The Company					
(Ordinary shares of HK$1.00 each)					
Dr Cheng Kar Shun, Henry	18,349,571	–	12,000,000[1]	30,349,571	0.776%
Mr William Junior Guilherme Doo	–	–	128,869[2]	128,869	0.003%
Mr Kwong Che Keung, Gordon	1,207,077	–	–	1,207,077	0.031%
Dr Cheng Wai Chee, Christopher	2,875,786	–	–	2,875,786	0.074%
Mr Lam Wai Hon, Patrick	1,446,207	–	7,608[3]	1,453,815	0.037%
NWD					
(Ordinary shares)					
Dr Cheng Kar Shun, Henry	2,668,909	–	–	2,668,909	0.105%
Dr Cheng Chi Kong, Adrian	2,559,118	–	–	2,559,118	0.101%
Mr Cheung Chin Cheung	31,100	–	–	31,100	0.001%
Mr William Junior Guilherme Doo	–	10,000[4]	–	10,000	0.000%
Mr Kwong Che Keung, Gordon	10,000	–	–	10,000	0.000%

Notes:

(1) The shares were held by a company wholly owned by Dr Cheng Kar Shun, Henry.

(2) The shares were held by a company wholly owned by Mr William Junior Guilherme Doo.

(3) The shares were held by a company wholly owned by Mr Lam Wai Hon, Patrick.

(4) The shares were held by the spouse of Mr William Junior Guilherme Doo.

(b) Long position in underlying shares – share options

Under the share option scheme of NWD, the holding company of the Company, the following directors of the Company had personal interest in options to subscribe for shares of NWD. Details of the share options of NWD granted to them are as follows:

Name	Date of grant	Exercisable period (Note)	Number of share options: Balance as at 01.07.2020	Granted during the year	Exercised during the year	Balance as at 30.06.2021	Exercise price per share HK$
Dr Cheng Kar Shun, Henry	3 July 2017	(1)	500,000	–	–	500,000	40.144
Dr Cheng Chi Kong, Adrian	3 July 2017	(1)	500,000	–	(500,000)	–	40.144

Notes:

(1) Divided into 4 tranches exercisable from 3 July 2017, 3 July 2018, 3 July 2019 and 3 July 2020 respectively to 2 July 2021.

(2) The cash consideration paid by the directors for each grant of share options was HK$10.

(c) Long position in debentures

Name	Amount of debentures: Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage to the total amount of debentures in issue as at 30.06.2021
NWCL						
Mr William Junior Guilherme Doo	–	–	HK$7,800,000[1]	–	HK$7,800,000	0.095%
NWD Finance (BVI) Limited						
Mr William Junior Guilherme Doo	–	US$660,000[2]	US$6,000,000[3]	–	US$6,660,000	0.137%
NWD (MTN) Limited ("NWD (MTN)")						
Dr Cheng Wai Chee, Christopher	–	–	–	US$3,000,000[4]	US$3,000,000	0.063%

Notes:

(1) The debentures, which were issued in US$, were held by a company wholly owned by Mr William Junior Guilherme Doo and had been translated into HK$ using the rate of US$1=HK$7.8.

(2) The debentures were held by a company wholly owned by the spouse of Mr William Junior Guilherme Doo.

(3) The debentures were held by a company wholly owned by Mr William Junior Guilherme Doo.

(4) The debentures were owned by a controlled corporation of a trust and Dr Cheng Wai Chee, Christopher is a beneficiary under the trust.

Save as disclosed above, as at 30 June 2021, none of the directors or chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and any of its associated corporations as defined in the SFO which were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or were recorded in the register kept by the Company pursuant to Section 352 of the SFO or were notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Share Option Scheme

The Share Option Scheme was adopted at the annual general meeting of the Company held on 21 November 2011. Summary of the Share Option Scheme disclosed in accordance with the Listing Rules is as follows:

Purpose of the Share Option Scheme	To reward directors and employees of the Group for their past service or performance; providing incentive, motivation or reward to eligible participants for optimizing their performance or making contribution to the Group; attracting and retaining persons of right caliber with the necessary experience to work for or make contribution to the Group; and fostering a sense of corporate identity.
Participants of the Share Option Scheme	Eligible participant may be a person or an entity belonging to any of the following classes: (i) any employee (whether full time or part time employee, including any executive director but excluding any non-executive director) of the Company, any subsidiary or any invested entity ("Invested Entity") of the Group ("Eligible Employee"); (ii) any non-executive director (including independent non-executive director) of the Group or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of any member of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and (viii) any joint venture partner or business alliance that co-operates with any member of the Group or any Invested Entity in any area of business operation or development.
Total number of shares available for issue under the Share Option Scheme and percentage of the issued shares as at the date of this report	The Company had granted share options to certain eligible participants to subscribe for a total of 55,623,705 shares of the Company under the Share Option Scheme, which include certain adjustments made pursuant to the rules of the Share Option Scheme, up to the date of this report. The total number of shares available for issue under the Share Option Scheme is 310,957,666 shares, representing approximately 7.95% of the Company's total number of issued shares as at the date of this report.
Maximum entitlement of each participant under the Share Option Scheme	Unless approved by shareholders of the Company, the total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total number of shares of the Company in issue.
The period within which the shares must be taken up under an option	At any time during a period as specified by the directors, however in any event the share options must be exercised within 10 years from the date of grant.
The minimum period for which an option must be held before it can be exercised	Any period as determined by the directors.
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	HK$10 is to be paid as consideration for the grant of option within 14 days from the date of offer.
The basis of determining the exercise price	The exercise price is determined by the directors which must be at least the highest of: (i) the closing price of the share as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the share as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five dealing days immediately preceding the date of grant; and (iii) the nominal value of the share.
The remaining life of the Share Option Scheme	The Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption, i.e. 21 November 2011.

During the year ended 30 June 2021, no share option of the Company has been granted under the Share Option Scheme.

Since the Share Option Scheme will expire on 21 November 2021, a new share option scheme will be proposed to be adopted by the shareholders of the Company at the 2021 AGM.

Substantial Shareholders' Interest in Securities

As at 30 June 2021, so far as are known to the directors of the Company, the following parties (other than a director or chief executive of the Company) would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were recorded in the register kept by the Company under Section 336 of the SFO as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

	Number of shares			Approximate percentage to the issued share capital of the Company as at 30.06.2021
Name	**Beneficial interests**	**Corporate interests**	**Total**	
Cheng Yu Tung Family (Holdings) Limited	–	2,477,530,362[1]	2,477,530,362	63.35%
Cheng Yu Tung Family (Holdings II) Limited	–	2,477,530,362[2]	2,477,530,362	63.35%
CTFC	–	2,477,530,362[3]	2,477,530,362	63.35%
CTFH	–	2,477,530,362[4]	2,477,530,362	63.35%
CTF Enterprises	97,034,424	2,380,495,938[5]	2,477,530,362	63.35%
NWD	1,588,468,276	792,027,662[6]	2,380,495,938	60.86%
Mombasa Limited	718,384,979	–	718,384,979	18.37%

Notes:

(1) Cheng Yu Tung Family (Holdings) Limited held approximately 48.98% direct interest in CTFC and was accordingly deemed to have an interest in the shares deemed to be interested by CTFC.

(2) Cheng Yu Tung Family (Holdings II) Limited held approximately 46.65% direct interest in CTFC and was accordingly deemed to have an interest in the shares deemed to be interested by CTFC.

(3) CTFC held approximately 81.03% direct interest in CTFH and was accordingly deemed to have an interest in the shares deemed to be interested by CTFH.

(4) CTFH held 100% direct interest in CTF Enterprises and was accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF Enterprises.

(5) CTF Enterprises, together with its subsidiaries, held more than one-third of the issued shares of NWD and was accordingly deemed to have an interest in the shares interested by or deemed to be interested by NWD.

(6) NWD held 100% indirect interest in Mombasa Limited and was accordingly deemed to have an interest in the shares held by Mombasa Limited in the Company. NWD was also deemed to be interested in 2,979,975 shares held by Financial Concepts Investment Limited, 35,331,354 shares each held by Hing Loong Limited and Fine Reputation Incorporated respectively, all of them being subsidiaries of NWD.

(7) All the interests stated above represented long positions.

Save as disclosed above, as at 30 June 2021, there was no other person (other than the directors or chief executives of the Company whose interests in shares, underlying shares and debentures of the Company or any of its associated corporation are set out on pages 113 and 114) was interested (or deemed to be interested) or held any short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Sufficiency of Public Float

According to information that is available to the Company, the percentage of the Company's shares which are in the hands of the public exceeds 25% of the Company's total number of issued shares during the year and up to the date of this report.

Major Acquisitions and Disposals

1. On 21 August 2020, NWS Service Management Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Bravo Transport Holdings Limited to dispose of the entire issued share capital of NWS Transport at a consideration of HK$3,200 million (subject to instalment arrangements and adjustments). Completion of the disposal took place in October 2020 and since then the Group ceased to have any equity interest in NWS Transport.

2. On 11 January 2021,

   (i) Beauty Ocean Limited, an indirect wholly-owned subsidiary of the Company, and SUEZ (Asia) Limited entered into a conditional sale and purchase agreement pursuant to which the Group agreed to dispose of all its 42% interest in SUEZ NWS to SUEZ (Asia) Limited at the consideration of HK$4,173 million. The disposal is yet to complete at the date of this annual report. The Group's entire interest in SUEZ NWS was accounted for as an asset held-for-sale as at 30 June 2021; and

   (ii) the Company, SUEZ NWS and SUEZ (Asia) Limited entered into another conditional sale and purchase agreement pursuant to which the Group agreed to dispose of the entire interest in NWS HKI, which indirectly holds 12.55% effective interest in Derun Environment, together with the inter-company balance payable by NWS HKI to the Company at the consideration of HK$2,360 million. Completion took place in May 2021 and since then the Group ceased to have any shareholding interest in NWS HKI.

3. On 3 April 2021, the Group disposed of approximately 11.5% shareholding interest in Wai Kee at a consideration of approximately HK$422.9 million. After completion, the Group's shareholding interest in the Wai Kee was reduced to approximately 11.5%.

Connected Transactions

The following connected transactions of the Group has been entered into or subsisting during the year and up to the date of this report:

(1) On 24 April 2020, a master services agreement was entered into between the Company and CTF Enterprises (the "CTF Enterprises Master Services Agreement") whereby each of the Company and CTF Enterprises agreed to, and agreed to procure that members of the Group or the CTF Enterprises Group (being (a) CTF Enterprises; (b) any other company which is its subsidiary or holding company or is a fellow subsidiary of any such holding company; (c) any other company which is a direct or indirect 30%-controlled company of CTF Enterprises and/or such other companies referred to in (b) above; and (d) the subsidiaries of such other companies referred to in (b) and (c) above, but excluding members of the NWD Group (as defined in (2) below) and the Group) (to the extent practicable), engage relevant members of the CTF Enterprises Group or the Group to provide certain operational services to relevant members of the Group or the CTF Enterprises Group during the term of the CTF Enterprises Master Services Agreement.

    As at the date of signing of the CTF Enterprises Master Services Agreement, CTF Enterprises together with its subsidiaries held approximately 44.6% of the total issued share capital of NWD and CTF Enterprises held approximately 2.5% of the total issued share capital of the Company. NWD together with its subsidiaries held approximately 60.9% of the total issued share capital of the Company. Accordingly, CTF Enterprises was a connected person of the Company under the Listing Rules and the CTF Enterprises Master Services Agreement constituted continuing connected transactions of the Company under the Listing Rules.

    The CTF Enterprises Master Services Agreement has an initial term of three years commencing from 1 July 2020. Subject to re-compliance with the applicable Listing Rules at the relevant time, the CTF Enterprises Master Services Agreement may be renewed at the end of the initial term for a further term of three years (or such other period permitted under the Listing Rules).

During FY2021, the contract amounts for the operational services under the CTF Enterprises Master Services Agreement are summarized as follows:

Categories	Approximate total contract sum HK$'m	Annual cap HK$'m
Operational services by members of the Group to members of the CTF Enterprises Group	1.8	105.0
Operational services by members of the CTF Enterprises Group to members of the Group	9.8	10.0

(2) On 24 April 2020, a master services agreement was entered into between the Company and NWD (the "NWD Master Services Agreement") whereby each of the Company and NWD agreed to, and agreed to procure that members of the Group or the NWD Group (being NWD, its subsidiaries, any other company which is a direct or indirect 30%-controlled company of NWD and/or any of its subsidiaries, and the subsidiaries of such other companies, but excluding members of the Group) (to the extent practicable), engage relevant members of the NWD Group or the Group to provide certain operational services to relevant members of the Group or the NWD Group during the term of the NWD Master Services Agreement.

As at the date of signing of the NWD Master Services Agreement, NWD together with its subsidiaries held approximately 60.9% of the total issued share capital of the Company. Accordingly, NWD was a connected person of the Company under the Listing Rules and the NWD Master Services Agreement constituted continuing connected transactions of the Company under the Listing Rules.

The NWD Master Services Agreement, the transactions contemplated thereunder and the related annual caps were approved by the independent shareholders at the special general meeting of the Company held on 18 June 2020 (the "2020 SGM"). The NWD Master Services Agreement has an initial term of three years commencing from 1 July 2020. Subject to re-compliance with the applicable Listing Rules at the relevant time, the NWD Master Services Agreement may be renewed at the end of the initial term for a further term of three years (or such other period permitted under the Listing Rules).

During the year ended 30 June 2021, the contract amounts for the operational services under the NWD Master Services Agreement are summarized as follows:

Categories	Approximate total contract sum HK$'m	Annual cap HK$'m
Operational services by members of the Group to members of the NWD Group	839.4	2,073.0
Operational services by members of the NWD Group to members of the Group	43.2	178.0

(3) On 24 April 2020, a master services agreement (the "DOO Master Services Agreement") was entered into between the Company and Mr Doo Wai Hoi, William ("Mr Doo") whereby each of the Company and Mr Doo agreed to, and agreed to procure that members of the Group or the Services Group (being Mr Doo and any company which is a direct or indirect 30%-controlled company of Mr Doo, and the subsidiaries of such companies) (to the extent practicable), engage relevant members of the Services Group or the Group to provide certain operational services to relevant members of the Group or the Services Group during the term of the DOO Master Services Agreement.

As at the date of signing of the DOO Master Services Agreement, Mr Doo was the father of Mr William Junior Guilherme Doo, brother-in-law of Dr Cheng Kar Shun, Henry and uncle of Dr Cheng Chi Kong, Adrian and Mr Cheng Chi Ming, Brian, all of whom were directors of the Company. Mr Doo was therefore a connected person of the Company under the Listing Rules. Certain members of the Services Group were majority-controlled companies of Mr Doo and hence connected persons of the Company. Accordingly, the DOO Master Services Agreement constituted continuing connected transactions of the Company under the Listing Rules.

The DOO Master Services Agreement, the transactions contemplated thereunder and the related annual caps were approved by the independent shareholders at the 2020 SGM. The DOO Master Services Agreement has an initial term of three years commencing from 1 July 2020. Subject to re-compliance with the applicable Listing Rules at the relevant time, the DOO Master Services Agreement may be renewed at the end of the initial term for a further term of three years (or such other period permitted under the Listing Rules).

During the year ended 30 June 2021, the contract amounts for the operational services under the DOO Master Services Agreement are summarized as follows:

Categories	**Approximate total contract sum** HK$'m	**Annual cap** HK$'m
Operational services by members of the Group to members of the Services Group	0.8	40.0
Operational services by members of the Services Group to members of the Group	935.2	2,245.0

(4) On 21 June 2021, FTLife Insurance, an indirect wholly-owned subsidiary of the Company, agreed to subscribe for the 4.79% senior unsubordinated and unsecured notes in the principal amount of HK$1,000,000,000, which was issued by NWD (MTN) on 30 June 2021 and was listed on the Hong Kong Stock Exchange, upon satisfaction of the conditions to issue and other terms under the US$6,000,000,000 medium term note programme established by NWD (MTN) (the "Notes"). The Notes will mature on 30 June 2051.

As at the date of subscription of the Notes, NWD together with its subsidiaries held approximately 60.86% of the total issued share capital of the Company. Therefore, NWD (MTN) (being an associate of NWD) was a connected person of the Company and accordingly, the subscription of the Notes constituted financial assistance provided by the Group to NWD Group and hence a connected transaction of the Company under Chapter 14A of the Listing Rules.

The subscription was subject to the reporting and announcement requirements but exempted from the independent shareholders' approval requirement for the Company under Chapter 14A of the Listing Rules.

(5) On 31 August 2021, (i) each of Modern Elite (Hong Kong) Limited ("Modern Elite"), FTLife Insurance and Tycoon Estate Investments (HK) Limited ("Tycoon Estate") (collectively, the "Purchasers", all of which are indirect wholly-owned subsidiaries of the Company) and Good Sense Development Limited (the "Vendor", an indirect wholly-owned subsidiary of NWD) entered into the preliminary agreement I, preliminary agreement II and preliminary agreement III (collectively, the "Preliminary Agreements") respectively, pursuant to which each of Modern Elite, FTLife Insurance and Tycoon Estate, agreed to purchase, and the Vendor agreed to sell, the office units on 18th Floor, 19th Floor and 20th Floor, and 21st Floor (each of which, the "Property" and collectively, the "Properties"), No. 888 Lai Chi Kok Road, Kowloon, Hong Kong (the "Development") respectively, at the aggregate purchase price of approximately HK$1,367 million; and (ii) the Vendor offered to the Purchasers and the Purchasers acknowledged and accepted that, subject to conditions contained therein, (a) each of the Purchasers shall have a priority to purchase (the "Priority to Purchase Parking Spaces") up to nine parking spaces in the Development as designated by the Vendor at a price of not higher than HK$1.5 million per parking space for each Property the relevant Purchaser has purchased; and (b) each of the Purchasers shall be entitled to leasing benefits (the "Leasing Benefits") offered by the Vendor at annual rent of approximately 3.1% to approximately 3.2% of the purchase price for the relevant Property.

Each of the tenancy agreements (the "Tenancy Agreements") will be entered into between the relevant Purchasers and the tenant(s) in relation to the lease of the Property by the relevant Purchaser to the tenant(s) pursuant to the terms and conditions of the Leasing Benefits as a definitive operational agreement under the NWD Master Services Agreement and are therefore, subject to the terms and conditions thereunder.

As at 31 August 2021, NWD together with its subsidiaries holds approximately 60.9% of the total issued share capital of the Company. The Vendor is an indirect wholly-owned subsidiary of NWD and therefore a connected person of the Company as defined under the Listing Rules. As such, (i) the Preliminary Agreements, the Priority to Purchase Parking Spaces and the transactions contemplated therein constitute connected transactions of the Company under Chapter 14A of the Listing Rules; and (ii) the Tenancy Agreements and the transactions contemplated therein, when entered into, will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

On 10 September 2021, each of the Purchasers and the Vendor entered into the formal agreements for sale and purchase in relation to the sale and purchase of the relevant Properties pursuant to the terms and conditions of the Preliminary Agreements.

The price and terms of the continuing connected transactions mentioned in (1) to (3) above have been determined in accordance with the pricing policies and guidelines as set out in the circular of the Company dated 1 June 2020. These continuing connected transactions have been reviewed by the independent non-executive directors of the Company who have confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better;

(c) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and

(d) within the caps as set out in the relevant announcement and circular.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by HKICPA. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Company in this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

Save as disclosed above, a summary of significant related party transactions made during the year, which included the abovesaid connected transactions of the Company, if applicable, is disclosed in note 50 to the financial statements.

Disclosure pursuant to Rule 13.22 of the Listing Rules

As at 30 June 2021, the Group has provided financial assistance, by way of shareholders' loans or advances, in the aggregate amount of HK$11,789.9 million to its affiliated companies (included in the amounts disclosed in notes 23, 24 and 30 to the financial statements), guarantees given for bank loans and other credit facilities for the benefit of the affiliated companies and the guarantee towards KTSPL in the aggregate amount of HK$11,381.8 million (included in the amounts disclosed in note 48 to the financial statements) and contracts to provide an aggregate amount of HK$287.4 million in capital and/or loans to affiliated companies (included in the amount disclosed in note 47(a)(i) to the financial statements). The said amounts, in aggregate, represent approximately 15.5% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules. Affiliated companies include associated companies and joint ventures of the Group.

The advances are unsecured, interest free and have no definite repayment terms except for (i) an aggregate amount of HK$104.7 million which carries interest at 8% per annum; (ii) an amount of HK$30.1 million which carries interest at Hong Kong prime rate; (iii) an aggregate amount of HK$1,600.0 million which carries interest at 6-month Hong Kong Interbank Offered Rate plus a margin of 1.3% per annum and is not repayable within the next 12 months from the end of the reporting period; (iv) an amount of HK$498.0 million which carries compound interest at 5% per annum and is repayable on demand; (v) an amount of HK$241.0 million which carries interest at 90% of over-five-year Renminbi benchmark lending rate published by the People's Bank of China and is not repayable within the next 12 months from the end of the reporting period; (vi) an amount of HK$202.0 million which carries interest at 4% per annum; and (vii) an aggregate amount of HK$6,166.6 million which is interest free and is repayable within the next 12 months from the end of the reporting period. The advances also include an amount of HK$197.5 million which has been subordinated to certain indebtedness of an affiliated company. Contracted capital and loan contributions to affiliated companies would be funded by internally generated resources and banking facilities of the Group.

Pursuant to Rule 13.22 of the Listing Rules, a proforma combined statement of financial position of those affiliated companies with financial assistance from the Group and the Group's attributable interest in those affiliated companies as at 30 June 2021 are presented as follows:

	Proforma combined statement of financial position HK$'m	**The Group's attributable interest** HK$'m
Non-current assets	86,792.5	41,962.3
Current assets	12,164.5	5,644.5
Current liabilities	(27,552.2)	(13,457.6)
Non-current liabilities	(57,778.2)	(29,023.2)
	13,626.6	5,126.0

The proforma combined statement of financial position of the affiliated companies is prepared by combining their statements of financial position, after making adjustments to conform with the Group's significant accounting policies and re-grouping into significant classification in the statement of financial position, as at 30 June 2021.

Employees and Remuneration Policies

As at 30 June 2021, approximately 14,100 staff were employed by entities under the Group's management of which approximately 4,300 staff were employed in Hong Kong. Total staff related costs from continuing operations, including provident funds, staff bonus and deemed share option benefits but excluding directors' remunerations during FY2021 were HK$2.373 billion (2020: HK$2.561 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.

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 272 and 273.

Auditor

The financial statements for the year ended 30 June 2021 have been audited by PricewaterhouseCoopers, who will retire at the 2021 AGM and, being eligible, will offer themselves for re-appointment.

On behalf of the Board

Dr Cheng Kar Shun, Henry
Chairman

Hong Kong, 30 September 2021

Independent Auditor's Report

pwc 羅兵咸永道

To the shareholders of NWS Holdings Limited
(incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of NWS Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 132 to 271, which comprise:

- the consolidated statement of financial position as at 30 June 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (continued)

The key audit matters identified in our audit relate to (i) impairment of the Group's interests in associated companies and joint ventures, (ii) fair value measurement of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss and (iii) assessment on (a) valuation of insurance contract liabilities and (b) amortization of value of business acquired and deferred acquisition costs.

Key Audit Matters	How our audit addressed the Key Audit Matters
(i) Impairment of the Group's interests in associated companies and joint ventures (Refer to notes 5, 23 and 24 to the consolidated financial statements) As at 30 June 2021, the carrying values of the Group's interests in associated companies and joint ventures amounted to HK$5,674 million and HK$10,806 million respectively. Management reviewed regularly whether there are any indicators of impairment of the investments by reference to the requirements of HKAS 28 (2011) "Investments in Associates and Joint Ventures" and HKAS 36 "Impairment of Assets". Based on management's assessment, the Group has certain associated companies and joint ventures mainly engaging in roads, aviation and strategic investments businesses with an aggregate carrying amount of approximately HK$2,677 million (before impairment as detailed below) where relevant impairment indicators existed at the end of the reporting period. For the above-mentioned businesses, management estimated the recoverable amount to be the higher of fair value less costs of disposal and value in use. Independent external valuers were involved in certain value in use assessments. Based on the results of these impairment assessments, impairment losses were recognized for the underlying assets of relevant associated companies and joint ventures and the Group's share of such impairment losses (net of tax) amounting to approximately HK$120 million and approximately HK$347 million have been included in the Group's share of results of associated companies and share of results of joint ventures for the year ended 30 June 2021 respectively. In addition, an impairment loss on interests in associated companies amounting to approximately HK$128 million was recognized in the consolidated income statement for the year ended 30 June 2021.	Our procedures to assess management's judgements and estimates applied in the impairment assessments of the Group's interests in associated companies and joint ventures based on value in use approach included: • We obtained an understanding of the management's controls and procedures of impairment assessment of the Group's interests in associated companies and joint ventures and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • We evaluated the competence, capabilities and objectivity of independent external valuers; • With the support from our in-house valuation experts, we assessed the appropriateness of the valuation methodology and the reasonableness of the key assumptions adopted in the cash flow projections; • We assessed the reasonableness of the discount rates applied by the management in the discounted cash flow model by comparing to external market data and publicly available information; and • We checked the key assumptions used to external market data or other supporting evidence where available; we performed sensitivity analysis on the key assumptions adopted in the impairment assessments to understand the impact of reasonable changes in assumptions on the estimated recoverable amounts. Based on the procedures performed, we found management's impairment assessments of the Group's interests in associated companies and joint ventures based on value in use approach to be reasonable.

Key Audit Matters (continued)

Key Audit Matters | **How our audit addressed the Key Audit Matters**

(i) Impairment of the Group's interests in associated companies and joint ventures (continued)

The fair value less costs of disposal is generally determined with reference to quoted market prices, recent or expected transaction prices, where appropriate, involved less judgements and estimates.

On the other hand, the impairment assessments based on value in use approach is determined based on the discounted cash flow projections. We focused on this area due to significant management judgements required to determine the key assumptions used in the discounted cash flow models including estimated traffic volume, toll rates, revenue growth, terminal value, terminal growth rate and discount rates.

(ii) Fair value measurement of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss

(Refer to notes 5, 25, 26 and 31 to the consolidated financial statements)

As at 30 June 2021, the Group's financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss (including those classified as investments related to unit-linked contracts) amounted to HK$44,787 million and HK$23,741 million respectively.

Management determined the fair value of these investments as follows:

- For investments with quoted market prices, management determined the fair value based on quoted market prices;

Our procedures to assess management's judgements in respect of the fair value measurement of investment funds or equity and debt instruments included:

- We obtained an understanding of the management's controls and processes of fair value measurement of fair value through other comprehensive income and fair value through profit or loss and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors;
- We performed control testing over the investment system and evaluated and tested management's control procedures over investment cycle on a sample basis where applicable;
- We performed the following work with the support from our in-house valuation experts in relation to fair value measurement of investment funds or equity and debt instruments :
    - For investments with quoted market prices, we checked fair value determined by management against the quoted market prices or quotes obtained from independent sources;

Key Audit Matters (continued)

Key Audit Matters	How our audit addressed the Key Audit Matters
(ii) Fair value measurement of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss (continued) • For investments in unlisted investment funds, management discussed with the respective fund managers to understand the performance of the underlying investments and fair value measurement basis conducted by the respective fund managers in order to evaluate whether the fair values as stated in the fund statements at the end of reporting period is appropriate; • For investments in unlisted equity and debt instruments with recent transactions, management determined the fair value at the end of reporting period with reference to recent transaction prices of these financial assets; and • For investments in unlisted equity and debt instruments without recent transactions, management established fair values of these investments by using appropriate valuation techniques. Independent external valuer has been involved in determining the fair value, where appropriate. We focused on this area because of the financial significance of the balances and management judgements involved in determining the fair values of these financial assets.	• For investments in unlisted investment funds, we obtained fund statements from fund managers and selected a sample of investments to enquire about and assess management control regarding the appropriateness of methodologies, parameters and key assumptions used by fund managers and/or to assess the reasonableness of the methodologies and key assumptions used in the fair value assessment; • For investments in unlisted equity and debt instruments with recent transactions, we agreed, on a sample basis, to the evidence of recent transaction prices of those financial assets in fair value measurement; and • For investments in unlisted equity and debt instruments without recent transactions, we evaluated the competence, capabilities and objectivity of the independent valuer. We assessed, on a sample basis, the appropriateness of methodologies and key assumptions used in the fair value measurement of these financial assets. We also assessed the reasonableness of the key observable and unobservable inputs used in the valuation by comparing assumptions used against appropriate third party pricing sources such as public stock prices and bond yields. Based on the procedures performed above, we found judgements exercised by management in the fair value measurement of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss to be reasonable.

Key Audit Matters (continued)

Key Audit Matters	How our audit addressed the Key Audit Matters
(iii) Assessment on (a) valuation of insurance contract liabilities and (b) amortization of value of business acquired and deferred acquisition costs	
(a) Valuation of insurance contract liabilities (Refer to notes 3, 4, 31 and 41 to the consolidated financial statements) The Group had insurance contract liabilities (including those classified as liabilities related to unit-linked contracts) of HK$39,645 million as at 30 June 2021, representing approximately 42% of the Group's total liabilities. The valuation of insurance contract liabilities requires the use of appropriate actuarial methodologies and various economic and operational assumptions that are subject to a high degree of management's judgements. The key assumptions used in measuring the insurance contract liabilities include discount rates, mortality rates, lapse rates and expenses. We focused on this area due to significant management judgements and estimates required in the valuation of insurance contract liabilities at the end of reporting period.	We involved our in-house actuarial experts in performing the following audit procedures: • We obtained an understanding of the management's controls and processes of valuation of insurance contract liabilities and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • We evaluated whether the methodologies are consistent with recognized actuarial practices in the insurance industry. We built independent models to test, on a sampling basis, the algorithm within the actuarial models applied; • We assessed the reasonableness of the key assumptions made by management including discount rates, mortality rates, lapse rates and expenses based on the Group's own historical data and experience study, market-observable data, and our industry knowledge and experience; • We performed analysis of the movements in insurance contract liabilities to assess whether the changes are in line with our understanding of the assumptions and any developments and changes during the period; and • We reviewed the calculation of the liability adequacy test to assess the adequacy of insurance contract liabilities. Based on the procedures performed above, we found the methodologies and assumptions used by management in the valuation of insurance contract liabilities to be reasonable.

Key Audit Matters (continued)

Key Audit Matters	How our audit addressed the Key Audit Matters
(iii) Assessment on (a) valuation of insurance contract liabilities and (b) amortization of value of business acquired and deferred acquisition costs (continued)	
(b) Amortization of value of business acquired and deferred acquisition costs (Refer to notes 3, 20 and 22 to the consolidated financial statements) As at 30 June 2021, the carrying value of value of business acquired ("VOBA") and deferred acquisition costs ("DAC") amounting to HK$5,395 million and HK$1,712 million respectively. Amortization of VOBA and DAC amounting to HK$256 million and HK$367 million, respectively, was recognized in the consolidated income statement for the year ended 30 June 2021. VOBA is amortized over the estimated life of the contracts in the acquired portfolio on a systematic basis primarily based on expected future profits which involved significant management judgements and estimates. 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. We focused on this area due to the high degree of management judgements and estimates required.	• We obtained an understanding of the management's controls and processes of amortization of value of business acquired and deferred acquisition costs and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • With the assistance of our in-house actuarial experts, we evaluated the basis of amortization of VOBA and DAC determined by management and assessed the reasonableness of key assumptions used by management, including discount rates, mortality rates, lapse rates and expenses in determining the expected future profits. Based on the procedures performed above, we found the assumptions used in the amortization of VOBA and DAC to be appropriate.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Hung Nam.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 September 2021

Consolidated Income Statement

For the year ended 30 June

	Note	**2021 HK$'m**	2020 HK$'m (restated)
Continuing operations			
Revenue	6	**28,197.3**	22,612.2
Cost of sales	7, 9	**(24,406.1)**	(19,762.0)
Gross profit		**3,791.2**	2,850.2
Other income and gains, net	8	**2,026.9**	1,002.4
Selling and marketing expenses	9	**(969.0)**	(820.4)
General and administrative expenses	9	**(1,810.6)**	(1,533.5)
Overlay approach adjustments on financial assets	8(a)	**(1,270.6)**	208.2
Operating profit	9	**1,767.9**	1,706.9
Finance costs	11	**(838.7)**	(966.8)
Share of results of			
Associated companies	6(c)	**266.2**	(132.6)
Joint ventures	6(c)	**1,280.6**	1,092.9
Profit before income tax		**2,476.0**	1,700.4
Income tax expenses	12	**(691.2)**	(589.6)
Profit from continuing operations		**1,784.8**	1,110.8
Discontinued operations			
Loss from discontinued operations	33(a)	**(43.8)**	(283.3)
Profit for the year		**1,741.0**	827.5
Profit/(loss) attributable to			
Shareholders of the Company			
From continuing operations		**1,190.3**	536.5
From discontinued operations		**(43.8)**	(283.3)
		1,146.5	253.2
Holders of perpetual capital securities		**583.1**	581.9
Non-controlling interests		**11.4**	(7.6)
		1,741.0	827.5
Basic and diluted earnings/(loss) per share attributable to shareholders of the Company	14		
From continuing operations		**HK$0.30**	HK$0.14
From discontinued operations		**(HK$0.01)**	(HK$0.08)
		HK$0.29	HK$0.06

Consolidated Statement of Comprehensive Income

For the year ended 30 June

	Note	2021 HK$'m	2020 HK$'m (restated)
Profit for the year		**1,741.0**	827.5
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss			
Net fair value changes on equity instruments as financial assets at fair value through other comprehensive income		**76.5**	(774.1)
Remeasurement of post-employment benefit obligation		**25.2**	32.0
Items that have been reclassified/may be subsequently reclassified to profit or loss			
Net fair value changes and other net movements on debt instruments as financial assets at fair value through other comprehensive income	37(a)	**(1,677.3)**	1,881.1
Release of reserve upon disposal of debt instruments as financial assets at fair value through other comprehensive income		**(40.7)**	(309.7)
Release of reserves upon disposal of subsidiaries		**71.4**	24.7
Release of reserves upon disposal/partial disposal of interests in associated companies		**(61.6)**	(14.5)
Release of reserve upon disposal of interest in a joint venture		**(93.8)**	–
Release of reserve upon deconsolidation of a subsidiary		**(10.3)**	–
Share of other comprehensive loss of associated companies and joint ventures		**(3.3)**	(12.9)
Cash flow/fair value hedges		**242.7**	131.4
Amount reported in other comprehensive income applying overlay approach adjustments on financial assets	8(a)	**1,270.6**	(208.2)
Currency translation differences		**2,889.9**	(1,293.2)
Other comprehensive income/(loss) for the year, net of tax		**2,689.3**	(543.4)
Total comprehensive income for the year		**4,430.3**	284.1
Total comprehensive income/(loss) attributable to			
Shareholders of the Company			
From continuing operations		**3,319.8**	374.6
From discontinued operations	33(b)	**495.1**	(656.3)
		3,814.9	(281.7)
Holders of perpetual capital securities		**583.1**	581.9
Non-controlling interests		**32.3**	(16.1)
		4,430.3	284.1

Consolidated Statement of Financial Position

As at 30 June

	Note	**2021 HK$'m**	2020 HK$'m
ASSETS			
Non-current assets			
Investment properties	16	**1,681.4**	1,703.1
Property, plant and equipment	17	**1,186.0**	4,881.5
Intangible concession rights	18	**14,355.6**	14,083.9
Intangible assets	19	**5,916.2**	5,906.8
Value of business acquired	20	**5,395.1**	5,651.5
Right-of-use assets	21	**1,359.9**	1,999.7
Deferred acquisition costs	22	**1,711.5**	688.2
Associated companies	23	**5,673.6**	13,353.5
Joint ventures	24	**10,806.0**	12,287.5
Financial assets at fair value through other comprehensive income	25	**42,889.2**	38,011.7
Financial assets at fair value through profit or loss	26	**12,551.8**	8,488.2
Derivative financial instruments	27	**658.2**	1,972.0
Other non-current assets	28	**1,947.7**	1,198.7
		106,132.2	110,226.3
Current assets			
Inventories	29	**207.0**	328.6
Trade, premium and other receivables	30	**15,162.2**	16,207.5
Investments related to unit-linked contracts	31(a)	**10,770.2**	9,053.6
Financial assets at fair value through other comprehensive income	25	**1,898.1**	528.1
Financial assets at fair value through profit or loss	26	**471.9**	373.2
Derivative financial instruments	27	**801.8**	0.7
Cash and bank balances	32	**10,804.6**	13,221.8
		40,115.8	39,713.5
Assets held-for-sale	34	**6,324.9**	112.2
Total assets		**152,572.9**	150,052.0
EQUITY			
Share capital	36	**3,911.1**	3,911.1
Reserves	37	**44,002.3**	42,455.9
Shareholders' funds		**47,913.4**	46,367.0
Perpetual capital securities	38	**10,528.5**	10,528.5
Non-controlling interests		**12.1**	562.2
Total equity		**58,454.0**	57,457.7

	Note	2021 HK$'m	2020 HK$'m
LIABILITIES			
Non-current liabilities			
Borrowings and other interest-bearing liabilities	39	**23,229.4**	26,891.7
Deferred tax liabilities	40	**1,925.4**	2,285.9
Insurance and investment contract liabilities	41	**18,143.5**	14,454.8
Liabilities related to unit-linked contracts	31(b)	**180.8**	168.2
Derivative financial instruments	27	**102.5**	140.7
Lease liabilities	42	**1,079.4**	1,575.1
Other non-current liabilities	43	**102.5**	189.3
		44,763.5	45,705.7
Current liabilities			
Borrowings and other interest-bearing liabilities	39	**2,118.6**	4,064.0
Insurance and investment contract liabilities	41	**24,359.3**	20,445.3
Liabilities related to unit-linked contracts	31(b)	**10,770.2**	9,053.6
Derivative financial instruments	27	**0.3**	97.7
Trade, other payables and payables to policyholders	44	**11,332.9**	12,475.0
Lease liabilities	42	**227.3**	377.3
Taxation		**546.8**	375.7
		49,355.4	46,888.6
Total liabilities		**94,118.9**	92,594.3
Total equity and liabilities		**152,572.9**	150,052.0

Dr Cheng Kar Shun, Henry
Director

Mr Ma Siu Cheung
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

		Shareholders' funds							
HK$'m	Note	Share capital	Share premium	Revenue reserve	Other reserves	Total	Perpetual capital securities	Non-controlling interests	Total
At 1 July 2020		3,911.1	17,821.5	25,749.3	(1,114.9)	46,367.0	10,528.5	562.2	57,457.7
Total comprehensive income for the year	37	-	-	1,500.1	2,314.8	3,814.9	583.1	32.3	4,430.3
Contributions by/(distribution to) owners									
Dividends paid to									
Shareholders of the Company	13, 37	-	-	(2,268.5)	-	(2,268.5)	-	-	(2,268.5)
Non-controlling interests		-	-	-	-	-	-	(26.3)	(26.3)
Distribution to perpetual capital securities holders		-	-	-	-	-	(583.1)	-	(583.1)
Deconsolidation of a subsidiary		-	-	-	-	-	-	(556.1)	(556.1)
Transfer of reserves	37	-	-	(32.3)	32.3	-	-	-	-
Total transactions with owners		-	-	(2,300.8)	32.3	(2,268.5)	(583.1)	(582.4)	(3,434.0)
At 30 June 2021		3,911.1	17,821.5	24,948.6	1,232.2	47,913.4	10,528.5	12.1	58,454.0

For the year ended 30 June 2020

HK$'m	Note	Shareholders' funds: Share capital	Share premium	Revenue reserve	Other reserves	Total	Perpetual capital securities	Non-controlling interests	Total
At 1 July 2019		3,911.1	17,821.5	28,184.1	(977.3)	48,939.4	8,039.8	160.8	57,140.0
Total comprehensive income for the year	37	–	–	(378.7)	97.0	(281.7)	581.9	(16.1)	284.1
Contributions by/(distribution to) owners									
Dividends paid to									
Shareholders of the Company	37	–	–	(2,268.5)	–	(2,268.5)	–	–	(2,268.5)
Non-controlling interests		–	–	–	–	–	–	(35.2)	(35.2)
Issuance of perpetual capital securities	38	–	–	–	–	–	2,489.8	–	2,489.8
Distribution to perpetual capital securities holders		–	–	–	–	–	(583.0)	–	(583.0)
Transaction costs in relation to the issuance of perpetual capital securities	37	–	–	(22.2)	–	(22.2)	–	–	(22.2)
Capital contribution from non-controlling interests		–	–	–	–	–	–	555.6	555.6
Return of capital to non-controlling interests		–	–	–	–	–	–	(102.9)	(102.9)
Transfer of reserves	(a), 37	–	–	234.6	(234.6)	–	–	–	–
Total transactions with owners		–	–	(2,056.1)	(234.6)	(2,290.7)	1,906.8	417.5	33.6
At 30 June 2020		3,911.1	17,821.5	25,749.3	(1,114.9)	46,367.0	10,528.5	562.2	57,457.7

(a) The amount mainly included the transfer of share option reserve HK$254.9 million to revenue reserve.

Consolidated Statement of Cash Flows

For the year ended 30 June

	Note	2021 HK$'m	2020 HK$'m
Cash flows from operating activities			
Net cash generated from operations	49(a)	**9,543.1**	4,356.2
Finance costs paid		**(858.1)**	(857.2)
Interest received		**1,855.3**	1,402.5
Dividends received from financial assets in relation to insurance business and investments related to unit-linked contracts		**223.4**	33.8
Hong Kong profits tax paid		**(220.7)**	(333.3)
Mainland China and overseas taxation paid		**(482.4)**	(497.7)
Net cash generated from operating activities before net purchases of financial assets in relation to insurance business		**10,060.6**	4,104.3
Purchases of financial assets in relation to insurance business		**(13,965.4)**	(14,135.5)
Disposal of financial assets in relation to insurance business		**3,801.9**	9,802.5
		(10,163.5)	(4,333.0)
Net cash used in operating activities		**(102.9)**	(228.7)
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		**–**	(10,097.7)
Dividends received from associated companies	23(h)	**436.3**	345.6
Dividends received from joint ventures	24(e)	**910.6**	1,656.7
Decrease/(increase) in investments in and advances to associated companies		**870.6**	(207.4)
Decrease/(increase) in investments in and advances to joint ventures		**471.4**	(431.7)
Disposal of subsidiaries, net of cash disposed of	49(b)	**5,083.4**	241.0
Deconsolidation of a subsidiary	49(d)	**(1,104.5)**	–
Deferred consideration/proceeds received from disposal/partial disposal of interests in associated companies and a joint venture		**934.8**	391.5
Additions of intangible concession rights, intangible assets and property, plant and equipment	17,18,19	**(403.8)**	(5,962.1)
Purchases of financial assets at fair value through other comprehensive income		**(508.2)**	–
Purchases of financial assets at fair value through profit or loss		**(1,599.0)**	(955.1)
Disposal of financial assets at fair value through other comprehensive income		**17.4**	778.3
Disposal of financial assets at fair value through profit or loss		**1,076.4**	563.4
Disposal of intangible concession rights and property, plant and equipment		**9.2**	97.1
Settlement of derivative financial instruments		**(340.5)**	140.5
Dividends received from financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss		**84.2**	108.0
Increase in short-term bank deposits maturing after more than three months		**(0.1)**	(0.1)
Decrease in pledged deposits		**10.0**	–
Increase in other non-current assets		**(8.1)**	(56.7)
Net cash generated from/(used in) investing activities		**5,940.1**	(13,388.7)

	Note	2021 HK$'m	2020 HK$'m
Cash flows from financing activities			
Proceeds from issuance of perpetual capital securities, net of transaction costs	38	–	2,467.6
New bank loans and other borrowings	49(c)	1,860.1	14,559.7
Repayment of bank loans and other borrowings	49(c)	(6,106.7)	(2,639.9)
Redemption of fixed rate bonds	49(c)	(112.0)	–
Repayment of financing received under a financial reinsurance arrangement	49(c)	(91.1)	(32.7)
Distribution to perpetual capital securities holders		(583.1)	(583.0)
Capital element of lease liabilities payments	49(c)	(301.1)	(280.9)
Capital contribution from non-controlling interests		–	555.6
Return of capital to non-controlling interests		–	(102.9)
(Decrease)/increase in cash collateral received from counterparties	49(c)	(948.0)	423.9
Repayment of loan from non-controlling interests	49(c)	(6.5)	(4.5)
Dividends paid to shareholders of the Company	37	(2,268.5)	(2,268.5)
Dividends paid to non-controlling interests		(26.3)	(35.2)
Net cash (used in)/from financing activities		(8,583.2)	12,059.2
Net decrease in cash and cash equivalents		(2,746.0)	(1,558.2)
Cash and cash equivalents at the beginning of year		13,367.6	15,045.4
Currency translation differences		222.4	(119.6)
Cash and cash equivalents at the end of year		10,844.0	13,367.6
Analysis of cash and cash equivalents			
Cash and bank balances	32	10,804.6	13,221.8
Cash and bank balances attributable to investments related to unit-linked contracts	31(a)	53.1	169.4
Short-term bank deposits maturing after more than three months	32	(13.7)	(13.6)
Pledged deposits	32	–	(10.0)
		10,844.0	13,367.6

Notes to the Financial Statements

1 General information

NWS Holdings Limited is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries include:

(i) the development of, investment in and/or operation of roads, commercial aircraft leasing, construction and insurance; and

(ii) the investment in and/or operation of environmental, logistics and facilities management projects.

The Company has its listing on the Main Board of the Hong Kong Stock Exchange.

The consolidated financial statements were approved for issuance by the Board on 30 September 2021.

2 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 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.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5 below.

As analyzed in note 6(b), the Group, before taking into consideration the insurance business, is in net current assets position as at 30 June 2021, while the Group is in net current liabilities position of HK$2,914.7 million at the reporting date which is mainly due to the classification of the full surrender value of insurance and investment contract liabilities of HK$24,359.3 million (note 41) as current liabilities.

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 contract liabilities expected to be settled within one year is approximately HK$3,861.4 million as detailed in the liquidity risk table in note 4(c).

2 Basis of preparation and accounting policies (continued)

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

(a) Adoption of amendments to standards and interpretation

During FY2021, the Group has adopted the following amendments to standards and interpretation which are relevant to the Group's operations and are mandatory for FY2021:

HKFRS 3 (Amendments)	Definition of a Business
HKAS 1 and HKAS 8 (Amendments)	Amendments to Definition of Material
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Interest Rate Benchmark Reform – Phase 1
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

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

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

The following new standard, amendments to standards and interpretations are mandatory for accounting period beginning on or after 1 July 2021 or later periods but which the Group has not early adopted:

HKFRS 17 and HKFRS 17 (Amendments)	Insurance Contracts
HKFRS 3 (Amendments)	Reference to the Conceptual Framework
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions beyond 30 June 2021
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current
HKAS 1 (Amendments) and HKFRS Practice Statement	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2
HKFRSs Amendments	Annual Improvements to HKFRSs 2018–2020 Cycle
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

2 Basis of preparation and accounting policies (continued)

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

HKFRS 17 "Insurance Contracts" ("HKFRS 17") and HKFRS 17 (Amendments)

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. In October 2020, HKICPA issued HKFRS 17 (Amendments) which defer the effective date of the standard to accounting period beginning on or after 1 January 2023 and provide additional transition relief when applying HKFRS 17 for the first time. The Group is undertaking an assessment of the new standard.

The Group has already commenced an assessment of the impact of other amendments to standards and interpretations, 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.

(c) Restatements due to discontinued operations

During FY2021, the Group has disposed of its entire interest in the transport business and plans to recover a significant part of the carrying amount of environment business principally through sale rather than through continuing use. Their results for the year are presented separately as one-line item below profit from continuing operations as "discontinued operations" in the consolidated income statement. The comparative figures in the consolidated income statement and the consolidated statement of comprehensive income have been restated to present their operations as "discontinued operations". The comparative figures in consolidated statement of financial position and consolidated statement of cash flows were not re-presented. Further details of financial information of the discontinued operations are set out in note 33.

3 Significant accounting policies

The significant accounting policies adopted for the preparation of the consolidated financial statements, which have been consistently applied to all the years presented, except for the accounting policies described in notes 3(d)(x), 3(d)(xi) and 3(ac) applied from 1 November 2019, are set out as below:

(a) Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to 30 June.

(i) Subsidiaries

Subsidiaries are entities in which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognized in the consolidated income statement.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in the consolidated income statement. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated income statement.

Inter-group transactions, balances and unrealized gains or losses on transactions between group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

3 Significant accounting policies (continued)

(a) Consolidation (continued)

(i) Subsidiaries (continued)

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to the consolidated income statement.

In the Company's statement of financial position, interests in subsidiaries are stated at cost less impairment losses. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the interests in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(ii) Associated companies

An associated company is a company other than a subsidiary and a joint venture, in which the Group has significant influence exercised through representatives on the board of directors.

The Group's interests in associated companies include the loans and advances to the associated companies which, in substance, form part of the Group's interests in the associated companies. The provision of loans and advances to the associated companies are a form of commercial arrangement between the parties to the associated companies to finance the development of projects and viewed as a means by which the Group invests in the relevant projects.

Investments in associated companies are accounted for by the equity method of accounting and are initially recognized at cost. The Group's investments in associated companies include goodwill (net of any accumulated impairment loss) identified on acquisition. The interests in associated companies also include long-term interests that, in substance, form part of the Group's net investment in associated companies.

3 Significant accounting policies (continued)

(a) Consolidation (continued)

(ii) Associated companies (continued)

The Group's share of its associated companies' post-acquisition profits or losses is recognized in the consolidated income statement, and the share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivable, the Group does not recognize further losses, unless it has incurred legal and constructive obligations or made payments on behalf of the associated company.

Unrealized gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

For equity accounting purpose, accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains or losses arising from investments in associated companies are recognized in the consolidated income statement.

The cost of an associated company acquired in stages is measured as the sum of consideration paid for each purchase plus a share of investee's profits and other equity movements.

The Group ceases to use the equity method from the date an investment ceases to be an associated company that is the date on which the Group ceases to have significant influence over the associated company or on the date it is classified as held-for-sale.

(iii) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control and over which none of the participating parties has unilateral control.

Investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has.

3 Significant accounting policies (continued)

(a) Consolidation (continued)

(iii) Joint arrangements (continued)

(1) Joint operations

Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. Investments in joint operations are accounted for such that each joint operator recognizes its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

(2) Joint ventures

A joint venture is a joint arrangement whereby the parties have rights to the net assets of the arrangement.

The Group's interests in joint ventures include the loans and advances to the joint ventures which, in substance, form part of the Group's interests in the joint ventures. The provision of loans and advances to the joint ventures is a form of commercial arrangement between the parties to the joint ventures to finance the development of projects are viewed as a means by which the Group invests in the relevant projects.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income.

When the Group's share of losses of a joint venture equals or exceeds its interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of that joint venture.

3 Significant accounting policies (continued)

(a) Consolidation (continued)

(iii) Joint arrangements (continued)

(2) Joint ventures (continued)

The share of post-acquisition results and reserves is based on the relevant profit sharing ratios which vary according to the nature of the joint ventures set out as follows:

- Equity joint ventures
  Equity joint ventures are joint ventures in respect of which the capital contribution ratios of the venturers are defined in the joint venture contracts and the profit sharing ratios of the venturers are in proportion to the capital contribution ratios.

- Co-operative joint ventures
  Co-operative joint ventures are joint ventures in respect of which the profit sharing ratios of the venturers and share of net assets upon the expiration of the joint venture periods are not in proportion to their capital contribution ratios but are as defined in the joint venture contracts.

- Companies limited by shares
  Companies limited by shares are limited liability companies in respect of which each shareholder's beneficial interests therein is in accordance with the amount of the voting share capital held thereby.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. For equity accounting purpose, accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Non-controlling interests

Non-controlling interests are the equity in a subsidiary which is not attributable, directly or indirectly, to a parent. The Group treats transactions with non-controlling interests (namely, acquisitions of additional interests and disposals of partial interests in subsidiaries that do not result in a loss of control) as transactions with equity owners of the Group. For purchases of additional interests in subsidiaries from non-controlling shareholders, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of partial interests to non-controlling shareholders are also recorded in equity.

3 Significant accounting policies (continued)

(c) Intangible assets

(i) Goodwill

Goodwill arising on acquisitions of subsidiaries is included in intangible assets. Goodwill arising on acquisitions of associated companies and joint ventures is included in interests in associated companies and joint ventures respectively and is tested for impairment as part of overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of all or part of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGU") for the purpose of testing for impairment. The allocation is made to those CGU or groups of CGU that are expected to benefit from the business combination in which the goodwill arose.

(ii) Operating right

Operating right primarily resulted from the acquisition of right to operate facilities management and transport businesses. Separately acquired operating rights are initially recognized at cost. Operating rights acquired in a business combination are initially recognized at fair value at the acquisition date. Operating right is carried at cost less accumulated amortization and impairment. Amortization is calculated using the straight-line method to allocate the cost over the period of the operating right.

(iii) Intangible concession rights

The Group has entered into various service concessions ("Service Concessions") with local government authorities for its participation in the development, financing, operation and maintenance of infrastructural projects ("Infrastructures"). The Group carries out the construction or upgrade work of Infrastructures from the granting authorities in exchange for the right to operate the Infrastructures concerned and the right to charge users of the respective Infrastructures. The fees collected during the operating periods are attributable to the Group. The relevant Infrastructures are required to be returned to the local government authorities upon the expiry of the operating rights without significant compensation to the Group.

The Group applies the intangible asset model to account for the Infrastructures where they are paid by the users of the Infrastructures and the concession grantors (the respective local governments) have not provided any contractual guarantees in respect of the amounts of construction costs incurred to be recoverable. The consideration to be received during the construction or upgrade period is classified as contract assets and reclassified as intangible concession rights upon completion.

Land use rights acquired in conjunction with the Service Concessions which the Group has no discretion or latitude to deploy for other services other than the use in the Service Concessions are treated as intangible assets acquired under the Service Concessions.

3 Significant accounting policies (continued)

(c) Intangible assets (continued)

(iii) Intangible concession rights (continued)

Amortization of intangible concession rights is calculated to write off their costs, where applicable, on an economic usage basis for roads whereby the amount of amortization is provided based on the ratios of actual volume compared to the total projected volume or on a straight-line basis for water treatment plant over the periods which the Group is granted the rights to operate these Infrastructures. The total projected volume of the respective Infrastructures is reviewed regularly with reference to both internal and external sources of information and appropriate adjustments will be made should there be a material change.

(iv) Other intangible assets

Other intangible assets mainly represents for computer software. Expenditure on development activities is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalized includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalized development costs are stated at cost less accumulated amortization and impairment losses.

Amortization of intangible assets with finite useful lives is charged to consolidated income statement on a straight-line basis over the assets' estimated useful lives or 3 to 5 years, whichever is shorter.

(d) Revenue recognition

Revenue is recognized when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time. Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the good or service transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the good or service.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

3 Significant accounting policies (continued)

(d) Revenue recognition (continued)

Incremental costs incurred to obtain a contract, if recoverable, are capitalized as contract assets and subsequently amortized when the related revenue is recognized.

(i) Toll revenue

Toll revenue from road operations is recognized at a point in time when services are rendered.

(ii) Service fee income

Property and facilities management service fees and property letting agency fee are recognized over time and at a point in time respectively when services are rendered.

(iii) Rental income

Rental income from investment properties is recognized on a straight-line basis over the terms of the lease agreements.

(iv) Construction revenue

Revenue from construction service contract is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation using input method.

(v) Sales of goods

Income from sales of goods is recognized at a point in time when the goods are delivered to customers and title has passed.

(vi) Fare revenue

Fare revenue from bus and ferry services is recognized at a point in time when the services are rendered.

(vii) Advertising income

Advertising income is recognized over time when the advertisement or commercial appears before the public.

(viii) Interest income

Interest income is recognized on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues to unwind the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

(ix) Dividend income

Dividend income is recognized when the right to receive payment is established.

3 Significant accounting policies (continued)

(d) Revenue recognition (continued)

(x) Premiums related to insurance business

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 the consolidated income statement in the same accounting period as the premiums for the direct insurance contracts to which they relate.

(xi) Fees and commission income related to insurance business

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.

(e) Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

(f) Leases

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.

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 consolidated income statement 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.

3 Significant accounting policies (continued)

(f) Leases (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 generated. Variable lease payments that depend on sales are recognized in the consolidated income statement in the period in which the condition that triggers those payments occurs. Most leases are subject to fixed payments.

(g) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value. Fair value is determined by professional valuation or estimation by management conducted at the end of each reporting period. Changes in fair values are recognized in the consolidated income statement.

Property that is being constructed or developed for future use as investment property is stated at fair value.

Subsequent expenditure is included in the carrying amount of the asset only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If a property becomes an investment property because its use has been changed, any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognized in equity as a revaluation of property, plant and equipment. However, if a fair value gives rise to a reversal of the previous impairment loss, the write-back is recognized in the consolidated income statement.

3 Significant accounting policies (continued)

(h) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the carrying amount of the assets or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of replaced part is derecognized. All other repairs and maintenance costs are charged in the consolidated income statement during the period in which they are incurred. The carrying amount of an asset is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(i) Assets under construction

All direct costs relating to the construction of property, plant and equipment, including borrowing costs during the construction period are capitalized as the costs of the assets.

(ii) Depreciation

No depreciation is provided in respect of construction in progress until such time when the relevant assets are completed and available for intended use.

Depreciation of property, plant and equipment are calculated to allocate their cost to their estimated residual values over their estimated useful lives or lease terms, using the straight-line method, at the following annual rates:

Properties	2.5% – 5%
Other plant and equipment	4% – 50%
Buses, vessels and other motor vehicles	5% – 25%

The residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

(iii) Gain or loss on disposal

The gain or loss on disposal of property, plant and equipment is determined by comparing the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in the consolidated income statement.

(i) Impairment of non-financial assets

Assets that have an indefinite useful life (e.g. goodwill) or have not yet been available for use are not subject to amortization and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount. An impairment loss is recognized in the consolidated income statement for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and value in use. Impairment losses on goodwill are not reversed. For the purpose of assessing impairment, assets are grouped as CGU for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3 Significant accounting policies (continued)

(j) Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss); and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in consolidated income statement or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity instruments at fair value through other comprehensive income.

The Group reclassifies its investments in debt instruments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in consolidated income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

3 Significant accounting policies (continued)

(j) Investments and other financial assets (continued)

(iii) Measurement (continued)

(1) Debt instruments

Subsequent measurement of investments in debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on investment in a debt instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in consolidated income statement when the asset is derecognized or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

Financial assets at FVOCI

Assets that are held for collection of contractual cash flows and for sale where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment losses, interest income and foreign exchange gains and losses which are recognized in consolidated income statement. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to consolidated income statement and recognized in "other income and gains, net". Interest income from these financial assets is included in interest income using the effective interest rate method. Foreign exchange gains and losses and impairment loss are presented in "other income and gains, net".

Financial assets at FVPL

Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on investments in debt instruments that is subsequently measured at FVPL and is not part of a hedging relationship is recognized in consolidated income statement and presented net within "other income and gains, net" in the period in which it arises.

(2) Equity instruments

The Group subsequently measures all investments in equity instruments at fair value. Where the Group's management has elected to present fair value gains and losses on investments in equity instruments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the consolidated income statement following the derecognition of the investment. Dividends from such investments continue to be recognized in consolidated income statement as "other income and gains, net" when the Group's right to receive payments is established.

Changes in the fair value of investments in equity instruments at FVPL recognized in "other income and gains, net" in the consolidated income statement. Investments in equity instruments at FVOCI are not subject to impairment assessment.

3 Significant accounting policies (continued)

(k) Impairment of financial assets

The Group's financial assets measured at amortized cost, including trade and other receivables, amounts receivable from associated companies and joint ventures and cash and bank balances, and debt instruments as financial assets at FVOCI as well as contract assets are subject to expected credit loss model under HKFRS 9 "Financial Instruments" ("HKFRS 9").

For trade receivables, retention money receivables and contract assets, the Group applies the simplified approach for provision for expected credit losses prescribed by HKFRS 9, which requires the use of the lifetime expected credit loss provision for these assets.

For all other instruments, the Group measures the loss allowance equal to 12-month expected credit loss, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime expected credit loss. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 4(b) details how the Group determines whether there has been a significant increase in credit risk.

(l) Deferred income

Deferred income is included in both current and non-current liabilities and is credited to the consolidated income statement on a straight-line basis over the concession periods.

(m) Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with the cash flows of recognized assets or liabilities or highly probable forecast transactions (cash flow hedges) or the changes in fair value of recognized assets or liabilities (fair value hedges).

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 27. Movements in the hedge reserve in shareholders' equity are shown in note 37. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

3 Significant accounting policies (continued)

(m) Derivative financial instruments and hedging activities (continued)

(i) Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in OCI and accumulated in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated income statement.

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the options as the hedging instrument.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognized in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ('aligned time value') are recognized in OCI and accumulated in the costs of hedging reserve within equity.

When forward contracts are used to hedge forecast transactions, the group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognized in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognized in OCI and accumulated in the costs of hedging reserve within equity. In some cases, the Group may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognized in OCI and accumulated in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset, both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of such asset. The deferred amounts are ultimately recognized in consolidated income statement as the hedged item affects profit or loss.

- The gain or loss relating to the effective portion of the hedging instruments is recognized in consolidated income statement at the same time as expense on the hedged items.

- When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to the consolidated income statement.

3 Significant accounting policies (continued)

(m) Derivative financial instruments and hedging activities (continued)

(ii) Fair value hedges

Change in the fair value on hedging instrument is recognized in OCI and accumulated in the fair value hedge reserve within equity when the hedged item is an equity instrument for which the Group has elected to presents changes in fair value in OCI.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in the consolidated income statement.

(n) Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operation cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. The Group's impairment policies are further described in notes 3(k) and 4(b).

(o) Inventories

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realizable value. Cost is determined using the weighted average or the first-in first-out methods depending on the operating segments. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(p) Contracts assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer.

The combination of those rights and performance obligations gives rise to a net contract asset or a net contract liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognized as contract assets if the cumulative revenue recognized in consolidated income statement exceeds cumulative payments made by customers. Conversely, the contract is a liability and recognized as contract liabilities if the cumulative payments made by customers exceeds the revenue recognized in consolidated income statement.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of trade receivables as described in notes 3(k) and 4(b). Contract liabilities are recognized as revenue when the Group transfers the goods or services to the customers and therefore satisfied its performance obligation.

3 Significant accounting policies (continued)

(p) Contracts assets and contract liabilities (continued)

The incremental costs of obtaining a contract with a customer are capitalized and presented as contract related assets, if the Group expects to recover those costs, and are subsequently amortized on a systematic basis that is consistent with the transfer to the customers of the goods or services to which the assets relate. The Group recognizes an impairment loss in the consolidated income statement to the extent that the carrying amount of the contract related assets recognized exceeds the remaining amounts of consideration that the Group expects to receive less the costs that relate directly to providing those goods or services that have not been recognized as expenses.

(q) Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. For assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value, would continue to be measured in accordance with the policies set out elsewhere in note 3.

A remeasurement loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increase in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative remeasurement loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset (or disposal group) is recognized at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated income statement and the consolidated statement of comprehensive income.

(r) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings under current liabilities in the consolidated statement of financial position.

3 Significant accounting policies (continued)

(s) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(t) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow of resources will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow of resources with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(u) Share capital and perpetual capital securities

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Perpetual capital securities with no contractual obligation to repay its principal or to pay any distribution are classified as part of equity.

(v) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as a provision.

3 Significant accounting policies (continued)

(v) Contingent liabilities and contingent assets (continued)

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognized but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognized.

(w) Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the regions where the Group, associated companies and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated companies and joint ventures except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3 Significant accounting policies (continued)

(x) Borrowing costs

Borrowing costs incurred for the construction of any qualifying assets are capitalized during the construction period when the asset is being prepared for its intended use. Other borrowing costs are expensed as incurred.

(y) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates prevailing at the end of the reporting period are recognized in the consolidated income statement.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation differences on financial assets and liabilities held at FVPL are recognized in consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equity instruments as financial assets at FVOCI, are included in other comprehensive income.

(iii) Group companies

The results and financial position of all the entities of the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each consolidated statement of financial position presented are translated at the exchange rate prevailing at the date of that consolidated statement of financial position;

(2) income and expenses for each consolidated income statement are translated at the average exchange rate during the period covered by the consolidated income statement; and

(3) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in equity.

3 Significant accounting policies (continued)

(y) Foreign currencies (continued)

(iv) Disposal of foreign operation and partial disposal

On the disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to the consolidated income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and not recognized in the consolidated income statement. For all other partial disposals (that is, reductions in the Group's ownership interest in associated companies or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to the consolidated income statement.

(z) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(ii) Bonus plans

Provision for bonus plans are recognized when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions to defined contribution plans including the Mandatory Provident Fund ("MPF") Scheme and employee pension schemes established by municipal governments in the Mainland are expensed as incurred. Contributions are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions, where applicable.

3 Significant accounting policies (continued)

(z) Employee benefits (continued)

(iv) Defined benefit plans

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of services and compensation.

The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to other comprehensive income in the period in which they arise.

(v) Share-based compensation

The Group operates equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of share options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted at the date of grant, excluding the impact of any non-market vesting conditions. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision of original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

At the expiration of options, the accumulated balance of special reserve recognized for those options is reclassified to revenue reserve.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(aa) Borrowings and other interest-bearing liabilities

Borrowings and other interest-bearing liabilities are recognized initially at fair value, net of transaction costs incurred. Borrowings and other interest-bearing liabilities are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement or capitalized as stated in note 3(x) over the period of the borrowings using the effective interest method.

Borrowings and other interest-bearing liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

3 Significant accounting policies (continued)

(ab) Segment reporting

Operating segment are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee that makes strategic decisions.

Segment assets consist primarily of property, plant and equipment, investment properties, intangible concession rights, intangible assets, VOBA, right-of-use assets, DAC, financial assets at FVOCI, financial assets at FVPL, derivative financial instruments, other non-current assets, investments related to unit-linked contracts, inventories, receivables and cash and bank balances. Segment liabilities primarily comprise payables, other non-current liabilities, insurance and investment contracts liabilities, liabilities related to unit-linked contracts, taxation, borrowings and other interest-bearing liabilities, derivative financial instruments, deferred tax liabilities and lease liabilities. Additions to non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets, VOBA and DAC comprise additions to investment properties, property, plant and equipment, intangible concession rights, intangible assets and right-of-use assets.

(ac) Insurance and investment contracts

(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 for which the Group has not accepted significant insurance risk but accepts financial 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.

3 Significant accounting policies (continued)

(ac) Insurance and investment contracts (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 consolidated income statement or other comprehensive income for the year as appropriate.

For insurance contracts that are yearly renewable, which mainly correspond to products with pure risk coverage such as accident benefit, dread disease, medical insurance and disability insurance, the liabilities for the unexpired risks carried at the end of the reporting period are determined using unearned gross premiums approach.

The liability is derecognized when the contract expires, is discharged or is cancelled.

(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.

(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.

3 Significant accounting policies (continued)

(ac) Insurance and investment contracts (continued)

(v) 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) 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.

(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) 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.

(ix) 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.

3 Significant accounting policies (continued)

(ac) Insurance and investment contracts (continued)

(x) Premium receivables

Premium 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.

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

(xi) Application of overlay approach in accordance with HKFRS 4 "Insurance Contracts" ("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 consolidated income statement to other comprehensive income for those designated eligible financial assets previously classified as available-for-sale financial assets under HKAS 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39") but currently classified as financial assets at FVPL under HKFRS 9.

(ad) Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the consolidated financial statements in the financial period when the dividends are approved by the Company's shareholders and/or directors, where appropriate.

(ae) Financial guarantee contracts

The Group accounts for its financial guarantee contracts as insurance contracts.

The Group assesses at the end of each reporting period the liabilities under its insurance contracts using current estimates of future cash flows. Changes in carrying amount of these insurance liabilities are recognized in the consolidated income statement.

4 Financial and insurance risks management and fair value estimation

The Group's activities expose it to a variety of financial risks: market risk (interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk. The Group is also exposed to insurance risk relating to the activities of its insurance business.

The Group has centralized treasury function for all of its subsidiaries in a manner consistent with the overall policies of the Group.

(a) Market risk

(i) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. The Group's interest bearing assets on a floating rate basis mainly include cash deposits and amounts due from associated companies and joint ventures. The Group's borrowings are mainly on a floating rate basis, which will be affected by fluctuation of prevailing market interest rates and will expose the Group to cash flow interest rate risk.

The Group is also exposed to fair value interest risk mainly in relation to the bond investments classified as financial assets at FVOCI and derivative financial instruments. Fair value interest rate risk is the risk that the fair value of the future cash flows of the financial instruments will fluctuate because of changes in market interest rates.

The Group's interest risk policy requires it to manage the interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments.

Variable interest bearing financial assets and liabilities are mainly subject to an interest re-pricing risk of one year or below.

If interest rates had been 100 basis points (2020: 100 basis points) higher/lower with all other variables held constant, the Group's profit for the year would have been HK$79.3 million lower/higher (2020: HK$144.9 million lower/higher) respectively and the Group's other reserves would have been HK$6.3 billion lower/higher (2020: HK$5.5 billion lower/higher) respectively.

The sensitivity analysis has been determined assuming that the change in interest rates had occurred throughout the year and had been applied to calculate the exposure to interest rate risk for financial instruments in existence at the end of the reporting period. The 100 basis points increase or decrease represents a reasonably possible change in those interest rates which have the most impact on the Group over the period until the end of the next reporting period. Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments. Changes in market interest rates also affect the fair values of bond investments classified as financial assets at FVOCI and fair values of derivative financial instruments. As a consequence, they are included in the calculation of sensitivities.

4 Financial and insurance risks management and fair value estimation (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk

The Group operates mainly in Hong Kong and the Mainland. Entities within the Group are exposed to foreign exchange risk from future commercial transactions and monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency.

The Group's foreign currency exposure arises from that are denominated in foreign currencies other than its functional currency. The Group monitors and controls this foreign exchange risk by entering into foreign exchange forward contracts and cross currency swaps contracts to cover its major foreign currency exposure. Besides, the Group also manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and will consider to enter into foreign forward exchange contracts and cross currency swaps contracts to reduce the exposure should the need arises.

As at 30 June 2021, the Group's entities with functional currency of Hong Kong dollar had net monetary assets denominated in United States dollar of HK$23,527.1 million (2020: HK$20,861.2 million). Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to the United States dollar, management therefore considers that there is no significant foreign exchange risk with respect to the United States dollar.

As at 30 June 2021, the Group's entities with functional currency of Hong Kong dollar had net monetary assets denominated in Renminbi of HK$96.4 million (2020: HK$602.7 million) which the related foreign exchange risk has not been hedged. If Hong Kong dollar had strengthened/weakened by 5% against Renminbi with all other variables held constant, the Group's profit for the year would have been HK$4.8 million (2020: HK$30.1 million) lower/higher respectively.

This sensitivity analysis ignores any offsetting foreign exchange factors and has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period. The stated change represents reasonably next possible changes in foreign exchange rates over the period until the end of the next reporting period. Foreign exchange risk arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency, differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

(iii) Price risk

The Group is exposed to securities price risk because the Group held listed and unlisted investments of which the fair value are subject to changes in market prices. Gains and losses arising from changes in the fair value of financial assets at FVOCI and FVPL are dealt with in other comprehensive income or consolidated income statement respectively. The performance of the Group's listed and unlisted investments are monitored regularly, together with an assessment of their relevance to the Group's strategic plans.

4 Financial and insurance risks management and fair value estimation (continued)

(a) Market risk (continued)

(iii) Price risk (continued)

As at 30 June 2021, if the price of listed and unlisted investments, classified as financial assets at FVOCI (note 25) and financial assets at FVPL (note 26), excluding the bond investments, had been 25% higher/lower with all other variables held constant and did not assume the application of "overlay approach" as described in note 3(ac)(xi), the Group's FVOCI reserves would have been HK$619.2 million (2020: HK$701.6 million) higher/lower respectively and profit for the year would have been HK$2,811.5 million (2020: HK$2,075.4 million) higher/lower respectively. If the price of the abovementioned investments had been 25% higher/lower with all other variables held constant but assumed the "overlay approach" was applied, the Group's FVOCI reserves would have been HK$2,377.9 million (2020: HK$1,679.7 million) higher/lower respectively and the profit for the year would have been HK$1,052.8 million (2020: HK$1,097.3 million) higher/lower respectively. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

As at 30 June 2020, the Group is also exposed to the upside risk of fuel prices as it has heavy demand on fuel for its transport business. The Group managed its exposure to this risk by using fuel price swap contracts if considered appropriate.

(b) Credit risk

The credit risk of the Group mainly arises from debt instruments, deposits with banks, trade, premium and other receivables, and balances receivable from group companies, including amounts due from associated companies and joint ventures.

The Group considers the probability of default from initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis by close monitoring against established credit policies in each of its business. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the assets, generally on individual basis, as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. The following indicators are generally incorporated:

- external credit rating (if any);
- average default rate by independent external parties;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparties' ability to meet their obligations; and
- significant actual and expected changes in the performance and behaviour of the counterparties, including changes in the payment status of counterparties in the Group and changes in the operating results of the counterparties.

A default on a financial asset is when the counterparty fails to make contractual payments when they fall due. Financial assets are considered to be credit-impaired and written off when there is no reasonable expectation of recovery.

4 Financial and insurance risks management and fair value estimation (continued)

(b) Credit risk (continued)

Deposits with banks are mainly placed with high-credit-quality financial institutions and the balances are considered to be of low credit risk. Debt instruments are limited to financial institutions or investment counterparties with high quality. Aaa and AAA are the highest credit ratings in the Moody's and Standard & Poor's credit rating systems respectively. The Group classifies its investment in bonds below ratings of Baa3 and BBB– in the Moody's and Standard & Poor's credit rating systems respectively as non-investment grade bonds. As at 30 June 2021, the amount of the non-investment grade bonds held by the Group was approximately 3.2% (2020: 1.5%) of its invested assets.

For trade receivables and contract assets in relation to provision of services and infrastructure operations, expected credit loss allowance has been provided under lifetime expected credit loss assessment on individual basis with reference to the historical credit loss experience with counterparties and ageing analysis, adjusted for forward-looking factors specific to the counterparties and the economic environment. There is no concentration of credit risk with respect to trade receivables and contract assets from third party customers as the customer bases are widely dispersed in different industries.

To determine expected credit loss, the Group refers to probability of default and recovery rate tables from Moody's study, which are derived based on default history of obligors with the same credit rating. The Group has also considered the forward-looking information by incorporating a set of weighted average different economic scenarios developed by Moody's.

In relation to premium receivables from insurance business, the credit risk in respect of policyholder balances, incurred on the non-payment of premiums or contributions, will only persist during the grace period specified in the policy documents or trust deed on the expiry of which either the premium is paid or the policy will be terminated or changed to reduced paid-up or term cover according to the provision of the policy.

In addition, the Group monitors the exposure to credit risk in respect of the financial assistance provided to associated companies and joint ventures through exercising joint control or influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis. The Group determines the probability of default and recovery rate based on the underlying financial information, the actual and expected changes in business performance and general market default and recovery rate. The Group has also considered the forward-looking information by incorporating a set of different economic scenarios.

Impairment on debt instruments, cash and bank balances, financial assistance provided to associated companies and joint ventures, other receivables and other non-current assets is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then loss allowance is measured as lifetime expected credit losses.

The maximum exposure to credit risk is represented by the carrying amount of financial assets in the consolidated statement of financial position after deducting any loss allowance.

4 Financial and insurance risks management and fair value estimation (continued)

(c) Liquidity risk

Prudent liquidity risk management includes managing the profile of debt maturities and funding sources, maintaining sufficient cash and marketable securities, and ensuring the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. It is the policy of the Group to regularly monitor current and expected liquidity requirements and to ensure that adequate funding is available for operating, investing and financing activities. The Group also maintains undrawn committed credit facilities to further reduce liquidity risk in meeting funding requirements (including financing for the Group's capital commitments as detailed in note 47). The directors of the Company are of the view that the Group has sufficient resources to meet the Group's commitments and liabilities as and when they fall due.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date, except for the liabilities related to unit-linked contracts where these unit-linked contracts typically include options for policyholders to surrender early, often subject to surrender or other penalties. The Group's investments related to unit-linked contracts are held for backing the liabilities to the policyholders.

4 Financial and insurance risks management and fair value estimation (continued)

(c) Liquidity risk (continued)

The amounts disclosed in the table are the contractual undiscounted cash outflow/(inflows).

As at 30 June 2021

Non-derivative financial liabilities

HK$'m	Note	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years	Over 5 years	Unit-linked
Trade payables	44	627.9	627.9	627.8	0.1	–	–
Retention money payables and other payables		8,198.8	8,198.8	6,976.7	1,222.1	–	–
Payables to policyholders	44	1,709.6	1,709.6	1,709.6	–	–	–
Amounts due to non-controlling interests	44	146.2	146.2	110.3	35.9	–	–
Amounts due to associated companies	44	6.0	6.0	6.0	–	–	–
Amounts due to joint ventures	44	56.4	56.4	56.4	–	–	–
Liabilities related to unit-linked contracts							
– Investment contract liabilities	31(b)	10,142.5	10,142.5	–	–	–	10,142.5
Borrowings and other interest-bearing liabilities	39	25,348.0	28,411.5	2,613.0	17,147.6	8,650.9	–
Loans from non-controlling interests	43	25.0	25.0	–	25.0	–	–
Lease liabilities	42	1,306.7	1,474.1	272.6	836.8	364.7	–

Derivative financial liabilities

HK$'m	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years	Over 5 years
Derivative financial instruments (net settlement)	103.8	27.5	106.2	(29.9)
Derivative financial instruments (gross settlement)				
Cash inflow	(520.1)	(246.1)	(274.0)	–
Cash outflow	521.4	246.7	274.7	–
	1.3	0.6	0.7	–

4 Financial and insurance risks management and fair value estimation (continued)

(c) Liquidity risk (continued)

As at 30 June 2020

Non-derivative financial liabilities

HK$'m	Note	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years	Over 5 years	Unit-linked
Trade payables	44	584.8	584.8	584.7	0.1	–	–
Retention money payables and other payables		8,734.5	8,734.5	6,552.2	2,142.7	39.6	–
Payables to policyholders	44	1,468.8	1,468.8	1,468.8	–	–	–
Amounts due to non-controlling interests	44	155.3	155.3	155.3	–	–	–
Amounts due to associated companies	44	1.5	1.5	1.5	–	–	–
Amounts due to joint ventures	44	56.4	56.4	56.4	–	–	–
Liabilities related to unit-linked contracts							
– Investment contract liabilities	31(b)	8,554.9	8,554.9	–	–	–	8,554.9
Borrowings and other interest-bearing liabilities	39	30,955.7	34,842.8	4,786.2	20,032.1	10,024.5	–
Loans from non-controlling interests	43	28.9	28.9	–	28.9	–	–
Lease liabilities	42	1,952.4	2,199.8	441.1	1,207.1	551.6	–

Derivative financial liabilities

HK$'m	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years	Over 5 years
Derivative financial instruments (net settlement)	228.6	123.2	153.8	(48.4)
Derivative financial instruments (gross settlement)				
Cash inflow	(1,127.9)	(249.4)	(647.8)	(230.7)
Cash outflow	1,141.4	250.5	657.4	233.5
	13.5	1.1	9.6	2.8

4 Financial and insurance risks management and fair value estimation (continued)

(c) Liquidity risk (continued)

The major liquidity risks the Group's insurance business confronts are the daily calls on its available cash resources in respect of claims arising from insurance and investment contracts and the maturity of debt instruments.

The Group's insurance business manages liquidity through its liquidity risk policy which includes determining what constitutes liquidity risk and the minimum proportion of funds to meet emergency calls, the setting up of contingency funding plans, specifying the sources of funding and the events that would trigger the plan, specifying the concentration of funding sources, the reporting of liquidity risk exposures and breaches to the monitoring authority, monitoring the compliance with liquidity risk policy and the reviewing of liquidity risk policy for pertinence and changing environment.

The table below presents the estimated amounts (on a discounted basis) and timing of cash outflow/(inflow) arising from liabilities under insurance contracts, projected based on the Group's best estimate assumptions. The Group's insurance business has to meet daily calls on its cash resources, notably from claims arising on its insurance contracts and early surrender of policies for surrender value. There is therefore a risk that cash will not be available to settle liabilities when due at a reasonable cost. The Group's insurance business manages this risk by monitoring and setting an appropriate level of cash position to settle these liabilities.

As at 30 June 2021

HK$'m	Note	**Total discounted cash flow**	**Within 1 year**	**Over 1 year but within 5 years**	**Over 5 years**
Insurance contract liabilities	41(a)	**42,497.5**	**3,861.4**	**(2,280.9)**	**40,917.0**

As at 30 June 2020

HK$'m	Note	Total discounted cash flow	Within 1 year	Over 1 year but within 5 years	Over 5 years
Insurance contract liabilities	41(a)	34,894.7	3,200.5	(2,332.1)	34,026.3

4 Financial and insurance risks management and fair value estimation (continued)

(d) Asset liability management framework

The Group's insurance business exposes to financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risks that the Group's insurance business faces due to the nature of its investments and liabilities are interest rate risk and duration risk. The Group's insurance business manages these positions within an asset liability management ("ALM") framework that has been developed to achieve long term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of ALM is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders.

ALM also forms an integral part of the insurance risk management policy in order to ensure in each period sufficient cash flows are available to meet liabilities arising from insurance and investment contracts.

(e) Regulatory framework of the Group's insurance business

The operations of the Group's insurance business are subject to local regulatory requirements in Hong Kong. The Group's insurance business is required to maintain an appropriate solvency position to meet unforeseen liabilities arising from economic shocks and/or natural disasters.

(f) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders' returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. In order to maintain or adjust the capital structure, the Group may issue or repurchase shares, issue perpetual capital securities or raise new debt financing.

The Net Gearing Ratios as at 30 June were as follows:

	Note	**2021** **HK$'m**	2020 HK$'m
Total borrowings and other interest-bearing liabilities	39	**(25,348.0)**	(30,955.7)
Add: Cash and bank balances	32	**10,804.6**	13,221.8
Net Debt		**(14,543.4)**	(17,733.9)
Total equity		**58,454.0**	57,457.7
Net Gearing Ratio		**25%**	31%

4 Financial and insurance risks management and fair value estimation (continued)

(f) Capital management (continued)

The decrease of Net Debt was primarily resulted from proceeds from the disposals of interests in NWS Transport, NWS HKI and certain non-core businesses/investments, repayment of shareholder's loan and dividends received from associated companies and joint ventures, net of payments of dividends and investments made.

The Group's insurance business has an internal risk management framework for identifying risks to its business it exposed to. The internal framework estimates and indicates how much capital is needed to mitigate the risk of insolvency.

The Group's insurance business always maintains a solvency position higher than 150% of the solvency margin required by the Insurance Authority ("IA") to ensure an adequate surplus position. Further objectives are set by the Group's insurance business to maintain a strong credit rating and healthy capital ratios in order to support its business.

The Group's insurance business manages its capital requirements by assessing probable shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Group's insurance business activities.

The Group's insurance business fully complied with capital requirements imposed by the IA throughout the period since acquisition to the reporting date.

(g) Insurance risk

The Group's insurance business is in the business of insuring against the risk of mortality, morbidity, disability, critical illness, accidents and related risks. The Group's insurance business retains a maximum of US$150,000 for each risk it insures, with the excess being reinsured through surplus treaties, coinsurance treaties, facultative reinsurance, catastrophe treaties and quota share arrangements with reputable international reinsurers. Consequently, total claims payable in any given year can be predicted with a higher degree of precision. As part of the quality control process, the Group's insurance business regularly invites reinsurers to audit its underwriting and claim practices and procedures, to ensure that it meets the highest industry standards.

4 Financial and insurance risks management and fair value estimation (continued)

(g) Insurance risk (continued)

As at 30 June 2021

HK$'m	Insurance contract liabilities excluding policyholders' dividends and bonuses (note 41(b))	Reinsurer's share of insurance contract liabilities	Net liabilities excluding policyholders' dividends and bonuses
Type of products			
Whole life	35,999.2	(1.2)	35,998.0
Term	102.4	(0.3)	102.1
Dread disease	2,092.0	(0.1)	2,091.9
Medical	245.1	–	245.1
Disability	10.7	–	10.7
Accident	24.1	(0.1)	24.0
	38,473.5	(1.7)	38,471.8
Coinsurance liabilities	363.0	–	363.0
	38,836.5	(1.7)	38,834.8

4 Financial and insurance risks management and fair value estimation (continued)

(g) Insurance risk (continued)

As at 30 June 2020

HK$'m	Insurance contract liabilities excluding policyholders' dividends and bonuses (note 41(b))	Reinsurer's share of insurance contract liabilities	Net liabilities excluding policyholders' dividends and bonuses
Type of products			
Whole life	29,069.6	(23.8)	29,045.8
Term	97.0	(0.3)	96.7
Dread disease	1,890.3	(0.1)	1,890.2
Medical	226.1	–	226.1
Disability	11.1	(0.1)	11.0
Accident	21.6	(0.1)	21.5
	31,315.7	(24.4)	31,291.3
Coinsurance liabilities	244.7	–	244.7
	31,560.4	(24.4)	31,536.0

4 Financial and insurance risks management and fair value estimation (continued)

(g) Insurance risk (continued)

(i) Key assumptions

Liabilities on insurance contracts offered by the Group are predominantly conventional whole life insurance for which premiums are paid for a limited period of time or the whole of life, with fixed benefits paid upon death and surrender benefits increasing with the duration of policy.

Some plans provide for guaranteed periodic payments. Most of the whole life insurance products are entitled to annual dividends and some with terminal dividend upon policy termination.

The key assumptions used for the determination of future liabilities for most products is detailed below:

As at 30 June 2021 and 30 June 2020

Mortality rates	For products with full underwriting, 62% of 2001 Hong Kong Assured Life Mortality tables for males and females, with selection factor 50% at year 1 and 75% at year 2. For products without full underwriting, 62% of 2001 Hong Kong Assured Life Mortality tables for males and females.
Discount rates	Range between 2.00% and 4.10%, depending on the insurance plan policies
Lapse rates	Based on Group's experience
Expenses	Based on Group's experience

The method of calculating the liabilities is the net level premium reserve, with an adjustment to remove premium deficiency.

The Group's actual claims compared to the mortality experience assumed in the calculation of future insurance contract liabilities, for the current year, is 73% (2020: 114%).

4 Financial and insurance risks management and fair value estimation (continued)

(g) Insurance risk (continued)

(ii) Sensitivities

The sensitivity analyzes below have been determined based on reasonably possible changes in the respective key assumptions occurring at the end of the reporting period, while holding all the other assumptions constant.

As at 30 June 2021

	Assumption change	**(Decrease)/ increase in profit for the year and equity HK$'m**
Mortality rates	**+10%**	**(230.7)**
Discount rates	**-50 basis points**	**(2,442.6)**
Lapse rates	**+20%**	**253.2**
Expenses	**+10%**	**(59.6)**

As at 30 June 2020

	Assumption change	(Decrease)/ increase in profit for the year and equity HK$'m
Mortality rates	+10%	(217.7)
Discount rates	-50 basis points	(2,378.5)
Lapse rates	+20%	221.1
Expenses	+10%	(56.4)

4 Financial and insurance risks management and fair value estimation (continued)

(h) Fair value estimation

The carrying amounts and fair value disclosures of the financial instruments of the Group are as follows:

(i) Listed investments are stated at market prices. The quoted market price used for financial assets held by the Group is the bid price at the end of the reporting period. Unlisted investments are stated at fair values which are estimated using other prices observed in recent transactions or valuation techniques when the market is not readily available.

(ii) The fair value of long-term financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(iii) The carrying values of bank balances, receivables, payables and short-term borrowings approximate their fair values due to the short-term maturities of these assets and liabilities.

(iv) The following table presents the Group's financial instruments, including financial assets at FVOCI, financial assets at FVPL, derivative financial instruments, investments related to unit-linked contracts, investment contract liabilities and liabilities related to united-linked contracts, that are measured at fair value at 30 June 2021 and 30 June 2020 respectively:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Management determined the fair value of these financial assets within Level 2 and Level 3 as follows:

- The fair value of forward starting swap contracts and forward exchange contracts is determined by discounting the contractual future cash flows. The discount rate used is derived from the relevant swap curve as at the reporting date, with potential adjustment made for various collateralization agreement when appropriate;
- The fair value of cross currency swap contracts is determined by discounting the contractual future cash flows. The exchange rate and discount rate used are derived from the relevant foreign exchange forward rates and swap curve as at the reporting date, with potential adjustment made for various collateralization agreement when appropriate;
- For investments in unlisted investment funds, management discussed with the respective fund managers to understand the performance of the underlying investments and fair value measurement basis conducted by the respective fund managers in order to evaluate whether the fair values as stated in the fund statements at the end of reporting period is appropriate;

4 Financial and insurance risks management and fair value estimation (continued)

(h) Fair value estimation (continued)

(iv) (continued)

- For investments in equity and debt instruments with recent transactions, management determined the fair value at the end of reporting period with reference to recent transaction prices of these financial assets. Investments in bonds are classified as Level 2 financial instruments if there was no active market for such instruments;

- For investments in equity and debt instruments without recent transactions, management has established fair values of these investments by using appropriate valuation techniques such as discounted cash flow with the credit risk of the issuer taken into consideration for investments in bonds. Independent external valuer has been involved in determining the fair value, when appropriate; and

- The fair values of the investment contract liabilities and liabilities related to unit-linked contracts are determined with reference to the accumulation value.

As at 30 June 2021

HK$'m	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at FVOCI				
– Equity instruments	2,404.1	–	72.7	2,476.8
– Debt instruments	29,260.2	13,050.3	–	42,310.5
Financial assets at FVPL				
– Equity instruments	333.6	117.0	276.5	727.1
– Debt instruments	–	385.1	1,361.2	1,746.3
– Investment funds	7,213.7	–	3,336.6	10,550.3
Derivative financial instruments	–	658.2	801.8	1,460.0
Investments related to unit-linked contracts				
– Investment funds	10,717.1	–	–	10,717.1
	49,928.7	14,210.6	5,848.8	69,988.1
Liabilities				
Derivative financial instruments	–	(102.8)	–	(102.8)
Investment contract liabilities	–	(5.3)	–	(5.3)
Liabilities related to unit-linked contracts				
– Investments contract liabilities	–	(10,142.5)	–	(10,142.5)
	–	(10,250.6)	–	(10,250.6)

4 Financial and insurance risks management and fair value estimation (continued)

(h) Fair value estimation (continued)

(iv) (continued)

As at 30 June 2020

HK$'m	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at FVOCI				
– Equity instruments	2,448.8	357.6	–	2,806.4
– Debt instruments	21,630.6	14,102.8	–	35,733.4
Financial assets at FVPL				
– Equity instruments	130.0	117.0	139.9	386.9
– Debt instruments	0.1	1,284.0	248.2	1,532.3
– Investment funds	3,557.5	–	3,384.7	6,942.2
Derivative financial instruments	–	1,493.8	478.9	1,972.7
Investments related to unit-linked contracts				
– Investment funds	8,884.2	–	–	8,884.2
	36,651.2	17,355.2	4,251.7	58,258.1
Liabilities				
Derivative financial instruments	–	(237.0)	(1.4)	(238.4)
Investment contract liabilities	–	(5.4)	–	(5.4)
Liabilities related to unit-linked contracts				
– Investments contract liabilities	–	(8,554.9)	–	(8,554.9)
	–	(8,797.3)	(1.4)	(8,798.7)

During the year, there were transfer of debt instruments as financial assets at FVOCI relating to the Group's insurance business with fair value of HK$3,106.8 million from Level 2 to Level 1 (2020: HK$1,650.5 million from Level 1 to Level 2) fair value hierarchy classifications. Assets are transferred into or out of Level 1 based on whether they are transacted with sufficient frequency and volume in an active market.

4 Financial and insurance risks management and fair value estimation (continued)

(h) Fair value estimation (continued)

(iv) (continued)

The following table presents the changes/transfers in Level 3 financial instruments for FY2021:

	Assets				Liabilities
HK$'m	**Financial assets at FVOCI**	**Financial assets at FVPL**	**Derivative financial assets**	**Total**	**Derivative financial liabilities**
As at 1 July 2020	**–**	**3,772.8**	**478.9**	**4,251.7**	**(1.4)**
Transfer to Level 1	**–**	**(46.4)**	**–**	**(46.4)**	**–**
Transfer from Level 2	**89.7**	**312.0**	**–**	**401.7**	**–**
Translation differences	**–**	**13.4**	**–**	**13.4**	**–**
Purchases/issues	**–**	**2,195.3**	**–**	**2,195.3**	**(280.0)**
Disposals/settlement	**–**	**(1,622.7)**	**–**	**(1,622.7)**	**280.0**
Net fair value changes recognized in OCI	**(17.0)**	**–**	**322.9**	**305.9**	**–**
Net fair value changes recognized in consolidated income statement	**–**	**349.9**	**–**	**349.9**	**1.4**
As at 30 June 2021	**72.7**	**4,974.3**	**801.8**	**5,848.8**	**–**
Net unrealized fair value changes recognized in consolidated income statement relating to balances held as at 30 June 2021	**–**	**128.4**	**–**	**128.4**	**–**

The following table presents the changes/transfers in Level 3 financial instruments for FY2020:

	Assets			Liabilities
HK$'m	Financial assets at FVPL	Derivative financial assets	Total	Derivative financial liabilities
As at 1 July 2019	2,834.8	–	2,834.8	(7.3)
Transfer to Level 2	(164.0)	–	(164.0)	–
Translation differences	(7.7)	–	(7.7)	–
Acquisition of subsidiaries	471.2	283.0	754.2	–
Purchases	662.0	–	662.0	–
Disposals	(179.4)	–	(179.4)	–
Net fair value changes recognized in OCI	–	180.1	180.1	–
Net fair value changes recognized in consolidated income statement	155.9	15.8	171.7	5.9
As at 30 June 2020	3,772.8	478.9	4,251.7	(1.4)
Net unrealized fair value changes recognized in consolidated income statement relating to balances held as at 30 June 2020	144.3	15.8	160.1	5.9

4 Financial and insurance risks management and fair value estimation (continued)

(h) Fair value estimation (continued)

(iv) (continued)

Level 3 financial instruments comprise investment funds, unlisted debt and equity instruments and derivative financial assets/(liabilities). Fair values of the investment funds are mainly determined based on the net asset value, representing the fair value of the funds reported by respective fund managers and relevant factors if deemed necessary. Fair value of unlisted debt and equity instruments is determined primarily based on the purchase price paid by the Group and taking into account the analysis of the investees' financial position and results, risk profile, prospects, industry trend and other factors. Recent transaction prices, if any, are referenced or independent external valuer is involved, where appropriate, to determine the fair value.

Level 3 derivative financial asset represents a put option to sell or dispose of an investment in equity instrument held by the Group. The fair value of the put option is estimated by an independent external valuer. Valuation techniques used involve the use of current market based or independently sourced market parameters such as interest rates, currency rates and option volatilities. Fair value measurement of the underlying equity instrument is negatively correlated with valuation of the put option. Details of the put options are set out in note 27(c).

5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated by the Group and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstance.

The Group has considered the existing and potential impacts arising from the COVID-19 when preparing the consolidated financial statements. Assumptions and estimates are based on circumstances and conditions available when the consolidated financial statements were prepared and in particular, assumed that the current market condition as a result of the COVID-19 is not a long-term norm. Given the severity, duration and economic consequences of the COVID-19 are uncertain, actual results may differ significantly from those assumptions and estimates. The Group will remain alert and cautious on the ongoing development of COVID-19 that may cause further volatility and uncertainty in the global financial market, economy and business environment, and will take necessary measures to address the impact arising therefrom.

The estimates and assumptions that have a significant effect on carrying amounts of assets and liabilities are as follows:

(a) Impairment of the Group's investments in associated companies and joint ventures

In accordance with the requirements under HKAS 28 (2011) "Investments in Associates and Joint Ventures" and HKAS 36 "Impairment of Assets", management regularly reviews whether there are any indications of impairment of the Group's investments in associated companies and joint ventures based on value in use calculations or fair value less cost of disposal approach. In determining the value in use, management assesses the present value of estimated future cash flows expected to arise from their businesses. Estimates and judgements are applied in determining these future cash flows and discount rate.

5 Critical accounting estimates and judgements (continued)

(a) Impairment of the Group's investments in associated companies and joint ventures (continued)

(i) *Investment in Goshawk*

The Group holds 50% equity interest in Goshawk, a joint venture which is principally engaged in aircraft leasing. As at 30 June 2021, the Group's share of net assets was HK$1,542.2 million (before share of impairment provision for FY2021 as detailed below) and advances to Goshawk was HK$6,168.0 million (note 30(d)).

The COVID-19 pandemic and international travel-related control measures continued to bring challenges to aviation industry. The management of Goshawk 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).

The value in use of an aircraft is derived from discounted cash flow model after taking into account of assumptions, such as forecast rental income, terminal value and discount rate. The discount rate of 5.2% (2020: ranged between 5.0% and 6.0%) is derived with reference to the weighted average cost of capital of comparable companies that are engaged in aviation industry. Based on the assessment, the Group shared an impairment losses (net of tax) on aircraft portfolio of approximately HK$347.1 million for FY2021 (2020: HK$64.3 million).

The assumptions used in the carrying value assessment are highly judgemental, and heavily dependent on the discount rate used and terminal value. For example, if the discount rate increases by 0.5% with other variable remain constant, if adopted, would result in an increase in impairment loss of approximately HK$25.7 million shared by the Group, as determined by the value in use calculation.

(ii) *Investment in certain associated companies under the Strategic Investments segment*

The Group has certain associated companies which are under the Strategic Investments segment with an aggregate carrying amount of HK$420.6 million, before taking into account the impairment loss detailed below, where relevant impairment indicators existed as at 30 June 2021. Taking into consideration the prolonged COVID-19 pandemic and US-Mainland disputes as well as the underperformance of the associated companies concerned, management has carried out assessments on the recoverability of the Group's carrying value of these associated companies. Based on the assessments, an aggregate impairment loss of HK$248.0 million (notes 6(a)(i) and 23(e)) was recognized or shared by the Group in FY2021.

Included in the aggregate carrying amount of HK$420.6 million abovementioned are (i) the Group's investment in a company engaged in manufacturing and sale of sapphire substrate and wafer, LED packaging and application business with a carrying value of HK$120.0 million, where an impairment loss of full amount was shared by the Group based on an assessment using fair value less cost of disposal approach and taking into consideration the value of assets pledged and the uncertainty on the execution and realization of asset pledge value by the Group; and (ii) the Group's investment in a company engaged in development and manufacturing of advanced robotics business with a carrying value of HK$300.6 million, where an impairment loss of HK$128.0 million (note 8) was recognized by the Group based on an assessment using value in use approach.

The value in use calculation requires the Group to estimate the present value of future cash flow over 5 years which has taken into account assumptions including revenue projection, terminal growth rate and discount rate. The discount rate of 14% is applied with reference to the weighted average cost of capital of comparable companies that are engaged in similar business. The assumptions used in the carrying value assessment are highly judgemental, and heavily dependent on the discount rate, terminal growth rate and revenue projection. For example, if the discount rate increases by 0.5% with other variable remain constant, if adopted, would result in an increase in impairment loss of approximately HK$9.2 million as determined by the value in use calculation.

5 Critical accounting estimates and judgements (continued)

(a) Impairment of the Group's investments in associated companies and joint ventures (continued)

(iii) Investment in a joint venture under the Roads segment

In relation to the Group's investment in a joint venture which operates an expressway in Guangzhou with carrying value amounting to HK$714.0 million as at 30 June 2021, management has carried out an updated assessment using a discounted cash flow method. In preparing the assessment, management has taken into consideration certain key assumptions such as traffic growth, toll rate growth and discount rate. The annual traffic growth rates of 2% to 7% for the first five projection years was adopted after taking into accounts the latest transportation network development and prevailing market condition. Discount rate of 8.5% was used to reflect specific risk relating to these investments. Based on the assessment, there was no further impairment for the Group's investment in such expressway as at 30 June 2021. If the discount rate increases by 0.5% with other variable remain constant, if adopted, would not result in any impairment losses to the Group.

(b) Fair value of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss

For financial assets at FVOCI and financial assets at FVPL with quoted market price, management determined fair value based on quoted market price. The fair value of those financial assets at FVOCI or FVPL that are not traded in an active market is determined by using valuation techniques as detailed in note 4(h)(iv). The Group uses its judgement to select a variety of methods and determine the fair values primarily based on the purchase price paid by the Group, net asset value and taking into account of the analysis of the investees' financial trends and results, risk profile, prospects, industry trends and other factors. Recent transaction prices, if any, are referenced and independent external valuer has been involved in determining fair value of certain unlisted investments. The key assumptions adopted on projected cashflow are based on management's best estimates.

(c) Impairment of property, plant and equipment, goodwill and financial assets at amortized cost

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts of property, plant and equipment have been determined based on the higher of their fair values less costs of disposal and value in use, taking into account the latest market information and past experience.

The Group tests annually whether goodwill has suffered any impairment according to its recoverable amount determined by the CGU based on either fair value less cost of disposal or value in use calculations whichever is higher. These calculations require the use of estimates which are subject to changes of economic environment in future.

The loss allowances for financial assets at amortized cost are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

5 Critical accounting estimates and judgements (continued)

(d) Provision for onerous contract

The provision for onerous contract is based on the difference between the total expected cash inflow and the total value of future cash outflow (expenses including overhead) the Group is obligated to make for the remaining term of the contracts. Considerable amounts of estimates and judgements are required in assessing the expected cash inflow and outflow in the future. Where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, onerous contract provision is recognized.

An onerous contract provision of HK$230.0 million (notes 6(a)(iii) and 8) was recognized in FY2020 for the Group's duty free business in view of impact on financial performance and market condition arising from COVID-19 pandemic. The Group has performed an updated assessment as at 30 June 2021 and no further provision is required. The key assumptions used in assessing provision include estimated revenue growth. The assumptions used are highly judgemental and sensitive to the provision amount. Any changes in any of the key assumptions used would result in increase or decrease in provision.

(e) Estimated volume of Infrastructures of public services

The amortization for intangible concession rights and impairment assessment of Infrastructures for public services using discounted cash flow model are affected by the estimated volume for public services, such as toll roads. Management performs annual reviews to assess the appropriateness of estimated volume by making reference to independent professional studies, if necessary.

The traffic volume is directly and indirectly affected by a number of factors, including the availability, quality, proximity and toll rate differentials of alternative roads and the existence of other means of transportation. The growth of the traffic flow is also highly tied to the future economic and transportation network development of the area in which the Infrastructures serve. The growth in future traffic flow projected by the management is highly dependent on the realization of the aforementioned factors.

(f) Estimate of revenue for construction contracts

For revenue from construction work that is recognized over time, the Group recognizes such revenue by reference to the progress of satisfying the performance obligation at the reporting date. This is measured based on the Group's costs incurred up to the reporting date and budgeted costs which depict the Group's performance towards satisfying the performance obligation. Significant estimates and judgements are required in determining the accuracy of the budgets. In making the above estimation, the Group conducts periodic review on the budgets and makes reference to past experience and work of internal quantity surveyors.

5 Critical accounting estimates and judgements (continued)

(g) Valuation of investment properties

The fair value of each investment property is individually determined at the end of each reporting period by management or by independent external valuers based on a market value assessment. Fair value is based on active market prices and adjusted if necessary for any difference in nature, location or conditions of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets, income capitalization approach or professional valuation. These methodologies are based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cash flow profile. The fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

As at 30 June 2021, if the market value of investment properties had been 5% (2020: 5%) higher/lower with all other variables held constant, the carrying value of the Group's investment properties would have been HK$84.1 million (2020: HK$85.2 million) higher/lower respectively.

(h) Product classification of insurance business

Contracts are classified as insurance contracts where they transfer significant insurance risk from the holder of the contract to the Group. The Group's accounting policy for the classification of insurance and investment contracts is discussed in more detail in note 3(ac)(i).

There are a number of contracts sold where the Group exercises judgement about the level of insurance risk transferred. Typically, these are contracts which contain a significant savings component. The level of insurance risk is assessed by considering whether there are any scenarios with commercial substance in which the Group is required to pay significant additional benefits. These benefits are those which exceed the amounts payable if no insured event were to occur. These additional amounts include claims liability and assessment costs, but exclude the loss of the ability to charge the holder of the contract for future services.

(i) Estimate of life insurance contract liabilities

The estimation of the ultimate liabilities arising from claims made under life insurance contracts is one of the most critical accounting estimate for the Group's insurance business. There are sources of uncertainty that need to be considered in the estimation of the liabilities that the Group will ultimately pay for those claims.

The valuation of insurance contract liabilities requires the use of appropriate actuarial methodologies and also various economic and operational assumptions. The assumptions used in measuring the insurance contract liabilities include discount rates, mortality and morbidity rates, lapse and partial lapse rates, persistency, expenses, inflation, policy dividend and fund growth rate. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard industry and national mortality tables that reflect historical mortality experience, adjusted, where appropriate, to reflect the Group's unique risk exposure. The estimated number of deaths determines the value of possible future benefits to be paid out which will be factored into ensuring sufficient cover by reserves, which in return is monitored against the current and future premiums. Lapse rates are based on the historical experience of the Group. Expenses are based on the renewal compensation cost structure and the maintenance expenses level of the Group. Discount rates are based on the investment strategy of the Group, with due regard to the expected recurring return on assets backing the insurance contracts.

5 Critical accounting estimates and judgements (continued)

(i) Estimate of life insurance contract liabilities (continued)

Estimates for discount rates, mortality rates, lapse rates and expenses are determined at the date of acquisition, where applicable, and at the inception of the contract and are used to calculate the liability over the term of the contract. At each reporting date, these estimates are reassessed for adequacy with margin and changes will be reflected in adjustments to the liability.

(j) Amortization of DAC and VOBA

The Group 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. Assumptions as to projected future premiums or expected future profits are made at the date of policy issue and are applied during the lives of the contracts consistently. VOBA is amortized over the estimated life of the contracts in the acquired portfolio on a systematic basis primarily based on expected future profits. Judgements are exercised in making appropriate estimate of future premiums or expected future profits.

6 Revenue and segment information

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

2021 **HK$'m**	**Hong Kong**	**Mainland China**	**Others**	**Total**
Roads	**–**	**3,033.2**	**–**	**3,033.2**
Construction	**15,114.1**	**–**	**–**	**15,114.1**
Insurance	**9,640.6**	**–**	**–**	**9,640.6**
Facilities Management	**355.8**	**53.6**	**–**	**409.4**
	25,110.5	**3,086.8**	**–**	**28,197.3**

2020 HK$'m (restated)	Hong Kong	Mainland China	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
	20,271.4	2,117.5	223.3	22,612.2

6 Revenue and segment information (continued)

Revenue from insurance business is further analyzed as follows:

	2021 HK$'m	2020 HK$'m
Gross premiums on insurance contracts	**9,291.6**	5,991.9
Less: premiums ceded to reinsurers	**(385.3)**	(224.7)
Premiums, net of reinsurance	**8,906.3**	5,767.2
Fee income on insurance and investment contracts	**677.2**	411.2
Reinsurance commission income and refund	**46.1**	(2.0)
Fee on referral business and commission income for general insurance and MPF	**10.6**	3.6
Others	**0.4**	–
Fee and commission income	**734.3**	412.8
	9,640.6	6,180.0

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) Logistics; (vi) Facilities Management; (vii) Strategic Investments; (viii) Environment; and (ix) Transport. During FY2021, the results of the "Environment" segment and "Transport" segment are presented as discontinued operations in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" ("HKFRS 5") as detailed in note 33. Last year's comparative segment information has been restated to conform with the current year's presentation.

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.

6 Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for FY2021 and related comparative figures is as follows:

	Continuing operations			
HK$'m	Roads	Aviation	Construction	Insurance
2021				
Total revenue	3,033.2	–	15,114.1	9,641.8
Inter-segment	–	–	–	(1.2)
Revenue – external	3,033.2	–	15,114.1	9,640.6
Revenue from contracts with customers:				
Recognized at a point in time	3,033.2	–	–	–
Recognized over time	–	–	15,114.1	734.3
	3,033.2	–	15,114.1	734.3
Revenue from other source:				
Insurance revenue	–	–	–	8,906.3
	3,033.2	–	15,114.1	9,640.6
Attributable Operating Profit/(Loss)				
Company and subsidiaries	955.6	–	802.1	971.7
Associated companies	205.1	–	146.1	–
Joint ventures	646.8	496.0	0.3	–
	1,807.5	496.0	948.5	971.7
Reconciliation – corporate office and non-operating items				
Net loss on fair value of investment properties				
Remeasurement, impairments and provisions				
Net gain on disposal of projects, net of tax				
Net loss on fair value of derivative financial instruments				
Interest income				
Finance costs				
Expenses and others				
Profit for the year after tax and non-controlling interests				
Profit attributable to holders of perpetual capital securities				
Profit attributable to shareholders				

(i) The amount mainly represents remeasurement loss upon reclassification as held-for-sale for Wai Kee of HK$1,373.8 million (included in "other income and gains, net" and detailed in notes 8 and 34) and for NWS HKI of HK$228.1 million (included in "loss from discontinued operations" and detailed in note 33), share of impairment losses, expected credit loss provision and aircraft repossession/recovery costs for Goshawk of HK$553.3 million (net of tax) (included in "share of results of joint ventures" and detailed in note 24(b)), impairment loss related to certain associated companies of HK$248.0 million in aggregate (notes 5(a)(ii) and 23(e)) as well as certain other expected credit loss provision.

(ii) The finance costs recognized in the consolidated income statement for FY2021 from continuing operations and discontinued operations is HK$838.7 million and HK$5.7 million (note 33(a)) respectively, in which the above HK$483.4 million represents corporate office finance costs and HK$361.0 million is recognized as part of Attributable Operating Profit in various reportable segments.

					Discontinued operations			
Logistics	Facilities Management	Strategic Investments	Subtotal		Environment	Transport	Total	
–	409.5	–	28,198.6		–	655.1	28,853.7	
–	(0.1)	–	(1.3)		–	–	(1.3)	
–	409.4	–	28,197.3		–	655.1	28,852.4	
–	134.6	–	3,167.8		–	614.7	3,782.5	
–	274.8	–	16,123.2		–	40.4	16,163.6	
–	409.4	–	19,291.0		–	655.1	19,946.1	
–	–	–	8,906.3		–	–	8,906.3	
–	409.4	–	28,197.3		–	655.1	28,852.4	
(2.4)	(437.7)	469.8	2,759.1		5.0	(3.5)	2,760.6	
101.4	(217.5)	144.7	379.8	(c)	144.4	8.3	532.5	
564.0	5.9	124.9	1,837.9	(c)	94.9	–	1,932.8	
663.0	(649.3)	739.4	4,976.8		244.3	4.8	5,225.9	
							(13.2)	
							(2,551.6)	(i)
							9.3	
							(59.1)	
							37.5	
							(483.4)	(ii)
							(435.8)	
							1,729.6	
							(583.1)	
							1,146.5	

6 Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for FY2021 and related comparative figures is as follows (continued):

	Continuing operations			
HK$'m	Roads	Aviation	Construction	Insurance
2021				
Depreciation of property, plant and equipment	50.8	–	49.7	42.9
Depreciation of right-of-use assets	0.7	–	34.6	118.4
Amortization of intangible concession rights	1,052.5	–	–	–
Amortization of intangible assets	–	–	–	37.9
Amortization of VOBA	–	–	–	256.4
Interest income	(37.3)	–	(2.2)	(1,428.3)
Finance costs	168.3	–	56.0	99.0
Income tax expenses/(credit)	486.8	–	141.7	72.0
Overlay approach adjustments on financial assets	–	–	–	1,270.6
Net gain on fair value of financial assets at FVPL	–	–	–	(1,478.4)
Additions to non-current assets (remark)	121.5	–	128.7	114.2
At 30 June 2021				
Company and subsidiaries	16,351.4	6,168.0	6,659.2	84,705.6
Associated companies	2,808.1	–	69.8	–
Joint ventures	4,312.4	1,198.7	–	–
Total assets	23,471.9	7,366.7	6,729.0	84,705.6 (b)
Total liabilities	6,175.0	–	6,679.6	60,509.6 (b)

Remark: Being additions to non-current assets other than financial instruments, deferred tax assets, post-employment benefits assets, VOBA and DAC.

					Discontinued operations		
Logistics	Facilities Management	Strategic Investments	Corporate	Subtotal	Environment	Transport	Consolidated
–	116.0	0.1	6.5	266.0	–	111.1	377.1
–	99.8	–	18.1	271.6	–	31.9	303.5
–	–	–	–	1,052.5	–	–	1,052.5
–	31.2	–	–	69.1	–	–	69.1
–	–	–	–	256.4	–	–	256.4
–	(35.8)	(112.0)	(37.5)	(1,653.1)	(5.0)	(0.2)	(1,658.3)
–	31.7	0.3	483.4	838.7	–	5.7	844.4
10.1	(65.2)	41.2	4.6	691.2	–	(52.7)	638.5
–	–	–	–	1,270.6	–	–	1,270.6
–	–	(458.3)	–	(1,936.7)	–	–	(1,936.7)
–	23.5	1.7	16.9	406.5	–	66.7	473.2
1,851.8	3,936.1	7,608.0	4,758.7	132,038.8	4,054.5	–	136,093.3
–	310.7	2,482.5	2.5	5,673.6	–	–	5,673.6
3,029.0	5.9	2,249.7	10.3	10,806.0	–	–	10,806.0
4,880.8	4,252.7	12,340.2	4,771.5	148,518.4	4,054.5	–	152,572.9
65.3	1,340.2	122.7	19,226.5	94,118.9	–	–	94,118.9

6 Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for the FY2021 and related comparative figures is as follows (continued):

	Continuing operations			
HK$'m	Roads	Aviation	Construction	Insurance
2020 (restated)				
Total revenue	2,070.5	–	12,462.4	6,180.0
Inter-segment	–	–	(8.0)	–
Revenue – external	2,070.5	–	12,454.4	6,180.0
Revenue from contracts with customers:				
Recognized at a point in time	2,070.5	–	–	–
Recognized over time	–	–	12,454.4	412.8
	2,070.5	–	12,454.4	412.8
Revenue from other source:				
Insurance revenue	–	–	–	5,767.2
	2,070.5	–	12,454.4	6,180.0
Attributable Operating Profit/(Loss)				
Company and subsidiaries	543.3	–	757.1	750.4
Associated companies	101.6	–	308.9	–
Joint ventures	262.5	421.9	–	–
	907.4	421.9	1,066.0	750.4
Reconciliation – corporate office and non-operating items				
Loss on fair value of investment properties				
Impairments and provisions				
Net gain on disposal of projects, net of tax				
Net gain on fair value of derivative financial instruments, net of tax				
Interest income				
Finance costs				
Expenses and others				
Profit for the year after tax and non-controlling interests				
Profit attributable to holders of perpetual capital securities				
Profit attributable to shareholders				

(iii) The amount mainly represents impairment losses and expected credit loss provisions related for certain associated companies of HK$664.8 million (as detailed in note 23(e)), Goshawk of HK$107.7 million (as detailed in note 24(b)), transport business of HK$700.0 million (being impairment loss against goodwill of HK$386.9 million and against property, plant and equipment of HK$375.0 million, net of tax credit HK$61.9 million as included in "loss from discontinued operations" and detailed in note 33(a)(i)) as well as provision for onerous contract of HK$230.0 million (as detailed in note 5(d)).

(iv) The finance costs recognized in the consolidated income statement for FY2020 from continuing operations and discontinued operations is HK$966.8 million and HK$29.0 million (note 33(a)) respectively, 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.

					Discontinued operations		
	Logistics	Facilities Management	Strategic Investments	Subtotal	Environment	Transport	Total
	–	1,911.1	–	22,624.0	–	3,308.6	25,932.6
	–	(3.8)	–	(11.8)	–	(0.3)	(12.1)
	–	1,907.3	–	22,612.2	–	3,308.3	25,920.5
	–	1,144.1	–	3,214.6	–	3,131.5	6,346.1
	–	763.2	–	13,630.4	–	176.8	13,807.2
	–	1,907.3	–	16,845.0	–	3,308.3	20,153.3
	–	–	–	5,767.2	–	–	5,767.2
	–	1,907.3	–	22,612.2	–	3,308.3	25,920.5
	–	(419.5)	243.4	1,874.7	25.7	(124.5)	1,775.9
	91.8	(357.7)	43.8	188.4 (c)	207.0	5.7	401.1
	536.0	5.4	(36.2)	1,189.6 (c)	147.7	–	1,337.3
	627.8	(771.8)	251.0	3,252.7	380.4	(118.8)	3,514.3
							(22.9)
							(1,709.4) (iii)
							101.0
							73.1
							107.5
							(737.4) (iv)
							(491.1)
							835.1
							(581.9)
							253.2

6 Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for the FY2021 and related comparative figures is as follows (continued):

	Continuing operations			
HK$'m	Roads	Aviation	Construction	Insurance
2020 (restated)				
Depreciation of property, plant and equipment	45.0	–	41.5	26.0
Depreciation of right-of-use assets	0.7	–	25.3	93.1
Amortization of intangible concession rights	714.9	–	–	–
Amortization of intangible assets	–	–	–	23.9
Amortization of VOBA	–	–	–	173.5
Interest income	(49.1)	(0.1)	(3.7)	(877.3)
Finance costs	59.7	–	54.7	79.9
Income tax expenses/(credit)	368.0	–	139.1	43.2
Overlay approach adjustments on financial assets	–	–	–	(208.2)
Net loss/(gain) on fair value of financial assets at FVPL	–	–	–	223.0
Additions to non-current assets (remark)	5,387.6	–	80.5	6,566.4
At 30 June 2020				
Company and subsidiaries	15,554.1	6,332.7	7,462.8	75,061.9
Associated companies	2,530.9	–	2,009.4	–
Joint ventures	3,984.3	978.1	0.1	–
Total assets	22,069.3	7,310.8	9,472.3	75,061.9
Total liabilities	6,034.7	–	8,065.6	51,448.3

Remark: Being additions to non-current assets other than financial instruments, deferred tax assets, post-employment benefits assets, VOBA and DAC.

					Discontinued operations		
Logistics	Facilities Management	Strategic Investments	Corporate	Subtotal	Environment	Transport	Consolidated
–	122.5	–	7.8	242.8	–	397.1	639.9
–	95.6	–	22.8	237.5	–	110.5	348.0
–	–	–	–	714.9	–	–	714.9
–	31.2	–	–	55.1	–	1.4	56.5
–	–	–	–	173.5	–	–	173.5
(0.1)	(58.5)	(97.7)	(107.5)	(1,194.0)	(25.7)	(1.5)	(1,221.2)
–	35.1	–	737.4	966.8	–	29.0	995.8
8.5	(2.8)	9.4	24.2	589.6	–	(132.0)	457.6
–	–	–	–	(208.2)	–	–	(208.2)
–	–	(158.6)	–	64.4	–	–	64.4
–	188.9	3.3	17.7	12,244.4	–	274.0	12,518.4
118.1	4,284.5	7,153.4	3,466.0	119,433.5	0.3	4,977.2	124,411.0
1,587.4	528.2	1,960.1	3.2	8,619.2	4,574.0	160.3	13,353.5
2,848.9	5.6	2,332.7	13.5	10,163.2	2,124.3	–	12,287.5
4,554.4	4,818.3	11,446.2	3,482.7	138,215.9	6,698.6	5,137.5	150,052.0
68.5	1,544.1	73.3	23,239.4	90,473.9	4.0	2,116.4	92,594.3

6 Revenue and segment information (continued)

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

At 30 June 2021

HK$'m	Non-insurance and corporate	Insurance	Total
Assets			
Intangible concession rights	14,355.6	–	14,355.6
Intangible assets	188.1	5,728.1	5,916.2
Value of business acquired	–	5,395.1	5,395.1
Deferred acquisition costs	–	1,711.5	1,711.5
Associated companies	5,673.6	–	5,673.6
Joint ventures	10,806.0	–	10,806.0
Financial assets at FVOCI	1,318.4	43,468.9	44,787.3
Financial assets at FVPL	4,544.8	8,478.9	13,023.7
Derivative financial instruments	7.0	1,453.0	1,460.0
Trade, premium and other receivables	13,392.8	1,769.4	15,162.2
Investments related to unit-linked contracts	–	10,770.2	10,770.2
Cash and bank balances	6,307.4	4,497.2	10,804.6
Assets held-for-sale	6,324.9	–	6,324.9
Others	4,948.7	1,433.3	6,382.0
	67,867.3	84,705.6	152,572.9
Represented by			
Non-current assets	41,063.0	65,069.2	106,132.2
Current assets	26,804.3	19,636.4	46,440.7
	67,867.3	84,705.6	152,572.9
Liabilities			
Borrowings and other interest-bearing liabilities	22,464.3	2,883.7	25,348.0
Insurance and investment contract liabilities	–	42,502.8	42,502.8
Liabilities related to unit-linked contracts	–	10,951.0	10,951.0
Trade, other payables and payables to policyholders	8,060.9	3,272.0	11,332.9
Others	3,084.1	900.1	3,984.2
	33,609.3	60,509.6	94,118.9
Represented by			
Non-current liabilities	23,555.4	21,208.1	44,763.5
Current liabilities	10,053.9	39,301.5	49,355.4
	33,609.3	60,509.6	94,118.9
Net current assets/(liabilities) (note 2)	16,750.4	(19,665.1)	(2,914.7)

6 Revenue and segment information (continued)

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

HK$'m	Note	Associated companies 2021	Associated companies 2020 (restated)	Joint ventures 2021	Joint ventures 2020 (restated)
Attributable Operating Profit		**379.8**	188.4	**1,837.9**	1,189.6
Corporate and non-operating items					
– Impairment losses, expected credit loss provision and aircraft repossession/recovery costs	23(e), 24(b)	**(120.0)**	(330.0)	**(553.3)**	(107.7)
– Others		**6.4**	9.0	**(4.0)**	11.0
Share of results of associated companies and joint ventures		**266.2**	(132.6)	**1,280.6**	1,092.9

(d) Information by geographical areas:

HK$'m	Non-current assets (remark) 2021	Non-current assets (remark) 2020
Hong Kong	**9,743.8**	14,181.4
Mainland China	**14,722.6**	14,360.9
Others	**32.7**	32.7
	24,499.1	28,575.0

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.

The Group's share of revenue of associated companies and joint ventures from continuing operations are as follows:

HK$'m	Note	Associated companies 2021	Associated companies 2020 (restated)	Joint ventures 2021	Joint ventures 2020
Hong Kong		**3,328.3**	3,149.8	**734.7**	740.1
Mainland China		**1,279.0**	1,059.3	**9,274.0**	7,644.8
Global and others		**842.5**	549.5	**5,736.5**	5,337.0
	23(k), 24(h)	**5,449.8**	4,758.6	**15,745.2**	13,721.9

Remark: Being balance of non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, VOBA and DAC.

7 Cost of sales

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

	Note	**2021** **HK$'m**	2020 HK$'m (restated)
Cost of inventories sold	(a)	**32.0**	1,044.9
Cost of construction	(b)	**12,436.8**	9,894.9
Cost of services rendered		**3,349.6**	3,564.6
Claims and benefits, net of reinsurance	(c)	**8,331.3**	5,084.1
Amortization of VOBA	20	**256.4**	173.5
		24,406.1	19,762.0

(a) Cost of inventories sold is mainly related to the Group's duty free business. The decrease in amount as compared to last year is primarily due to impact on financial performance and market condition of duty free business arising from COVID-19 pandemic.

(b) Cost of construction mainly represents subcontractor's costs and material costs.

(c) Details of claims and benefits, net of reinsurance are shown below:

	2021 **HK$'m**	2020 HK$'m
Claims	**880.0**	519.9
Reinsurers' and coinsurers' share of claims	**(233.0)**	(236.1)
Claims, net of reinsurers' and coinsurers' share	**647.0**	283.8
Surrenders, annuities and maturities	**1,083.4**	886.0
Reinsurers' and coinsurers' share	**(7.9)**	(28.7)
	1,075.5	857.3
Policyholders' dividends and interests	**368.7**	239.3
Incentives to policyholders	**280.6**	103.1
Increase in insurance contract liabilities	**5,959.5**	3,600.6
Total claims and benefits, net of reinsurance	**8,331.3**	5,084.1

The increases are mainly due to full year consolidation of expenses associated with the Group's insurance business since the completion of acquisition of FTLife Insurance in November 2019.

8 Other income and gains, net

	Note	2021 HK$'m	2020 HK$'m (restated)
Continuing operations			
Gain associated with investments related to unit-linked contracts		**2,187.9**	122.2
Net gain/(loss) on fair value of financial assets at FVPL	(a)	**1,936.7**	(64.4)
Net profit on disposal of debt instruments as financial assets at FVOCI		**40.7**	309.7
Profit on disposal of subsidiaries	49(b)(i)	**–**	19.7
Profit on disposal of interest in a joint venture		**40.4**	–
Profit/(loss) on disposal/partial disposal of interests in associated companies		**69.0**	(77.0)
Net (loss)/gain on fair value of derivative financial instruments		**(59.1)**	105.6
Interest income			
– Debt instruments as financial assets at FVOCI		**1,392.0**	822.7
– Bank deposits and others		**261.1**	371.3
Dividend income		**212.3**	178.3
Other income		**40.3**	64.4
Net exchange gain/(loss)		**47.1**	(78.6)
Impairment losses related to associated companies	5(a)(ii),23(e)	**(128.0)**	(334.8)
Provision for onerous contract	5(d),6(a)(iii)	**–**	(230.0)
Charges related to unit-linked contracts		**(2,171.0)**	(133.9)
Remeasurement loss on assets classified as held-for-sale	6(a)(i),34	**(1,373.8)**	–
Net loss on fair value of investment properties	16	**(13.2)**	(22.9)
Expected credit loss provision			
– Trade, premium and other receivables	30(e)	**(418.4)**	(17.7)
– Debt instruments as financial assets at FVOCI		**(37.1)**	(32.2)
		2,026.9	1,002.4

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

The amount includes a net fair value gain of HK$1,270.6 million (2020: net fair value loss of HK$208.2 million) which was then reclassified from consolidated income statement to other comprehensive income (note 37) as overlay approach adjustments for the designated financial assets.

9 Operating profit

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

	Note	2021 HK$'m	2020 HK$'m (restated)
Crediting			
Gross rental income from investment properties		**49.5**	54.8
Less: outgoings		**(11.2)**	(12.3)
		38.3	42.5
Charging			
Auditors' remuneration		**19.1**	23.4
Cost of inventories sold		**32.0**	1,044.9
Cost of construction		**12,436.8**	9,894.9
Claims and benefits, net of reinsurance		**8,331.3**	5,084.1
Depreciation of property, plant and equipment	17(a)	**266.0**	242.8
Depreciation of right-of-use assets	21(c)	**271.6**	237.5
Amortization of intangible concession rights	18	**1,052.5**	714.9
Amortization of intangible assets	19	**69.1**	55.1
Amortization of VOBA	(a),20	**256.4**	173.5
Agency commission and allowances, net of change in deferred acquisition costs	(a),(b)	**856.3**	640.0
Expenses on short-term leases		**15.6**	29.2
Expenses on variable lease payments		**57.2**	86.3
Staff costs (including directors' emoluments (note 15))	10	**2,442.2**	2,597.7
Other costs and expenses		**1,079.6**	1,291.6
		27,185.7	22,115.9
Represented by			
Cost of sales	7	**24,406.1**	19,762.0
Selling and marketing expenses	(a)	**969.0**	820.4
General and administrative expenses	(a)	**1,810.6**	1,533.5
		27,185.7	22,115.9

(a) The increases are mainly due to full year consolidation of expenses associated with the Group's insurance business since the completion of acquisition of FTLife Insurance in November 2019.

(b) The amount includes amortization of deferred acquisition costs of HK$367.0 million (2020: HK$136.1 million) (note 22).

10 Staff costs

(a) Staff costs

	Note	2021 HK$'m	2020 HK$'m (restated)
Continuing operations			
Wages, salaries and other benefits		**2,312.1**	2,473.8
Pension costs – defined contribution plans		**128.1**	121.5
Pension costs – defined benefits plans		**2.0**	2.4
	9	**2,442.2**	2,597.7

Directors' emoluments are included in staff costs.

Subsidies received from Employment Support Scheme launched by the Hong Kong Government amounting to HK$131.1 million for FY2021 (2020 restated: HK$23.9 million) are net off in total staff costs.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2020: three) directors whose emoluments are reflected in note 15(a). The emoluments of the remaining two individuals (2020: two) during the year are as follows:

	2021 HK$'m	2020 HK$'m
Fees	**0.1**	0.1
Basic salaries, allowances and other benefits	**12.7**	10.2
Discretionary bonuses	**17.9**	27.4
Employer's contribution to retirement benefits schemes	**1.1**	1.0
	31.8	38.7

The emoluments of the individuals fell within the following bands:

	Number of individual(s)	
	2021	2020
Emolument band (HK$)		
12,000,001–12,500,000	**1**	–
13,000,001–13,500,000	**–**	1
19,000,001–19,500,000	**1**	–
25,000,001–25,500,000	**–**	1

(c) Emoluments of senior management

Other than the emoluments of five highest paid individuals and directors disclosed in notes 10(b) and 15(a) respectively, the emoluments of the senior management fell within the following bands:

	Number of individual(s)	
	2021	2020
Emolument band (HK$)		
2,500,001–3,000,000	**2**	1
3,000,001–3,500,000	**1**	–
4,000,001–4,500,000	**2**	1
4,500,001–5,000,000	**–**	1
5,000,001–5,500,000	**–**	1

11 Finance costs

	Note	2021 HK$'m	2020 HK$'m (restated)
Continuing operations			
Interest on borrowings and other interest-bearing liabilities		**397.5**	570.3
Interest on fixed rate bonds		**294.3**	268.1
Interest on lease liabilities	49(c)(i)	**53.0**	50.5
Others		**93.9**	77.9
		838.7	966.8

12 Income tax expenses

Hong Kong profits tax is provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits for the year. Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profits for the year at the rates of tax prevailing in the regions in which the Group operates. These rates range from 12% to 28% (2020: 12% to 28%). Withholding tax on dividends is mainly provided at the rate of 5% or 10% (2020: 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 from continuing operations charged to the consolidated income statement represents:

	Note	2021 HK$'m	2020 HK$'m (restated)
Current income tax			
Hong Kong profits tax		**224.4**	208.8
Mainland China and overseas taxation		**628.6**	426.6
Deferred income tax credit	40(a)	**(161.8)**	(45.8)
		691.2	589.6

Share of taxation of associated companies and joint ventures from continuing operations of HK$151.0 million (2020 restated: HK$73.8 million) and HK$339.7 million (2020: HK$323.9 million) respectively are included in the consolidated income statement as share of results of associated companies and joint ventures respectively.

Dividends withholding tax from continuing operations of HK$124.1 million (2020: HK$140.5 million) is included in the above income tax charge.

12 Income tax expenses (continued)

The tax expenses from continuing operations on the Group's profit before income tax differ from the theoretical amount that would arise using the profits tax rate of Hong Kong as follows:

	2021 **HK$'m**	2020 HK$'m (restated)
Profit before income tax	**2,476.0**	1,700.4
Excluding share of results of associated companies	**(266.2)**	132.6
Excluding share of results of joint ventures	**(1,280.6)**	(1,092.9)
	929.2	740.1
Calculated at a taxation rate of 16.5% (2020: 16.5%)	**153.3**	122.1
Effect of different taxation rates in other countries	**127.7**	71.7
Tax on 5% of net premium of life insurance business	**73.1**	51.2
Results of life insurance business not taxable at the statutory rate	**(177.4)**	(143.3)
Income not subject to taxation	**(105.3)**	(73.9)
Expenses not deductible for taxation purposes	**454.9**	318.5
Tax losses not recognized	**28.0**	81.7
Utilization of previously unrecognized tax losses	**(0.7)**	(2.2)
Withholding tax	**130.1**	170.5
Over-provisions in prior years	**(1.8)**	(5.4)
Others	**9.3**	(1.3)
Income tax expenses	**691.2**	589.6

13 Dividends

	2021 **HK$'m**	2020 HK$'m
Interim dividend paid of HK$0.29 (2020: HK$0.29) per share	**1,134.2**	1,134.2
Final dividend proposed of HK$0.30 (2020: paid of HK$0.29) per share	**1,173.3**	1,134.3
	2,307.5	2,268.5

At the meeting held on 30 September 2021, the Board recommended a final dividend of HK$0.30 per share. This proposed dividend has not been recognized as dividend payable in this consolidated financial statements but will be reflected as an appropriation of the retained profits in the consolidated financial statements for FY2022.

Subject to the passing of the relevant resolution at the 2021 AGM, it is expected that the final dividend will be paid on or about 20 December 2021.

14 Earnings/(loss) per share

The calculation of basic earnings per share from continuing operations is based on profit attributable to shareholders of the Company arising from the continuing operations of HK$1,190.3 million (2020: HK$536.5 million) and on the weighted average of 3,911,137,849 (2020: 3,911,137,849) ordinary shares outstanding during the year.

The calculation of basic loss per share from discontinued operations is based on the loss attributable to shareholders of the Company arising from the discontinued operations of HK$43.8 million (2020: HK$283.3 million) and on the weighted average ordinary shares outstanding during the year as abovementioned.

There is no dilutive potential ordinary share outstanding for FY2021. For FY2020, exercise of the share options of the Company was not assumed for the calculation of diluted earnings/(loss) per share.

15 Benefits and interests of directors

(a) The aggregate amounts of emoluments of the directors of the Company are as follows:

	Note	**2021** **HK$'m**	2020 HK$'m
Remunerations	(i)	**69.4**	79.3

Remuneration package, including director's fee, basic salaries, allowances and other benefits, discretionary bonuses, employer's contribution to retirement benefits scheme and share option benefits (if any), is determined according to individual performance, job responsibility and seniority, and is reviewed with reference to market conditions.

During this year, the Group did not pay the directors any inducement to join or upon joining the Group, or as compensation for loss of office. No director waived or agreed to waive any emoluments during the year.

15 Benefits and interests of directors (continued)

(a) The aggregate amounts of emoluments of the directors of the Company are as follows (continued):

(i) The remunerations of individual directors are set out below:

	As director#		As management##			
Name of director	Fees HK$'m	Allowances and other benefits HK$'m	Basic salaries, allowances and other benefits HK$'m	Employer's contribution to retirement benefits schemes HK$'m	2021 Total HK$'m	2020 Total HK$'m
Dr Cheng Kar Shun, Henry	0.77	0.05	7.69	0.62	**9.13**	16.82
Mr Ma Siu Cheung	1.06	0.13	8.75	0.35	**10.29**	12.16
Dr Cheng Chi Kong, Adrian	0.82	0.07	6.80	0.54	**8.23**	5.41
Mr Cheung Chin Cheung	0.41	0.09	6.80	0.54	**7.84**	9.42
Mr Cheng Chi Ming, Brian	0.74	0.08	6.83	0.54	**8.19**	9.49
Mr Ho Gilbert Chi Hang	1.10	0.08	6.98	0.54	**8.70**	10.87
Mr Chow Tak Wing	0.39	0.10	6.80	0.55	**7.84**	9.87
Mr Cheng Chi Leong, Christopher*	0.03	0.01	3.60	0.15	**3.79**	–
Mr To Hin Tsun, Gerald	0.30	0.07	–	–	**0.37**	0.35
Mr Dominic Lai	0.43	0.10	–	–	**0.53**	0.52
Mr Tsang Yam Pui**	0.30	0.07	–	–	**0.37**	0.36
Mr Lam Wai Hon, Patrick***	0.32	0.07	–	–	**0.39**	0.41
Mr William Junior Guilherme Doo	0.35	0.07	–	–	**0.42**	0.41
Mr Kwong Che Keung, Gordon	0.63	0.11	–	–	**0.74**	0.73
Dr Cheng Wai Chee, Christopher	0.47	0.10	–	–	**0.57**	0.55
Mr Shek Lai Him, Abraham	0.52	0.10	–	–	**0.62**	0.61
Mr Lee Yiu Kwong, Alan	0.43	0.10	–	–	**0.53**	0.51
Mrs Oei Fung Wai Chi, Grace	0.39	0.09	–	–	**0.48**	0.46
Mr Wong Kwai Huen, Albert	0.34	0.07	–	–	**0.41**	0.40
	9.80	1.56	54.25	3.83	**69.44**	79.35

* Appointed on 1 December 2020

** Resigned on 1 January 2021

*** Retired as a non-executive director and was appointed as the alternate director to Mr William Junior Guilherme Doo, both on 25 November 2020

\# The amount represented emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings.

\## The amount represented emoluments paid or receivable in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings and included basic salaries, discretionary bonuses, employer's contribution to retirement benefit scheme, allowances and other benefits.

15 Benefits and interests of directors (continued)

(b) Directors' material interest in transactions, arrangements or contracts

On 24 April 2020, a master services agreement (the "DOO Master Services Agreement") was entered into between the Company and Mr Doo Wai Hoi, William ("Mr Doo") whereby each of the Company and Mr Doo agreed to, and agreed to procure that members of the Group or the Services Group (being Mr Doo and any company which is a direct or indirect 30%-controlled company of Mr Doo, and the subsidiaries of such companies) (to the extent practicable), engage relevant members of the Services Group or the Group to provide certain operational services to relevant members of the Group or the Services Group during the term of the DOO Master Services Agreement. Mr Doo is the father of Mr William Junior Guilherme Doo, brother-in-law of Dr Cheng Kar Shun, Henry, and uncle of Dr Cheng Chi Kong, Adrian, Mr Cheng Chi Ming, Brian and Mr Cheng Chi Leong, Christopher, all of whom except for Mr Doo are directors of the Company.

The DOO Master Services Agreement has an initial term of three years commencing from 1 July 2020. For the year ended 30 June 2021, the approximate total contract sum was HK$936.0 million (2020: HK$722.1 million).

Save as mentioned above, no other significant transactions, arrangements or contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

16 Investment properties

HK$'m	Note	**Commercial properties in Hong Kong**	**Commercial properties in Macau**	**Residential properties in Mainland China**	**Total**
At 1 July 2020		**1,658.0**	**31.4**	**13.7**	**1,703.1**
Fair value changes	8	**(14.0)**	**–**	**0.8**	**(13.2)**
Transfer to property, plant and equipment	17	**–**	**–**	**(9.0)**	**(9.0)**
Translation differences		**–**	**–**	**0.5**	**0.5**
At 30 June 2021		**1,644.0**	**31.4**	**6.0**	**1,681.4**

HK$'m	Note	Commercial properties in Hong Kong	Commercial properties in Macau	Residential properties in Mainland China	Total
At 1 July 2019		1,681.0	31.6	13.9	1,726.5
Fair value changes	8	(23.0)	(0.2)	0.3	(22.9)
Translation differences		–	–	(0.5)	(0.5)
At 30 June 2020		1,658.0	31.4	13.7	1,703.1

The investment properties of the Group measured at fair value are categorized as Level 3 in the fair value hierarchy. The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There was no transfer among Levels 1, 2 and 3 fair value hierarchy during the year.

(a) Valuation process of the Group

The investment properties were revalued on 30 June 2021 by an independent, professionally qualified valuer, Knight Frank Petty Limited, based on a market value assessment or income approach as detailed in note 5(g).

The Group's management reviews the valuations performed by the independent valuers for financial reporting purposes. Discussions of valuation processes and results are held between the management and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

16 Investment properties (continued)

(b) Valuation methods

Fair values of the residential properties in Mainland China are generally derived using the sales comparison method. This valuation method is based on comparing the properties to be valued directly with other comparable properties transacted and/or asking prices. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the properties under consideration.

Fair values of commercial properties in Hong Kong and Macau are generally derived using the income capitalization method. This valuation method is based on the capitalization of the net income and reversionary income potential by adopting appropriate capitalization rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

There were no changes to the valuation techniques during the year.

(c) Significant unobservable inputs used to determine fair value

	Fair value at 30 June 2021 HK$'m	Fair value at 30 June 2020 HK$'m	Valuation methods	Unobservable inputs	**Range of unobservable inputs for 2021**	Range of unobservable inputs for 2020	Note
Commercial properties in Hong Kong	**1,644.0**	1,658.0	Income capitalization	Capitalization rate	**4.2%–5.2%**	4.2%–5.2%	(i)
				Average monthly rental	**HK$40–HK$440/sq ft HK$3,600 per carpark space**	HK$40–HK$450/sq ft HK$3,600 per carpark space	(ii)
Commercial properties in Macau	**31.4**	31.4	Income capitalization	Capitalization rate	**1.9%–3.0%**	1.9%–3.0%	(i)
				Average monthly rental	**HK$30–HK$34/sq ft HK$3,500 per carpark space**	HK$30–HK$34/sq ft HK$3,500 per carpark space	(ii)
Residential properties in Mainland China	**6.0**	13.7	Sales comparison	Property specific adjusting factor	**1.00–1.05**	0.95–1.00	(ii)
	1,681.4	1,703.1					

Notes: Descriptions of the sensitivity in unobservable inputs and inter-relationship:

(i) The fair value measurement is negatively correlated to the unobservable input that the lower the factor will result in a higher fair value.

(ii) The fair value measurement is positively correlated to the unobservable input that the higher the factor will result in a higher fair value.

17 Property, plant and equipment

HK$'m	Note	Land and properties	Other plant and equipment	Construction in progress	Buses, vessels and other motor vehicles	Total
Cost						
At 1 July 2020		1,132.5	2,958.9	102.0	4,011.7	8,205.1
Additions		–	261.6	57.3	6.4	325.3
Disposal of subsidiaries	49(b)	(1,035.0)	(215.9)	(112.1)	(4,029.1)	(5,392.1)
Deconsolidation of a subsidiary		–	(5.0)	–	–	(5.0)
Transfer from investment properties	16	9.0	–	–	–	9.0
Disposals		–	(150.7)	–	(5.9)	(156.6)
Transfers		–	2.3	(47.2)	44.9	–
Translation differences		0.9	36.8	–	0.2	37.9
At 30 June 2021		107.4	2,888.0	–	28.2	3,023.6
Accumulated depreciation and impairment						
At 1 July 2020		274.1	1,733.6	–	1,315.9	3,323.6
Depreciation	(a)	8.1	265.1	–	103.9	377.1
Disposal of subsidiaries	49(b)	(260.2)	(77.2)	–	(1,392.4)	(1,729.8)
Deconsolidation of a subsidiary		–	(0.1)	–	–	(0.1)
Disposal		–	(143.4)	–	(4.1)	(147.5)
Translation differences		–	14.1	–	0.2	14.3
At 30 June 2021		22.0	1,792.1	–	23.5	1,837.6
Net book value						
At 30 June 2021		85.4	1,095.9	–	4.7	1,186.0

(a) The amount represents depreciation charge of HK$377.1 million which includes HK$266.0 million (note 9) arising from continuing operations and HK$111.1 million arising from discontinued operations.

17 Property, plant and equipment (continued)

HK$'m	Note	Land and properties	Other plant and equipment	Construction in progress	Buses, vessels and other motor vehicles	Total
Cost						
At 1 July 2019		1,147.7	2,499.1	142.0	3,970.9	7,759.7
Acquisition of subsidiaries		–	110.4	–	0.4	110.8
Additions		–	534.8	48.0	167.4	750.2
Disposals		–	(152.6)	–	(23.5)	(176.1)
Disposal of subsidiaries	49(b)	(15.2)	(27.8)	–	(190.4)	(233.4)
Transfers		–	1.0	(88.0)	87.0	–
Translation differences		–	(6.0)	–	(0.1)	(6.1)
At 30 June 2020		1,132.5	2,958.9	102.0	4,011.7	8,205.1
Accumulated depreciation and impairment						
At 1 July 2019		148.5	1,612.7	–	770.0	2,531.2
Depreciation	(a)	45.5	259.7	–	334.7	639.9
Impairment	33(a)(i)	84.5	–	–	290.5	375.0
Disposals		–	(120.0)	–	(19.3)	(139.3)
Disposal of subsidiaries	49(b)	(4.4)	(14.9)	–	(59.9)	(79.2)
Translation differences		–	(3.9)	–	(0.1)	(4.0)
At 30 June 2020		274.1	1,733.6	–	1,315.9	3,323.6
Net book value						
At 30 June 2020		858.4	1,225.3	102.0	2,695.8	4,881.5

(a) The amount represented depreciation charge of HK$639.9 million which included HK$242.8 million (note 9) arising from continuing operations and HK$397.1 million arising from discontinued operations.

18 Intangible concession rights

	Note	2021 HK$'m	2020 HK$'m
Cost			
At beginning of year		**22,418.0**	18,153.1
Additions	(a)	**–**	5,167.4
Disposals		**–**	(233.2)
Translation differences		**2,153.2**	(669.3)
At end of year		**24,571.2**	22,418.0
Accumulated amortization and impairment			
At beginning of year		**8,334.1**	8,092.3
Amortization	9	**1,052.5**	714.9
Disposals		**–**	(203.2)
Translation differences		**829.0**	(269.9)
At end of year		**10,215.6**	8,334.1
Net book value			
At end of year	(b)	**14,355.6**	14,083.9

(a) Additions for FY2020 mainly represented acquisition of intangible concession rights of Changliu Expressway.

(b) Intangible concession rights refer to the Group's investment in the Roads segment. Amortization of intangible concession rights is included in the cost of sales in the consolidated income statement.

19 Intangible assets

HK$'m	Note	Goodwill	Operating right and others	Total
Cost				
At 1 July 2020		**5,981.9**	**702.2**	**6,684.1**
Additions		**–**	**78.5**	**78.5**
Disposal of subsidiaries		**(386.9)**	**–**	**(386.9)**
At 30 June 2021		**5,595.0**	**780.7**	**6,375.7**
Accumulated amortization and impairment				
At 1 July 2020		**402.3**	**375.0**	**777.3**
Amortization	9	**–**	**69.1**	**69.1**
Disposal of subsidiaries		**(386.9)**	**–**	**(386.9)**
At 30 June 2021		**15.4**	**444.1**	**459.5**
Net book value				
At 30 June 2021		**5,579.6**	**336.6**	**5,916.2**

HK$'m	Note	Goodwill	Operating right and others	Total
Cost				
At 1 July 2019		422.0	636.4	1,058.4
Acquisition of subsidiaries		5,576.3	90.5	5,666.8
Additions		–	44.5	44.5
Disposals		(6.6)	–	(6.6)
Disposal of subsidiaries	49(b)	(9.8)	(69.2)	(79.0)
At 30 June 2020		5,981.9	702.2	6,684.1
Accumulated amortization and impairment				
At 1 July 2019		15.4	324.3	339.7
Amortization	(a)	–	56.5	56.5
Impairment	33(a)(i)	386.9	–	386.9
Disposal of subsidiaries	49(b)	–	(5.8)	(5.8)
At 30 June 2020		402.3	375.0	777.3
Net book value				
At 30 June 2020		5,579.6	327.2	5,906.8

(a) The amount represented depreciation charge of HK$56.5 million which included HK$55.1 million (note 9) arising from continuing operations and HK$1.4 million arising from discontinued operations.

19 Intangible assets (continued)

(a) Goodwill

A summary of the goodwill allocation to segment is presented below:

HK$'m	Hong Kong	Mainland China	Total
At 30 June 2021			
Roads	**–**	**3.3**	**3.3**
Insurance	**5,576.3**	**–**	**5,576.3**
	5,576.3	**3.3**	**5,579.6**
At 30 June 2020			
Roads	–	3.3	3.3
Insurance	5,576.3	–	5,576.3
	5,576.3	3.3	5,579.6

In FY2021, the Group has finalized the assessment of the fair value of assets and liabilities of FTLife insurance and its subsidiaries as at the acquisition date of 1 November 2019 with no adjustment being made from goodwill of HK$5,576.3 million as reported in FY2020 annual financial statements.

Impairment tests for goodwill

Goodwill is allocated to the Group's CGU identified according to country of operation and business segment. For the purpose of impairment test, the recoverable amount of the business unit is determined based on either fair value less costs of disposal or value in use calculations whichever is higher.

For Insurance segment, annual growth rates for premium from new business being 14% to 25% for the first five projection years and steady growth rate of 5% for the next five projection years are determined by considering both internal and external factors. Discount rate of 7.75% was used to reflect specific risk relating to such business. The assessment indicated no impairment is required on the carrying value of goodwill of Insurance segment as at 30 June 2021.

The assumptions used in the carrying value assessment are highly judgmental, and heavily dependent on the discount rate used and premium from new business projection. For example, any increase in the risk premium or any decrease in the premium from new business projection with other variables remain constant, if adopted, would result in decrease in the recoverable amount as determined by the value in use calculation.

(b) Operating right and others

Operating right was primarily resulted from the acquisition of right to operate facilities management business and is amortized over the period of the operating right. Other intangible asset mainly represents computer software under the Group's Insurance segment and is amortized over a period of 3 to 5 years or the estimated useful life, whichever is shorter. Operating right and other intangible assets are tested for impairment when there is indication of impairment.

(c) Amortization

Amortization of intangible assets is included in the cost of sales and general and administrative expenses in the consolidated income statement.

20 Value of business acquired

	Note	2021 HK$'m	2020 HK$'m
At beginning of the year		**5,651.5**	–
Acquisition of subsidiaries		**–**	5,825.0
Amortization	7, 9	**(256.4)**	(173.5)
At end of year		**5,395.1**	5,651.5

21 Right-of-use assets

	2021 HK$'m	2020 HK$'m
Leasehold land	**209.6**	635.7
Buildings, plant and equipment	**527.3**	657.0
Others	**623.0**	707.0
	1,359.9	1,999.7

(a) Rental contracts capitalized as right-of-use assets are typically made for fixed periods range from 21 months to 19 years for buildings, plant and equipment and others, but may have extension options which majority of these options are exercisable only by the Group and not by the respective lessors. Lease term for leasehold land ranges from 32 years to 125 years (2020: ranged from 3 years to 125 years).

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 other than the security interests in the leased assets that are held by the lessor.

(b) During the year, additions to the right-of-use assets are HK$69.4 million (2020: HK$778.7 million, in which HK$557.5 million in relation to the acquisition of subsidiaries).

(c) Depreciation of right-of-use assets from continuing operations are as follows:

	Note	2021 HK$'m	2020 HK$'m (restated)
Leasehold land		**20.1**	14.1
Buildings, plant and equipment		**167.5**	139.4
Others		**84.0**	84.0
	9	**271.6**	237.5

22 Deferred acquisition costs

	Note	2021 HK$'m	2020 HK$'m
At beginning of the year		**688.2**	–
Additions of new business		**1,390.3**	824.3
Amortization	9(b)	**(367.0)**	(136.1)
At end of year		**1,711.5**	688.2

23 Associated companies

	Note	2021 HK$'m	2020 HK$'m
Group's share of net assets, including goodwill			
Listed shares – Hong Kong	(a)	**1,078.1**	2,967.1
Listed shares – overseas	(a)	**628.1**	486.9
Unlisted shares	(b)	**3,737.4**	8,583.9
	(d)	**5,443.6**	12,037.9
Amounts receivable			
Gross amount	(f)	**1,704.7**	2,575.3
Less: provision	(g)	**(1,474.7)**	(1,259.7)
	(c), (e)	**5,673.6**	13,353.5

(a) As at 30 June 2021, the share of market value of the Group's listed associated companies amounts to HK$2,094.3 million (2020: HK$2,197.3 million).

(b) As at 30 June 2021, the Group has provided a pledge over its 30% equity interest in an associated company which owns and operates Suiyuenan Expressway with carrying amount of approximately HK$1,679.9 million (2020: HK$1,443.2 million) as security for a bank loan made by that associated company.

(c) As at 30 June 2021, the carrying amount mainly represents the Group's investments in various roads, healthcare, strategic investments and other projects.

(d) During the current year, the Group's certain investments in associated companies were reclassified to assets held-for-sale. Details were set out in notes 33 and 34.

(e) Management regularly reviews whether there are any indications of impairment of the Group's investments in associated companies. Management is of the view that there is no impairment of the Group's investments in associated companies as at 30 June 2021 except for an aggregate impairment loss of HK$248.0 million (notes 5(a)(ii) and 6(a)(i)) (2020: HK$664.8 million) (note 6(a)(iii)), of which HK$128.0 million (2020: HK$334.8 million) (note 8) was recognized in "other income and gains, net" from continuing operations in the consolidated income statement whereas HK$120.0 million (2020: HK$330.0 million) (note 6(c)) was shared by the Group and included in "share of results of associated companies" from continuing operations in the consolidated income statement.

23 Associated companies (continued)

(f) Amounts receivable are analyzed as follows:

	Note	2021 HK$'m	2020 HK$'m
Interest bearing	(i)	**1,704.7**	2,563.3
Non-interest bearing		**–**	12.0
		1,704.7	2,575.3

(i) The balance includes an amount of HK$104.7 million (2020: HK$104.7 million) which carries interest at 8% per annum, an aggregate amount of HK$1,600.0 million (2020: HK$1,600.0 million) which carries interest at 6-month HIBOR plus a margin of 1.3% per annum. The balance as at 30 June 2020 also includes an amount of HK$751.8 million which carries interest 1-month HIBOR plus a margin of 1.025% per annum and an amount of HK$106.8 million which carries interest at one-to-five-year Renminbi benchmark lending rate published by People's Bank of China.

The amounts are not repayable within the next 12 months from the end of the reporting period. As at 30 June 2021, the carrying amounts of the amounts receivable are not materially different from their fair values.

(g) During the current year, additional provision of HK$215.0 million (2020: HK$343.6 million) is recognized in respect of amounts receivable which mainly represents share of loss from associated companies.

(h) Dividend income from associated companies for the current year is HK$353.1 million (2020: HK$534.6 million). The amount of dividend income received during the current year amounting to HK$436.3 million (2020: HK$345.6 million) is disclosed in the consolidated statement of cash flows.

(i) Details of principal associated companies are given in note 56. The directors of the Company are of the view that as at 30 June 2021, there is no individual associated company that was material to the Group.

(j) Financial guarantee contracts relating to associated companies are disclosed in note 48.

(k) The Group's share of revenue and results of associated companies from continuing operations are summarized below:

	Note	2021 HK$'m	2020 HK$'m (restated)
Revenue	6(d)	**5,449.8**	4,758.6
Profit/(loss) for the year		**266.2**	(132.6)
Other comprehensive income/(loss) for the year		**636.0**	(360.6)
Total comprehensive income/(loss) for the year		**902.2**	(493.2)

23 Associated companies (continued)

(l) The Group's share of assets and liabilities of associated companies are summarized below:

	2021 HK$'m	2020 HK$'m
Non-current assets	**7,536.2**	19,002.3
Current assets	**2,605.5**	4,199.9
Current liabilities	**(1,245.4)**	(5,153.3)
Non-current liabilities	**(5,019.2)**	(7,548.8)
Net assets	**3,877.1**	10,500.1

24 Joint ventures

	Note	2021 HK$'m	2020 HK$'m
Co-operative joint ventures			
Cost of investment less provision, including goodwill		**860.6**	1,202.7
Share of undistributed post-acquisition results		**2,285.8**	1,715.2
Amounts receivable	(c)	**30.1**	21.3
		3,176.5	2,939.2
Equity joint ventures			
Group's share of net assets, including goodwill		**3,459.3**	3,376.2
Companies limited by shares			
Group's share of net assets, including goodwill	(d)	**2,624.5**	4,538.5
Amounts receivable			
Gross amount	(c)	**2,953.7**	2,820.9
Less: provision	(d)	**(1,408.0)**	(1,387.3)
		4,170.2	5,972.1
	(a), (b)	**10,806.0**	12,287.5

(a) As at 30 June 2021, the carrying amount mainly represents the Group's investments in various roads, logistics, commercial aircraft leasing and other projects.

24 Joint ventures (continued)

(b) The share of results of joint ventures from continuing operations in the current year includes the Group's share of impairment loss (net of tax) for Goshawk on aircraft portfolio of HK$347.1 million (2020: HK$64.3 million). The key assumptions used in the impairment assessment are detailed in note 5(a)(i). Besides, the share of results of joint ventures from continuing operations also includes the Group's share of an expected credit loss provision on account receivables and aircraft repossession/recovery costs of HK$206.2 million (net of tax) (2020: HK$43.4 million) from Goshawk. The key assumptions used in the expected credit loss assessment include credit rating of airlines and provision rate.

Other than the above, management is of the view that there is no impairment of the Group's investments in joint ventures as at 30 June 2021.

(c) Amounts receivable are analyzed as follows:

	Note	**2021 HK$'m**	2020 HK$'m
Interest bearing	(i)	**473.1**	421.4
Non-interest bearing	(ii)	**2,510.7**	2,420.8
		2,983.8	2,842.2

(i) The balance includes an amount of HK$30.1 million (2020: HK$21.3 million) which carries interest at Hong Kong prime rate, an amount of HK$241.0 million (2020: HK$219.8 million) which carries interest at 90% of over-five-year Renminbi benchmark lending rate published by People's Bank of China and an amount of HK$202.0 million (2020: HK$180.3 million) which carries interest at 4% per annum.

(ii) The balance includes an amount of HK$197.5 million (2020: HK$197.5 million) which has been subordinated to certain indebtedness of a joint venture.

As at 30 June 2021, the carrying amounts of the amounts receivable are not materially different from their fair values.

(d) During the current year, additional provision of HK$20.7 million (2020: HK$78.8 million) is recognized in respect of amounts receivable which mainly represents share of loss from joint ventures.

(e) Dividend income from joint ventures for the current year is HK$998.6 million (2020: HK$1,770.1 million). The amount of dividend income received during the current year amounting to HK$910.6 million (2020: HK$1,656.7 million) is disclosed in the consolidated statement of cash flows.

(f) Details of principal joint ventures are given in note 57. The directors of the Company are of the view that as at 30 June 2021, there is no individual joint venture that was material to the Group.

(g) Financial guarantee contracts relating to joint ventures are disclosed in note 48.

24 Joint ventures (continued)

(h) The Group's share of revenue and results of joint ventures from continuing operations are summarized below:

	Note	2021 HK$'m	2020 HK$'m (restated)
Revenue	6(d)	**15,745.2**	13,721.9
Profit for the year		**1,280.6**	1,092.9
Other comprehensive income/(loss) for the year		**776.2**	(631.9)
Total comprehensive income for the year		**2,056.8**	461.0

(i) The Group's share of assets and liabilities of joint ventures are summarized below:

	2021 HK$'m	2020 HK$'m
Non-current assets	**42,134.8**	45,196.9
Current assets	**7,193.7**	5,876.4
Current liabilities	**(15,414.3)**	(14,470.1)
Non-current liabilities	**(26,265.4)**	(27,511.5)
Net assets	**7,648.8**	9,091.7

25 Financial assets at fair value through other comprehensive income

	Note	2021 HK$'m	2020 HK$'m
Equity instruments			
Listed in Hong Kong		**2,363.6**	2,448.8
Listed in overseas		**40.5**	–
Unlisted	(a)	**72.7**	357.6
		2,476.8	2,806.4
Debt instruments			
Listed in Hong Kong		**8,428.0**	7,613.8
Listed in overseas		**30,781.3**	24,700.5
Unlisted	(a)	**3,101.2**	3,419.1
	(b)	**42,310.5**	35,733.4
	(c)	**44,787.3**	38,539.8
Represented by			
Non-current assets		**42,889.2**	38,011.7
Current assets		**1,898.1**	528.1
		44,787.3	38,539.8

25 Financial assets at fair value through other comprehensive income (continued)

(a) Unlisted investments are stated at fair values which are determined by the recent transaction price or estimated using a variety of valuation methods or assessed the reasonableness with reference to market comparables, with the assistance of independent external valuer when necessary.

(b) A maturity profile of the debt instruments is as follows:

	2021 HK$'m	2020 HK$'m
Within one year	**523.1**	528.1
In the second to fifth year	**1,788.0**	1,439.4
After the fifth year	**39,999.4**	33,765.9
	42,310.5	35,733.4

(c) The financial assets at fair value through other comprehensive income are denominated in the following currencies:

	2021 HK$'m	2020 HK$'m
Hong Kong dollar	**6,078.6**	5,743.8
United States dollar	**38,708.7**	32,796.0
	44,787.3	38,539.8

26 Financial assets at fair value through profit or loss

	Note	2021 HK$'m	2020 HK$'m
Equity instruments			
Listed in Hong Kong		**134.4**	112.7
Listed in overseas		**199.2**	17.3
Unlisted	(a)	**393.5**	256.9
		727.1	386.9
Unlisted debt instruments	(a)	**1,746.3**	1,532.3
Investment funds			
Listed		**4,009.5**	3,493.9
Unlisted	(a)	**6,540.8**	3,448.3
	(b),(c)	**10,550.3**	6,942.2
	(d)	**13,023.7**	8,861.4
Represented by			
Non-current assets		**12,551.8**	8,488.2
Current assets		**471.9**	373.2
		13,023.7	8,861.4

Financial assets at FVPL related to unit-linked contracts are detailed in note 31(a).

As mentioned in note 3(ac)(xi), the Group elected to apply the overlay approach for certain designated eligible financial assets according to HKFRS 4 (Amendment), the financial assets elected by the Group applying the overlay approach are equity instruments and investment funds that are managed as underlying assets supporting the insurance contracts issued and those fair values are generally expected to be volatile. The designated eligible financial assets applying the overlay approach, which are included in the financial assets at fair value through profit or loss, at the end of the reporting period are analyzed below:

	2021 HK$'m	2020 HK$'m
Equity instruments	**107.4**	97.6
Investment funds	**7,863.2**	3,922.0
	7,970.6	4,019.6

26 Financial assets at fair value through profit or loss (continued)

During the current year, the total amount of overlay approach adjustments reclassified between consolidated income statement and other comprehensive income was derived from:

	Note	**2021 HK$'m**	2020 HK$'m
The amount of gains/(losses) reported in profit or loss and presented in consolidated income statement within "other income and gains, net" for the designated financial assets under HKFRS 9		**1,462.6**	(202.3)
Overlay approach adjustments on financial assets in consolidated income statement	8(a)	**(1,270.6)**	208.2
The amount of gains that would have been reported in consolidated income statement for the designated financial assets as if HKAS 39 had been applied		**192.0**	5.9

(a) Unlisted investments are stated at fair values which are estimated using a variety of valuation methods or assessed the reasonableness with reference to market comparables, with the assistance of independent external valuer, when necessary.

(b) As at 30 June 2021, the Group holds certain investment funds with aggregate fair value of HK$2,319.7 million (2020: HK$2,452.0 million) which are managed by the general partner while the Group participated in the funds as a limited partner. Management considered that the Group has neither significant influence nor joint control over the fund and therefore it is classified as financial assets at fair value through profit or loss.

(c) As at 30 June 2021, the Group holds participating shares of an investment fund with fair value of HK$776.7 million (2020: HK$776.7 million). Given all relevant investment decision making power is rested with the management shareholder and investment manager. There is no mechanism in place that allow participating shareholder to participate in investment related decision making. Management considered that the Group has neither significant influence nor joint control over this investment and therefore accounted for this investment as financial assets at fair value through profit or loss.

(d) The financial assets at fair value through profit or loss are denominated in the following currencies:

	2021 HK$'m	2020 HK$'m
Hong Kong dollar	**1,740.3**	753.2
United States dollar	**10,672.5**	7,749.3
Renminbi	**471.4**	291.6
Pound Sterling	**97.5**	42.9
Euro	**41.3**	23.7
Others	**0.7**	0.7
	13,023.7	8,861.4

27 Derivative financial instruments

	Note	**2021 HK$'m**	2020 HK$'m
Derivative financial assets			
Cross currency swaps	(a)	**16.3**	0.2
Interest rate swaps	(b)	**641.9**	1,493.0
Foreign currency forward contracts		**–**	0.6
Put option	(c)	**801.8**	478.9
		1,460.0	1,972.7
Represented by			
Non-current assets		**658.2**	1,972.0
Current assets		**801.8**	0.7
		1,460.0	1,972.7
Derivative financial liabilities			
Cross currency swaps	(a)	**(102.8)**	(92.9)
Interest rate swaps	(b)	**–**	(3.6)
Fuel price swaps		**–**	(141.5)
Foreign currency forward contracts		**–**	(0.4)
		(102.8)	(238.4)
Represented by			
Non-current liabilities		**(102.5)**	(140.7)
Current liabilities		**(0.3)**	(97.7)
		(102.8)	(238.4)

(a) Cross currency swaps

As at 30 June 2021, the Group has certain cross currency swap contracts designated as cash flow hedges against its foreign currency risk in respect of cash flows from certain bond investments and bank loan with total notional amount of US$150.7 million (2020: US$122.9 million) and HK$1,005.7 million (2020: HK$1,005.7 million), respectively and with maturities ranging from 2021 to 2037 (2020: 2020 to 2029). These cross currency swap contracts are entered with several counterparties over the counter. The Group seeks to hedge the foreign currency risk by the exchange of payments denominated in targeted currency, and applies a hedge ratio of 1:1. The existence of an economic relationship between the cross currency swap contracts and the highly probable forecast transactions/actual transaction is determined based on their currency amounts and the timing of their respective cash flows. The terms of the cross currency swap contracts have been negotiated to match the terms of the underlying bond investments and bank loan. The cash flow hedges were assessed to be highly effective and the related cumulative losses in the hedge reserve amounted to HK$40.6 million (2020: HK$72.9 million).

27 Derivative financial instruments (continued)

(b) Interest rate swaps

As at 30 June 2021, the Group's insurance business has certain forward starting swap contracts designated as cash flow hedges against its interest rate risk in respect of bonds to be purchased in the future. Under the contracts, the Group's insurance business will be entitled to receive fixed rate of around 4% to 5% per annum, and required to pay floating rate of 3-month LIBOR, in US$ published by the British Banker's Association. The total notional amount was US$295.0 million (2020: US$450.0 million). The cash flow hedge was assessed to be highly effective and the related cumulative gains in the hedge reserve amounted to HK$47.5 million (2020: HK$477.9 million).

The Group's insurance business seeks to hedge the interest rate risk by the exchange of payments benchmarked against the targeted fixed interest rate. The Group's insurance business applies an approximate hedge ratio of 1:1 and determines the existence of an economic relationship between the forward starting swap contracts and the debt security investments by matching their critical terms, including the reference interest rates and interest payments.

As at 30 June 2021, the Group's insurance business received HK$640.9 million (2020: HK$1,582.0 million) cash and bank balance from counterparties (note 39) as collateral which are repayable on demand. Interest is calculated on overnight federal fund rate and payable to counterparties.

(c) Put option

As at 30 June 2021, the Group's insurance business holds a put option which is carried at fair value of HK$801.8 million (2020: HK$478.9 million). The Group has the right to sell or dispose of an investment in equity instrument held by the Group at a specified price within a specified transaction period. As at 30 June 2021, the fair value of the underlying equity instrument which is classified as financial assets at FVOCI amounted to HK$220.4 million (2020: HK$252.3 million).

28 Other non-current assets

	Note	**2021 HK$'m**	2020 HK$'m
Security deposits		**400.7**	400.7
Deferred tax assets	40	**56.6**	22.8
Policy loans		**506.4**	478.4
Consideration receivable		**639.8**	–
Others		**344.2**	296.8
		1,947.7	1,198.7

29 Inventories

	2021 HK$'m	2020 HK$'m
Raw materials and consumables	**13.5**	89.7
Finished goods	**193.5**	238.9
	207.0	328.6

30 Trade, premium and other receivables

	Note	2021 HK$'m	2020 HK$'m
Trade receivables	(a)	**1,313.2**	1,924.4
Premium receivables		**288.4**	344.4
Other receivables, deposits and prepayments	(b)	**4,055.0**	4,843.4
Retention money receivables		**1,533.6**	1,697.8
Contract assets	35	**870.6**	201.2
Amounts due from associated companies	(c)	**246.2**	271.1
Amounts due from joint ventures	(c),(d)	**6,855.2**	6,925.2
	(e)	**15,162.2**	16,207.5

(a) The ageing analysis of trade receivables based on invoice date is as follows:

	2021 HK$'m	2020 HK$'m
Under 3 months	**1,205.6**	1,796.1
4 to 6 months	**28.5**	11.2
Over 6 months	**79.1**	117.1
	1,313.2	1,924.4

(b) The balance includes construction related receivables amounting to HK$1,280.5 million (2020: HK$2,789.2 million) which have not yet been billed at year end.

30 Trade, premium and other receivables (continued)

(c) As at 30 June 2021, the amounts due from associated companies and joint ventures of the Group are interest free, unsecured and repayable on demand or within the next 12 months from the end of the reporting period except for an amount of HK$498.0 million (2020: HK$280.8 million) due from a joint venture which carries compound interest at 5% per annum (2020: carries interest at 12-month LIBOR plus a margin of 12.15% per annum).

(d) The balance mainly includes advances to Goshawk amounting to HK$6,168.0 million (2020: HK$6,332.7 million) which are interest free, unsecured and repayable on demand, except for HK$6,166.6 million (2020: HK$6,331.3 million) which are repayable within the next 12 months from the end of reporting period. The Group applies 12-month expected credit loss model under HKFRS 9 and considers there is no significant increase in credit risk since initial recognition. As at 30 June 2021, loss allowance of HK$8.0 million is recognized.

(e) The Group has various credit policies for different business operations depending on the requirements of the markets and businesses in which the subsidiaries operate. Retention money receivables in respect of construction services are settled in accordance with the terms of respective contracts and majority of the balances are expected to settle beyond one year after the year end.

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected credit loss allowance for trade receivables, retention money receivables and contract assets. In relation to premium receivables, other receivables and amount due from associated company or joint ventures, the expected credit loss allowances are measured as either 12-month or lifetime expected credit loss. The movement of loss allowance is as follows:

HK$'m	Note	**Trade receivables**	**Other receivables and deposits**	**Retention money receivables**	**Amount due from joint ventures**	**Total**
As at 1 July 2020		**–**	**39.5**	**–**	**–**	**39.5**
Increase in loss allowance recognized in consolidated income statement	8	**41.4**	**325.5**	**60.8**	**8.0**	**435.7**
Unused amount reversed	8	**–**	**(17.3)**	**–**	**–**	**(17.3)**
As at 30 June 2021		**41.4**	**347.7**	**60.8**	**8.0**	**457.9**

HK$'m	Note	Other receivables and deposits	Amount due from associated companies	Total
As at 1 July 2019		28.8	–	28.8
Increase in loss allowance recognized in consolidated income statement	8	10.7	7.0	17.7
Receivables written off during the year as uncollectible		–	(7.0)	(7.0)
As at 30 June 2020		39.5	–	39.5

30 Trade, premium and other receivables (continued)

(e) (continued)

During the current year, management has assessed the expected credit loss on performing financial assets based on methodology set out in note 4(b) and HK$32.1 million expected credit loss provision has been made. For non-performing assets including (i) trade receivables, other receivables and retention money receivables of certain construction projects, management has assessed the expected credit loss based on lifetime expected credit loss approach with reference to the creditability of the specific counterparties and HK$254.0 million expected credit loss provision has been made; and (ii) certain interest receivable amounting to HK$149.6 million (before provision), management has assessed the expected credit loss based on lifetime expected credit loss approach with reference to the creditability of the counterparties and provided full amount of expected credit loss provision during the current year.

(f) Included in the Group's trade, premium and other receivables are HK$8,791.4 million (2020: HK$8,047.7 million) denominated in United States dollar, HK$314.0 million (2020: HK$545.9 million) denominated in Renminbi and HK$12.8 million (2020: HK$14.8 million) denominated in Macau Pataca. The remaining balances are mainly denominated in Hong Kong dollar.

31 Investments/liabilities related to unit-linked contracts

(a) Investments related to unit-linked contracts are analyzed as follows:

	2021 HK$'m	2020 HK$'m
Financial assets at FVPL – Investment funds, at fair value	**10,717.1**	8,884.2
Cash and bank balances	**53.1**	169.4
	10,770.2	9,053.6

The classification and measurement of financial assets at FVPL related to unit-linked contracts are in accordance with HKFRS 9.

(b) Liabilities related to unit-linked contracts are analyzed as follows:

	2021 HK$'m	2020 HK$'m
Insurance contract liabilities	**808.5**	666.9
Investment contract liabilities	**10,142.5**	8,554.9
	10,951.0	9,221.8
Represented by		
Non-current liabilities	**180.8**	168.2
Current liabilities	**10,770.2**	9,053.6
	10,951.0	9,221.8

32 Cash and bank balances

	2021 HK$'m	2020 HK$'m
Time deposits – maturing within three months	**2,929.3**	7,973.4
Time deposits – maturing after more than three months	**13.7**	13.6
Pledged deposits	**–**	10.0
Other cash at bank and on hand	**7,861.6**	5,224.8
	10,804.6	13,221.8

The effective interest rate on time deposits is 0.1% (2020: 1.5%) per annum; these deposits have an average maturity of 11 days (2020: 17 days).

The balances include HK$2,251.8 million (2020: HK$2,898.5 million) which are kept in the bank accounts opened with banks in Mainland China where the remittance of funds is subject to foreign exchange control.

The cash and bank balances are denominated in the following currencies:

	2021 HK$'m	2020 HK$'m
Hong Kong dollar	**2,837.9**	3,601.7
Renminbi	**2,397.5**	3,006.8
United States dollar	**5,484.2**	6,467.8
Euro	**48.0**	111.8
Macau Pataca	**11.4**	12.3
Others	**25.6**	21.4
	10,804.6	13,221.8

33 Discontinued operations

During FY2021, the Group entered into (i) a sale and purchase agreement with Bravo Transport Holdings Limited to dispose of the entire issued share capital of NWS Transport (an indirect wholly-owned subsidiary of the Company) at the consideration of HK$3,200.0 million (subject to instalment arrangements and adjustments); and (ii) a sale and purchase agreement with Chu Kong Shipping Enterprises (Holdings) Company Limited to dispose of its remaining 40% interest in New World First Ferry Services Limited (collectively, "Transport Disposal"). Both transactions were completed during FY2021 and the Group ceased to operate the transport business. The Group has recognized an aggregate net loss on Transport Disposal of HK$64.8 million (note 33(a)) in the consolidated income statement for FY2021. The assets and liabilities of NWS Transport at the date of completion of disposal were included in note 49(b).

The results related to the Transport Disposal are presented as discontinued operations in accordance with HKFRS 5.

The Group holds 42% interest in SUEZ NWS (an associated company of the Group) and owned 100% interest in NWS HKI (which indirectly holds 12.55% effective interest in Derun Environment) (collectively with SUEZ NWS, the "Environment Disposal Group"). In December 2020, the Group reached an advanced stage of negotiation of the disposal of the Environment Disposal Group. Accordingly, the assets and liabilities of the Environment Disposal Group were reclassified as held-for-sale as at 31 December 2020 and were measured at the lower of carrying amount and fair value less costs to sell.

In January 2021, the Group entered into conditional sale and purchase agreements for the disposal of the Group's entire interest in SUEZ NWS and NWS HKI together with the inter-company payable by NWS HKI to the Company at an aggregate cash consideration of HK$6,533.0 million. The disposal of NWS HKI was completed in May 2021 and the Group has recognized a remeasurement loss of HK$228.1 million (note 33(a)) in FY2021 as a standalone disposal of NWS HKI. The carrying value of SUEZ NWS of HK$4,054.5 million continued to be accounted for as an asset held-for-sale as at 30 June 2021 and was included in the amount disclosed in note 34.

Given the Environment Disposal Group accounts for a significant part of the Group's environment business, the disposal constituted a discontinued operation under HKFRS 5.

33 Discontinued operations (continued)

An analysis of the results, total comprehensive income/(loss) and cash flows relating to the discontinued operations is set out below:

(a) Results from discontinued operations

	Note	2021 HK$'m	2020 HK$'m
Revenue		**655.1**	3,308.3
Cost of sales		**(791.8)**	(3,637.6)
Gross loss		**(136.7)**	(329.3)
Other income and gains/(charges), net	(i)	**126.0**	(378.0)
Selling and marketing expenses		**(1.5)**	(9.1)
General and administrative expenses		**(33.4)**	(185.8)
Operating loss		**(45.6)**	(902.2)
Finance costs	6(a)(ii),6(a)(iv)	**(5.7)**	(29.0)
Share of results of			
Associated companies		**152.8**	212.8
Joint venture		**94.9**	148.0
Profit/(loss) before income tax		**196.4**	(570.4)
Income tax credit	(i)	**52.7**	132.0
		249.1	(438.4)
Remeasurement loss upon reclassification			
as held-for-sale	6(a)(i)	**(228.1)**	–
Net (loss)/profit on disposal of discontinued operations		**(64.8)**	155.1
Loss for the year from discontinued operations		**(43.8)**	(283.3)

(i) The amount for FY2020 included impairment loss for transport business of HK$700.0 million (note 6(a)(iii)), of which HK$386.9 million (note 19) was provided against goodwill and against HK$375.0 million (note 17) was provided against property, plant and equipment, net of tax credit HK$61.9 million.

33 Discontinued operations (continued)

(b) Total comprehensive income/(loss) from discontinued operations

	2021 HK$'m	2020 HK$'m
Loss for the year from discontinued operations	**(43.8)**	(283.3)
Other comprehensive income/(loss)		
Net fair value changes on equity instruments as financial assets at FVOCI	**1.9**	(47.0)
Remeasurement of post-employment benefit obligation	**3.1**	(25.9)
Release of reserve upon disposal of subsidiaries	**99.1**	24.7
Release of reserves upon disposal of interest in an associated company	**(1.5)**	–
Share of other comprehensive loss of a joint venture	**–**	(4.7)
Cash flow hedges	**41.6**	(152.8)
Currency translation differences	**394.7**	(167.3)
Other comprehensive income/(loss) for the year, net of tax	**538.9**	(373.0)
Total comprehensive income/(loss) for the year from discontinued operations	**495.1**	(656.3)

(c) Cash flows from discontinued operations

	2021 HK$'m	2020 HK$'m
Net cash generated from operating activities	**151.1**	258.2
Net cash generated from investing activities	**858.5**	4.9
Net cash generated from/(used in) financing activities	**17.8**	(49.7)
Net cash from discontinued operations	**1,027.4**	213.4

34 Assets held-for-sale

As detailed in note 33, the Group's entire interest in SUEZ NWS was classified as an asset held-for-sale as at 30 June 2021.

In June 2021, the Group entered into a framework agreement for the proposed disposal of its entire 20% interest in XCTG (an associated company of the Group), at a cash consideration of RMB1,568.0 million (equivalent to approximately HK$1,877.8 million). Accordingly, the Group's interest in XCTG was reclassified as assets held-for-sale as at 30 June 2021 and was measured at the lower of carrying amount and fair value less costs to sell. No remeasurement loss was recognized for FY2021 in accordance with the provisions under HKFRS 5. A conditional sale and purchase agreement for this disposal was subsequently entered into in August 2021.

Apart from the above, the Group reclassified its investment in Wai Kee from an associated company to an asset held-for-sale as at 31 December 2020 as the Group intended to recover the carrying amount through sales. Upon reclassification, the investment was measured at the lower of carrying amount and fair value less costs to sell. Based on the fair value of the investment, a remeasurement loss of HK$1,373.8 million (notes 6(a)(i) and 8) was recognized as "other income and gains, net" from continuing operations in the consolidated income statement during FY2021. In April 2021, the Group disposed of half of its shareholding interest in Wai Kee with a profit of HK$63.7 million recognized as "other income and gains, net" from continuing operations in the consolidated income statement. The fair value of the remaining interest in the investment of HK$379.2 million continued to be classified as an asset held-for-sale as at 30 June 2021.

Assets held-for-sale as at 30 June 2020 mainly represented the Group's 20% equity interest in an associated company engaged in healthcare business amounting to HK$72.7 million. It was classified as assets held-for-sale as the Group intended to recover the carrying amount through a sale transaction and the recoverable amount was determined primarily based on estimated disposal consideration. Based on the assessment, a provision of HK$40.0 million for impairment was made against the Group's interests in this associated company in FY2020. Subsequently, the Group's interest in this associated company was disposed of in September 2020.

The assets classified as held-for-sale, which have been presented separately in the consolidated statement of financial position, are as follows:

	2021 **HK$'m**	2020 HK$'m
Assets		
Associated companies	**6,324.2**	111.5
Trade and other receivables	**0.7**	0.7
	6,324.9	112.2

35 Contract assets and contract liabilities

Contract assets and contract liabilities are related to the Group's construction business, details are as follows:

	Note	2021 HK$'m	2020 HK$'m
Contract assets	30	**870.6**	201.2
Contract liabilities	44	**(447.3)**	(1,311.8)
		423.3	(1,110.6)

The following table shows the amount of the revenue recognized in the current reporting period relates to contract liability balance at the beginning of the year and the amount relates to performance obligations that were satisfied in previous years:

	2021 HK$'m	2020 HK$'m
Revenue recognized that was included in the contract liability balance at the beginning of the year	**1,209.9**	1,006.9
Revenue recognized from performance obligations satisfied/partially satisfied in previous years	**289.4**	272.2

The following table shows the amount of unsatisfied performance obligations:

	2021 HK$'m	2020 HK$'m
Expected to be recognized within one year	**14,972.1**	19,672.6
Expected to be recognized after one year	**13,257.4**	16,475.6
	28,229.5	36,148.2

36 Share capital

	Ordinary Shares	
	No. of shares	HK$'m
Authorized		
At 1 July 2020 and 30 June 2021	**6,000,000,000**	**6,000.0**
Issued and fully paid		
At 1 July 2020 and 30 June 2021	**3,911,137,849**	**3,911.1**

Share Option Scheme

The share option scheme of the Company, which was adopted on 21 November 2011, is valid and effective for a period of ten years from the date of adoption. The Board may, at their discretion, grant options to any eligible participant as defined under the Share Option Scheme to subscribe for the shares of the Company.

There were no share options of the Company granted during the current year or outstanding as at 30 June 2021 and 30 June 2020 under the share option scheme of the Company.

37 Reserves

HK$'m	Note	Share premium	Special reserves	Hedge reserves	FVOCI reserve (non-recycling)	FVOCI reserve (recycling)	Exchange reserve	Revenue reserve	Total
At 1 July 2020		17,821.5	528.1	(265.4)	(814.5)	1,363.2	(1,926.3)	25,749.3	42,455.9
Profit attributable to shareholders of the Company		-	-	-	-	-	-	1,146.5	1,146.5
Dividends paid to shareholders of the Company		-	-	-	-	-	-	(2,268.5)	(2,268.5)
Release of reserves upon disposal/partial disposal of interests in associated companies		-	(46.3)	(1.5)	-	-	(56.6)	42.8	(61.6)
Release of reserve upon disposal of interest in a joint venture		-	-	-	-	-	(93.8)	-	(93.8)
Release of reserves upon disposal of subsidiaries		-	4.7	99.1	(297.5)	-	(27.7)	292.8	71.4
Release of reserve upon disposal of equity instruments as financial assets at FVOCI		-	-	-	6.8	-	-	(6.8)	-
Release of reserve upon disposal of debt instruments as financial assets at FVOCI		-	-	-	-	(40.7)	-	-	(40.7)
Release of reserve upon deconsolidation of a subsidiary		-	-	-	-	-	(10.3)	-	(10.3)
Net fair value changes on equity instruments as financial assets at FVOCI									
Group		-	-	-	62.8	-	-	-	62.8
Associated company		-	-	-	11.8	-	-	-	11.8
Joint venture		-	-	-	1.9	-	-	-	1.9
Net fair value changes and other net movements on debt instruments as financial assets at FVOCI	(a)	-	-	-	-	(1,677.3)	-	-	(1,677.3)
Amount reported in other comprehensive income applying overlay approach adjustments on financial assets	8(a)	-	-	-	-	1,270.6	-	-	1,270.6
Currency translation differences									
Group		-	-	-	-	-	1,186.6	-	1,186.6
Associated companies		-	-	-	-	-	932.0	-	932.0
Joint ventures		-	-	-	-	-	750.4	-	750.4
Share of other comprehensive loss of associated companies and joint ventures		-	(2.9)	-	-	-	-	(0.4)	(3.3)
Cash flow/fair value hedges									
Group		-	-	(26.6)	-	-	-	-	(26.6)
Associated company		-	-	(0.5)	-	-	-	-	(0.5)
Joint ventures		-	-	269.8	-	-	-	-	269.8
Remeasurement of post-employment benefit obligation		-	-	-	-	-	-	25.2	25.2
Transfer of reserves		-	32.3	-	-	-	-	(32.3)	-
At 30 June 2021		17,821.5	515.9	74.9	(1,028.7)	915.8	754.3	24,948.6	44,002.3

(a) The amounts represent net fair value changes of financial assets at FVOCI for the current year recognized in consolidated statement of comprehensive income, in which net fair value changes of debt instruments are mainly relating to investments held by the Group's insurance business.

37 Reserves (continued)

HK$'m	Note	Share premium	Special reserves	Hedge reserves	FVOCI reserve (non-recycling)	FVOCI reserve (recycling)	Exchange reserve	Revenue reserve	Total
At 1 July 2019		17,821.5	784.5	(421.5)	(704.7)	–	(635.6)	28,184.1	45,028.3
Profit attributable to shareholders of the Company		–	–	–	–	–	–	253.2	253.2
Dividends paid to shareholders of the Company		–	–	–	–	–	–	(2,268.5)	(2,268.5)
Release of reserves upon disposal/partial disposal of interests in associated companies		–	(8.5)	–	–	–	(6.0)	–	(14.5)
Release of reserves upon disposal of subsidiaries		–	–	24.7	(1.8)	–	–	1.8	24.7
Release of reserve upon disposal of equity instruments as financial assets at FVOCI		–	–	–	666.1	–	–	(666.1)	–
Release of reserve upon disposal of debt instruments as financial assets at FVOCI		–	–	–	–	(309.7)	–	–	(309.7)
Net fair value changes on equity instruments as financial assets at FVOCI									
Group		–	–	–	(761.5)	–	–	–	(761.5)
Associated company		–	–	–	(15.7)	–	–	–	(15.7)
Joint venture		–	–	–	3.1	–	–	–	3.1
Net fair value changes and other net movements on debt instruments as financial assets at FVOCI	(a)	–	–	–	–	1,881.1	–	–	1,881.1
Amount reported in other comprehensive income applying overlay approach adjustments on financial assets	8(a)	–	–	–	–	(208.2)	–	–	(208.2)
Currency translation differences									
Group		–	–	–	–	–	(472.2)	–	(472.2)
Associated companies		–	–	–	–	–	(424.0)	–	(424.0)
Joint ventures		–	–	–	–	–	(388.5)	–	(388.5)
Share of other comprehensive (loss)/income of associated companies and joint ventures		–	(13.3)	–	–	–	–	0.4	(12.9)
Cash flow/fair value hedges									
Group		–	–	438.3	–	–	–	–	438.3
Associated company		–	–	2.1	–	–	–	–	2.1
Joint venture		–	–	(309.0)	–	–	–	–	(309.0)
Remeasurement of post-employment benefit obligation		–	–	–	–	–	–	32.0	32.0
Transaction costs in relation to the issuance of perpetual capital securities		–	–	–	–	–	–	(22.2)	(22.2)
Transfer of reserves	(b)	–	(234.6)	–	–	–	–	234.6	–
At 30 June 2020		17,821.5	528.1	(265.4)	(814.5)	1,363.2	(1,926.3)	25,749.3	42,455.9

(a) The amounts represented net fair value changes of financial assets at FVOCI for the last year recognized in consolidated statement of comprehensive income, in which net fair value changes of debt instruments were mainly relating to investments held by the Group's insurance business.

(b) The amount mainly represented the transfer of share option reserve HK$254.9 million to revenue reserve.

37 Reserves (continued)

Special reserves include statutory reserves which are created in accordance with the relevant laws of the Mainland and/or terms of the joint venture agreements of subsidiaries and joint ventures established in the Mainland and are required to be retained in the financial statements of these subsidiaries and joint ventures for specific purposes. Special reserves also include capital redemption reserve and property revaluation reserve. Hedge reserves include (i) cash flow hedge reserve arising from foreign exchange forward contracts, interest rate swaps, cross currency swaps contracts and fuel price swaps and (ii) fair value hedge reserve arising from a put option.

38 Perpetual capital securities

The balance represents US$1,000 million and US$300 million 5.75% senior perpetual capital securities issued by the Group in January 2019 and July 2019 respectively which were consolidated as a single series. The senior perpetual capital securities are listed on the Hong Kong Stock Exchange and have no maturity date. The Group has the right to redeem the securities from the holders and the payments of distribution can be deferred at the discretion of the Group. The securities are classified as equity in the consolidated financial statements of the Group.

39 Borrowings and other interest-bearing liabilities

	Note	**2021** **HK$'m**	2020 HK$'m
Non-current			
Unsecured long-term bank loans	(a), (b)	**16,167.7**	19,668.2
Unsecured fixed rate bonds	(c)	**6,864.7**	6,973.7
Financing received under a financial reinsurance arrangement	(d)	**197.0**	249.6
Unsecured other borrowings		**–**	0.2
		23,229.4	26,891.7
Current			
Current portion of unsecured long-term bank loans	(a), (b)	**1,297.1**	1,537.0
Unsecured short-term bank loans		**94.0**	829.7
Financing received under a financial reinsurance arrangement	(d)	**86.5**	115.2
Cash collateral received for cross currency swap and forward starting interest rate swap contracts	27(b)	**640.9**	1,582.0
Unsecured other borrowings		**0.1**	0.1
		2,118.6	4,064.0
		25,348.0	30,955.7

39 Borrowings and other interest-bearing liabilities (continued)

(a) Unsecured long-term bank loans

	2021 HK$'m	2020 HK$'m
Unsecured long-term bank loans	**17,464.8**	21,205.2
Amounts repayable within one year included in current liabilities	**(1,297.1)**	(1,537.0)
	16,167.7	19,668.2

The maturity of unsecured long-term bank loans is as follows:

	2021 HK$'m	2020 HK$'m
Within one year	**1,297.1**	1,537.0
In the second year	**4,131.2**	1,724.9
In the third to fifth year	**9,187.5**	14,075.8
After the fifth year	**2,849.0**	3,867.5
	17,464.8	21,205.2

As at 30 June 2021, the Group's long-term bank loans of HK$17.465 billion (2020: HK$21.205 billion) are exposed to interest rate risk of contractual repricing dates falling within one year. Interest rate swaps and cross currency swaps contracts are used to hedge against part of the Group's underlying interest rate exposures.

(b) The effective interest rates of bank loans at the end of the reporting period were as follows:

	2021	2020
Hong Kong dollar	**1.19%**	1.62%
Renminbi	**4.22%**	4.30%

39 Borrowings and other interest-bearing liabilities (continued)

(c) Fixed rate bonds

Fixed rate bonds represent the following:

- US$650.0 million bonds issued in June 2019 at a price 99.718% of the principal amount bearing a coupon rate of 4.25% per annum. These bonds are unsecured, have maturity of ten years falling due 2029 and listed on the Hong Kong Stock Exchange. The effective interest rate applied is 4.42% per annum. During the year, US$14.1 million in aggregate principal amount of the bonds were redeemed and cancelled by the Group. As at 30 June 2021, US$635.9 million (2020: US$650.0 million) in aggregate principal amount of the bonds remains outstanding; and

- US$250.0 million bonds issued in April 2013 at a price 99.272% of the principal amount bearing a coupon rate of 4.125% per annum. These bonds are unsecured, will fully mature in April 2023 and listed on the Main Board of the Singapore Exchange Securities Trading Limited. The effective interest rate applied is 3.58% per annum.

As at 30 June 2021, the fair value of the bonds amounted to US$921.2 million (equivalent to approximately HK$7,175.8 million) (2020: US$901.9 million (equivalent to approximately HK$7,022.3 million)) which is based on the quoted market prices.

(d) The Group had a financial reinsurance arrangement with a reinsurer. Under the financial reinsurance arrangement, the Group had received an up-front fee of US$103 million at finance cost of 3-month HIBOR plus 2.975% per annum. The fair value of the financing approximately equals to the corresponding carrying value.

(e) Other than fixed rate bonds in note (c) above, the carrying amounts of the borrowings and other interest-bearing liabilities approximate their fair values.

(f) The carrying amounts of the borrowings and other interest-bearing liabilities are denominated in the following currencies (after taken into account cross currency swaps contracts entered):

	2021 HK$'m	2020 HK$'m
Hong Kong dollar	**13,778.7**	18,462.6
United States dollar	**7,765.9**	8,846.7
Renminbi	**3,780.2**	3,572.5
Euro	**23.2**	73.9
	25,348.0	30,955.7

40 Deferred income tax

Deferred income tax assets and liabilities are offset when the taxes relate to the same tax authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated statement of financial position.

	Note	**2021 HK$'m**	2020 HK$'m
Deferred tax assets	28	**56.6**	22.8
Deferred tax liabilities		**(1,925.4)**	(2,285.9)
		(1,868.8)	(2,263.1)
At beginning of year		**(2,263.1)**	(2,234.2)
Translation differences		**(135.5)**	50.7
Acquisition of subsidiaries		**–**	(299.0)
Disposal of subsidiaries	49(b)	**295.6**	34.4
Written back upon disposal of intangible concession rights		**–**	4.7
Amount credited to other comprehensive income		**19.7**	–
Net amount credited to the consolidated income statement	(a)	**214.5**	180.3
At end of year		**(1,868.8)**	(2,263.1)

(a) The amount represents deferred tax credit of HK$214.5 million (2020: HK$180.3 million) which includes HK$161.8 million (2020: HK$45.8 million) (note 12) arising from continuing operations and HK$52.7 million (2020: HK$134.5 million) arising from discontinued operations.

(b) Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2020: 16.5%).

(c) Deferred income tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefits through the future taxable profits are probable. The Group has unrecognized tax losses of HK$1,632.6 million (2020: HK$1,668.5 million) to be carried forward against future taxable income. These tax losses have no expiry dates.

(d) As at 30 June 2021, the aggregate amount of unrecognized deferred tax liabilities associated with investments in subsidiaries totalled approximately HK$112.7 million (2020: HK$117.4 million). For this unrecognized amount, the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

40 Deferred income tax (continued)

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

Deferred tax assets

	Tax losses		Other deductible temporary differences		Total	
HK$'m	**2021**	2020	**2021**	2020	**2021**	2020
At beginning of year	**0.7**	1.9	**62.6**	65.4	**63.3**	67.3
Translation differences	**–**	–	**3.5**	(1.3)	**3.5**	(1.3)
Disposal of subsidiaries	**–**	–	**(19.7)**	–	**(19.7)**	–
Credited to other comprehensive income	**–**	–	**19.7**	–	**19.7**	–
Credited/(charged) to the consolidated income statement	**66.5**	(1.2)	**(31.3)**	(1.5)	**35.2**	(2.7)
At end of year	**67.2**	0.7	**34.8**	62.6	**102.0**	63.3

Deferred tax liabilities

	Accelerated tax depreciation		Amortization of concession rights		Undistributed profits of subsidiaries, associated companies and joint ventures		Others		Total	
HK$'m	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
At beginning of year	**(413.8)**	(594.1)	**(1,374.0)**	(1,488.8)	**(244.5)**	(215.3)	**(294.1)**	(3.3)	**(2,326.4)**	(2,301.5)
Translation differences	**0.2**	–	**(131.5)**	48.9	**(7.7)**	3.1	**–**	–	**(139.0)**	52.0
Acquisition of subsidiaries	**–**	–	**–**	–	**–**	–	**–**	(299.0)	**–**	(299.0)
Disposal of subsidiaries	**311.3**	34.4	**–**	–	**4.0**	–	**–**	–	**315.3**	34.4
Written back upon disposal of intangible concession rights	**–**	–	**–**	4.7	**–**	–	**–**	–	**–**	4.7
Credited/(charged) to the consolidated income statement	**51.8**	145.9	**132.3**	61.2	**(16.3)**	(32.3)	**11.5**	8.2	**179.3**	183.0
At end of year	**(50.5)**	(413.8)	**(1,373.2)**	(1,374.0)	**(264.5)**	(244.5)	**(282.6)**	(294.1)	**(1,970.8)**	(2,326.4)

41 Insurance and investment contract liabilities

	Note	2021 HK$'m	2020 HK$'m
Insurance contract liabilities	(a),(b)	**42,497.5**	34,894.7
Investment contract liabilities		**5.3**	5.4
		42,502.8	34,900.1
Represented by			
Non-current liabilities		**18,143.5**	14,454.8
Current liabilities	2	**24,359.3**	20,445.3
		42,502.8	34,900.1

Insurance and investment contract liabilities related to unit-linked contracts are detailed in note 31(b).

(a) The maturity profile of insurance contract liabilities, which is presented on a discounted basis and projected according to the Group's best estimate on the timing of future cash flows based on the historical settlement pattern, is stated as below:

	Note	2021 HK$'m	2020 HK$'m
Payable within one year		**3,861.4**	3,200.5
Payable after one year		**38,636.1**	31,694.2
	4(c)	**42,497.5**	34,894.7

(b) Insurance contract liabilities comprised:

	Note	2021 HK$'m	2020 HK$'m
Liabilities for guaranteed benefits		**38,404.1**	31,246.0
Liabilities for coinsurance payments		**363.0**	244.7
Provision for annual dividends		**69.4**	69.7
Insurance contract liabilities excluding policyholders' dividends and bonuses	4(g)	**38,836.5**	31,560.4
Policyholders' dividends and bonuses		**3,661.0**	3,334.3
Total insurance contract liabilities		**42,497.5**	34,894.7

41 Insurance and investment contract liabilities (continued)

Movements in the relevant insurance contract liabilities/resinsurer's share of liabilities are as follows:

HK$'m	**Insurance contract liabilities**	**Coinsurance liabilities**	**Insurance contract liabilities excluding policyholders' dividends and bonuses**	**Reinsurers' share of liabilities**	**Net liabilities excluding policyholders' dividends and bonuses**
At 1 July 2020	**31,315.7**	**244.7**	**31,560.4**	**(24.4)**	**31,536.0**
Premiums received	**8,629.0**	**(27.1)**	**8,601.9**	**(305.6)**	**8,296.3**
Liabilities incurred for death, surrender and maturity	**(2,096.5)**	**24.0**	**(2,072.5)**	**231.2**	**(1,841.3)**
Benefit and claim experience variations	**(190.3)**	**(10.2)**	**(200.5)**	**99.3**	**(101.2)**
Investment income variations	**(487.0)**	**7.6**	**(479.4)**	**(0.2)**	**(479.6)**
Investment income	**1,438.5**	**–**	**1,438.5**	**–**	**1,438.5**
Financing cost for coinsurance	**–**	**10.7**	**10.7**	**–**	**10.7**
Adjustment due to change in reserve assumptions	**(179.0)**	**–**	**(179.0)**	**–**	**(179.0)**
Others	**–**	**113.3**	**113.3**	**–**	**113.3**
Translation differences	**43.1**	**–**	**43.1**	**(2.0)**	**41.1**
At 30 June 2021	**38,473.5**	**363.0**	**38,836.5**	**(1.7)**	**38,834.8**

HK$'m	Insurance contract liabilities	Coinsurance liabilities	Insurance contract liabilities excluding policyholders' dividends and bonuses	Reinsurers' share of liabilities	Net liabilities excluding policyholders' dividends and bonuses
At 1 July 2019	–	–	–	–	–
Acquisition of subsidiaries	28,099.3	245.6	28,344.9	(107.0)	28,237.9
Premiums received	4,119.9	(33.8)	4,086.1	(168.9)	3,917.2
Liabilities incurred for death, surrender and maturity	(1,507.5)	19.8	(1,487.7)	153.1	(1,334.6)
Benefit and claim experience variations	188.1	0.2	188.3	98.7	287.0
Investment income variations	(334.4)	5.2	(329.2)	–	(329.2)
Investment income	880.2	–	880.2	(1.0)	879.2
Financing cost for coinsurance	–	7.7	7.7	–	7.7
Adjustment due to change in reserve assumptions	112.3	–	112.3	–	112.3
Translation differences	(242.2)	–	(242.2)	0.7	(241.5)
At 30 June 2020	31,315.7	244.7	31,560.4	(24.4)	31,536.0

Investment income and investment income variations mainly correspond to the investment income on the assets backing the insurance contract liabilities and variations of such investment income against the interest accretion on the insurance contract liabilities, respectively.

42 Lease liabilities

The maturity of lease liabilities is as follows:

	2021 HK$'m	2020 HK$'m
Within one year	**227.3**	377.3
In the second year	**199.9**	319.5
In the third to fifth year	**530.9**	736.7
After the fifth year	**348.6**	518.9
	1,306.7	1,952.4
Represented by		
Non-current liabilities	**1,079.4**	1,575.1
Current liabilities	**227.3**	377.3
	1,306.7	1,952.4

For the year ended 30 June 2021, the total cash outflow for leases, which comprise payments for lease liabilities, short-term leases and variable leases, was HK$451.4 million (2020: HK$579.1 million).

43 Other non-current liabilities

	Note	2021 HK$'m	2020 HK$'m
Long service payment obligations		**4.8**	38.0
Deferred income		**22.7**	52.1
Loans from non-controlling interests	(a)	**25.0**	28.9
Retirement benefit obligations		**–**	8.9
Others		**50.0**	61.4
		102.5	189.3

(a) The loans are interest free, unsecured and not repayable within one year.

44 Trade, other payables and payables to policyholders

	Note	2021 HK$'m	2020 HK$'m
Trade payables	(a)	**627.9**	584.8
Payables to policyholders	45	**1,709.6**	1,468.8
Other payables and accruals	(b)	**6,976.7**	7,553.8
Retention money payables		**1,362.8**	1,342.6
Contract liabilities	35	**447.3**	1,311.8
Amounts due to non-controlling interests	(c)	**146.2**	155.3
Amounts due to associated companies	(c)	**6.0**	1.5
Amounts due to joint ventures	(c)	**56.4**	56.4
		11,332.9	12,475.0

(a) The ageing analysis of trade payables based on invoice date is as follows:

	2021 HK$'m	2020 HK$'m
Under 3 months	**606.4**	558.8
4 to 6 months	**4.0**	1.4
Over 6 months	**17.5**	24.6
	627.9	584.8

(b) The balance includes construction related accruals and provisions amounting to HK$3,496.3 million (2020: HK$4,153.6 million).

(c) The amounts payable are interest free, unsecured and have no fixed repayment terms.

(d) Included in the Group's trade, other payables and payables to policyholders are HK$2,212.2 million (2020: HK$1,602.9 million) denominated in United States dollar, HK$995.9 million (2020: HK$828.9 million) denominated in Renminbi and HK$38.2 million (2020: HK$115.6 million) denominated in Macau Pataca. The remaining balances are mainly denominated in Hong Kong dollar.

45 Payables to policyholders

	2021 HK$'m	2020 HK$'m
Claims payable	**274.2**	254.1
Premium deposits	**1,262.6**	1,094.1
Other payables	**172.8**	120.6
	1,709.6	1,468.8

The carrying amounts disclosed above reasonably approximate their fair values as at 30 June 2021.

Claims payable represents provision for claims reported by policyholders and claims incurred but not reported, while premium deposits represent amounts left in deposits with the Group for the payment of future premiums. Both balances are expected to be settled or utilized within the next 12 months from the end of the reporting period.

46 Financial instruments by category

Financial assets in the consolidated statement of financial position include financial assets at FVOCI, financial assets at FVPL, amount receivables from associated companies and joint ventures, derivative financial instruments, investments related to unit-linked contracts, trade receivables, loan and other receivables and cash and bank balances. All these financial assets are carried at amortized cost using the effective interest method except for the "financial assets at FVOCI", "financial assets at FVPL", "derivative financial instruments" and financial assets at FVPL under "investments related to unit-linked contracts" which are carried at fair value.

Financial liabilities in the consolidated statement of financial position include borrowings and other interest-bearing liabilities, trade payables, derivative financial instruments, investment contract liabilities, liabilities related to unit-linked contracts and loan and other payables. All these financial liabilities are carried at amortized cost using the effective interest method except for the "derivative financial instruments", "investment contract liabilities" and investment contract liabilities under "liabilities related to unit-linked contracts" which are carried at fair value.

47 Commitments

(a) The outstanding commitments for capital expenditure are as follows:

	Note	2021 HK$'m	2020 HK$'m
Contracted but not provided for			
Property, plant and equipment		**178.9**	196.8
Intangible concession rights		**178.8**	3.3
Intangible assets		**620.5**	–
Capital contributions to associated companies and joint ventures	(i)	**287.4**	566.0
Investment funds and other financial investments		**944.0**	393.7
		2,209.6	1,159.8

(i) The Group has been committed to providing sufficient funds in the form of advances, capital and loan contributions to certain associated companies and joint ventures to finance relevant projects. The Group estimates that the share of projected funds requirements of these projects would be approximately HK$287.4 million (2020: HK$566.0 million) which represents the attributable portion of the capital and loan contributions to be made to the associated companies and joint ventures.

(b) The Group's share of commitments for capital expenditure committed by the joint ventures not included above are as follows:

	2021 HK$'m	2020 HK$'m
Contracted but not provided for		
Property, plant and equipment	**8,321.5**	11,559.4

(c) Future minimum rental payments receivable

The future minimum rental payments receivable under non-cancellable operating leases are as follows:

	2021 HK$'m	2020 HK$'m
In the first year	**14.2**	26.0
In the second year	**0.5**	13.2
In the third year	**–**	0.5
	14.7	39.7

The Group's operating leases terms range from 1 to 5 years.

48 Financial guarantee contracts

The Group's financial guarantee contracts are as follows:

	2021 **HK$'m**	2020 HK$'m
Guarantees for credit facilities granted to		
Associated companies	**1,736.8**	1,662.9
Joint ventures	**2,145.0**	2,145.0
	3,881.8	3,807.9

In addition, the Company and NWD, 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 KTSPL under the contract entered into between the Hong Kong Government and KTSPL for the design, construction and operation of Kai Tak Sports Park. Taking into consideration the deed of counter-indemnity which has been entered into, the Group's guarantee towards KTSPL is up to the extent of 25% of the contract sum or an amount of approximately HK$7.5 billion as at 30 June 2021 (30 June 2020: HK$7.5 billion). KTSPL is an associated company of the Group in which the Group has a 25% interest.

49 Notes to consolidated statement of cash flows

(a) Reconciliation of operating profit to net cash generated from operations:

	2021 HK$'m	2020 HK$'m
Operating profit from continuing and discontinued operations	**1,429.4**	959.8
Depreciation and amortization	**2,058.6**	1,932.8
Overlay approach adjustments on financial assets	**1,270.6**	(208.2)
Net profit on disposal of debt instruments as financial assets at FVOCI	**(40.7)**	(309.7)
Gain associated with investments related to unit-linked contracts	**(2,187.9)**	(122.2)
Loss/(profit) on disposal of subsidiaries	**87.7**	(174.8)
Net loss/(gain) on fair value of derivative financial instruments	**59.1**	(105.6)
Net (gain)/loss on fair value of financial assets at FVPL	**(1,936.7)**	64.4
Interest income	**(1,658.3)**	(1,221.2)
Dividend income	**(212.3)**	(204.6)
(Profit)/loss on disposal/partial disposal of interest in associated companies	**(66.5)**	77.0
Profit on disposal of interest in a joint venture	**(40.4)**	–
Impairment losses related to associated companies	**128.0**	334.8
Impairment loss on goodwill	**–**	386.9
Impairment loss on property, plant and equipment	**–**	375.0
Remeasurement loss on assets classified as held-for-sale	**1,601.9**	–
Provision for onerous contract	**–**	230.0
Net loss on fair value of investment properties	**13.2**	22.9
Expected credit loss provision on debt instruments as financial assets at FVOCI and trade, premium and other receivables	**455.5**	49.9
Net exchange loss	**33.5**	66.3
Other non-cash items	**(8.4)**	6.2
Operating profit before working capital changes	**986.3**	2,159.7
Decrease in inventories	**51.2**	69.8
Decrease in security deposits	**–**	452.0
Decrease/(increase) in trade, premium and other receivables	**709.3**	(324.7)
Decrease in trade, other payables and payables to policyholders	**(765.5)**	(985.3)
(Decrease)/increase in amounts due to non-controlling interests	**(18.4)**	8.6
Increase in deferred acquisition costs	**(1,023.3)**	(688.2)
Increase in insurance and investment contract liabilities	**7,555.8**	3,618.4
Increase/(decrease) in liabilities related to unit-linked contracts	**1,695.3**	(18.1)
Purchases of financial assets at FVPL associated with investments related to unit-linked contracts	**(5,892.2)**	(4,600.1)
Disposal of financial assets at FVPL associated with investments related to unit-linked contracts	**6,267.3**	4,895.5
Changes in balances with associated companies, joint ventures and related companies	**(12.5)**	(216.1)
Others	**(10.2)**	(15.3)
Net cash generated from operations	**9,543.1**	4,356.2

49 Notes to consolidated statement of cash flows (continued)

(b) Disposal of subsidiaries

During FY2021, the Group disposed of its entire issued share capital of NWS Transport and NWS HKI as disclosed in note 33 as well as a subsidiary which principally held a strategic investment as financial assets at FVPL. For FY2020, the Group disposed certain subsidiaries which engaged in information technology business, ticketing business and ferry services operation. The net assets of these subsidiaries at the date of completion of disposal and net profit/(loss) on disposal of subsidiaries recognized during FY2021 and FY2020 were set out as below:

	Note	**2021 HK$'m**	2020 HK$'m
Net assets disposed of			
Property, plant and equipment	17	**3,662.3**	154.2
Intangible assets	19	**–**	73.2
Right-of-use assets		**401.8**	4.2
Joint ventures		**2,143.2**	–
Financial assets at FVOCI		**267.9**	1.8
Financial assets at FVPL		**468.0**	–
Inventories		**70.4**	30.2
Trade, premium and other receivables		**426.3**	53.9
Cash and bank balances		**234.6**	15.3
Lease liabilities	49(c)	**(405.5)**	(4.2)
Derivative financial instruments		**(118.8)**	(24.7)
Other non-current liabilities		**(47.1)**	(15.9)
Borrowings and other interest-bearing liabilities	49(c)	**(598.8)**	–
Trade, other payables and payables to policyholders		**(775.6)**	(52.5)
Taxation		**(0.6)**	(3.8)
Deferred tax liabilities	40	**(295.6)**	(34.4)
		5,432.5	197.3
Net (loss)/profit on disposals	(i)	**(87.7)**	174.8
Release of reserves upon disposal		**71.4**	24.7
Interest retained by the Group as an associated company		**–**	(140.5)
		5,416.2	256.3
Represented by			
Cash consideration received		**5,318.0**	256.3
Consideration receivable by instalments included as other non-current assets		**626.7**	–
Other payables		**(248.5)**	–
Vendor cash flow subsidy settled		**(280.0)**	–
		5,416.2	256.3

(i) The amount for FY2021 represents net loss on disposals of HK$87.7 million arising from discontinued operations.

The amount for FY2020 represented net profit on disposals of HK$174.8 million which included HK$19.7 million (note 8) arising from continuing operations and HK$155.1 million (note 33) arising from discontinued operations.

49 Notes to consolidated statement of cash flows (continued)

(b) Disposal of subsidiaries (continued)

Analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	2021 HK$'m	2020 HK$'m
Cash consideration received	**5,318.0**	256.3
Cash and bank balances disposed of	**(234.6)**	(15.3)
	5,083.4	241.0

(c) Reconciliation of liabilities arising from financing activities:

HK$'m	Note	**Bank loans and other interest-bearing liabilities**	**Fixed rate bonds**	**Loans from non-controlling interests**	**Lease liabilities**	**Total**
At 1 July 2020		23,982.0	6,973.7	28.9	1,952.4	32,937.0
Disposal of subsidiaries	49(b)	(598.8)	–	–	(405.5)	(1,004.3)
Cash flows from financing activities						
Drawdown		1,860.1	–	–	–	1,860.1
Repayment		(6,197.8)	(112.0)	(6.5)	–	(6,316.3)
Decrease in cash collateral received from counterparties		(948.0)	–	–	–	(948.0)
Capital element of lease liabilities payments		–	–	–	(301.1)	(301.1)
New leases entered/lease modified		–	–	–	58.9	58.9
Interest expenses	(i)	–	–	–	56.9	56.9
Interest element of lease liabilities payments		–	–	–	(56.1)	(56.1)
Translation differences		324.9	3.3	2.6	1.2	332.0
Other non-cash movements		60.9	(0.3)	–	–	60.6
At 30 June 2021		18,483.3	6,864.7	25.0	1,306.7	26,679.7

(i) The amount represents interest expenses of HK$56.9 million which includes HK$53.0 million (note 11) arising from continuing operations and HK$3.9 million arising from discontinued operations.

49 Notes to consolidated statement of cash flows (continued)

(c) Reconciliation of liabilities arising from financing activities (continued):

HK$'m	Note	Bank loans and other interest-bearing liabilities	Fixed rate bonds	Loans from non-controlling interests	Lease liabilities	Total
At 1 July 2019		10,067.0	5,002.4	34.5	1,510.9	16,614.8
Acquisition of subsidiaries		1,554.4	1,994.4	–	559.8	4,108.6
Disposal of subsidiaries	49(b)	–	–	–	(4.2)	(4.2)
Cash flows from financing activities						
Drawdown		14,559.7	–	–	–	14,559.7
Repayment		(2,672.6)	–	(4.5)	–	(2,677.1)
Increase in cash collateral received from counterparties		423.9	–	–	–	423.9
Capital element of lease liabilities payments		–	–	–	(280.9)	(280.9)
New leases entered/lease modified		–	–	–	164.1	164.1
Interest expenses	(i)	–	–	–	65.9	65.9
Interest element of lease liabilities payments		–	–	–	(63.0)	(63.0)
Translation differences		(37.8)	(22.3)	(1.1)	(0.2)	(61.4)
Other non-cash movements		87.4	(0.8)	–	–	86.6
At 30 June 2020		23,982.0	6,973.7	28.9	1,952.4	32,937.0

(i) The amount represented interest expenses of HK$65.9 million which included HK$50.5 million (note 11) arising from continuing operations and HK$15.4 million arising from discontinued operations.

(d) The amount represents cash and cash equivalents of the deconsolidated subsidiary.

50 Related party transactions

(a) The following is a summary of significant related party transactions during the year carried out in the normal course of the Group's business:

	Note	**2021 HK$'m**	2020 HK$'m
Transactions with affiliated companies	(i)		
Provision of construction work services	(ii)	**–**	0.5
Provision of other services	(iii)	**4.0**	0.8
Interest income	(iv)	**96.4**	149.4
Management fee income	(v)	**2.3**	4.4
Rental and other related expenses	(vi)	**–**	(1.7)
Other expenses	(viii)	**(199.5)**	(383.2)
Transactions with other related parties	(i)		
Provision of construction work services	(ii)	**805.8**	1,516.9
Provision of other services	(iii)	**39.1**	49.7
Interest income	(iv)	**73.5**	38.1
Rental, other related expenses and additions to right-of-use assets	(vi)	**(33.9)**	(31.8)
Mechanical and electrical engineering services	(vii)	**(881.4)**	(638.6)
Other expenses	(viii)	**(84.2)**	(99.6)

(i) Affiliated companies include associated companies and joint ventures of the Group. Related parties are subsidiaries, associated companies and joint ventures of NWD, CTF Enterprises as well as Mr Doo and his associates which are not companies within the Group. NWD is the ultimate holding company of the Company and CTF Enterprises is a substantial shareholder of NWD. Mr Doo is the Vice-chairman and a non-executive director of NWD and is the father of Mr William Junior Guilherme Doo, a non-executive director of the Company.

(ii) Revenue from the provision of construction work services was charged in accordance with the relevant contracts. Revenue from provision of construction work services to KTSPL, which is both a subsidiary of NWD and an associated company of the Group, was presented under "Transactions with other related parties" only.

(iii) The Group provided various kinds of services including facilities management, property management and other services to certain affiliated companies and related parties. The services were provided and charged in accordance with the relevant contracts.

(iv) Interest income was charged at relevant interest rates as specified in notes 23, 24 and 30 on the outstanding balances due from the affiliated companies or relevant yield on investments in debt instruments.

50 Related party transactions (continued)

(a) (continued)

(v) Management fee was charged at rates in accordance with the relevant contracts.

(vi) Rental and other related expenses were charged and additions to right-of-use assets were measured in accordance with the respective tenancy agreements.

(vii) Mechanical and electrical engineering services were charged in accordance with the relevant contracts.

(viii) Other expenses include purchase of construction materials, laundry, security and guarding, landscaping, cleaning, property management and other services. The services were charged in accordance with the relevant contracts.

(b) Key management compensation

No significant compensation arrangement has been entered into with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in note 15.

(c) During the year, FTLife Insurance, a wholly-owned subsidiary of the Company, subscribed for senior unsubordinated and unsecured notes in the principal amount of HK$1,000.0 million (2020: HK$1,500.0 million) issued by NWD (MTN), a wholly-owned subsidiary of NWD, as part of its investment portfolio. These notes are bearing a coupon rate of 4.79% (2020: 4.89%) per annum, having maturity of 30 years and listed on the Hong Kong Stock Exchange.

As at 30 June 2021, the outstanding principal amount was HK$2,500.0 million (2020: HK$1,500.0 million) and fair value of these notes was HK$2,693.7 million (2020: HK$1,614.7 million) which was included in the consolidated statement of financial position of the Group as financial assets at FVOCI.

(d) The amounts of outstanding balances with associated companies, joint ventures and non-controlling interests are disclosed in notes 23, 24, 30, 43 and 44, and the pledge of the Group’s equity interest in an associated company as security for a bank loan of the associated company is disclosed in note 23(b).

51 Events subsequent to year end

In August 2021, the Group entered into a conditional sale and purchase agreement with Xiamen International Port Co., Ltd for the disposal of its entire 20% interest in XCTG. Details were set out in note 34.

In September 2021, the Group entered into formal sale and purchase agreements with Good Sense Development Limited (an indirect wholly-owned subsidiary of NWD) for the acquisition of the office units on 18th–21st floors of No. 888 Lai Chi Kok Road, Kowloon, Hong Kong at the aggregate purchase price of approximately HK$1,367 million. In addition, the Group shall be entitled to (i) priority to purchase up to nine parking spaces for each floor purchased at a price of not higher than HK$1.5 million per parking space and (ii) leasing benefits offered by the vendor under which the Group entered into tenancy agreements as landlord for these properties at pre-determined annual rent and has the option to terminate the relevant tenancy agreement(s) for a pre-determined amount to be received according to when the termination of the relevant tenancy agreement(s) occurs. The transaction are yet to complete up to the date of this report as the properties are still under construction and the completion is expected to take place in April 2022.

52 Comparative figures

As detailed in note 2(c), certain comparative figures for FY2020, primarily relating to discontinued operations, have been reclassified or extended to conform with the presentation for the FY2021.

53 Ultimate holding company

The directors regard NWD, a company incorporated in Hong Kong and listed on the Hong Kong Stock Exchange, as being the ultimate holding company. The Company is held by NWD and certain of its subsidiaries.

54 Company statement of financial position

	2021 HK$'m	2020 HK$'m
ASSETS		
Non-current assets		
Property, plant and equipment	**9.9**	17.1
Subsidiaries	**7,893.4**	7,893.4
Right-of-use assets	**9.2**	23.5
Other non-current asset	**3.3**	3.3
	7,915.8	7,937.3
Current assets		
Trade and other receivables	**63,266.0**	65,946.6
Cash and bank balances	**1,556.8**	887.4
	64,822.8	66,834.0
Total assets	**72,738.6**	74,771.3
EQUITY		
Share capital	**3,911.1**	3,911.1
Reserves	**42,377.7**	41,600.1
Total equity	**46,288.8**	45,511.2
LIABILITIES		
Non-current liability		
Lease liabilities	**–**	9.5
Current liabilities		
Trade and other payables	**26,440.3**	29,236.0
Lease liabilities	**9.5**	14.6
	26,449.8	29,250.6
Total liabilities	**26,449.8**	29,260.1
Total equity and liabilities	**72,738.6**	74,771.3

Dr Cheng Kar Shun, Henry
Director

Mr Ma Siu Cheung
Director

54 Company statement of financial position (continued)

Reserves

HK$'m	Share premium	Contributed surplus	Special reserves	Revenue reserve	Total
At 1 July 2020	**17,821.5**	**237.3**	**1.1**	**23,540.2**	**41,600.1**
Profit for the year	**–**	**–**	**–**	**3,046.1**	**3,046.1**
Dividends	**–**	**–**	**–**	**(2,268.5)**	**(2,268.5)**
At 30 June 2021	**17,821.5**	**237.3**	**1.1**	**24,317.8**	**42,377.7**
At 1 July 2019	17,821.5	237.3	208.3	20,592.5	38,859.6
Profit for the year	–	–	–	5,009.0	5,009.0
Dividends	–	–	–	(2,268.5)	(2,268.5)
Transfer of reserves	–	–	(207.2)	207.2	–
At 30 June 2020	17,821.5	237.3	1.1	23,540.2	41,600.1

The contributed surplus of the Company represents the difference between the nominal value of the ordinary share capital issued by the Company and the consolidated net asset value of the subsidiaries acquired at the date of acquisition pursuant to the group reorganization implemented in 1997. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of contributed surplus in certain circumstances.

55 Principal subsidiaries

The directors of the Company were of the view that as at 30 June 2021, there was no individual subsidiary that had non-controlling interests that were material to the Group.

As at 30 June 2021

	Issued and fully paid up share capital# Number	Amount HK$	Approximate percentage of shares held by the Group	Principal activities
Incorporated and operate in Hong Kong				
Anway Limited	1	1	100.0	Duty free operation and general trading
Billionoble Investment Limited	4,998	4,998	100.0	Investment holding
	2*	2	100.0	
Bounty Gain Limited	1	1	100.0	Investment holding
Chinese Future Limited	1,300,000,000	1,300,000,000	100.0	Investment holding
Dynamic Ally Limited	1	1	100.0	Investment holding
Earning Star Limited	1	1	100.0	Investment holding
Grace Crystal Limited	1	1	100.0	Investment holding
Grand Express International Limited	1	1	100.0	Investment holding
Hip Hing Builders Company Limited	40,000	40,000,000	100.0	Construction
	10,000*	10,000,000	100.0	
Hip Hing Construction Company Limited	400,000	40,000,000	100.0	Construction and civil engineering
	600,000*	60,000,000	100.0	
Hip Hing Engineering Company Limited	2,000,000	200,000,000	100.0	Building construction
Hong Kong Convention and Exhibition Centre (Management) Limited	3	3	100.0	Management of HKCEC
	1*	1	100.0	
Hong Kong Exhibition and Convention Venue Management China Limited	1	1	100.0	Investment holding
i-Residence Management Limited	1	1	100.0	Property management and consultancy
Kiu Lok Property Services (China) Limited	2	2	100.0	Property agency, management and consultancy
	2*	2	100.0	
New Advent Limited	1	1	100.0	Property investment
New World – Guangdong Highway Investments Co. Limited	999,900	99,990,000	100.0	Investment holding
	100*	10,000	50.0	
New World Port Investments Limited	2	2	100.0	Investment holding
New World (Xiamen) Port Investments Limited	2	2	100.0	Investment holding
NWS (Finance) Limited	2	2	100.0	Financial services
NWS Holdings (Finance) Limited	1	1	100.0	Financing
NWS Infrastructure Renewables (Italy) Limited	1	1	100.0	Investment holding
△NWS Modern Logistics (Hong Kong) Limited (formerly known as China Century Modern Logistics (Hong Kong) Limited)	1	1	100.0	Investment holding, operating modern logistics business

55 Principal subsidiaries (continued)

As at 30 June 2021

	Issued and fully paid up share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Amount HK$		
Incorporated and operate in Hong Kong (continued)				
Polytown Company Limited	2	20	100.0	Property investment, operation, marketing, promotion and management of HKCEC
	100,000*	1,000,000	100.0	
Profit Now Limited	1	1	100.0	Investment holding
Sky Connection Limited	100	100	100.0	Duty free operation and general trading
True Hope Investment Limited	299,999,998	299,999,998	100.0	Investment holding
	2*	2	100.0	
Urban Parking Limited	15,000,000	15,000,000	100.0	Carpark management
Vibro Construction Company Limited	1,630,000	163,000,000	100.0	Civil engineering
	20,000*	2,000,000	100.0	
Vibro (H.K.) Limited	20,000,004	60,328,449	99.8 (a)	Piling, ground investigation and civil engineering
Wisemec Enterprises Limited	2	2	100.0	Investment holding

55 Principal subsidiaries (continued)

As at 30 June 2021

	Issued share capital# Number	Issued share capital# Par value per share HK$	Approximate percentage of shares held by the Group	Principal activities
Incorporated in Bermuda and operates in Hong Kong				
FTLife Insurance Company Limited	506,100,141	US$1	100.0	Life insurance
	9,000,000§	US$1	100.0	
	10,000,000§§	US$1	100.0	
Incorporated in the Cayman Islands and operates in Hong Kong				
NWS Service Management Limited	1,323,943,165	HK$0.10	100.0	Investment holding
Incorporated in the Cayman Islands				
Chinese Future Corporation	1,000,000	US$0.01	100.0	Investment holding
Incorporated in the British Virgin Islands and operate in Hong Kong				
Bellwood Group Limited	100	US$1	100.0	Investment holding
Best Star (BVI) Investments Limited	1	US$1	100.0	Investment holding
Busy Bee Global Limited	1	US$1	100.0	Investment holding
Celestial Dynasty Limited	1	US$1	100.0	Bond issuer
Celestial Miles Limited	1	US$1	100.0	Bond issuer
Century Charm Global Limited	1	US$1	100.0	Investment holding
Creo Capital Limited	1	US$1	100.0	Investment holding
Economic Velocity Limited	1	US$1	100.0	Investment holding
Hetro Limited	101	US$1	100.0	Investment holding
Lucky Strong Limited	1	US$1	100.0	Investment holding
Noonday Limited	100	US$1	100.0	Investment holding
NWS Financial Management Services Limited	1	US$1	100.0	Investment holding
NWS Infrastructure Management Limited	2	US$1	100.0	Investment holding
NWS Infrastructure Roads Limited	1	US$1	100.0	Investment holding
NWS Ports Management Limited	2	US$1	100.0	Investment holding
Incorporated in the British Virgin Islands				
Beauty Ocean Limited	1	US$1	100.0	Investment holding
FTL Capital Limited	1	US$1	100.0	Bond issuer
Gravy Train Investments Limited	1	US$1	100.0	Investment holding
Ideal Global International Limited	1	US$1	100.0	Investment holding
Moscan Developments Limited	1	US$1	100.0	Investment holding
Natal Global Limited	1	US$1	100.0	Investment holding
NWS CON Limited	1	HK$1	100.0	Investment holding
NWS Construction Limited	190,000	US$0.1	100.0	Investment holding
	7,225**	US$0.1	–	
	5,919***	US$0.1	–	
NWS Infrastructure Power Limited	1	US$1	100.0	Investment holding
NWS Infrastructure Water Limited	1	US$1	100.0	Investment holding
Right Heart Associates Limited	4	US$1	100.0	Investment holding
Righteous Corporation	1	US$1	100.0	Investment holding

55 Principal subsidiaries (continued)

As at 30 June 2021

	Amount of fully paid up capital	Approximate percentage of attributable interest to the Group	Principal activities
Incorporated and operate in Mainland China			
^Chaoming (Chongqing) Investment Company Limited	US$78,000,000	100.0	Investment holding
NWS Modern Logistics (Shenzhen) Limited	RMB5,000,000	100.0	Investment holding
++Hunan NWS Expressway Management Co., Ltd.	RMB1,600,000,000	100.0	Operation of toll road
^NWS (Guangdong) Investment Company Limited	RMB3,184,853,600	100.0	Investment holding
+Shanxi Xinda Highways Limited	RMB49,000,000	60.0 (b)	Operation of toll road
+Shanxi Xinhuang Highways Limited	RMB56,000,000	60.0 (b)	Operation of toll road
^Xiamen Creo Capital Investment Company Limited	RMB200,000,000	100.0	Investment holding
@Zhejiang NWS Expressway Co., Ltd.	US$320,590,000	100.0	Operation of toll road
Incorporated and operate in Macau			
Hip Hing Engineering (Macau) Company Limited	MOP100,000	100.0	Construction
Vibro (Macau) Limited	MOP1,000,000	99.8 (a)	Foundation works
Incorporated and operates in Italy			
NWS Infrastructure Renewables (Italy) S.r.l.	EUR10,000	100.0	Investment holding

Ordinary shares, unless otherwise stated
* Non-voting deferred shares
** Redeemable, non-convertible and non-voting A preference shares
*** Redeemable, non-convertible and non-voting B preference shares
^ Registered as wholly foreign owned enterprises under PRC law
@ Registered as sino-foreign equity joint venture under PRC law
+ Registered as sino-foreign cooperative joint venture under PRC law
++ Registered as limited company under PRC law
§ Class A redeemable preference shares (non-convertible)
§§ Class C redeemable preference shares (convertible)
△ Renamed on 21 September 2021

(a) The approximate percentage of shares held by non-controlling interests is 0.2%

(b) Cash sharing ratio of 90% (percentage for non-controlling interest is 10%) for the first 12 years from the operation date and thereafter 60% (percentage for non-controlling interest is 40%)

56 Principal associated companies

The list of principal associated companies which are accounted for by the equity method of accounting as at 30 June 2021 is as follows:

	Issued and fully paid up share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Amount HK$		
Incorporated and operate in Hong Kong				
GHK Hospital Limited	10	10	40.0	Healthcare
Joy Fortune Investments Limited	10,000	10,000	50.0	Investment holding
Kai Tak Sports Park Limited	300	906,666,900	25.0	To develop and operate Kai Tak Sports Park
Quon Hing Concrete Company Limited	200,000	20,000,000	50.0	Production and sales of ready-mixed concrete
Yargoon Company Limited	150,000	15,000,000	42.0	Operating a quarry mill and trading in aggregates and stonefines
Shoucheng Holdings Limited	7,291,017,794	12,546,847,000	11.5 (a)	Investment holding
Incorporated in Hong Kong and operates in Greater China				
*SUEZ NWS Limited	20,256,429	5,134,005,207	42.0	Investment holding and operation of water, wastewater and waste management businesses

	Issued and fully paid up share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Amount		
Incorporated and operates in Singapore				
PBA International Pte. Ltd.	10,932	Singapore dollar 24,242,000	20.0	Development and manufacturing of advanced robotics

56 Principal associated companies (continued)

The list of principal associated companies which are accounted for by the equity method of accounting as at 30 June 2021 is as follows (continued):

	Issued share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Par value per share		
Incorporated in Bermuda and operates in Hong Kong				
*Wai Kee Holdings Limited	793,124,034	HK$0.10	11.5	Construction
Incorporated in Cyprus and operates in South Africa				
Tharisa plc	269,157,056	US$0.001	14.6 (a)	Chrome and platinum group metals mining, processing and trading

	Amount of fully paid capital	Approximate percentage of attributable interest to the Group	Principal activities
Incorporated and operate in Mainland China			
Chongqing Silian Optoelectronics Science And Technology Co., Ltd.	RMB500,000,000	20.0 (b)	Manufacturing and sale of sapphire substrate and wafer, LED packaging and application
Hangzhou Ring Road Expressway Petroleum Development Co., Ltd.	RMB10,000,000	39.0 (c)	Operation of gasoline station
NWS Asset Management (Hainan) Company Limited	RMB1,000,000,000	50.0 (b)	Asset Management
Hubei Suiyuenan Expressway Co., Ltd.	RMB1,770,000,000	30.0 (b)	Operation of toll road
Hunan Daoyue Expressway Industry Co., Ltd.	RMB600,950,000	40.0 (b)	Operation of toll road
*Xiamen Container Terminal Group Co., Ltd.	RMB2,436,604,228	20.0 (b)	Operation of container terminals
Zhaoqing Yuezhao Expressway Co., Ltd.	RMB818,300,000	25.0 (c)	Operation of toll road

Ordinary shares, unless otherwise stated

* The Group's interest in these companies were reclassified as assets held-for-sale as at 30 June 2021 (note 34)

(a) The directors of the Company considered the Group has significant influence over these companies through its representative on the board of directors of these companies

(b) Percentage of equity interest

(c) Percentage of interest in ownership and profit sharing

57 Principal joint ventures

The list of principal joint ventures which are accounted for by the equity method of accounting as at 30 June 2021 is as follows:

	Amount of fully paid up capital	Approximate percentage of attributable interest to the Group	Principal activities
Incorporated and operate in Mainland China			
Beijing-Zhuhai Expressway Guangzhou-Zhuhai Section Company Limited	RMB580,000,000	25.0 (a)	Operation of toll road
China United International Rail Containers Co., Limited	RMB4,200,000,000	30.0 (b)	Operation of rail container terminals and related business
Guangzhou Northring Intelligent Transportation Technology Company Limited	US$19,255,000	65.3 (a),(d)	Operation of toll road
Guangzhou Pearl River Electric Power Fuel Co., Ltd.	RMB613,361,800	35.0 (b)	Wholesale, assembling and storage of fuel
Guoneng Chengdu Jintang Power Generation Co., Ltd. (formerly known as Guodian Chengdu Jintang Power Generation Co., Ltd.)	RMB924,000,000	35.0 (a)	Generation and supply of electricity
Huizhou City Huixin Expressway Company Limited	RMB34,400,000	50.0 (a)	Investment holding
Tianjin Xinzhan Expressway Company Limited	RMB2,539,100,000	60.0 (c),(d)	Operation of toll road
Incorporated and operates in Italy			
ForVEI II S.r.l.	EUR20,000	40.0	Investment holding and operation of solar power assets

	Issued and fully paid up share capital#		Approximate percentage of share held by the Group	Principal activities
	Number	Amount HK$		
Incorporated and operate in Hong Kong				
ATL Logistics Centre Hong Kong Limited	100,000'A'	100,000	56.0 (d)	Operation of cargo handling and storage facilities
	20,000'B'**	20,000	79.6	
	54,918*	54,918	–	
Wincon International Limited	300,000,000	300,000,000	50.0	Investment holding

57 Principal joint ventures (continued)

The list of principal joint ventures which are accounted for by the equity method of accounting as at 30 June 2021 is as follows (continued):

	Issued share capital #		Approximate percentage of shares held by the Group	Principal activities
	Number	Par value per share		
Incorporated in the British Virgin Islands				
Success Concept Investments Limited	1,000	US$1	90.0 (d)	Investment holding
Incorporated and operates in the Netherlands				
Hyva I B.V.	19,000	EUR1	50.0	Manufacturing and supply of components used in hydraulic loading and unloading systems

	Issued share capital #		Approximate percentage of shares held by the Group	Principal activities
	Number	Par value per share		
Incorporated in the Cayman Islands and operates globally				
Goshawk Aviation Limited	362,026,264 preference shares	US$0.001	50.0	Commercial aircraft leasing and management

Ordinary shares, unless otherwise stated
* Non-voting deferred shares
** Non-voting preference shares

(a) Percentage of interest in ownership and profit sharing

(b) Percentage of equity interest

(c) Cash sharing ratio of 90% for the first 15 years from the operation date and thereafter 60%

(d) The directors of the Company considered the Group does not have unilateral control governing the financial and operating activities over these joint ventures

Five-Year Financial Summary

	2021	2020	2019	2018	2017
Earnings per share – Basic (HK$)	**0.29**	0.06	1.04	1.56	1.46
Earnings per share – Diluted (HK$)	**N/A**	N/A	1.04	1.56	N/A
Key ratios					
Net Gearing Ratio	**25%**	31%	0%	7%	7%
Return on Equity	**3%**	1%	7%	12%	11%
Return on Capital Employed	**2%**	1%	6%	10%	9%
Consolidated income statement data (HK$'m)					
Revenue	**28,852.4**	25,920.5	26,833.5	35,114.8	31,385.0
Revenue by segments					
Roads	**3,033.2**	2,070.5	2,529.0	2,623.6	2,377.0
Aviation	**–**	–	161.6	160.8	–
Construction	**15,114.1**	12,454.4	16,211.0	23,260.4	20,360.3
Insurance	**9,640.6**	6,180.0**	–	–	–
Facilities Management	**409.4**	1,907.3	4,151.7	5,570.9	6,915.1
Transport	**655.1**	3,308.3	3,780.2	3,499.1	1,732.6*
Revenue by region					
Hong Kong	**25,765.6**	23,579.7	23,382.9	31,599.0	28,449.7
Mainland China	**3,086.8**	2,117.5	2,600.2	2,726.1	2,470.5
Global and others	**–**	223.3	850.4	789.7	464.8
Profit attributable to shareholders of the Company	**1,146.5**	253.2	4,043.2	6,068.8	5,628.9
Attributable Operating Profit	**5,225.9**	3,514.3	4,707.4	5,231.9	4,840.3
Attributable Operating Profit/(Loss) by segments					
Roads	**1,807.5**	907.4	1,805.5	1,947.1	1,479.1
Aviation	**496.0**	421.9	500.3	695.2	610.5
Construction	**948.5**	1,066.0	1,203.8	1,055.3	909.5
Insurance	**971.7**	750.4	–	–	–
Logistics	**663.0**	627.8	650.6	654.6	641.2
Facilities Management	**(649.3)**	(771.8)	(393.4)	(73.1)	301.1
Strategic Investments	**739.4**	251.0	282.8	340.3	335.8
Environment ***	**244.3**	380.4	667.9	454.9	340.8
Transport ***	**4.8**	(118.8)	(10.1)	157.6	222.3

* The amount represented revenue consolidated after being acquired as the Group's subsidiaries since 30 December 2016.

** The amount represented revenue consolidated after being acquired as the Group's subsidiaries since 1 November 2019.

*** Being discontinued operations (prior year's comparative figures has been restated to conform with FY2021's classification).

	2021	2020	2019	2018	2017
Consolidated income statement data (continued)					
(HK$'m)					
Attributable Operating Profit by region					
Hong Kong	**2,015.2**	1,716.6	1,324.4	2,015.8	2,213.8
Mainland China	**2,389.2**	1,361.0	2,815.6	2,623.5	2,117.9
Global and others	**821.5**	436.7	567.4	592.6	508.6
Corporate office and non-operating items					
Net gain on disposal of a project under an associated company	**–**	–	–	–	932.8
Gain on restructuring of a joint venture	**–**	–	–	–	454.3
Net gain on disposal of projects, net of tax	**9.3**	101.0	285.1	52.7	179.8
Net (loss)/gain on fair value of investment properties	**(13.2)**	(22.9)	33.7	93.6	117.1
Gain on remeasurement of a previously held equity interest in a joint venture	**–**	–	–	–	113.1
Gains on partial disposal and remeasurement related to an associated company	**–**	–	–	1,879.3	–
Losses on partial disposal, impairment and remeasurement related to an associated company	**–**	–	–	–	(290.6)
Remeasurement, impairments and provisions	**(2,551.6)**	(1,709.4)	–	(600.0)	–
Interest income	**37.5**	107.5	78.3	36.8	54.4
Net (loss)/gain on fair value of derivative financial instruments, net of tax	**(59.1)**	73.1	40.1	–	–
Finance costs	**(483.4)**	(737.4)	(373.8)	(266.6)	(399.8)
Expenses and others	**(435.8)**	(491.1)	(540.7)	(358.9)	(372.5)
Consolidated statement of financial position data					
(HK$'m)					
Total assets	**152,572.9**	150,052.0	86,065.0	78,138.6	75,725.9
Total liabilities, perpetual capital securities and non-controlling interests	**104,659.5**	103,685.0	37,019.0	28,188.6	26,668.8
Total borrowings	**25,348.0**	30,955.7	15,069.4	10,174.6	9,682.7
Shareholders' funds	**47,913.4**	46,367.0	49,046.0	49,950.0	49,057.1

PROJECT KEY FACTS AND FIGURES

(As at 30 June 2021)

Roads

		Attributable Interest	Form of Investment	Length	Lanes	Expiry Date	Average Daily Traffic Flow
	Guangdong Province						
1	**Guangzhou City Northern Ring Road**	65.29%	CJV	22 km	Dual 3-Lane	2023	**2021**/364,383 **2020**/264,877 **2019**/350,818
2	**Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section)**	25%	CJV	Section 1: 8.6 km Section 2: 49.59 km	Section 1: Dual 3-Lane Section 2: Dual 2 to 3-Lane	2030	**2021**/170,844 **2020**/124,007 **2019**/195,047
3	**Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Northern Section)**	15%	CJV	27 km	Dual 3-Lane	2032	**2021**/98,523 **2020**/69,134 **2019**/83,974
4	**Guangzhou-Zhaoqing Expressway**	25%	CJV	Phase 1: 48 km Phase 2: 5.39 km	Phase 1: Dual 2-Lane Phase 2: Dual 3-Lane	2031	**2021**/99,224 **2020**/66,301 **2019**/87,003
5	**Shenzhen-Huizhou Expressway (Huizhou Section)**	33.33%	CJV	34.7 km	Dual 3 to 4-Lane	2023	**2021**/111,976 **2020**/78,720 **2019**/105,694
6	**Guangzhou Dongxin Expressway**	45.9%	Equity	46.22 km	Dual 3 to 4-Lane	2035	**2021**/190,207 **2020**/119,605 **2019**/148,685
7	**Guangzhou City Nansha Port Expressway**	22.5%	Equity	72.4 km	Dual 3 to 4-Lane	2030	**2021**/184,631 **2020**/116,144 **2019**/139,714
8	**Guangdong E-serve United Co., Ltd.**	1.02%	Equity	N/A	N/A	N/A	N/A
	Zhejiang Province						
9	**Hangzhou Ring Road**	100%	Equity	103.4 km	Dual 2 to 3-Lane	2029	**2021**/340,871 **2020**/250,236 **2019**/318,521
	Shanxi Province						
10	**Shanxi Taiyuan – Gujiao Roadway (Gujiao Section)**	60%†	CJV	36.02 km	Dual 1-Lane	2025	**2021**/1,126 **2020**/1,158 **2019**/1,541
11	**Roadway No.309 (Changzhi Section)**	60%†	CJV	22.2 km	Dual 1 to 2-Lane	2023	**2021**/3,790 **2020**/2,849 **2019**/4,955
12	**Taiyuan – Changzhi Roadway (Changzhi Section)**	60%†	CJV	18.3 km	Dual 1 to 2-Lane	2023	**2021**/666 **2020**/981 **2019**/1,061
	Tianjin Municipality						
13	**Tangjin Expressway (Tianjin North Section)**	60%††	CJV	Section 1: 43.45 km Section 2: 17.22 km	Dual 3-Lane	2039	**2021**/79,813 **2020**/51,824 **2019**/71,337
	Hubei Province						
14	**Hubei Suiyuenan Expressway**	30%	EJV	98.06 km	Dual 2-Lane	2040	**2021**/32,879 **2020**/20,683 **2019**/24,389
	Hunan Province						
15	**Hunan Sui-Yue Expressway**	40%	EJV	24.08 km	Dual 3-Lane	2038	**2021**/33,877 **2020**/22,162 **2019**/30,660#
16	**Hunan Changliu Expressway**	100%	Equity	65 km	Dual 2-Lane	2043	**2021**/48,367 **2020**/30,092^ **2019**/N/A

Aviation

	Goshawk Aviation Limited		
Attributable Interest	50%		
Form of Investment	Equity		
Date of Incorporation	October 2013		
No. of Aircraft Owned	**2021**	**2020**	**2019**
	162	162	154

Construction

	Hip Hing Group
Attributable Interest	100%
Services Offered	General contracting, construction management, civil engineering works and foundation works
Total Value of Contracts Awarded this Year	HK$7 billion
Value of Contracts on Hand	HK$49.4 billion (remaining value of works to be completed: HK$28.2 billion)

Insurance

	FTLife Insurance Company Limited
Attributable Interest	100%
Services Offered	Provision of financial protection and wealth management services to individual and institutional clients from a diverse portfolio
Product Category	Life Insurance, Medical Insurance, Critical Illness Insurance, Personal Accident Insurance, Saving Insurance Plan, Investment-linked Assurance Scheme, Annuity
No. of Agents	Approximately 3,000
Solvency Ratio	524%

Remarks:
† Cash sharing ratio of 90% for the first 12 years from the operation date and thereafter 60%
†† Cash sharing ratio of 90% for the first 15 years from the operation date and thereafter 60%
CJV: Co-operative Joint Venture (profit sharing percentage)
EJV: Equity Joint Venture (percentage of equity interest)
N/A: Not applicable
For the period from December 2018 to June 2019 as the acquisition of 40% interest was completed in December 2018
^ For the period from August 2019 to June 2020 as the concession rights were acquired in July 2019

Logistics

	ATL Logistics Centre Hong Kong Limited		
Attributable Interest	56%		
Form of Investment	Equity		
Leasable Area	5.9 million sq ft		
Location	Hong Kong		
Operation Date	Phase 1: February 1987 Phase 2: March 1988 Phase 3: February 1992 Phase 4: January 1994 Phase 5: November 1994		
Expiry Date	2047		
Average Occupancy Rate	**2021**	**2020**	**2019**
	99.7%	99.7%	99.3%

	China United International Rail Containers Co., Limited		
Attributable Interest	30%		
Form of Investment	EJV		
Investment Scope	Pivotal rail container terminal network		
Handling Capacity	6 million TEUs / year		
Location and Operation Date	Kunming: January 2008 Chongqing: December 2009 Chengdu: March 2010 Zhengzhou: April 2010 Dalian: July 2010 Qingdao: August 2010 Wuhan: August 2010 Xian: December 2010 Ningbo: January 2011 Tianjin: January 2017 Urumqi: June 2017 Qinzhou: June 2019		
Expiry Date	2057		
Throughput Achieved (TEUs)	**2021**	**2020**	**2019**
	4,869,000	3,895,000	3,438,000

Note: A framework agreement for the disposal of the Group's entire 20% equity interest in Xiamen Container Terminal Group Co., Ltd. was signed on 30 June 2021

Facilities Management

	Hong Kong Convention and Exhibition Centre (Management) Limited	Shenyang New World Expo (Management) Limited	Hong Kong – Shanghai Venue Management (Zhengzhou) Limited
Attributable Interest	100%	100%	30%
Services Offered	Management and operation of venues for exhibitions, conventions, meetings, entertainment events, banquets and catering events, etc		
Gross Rentable Space	91,500 sq m	28,000 sq m	93,000 sq m
No. of Events Held this Year	235	36	200
Total Attendance this Year	Over 1 million	Over 0.5 million	Over 2.46 million

	Gleneagles Hospital Hong Kong
Attributable Interest	40%
Services Offered	500-bed private hospital with more than 35 specialties and subspecialties. It offers a comprehensive range of healthcare facilities and services, including 24-hour outpatient and emergency, cardiac catheterisation laboratory, clinical laboratory, critical care unit, radiotherapy and oncology centre, radiology department, endoscopy centre, chemotherapy centre, dialysis centre, health screening clinic, rehabilitation centre, specialist outpatient clinics, dietetic services, etc

	Free Duty
Attributable Interest	100%
Services Offered	Retail of duty free tobacco, liquor, perfume, cosmetics, package food and general merchandise
Shop Locations	MTR Lo Wu, Hung Hom and Lok Ma Chau Stations; Hong Kong-Zhuhai-Macao Bridge (Hong Kong Port Passenger Clearance Building)

Glossary of Terms

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

GENERAL TERMS

"ATL Logistics Centre" or "ATL"	ATL Logistics Centre Hong Kong Limited
"Board"	the board of directors of NWS Holdings
"CTFC"	Chow Tai Fook Capital Limited
"CTF Enterprises"	Chow Tai Fook Enterprises Limited
"CTFH"	Chow Tai Fook (Holding) Limited
"CUIRC"	China United International Rail Containers Co., Limited
"Derun Environment"	Chongqing Derun Environment Co., Ltd.
"ESG"	Environmental, Social and Governance
"ERM"	Enterprise Risk Management
"EUR"	Euro, the official currency of the Eurozone
"FTLife Insurance"	FTLife Insurance Company Limited
"FY2019"	the financial year ended 30 June 2019
"FY2020"	the financial year ended 30 June 2020
"FY2021"	the financial year ended 30 June 2021
"FY2022"	the financial year ending 30 June 2022
"GHG"	Greenhouse gas
"GHK Hospital"	Gleneagles Hospital Hong Kong
"Goshawk"	Goshawk Aviation Limited
"Greater Bay Area" or "GBA"	the Guangdong-Hong Kong-Macao Greater Bay Area
"GRI"	Global Reporting Initiative
"Group"	NWS Holdings and its subsidiaries
"HIBOR"	Hong Kong Interbank Offered Rate
"Hip Hing Group"	NWS Construction Limited and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"HK$'m"	million of Hong Kong dollar
"HKCEC"	Hong Kong Convention and Exhibition Centre
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HML"	Hong Kong Convention and Exhibition Centre (Management) Limited

GENERAL TERMS (continued)

"Hong Kong" or "HKSAR"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"KTSPL"	Kai Tak Sports Park Limited
"LIBOR"	London Interbank Offered Rate
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC
"Mainland" or "Mainland China"	the PRC excluding Hong Kong, Macau and Taiwan
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
"MOP"	Macau Pataca, the lawful currency of Macau
"NWCL"	New World China Land Limited
"NWD"	New World Development Company Limited
"New World Group"	NWD and its subsidiaries
"NWD (MTN)"	NWD (MTN) Limited
"NWS HKI"	NWS Hong Kong Investment Limited
"NWS", "NWS Holdings" or "Company"	NWS Holdings Limited
"NWS Transport"	NWS Transport Services Limited
"OHS"	Occupational health and safety
"PRC"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"SDGs"	Sustainable Development Goals
"SUEZ NWS"	SUEZ NWS Limited
"SV2030"	New World Sustainability Vision 2030
"TCFD"	Task Force on Climate-related Financial Disclosure
"US" or "USA"	the United States of America
"US$"	United States dollar, the lawful currency of USA
"Wai Kee"	Wai Kee Holdings Limited
"XCTG"	Xiamen Container Terminal Group Co., Ltd.

TECHNICAL TERMS

"CO_2e"	carbon dioxide equivalent
"GJ"	gigajoule(s), equal to 1,000,000,000 joules
"m^3"	cubic metre(s)
"CJV"	co-operative joint venture company
"EJV"	equity joint venture company
"km"	kilometre(s)
"kW"	kilowatt(s)
"kWh"	kilowatt-hour(s)
"sq ft"	square foot (feet)
"sq m"	square metre(s)
"TEU(s)"	twenty-foot equivalent unit(s), a standard measurement unit of a container. It is based on the dimensions of a container 20 feet long by 8 feet wide by 8.5 feet high with an average load of approximately nine tonnes
"tonne(s)"	equal to 1,000 kilograms

FINANCIAL TERMS

"EBITDA"	earnings before interest, taxes, depreciation and amortization
"Attributable Operating Profit" or "AOP"	profit available for appropriation before corporate office and non-operating items
"Attributable Operating Loss" or "AOL"	loss before corporate office and non-operating items
"Dividend Payout Ratio"	$\frac{\text{dividends}}{\text{profit attributable to shareholders of the Company}}$
"Basic Earnings per Share"	$\frac{\text{profit attributable to shareholders of the Company}}{\text{weighted average number of shares in issue during the year}}$
"FVPL"	fair value through profit or loss
"FVOCI"	fair value through other comprehensive income
"Net Assets"	total assets less total liabilities
"Net Assets per Share"	$\frac{\text{Net Assets}}{\text{number of issued shares at the end of the year}}$
"Net Debt"	Total Debt less cash and bank balances and short-term deposits
"Net Gearing Ratio"	$\frac{\text{Net Debt}}{\text{total equity}}$
"Return on Capital Employed"	$\frac{\text{profit for the year}}{\text{total equity + non-current liabilities}}$
"Return on Equity"	$\frac{\text{profit for the year}}{\text{total equity}}$
"Total Debt"	the aggregate of borrowings and other interest-bearing liabilities

OTHER TERMS FOR INSURANCE BUSINESS

"APE"	annual premium equivalent, a measure of new insurance business activity that is calculated as the sum of annualized regular premiums from new insurance business plus 10% single premiums on new insurance business written during a period
"DAC"	deferred acquisition costs, being the direct acquisition costs and a portion of indirect acquisition costs relating to the production of new insurance business deferred
"Embedded value"	being an actuarially determined estimate of the economic value of a life insurance business based on a particular set of assumptions, which is equal to the sum of adjusted net worth and value of in-force business, excluding any economic value attributable to future new insurance business
"VOBA"	value of business acquired, in respect of a portfolio of long-term insurance and investment contracts, being 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
"VONB"	value of new business, being the present value of distributable statutory earnings in the future (less the cost of holding solvency capital) from new insurance business sold in a period

CORPORATE INFORMATION

Board of Directors

Executive Directors

Dr Cheng Kar Shun, Henry *(Chairman)*
Mr Ma Siu Cheung *(Chief Executive Officer)*
Dr Cheng Chi Kong, Adrian
Mr Cheung Chin Cheung
Mr Cheng Chi Ming, Brian
Mr Ho Gilbert Chi Hang
Mr Chow Tak Wing
Mr Cheng Chi Leong, Christopher

Non-executive Directors

Mr To Hin Tsun, Gerald
Mr Dominic Lai
Mr William Junior Guilherme Doo
Mr Lam Wai Hon, Patrick *(alternate director to Mr William Junior Guilherme Doo)*

Independent Non-executive Directors

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
Mr Wong Kwai Huen, Albert

Board Committees

Executive Committee

Dr Cheng Kar Shun, Henry *(Chairman)*
Mr Ma Siu Cheung
Dr Cheng Chi Kong, Adrian
Mr Cheung Chin Cheung
Mr Cheng Chi Ming, Brian
Mr Ho Gilbert Chi Hang
Mr Chow Tak Wing
Mr Cheng Chi Leong, Christopher

Audit Committee

Mr Kwong Che Keung, Gordon *(Chairman)*
Mr Dominic Lai
Dr Cheng Wai Chee, Christopher
The Honourable Shek Lai Him, Abraham
Mr Lee Yiu Kwong, Alan

Remuneration Committee

The Honourable Shek Lai Him, Abraham *(Chairman)*
Mr Ma Siu Cheung
Mr Kwong Che Keung, Gordon
Dr Cheng Wai Chee, Christopher

Nomination Committee

Dr Cheng Kar Shun, Henry *(Chairman)*
Mr Ma Siu Cheung
Mr Kwong Che Keung, Gordon
Dr Cheng Wai Chee, Christopher
The Honourable Shek Lai Him, Abraham

Sustainability Committee

Mr Ma Siu Cheung *(Chairman)*
Mr Cheung Chin Cheung
Mr Cheng Chi Ming, Brian
Mr Dominic Lai
Mr William Junior Guilherme Doo
Mr Lee Yiu Kwong, Alan
Mrs Oei Fung Wai Chi, Grace

Corporate Governance Committee

Mr Kwong Che Keung, Gordon *(Chairman)*
Mr Ma Siu Cheung
Mr Cheung Chin Cheung
Mr Chow Tak Wing
Mrs Oei Fung Wai Chi, Grace
Mr Wong Kwai Huen, Albert

Company Secretary

Mr Tang Wai Yau

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

28/F, New World Tower
18 Queen's Road Central
Hong Kong

Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
4th Floor, North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

Branch Share Registrar and Transfer Office in Hong Kong

Tricor Standard Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Auditor

PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

Principal Bankers

Bank of America, N.A.
Bank of China (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited
China Merchants Bank Co., Ltd., Beijing Branch
Crédit Agricole Corporate & Investment Bank
DBS Bank Ltd. Hong Kong Branch
Hang Seng Bank Limited
Mizuho Bank, Ltd. Hong Kong Branch
MUFG Bank, Ltd. Hong Kong Branch
Oversea-Chinese Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited
Sumitomo Mitsui Banking Corporation
Hong Kong Branch
The Hongkong and Shanghai Banking
Corporation Limited

Website

www.nws.com.hk

NWS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

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