# ANNUAL REPORT 2022

新創建 NWS

## NWS Holdings Limited

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

Member of New World Group

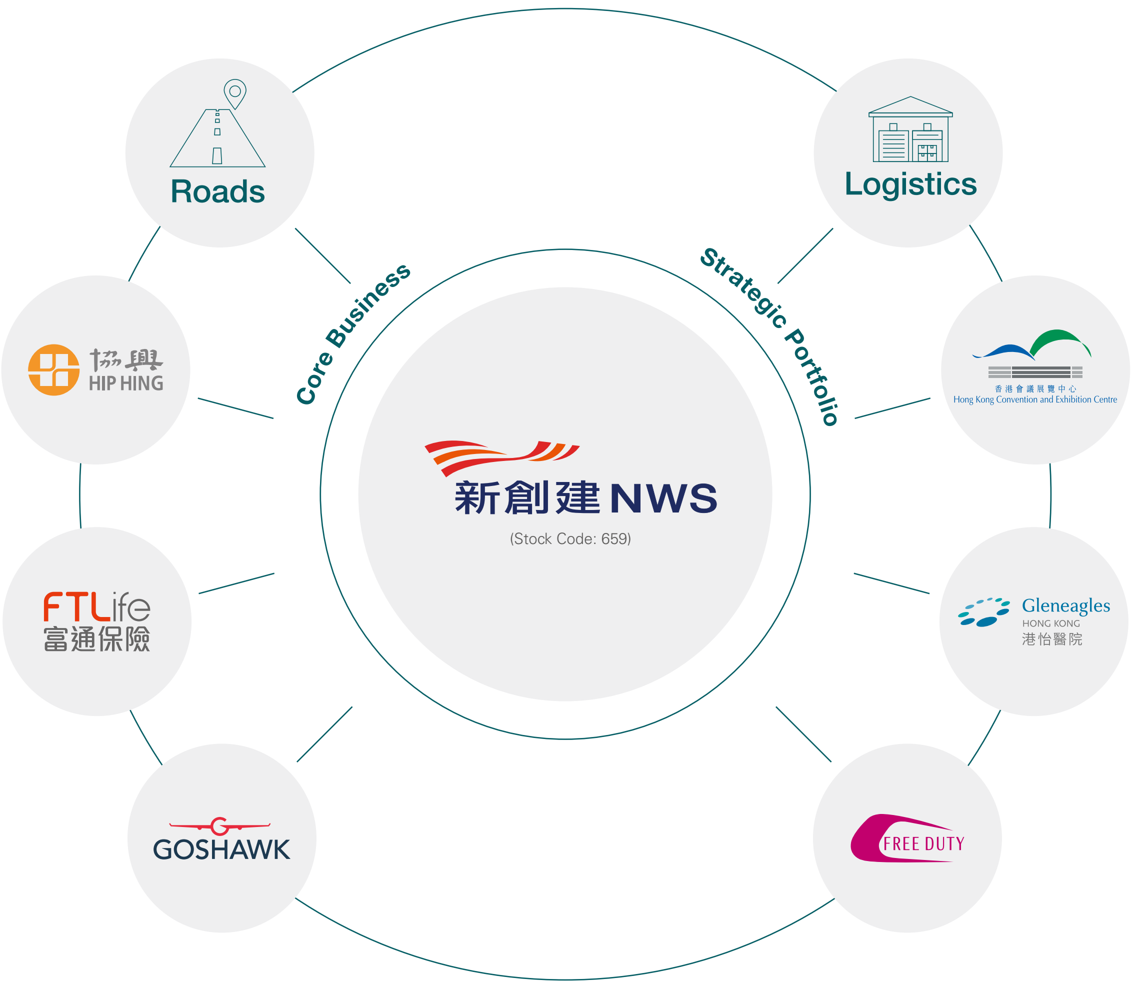
# CONTENT

# Corporate Structure

New World Development Company Limited

(Stock Code: 17)

approximately 61%



# Grow as One

# Chairman's Statement

Dear Shareholders,

Today's effort determines tomorrow's success.

Whilst financial year of 2019 was a breakthrough year for the Group when it began its transformation and portfolio optimization with the aim of enhancing its earnings and cash flow visibility and stability, the financial year of 2022 marks the beginning of a new journey. As the Group's portfolio optimization begins to bear fruit, the Group boosts its effort to grow its optimized portfolio. While the acquisition of a portfolio of logistics properties in the Mainland represents an important step for the Group's strategic expansion plan in the Logistics segment, the Group's road portfolio will be extended to reach approximately 1,000 km in length upon the completion of all the two acquisitions in our Roads segment. Coupled with the disposal of its commercial aircraft leasing platform*, the Group is turning a new page with a revamped business portfolio that is more focused and with enhanced earnings quality. The Group believes that its efforts over the past years in strategically reallocating resources to businesses with clearer visibility on growth, cash flow and profit contribution will shape tomorrow's success.

Value creation and sharing success with its valued shareholders have always been part of the Group's vision. In addition to the Group's sustainable and progressive dividend policy, the Group has announced in May 2022 a share repurchase program, its first share repurchase program since its last share repurchase in 2008. Meanwhile, the Group also further optimized its capital structure and reduced interest expense through the redemption of senior notes. The Group endeavours to pursue every means to thrive together and to share success with its shareholders.

Well-being of its stakeholders also constitutes an important part of the success and sustainable future of the Group. With community's interest at heart, the Group is committed to giving back to the community via various community caring initiatives and creating shared value for all stakeholders. The Group continues to lend its helping hand to support the minorities and people in need in battling COVID-19 and nurture youths through its innovative social initiatives and mentoring programmes. Nevertheless, environmental sustainability is also vital to the long-term sustainable development of the society. Sharing New World Development's Sustainability Vision 2030, the Group is pushing its boundaries to reduce carbon emission, waste and pollution, fully supporting Hong Kong and the Mainland's goal of achieving carbon neutrality. The Group continues to strive to share its success together with its stakeholders and build a better society with the community at large.

**Dr Cheng Kar Shun, Henry**
Chairman

Hong Kong, 30 September 2022

* Pending completion

# Financial Highlights

| | 2022<br>HK$'m | 2021<br>HK$'m<br>(restated) |
|---|---|---|
| Revenue[1] | **31,138.6** | 28,197.3 |
| Profit attributable to shareholders of the Company | **1,586.8** | 1,113.5 |
| Attributable Operating Profit | **4,370.9** | 5,249.4 |
| Adjusted EBITDA | **6,792.5** | 6,511.5 |
| Dividend per share – interim and final | **HK$0.61** | HK$0.59 |
| Dividend Payout Ratio | **150%** | 207% |

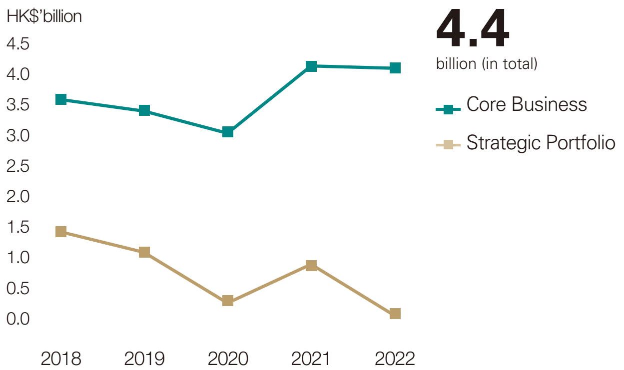
| | 2022<br>HK$'m | 2021<br>HK$'m |
|---|---|---|
| Total assets | **148,770.8** | 152,572.9 |
| Net Assets | **53,887.1** | 58,454.0 |
| Net Assets per Share | **HK$13.78** | HK$14.95 |
| Cash and bank balances | **13,452.6** | 10,804.6 |
| Net Debt | **10,138.3** | 14,543.4 |
| Net Gearing Ratio | **19%** | 25% |

Remarks:
(1) Revenue from continuing operations

# Financial Highlights

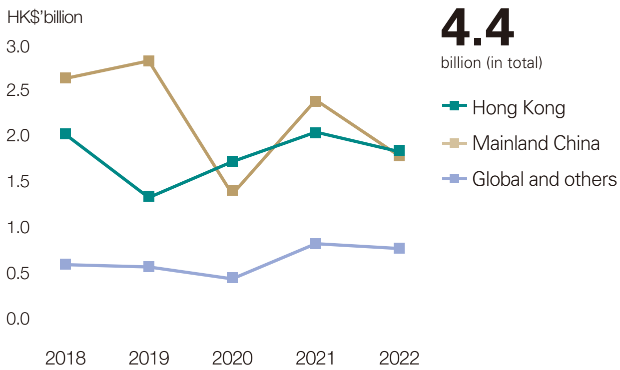
## AOP BY DIVISION

for the year ended 30 June



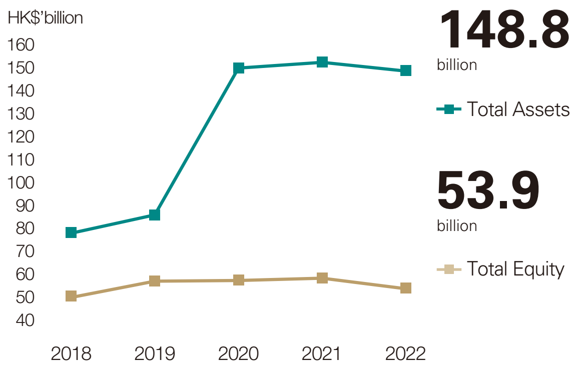

## AOP BY REGION

for the year ended 30 June



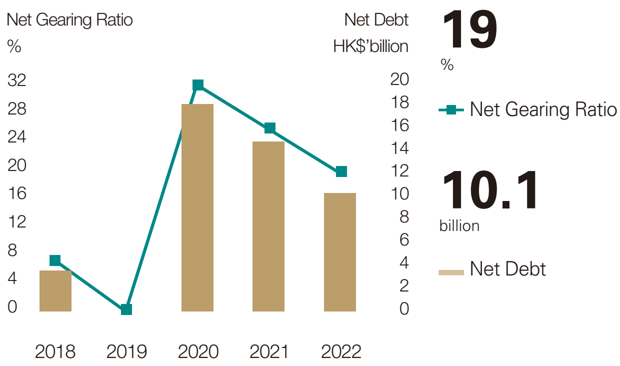

## TOTAL ASSETS AND TOTAL EQUITY

as at 30 June



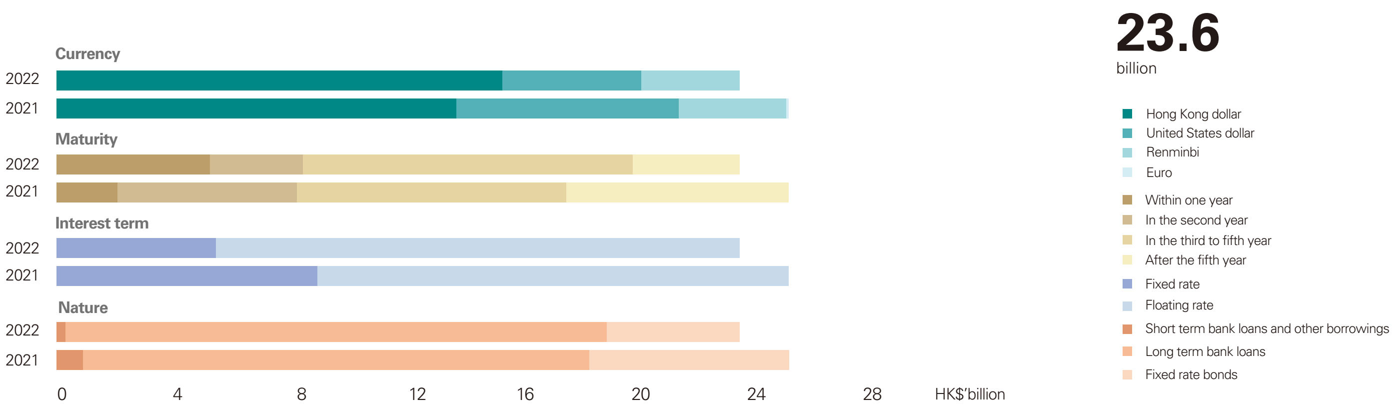

## NET GEARING RATIO AND NET DEBT

as at 30 June




## DEBT PROFILE

as at 30 June



## Advance with Agility

# Management Discussion and Analysis

## BUSINESS REVIEW

### Group overview

The Group managed to close FY2022 with a solid set of results despite all the challenges encountered during the year. Profit attributable to shareholders grew noticeably by 43% year-on-year to HK$1,586.8 million, driven by (i) the significant reduction in AOL of the Facilities Management segment thanks to the continuous narrowing of losses of the three businesses within the segment; (ii) the considerable reduction in non-operating losses related to remeasurement, impairments and provisions to HK$1,816.9 million compared with HK$2,608.1 million in FY2021, notwithstanding the remeasurement, impairments and provisions of HK$1,897.1 million largely associated with the disposal of commercial aircraft leasing business and full provision of impairment charge in respect of the aircraft assets leased to Russian lessees; (iii) the increase in net gain arising from the disposals of projects, partial redemption of senior notes, and fair value change of certain derivative financial instruments; and (iv) a steady increase in AOP of the Insurance segment. The above positive factors were partially offset by the AOL from Strategic Investments segment during FY2022 due to the lack of significant net fair value gain from certain investments, the recognition of net fair value loss and expected credit loss provision on a few investments as a result of the downturn in global markets, as well as the negative impact of global economic slowdown on the operating environment of certain businesses within the segment.

The Group further optimized our business portfolio in FY2022 with the completion of the disposal of 20% equity interest in XCTG and 42% equity interest in SUEZ NWS in October and November 2021, respectively. Moreover, the Group announced GAL disposal of its entire commercial aircraft leasing business, except for six aircraft associated with Russian lessees, via the sale of GML in May 2022. On the acquisition front, the Group completed the acquisition of a minority stake in Laogu Expressway (老谷高速公路) in March 2022, as well as announced the acquisition of 40% interest in Guiwu Expressway（貴梧高速公路）in 2022, and a portfolio of six logistics properties in Chengdu and Wuhan plus the formation of a 50/50 operating manager joint venture with Goodman Group in May 2022. Following the abovementioned disposals and acquisitions, the earnings and cash flow visibility of the Group's business portfolio has further improved with lower risk exposure.

Despite a challenging year for the economy in the Mainland and Hong Kong, the Group's recurring businesses remained resilient, with recurring AOP rising decently by 9% year-on-year on stable recurring AOP of Core Business and reduction in AOL of the Facilities Management segment, after factoring in the exclusion of Wai Kee, Aviation segment and Strategic Investments segment, as well as share of results from assets which were reclassified as held-for-sale or fully/partially disposed of during FY2021 or FY2022 ("Disposed/Held-for-sale Assets"), namely SUEZ NWS, Derun Environment, XCTG, and the Transport segment. Overall AOP of the Group in FY2022 dropped by 17% year-on-year to HK$4,370.9 million was mainly due to AOL from Strategic Investments segment and the decline in AOP contribution from Wai Kee and Disposed/Held-for-sale Assets.

Core Business demonstrated its resiliency amid a challenging and fluid business environment. AOP edged down slightly by 1% year-on-year to HK$4,208.5 million, despite the negative impact of COVID-19 variants outbreak on Roads and Insurance segments in the second half of FY2022. If not taking into account Aviation segment and Wai Kee, AOP of the recurring businesses of Core Business registered a growth of 1% in FY2022.

Among Strategic Portfolio, while AOL narrowed at the three businesses within the Facilities Management segment, the decline in AOP of the Logistics segment due to the aforementioned disposal of XCTG, combined with the AOL of the Strategic Investments segment of HK$141.7 million (declined by HK$881.1 million from an AOP of HK$739.4 million in FY2021) due to the aforesaid negative impacts, have resulted in a decline in AOP by 84% to HK$162.4 million. However, excluding the impact of the Disposed/Held-for-sale Assets and Strategic Investments segment, AOP of Strategic Portfolio's recurring business improved significantly by 308% year-on-year.

The non-operating losses incurred in FY2022 reduced considerably as compared to FY2021. FY2022 non-operating losses was primarily the result of the Group's share of remeasurement loss, assets impairments, provisions for expected credit loss and aircraft repossession/recovery costs totalled HK$1,897.1 million from GAL as previously mentioned, partially offset by the net gain of HK$181.3 million from the disposals of SUEZ NWS and Derun Environment.

Finance costs continued to lower on the back of lower average loan balance driven by deleveraging through utilizing some of the proceeds from the non-core asset disposals. In addition, a net gain on fair value of derivative financial instruments (FY2021: a net loss) and net gain on redemption of senior notes were recognized in FY2022.

In FY2022, profit attributable to shareholders, after the deduction of profit attributable to holders of perpetual capital securities, increased by 43% to HK$1,586.8 million. The basic earnings per share was HK$0.41, increased by 43%.

Contribution from operations in Hong Kong accounted for 42% of the AOP in FY2022 (FY2021: 39%), while Mainland China and other regions contributed 41% and 17% of the AOP, respectively (FY2021: 46% and 15%, respectively). Adjusted EBITDA was up by 4% to HK$6,792.5 million.

The Group maintained sturdy financial position in FY2022. Net debt balance as at 30 June 2022 decreased to HK$10.1 billion (30 June 2021: HK$14.5 billion), with net gearing ratio remaining at a low level of 19% (30 June 2021: 25%).

To further optimize capital structure and reduce interest expense, the Group redeemed US$300 million out of the aggregate principal amount of US$650 million 4.25% senior notes due 2029 at a discount to par value in FY2022. Meanwhile, as at 30 June 2022, the Group had close to HK$4.5 billion sustainability-linked facilities. The Group will continue to pursue other sustainable, social and green finance options to show our commitment to ESG and to lower our financing cost through various means. In recognition of the Group's efforts in reducing risks exposure and improvement in ESG performance, the Group's MSCI ESG Rating was upgraded to A in June 2022.

The Group announced a share repurchase program in May 2022 to repurchase shares of the Company up to US$300 million for a duration of 12 months as a means to return to our shareholders and a vote of confidence for the Group's outlook. The Group also believes that actively optimizing capital structure through implementing the share repurchase program will help enhance earnings per share and net asset value per share.

## Contribution by Division

| For the year ended 30 June | **2022**<br>**HK$'m** | 2021<br>HK$'m<br>(restated) |
|---|---|---|
| Core Business | **4,208.5** | 4,247.2 |
| Strategic Portfolio | | |
| Continuing operations | **41.4** | 753.1 |
| Discontinued operations | **121.0** | 249.1 |
| **Attributable Operating Profit** | **4,370.9** | 5,249.4 |
| *Corporate office and non-operating items* | | |
| Net loss on fair value of investment properties | **–** | (13.2) |
| Remeasurement, impairments and provisions, net | **(1,816.9)** | (2,608.1) |
| Net gain on disposal of projects, net of tax | **243.9** | 9.3 |
| Net gain/(loss) on fair value of derivative financial instruments | **78.2** | (59.1) |
| Net gain on redemption of senior notes | **97.5** | – |
| Interest income | **49.9** | 37.5 |
| Finance costs | **(424.9)** | (483.4) |
| Expenses and others | **(428.7)** | (435.8) |
| | **(2,201.0)** | (3,552.8) |
| **Profit for the year after tax and non-controlling interests** | **2,169.9** | 1,696.6 |
| **Profit attributable to:** | | |
| Shareholders of the Company | **1,586.8** | 1,113.5 |
| Holders of perpetual capital securities | **583.1** | 583.1 |
| | **2,169.9** | 1,696.6 |
| **Adjusted EBITDA#** | **6,792.5** | 6,511.5 |

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

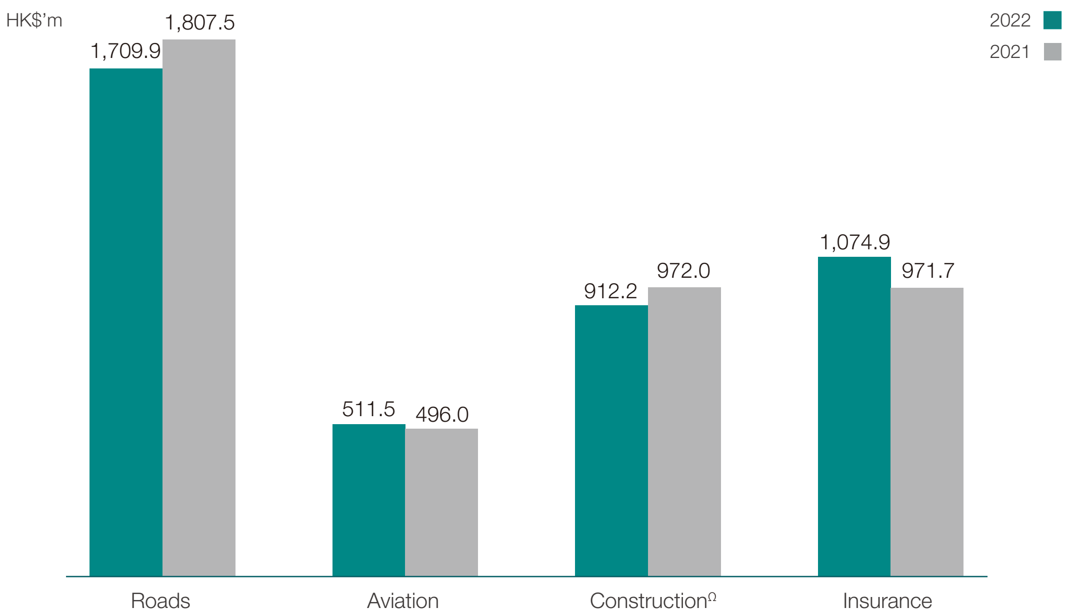
# OPERATIONAL REVIEW

## Core Business

AOP of Core Business was HK$4,208.5 million, representing 96% of the Group's AOP in FY2022.

## AOP Contribution by Segment

| For the year ended 30 June | **2022 HK$'m** | 2021 HK$'m (restated) | Change % Fav./(Unfav.) |
|---|---|---|---|
| Roads | **1,709.9** | 1,807.5 | (5) |
| Aviation (only 11 months in FY2022) | **511.5** | 496.0 | 3 |
| Construction[Ω] | **912.2** | 972.0 | (6) |
| Insurance | **1,074.9** | 971.7 | 11 |
| **Total** | **4,208.5** | 4,247.2 | (1) |




Ω Included share of full period profits from the Group's attributable interest in Wai Kee, being 22.98% up to the reclassification as held-for-sale in December 2020 and 11.49% thereafter, in both years. AOP of Construction segment has been restated for FY2021 due to the change in classification of the Group's remaining interest in Wai Kee from an asset held-for-sale to an associated company in FY2022.

## Roads

Despite a relatively stable first half of FY2022, the outbreak of COVID-19 variants in the Mainland in the second half of FY2022 took a toll on the performance of the Roads segment as the containment measures rolled out by the Mainland Government to stem the transmission of COVID-19 led to a reduction in overall traffic flow and toll revenue of our roads. Compounded by the negative impact from power crunch in various cities in the Mainland and temporary partial prohibition of type 5 and 6 trucks using Hangzhou Ring Road, which was ended by the end of June 2022, our overall traffic flow and toll revenue in FY2022 fell by 5% and 8% year-on-year, respectively. AOP of the Roads segment declined slightly by 5% to HK$1,709.9 million.

The Group's major expressways in FY2022, including Hangzhou Ring Road, Tangjin Expressway (Tianjin North Section), Guangzhou City Northern Ring Road, Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) and the three expressways in Central region (namely Suiyuenan Expressway, Sui-Yue Expressway and Changliu Expressway), have altogether contributed close to 90% of the Roads segment's AOP, with overall traffic flow recording a 6% decline year-on-year due to the abovementioned negative impact.

In view of the optimistic long-term prospect of the Roads segment fostered by the growth of economy and logistics sector in the Mainland, the Group announced the acquisition of 40% interest in Guiwu Expressway (貴梧高速公路) for a total consideration of RMB1,902.4 million (equivalent to approximately HK$2,238.1 million) in 2022. This 198 km long dual 2-lane expressway is located in the transportation hub in Southwestern region of the Mainland, connecting Guangxi, Guangdong, Yunnan and ASEAN market, and is set to benefit from the national economic policies on ASEAN Economic Ring, The Belt and Road Initiative, The Beibu Bay Economic Zone and the GBA. Meanwhile, the Group is entitled to acquire at least 25% stake in Laogu Expressway (老谷高速公路) in Hubei (which includes the acquisition of 1% equity interest in March 2022 and the provision of an interest-bearing convertible shareholder's loan that enables the Group to increase its stake at later stage). Located in Xiangyang of Hubei Province, an important provincial corridor between Hubei and Henan, Laogu Expressway is a 39.3 km long dual 2-lane expressway serving as the south-north and east-west thoroughfare of Xiangyang city. It is also a significant part of the backbone of Hubei's south-north bound road network and surrounded by a number of famous tourist attractions. The acquisition of the two expressways will not only inject fresh AOP and cash flow to the Group, their long remaining concession periods of 23 and 28 years, respectively, have also extended the overall average remaining concession period of the road portfolio to around 11 years, which would further drive the sustainable income and cash flow of our Roads segment to the Group in the years to come.


**Guigang-Wuzhou Expressway**

## Aviation

The Group's Aviation segment engages in commercial aircraft leasing business through our full service leasing platform GAL.

While continued recovery in domestic flights and border reopening around the world have contributed to the stabilization of the overall aviation industry, uncertainties associated with consecutive waves of COVID-19 outbreak, accelerating interest rates hike and geopolitical tension are heightening the friction on the road to recovery of the aircraft leasing industry and weakening the outlook for lease revenue and profit. With the aim of lowering the risk of the Group's business portfolio and redeploying resources to other businesses with better growth prospect, the Group announced GAL's disposal of all its commercial aircraft leasing business, except for six aircraft associated with Russian lessees, via the sale of GML in May 2022 for a total consideration (including base consideration and ticking fee) of US$1,575 million or approximately HK$12,285 million (the Group's attributable portion: US$787.5 million or approximately HK$6,142.5 million) with an enterprise value of about US$6.7 billion.

In the wake of the announcement with respect to the disposal of the Group's commercial aircraft leasing business, the Group recorded an AOP of HK$511.5 million for Aviation segment which accounted for 11 months of AOP in FY2022, out of which a mark-to-market accounting gain of HK$124.8 million (FY2021: HK$51.1 million) from interest rate swap contract was shared by the Group in FY2022.

Included in the non-operating items of FY2022, remeasurement, impairments and provisions totalled HK$1,897.1 million related to GAL was shared by the Group. This was primarily due to GAL's remeasurement loss in relation to GAL's reclassification of GML as an asset held-for-sale and a full provision of impairment charge in respect of the six aircraft with Russian lessees totalling HK$1,745.3 million. Such remeasurement, impairments and provisions will not have impact on the consideration receivable by GAL from the disposal. Should the six aircraft be recovered or repossessed or the value of which be recovered in the future, there will be a potential write-back of the impairment charge in part or in full.

## Construction

Construction segment encompasses our wholly-owned interest in Hip Hing Group, as well as our 11.49% interest in Wai Kee. The latter was reclassified from an asset held-for-sale to an associated company in FY2022. In FY2022, while Hip Hing Group delivered solid performance, the decline in AOP contribution from Wai Kee following the partial disposal of the shares held by the Group during FY2021 resulted in the 6% year-on-year decrease in Construction segment's AOP to HK$912.2 million.

Performance of Hip Hing Group remained resilient amid a raft of challenges in the market including COVID-19 outbreak, raw materials and labour costs inflation, supply chain disruption and rising competition. AOP increased 4% year-on-year to HK$834.5 million, mainly attributable to the increase in profit recognition of government projects with price fluctuation clauses. Major projects in FY2022 included commercial developments at Kai Tak (AIRSIDE and SOGO), Two Taikoo Place at Quarry Bay, Inland Revenue Centre at Kai Tak, Immigration Headquarters at Tseung Kwan O and office development at 2 Murray Road, Central.

Number of new tenders offering in the market, especially projects from the Hong Kong Government and institutions, continued to rise. In FY2022, Hip Hing Group's gross value of contracts on hand grew by 26% year-on-year to approximately HK$62.2 billion, while remaining works to be completed grew by 31% to approximately HK$37.1 billion. Approximately 69% of the remaining works to be completed were from private sector which included both commercial and residential, and the remaining around 31% were from government and institutional related projects. In FY2022, tenders awarded to Hip Hing Group surged by 239% year-on-year to about HK$23.8 billion. Key projects secured included, but not limited to, the commercial/residential development projects at Kai Tak, the design and construction of District Court Building at Caroline Hill Road, Causeway Bay, piling works for integrated basement and underground road at The West Kowloon Cultural District, foundation works for development at New Central Harbourfront, and development of a Microelectronics Centre at Yuen Long.

**Inland Revenue Centre at the Kai Tak Development Area**

## Insurance

COVID-19 variants outbreak, compounded by the weak equity market, have negatively impacted the performance of FTLife Insurance in FY2022. Yet, with our efforts in enhancing product mix and controlling expenses, AOP maintained a sturdy growth of 11% to HK$1,074.9 million.

Embracing the vision of "Think Beyond Insurance", FTLife Insurance endeavours to provide the most comprehensive products and services to the public. Leveraging technology and innovation to continue to improve customer experience, FTLife Insurance co-developed a training tool, "AI Drill", with a local tech start-up during FY2022, utilizing artificial intelligence and big data into its coaching programme to upskill the communication techniques, competency and professionalism of our agents. This innovative training tool has also earned FTLife Insurance "Training Program of the Year – Outstanding Award" by Bloomberg Businessweek in FY2022.

Meanwhile, FTLife Insurance has continued to fortify its insurance product offerings with improved health protection, profitability and social elements to cater to the needs of people in Hong Kong market and prepare to meet the demand from Mainland visitors once the border reopens. In FY2022, FTLife Insurance launched the enhanced version of "Fortune Saver", "ComboPro", "Regent 3 – Prestige Version", as well as "FlexiCare" which provides globally applicable benefits with double aggregate limit offered for common major illnesses. FTLife Insurance's successful launch of "ComboPro Insurance Plan" have also scooped the "Health & Protection Product – Outstanding Award" by Bloomberg Businessweek in FY2022.

At the same time, leveraging on the ecosystem within the New World Group, FTLife Insurance launched "FTLife 360° Power Up", providing customers with comprehensive health protection, rewards and offers, and life experiences through a wide range of products and services in the New World Group's ecosystem.

All the above initiatives, together with our efforts in exploring new distribution channel to penetrate domestic customers, have helped mitigate the impact from COVID-19 variants during FY2022. Our overall APE dropped 10% to HK$1,752.2 million, maintaining its ranking of 12th among Hong Kong life insurance companies by APE as at 30 June 2022. Gross written premium rose by 30% to HK$13,316.8 million, with gross new business written premium increasing by 77% to HK$5,851.7 million. VONB grew by 8% to HK$524.8 million, and VONB margin, representing VONB as a percentage of APE, increased to 30% (FY2021: 25%) on enhanced product mix and product re-pricing. Overall investment return of FTLife Insurance's investment portfolio was 5.2% in FY2022 (FY2021: 4.3%).

FTLife Insurance maintained healthy financial position during FY2022. As at 30 June 2022, FTLife Insurance's solvency ratio was 342%, well above minimum industry regulatory requirement of 150%. Embedded value decreased by 17% year-on-year to HK$17.7 billion was due to the spike in interest rate, credit spread widening and unfavourable equity performance. Moody's has continued to maintain the insurance financial strength rating of FTLife Insurance at A3/Stable, while Fitch Ratings has affirmed FTLife Insurance's A- insurer financial strength rating with stable rating outlook.

The solvency regime will be changed from Hong Kong Insurance Ordinance basis to HKRBC basis in 2024 in which both assets and liabilities will be on mark-to-market basis. Based on FTLife Insurance's internal assessment, the HKRBC solvency ratio has been stable from June 2021 to June 2022, and well above the minimum regulatory requirement under HKRBC regime. Embedded value would also be improved when HKRBC regime is effective as there will be release of additional resilience margins from the current basis.

During the height of COVID-19 variants outbreak in Hong Kong, FTLife Insurance provided free COVID-19 diagnosis benefit and free hospital cash benefit for COVID-19 vaccination to 800 taxi and minibus drivers. FTLife Insurance is dedicated to offering the most attentive healthcare protection to the public and contributing to the society.

## BUSINESS OUTLOOK

### Core Business

### Roads

While COVID-19 variants outbreak has posed short-term headwinds to the Roads segment, with Mainland Government's stimulus measures to reopen and shore up the economy, together with other favourable factors such as continuous growth in car ownership and logistics sector, overall long-term prospect of the Roads segment remains positive and will continue to contribute stable recurring AOP and cash flow to the Group. Against this backdrop, we will remain active in searching for value-adding investment opportunities for our road portfolio to enjoy the long-term growth potential. Meanwhile, the opening of Zhiyi West Lake Service Area in Hangzhou in the second half of 2022, which has incorporated AI technology such as un-manned hotels and convenience stores and the use of renewable energy technologies to reduce carbon footprints, will represent a new source of income for the Roads segment and our commitment to protect the environment.

In respect of the reduction in toll fee of trucks by 10% by the Mainland Government in the fourth quarter of 2022 with the aim of supporting the logistics industry and economic growth, while it may add short-term pressure to the Roads segment, the potential increase in truck's traffic and financial support from the Government would help mitigate the negative impact.

Regarding the negotiation with the Mainland Government in relation to the compensation for the toll fee exemption, while Hunan, Hubei, Guangdong and Shanxi provinces have already had compensation policies to extend concession period for at least 79 days, other provinces are still under discussion. The Group will continue to strive our best to safeguard stakeholders' interest.


**Zhiyi West Lake Service Area**

### Construction

Secular outlook for Construction segment stays positive, underpinned by the expected increase in tender supply from the Hong Kong Government and institutions. As the Government pledged to resolve housing supply shortage via increase in land supply and develop Northern Metropolis which would bolster the mid- to longer-term supply of contract from the Government and in turn, the private sector, Hip Hing Group as a prime construction company in Hong Kong with proven track record and expertise is set to benefit.

While the whole industry is pressured by raw materials and labour costs inflation, the use of various innovative measures by Hip Hing Group such as continuous optimization in building procedure, adoption of construction technologies like Modular Integrated Construction and use of robotics in construction procedures will facilitate further improvements on construction efficiency, reduce onsite construction energy and waste consumption and mitigate cost pressure. Meanwhile, the increase in government projects and Hip Hing Group's efforts in expanding scope of business to civil-related projects such as site formation and deep excavation works will help stabilize our margin and extend into different types of projects within our portfolio.

### Insurance

While COVID-19 has brought temporary challenges to FTLife Insurance, it also offered opportunities. The increasing demand for higher level of health and protection coverage, coupled with strong pent-up demand from Mainland visitors, are set to create a strong potential demand for FTLife Insurance's products. In July 2022, FTLife Insurance launched a new savings insurance product, "Your Choice" Insurance Plan which allows policyholders to set up a wealth management plan with guaranteed returns while enjoying life protection at the same time. A new critical illness protection plan, "Protect Starter", which aims at young people and first-time insurance buyers and covers 76 common critical illnesses at an affordable price, was also launched in August 2022. In addition to new insurance products, FTLife Insurance has launched in July 2022 the first ever market innovation program which allows our insurance policyholders to pay their insurance premiums with K Dollars^. FTLife Insurance will continue to explore new distribution channel and deepen collaboration with the New World Group to inject further fresh growth elements to FTLife Insurance.

Regarding the upcoming replacement of accounting standard from HKFRS 4 to HKFRS 17 for insurance contracts for our fiscal financial year ending 30 June 2024, the implementation of the new HKFRS 17 would involve significant enhancements to the information technology, actuarial and finance systems and the Group is undertaking active assessments with the assistance of external consultants and taking steps to get ready for the adoption in accordance with the required timeline. The assessment of the impacts on the Group's consolidated financial statements is still in progress and it is expected to have impacts on revenue and results of the Group's insurance business. Although the work is well advanced as of the date of this annual report, it is not yet practicable to reliably quantify them.

^ K Dollar Program is a unified loyalty program jointly collaborated between New World Group and Chow Tai Fook allowing K Dollar Program member to earn K Dollars with eligible transactions at over 600 participating merchants in town. K Dollar Program member can spend K Dollars for the next transaction.

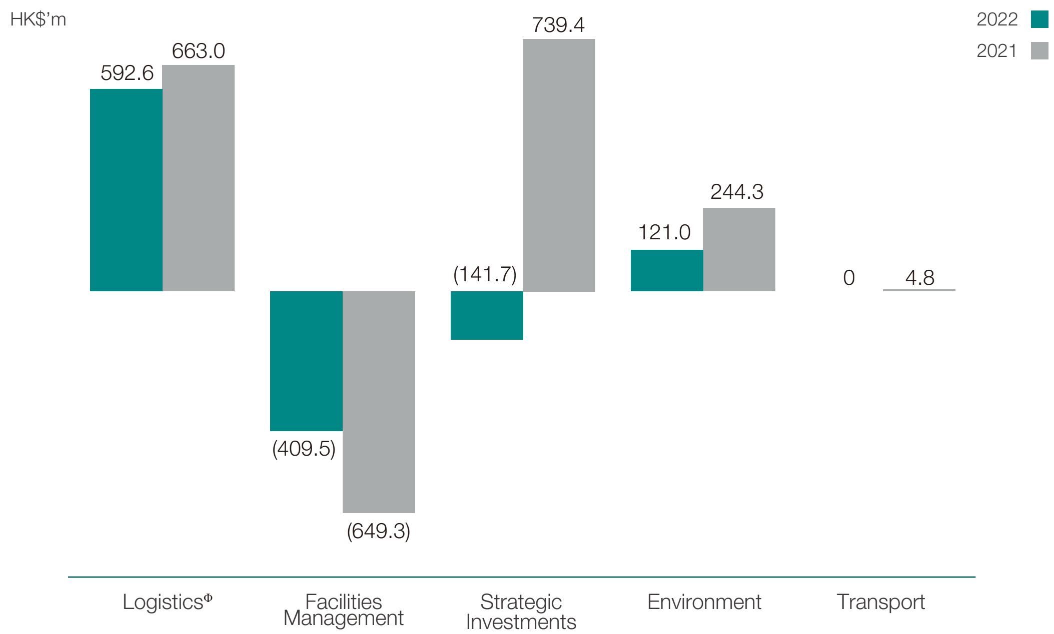
## OPERATIONAL REVIEW

### Strategic Portfolio

AOP of Strategic Portfolio was HK$162.4 million in FY2022.

### AOP Contribution by Segment

| For the year ended 30 June | **2022 HK$'m** | 2021 HK$'m | Change % Fav./(Unfav.) |
|---|---|---|---|
| Logistics[Φ] | **592.6** | 663.0 | (11) |
| Facilities Management | **(409.5)** | (649.3) | 37 |
| Strategic Investments | **(141.7)** | 739.4 | (119) |
| Discontinued operations | | | |
| Environment | **121.0** | 244.3 | (50) |
| Transport | **–** | 4.8 | (100) |
| **Total** | **162.4** | 1,002.2 | (84) |




Φ XCTG was reclassified as an asset held-for-sale as at 30 June 2021 and the Group no longer shares its profit since then. The five newly acquired logistics properties and newly formed operating manager joint venture with Goodman Group contributed one month of AOP in FY2022.

## Logistics

Logistics segment recorded encouraging performance in FY2022 despite all the challenges in the macro environment. Excluding XCTG which was reclassified as an asset held-for-sale as at 30 June 2021, AOP increased by 5% year-on-year. Overall AOP of the Logistics segment, taking into consideration the lack of profit contribution from XCTG (FY2021: HK$101.4 million) after its disposal, decreased by 11% year-on-year to HK$592.6 million in FY2022.

FY2022 was a breakout year for the Group's Logistics segment, in anticipation of the solid growth and strong demand for years to come. In addition to our investments in companies such as 全球捷運(上海)供應鏈科技有限公司 (Worldex (Shanghai) Supply Chain Technology Limited*), and ANE (Cayman) Inc. (currently included under Strategic Investments segment), to further expand our footprint in the Logistics segment, the Group announced in May 2022 the acquisition of a portfolio of six logistics properties in Chengdu and Wuhan for RMB2,290 million (equivalent to approximately HK$2,663 million) as well as formation of a 50/50 operating manager joint venture with Goodman Group to provide operating management services to the logistics portfolio. Five out of six logistics properties are in operation while the sixth property will come on stream in the second half of 2022. Located in areas with brisk demand in Chengdu and Wuhan and boasting a diversified tenant portfolio with a mix of blue-chip tenants including multinational corporations, e-commerce giants and top logistics players in the industry, this logistics properties portfolio, together with the operating manager joint venture, are not only providing immediate AOP and cash flow to the Group, but also lay a strong foundation for the Group's future expansion in the logistics sector. The six newly acquired logistics properties in the Mainland and ATL are grouped together as a subgroup within Logistics segment under Logistics Asset & Management ("LA&M").

Under LA&M, ATL reported sturdy results in FY2022. AOP continued to grow and accounted for over 80% of the segment's AOP, underpinned by the strong demand for ATL's quality warehouse space from renowned quality tenants. In FY2022, ATL's average rent continued to grow by 2% with occupancy rate maintaining at an almost fully let level of 99.4%. Regarding the acquisition of a portfolio of six logistics properties in the Mainland and formation of operating manager joint venture, five out of six properties were completed in June 2022 and already had immediate AOP contribution to the Group for the month of June 2022. Average occupancy rate of the five operating logistics properties was 86.7% since acquisition.


**Premium logistics properties in Chengdu and Wuhan**

* For identification purposes only

In order to reflect the latest income mix and business model of the property, as well as the relevant market trend, the Group reclassified ATL Logistics Centre from property, plant and equipment to investment property in the first half of FY2022. In FY2022, a revaluation gain equalling to the difference between the fair value and carrying value of the property shared by the Group amounted to HK$6.3 billion (net of tax) and such amount was dealt with in the property revaluation reserve.

AOP of CUIRC grew remarkably by 16% year-on-year in FY2022 fuelled by service diversification, strong demand for cross-border logistics and sound operating network. Operating performance continued to improve in the second half of FY2022, notwithstanding challenges including resurgence of COVID-19 variants and geopolitical tension. Throughput in the second half of FY2022 improved by 4% year-on-year versus a drop of 8% year-on-year in the first half, resulting in overall throughput drop in FY2022 narrowing to 2% year-on-year to 4,754,000 TEUs. With the bright outlook for this sector, CUIRC has continued to expand, which included the commencement of operation of the new Guangzhou terminal since late December 2021 and the completion of doubling of handling capacity of Wuhan terminal. In addition, doubling of handling capacity of Zhengzhou terminal is in progress and is expected to be completed in the first half of financial year of 2023, while Xi'an terminal's handling capacity expansion is also underway.

The Group has fully exited all investments in port-related projects following the completion of the disposal of the entire 20% stake in XCTG in October 2021.

### Facilities Management

AOL of the Facilities Management segment significantly narrowed by 37% to HK$409.5 million, thanks to the continuous improvement in performance of the three businesses within the segment.

GHK Hospital's premium healthcare service with advanced equipment has continued to spur the ramp up of its operating performance and improvement in AOL. In FY2022, GHK Hospital has maintained a strong revenue growth trajectory fuelled by the growth of the number of outpatients by 26% and inpatients by 14%. As at 30 June 2022, number of regularly utilized beds was 264 (30 June 2021: 210), with average occupancy rate standing at 61%. During FY2022, by utilizing its exceptional expertise in medical healthcare services, GHK Hospital has made further progress in collaborating with other business units within the New World Group. Partnering with Humansa through management agreement, Humansa Diagnostic Imaging Centre at New World Tower in Central has commenced operation in May 2022. Meanwhile, GHK Hospital has introduced new advanced systems, such as new robotic surgery systems, latest radiotherapy system and new automated medication packaging and dispensing system to further excel and extend our clinical services. Dedicated to serving the society and those in need, GHK Hospital has provided a series of medical services to the public during FY2022 such as participating in the Hong Kong Government's COVID-19 Vaccination Programme to provide vaccination service, offering free telemedicine consultation services in March and April 2022, providing COVID-19 outpatient service to patients with mild symptoms since 31 March 2022 and collaborating with Hospital Authority to take up non-COVID-19 patients to relieve patient load in the public hospitals since March 2022.

In FY2022, AOL of HKCEC remarkably narrowed and accounted for approximately 40% of the segment's AOL. While the resurgence of COVID-19 disrupted HKCEC's business in the third quarter of FY2022, its operating performance continued to recover in the last quarter of FY2022 following the relaxation of social-distancing measures in Hong Kong. Along with our efforts in implementing stringent preventive measures, use of technologies and maintaining effective communication with event organizers, number of events held at HKCEC improved by 79% year-on-year to 420 and number of patronage surged by 191% to approximately 3.0 million in FY2022. In March 2022, HKCEC provided over half a million square feet of space at Phase 2 of the HKCEC as a storage and logistics centre for COVID-19-related supplies to support the Hong Kong Government to fight COVID-19.

Free Duty's operating environment continued to be undermined by the border closure and our three outlets at Lo Wu, Hung Hom and Lok Ma Chau MTR stations remained closed. That said, thanks to the year-on-year increase in AOP of more than 100 folds from our only operating outlet at Hong Kong-Zhuhai-Macao Bridge and positive contribution from our other new business initiatives such as pop-up stores at D·PARK and THE FOREST as well as our e-commerce website, FDMALL, together with our efforts in saving costs, AOL of Free Duty continued to narrow.

### 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. AOL in FY2022, which mainly comprised the share of results, net fair value change, interest and dividends from various investments, was HK$141.7 million (FY2021 AOP: HK$739.4 million), mainly due to the lack of significant net fair value gain from certain investments, the recognition of net fair value loss and expected credit loss provision on a few investments as a result of the downturn in global markets during FY2022, as well as the negative impact of global economic slowdown on the operating environment of certain businesses within the segment.

## DISCONTINUED OPERATIONS

### Environment

The Group completed the disposal of SUEZ NWS on 15 November 2021. During the year, a net gain of HK$181.3 million with regard to the disposals of SUEZ NWS and Derun Environment was recognized and included in the non-operating items. A dividend income of HK$121.0 million was also received and recognized in FY2022.

## BUSINESS OUTLOOK

### Strategic Portfolio

### Logistics

Rapid growth of new economy, Mainland Government's support on logistics industry, as well as post-COVID-19 recovery lend support to the positive outlook for Logistics segment. The Group will continue to invest in the modern logistics sector to further monetize this market potential, targeting quality logistics assets and technology-related and/or services based projects, at the same time leveraging on our operating manager joint venture with Goodman Group for new collaboration opportunities and expand into logistics asset management business. Building an ecosystem along with ATL, CUIRC and other logistics-related investments, the Group expects the synergies generated will work to the whole Logistics segment's benefit going forward.

Within LA&M, leveraging on the premium location in Hong Kong, unparalleled scale and first-rate service, ATL Logistics Centre will continue to defy competition and remain as the preferred storage facilities for current and potential tenants, and in turn bolster its positive rental outlook. Meanwhile, the fast-growing logistics sector in Chengdu and Wuhan will ensure the further ramp up of occupancy rate of the five operating logistics properties within the newly acquired portfolio of logistics properties, coupled with the sixth property, which will become operational in the second half of 2022, will add further growth impetus and AOP contribution to the Group.

Outlook for CUIRC remains sanguine buoyed by the Mainland Government's on-going support on the sea-rail intermodal and international rail container transportation, alongside CUIRC's sound operating network and logistics services. Post-COVID-19 logistics demand, together with the contribution from the full operation of Guangzhou and Zhengzhou terminals, as well as the upcoming completion of Xi'an terminal expansion, will continue to prompt CUIRC's sustainable growth and improvement in profitability.

### Facilities Management

Keen demand for quality healthcare service in Hong Kong, coupled with GHK Hospital's increasing recognition by the public will foster the continuous ramp up of GHK Hospital, while further exploration of collaboration and business opportunities within the New World Group's ecosystem are set to create additional growth potential. In August 2022, Gleneagles Pro-HEART Cardiac Centre, managed by a team of highly-experienced cardiologists and nurses, was launched at New World Tower to provide professional and premium service for patients with cardiac-related health problems. Meanwhile, GHK Hospital is committed to combating COVID-19 with the Hong Kong Government through providing related healthcare services to the public as well as relieving patient load in the public sector via Public-Private Partnership Programmes.

Continual resumption of regional expos and local events will continue to drive the improvement in HKCEC's business performance, yet reopening of border and restart of international travel are essential for full recovery. While COVID-19 still persists, the Group will continue to implement rigorous prevention measures, and at the same time maintain close dialogue with event organizers to get ready for upcoming events when border reopens.

Resumption of operation of Free Duty's outlets hinges on the timing of border reopen between the Mainland and Hong Kong. While we are ready for the reopening of the closed outlets, we will continue to explore other income streams such as opening more pop-up stores within New World Group's ecosystem and leverage on the strong customer base from the New World Group, and at the same time remain cost cautious to mitigate losses until full recovery.

## LOOKING FORWARD

While the world is still confronting multi-faceted uncertainties arising from geopolitical tensions, accelerating inflation and COVID-19 variants that continue to add volatility to business environment and requires our vigilance, the Group's strong fundamentals would allow us to maintain solid performance during uncertain times and well positioned for swift rebound once volatilities have settled. On the Mainland front, with the Government's resolution in reviving the economy and all the economic stimulus and relief it has unleashed to steer the economy back on track, we believe the Mainland will successfully get over all the challenges and remain as one of the key growth engines of the world, which is conducive to the Group's long-term development.

Committing to the vision of fostering connectivity that enables our communities to thrive, the Group's mission is to connect people, goods, and capital through a portfolio of market-leading businesses, while embracing "Act with integrity", "Advance with agility", "Grow as one", "Create shared value" and "Evolve sustainably" as our five core values. With our core values at heart, the Group will continue to uphold our prudent business strategy and stringent risk management policy to safeguard the interest of our stakeholders. At the same time, we are building stronger resilience, becoming more resource efficient and innovation vigilant in driving change towards a carbon net zero future, integrating sustainability into our business model for long-term value.

Meanwhile, we will proactively look for value accretive investment opportunities, particularly in roads and modern logistics, to inject fresh growth impetus to the Group, while responding to regulatory and market developments especially due to megatrends such as digitalization and climate change. We believe that with all our efforts in optimizing our business portfolio and lowering our risk exposure, our fundamentals have continued to strengthen, and the Group is ready to move forward and grow together with our shareholders.

## 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 2022 and 30 June 2021.

As a means to optimize capital structure and cost of financing, the Group has redeemed and cancelled US$300.0 million out of the aggregate principal amount of US$650.0 million 4.25% senior notes due 2029 during the year. After the redemption, US$335.9 million in aggregate principal amount of the senior notes remains outstanding. Besides, the Group implemented a share repurchase program for a duration of 12 months to repurchase shares of the Company up to a maximum of US$300.0 million. The Group believes that the share repurchase program will enhance earnings per share, net asset value per share and overall shareholders' return.

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 FY2022. 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 2022, the Group's total cash and bank balances amounted to HK$13,452.6 million, compared with HK$10,804.6 million as at 30 June 2021. Cash and bank balances were mainly denominated as to 42% in United States Dollar, 29% in Renminbi and 28% in Hong Kong Dollar. The Group's Net Debt as at 30 June 2022 was HK$10,138.3 million, compared with HK$14,543.4 million as at 30 June 2021. The decrease in Net Debt was mainly due to the proceeds received from the disposal of interests in SUEZ NWS, XCTG and certain non-core investments as well as net operating cash inflow and dividends received from associated companies and joint ventures, net of investments made and payments of dividends. The Group's Net Gearing Ratio reduced from 25% as at 30 June 2021 to 19% as at 30 June 2022. The Group had unutilized committed banking facilities of approximately HK$11.0 billion as at 30 June 2022.

### Debt profile and maturity

As at 30 June 2022, the Group's total debt decreased to HK$23,590.9 million from HK$25,348.0 million as at 30 June 2021. The Group has managed to spread out its debt maturity profile to reduce refinancing risks. Amongst the non-current portion of the long-term loans and borrowings of HK$18,323.2 million as at 30 June 2022, 17% will mature in the second year, 62% will mature in the third to fifth year and 21% 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 2022, 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$4,786.5 million as at 30 June 2022, compared with HK$2,209.6 million as at 30 June 2021. These comprised commitments for the acquisition of a road project located in Guangxi of HK$2,238.1 million, a logistic property under development in Chengdu of HK$571.3 million, capital contributions to certain associated companies, joint ventures as well as investment funds, financial and other investments of HK$1,645.7 million as well as additions of intangible assets, intangible concession rights and property, plant and equipment of HK$331.4 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$3,470.4 million as at 30 June 2022, compared with HK$3,881.8 million as at 30 June 2021. 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 2022 and 30 June 2021. KTSPL is an associated company of the Group in which the Group has a 25% interest.

Under the main transaction agreement and the related transaction documents in relation to the disposal of aircraft leasing business by Goshawk to SMBC Aviation Capital Limited ("SMBC"), the Group provides a financial guarantee to support the performance of Goshawk of its payment obligation to satisfy claims that may be brought by SMBC against Goshawk. The Group's potential liability under the financial guarantee is limited to a total amount of US$197.1 million (equivalent to approximately HK$1,537.4 million) as at 30 June 2022.

# Create Shared Value

# Board of Directors

## Dr Cheng Kar Shun, Henry *GBM, GBS*
*Chairman*

Dr Cheng, aged 75, 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 and i-CABLE Communications Limited, all being listed public companies in Hong Kong. He was a non-executive director of 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), both 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 59, 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. Mr Ma is an executive director of NWD, a substantial shareholder of the Company and a listed public company in Hong Kong (appointed on 1 July 2022) and is also a non-executive director of China Resources (Holdings) Company Limited. 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.

## Mr Ho Gilbert Chi Hang

*Executive Director and Chief Operating Officer*

Mr Ho, aged 46, has been serving as Executive Director since July 2018 and was appointed as Chief Operating Officer in February 2022. He is a member of the Executive Committee, the Corporate Governance Committee and the Sustainability 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 mergers and acquisitions 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 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 and the General Committee of The Chamber of Hong Kong Listed Companies, a standing committee member of the Youth Federation of Inner Mongolia and the Vice Chairman of Inner Mongolia & Hong Kong Youth Exchange Association. He was a committee member of the Industry Advisory Committee of Insurance Authority from June 2020 to May 2022 and a committee member of the Chinese People's Political Consultative Conference of Shenyang from December 2007 to December 2021. 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.

## Dr Cheng Chi Kong, Adrian *SBS, JP*

*Executive Director*

Dr Cheng, aged 42, 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), the Chairman and non-executive director of New World Department Store China Limited and Arta TechFin Corporation Limited, an executive director of Chow Tai Fook Jewellery Group Limited, and a non-executive director of Giordano International 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 New Century Healthcare Holding Co. Limited (resigned on 1 June 2022), 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 in Hong Kong since 2016 and was awarded the Silver Bauhinia Star in 2022 by the Government of the HKSAR. He was made an Officier de l'Ordre des Arts et des Lettres by the French Government in 2017, and an Officier de l'Ordre National du Mérite in 2022. Dr Cheng holds a Bachelor of Arts Degree *(cum laude)* from Harvard University, and received an Honorary Doctorate of Humanities by the Savannah College of Art and Design in 2014. He was conferred an Honorary Fellowship by Lingnan University in 2014, and an Honorary University Fellowship by the University of Hong Kong in 2022. 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 Cheng Chi Ming, Brian

*Executive Director*

Mr Cheng, aged 39, 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 PBA International Pte. Ltd. and a number of companies in Mainland China. Mr Cheng 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 Cheng Chi Leong, Christopher

*Executive Director*

Mr Cheng, aged 33, 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 had 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 73, 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 75, 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, both being listed public companies in Hong Kong.

## Mr William Junior Guilherme Doo *JP*

*Non-executive Director*

Mr Doo, aged 48, 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 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 60, was appointed as Executive Director in January 2003 and was re-designated as Non-executive Director in January 2016. He retired on 25 November 2020 and at the same time was appointed as an alternate director to Mr William Junior Guilherme Doo, a non-executive director of the Company. Mr Lam is currently an executive director and the Chief Executive Officer of FSE Holdings Limited. He is also an executive director and an Executive Vice-Chairman of the board of directors of FSE Lifestyle Services Limited (re-designated from Vice-Chairman to Executive Vice-Chairman on 1 June 2022), a listed public company in Hong Kong. Mr Lam is a Fellow of the Hong Kong Institute of Certified Public Accountants and of the Institute of Chartered Accountants in England and Wales, and a member of the Chartered Professional Accountants of Ontario, Canada. He is acting Chairman of the Asia Advisory Board of Ivey Business School, Western University, Canada, a founding director of the University of Edinburgh Hong Kong Foundation, and a member of the Hong Kong Essex Global Leader Network, University of Essex. As well, Mr Lam is a Governor of the Canadian Chamber of Commerce in Hong Kong. In 2021, he was made a Chevalier of the Order of National Merit of France in recognition of his contribution to France.

## Mr Kwong Che Keung, Gordon

*Independent Non-executive Director*

Mr Kwong, aged 73, was appointed as Independent Non-executive Director in October 2002 and is the Chairman of the Audit 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, COSO SHIPPING International (Hong Kong) Co., Ltd., FSE Lifestyle Services 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 Global Digital Creations Holdings Limited (retired on 22 May 2020) and China Power International Development Limited (retired on 3 June 2021), both being listed public companies in Hong Kong. Mr Kwong is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. 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.

## Mr Shek Lai Him, Abraham *GBS, JP*

*Independent Non-executive Director*

Mr Shek, aged 77, 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., and an executive director and the Chairman of Goldin Financial Holdings Limited (re-designated from the Vice Chairman to the Chairman on 6 June 2022), 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 SJM Holdings Limited (retired on 28 May 2021), whose shares are listed on the Hong Kong Stock Exchange, and Hop Hing Group Holdings Limited (retired on 2 June 2020) (the company was delisted from the Hong Kong Stock Exchange on 27 January 2022). Mr Shek was a member of the Legislative Council for the HKSAR representing real estate and construction functional constituency from 2000 to 2021. 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 and attained a Juris Doctor degree at The City University of Hong Kong.

## Mr Lee Yiu Kwong, Alan

*Independent Non-executive Director*

Mr Lee, aged 78, was appointed as Independent Non-executive Director in October 2012 and he is also a member of the Audit Committee, the Nomination Committee, the Remuneration 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. 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 Wai Chi Grace Fung

*Independent Non-executive Director*

Mrs Oei, aged 69, 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 *SBS, BBS, JP*

*Independent Non-executive Director*

Mr Wong, aged 70, was appointed as Independent Non-executive Director in July 2018 and is the Chairman 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 Hua Hong Semiconductor Limited and Vinda International Holdings Limited, both being listed public companies in Hong Kong. He was an independent non-executive director of China Oilfield Services Limited (retired on 1 June 2022), 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 Honorary Chairman of Hong Kong International Arbitration Centre. He is also the Chairman of the Board of Review (Inland Revenue Ordinance) and the Board of Directors of HKBU Chinese Medicine Hospital Company Limited, a council member of The Hong Kong Institute of Directors and the Honorary Legal Adviser of Hong Kong Business Accountants Association. He was formerly the President of the Law Society of Hong Kong and the Inter-Pacific Bar Association, Chairman of the Copyright Tribunal and Honorary Adviser of Financial Reporting Council. 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 and Silver Bauhinia Star by the Government of the HKSAR in 2014 and 2022 respectively.

## Professor Chan Ka Keung, Ceajer *GBS, SBS, JP*

*Independent Non-executive Director*

Prof. K.C. Chan, aged 65, was appointed as Independent Non-executive Director in January 2022 and is also a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. Prof. K.C. Chan is the Chairman and a non-executive director of WeLab Bank Limited and Senior Advisor of WeLab Holdings Limited, a leading fintech company in Asia with one of the first virtual banks established in Hong Kong. He is also an independent non-executive director of Langham Hospitality Investments and Langham Hospitality Investments Limited, Guotai Junan International Holdings Limited, China Overseas Land & Investment Limited and Hong Kong Aerospace Technology Group Limited, all being listed public companies in Hong Kong. Prof. K.C. Chan is an independent non-executive director of CMB International Capital Corporation Limited and Greater Bay Area Homeland Investments Limited.

Prof. K.C. Chan was appointed as the Secretary for Financial Services and the Treasury of the Government of the HKSAR from July 2007 to June 2017. Prior to that, he was Dean of Business and Management in the Hong Kong University of Science and Technology ("HKUST"). He is currently Adjunct Professor at HKUST Business School. Prof. K.C. Chan received his bachelor's degree in economics from Wesleyan University and his M.B.A. and Ph.D. in finance from the University of Chicago. He specialized in assets pricing, evaluation of trading strategies and market efficiency and has published numerous articles on these topics. Prof. K.C. Chan is a member of the Competition Commission and a director of the One Country Two Systems Research Institute. In the past, he held a number of public service positions including Chairman of the Consumer Council, a director of the Hong Kong Futures Exchange, non-executive director of The Hong Kong Mortgage Corporation Limited, and a member of the Commission on Strategic Development, Commission on Poverty, the Exchange Fund Advisory Committee, the Hang Seng Index Advisory Committee and the Hong Kong Council for Academic Accreditation.

# Senior Management

## Mr Cheng Chi Kwok

*Senior Director – Infrastructure*
*NWS Infrastructure Management Limited*

Mr Cheng, aged 58, 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 two major PRC joint ventures in the Roads segment of the Group. Mr Cheng holds a Bachelor of Business Administration degree and he has over 30 years of experience in project development, investment and management in the infrastructure and roads business in Mainland China.

## Mr Jim Lam

*Chief Financial Officer*
*NWS Holdings Limited*

Mr Lam, aged 52, 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 the 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 the Hong Kong Institute of Certified Public Accountants. 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).

## Mr Tang Wai Yau

*Company Secretary and Head of Legal*
*NWS Holdings Limited*

Mr Tang, aged 52, 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 65, 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 57, joined Hong Kong Convention and Exhibition Centre (Management) Limited, 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 is the President of UFI – The Global Association of the Exhibition Industry for 2021/2022 to lead the organization, which comprised 812 members in 83 countries and regions. Ms Lee serves as a Vice Chairman of the Industry Advisory Committee on the School of Hotel and Tourism Management of the Hong Kong Polytechnic University for 2022/2024. Ms Lee was conferred the Honorary Fellowship by the Vocational Training Council ("VTC") in 2016. She has been appointed as Council Member of VTC and Director of the Board of Directors of VTC School and Business and Information Systems for 2022/2023. 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 66, 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.

## Mr Ip Man Kit

*Chief Executive Officer*
*FTLife Insurance Company Limited*

Mr Ip, aged 58, joined FTLife Insurance, a wholly-owned subsidiary of the Company, in February 2022 and is currently its Chief Executive Officer. He has over 30 years' experience in life insurance industry dedicated for AIA. He had held various executives roles in Information Technology, Operations, Project Management, transformation as well as health and wellness business development in Hong Kong and Mainland China. Mr Ip was also very active in industry associations including Medical Insurance Association and Hong Kong Federation of Insurance by being the Chairman and/or member. In recent years, he was heavily involved in the medical insurance reform for the industry and also digitalization development for AIA Hong Kong. Before joining FTLife Insurance, his last held position is Chief Operations Officer at AIA Hong Kong. He holds a Bachelor of Arts in Commerce and Economics and Computer Science, University of Toronto, Canada.

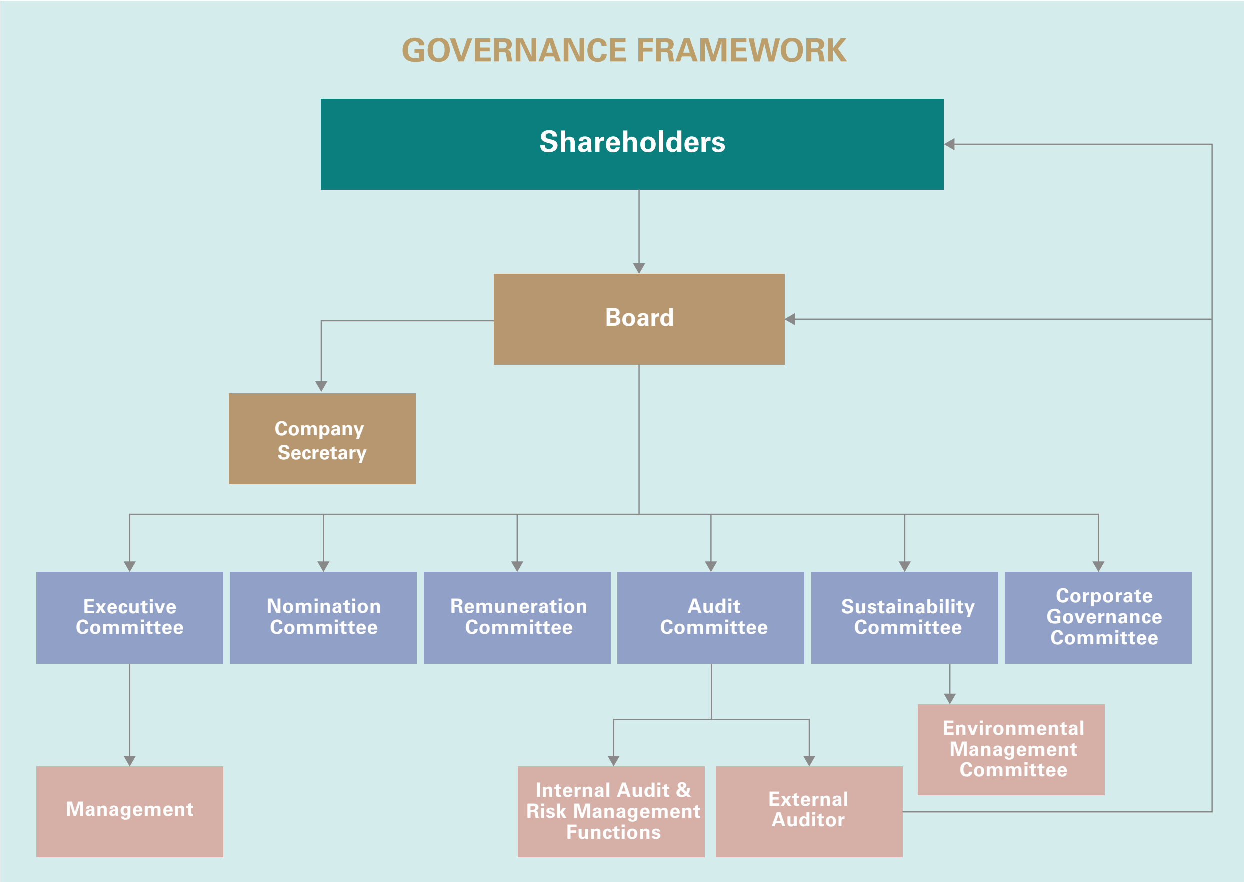
# Act with Integrity

# Corporate Governance Report

## Good corporate governance is fundamental to achieving 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 FY2022, 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 which reflects that the Company has committed to apply the principles of good corporate governance (the "Principles"). Such application of the Principles could also be shown from disclosure of the Company's corporate purpose, strategy and governance, board composition and nomination, directors' responsibilities, delegation and board proceedings, audit, internal control and risk management, remuneration and shareholders engagement.




- The Group's governance framework is designed with reference to the applicable legislations and Listing Rules, and is backboned by a collection of guidelines, policies and procedures formulated by the Board. The Board and/or the relevant board committees conducted regular review of the aforesaid guidelines, policies and procedures which are subject to amendments from time to time due to changes in applicable legislations and Listing Rules and/or market practices. Such guidelines and policies include:

  - Director's Manual
  - Guideline on Risk Management & Internal Control Systems
  - Enterprise Risk Management Policy
  - Enterprise Risk Management Manual
  - Anti-Fraud and Counter-Corruption Policy
  - 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

# LEADERSHIP

## Board Governance

### Major Roles and Responsibilities of the Board

- The Board sets the overall strategy for the Group, directs the affairs of the Group, supervises management and ensures good corporate governance policies and practices are implemented within the Group, etc., for the purpose of enabling long term success of the Group and enhancing shareholder value.

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

- 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

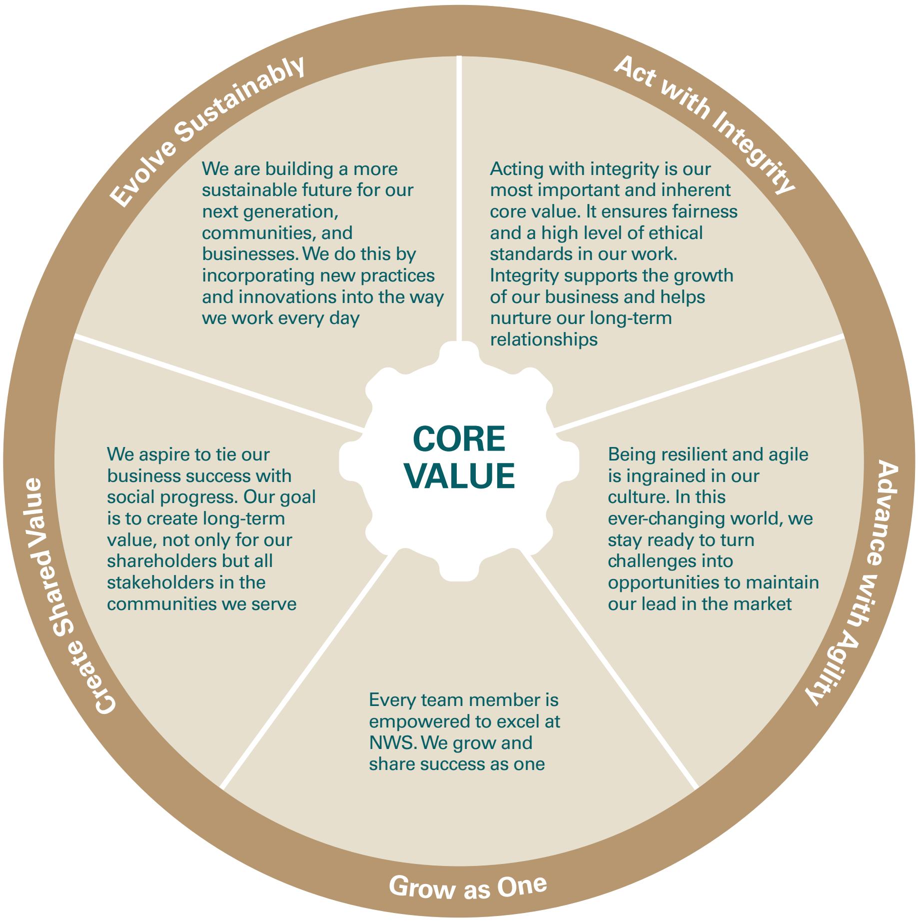
  (e) to review the Company's compliance with the CG Code and disclosures in the Corporate Governance Report.

**Board's Role in Culture and Company's Purpose**

- The Board is responsible for nurturing the Company's culture, which aligns with the purpose, values and strategy of the Company, and promoting it across different business segments and to all staff, and embedding the same in the business decisions and operations. The Company's culture is a collection of belief, mindsets, norms, behaviours, attitudes and social patterns which are developed over time, and maintained and enhanced through the collective efforts of the management and all staff.

- Our commitment and purpose are to fostering connectivity for our communities to thrive is enshrined in our efforts in furtherance of accessibility by and of people, goods, and capital, culminating in satisfaction of economic, environment and social needs which in turn promote the well-being, prosperity and satisfaction of the community as well as individuals.

- Through interviews with colleagues from the Group's different segments and business units and of different grades in FY2022 with an aim to better understand their thoughts on the Company's vision, mission and core values, the following core values are collected, summarized and supplemented by the management, and endorsed by our Directors:



### Strategy

- In line with the purpose and having equipped with the core values, the Company's strategy in the business development and management could be summarized as achieving long-term, steady and sustainable growth, focusing on investments with stable recurring income while having due considerations from environment, social and governance (ESG) aspects.

- Our strategy underpins the direction towards achievement of our purpose.

### Alignment of Values, Strategy and Culture

- The culture of the Company has been developed over time and underpinned the mission, vision, strategy, purpose and core values of the Company which are inter-related to each other. The core values of the Company is an important constituent of the Company's culture, which reflected the behavioral standard and social attitudes being practiced and being expected from the management and all staff.

- Through a Group-wide webinar event conducted in September 2022, staff's thoughts on the Company's vision, mission and core values were presented to and shared with all staff by Chief Executive Officer, Chief Operating Officer and Chief Financial Officer. The event was well received by the staff and putting all of us on the same page.

- Among the Company's core values, the Company has a strong commitment to ethics and integrity and our Directors instill integrity into every aspect of our businesses. Our Directors, management and staff are all required to act lawfully, ethically and responsibly, which is part and parcel of the Company's culture as reflected in our core values. In promoting and maintaining the same, the required standards and norms are explicitly set out in the training materials for all new staff and embedded in various policies such as Corporate Policy on Staff Responsibility, Employee Handbook (including therein the Code of Conduct), Anti-Fraud and Counter-Corruption Policy, Conflict of Interest Policy and Whistleblowing Policy. Trainings are conducted from time to time to reinforce across-the-board the required standards and norms in respect of ethics and integrity.

- "Grow as One" as one of the core values predicates the opportunity to excel in and share of success of the Company. Opportunity is for the prepared. Our staff could get "prepared" by trainings which cover topics including culture, business models, anti-corruption, corporate governance, positive thinking, Listing Rules compliance, sustainability, etc., which unlock his/her capability and enhance performance, which in turn render eligibility to share success of the Company in the form of enhanced staff benefits, bonus and grant of share options of the Company.

- Having been internalizing the core value of "Advance with Agility" and equipped with theoretical knowledge from trainings, the management and staff are expected to advance with agility aiming at business growth and success. No matter headwinds or tailwinds, agility is an essential trait for captain and crew.

- "Create Shared Value" as one of the core values calls for efforts on social progress alongside business success. One of the direct ways of promoting social benefit is volunteering services. Our volunteer team was established in 2001. Up to this year, the accumulated volunteer service time is more than 227,000 hours. In addition, we have contrived to optimize positive social impact through supporting social enterprise development and academia collaboration.

- "Sustainability" encompasses long term growth and enhancement of well-being which is consistent with our purpose, mission, strategy and other core values. We constantly cultivate innovative ideas and practices to continually enhance our performance, both financial and non-financial, creating shared value with colleagues and business partners. We integrate environmental and social considerations into corporate strategy, business development and daily operations. And we sustain as we nurture the future generation.

- The Company has been monitoring the effectiveness of the promotion of culture as well as adherence to core values on a continuous basis, the findings of which, including Human Resources data, health and safety, environmental performance, ESG regulatory compliance, etc., could be found in the Sustainability Report.

- The appraisal system has included the elements of the core values and remuneration decisions are made which align with the remuneration policy and the purpose, core values, strategy and culture of the Company. We are devoted to building a culture which gives our staff the chance to learn and grow, and be an employer which attracts and retains a diverse and talented mix of colleagues who contributes to the sustainable development of the Company.

- Anti-fraud and Counter-corruption Policy outlines the Group's expectation on maintaining high standards of ethics and integrity, and framework on prevention, detection, treatment and reporting of any suspected fraud, corruption and irregularities. Whistleblowing Policy sets out the whistleblowing channel and principles of reporting and investigating any concern of violating standards of ethics and integrity. Anti-fraud and Counter-corruption Policy and Whistleblowing Policy are put in place to facilitate reporting (including anonymous reporting) of concerns, misconduct or misalignment.

- Shareholders Communication Policy has been revised to facilitate, inter alia, two way communications with investors and potential investors by email.

### Delegation by the Board

- Day-to-day operation of the businesses of the Company is delegated to the management which is led by the Executive Committee. The management is 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.

- Board carries out certain of its oversight responsibilities through its committees, allowing more in depth attention devoted to overseeing key issues.

### Chairman and Chief Executive Officer

- The Chairman is Dr Cheng Kar Shun, Henry and the Chief Executive Officer is Mr Ma Siu Cheung. 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.

## Board Composition

- As at the date of this report, the Board is a diversified board of 15 members, comprising six executive directors, being Dr Cheng Kar Shun, Henry, Mr Ma Siu Cheung, Mr Ho Gilbert Chi Hang, Dr Cheng Chi Kong, Adrian, Mr Cheng Chi Ming, Brian and Mr Cheng Chi Leong, Christopher, three non-executive directors, being Mr To Hin Tsun, Gerald, Mr Dominic Lai and Mr William Junior Guilherme Doo (Alternate director: Mr Lam Wai Hon, Patrick) and six independent non-executive directors, being Mr Kwong Che Keung, Gordon, Mr Shek Lai Him, Abraham, Mr Lee Yiu Kwong, Alan, Mrs Oei Wai Chi Grace Fung, Mr Wong Kwai Huen, Albert and Professor Chan Ka Keung, Ceajer. 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 Board's composition represents a balanced approach to director tenure, allowing the Board to benefit from the experience of longer-serving directors combined with fresh perspectives from newer directors.

- 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. 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.

## Diversity

### Board Diversity

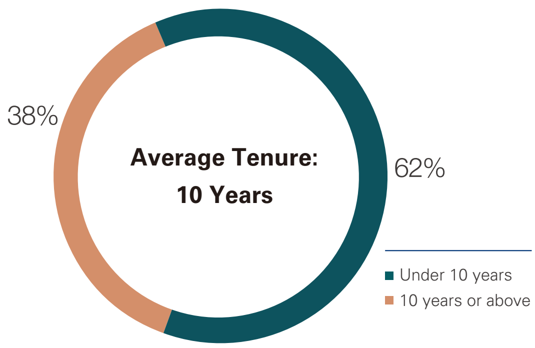
- The Board adopted the "Board Diversity Policy" in June 2013 which was revised and updated in September 2022, setting out the approach to achieve diversity on the Board, and drawing on a broad spectrum of directors' background in a bid to achieve comprehensive considerations in forming board decisions.

- 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 optimal composition of the Board.

- 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 and certain amendments were adopted to ensure its effectiveness.

- Our Board has a balance of tenure, diversity and age, with an effective mix of experience and fresh perspective. The following and the section "Board Expertise" illustrate the diversity profile of the Board as at the date of this report:

**Length of Service of All Directors**





- When considering new or replacement appointment of board members, we might seek appropriate candidates to enhance gender diversity of our Board. As at the date of this report, the proportion of female representation at board level is 6.67%. We are committed to achieving/maintaining board representation by director(s) of each gender be no less than 10% by 2025.

### Board Expertise

- Our directors bring varying perspectives to the Board based on their distinct backgrounds and experience. The table below highlights the attributes of our directors, whose capability aligns with the scale, complexity and strategic positioning of our business:

| Expertise | Relevance to the Company |
|---|---|
| **Extensive board and executive management experience** | Experience in a leading role facilitates understanding of many facets of the Group, including strategy, financial reporting and compliance, risk oversight. |
| **Considerable industry experience** | Deep industry knowledge assists in understanding the issues faced by the Group and can direct the Company to focus on value drivers. |
| **Other listed company directorship roles** | Understanding of financial, legal and regulatory requirements applicable to listed companies is crucial to maintenance of high corporate governance standard. |
| **Broad experience in government organizations, public bodies and/or regulatory authorities** | Relevant experience contributes to compliance with a variety of regulatory requirements and development of constructive relationship with public bodies or organizations. |
| **In-depth knowledge of Asian markets and economic, political and regulatory development** | This is important as the majority of our operations are located within the Asian region. |
| **Experience in leading large and complex organizations** | Provides valuable insight on challenges and opportunities conglomerates encounter in diverse business environment and market conditions, and management of change. |
| **Considerable risk management experience** | The Board plays a pivotal role in risk oversight and managing most significant risks facing the Company. |
| **Professional**<br>– **Engineering**<br>– **Capital market**<br>– **Accounting and finance**<br>– **Legal and listed company governance** | The complex and diverse nature of our business necessitates valuable input from professionals with oversight, advisory and operational experience. |

### Diversity across Workforce

- At workforce level (including senior management), our approach to diversity concentrates on talent acquisition, progression and retention. As a signatory to The Racial Diversity and Inclusion Charter for Employers created by the Equal Opportunities Commission, our goal is to create an environment of inclusion where everyone is treated equally and without discrimination. We have formulated talent development program to support us in delivering a more diverse representation and endeavor to provide equal opportunity in recruitment, career development, promotion, reward and training to all employees.

- By bringing together employees from diverse backgrounds and giving each person the opportunity to contribute their expertise, experience and perspectives, we are able to develop the best solutions to challenges and deliver value for the Company and its shareholders. We continue to optimize the gender balance and partnering with employment agencies to increase appropriate candidate pipeline and talent pool.

- As at 30 June 2022, the ratio of women to men in the workforce (excluding directors of the Company) was 32:68. For details of gender distribution, please refer to our Sustainability Report contained in this annual report. Notwithstanding the foregoing, gender diversity for construction business segment of the Group may be less relevant due to the nature of work.

## 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. Although board and committee meetings had been held both in person and virtually during the year, we were able to adopt quickly to this hybrid world to uphold high corporate governance standard.

- The attendance record of each of the directors for the Board meetings, board committees meetings and general meeting held during FY2022 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)* | 4/7 | – | 1/1 | – | – | – | 1/1 |
| Mr Ma Siu Cheung | 7/7 | 2/2[(1)] | 1/1 | 1/1 | 2/2 | 2/2 | 1/1 |
| Mr Ho Gilbert Chi Hang | 7/7 | 1/2[(1)] | – | – | – | – | 1/1 |
| Dr Cheng Chi Kong, Adrian | 7/7 | – | – | – | – | – | 1/1 |
| Mr Cheung Chin Cheung | 7/7 | – | – | – | 2/2 | 2/2 | 1/1 |
| Mr Cheng Chi Ming, Brian | 7/7 | – | – | – | 2/2 | – | 1/1 |
| Mr Chow Tak Wing[(2)] | 3/7 | – | – | – | – | 1/2 | 1/1 |
| Mr Cheng Chi Leong, Christopher | 7/7 | – | – | – | – | – | 1/1 |
| *Non-executive directors:* | | | | | | | |
| Mr To Hin Tsun, Gerald | 7/7 | – | – | – | – | – | 1/1 |
| Mr Dominic Lai | 7/7 | 2/2 | – | – | 2/2 | – | 1/1 |
| Mr William Junior Guilherme Doo | 7/7 | – | – | – | 2/2 | – | 1/1 |
| *Independent non-executive directors:* | | | | | | | |
| Mr Kwong Che Keung, Gordon[(3)] | 7/7 | 2/2 | 1/1 | – | – | 1/2 | 1/1 |
| Dr Cheng Wai Chee, Christopher[(2)] | 3/7 | 1/2 | 1/1 | – | – | – | 1/1 |
| Mr Shek Lai Him, Abraham | 7/7 | 2/2 | 1/1 | 1/1 | – | – | 1/1 |
| Mr Lee Yiu Kwong, Alan | 7/7 | 2/2 | – | 1/1 | 2/2 | – | 1/1 |
| Mrs Oei Wai Chi Grace Fung | 7/7 | – | – | – | 2/2 | 2/2 | 1/1 |
| Mr Wong Kwai Huen, Albert | 7/7 | – | – | – | – | 2/2 | 1/1 |
| Professor Chan Ka Keung, Ceajer[(4)] | 4/7 | 1/2 | – | 1/1 | – | – | – |

Notes:

1. Attended the meeting as an invitee. Mr Ho Gilbert Chi Hang attended the meeting as an invitee following his appointment as Chief Operating Officer of the Company with effect from 1 February 2022.

2. Mr Chow Tak Wing, Derek and Dr Cheng Wai Chee, Christopher resigned as directors of the Company with effect from 1 January 2022.

3. Mr Kwong Che Keung, Gordon resigned as the Chairman and a member of the Corporate Governance Committee and a member of each of the Nomination Committee and the Remuneration Committee with effect from 1 January 2022.

4. Professor Chan Ka Keung, Ceajer was appointed as director of the Company as well as a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee with effect from 1 January 2022.

### Board Independence

- Independent non-executive directors represent more than one-third of the Board, which facilitates in bringing to the Board independent advice and judgement. During the year, 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, Mr Shek Lai Him, Abraham and Mr Lee Yiu Kwong, Alan, 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.

- 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.

- The Board reviews the mechanisms for ensuring independent views and input are available to the Board on an annual basis, whether in terms of proportion, recruitment and independence of independent non-executive directors, their contribution and access to external independent professional advice, and the findings of board evaluation exercise.

- Senior management or department heads are invited to present to the Board on different topics.

### 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 FY2022 are shown in note 15(a) to the financial statements contained in this annual report.

## Board Refreshment

- The Company strives for a Board that spans a range of leadership, skills and experience relevant to our strategic vision, paying attention to the Company's circumstances, near and long-term strategic goals and aspirations, changes in industry and regulatory initiatives, global political, economic and governance trends as well as the views of shareholders and other key stakeholders. In consideration of anticipated retirements and departures, the Company continues to proactively evaluate the Board's composition to facilitate a smooth transition of skills, experience and diversity in the boardroom.

### Nomination, Appointment and Re-election of Directors

**Nomination**

- Our Nomination Committee evaluates directors' perspectives in the context of our Company's evolving business and prioritizes diversity to ensure effective Board oversight. Recognizing that the selection of qualified directors is crucial to the long-term success of the Company, formal nomination procedures were adopted by the Board for governing the nomination of directors. Nomination Committee's process for identifying and recommending candidates are as follows:

| | |
|---|---|
| 1. **Review** | Considers the Company's business model, existing needs and future plans as well as challenges and opportunities facing the Company to determine the skills, expertise, experience and characteristics that could contribute to overall Board and committee effectiveness. |
| 2. **Identify** | Identifies potential candidates with desired background and skill sets with reference to the Board Diversity Policy of the Company. |
| 3. **Evaluate** | Seeks candidates who:<br>✓ demonstrate integrity, informed judgment, vision, leadership mindset and commitment to representing the long-term interests of the Company's shareholders<br>✓ possess skills and experience complementary to those of existing directors<br>✓ are prepared to devote sufficient time and effort to participate in Board and committee activities<br>✓ in the case of independent non-executive directors, adhere to the independence guidelines set out in the Listing Rules |
| 4. **Recommend** | After reviewing and discussing the nomination of any director for his/her suitability on the basis of qualifications, experience and background, the Nomination Committee recommends director candidates to the Board with the goal of creating a balance of knowledge, experience and diversity. |

**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 of three years and are also subject to retirement on a rotational basis in accordance with the bye-laws of the Company.

*During FY2022, the appointment of Professor Chan Ka Keung, Ceajer as independent non-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 January 2022.*

**Re-election**

- Nomination Committee will make recommendations to the Board on the re-appointment of directors as appropriate, having regard to the profile of the director seeking re-appointment, the strategy of the Company and the structure, size and composition of the Board at the relevant time.

- 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 or annual general meeting of the Company respectively and shall then be eligible for re-election at that meeting.

*Professor Chan Ka Keung, Ceajer, who was appointed as independent non-executive director of the Company on 1 January 2022, hold office until the conclusion of the forthcoming annual general meeting ("2022 AGM") and, being eligible, will offer himself for re-election at the 2022 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. The Nomination Committee and the Board consider the factors and discuss why the proposed director is still independent.

*Dr Cheng Chi Kong, Adrian, Mr Cheng Chi Ming, Brian, Mr Kwong Che Keung, Gordon, Mr Shek Lai Him, Abraham and Mrs Oei Wai Chi Grace Fung will retire by rotation at the 2022 AGM. Mr Kwong Che Keung, Gordon informed the Board that he would not offer himself for re-election as an independent non-executive director of the Company while the other retiring directors, being eligible, will offer themselves for re-election at the 2022 AGM.*

# EFFECTIVENESS

## Board Operations

### 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. Seven Board meetings were held during FY2022.

- 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 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 business performance, financial performance, corporate governance and outlook, etc.

- Throughout FY2022, 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 FY2022.

### 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 FY2022.

- 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 FY2022.

- 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 Activities

- With a deep commitment to proper oversight and leadership of the Company's affairs, the Board devotes considerable attention to the aspects of strategy, business performance, leadership, governance and risk. Set out below are the Board's focus during FY2022:

| Strategy | Business Performance | Leadership | Governance | Risk |
|---|---|---|---|---|
| • Ongoing impact of COVID-19 on business<br>• Market trend and industry outlook<br>• Acquisition of logistics property portfolio in Mainland China<br>• Acquisition of the concession right to operate expressway in Mainland China<br>• Disposal of commercial aircraft leasing platform<br>• Acquisition of office properties<br>• Implementation of share repurchase program | • FY2021 preliminary results and annual report<br>• FY2022 interim results<br>• Declaration of dividend<br>• Monthly management updates<br>• Publication of profit alert | • Change of Board members<br>• Chairman's annual meeting with independent non-executive directors | • Statement of vision, mission and core values<br>• Update of "Anti-Fraud and Counter-Corruption Policy" and "Whistleblowing Policy"<br>• Update of "Shareholders' Communication Policy"<br>• Update of sustainability-related policies<br>• Adoption of new share option scheme | • Review of risk management and internal control systems<br>• Revision of statement, guidelines, policy and manual regarding risk management and internal control |

## Board Evaluation

- With the assistance of an independent external facilitator specialising in corporate governance, Practising Governance Limited, a board evaluation exercise was conducted for FY2022 to solicit directors' view on the effectiveness and performance of the Board, with focus on, inter alia, the following areas:

    - Board performance in core areas

    - Board priorities in the next 1 to 2 years

    - Quality of board effectiveness enablers (including board composition, meetings, provision of information)

- To enable more interactive exchanges with directors, this year's board evaluation questionnaire (with both ranking as well as open-ended questions) was augmented by optional interviews.

- The external facilitator analysed the responses received and compiled a report summarizing the findings. The results and recommendations were discussed at a meeting of independent non-executive directors, then considered by the Nomination Committee and the Board.

- Board evaluation is regarded as an important component of the mechanism to ensure independent views and input are available to the Board.

### Summary of Findings

- Overall responses were positive and useful qualitative feedback was received, particularly on open-ended questions.

- The review identified some matters for consideration for the Board, including the following priorities:

    - Continued focus on overall strategic direction following disposal of non-core assets over the past few years

    - Respective roles of Board committees in ESG

    - Gender diversity of the Board

## Induction and 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 FY2022, seminars on corporate governance related topics including diversity, regulatory updates, sustainability related topics and management skills were organized for directors.

### Director Induction

- Newly appointed directors are provided with orientation immediately upon his/her appointment that includes an overview of the Company's business strategy and operations, financial condition, legal and regulatory framework and other relevant topics.

- 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 FY2022 is summarized in the following table.

- In accordance with the training records provided by the Company's directors, an average of approximately 26 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 FY2022.

| | 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 | ✓ | ✓ |
| Mr Ho Gilbert Chi Hang | ✓ | ✓ |
| Dr Cheng Chi Kong, Adrian | ✓ | ✓ |
| Mr Cheng Chi Ming, Brian | ✓ | ✓ |
| Mr Cheng Chi Leong, Christopher | ✓ | ✓ |
| Mr Cheung Chin Cheung[(1)] | ✓ | ✓ |
| Mr Chow Tak Wing[(2)] | ✓ | ✓ |
| *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 | ✓ | ✓ |
| Mr Shek Lai Him, Abraham | ✓ | ✓ |
| Mr Lee Yiu Kwong, Alan | ✓ | ✓ |
| Mrs Oei Wai Chi Grace Fung | ✓ | ✓ |
| Mr Wong Kwai Huen, Albert | ✓ | ✓ |
| Professor Chan Ka Keung, Ceajer[(3)] | ✓ | ✓ |
| Dr Cheng Wai Chee, Christopher[(4)] | ✓ | ✓ |

Notes:

1. Mr Cheung Chin Cheung resigned as executive director of the Company on 1 July 2022.
2. Mr Chow Tak Wing resigned as executive director of the Company on 1 January 2022.
3. Professor Chan Ka Keung, Ceajer was appointed an independent non-executive director of the Company on 1 January 2022.
4. Dr Cheng Wai Chee, Christopher resigned as independent non-executive director of the Company on 1 January 2022.

## Company Secretary

- As an employee of the Group, the Company Secretary reports to the Chief Executive Officer 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 FY2022 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 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 50 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.

**Board**

| **Executive Committee (all are executive directors)** | **Audit Committee (majority are independent non-executive directors)** | **Nomination Committee (majority are independent non-executive directors)** | **Remuneration Committee (majority are independent non-executive directors)** | **Sustainability Committee (majority are non-executive directors)** | **Corporate Governance Committee (half of the members are independent non-executive directors)** |
|---|---|---|---|---|---|
| Members:<br>Dr Cheng Kar Shun, Henry (Chairman)<br>Mr Ma Siu Cheung<br>Mr Ho Gilbert Chi Hang<br>Dr Cheng Chi Kong, Adrian<br>Mr Cheng Chi Ming, Brian<br>Mr Cheng Chi Leong, Christopher | Members:<br>Mr Kwong Che Keung, Gordon* (Chairman)<br>Mr Dominic Lai<br>Mr Shek Lai Him, Abraham*<br>Mr Lee Yiu Kwong, Alan*<br>Professor Chan Ka Keung, Ceajer* | Members:<br>Dr Cheng Kar Shun, Henry (Chairman)<br>Mr Ma Siu Cheung<br>Mr Shek Lai Him, Abraham*<br>Mr Lee Yiu Kwong, Alan*<br>Professor Chan Ka Keung, Ceajer* | Members:<br>Mr Shek Lai Him, Abraham* (Chairman)<br>Mr Ma Siu Cheung<br>Mr Lee Yiu Kwong, Alan*<br>Professor Chan Ka Keung, Ceajer* | Members:<br>Mr Ma Siu Cheung (Chairman)<br>Mr Ho Gilbert Chi Hang<br>Mr Cheng Chi Ming, Brian<br>Mr Dominic Lai<br>Mr William Junior Guilherme Doo<br>Mr Lee Yiu Kwong, Alan*<br>Mrs Oei Wai Chi Grace Fung * | Members:<br>Mr Wong Kwai Huen, Albert* (Chairman)<br>Mr Ma Siu Cheung<br>Mr Ho Gilbert Chi Hang<br>Mrs Oei Wai Chi Grace Fung* |

* Independent non-executive director

Note: Committee composition as at the date of this report

### Executive Committee

**Meeting schedule**

- meets from time to time when necessary

**Major roles and functions**

- to review the Group's performance, direct its daily operations 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 FY2022
- a private meeting with the Company's external auditor was held during FY2022 in the absence of the Company's management

**Major roles and functions**

- 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 for FY2022**

- reviewing the audited consolidated financial statements of the Group for FY2021 and the interim results of the Group for the six months ended 31 December 2021
- reviewing the continuing connected transactions of the Company during FY2021 and during the six months ended 31 December 2021
- reviewing the risk management and internal control systems of the Company
- making recommendation to the Board on the revised "Guideline on Risk Management & Internal Control Systems", "Anti-Fraud and Counter-Corruption Policy", "Whistleblowing Policy", "Risk Appetite Statement", "Enterprise Risk Management Policy" and "Enterprise Risk Management Manual" of the Company
- reviewing the internal audit plan of the Group for FY2023 and the internal audit reports for FY2022 prepared by the Group Audit & Risk Assurance Department of the Company ("GARA")
- reviewing the effectiveness of the Company's internal audit function
- 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 FY2022

### Major roles and functions

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

### Work performed for FY2022

- reviewing the terms of reference of the committee
- reviewing the structure, size and composition of the Board
- reviewing the independence of independent non-executive directors
- identifying and evaluating director candidates based on skills, expertise, experience, race, gender and characteristics guided by the overall needs of the Company
- 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 independent non-executive director

## Remuneration Committee

### Meeting schedule

- one meeting was held during FY2022

### Major roles and functions

- to review and make recommendations to the Board on the Company's policy and structure for remuneration of directors and senior management 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 directors
- to determine the remuneration packages of senior management

### Work performed for FY2022

- reviewing the remuneration policy, structure and packages for directors and senior management
- determining the policy for the remuneration of executive directors and approving the terms of executive directors' service contracts
- making recommendations to the Board regarding the directors' fee and other allowances for FY2022 and the remuneration packages of directors

- determining the remuneration packages of senior management

- making recommendation to the Board regarding the remuneration package for a newly-appointed independent non-executive director and the terms of appointment of the new chief operating officer

- making recommendation to the Board regarding the proposed adoption of share option scheme of the Company and the proposal for grant of share options of the Company to directors and senior management

### Sustainability Committee

**Meeting schedule**

- two meetings were held during FY2022

**Major roles and functions**

- 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 for FY2022**

- 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 FY2021

- approving or making recommendation to the Board on the revised sustainability-related policies and guides, including "Sustainability Policy", "Human Rights Policy", "Climate Change Policy", "Health and Safety Policy" and "Supply Chain Management Guide"

- reviewing the terms of reference of the Sustainability Committee

- approving the change of chairman of the Environmental Management Committee, a sub-committee of the Sustainability Committee

- reviewing the resources of the sustainability team

### Corporate Governance Committee

**Meeting schedule**

- two meetings were held during FY2022

**Major roles and functions**

- 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 for FY2022**

- reviewing the Corporate Governance Report and Risk Management Report of the Company for FY2021
- reviewing the directors’ training plan for 2022
- reviewing the investor relations strategy and activities
- making recommendation to the Board on the proposals for compliance with the revised CG Code, including adoption of the “Statement of Vision, Mission and Core Values” and the revision to the “Anti-Fraud and Counter-Corruption Policy”, “Whistleblowing Policy” and “Shareholders’ Communication Policy”
- reviewing and determining the policies in relation to the corporate governance of the Company, including but not limited to, Corporate Governance Manual
- 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 Standard 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:

**Control Activities**

- A diverse range of policies and procedures that help ensure the management directives to mitigate risks are carried out.
- Preventive or detective in nature, involving authorizations and approvals, verifications, reconciliations, business performance review, segregation of duties, etc.

**Risk Assessment**

- Involve a dynamic and iterative process for identifying and assessing risks to the achievement of objectives.
- Form the basis for determining how risks should be mitigated and managed.


**Information and Communication**

- Effective processes and systems that identify, capture and report operational, financial and compliance-related information as well as suspected improprieties throughout the Group.
- Enable personnel to receive a clear message from senior management that control responsibilities must be taken seriously.

**Control Environment**

- A set of standards, processes and structures that lays the foundation of other components of internal controls.
- Comprise integrity and ethical values of the organization.
- Cover organizational structure and assignment of authority and responsibility.

**Monitoring**

- Ongoing assessment to evaluate the performance of internal controls.
- GARA performs internal audit regularly and reports the control deficiencies to the senior management and the Audit Committee.

### Risk Management

- The Board is responsible for overseeing the risk management and internal control systems (including ESG risks) while the Enterprise Risk Management ("ERM") Team assists by establishing and maintaining an appropriate and effective ERM framework to facilitate business and functional units and corporate office departments in the risk management process. The Three Lines Model, 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 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 insights across the Group.

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

**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 which include ESG risks, for business and functional units and corporate office departments, which 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 internal control framework. Taking into account of the risk factors, amongst others, the materiality and dynamic of business operations and environment, as well as regular risk profile updates from ERM Team, the 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 FY2022 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 the Audit Committee.

- In view of the increasing concern and demand on ESG aspects, the compliance of the ESG-related policies and guidelines at the corporate level has been embedded as part of the internal audit scope for various business cycles. 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.

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

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

### 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. 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 "Whistleblowing Policy" sets out the general principles for the reporting and handling of whistleblowing cases, and enables anyone (employees or third parties) to directly report to GARA for any serious concerns about suspected or actual fraud, corruption, breach, malpractice, misconduct or irregularity of the Group and/or its staff members. The reported cases will be investigated in a confidential and timely manner and GARA will report the results of investigations to the Audit Committee and the Executive Committee.

- In June 2022, the "Whistleblowing Policy" has been revised according to the Corporate Governance Code with recommended practices from the Corporate Governance Guide for Boards and Directors issued by the Hong Kong Stock Exchange. Briefing videos for the incorporated enhancements are accessible in the Company's e-learning portal for updates and as a refresher training.

- In FY2022, 3 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**

- The Company promotes and supports anti-corruption laws and regulations by implementing "Anti-Fraud and Counter-Corruption Policy" and corporate governance. Operating in conjunction with other relevant corporate policies of the Company including "Whistleblowing Policy", "Guideline on Risk Management & Internal Control Systems" and "Corporate Policy on Staff Responsibility", this policy also serves as an integral part of the Company's corporate governance framework. It outlines the Anti-Fraud and Counter-Corruption Control Framework as well as the Company's culture, expectations and requirements relating to the prevention, detection, reporting and investigation of any suspected or actual fraud, corruption and other irregularities.

- The "Anti-Fraud and Counter-Corruption Policy" has been revised during the policy review in June 2022, according to the Corporate Governance Code with recommended practices from the Corporate Governance Guide for Boards and Directors issued by the Hong Kong Stock Exchange. Briefing videos for the enhancements incorporated are accessible in the Company's e-learning portal for updates and as a refresher training.

**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 (including ESG risks) of the Group in FY2022 on a semi-annual basis. With the assistance from the Audit Committee and Sustainability 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. Details of factors considered in the review are described in the Risk Management Report of this annual report. There was no significant issue identified that might have material impact on the Group for FY2022. 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.

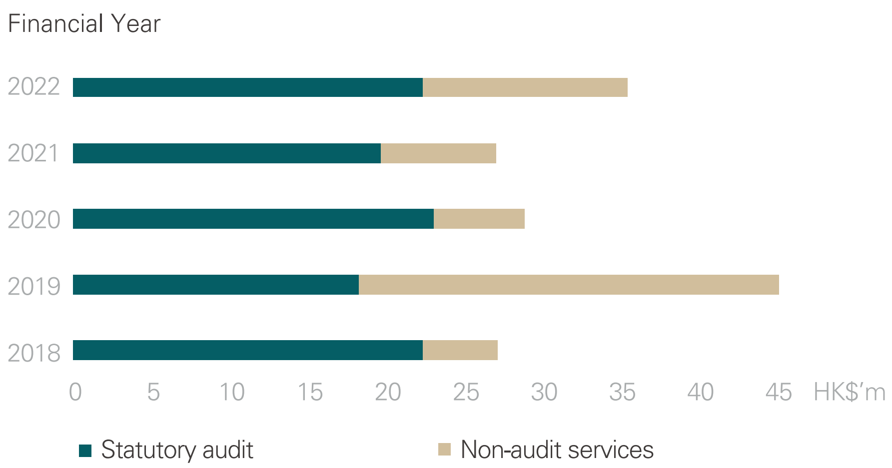
## External Auditor

- 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 178 to 185 of this annual report.

- Total auditors' remuneration for FY2022 in relation to statutory audit work of the Group amounted to HK$22.4 million (2021: HK$19.6 million), of which a sum of HK$21.2 million (2021: HK$18.7 million) was paid/payable to PricewaterhouseCoopers. A sum of HK$13.1 million (2021: HK$6.4 million) was paid/payable to PricewaterhouseCoopers for its non-audit services provided to the Group for FY2022. 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 review of interim financial information, 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 2022 AGM.

## 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 FY2022.

# ENGAGEMENT

## Communication with Shareholders

### Shareholders' Communication Policy

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

- According to the Shareholders' Communication Policy:

  - corporate communications which contain regulatory disclosures and notices of the Company, are published in accordance with the legal and regulatory requirement applicable to the Company. Corporate communications and other general information concerning the Company and its businesses are posted on the corporate website (www.nws.com.hk) and/or distributed to the media as soon as practicable.

  - shareholders are encouraged to participate in general meetings or to appoint proxies to attend and, on poll, vote at meetings for and on their behalf if they are unable to attend. The chairman of general meetings will allow reasonable time for shareholders to raise questions and comments.

  - the Company's investor relations team, comprising directors and members of senior management, regularly arranges or participates in one-on-one meetings, roadshows, conferences, forums, site visits and briefing sessions to maintain an open dialogue with financial analysts and institutional investors in Hong Kong and overseas.

  - for the purpose of enhancing effective communications, all shareholders are encouraged to send their enquiries and views on various matters affecting the Company by email to the Investor Relations Department of the Company at ir@nws.com.hk.

- In consideration of the following measures, the Board concluded that the Shareholders' Communication Policy was effectively implemented throughout the year:

  - Annual and interim reports, announcements and circulars are published on a timely basis in accordance with the Listing Rules.

  - The 2021 annual general meeting ("2021 AGM") was held in hybrid format to encourage shareholder participation. Electronic voting at the general meeting facilitated vote counting.

  - On-going engagement is maintained with institutional investors, analysts and investment managers through various communications with them despite the COVID-19 pandemic. Conferences, webinars, roadshows and briefing sessions were held during the year. Please refer to the section "Investor Relations" for further details.

  - Press releases and presentation materials posted on the Company's website facilitate shareholders and other stakeholders' understanding and appraisal of the Group's latest developments in portfolio optimization.

  - The Company announced the launch of a share repurchase program in May 2022, signalling the Company's intention to enhance shareholder value.

- The Director – Corporate Development, Investment and Investor Relations has been appointed as the senior investor relations officer to enhance communications with shareholders and potential investors.

- Shareholders' enquiries, either received by telephone or by email, are properly attended and are addressed to the appropriate committees or the Board, if necessary.

- Shareholders with 10% voting rights or above can convene general meetings, details of which are explained in the section "Shareholders' Rights" below.

**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, including financial reports, policies on corporate governance and sustainability, media resources as well as presentations and webcasts delivered by management are readily accessible on 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 in Hong Kong, 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 at 28/F, New World Tower, 18 Queen's Road Central, 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.

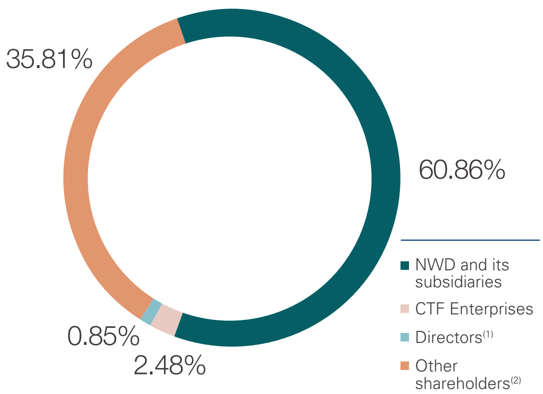
  4. If within 21 days of such deposit, the Board fails to proceed to convene such general meeting, the shareholders concerned, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after 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, the preparation and content of its auditor's report, the accounting policies and auditor independence.

## Key Shareholder Information

**Shareholding Structure as at 30 June 2022**




Notes:

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

### Stock Code

- 00659 (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
  17/F, Far East Finance Centre
  16 Harcourt Road
  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 FY2022 annual results | 30 September 2022 |

For determining eligibility to attend and vote at the 2022 AGM:

| | |
|---|---|
| Latest time to lodge transfer documents for registration | 4:30 p.m. on 15 November 2022 |
| Closure of register of members | 16 to 21 November 2022 (both days inclusive) |
| Record date | 21 November 2022 |
| 2022 AGM date | 21 November 2022 |

For determining entitlement to the proposed final dividend:

| | |
|---|---|
| Latest time to lodge transfer documents for registration | 4:30 p.m. on 24 November 2022 |
| Closure of register of members | 25 November 2022 |
| Record date | 25 November 2022 |
| Final dividend payment date | on or about 16 December 2022 |

## General Meetings

### 2021 AGM

**Hybrid annual general meeting**

General meetings of the Company provides an opportunity for communication between the Board and the shareholders of the Company. For the first time, the 2021 AGM was held in a hybrid (physical and virtual via live webcast) format. Shareholders were able to participate in the 2021 AGM online in a convenient and efficient way from anywhere with an internet connection, in addition to the traditional physical attendance at the 2021 AGM. All shareholders may submit questions and vote at the meeting both physically and online. To improve the voting process, apart from the physical submission of the proxy form, shareholders have the option of submitting their proxy appointment electronically.

Through the deployment of annual general meeting facilitating technology, this meeting format enhances and facilitates attendance by providing convenient access for all of our shareholders, which in turn encourages shareholder participation, protects shareholders' right to attend general meetings and promote transparency while at the same time helps eliminate public health concerns around the COVID-19 pandemic.

**Matters resolved**

(i) Receipt and consideration of the audited financial statements and Reports of the Directors and Auditor for FY2021.

(ii) Declaration of final dividend of HK$0.30 per share for FY2021.

(iii) Re-election of Mr Cheng Chi Leong, Christopher, Mr Cheung Chin Cheung, Mr To Hin Tsun, Gerald, Mr Dominic Lai, Mr William Junior Guilherme Doo and Mr Lee Yiu Kwong, Alan 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 share option scheme of the Company.

**Notice**

At least 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 Chairman of the Company. Chairman and members of the board committees, as well as representative from the Company's external auditor, were available at the 2021 AGM to answer questions from shareholders.

All resolutions proposed at the 2021 AGM were passed by the Company's shareholders.

### 2022 AGM

The 2022 AGM will be held on 21 November 2022. Details of the meeting are set out in the notice of the 2022 AGM which constitutes part of the circular to shareholders sent together with this annual report. Notice of the 2022 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 includes 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 FY2022, the team participated in more than 9 non-deal virtual roadshows and investor conferences. Including one-on-one meetings and teleconferences, over 60 investor meetings were held with institutional investors and analysts. Events such as joint investor meetings and site visits with NWD were organized to enhance investors' understanding of the Company's businesses as well as the whole New World Group.

- The Company has established effective dialogue and further enhanced interaction with shareholders through the appointment of the Director – Corporate Development, Investment and Investor Relations as the personnel responsible for investor relations matters.

- The revised "Shareholders' Communication Policy" enhances two-way communications by replying to shareholders' enquiries from different channels on a timely basis.

- 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 FY2022 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 "Best Investor Meeting (Mid Cap)" in the Hong Kong Investor Relations Association 7th IR Awards in FY2022. In September 2022, the Company also garnered"Best IR Company", "Best Annual Report" and "Best ESG (S)" in the Hong Kong Investor Relations Association 8th IR Awards.

## Constitutional Documents

- The Company has not made any change to its constitutional documents during FY2022. However, in order to reflect certain amendments to the Listing Rules and the applicable laws of Bermuda, a special resolution approving the adoption of new bye-laws of the Company is proposed to be passed by the shareholders of the Company at the 2022 AGM.

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

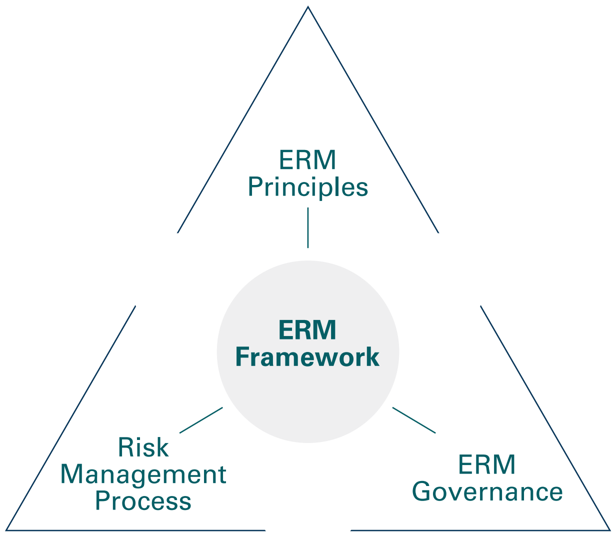
# Risk Management Report

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

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 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

**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.
- ERM deals with both risks and opportunities – appropriate risk-based treatments can control risks and even seize further opportunities of value creation.

## Risk Management Objectives

The Group's ERM Framework aims to enhance the ability to achieve our vision and mission, and fulfil the five core values. In support of this, the Group has established a robust ERM framework with the following risk management objectives:

- to fulfil our commitment to integrity, ethics and compliance as an integral part of our corporate governance
- to build agility and resilience amid uncertainty in dynamic business environment
- to facilitate risk-informed decisions and align the Group's objectives, strategy and operations with the risk appetite
- to strengthen our capacity for seizing opportunities and safeguarding our assets to support our sustainable growth and create shared value

## Risk Appetite

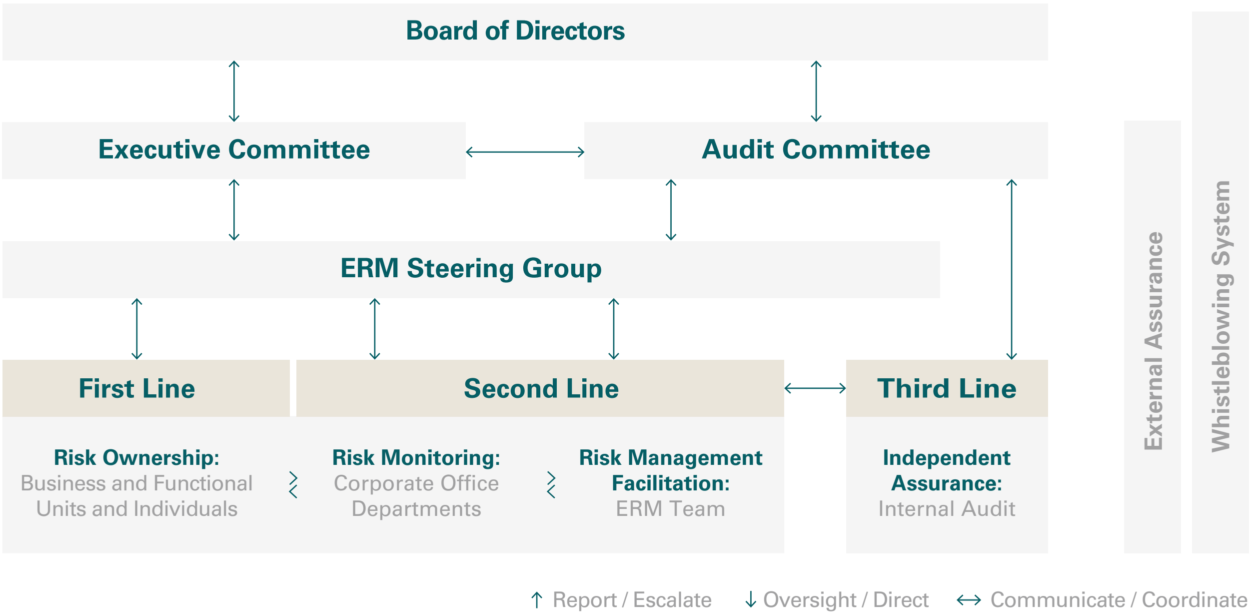
Risk appetite is defined to establish the extent and nature of risks the Group is willing to take in achieving our vision and mission. The Group's risk appetite statement is disseminated across the Group and incorporated into our risk assessment criteria in order to align with our business objectives, core values, strategy, as well as risk management activities. The risk appetite statement is reviewed by the Board periodically to keep abreast of the ever-changing business environment and the latest development of the Group. The Group's risk appetite is as follows:

- The Group upholds the highest standards of integrity, compliance, and ethics and has no tolerance for any material breaches of laws and regulations.
- The Group has no compromise on any threats which may significantly impact the health and safety of our people.
- The Group has strong interest in protecting the environment and upholding social sustainability and does not engage in activities which will significantly damage the environment and society.
- The Group does not expose ourselves to material damage to our reputation or brand.
- The Group endeavours to minimize any business interruptions and significant operational impacts to business continuity.
- The Group is prudent to make decisions which may threaten our long term financial viability and liquidity to meet our financial commitments.
- The Group balances risks and opportunities whilst implementing a strategy to minimize failure in business decisions and optimize the Group's value.

## ERM Governance

### Risk Governance Structure

The overall risk management process is overseen by the Board. With the emphasis on value creation and protection, the Group adopts the Three Lines Model as its risk governance structure. The model clearly defines the responsibilities with enhancing collaboration and communication among different roles, which facilitates alignment of risk management activities and provides assurance to the Board.




## Governing Body

**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

**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

**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

**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

## Work performed by ERM Steering Group in FY2022

Chaired by the Chief Financial Officer, and comprised of the representatives from business and functional units and corporate office departments

- Reviewed the half-year risk profile, ranking of the top risks and risk trend, for reporting to the Audit Committee and the Executive Committee
- Reviewed the result of Key Risk Indicators ("KRI") and major mitigation measures implemented for the KRIs exceeding pre-defined thresholds
- Reviewed the integration progress of climate-related risks into the ERM framework
- Reviewed the enhancements of the effectiveness of the ERM framework and its implementation
- Made recommendations on the focus topics of risk culture training

### First Line

**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

### Second Line

**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

### Third Line

**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 of the 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 on best practice and/or assure compliance, when applicable

**Regulatory Authorities**

- Execute regulatory oversight on relevant entities, areas or activities

### Whistleblowing System

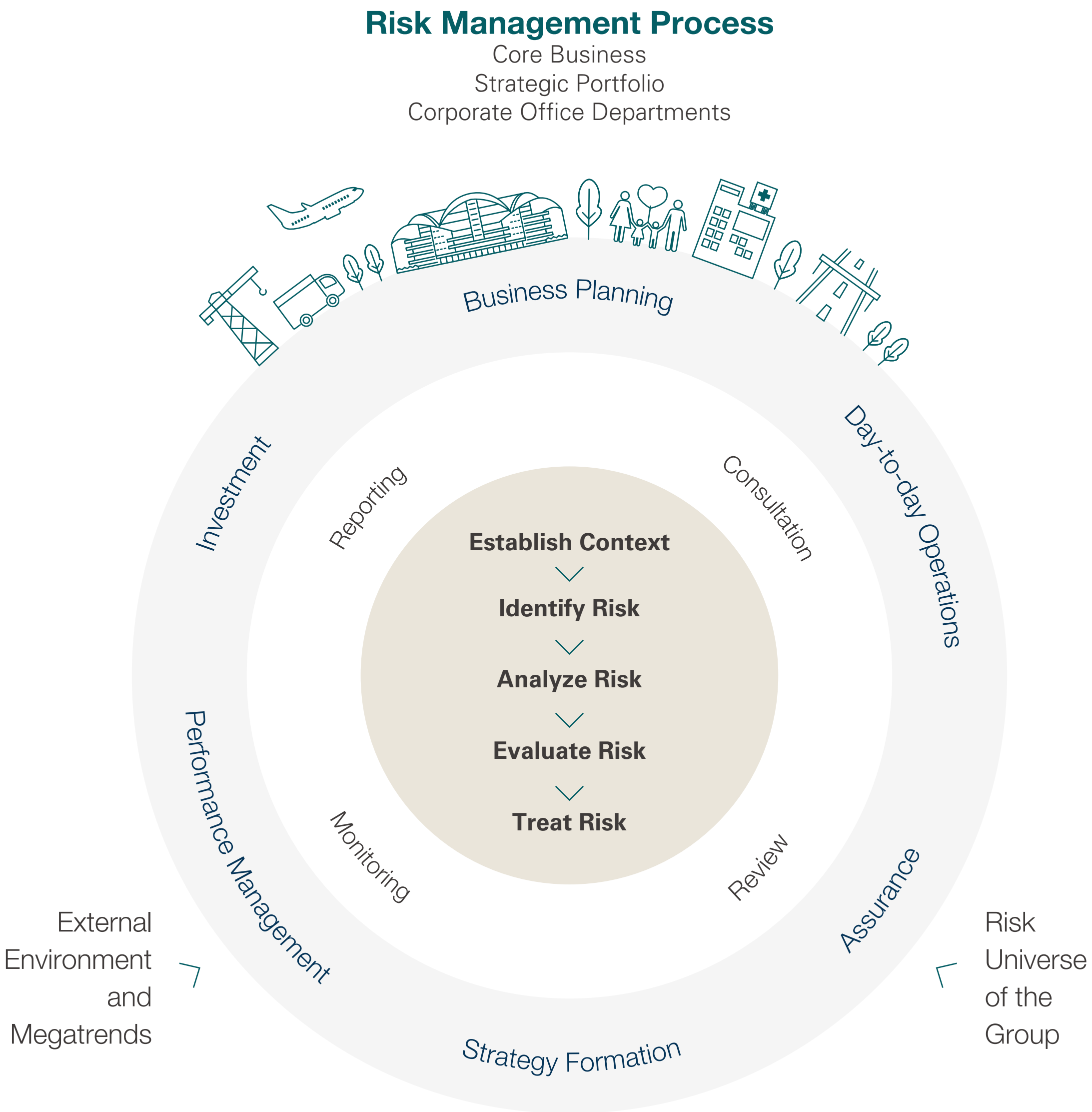
**Whistleblowing**

- Provide an independent and confidential channel for stakeholders to directly report to GARA for any serious concerns about suspected or actual fraud, corruption, breach, malpractice, misconduct or irregularity of the Group and/or its staff member. 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, as well as risk universe of the 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 communication between the risk owners and the ERM Team is employed to enable both parties to keep abreast of risk updates.



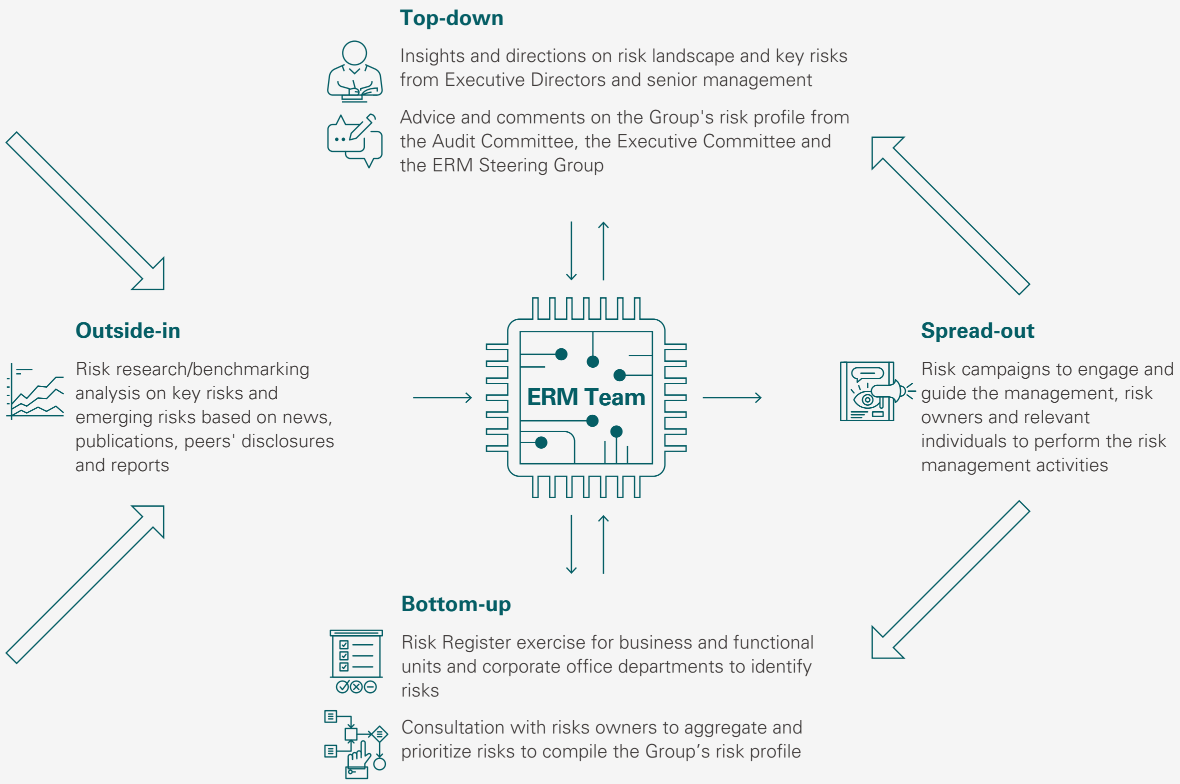
## Risk Assessment and Treatment

**1** **Establishment of Context**

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

**2** **Risk Identification**

The Group adopts both Top-down and Bottom-up approaches, complemented with Outside-in and Spread-out mechanisms to facilitate a comprehensive risk identification process.




**3** **Risk Analysis**

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

**4** **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.

**5** **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.

## Monitoring and Review

Continual tracking, review and validation of the implementation of our ERM framework have been in place to monitor various risks, change in risk exposure, their residual risk levels, as well as to ensure and increase the effectiveness and quality of ERM framework and outcomes.

### Risk Register

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

### Key Risk Indicator

KRIs are set by risk owners 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.

### Risk Treatment Validation

The ERM Team reviews the implementation and 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. When a potential risk is perceived with significant impact, the risk should be flagged and reported to line manager and risk oversight parties.

### 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 the Audit Committee. For details, please refer to the Corporate Governance Report of this annual report.

### Review on the Effectiveness of Risk Management and Internal Control Systems

The Board, with the assistance from the Audit Committee and Sustainability Committee, reviewed and evaluated the effectiveness of the Group's risk management and internal control systems (including ESG risks), including the consideration of the following factors:

– The scope of work performed by both internal and external auditors and any significant findings identified in their audit reports during the year, as well as the extent of any potential or actual impact derived from those findings on financial performance or conditions of the Group

– The scope and quality of our ongoing monitoring of risks (including ESG risks) and internal controls (including financial, operational and compliance controls) systems as well as the communication mechanism for results of the ongoing monitoring systems including but not limited to KRIs and internal control reviews

– The adequacy of the resources, as well as staff experience, qualifications and training, of the Group's risk management, internal audit, finance, and sustainability functions

– The opportunities and progress of continuous improvement of risk management and internal control systems

- The design and implementation of the Group's ERM framework, and outcomes of the risk management process

- The changes in the nature and extent of significant risks (including ESG risks) and the Group's risk profile since the last review, and the capacity and response strategies of the Group for changes in business, external environment and megatrends

- The effectiveness of financial reporting and regulatory compliance processes

In addition to the above, the Integrated Internal Control Self-Assessment Certificate is applied across the Group to evaluate the effectiveness of its risk management and internal control systems semi-annually by business and functional units and corporate office departments, 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.

## Consultation and Reporting

Regular 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 (including ESG risk) 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 throughout the investment management cycle. Response strategy is formulated and executed timely to address any material changes of risk exposure of an investment project.

### Day-to-day Operations

The Group establishes a framework for business and functional units and corporate office departments to understand and evaluate their risk profiles and exposures (including ESG risks) 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 detect abnormal changes to risk exposures for timely escalation and treatment.

**Example of Our Integrated ERM Practice**

Embedding risk management in the normal course of aircraft leasing business, we put emphasis on quantifying our exposure to various risks and communicate the degree of risks taken with our senior management by a number of tools such as Risk Register and Key Risk Indicators. The identification, assessment and prioritization of risks, and how we respond to those risks establish the basis for decision making. Risk dialogues, incorporated as one of our regular management practices, are carried out to discuss the outcomes of the aforementioned risk management process and provide insights for our senior management to make risk-informed decisions and seize the business opportunities in order to support progressive return and achieve long-term sustainable growth.

## MANAGING ESG RISKS AND CLIMATE-RELATED RISKS

ESG issues and climate change are widely recognized as key topics that all sectors need to address, as it could bring multi-faceted impacts to sustainable business growth and community development. The Group emphasizes the importance of ESG risks and climate-related risks, and therefore has integrated those risks into our ERM framework in order to facilitate the achievement of the NWS Sustainability Target 2030 and develop resilience for both physical and transition impacts under climate change.

The Group applies the aforementioned risk management process, ranging from risk assessment and treatment to consultation and reporting, to the management of ESG risks and climate-related risks which have been incorporated with the Group's risk profile, such as talent attraction and retention, regulatory compliance, sustainability governance, etc. For example, other than ordinary risks, ESG and climate-related topics are also our discussion focus during the risk identification exercise to obtain insights and form the basis of the Group's risk profile, which is a part of the regular reporting to the ERM Steering Group, Executive Committee and Audit Committee.

The Group has considered the characteristics of ESG risks and climate-related risks during integration into the ERM framework and thus made corresponding adjustments for the purpose of a more appropriate approach, for instance, using longer time horizon in the assessment criteria of climate-related risks. Moreover, the Group has conducted climate-related risk assessment with external consultants, and established a technical guide to articulate the procedures for identification, assessment and management of climate-related transition risks. In addition, to enhance the awareness and understanding of ESG risks and climate-related risks, we have organized webinars and training sessions periodically to share the information and knowledge about emerging trends and popular ESG topics with management, risk owners and relevant individuals.

For the details of ESG and climate-related risk management initiatives, please refer to the Corporate Governance Report and Sustainability Report of this annual report.

## Key Risk Management Activities in FY2022

Effectiveness of the ERM framework and related activities are continuously reviewed and enhanced to manage the uncertainty of the fast-changing business environment. With the oversight and expertise from the Board and Audit Committee, the following risk management activities have been implemented during the year.

### Fortifying ERM institutionalization

- Established a clear relationship between risk appetite and risk tolerance, which provided a practical method for applying risk appetite in decision making process
- Revised the ERM Manual to include risk tolerance reference and its application guidance, for institutionalization of knowledge and effective implementation of the ERM Framework
- Updated the structure of NWS Risk Bank, which depicts the risk universe of the Group, to establish clear relationship of ESG and climate change to risks
- Enhanced the NWS Risk Bank by including descriptions and examples of applying New World Group Strategic Focus to daily operations

### Promoting risk culture through training and seminars

- Launched an ERM Induction E-learning course for staff at all levels, aiming to deliver basic risk management knowledge and cultivate risk mindset within the Group
- Conducted an ERM refresher training session to risk owners to provide latest risk trends and emerging risk information, including climate-related risk context
- Encouraged effective two-way communication through organizing deep-dive risk workshops including in-depth explanation of risk management practices as well as interactive group discussion and presentation

### Collaborating with the New World Group Ecosystem

- Demonstrated the NWS ERM Framework and digitalization tool Risk Management Online System to NWD for providing advice on improvement and synergy opportunities
- Maintained regular communication with FTLife Insurance on risk management matters for transferring knowledge and enhancing ERM maturity

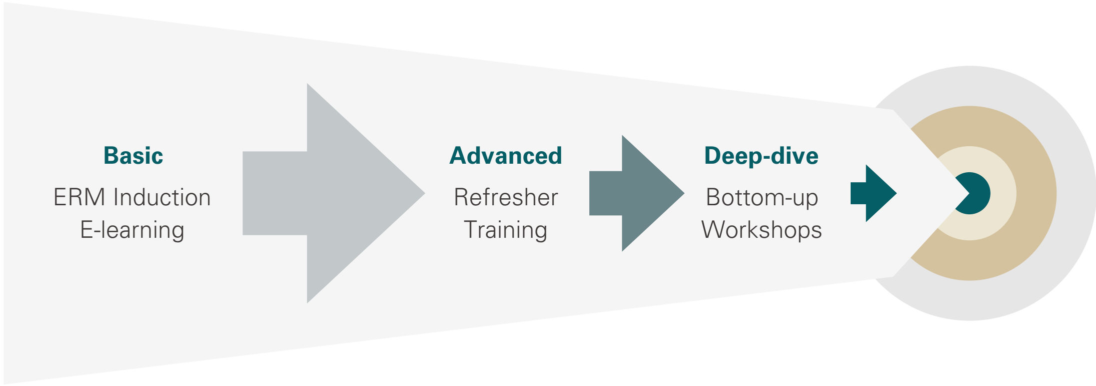
### Improving risk management tool

- Improved functionalities and usability of the Risk Management Online System, including addition of risk velocity criteria for risk analysis, improvement of data visualization of KRI, enhancement of file sharing and archiving

### Strengthening risk management process

- Aligned risk management objectives with the revamped vision, mission and core values, for effective integration of ERM to business processes and decision-making
- Expanded the scope of KRI reporting to include businesses in the Strategic Portfolio and Corporate Office Departments
- Conducted climate-related physical risk assessment of two wholly-owned toll roads to understand their susceptibility to various climate change scenarios, and possible responses to the physical risks
- Conducted researches by examining risk-related publications, and incorporated relevant emerging risk information into the NWS Risk Bank

### Illustration – Cultivating risk awareness through training




Effective ERM changes mindset and behaviour, and further forms a risk-aware culture. It guides and directs staff's awareness, attitude and action towards risks. Training is a key initiative to enhance the overall risk management capability and maintain a risk-aware culture. Therefore, the Group devotes resources to a systematic training programme on ERM.

Considering the various staff roles in the Group, a shallow-to-deep training journey is formulated to customize training contents and knowledge. The training is classified as basic, advanced, and deep-dive, and delivers vital knowledge to help to execute staff's risk management duties. At the basic level, the ERM Induction E-learning delivers elementary knowledge of risk and ERM to all staff, while the deep-dive Bottom-up Workshops demonstrate detailed risk assessment techniques through group exercises with senior management and risk owners.

Participants take the chance to share valuable risk insights from their experience, and enhance the collaboration among business units and departments. The ERM Team takes the lead to organize risk training, and continues to cultivate risk awareness across the Group.

## RISK FOCUS IN FY2022

The Group invests and operates a wide range of businesses predominantly in Hong Kong and the Mainland. Our businesses include toll roads, construction, insurance, commercial aircraft leasing [Note], logistics, and facilities management.

Through the comprehensive risk management process mentioned in the previous section, the Group identified major 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, our risk portfolio would be reviewed and updated to react and respond to the changing risk landscape.

### Overall Risk Trend

With the experience from past years to build business resilience, the pandemic has caused less significant influence on corporates and the increased emergency preparedness has enhanced the ability to maintain business continuity and recover business growth. On the other hand, with the recovery of business, the competition for talents among corporates has been fiercer than before and the ability to attract and retain talents has become of vital significance to maintain a steady business growth.

During the year, we continued to optimize our business portfolio to fortify our financial position given the current macro-economic environment such as rising interest rate, high commodity prices and GDP slowdown. Executing this strategy, we managed to further reduce the Group's risks, particularly strategic and financial risks including business investment risk, interest rate risk and credit/default risk.

The risks to businesses from climate change are not only more visible as a result of increasing extent and immediacy of direct impact from extreme weather events, but also lead to tightening regulatory requirements and an increasing trend for a more climate-resilient operation.

Aside from climate change, the increasing tensions and conflicts between nations also impact the global environment and we will keep a close eye on the development of risks arising from geopolitical issues such as wars, sanctions and tariffs which are increasingly threatening to businesses.

The Group will keep monitoring and managing the uncertainties in achieving the business objectives. Please refer to the following table of the major risks identified by the Group and the corresponding mitigation measures for the Group's efforts in managing the major risk profile. The table below is neither intended to be exhaustive nor comprehensive.

Note: NWS Holdings Limited announced, on 16 May 2022, that SMBC Aviation Capital Limited has agreed to acquire, from Goshawk Aviation Limited, its commercial aircraft leasing platform which comprises substantially all of the assets, liabilities and contracts of the commercial aircraft leasing business, excluding any Goshawk aircraft leased to Russian airlines.

| Risk Description | Risk Trend | Mitigation Measures |
|---|---|---|
| **Macroeconomic Risk**<br>Global economic uncertainties and slow recovery affecting business growth and financial performance | Risk Level remained similar as FY2021 | • Identify opportunities for business collaboration and partnership to leverage the synergies within the ecosystem of New World Group<br>• Explore new business opportunities for new growth drivers and optimize customer portfolios to diversify the risk<br>• Evaluate the potential impacts from the economy by analyzing the financial performance and monitoring business and economic data continuously |
| Please refer to the Management Discussion and Analysis of this annual report for more details. | | |
| **Insurance Risk**<br>Risk of loss due to actual claim experience, policyholder behaviour and expenses emerging differently than assumed in pricing and provisioning | Risk Level increased during FY2022 | • Policies set out the required standards for effective product, underwriting and claim management<br>• Use of assumptions which reflect recent experience, future trend expectation, industry data and professional judgement as appropriate<br>• Use of reinsurance arrangements to limit exposure to large claims |
| **Non-natural Disaster Risk** (Involve ESG Risk)<br>Major non-natural disasters, such as widespread pandemic crises, interrupting the operations, production and service delivery | Risk Level decreased during FY2022 | • Establish business continuity plans and various task forces like Emergency Deal Team for crises<br>• Monitor indicators relevant to crises and emergencies on an ongoing basis to detect their occurrences and enable timely responses<br>• Conduct drill exercises and provide periodic training<br>• Assess and ensure sufficient insurance coverage<br>• Implement anti-pandemic measures |

Risk Level increased during FY2022
Risk Level decreased during FY2022
Risk Level remained similar as FY2021
Involve ESG Risk
Involve Climate-related Transition Risk

| Risk Description | Risk Trend | Mitigation Measures |
|---|---|---|
| **Talent Attraction and Retention Risk** Failure to attract and/or retain qualified staff to support operations impacting the achievement of business objectives | | • Foster the caring culture of New World Group and create shared value with our staff by launching NWS Flexi Care Programme, including piloting Summer Fridays by experimenting with a 4.5-day work week and a work-from-home day during summer time, wellness subsidy, extended family care initiatives and so forth<br>• Establish employee communication and engagement channels to obtain voice of employees and address their needs<br>• Review the existing remuneration packages and compare with industry benchmark periodically<br>• Provide development and training programmes to improve staff's competency and promote career progression<br>• Reduce administrative burden or simplify the routine manual work through digitization |
| **Government Policy and Intervention Risk** Imposition of government policies and intervention, laws or regulations, exposing the Group to legal or regulatory liabilities, business disruption, reputational and/or financial losses | | • Implement close monitoring of the change of applicable government policies, laws and regulations<br>• Formulate responsive strategy for anticipated changes and provide updates and/or training to staff to cope with the new practices<br>• Proactively communicate with external parties (e.g. the relevant council or association) to understand the changes and practices among the industry peers<br>• Partner with consultants, scholars and university to get the advice on adapting changes of government policies and measures |
| **Cyber Security Risk** Cyber security issues compromising data integrity, confidentiality and system availability, which may lead to adverse impacts on reputation, financial conditions, and operational performance | | • Strengthen the information security architecture with enhanced authorization and authentication mechanisms<br>• Provide periodic training and conduct phishing drill exercises to promote cyber security awareness<br>• Purchase cyber security insurance to cover losses arising from cyber incidents or data loss events<br>• Engage information security specialists to assess cyber security vulnerabilities and controls |

Risk Level increased during FY2022
Risk Level decreased during FY2022
Risk Level remained similar as FY2021
Involve ESG Risk
Involve Climate-related Transition Risk

| Risk Description | Risk Trend | Mitigation Measures |
|---|---|---|
| **Competition Risk**<br>Intense competition arising from existing competitors and/or new entrants to the market regarding the businesses the Group are operating | ⊖ | • Monitor market trends, analyze competitors, review our existing market positioning, branding, services and products, and formulate corresponding strategic plans<br>• Continuously enhance our competitive edge and business performance by understanding customer needs and expectations<br>• Utilize technology to enhance customer experience and to increase operational efficiency and effectiveness |
| **IT Strategy and Application Risk**<br>Ineffective or inefficient information technology for supporting the current and future strategy, operation and information requirements of the businesses | ↑ | • Align with NWD's solution architecture strategy to integrate system resources and avoid system silos<br>• Establish IT governance framework to govern application development cycle including gathering business needs, prioritizing key projects, reviewing deliverables and system launch<br>• Regularly review and upgrade our system infrastructure and applications to increase operational efficiency and support business growth |
| **Geopolitical risk**<br>Conflicts between nations, political issues towards individual business, social unrest and etc., impacting the Group's ability to sustain its profitability | ↑ | • Conduct continuous monitoring of business data and sensitivity assessment of potential impacts in relation to political environment<br>• Seek professional advice on any regulatory changes due to political factors<br>• Pay close attention to the development of geopolitical issues relevant to the Group's operations<br>• Dispose of commercial aircraft leasing platform which is subject to multiple jurisdictions and susceptible to geopolitical events |

↑ Risk Level increased during FY2022
↓ Risk Level decreased during FY2022
⊖ Risk Level remained similar as FY2021
Involve ESG Risk
Involve Climate-related Transition Risk

| Risk Description | Risk Trend | Mitigation Measures |
|---|---|---|
| **Change Readiness Risk**<br>Slow response to the market change or late implementation of appropriate change actions, decreasing the Group's attractiveness to the stakeholders | ↑ | • Review market trends and our current state of development to evaluate gaps and determine change actions, especially the trend for climate change mitigations<br>• Establish governance structure to assess and monitor the development and implementation processes of changes<br>• Adopt technology to enhance climate resilience in our business operations such as electrified construction equipment, green techniques in facilities management and sustainable design in roads |
| **Quality, Health and Safety Risk**<br>Sub-standard or unsafe product, service or business activities impacting the achievement of the Group's quality, health and safety goals | ↔ | • Conduct quality assurance programmes and review performance data to ensure consistent performance and service quality<br>• Develop procedures and guidelines to set standards for quality, health and safety and deliver regular training to employees to enhance their safety awareness as well as service performance<br>• Arrange customer satisfaction surveys to collect voice of customer<br>• Perform evaluation of each accident or complaint to identify improvement areas and take follow-up actions |
| **Legal/Regulatory Compliance Risk**<br>Failure to comply with legal and regulatory requirements exposing the Group to legal or regulatory liabilities, reputational and financial losses | ↑ | • Monitor regulatory changes, including ESG-related regulations, and make timely action plans for adapting to the changes<br>• Develop detailed policies and procedures to provide guidance on executing compliance controls<br>• Perform regular monitoring of compliance status and gap analysis between controls and regulatory requirements<br>• Provide training to relevant employees to ensure their awareness and understanding of the latest regulatory requirements<br>• Engage consultants to identify and assess compliance obligations in relation to climate change mitigation and devise new initiatives |

For further details of mitigation measures regarding ESG and climate-related transition risks, please refer to the Corporate Governance Report and Sustainability Report of this annual report.

↑ Risk Level increased during FY2022
↓ Risk Level decreased during FY2022
↔ Risk Level remained similar as FY2021
Involve ESG Risk
Involve Climate-related Transition Risk

## RISK ANALYSIS BY BUSINESS

| Roads | Disaster Event and Government Policy Risks |
|---|---|
| | Disaster event namely the outbreak of pandemic may lead to enforcement of traffic control for COVID-19 screening at toll station, or even suspension of toll road operations. For the toll roads with higher accident rates and frequent traffic congestion, the government authorities may implement strict traffic control policies to manage the road condition and traffic flow of the toll roads. These may lead to undesirable effects on toll revenue, which in turn hinder the growth of project profitability and return on investment.<br><br>As the risk mitigation, we maintain close communication with the local government to assist in the COVID-19 examination and screening procedures. Sufficient manpower is reserved for diverting traffic to nearby toll stations, and setting up screening sites at the places with minimal impact to road traffic. In road safety aspect, we actively explore advanced technologies, including deployment of electronic traffic signs and artificial intelligence in surveillance facilities. These technologies are effective to increase drivers' alertness to road condition and shorten response time of resolving accidents, and hence reduce the occurrence and severity of traffic accidents. |
| **Construction** | **Health and Safety Risks** |
| | Construction site-related accidents may cause severe injuries to the employees and workers, which would severely affect the business operations and reputation. Health and safety at work is of paramount importance, and hence Hip Hing Group commits to carry out site activities in a safe and efficient manner.<br><br>Hip Hing Group has established a comprehensive Occupational Safety and Health Management System complying with ISO 45001, and stringent site-specific safety procedures. Project Special Safety Surveillance Teams, which are independent of the site management and directly report to an Executive Director, have been formed to conduct onsite safety inspections to remove potential safety hazards and enhance safety governance. Safety Review Forums are organized for various site management to collaborate and share the safety management experience and best practices across Hip Hing Group.<br><br>Adoption of safety-related technology is a key initiative to maintain a safety workplace. Robotic technologies are leveraged to reduce the reliance on labour workforce in certain risky activities. Artificial intelligence-enabled surveillance cameras are installed in construction sites to detect fire hazards and misuse of personal protective equipment by workers. |

### Insurance

#### Macroeconomic and Insurance Risks

The Hong Kong insurance market continued to be significantly impacted by worsening economic conditions due to the COVID-19 pandemic and the Russia-Ukraine War. This has caused an impact on the insurance policy persistency experience of the life insurance sector. FTLife Insurance has carried out measures to reconnect customers together with the use of appropriate incentive for our distribution channels to maintain the relationships with customers. In addition, the senior management of FTLife Insurance is leveraging the synergy effect arising from the eco-system of New World Group to drive long term profitable growth of our business.

Given the downturn impacting the insurance sector deeply, market players are striving for new business growth. With manpower being one of the key factors to drive new business, their recruitment tactics have become more aggressive recently. To retain our agents, FTLife Insurance has leveraged on the increasing use of digital technology to drive the agency force efficiency and growth, and has also utilized digital means to perform extensive profiling and selection of agents.

Over the past 2 years, there has been an increase in the local demand for medical insurance products as well as a rise in the medical claims during the pandemic. FTLife Insurance has implemented a number of initiatives which include product enhancement and repricing, claims handling process improvement, and health services provider management to mitigate the risk of increasing claim cost while expanding our presence in the medical insurance market.

### Facilities Management

#### Government Policy and Talent Attraction Risks

The HKSAR Government imposed various regulations and restrictions on border control, quarantine, social distancing and capacity for catering and event premises under the anti-pandemic measures, especially in the third quarter of FY2022. Some annual trade fairs at the HKCEC have been temporarily relocated to other cities such as Singapore, Bangkok and Dubai where travel restrictions have been lifted.

The new HKSAR administration is working on relaxing the travel restrictions of international travellers, hopefully in the later part of 2022. With this expectation, HML is communicating closely with event organizers to stand ready for resuming international trade events and also targeting new events.

Staff shortage and turnover has becoming a challenge. Given the complexity and scale of HKCEC's operations, it requires considerable time and resources to train newly recruited employees to ensure safety and deliver quality services. If the exhibition industry resumes to normal in the later part of 2022, more trained staff will be required shortly.

HML offers competitive compensation packages, internal promotion opportunities and a caring work environment. Career development programmes, including cross-exposure programmes, job rotation, and secondment to major projects, are available to foster long-term growth and broaden employees' exposure.

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

# Evolve Sustainably

# Sustainability Report

# Shaping our Future

## through Collaboration and Innovation

## CONTENTS



* Refer to Sustainability Report uploaded on NWS's website for details.

# ABOUT THIS REPORT

This sustainability report provides an overview of NWS Holdings Limited ("NWS") and its subsidiaries' ("the Group") Environmental, Social and Governance ("ESG") performance for the financial year ending 30 June 2022 ("FY2022"). The report aligns with the ESG Reporting Guide ("ESG Guide") set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), references the Global Reporting Initiative ("GRI") Standards 2021 and focuses on sustainability issues that have been identified as material to NWS's business and its stakeholders. This report has been reviewed and approved by our Board of Directors (the "Board").

## Reporting Boundaries and Scope

This report discloses details on the sustainability governance and performance of NWS Holding's corporate office and principal subsidiaries[1] and data from business segments including Roads, Insurance, Construction 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 ("HZRR"), a 103.4 km expressway in Zhejiang Province of Mainland China.

- Hunan NWS Expressway Management Co., Ltd. ("Hunan NWS Expressway") is responsible for the management of Changliu Expressway, a 65 km dual expressway connecting Changsha and Liuyang in Hunan Province of Mainland China.

### 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 HKCEC, an award-winning venue for international exhibitions and conventions.

- Free Duty offers retail of a wide range of duty free merchandise at Hong Kong's cross-border railway terminal and the Hong Kong-Zhuhai-Macao Bridge.

We aspire to be in leading market positions across the different industries we serve. For our non-controlled affiliates and associated companies, we endeavour to leverage our influence as Board and investors to actively engage them in sharing our core value and vision for sustainability stewardship.

In FY2022, there were no major changes to the scope of ESG metrics covered in the report compared with last year. After reviewing the ESG performance, the trends presented can be used for stakeholders' reference and comparison. For detailed ESG performance, please refer to the Appendix for further explanations on significant changes in the performance data.

[1] The Sustainability Report features the performance of subsidiaries that are 100% owned by NWS, with a combined contribution of over 90% of the Group's revenue since FY2019, and with most material ESG impact to the Group and its stakeholders.

## Reporting Standards and Principles

This report is prepared in accordance with the ESG Guide and with reference to the GRI Standards 2021. In stepping up our climate-related disclosures and addressing the expectations from our stakeholders, we also make reference to the framework recommended by the Task Force on Climate-related Financial Disclosures ("TCFD").

The sustainability report was prepared based on reporting principles of materiality, quantitative, consistency and balance as set out in the ESG Guide.

## Sustainability Reporting Assurance

This Report is externally assured to validate the accuracy and reliability of its content. Hong Kong Quality Assurance Agency ("HKQAA") was commissioned to conduct independent reasonable 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 (GHG) Statements issued by the International Auditing and Assurance Standards Board, and to provide an independent Verification Statement on whether the reported information complies with the ESG Guide.

## Share Your Thoughts

Thank you for reading NWS's Sustainability Report 2022. Your feedback is critical for us to continuously improve our reporting and sustainability practices. Please share your suggestions and comments with us at *sustainability@nws.com.hk*.

## OUR SUSTAINABILITY APPROACH

NWS is committed to delivering operational excellence in a sustainable manner. Our top management updated the vision, mission, and core values in FY2022 to keep pace with the developments of the industry, market trends and clients' expectations. Sustainability has been integrated into our new corporate vision "Fostering connectivity that enables our communities to thrive", and the new mission and values support our long-term growth to evolve our business in a more sustainable manner.

As a social responsible company, we are also in full support of our parent company, New World Development Company Limited ("NWD"), in striving towards the New World Sustainability Vision 2030 ("SV2030"), which references the United Nations Sustainable Development Goals ("SDGs") and establishes four priority pillars. Among the 17 SDGs, we have identified the four goals that are most relevant to our vision and business. The four pillars of SV2030 are intricately linked with the four SDGs. Under each of the four priority pillars, **NWS Sustainability Targets 2030** have been set and are overseen by incorporating into our corporate governance.


**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 working opportunities 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

NEW WORLD SUSTAINABILITY VISION 2030

SUSTAINABLE DEVELOPMENT GOALS

## MESSAGE FROM THE CHIEF EXECUTIVE OFFICER AND CHAIRMAN OF THE SUSTAINABILITY COMMITTEE

> "At NWS, sustainability is at the heart of our business, we are devoted to fostering connectivity that enables our business and communities to thrive."

Our unwavering commitment to the sustainable long term growth as a business is to create shared value for our employees, customers, business partners, the environment, and society. As the world continues to evolve and whilst continually overshadowed by various uncertainties, we must remain adamant on our commitments towards a sustainable future. As our business continue to evolve, we took an important step in 2022 to update our corporate vision, mission and core values to fortify our pledge to our stakeholders. NWS will continue to work diligently to transform them into action for our next generation.

### Caring for our People and our Society

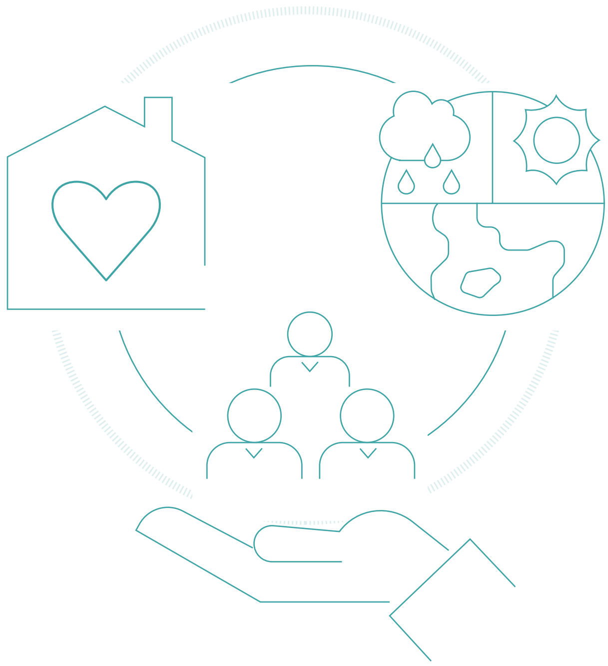
Through the year of 2022 the pandemic continues to have significant impact not only on our business, but also on the people across various social spectrum and the community. We take responsibility at heart to help the needy in our communities to overcome difficult times and recover from the challenges the pandemic has brought upon us. We leveraged our resources, network from the Group and business units to provide holistic support to the community, from donating anti-pandemic supplies via NWS Holdings Charities Foundation to people in need to launching specialized caring initiatives and offerings across our business units, including complimentary insurance coverage for 800 designated drivers by FTLife Insurance, providing storage area for anti-pandemic items at HKCEC, as well as the remarkable construction of over 850 quarantine units at Penny's Bay in under 90 days to support the Hong Kong Government's anti-pandemic measures by Hip Hing Group. As a testament of our commitment to the community, we celebrated the 20$^{th}$ anniversary of the NWS Volunteer Alliance and continue to expand our flagship NWS "EXP" Journey ("EXP Journey") programme to fully realize the potential of the youth, the pillars of the future generation.

Cultivating an agile work culture and fostering a sense of belonging to our colleagues is critical to the Group's success, we are conscious about the wellbeing of our employees and together with NWD and its subsidiaries (the "New World Group"), to launch a flexible work arrangement programme in FY2023, catering to the needs of our colleagues.

## Prioritising Climate Resilience

Our commitment to environmental sustainability is demonstrated through NWS's Sustainability Targets 2030 as well as being in full support of the Hong Kong and Mainland China Governments' carbon neutrality plan by 2050 and 2060 respectively. We remain steadfast towards our effort on climate related actions and share the same vision and commitment as NWD advancing towards net zero. This year we have begun conducting physical risk assessments for two toll roads in Mainland China. Going forward, we will continue to further expand our ESG considerations in our investment decisions and supply chain management to create long-term value for our stakeholders.

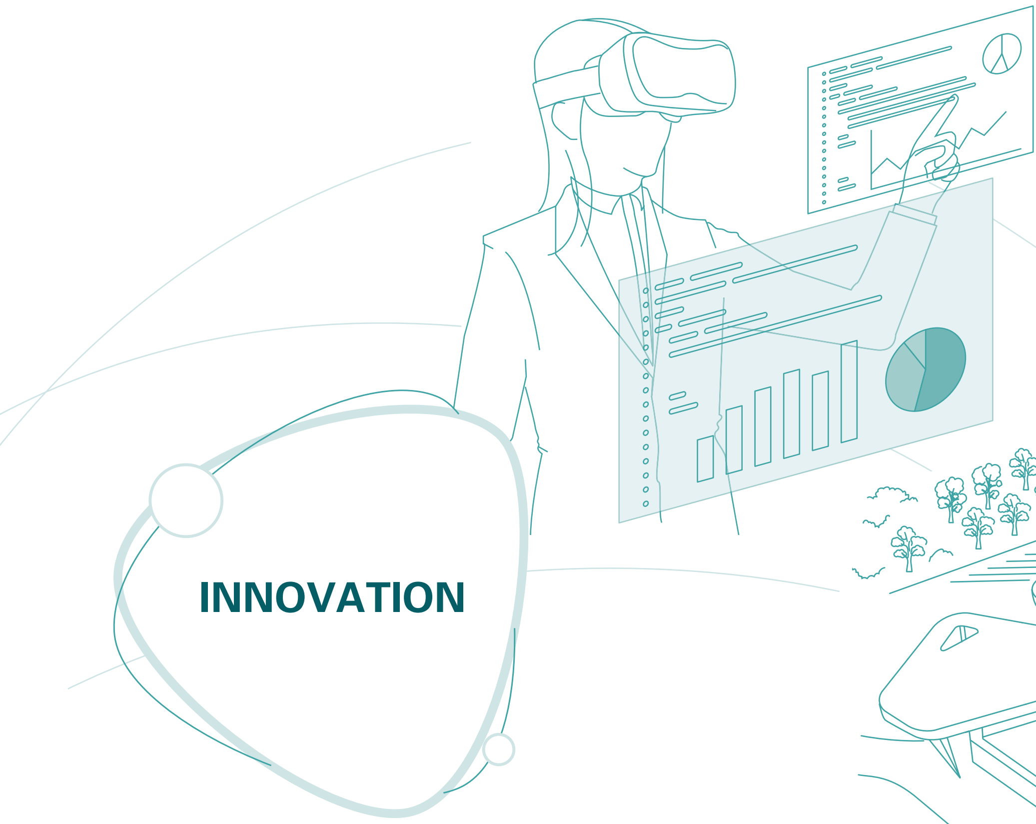
We care and recognize all efforts made by stakeholders and would like to express heartfelt thanks especially to our employees, investors and business partners who have been part of our sustainability journey. We look forward to sharing our latest sustainability journey with you in this report.



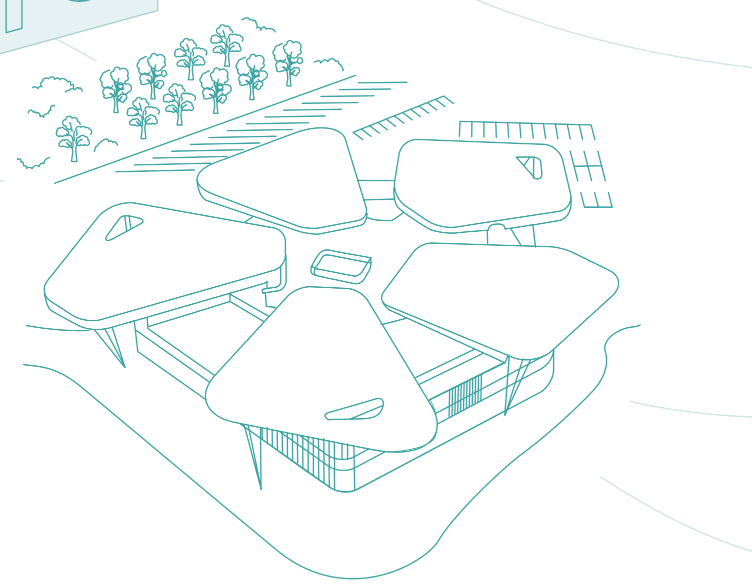
**Mr Ma Siu Cheung**
Chief Executive Officer and Chairman of the Sustainability Committee
NWS Holdings Limited

## SUSTAINABILITY AT A GLANCE

Technology and innovation are fundamental in driving sustainability. Through engaging with stakeholders, we identified innovation as one of our top issues to empowering our operations to become greener and more efficient. With aspirations to position our businesses as the pioneers in driving sustainability in the respective industries, we have been striving for excellence. To this end, we have made it our priority to turn commitments into action. In particular, we continue to bring innovations to our daily operations and collaborate with our stakeholders to institutionalize sustainability within our corporate culture. We will carry on exploring investment opportunities to further optimize our processes and improve operational efficiencies across our diversified business portfolio.



### INNOVATION

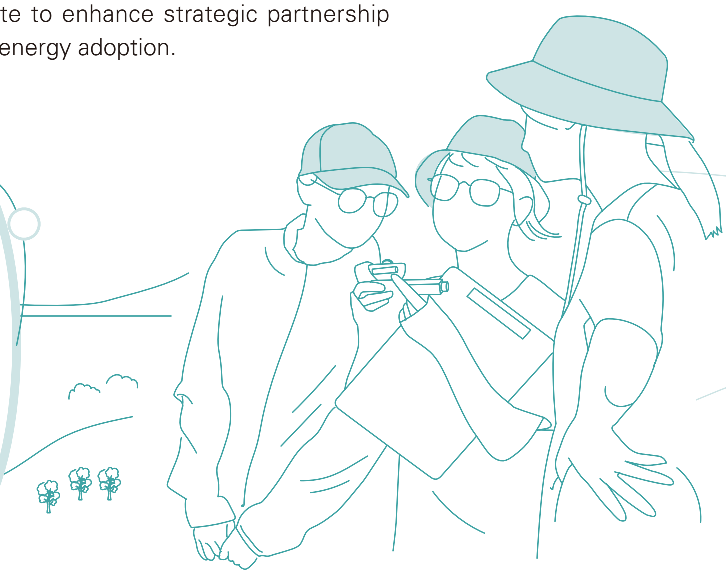


- Self-developed Material Management App to enhance circularity of building materials across construction sites, promoting zero-waste generation.
- Established industry's first artificial intelligence ("AI") driven training to cultivate the force of next generation for the insurance industry.
- The Zhiyi West Lake Service Area under HZRR aspires to be the 1st service centre to be LEED[2] Platinum certified in Mainland China.
- Adopted the use of Demand Control Ventilation ("DCV") at the HKCEC's kitchen ventilation to enhance energy efficiency.

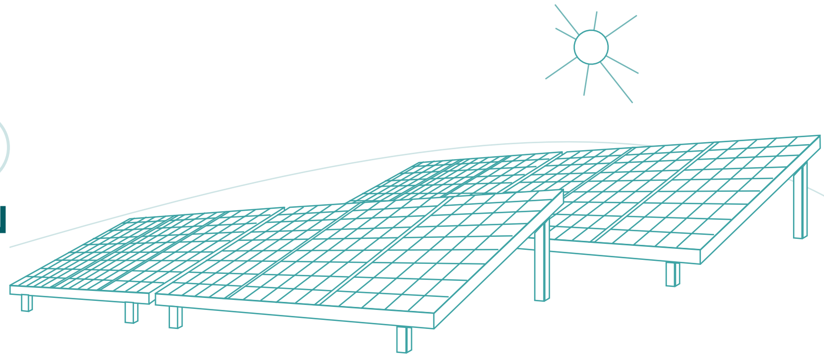
[2] Leadership in Energy and Environmental Design

- Leveraged the network and resource of the NWS ecosystem to donate over 10,000 anti-pandemic items through "SHARE FOR GOOD[3]".
- Partnered with the start-up supplier to refine applications of BESS[4] in our construction sites.
- Roads operations signed a memorandum of understanding ("MOU") with Guangdong Guodian Longyuan Wind Power Generation and China Power Construction Group Urban Planning and Design Institute to enhance strategic partnership on renewable energy adoption.
- Enhanced learning experience of EXP Journey to include innovative technologies and habitat conservation topics.
- Collaborated with Equal Opportunities Commission to provide Diversity and Inclusion training and activities to strengthen employee awareness on ethnic minority and women empowerment.
- HML pledges "Net Zero Carbon Events", calling on event industry to support sustainable development in union.

## COLLABORATION



## INSTITUTIONALIZATION



- Incorporated climate-related transition risks into ERM for regular review and assessment.
- Pioneered climate-related physical risks assessments for 2 toll roads in Mainland China as per IPCC's[5] latest predictions.
- Adopted a clean energy development strategy to achieve carbon neutrality ambition on domestic toll road operations.
- Accumulated HK$4.49 billion sustainable financing to support business' low carbon transformation.
- Adopted green building standards in nearly 100% of new building construction projects.

3 SHARE FOR GOOD – Hong Kong's first large-scale crowd-donation platform created by NWD
4 Battery Energy Storage System
5 Intergovernmental Panel on Climate Change

## STANDING WITH THE COMMUNITY DURING COVID-19

The fifth wave of COVID-19 in early 2022 devastated Hong Kong, causing severe impact on society. Different community groups were faced with huge pressure from, amongst others, social-distancing measures and difficult purchase of essential supplies and surging cases created enormous pressure on local healthcare systems. Building upon its business diverse expertise, NWS leveraged its network to support members of the community, such as provision of supplies, voluntary services and financial support to frontline workers and elderly people.


- Donation of 20,000 sets of rapid antigen test ("RAT") kits and 10,000 medical-grade oximeters to the underprivileged.
- Donation of a total of HK$2.6 million to Hong Kong Coalition and Institute of Social Service Development in a series of anti-pandemic campaigns.
- 400 volunteer participations with over 2,700 service hours from March to April for the Hong Kong Community Anti-Coronavirus Link hotline centre.
- FTLife Insurance raised a total of more than HK$350,000 of cash and in-kind donations internally, all of which were donated to beneficiary organizations as donations and used for purchase of materials.

- Hip Hing Group:
  - Joined forces with CIC[6] to build 4 integrated container offices for care and attention homes of Pok Oi Hospital as temporary stays for caretakers and for storage of anti-pandemic items.
  - Constructed nearly 120 fully serviced quarantine units at Penny's Bay in fewer than 63 days by using BIM[7] and MIC[8].


- FTLife Insurance offered free COVID-19 related insurance to 800 designated taxi and bus fleet drivers and supported around 100 drivers who were contracted with COVID-19 with a total amount exceeding HK$500,000.
- Gleneagles Hospital Hong Kong provided free video medical consultations, RAT Kits and 3 days of medicines for 1,250 patients with COVID-19.
- HML set up a storage and logistics centre for anti-pandemic-related supplies and increased efficiency of their delivery to support the government in combating the pandemic.

6 Construction Industry Council
7 Building Information Modelling
8 Modular Integrated Construction

## SUSTAINABILITY GOVERNANCE

We believe that good corporate governance can bring long term benefits to our diversified business. Therefore, the Board and senior executives of NWS are responsible for our sustainability strategy and progress with full accountability. The Sustainability Committee ("Committee") facilitates the oversight and management of all matters relating to sustainability. NWS's sustainability goes beyond compliance and we strive to become a pioneer in the industries we serve. As we continue to develop and evolve our sustainability governance structure, we conduct regular internal reviews and external consultation to ensure our business units are effectively implementing initiatives and continually improving to create long-term shared values for our stakeholders.

Reporting directly to the Board, the abovementioned Committee comprises at least one executive director and one non-executive director appointed by the Board. The Committee is currently chaired by our Chief Executive Officer ("CEO"), Mr Ma Siu Cheung, and includes three executive directors, two non-executive directors, and two independent non-executive directors. The Committee is mandated by the Board in accordance with its *terms of reference* to review and evaluate the adequacy and effectiveness of the Group's sustainability framework, from managing material ESG issues to monitoring the progress of our 2030 Sustainability Targets.

The Committee is supported by four task forces and sub-committees. Among which is the Environmental Management Committee ("EMC"), chaired by our Chief Operating Officer with member representatives of different business units across our operations. The EMC regularly reviews the effectiveness of implementation of the sustainability approach and the ESG performance at the business units' level.


NWS Sustainability Governance

## Policy and Guidelines

Sustainability-related policies and guidelines enable us to standardize and regulate our actions. Regular review and update of policies and guidelines are conducted to fully demonstrate our corporate governance and align with the expectations of stakeholders, the industry and the market. Regular training is provided to our staff to deepen their understanding in ensuring the policies are well understood and implemented properly. In FY2022, seven out of our eleven sustainability related policies were updated and respective trainings were provided.

### Sustainability Related Policies

| Environmental | Social | | Governance |
|---|---|---|---|
| Sustainability Policy* | Human Rights Policy* | Health and Safety Policy* | Anti-Fraud and Counter-Corruption Policy* |
| Climate Change Policy* | Supply Chain Management Guide* | Sustainable Procurement Guide | Whistleblowing Policy* |
| Green Office Guide | Sustainable Procurement Guide | Supplier Code of Conduct | |

* Note: policies are updated during FY2022.

## Risk Management

The identification, assessment and management of ESG risks, such as risks relating to sustainability, quality, and health and safety, are well incorporated into our ERM process. Various risks are attributed to designated personnel who are required to implement risk treatment plans for mitigation. In FY2022, the Group engaged an external consultant to support climate-related physical risk assessment for two of our toll roads in Mainland China (please refer to the chapter on *Greener Future* for further details). Through the ERM framework, the Group has also reviewed and evaluated the latest implications of climate-related transition risks as incorporated in our ERM since FY2021.

One of the Group's major risks identified for FY2022 is cyber security risk of which immediate actions were followed through. Further details can be referred to the section on *Data Protection and Customer Privacy*. The Group's effort in managing other ESG risks, such as talent attraction and retention risk, are described in respective sections of this sustainability report. For further details of our risk management processes, please refer to the Risk Management Report of the annual report.

## Ethics and Anti-corruption

We conduct business in a highly professional and ethical manner while expecting the same is practiced along our supply chain. Our policies and guidelines clearly set out our expectations, going above and beyond the requirements of applicable laws and regulations to prevent money laundering, bribery, fraud and corruption. We have updated our "*Anti-Fraud and Counter-Corruption Policy*" this year. Full compliance to our "*Anti-Fraud and Counter-Corruption Policy*" is expected by all directors, senior management and employees of the Group as well as our business partners, associated companies and joint ventures.

## Whistleblowing Policy

In response to the latest *Corporate Governance Code* announced by the Hong Kong Stock Exchange at the end of 2021, our "*Whistleblowing Policy*" was updated in due course to enhance transparency on our grievance mechanism. Each business unit may maintain its own whistleblowing procedures in accordance with industry practice. Apart from these, we encourage employees and third parties to report all suspected cases of misconduct. Confidentiality of whistle-blowers is absolutely protected and standardized procedures to conduct detailed and fair investigations are to follow. All cases are reported to the Audit Committee and the Executive Committee, while the Chairman of the Audit Committee will review the cases and the appropriateness of the actions taken. For further updates as related to the latest *Corporate Governance Code*, please refer to the Corporate Governance Report of the annual report for details.

## Capability Building

To enhance the understanding of our "*Whistleblowing Policy*" and "*Anti-fraud and Counter-Corruption Policy*", employees are required to complete an e-learning course. Furthermore, an ERM induction E-learning course was launched to enhance business risk awareness and to emphasize the importance of early risk flagging and whistleblowing. We regularly invite external experts and practitioners to conduct training and share good practices as well as market trends for our employees. Please refer to the section *Nurturing Talents* for details of training hours on anti-corruption. Key training conducted by external parties are highlighted below:

| Training | Content |
|---|---|
| **Governance related webinars (by external legal firms)** | "Director's Duties" and the "New Corporate Governance Code" to Directors and targeted employees. |
| **Overview of notifiable and connected transactions (by external legal firms)** | Notifiable and connected transactions and the relevant Listing Rules requirements with examples and case studies on the recent Hong Kong Stock Exchange enforcement actions. |
| **Professional property management with integrity for general and managerial staff (by ICAC)** | Understand the Prevention of Bribery Ordinance and proper ways to handle conflicts of interest and ethical dilemmas in property and facility management. |
| **Ethical business practices (by ICAC)** | Understand the Prevention of Bribery Ordinance and proper ways to handle conflicts of interest and ethical dilemmas in the workplace. |

## Intellectual Property Rights

Intellectual property ("IP") rights are an important element of NWS's business operations and constitute a valuable company asset. We have comprehensive measures in place to safeguard our IP which include our "IT Policy and Procedures" to prevent infringements on these rights. All IP rights are registered through formal channels and if any infringement is observed, legal advice will be sought and appropriate actions will be taken promptly.

## PROGRESS TOWARDS OUR 2030 TARGETS

At NWS, we have set Group-wide environmental and social targets for FY2030 around the four pillars of Green, Wellness, Caring and Smart. This year, we remain on track to achieving our Sustainability Targets 2030. We focused on operating more efficiently across our business through embedding smart elements into our operations. The following table provides an overview of our Sustainability Targets 2030 and progress towards them.

| SV2030 Pillars | FY2022 Progress | Relevant SDGs |
|---|---|---|
| **Green**<br>Moving toward a greener future | (Baseline: FY2013)<br>↓52% On track — Energy Intensity (Target: ↓50%)<br>↓60% On track — Carbon Intensity (Target: ↓50%)<br>↓31% On track — Water Intensity (Target: ↓30%)<br>>90% Target Met — Reuse of construction and demolition materials (Target: >90%) | 3, 11, 17 |
| **Wellness**<br>Promoting health in body and mind | (Since FY2015)<br>0.5 LTIR Target Met — Maintain Lost-Time Injury Rate ("LTIR") below 3.0 per 100 employees<br>2.39 million On Track — Improve the well-being of >4 million beneficiaries | 3, 8, 17 |
| **Caring**<br>Nurturing our communities and culture | (Since FY2015)<br>Reached 10.9 million On Track — Enhance the quality of life of >17 million beneficiaries<br>Accumulated 118,800 hours On Track — Accumulate 175,000 hours of voluntary service to the community | 3, 8, 11, 17 |
| **Smart**<br>Using innovation to unlock potential | • AI training tool as pioneered by FTLife Insurance to transform the traditional learning approach and cultivate more professionals for the insurance industry.<br>• MMA is developed by Hip Hing Group to facilitate the exchange of surplus Construction and Demolition ("C&D") materials across its construction sites and promote circularity.<br>• Kitchen DCV system is installed at the HKCEC for continuous environmental improvement.<br>• The Zhiyi West Lake Service Area under HZRR aspires to be the 1st service centre to achieve LEED Platinum Certification in Mainland China. | 3, 8, 11, 17 |

The metrics for FY2022 suggest significant progress towards our Sustainability Targets 2030. However, the impact of the pandemic has continued to affect our business activities and correspondingly, reduction in energy and water consumption intensities. We are thus taking a forward-looking perspective in monitoring the target performances as we anticipate further business rebound from the pandemic.

## STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

### Stakeholder Engagement

Understanding the expectations and needs of our stakeholders has been fundamental to the success of NWS. Stakeholder engagement is a continuous journey where we connect regularly with our key stakeholders to better understand potential internal and external impacts towards our business. Please refer to our *website* for more details about the key stakeholder groups and the respective communication channels.

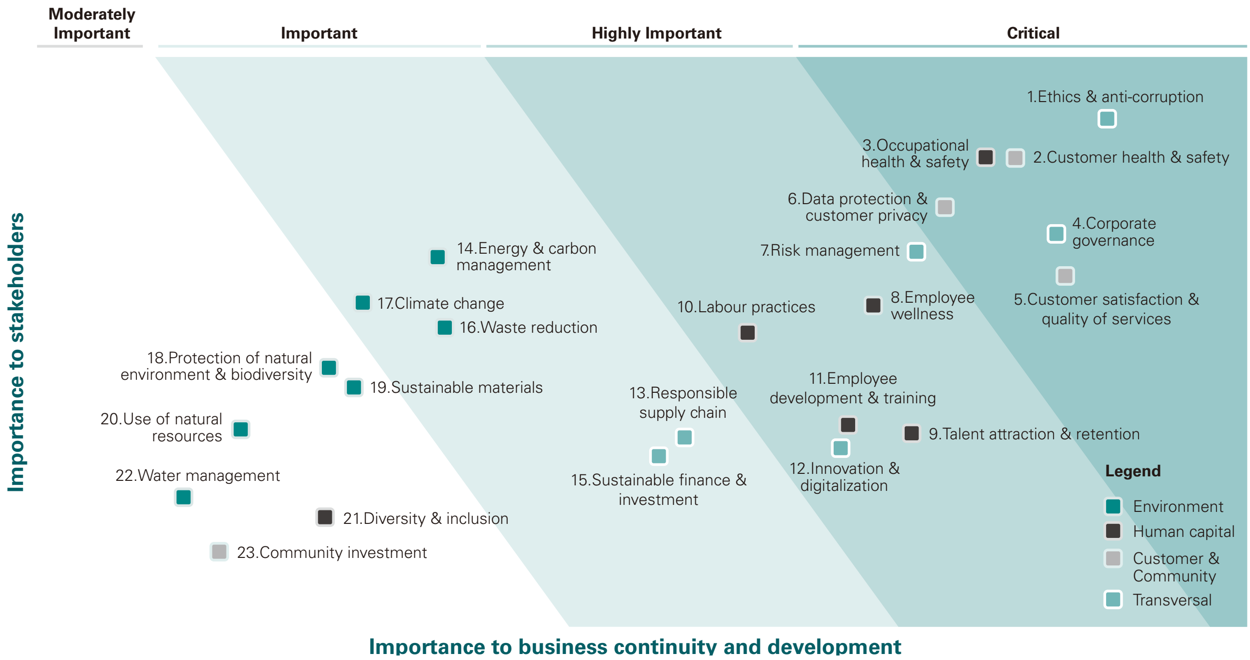
We carry out stakeholder engagement exercises regularly with an aim to identify the latest expectations from both our internal and external stakeholders. While the following materiality matrix was developed from a materiality assessment conducted in FY2021, we have reviewed these topics for their relevance to NWS based on several key criteria including the review of variance in our business portfolio, research on industry peers, analysis of megatrends and engagement of stakeholders.

In FY2022, 10 deep dive interviews and focus group discussions were employed to review the materiality matrix developed in FY2021, with a total of 30 key internal and external stakeholders. This year, as part of the stakeholder engagement process, directors and members of the Committee were invited to attend deep-dive interviews to provide their insights on sustainability issues that are important to NWS. Findings from the stakeholder engagement were communicated back to NWS senior management.

Based on the results of the review, the 23 material topics identified in the materiality assessment in FY2021 remain relevant and important to NWS this financial year.

## Material Issues and Their Impact Boundaries

### Materiality Matrix 2022




### 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 |
| Environment | 16 | Waste reduction | Greener Future | ✓ | ✓ |
| | 14 | Energy and carbon management | | ✓ | ✓ |
| | 17 | Climate change | | ✓ | ✓ |
| | 19 | Sustainable materials | | ✓ | ✓ |
| | 18 | Protection of natural environment and biodiversity | | ✓ | ✓ |
| | 20 | Use of natural resources | | ✓ | ✓ |
| | 22 | Water management | | ✓ | ✓ |
| Human Capital | 3 | Occupational health and safety | Thriving People | ✓ | ✓ |
| | 9 | Talent attraction and retention | | ✓ | |
| | 8 | Employee wellness | | ✓ | |
| | 11 | Employee development and training | | ✓ | |
| | 10 | Labour practices | | ✓ | ✓ |
| | 21 | Diversity and inclusion | | ✓ | ✓ |
| Customer & Community | 5 | Customer satisfaction and quality of services | Optimizing Value Chain | | ✓ |
| | 2 | Customer health and safety | | ✓ | ✓ |
| | 6 | Data protection and customer privacy | | ✓ | ✓ |
| | 23 | Community investment | Fostering an Inclusive Community | ✓ | ✓ |
| Transversal | 1 | Ethics and anti-corruption | Our Sustainability Approach | ✓ | ✓ |
| | 4 | Corporate governance | | ✓ | ✓ |
| | 7 | Risk management | | ✓ | |
| | 12 | Innovation and digitalization | Optimizing Value Chain<br>Greener Future | ✓ | ✓ |
| | 13 | Responsible supply chain | Optimizing Value Chain | ✓ | ✓ |
| | 15 | Sustainable finance and investment | Greener Future | ✓ | ✓ |

## Key Insights from Stakeholder Engagement Process

With the challenges and drivers of four identified ESG megatrends, namely responsible supply chain, talent attraction and retention, diversity and inclusion, cyber security, assisted by subject experts from an independent third-party consultant, we looked into particular issues among our stakeholders through interviews and focus groups. Comments of peer best practices, difficulties and opportunities were shared to better fulfil evolving needs and to recognize their expectations and concerns as related to our sustainability performance. Apart from the ESG megatrends, climate change has been identified as top-of-mind by the majority of our stakeholders, and an additional megatrend that should be prioritized for NWS. Key insights from the stakeholders are summarised as below:

| Megatrend | Stakeholder's concerns | How we are addressing |
|---|---|---|
| **Responsible supply chain** | • Availability of sustainable/low carbon products on the market<br>• Regulatory support from authorities on the use of low carbon construction materials<br>• Awareness on sustainability within the supply chain | • Engage suppliers to understand latest sustainable/low carbon product options and market best practices<br>• Exchange knowledge and share insights to drive the decarbonization agenda, especially in the selection of construction materials<br>• Explore methodology to practically collect reliable ESG data from the supply chain for disclosure |
| **Talent attraction and retention** | • Attracting and retaining suitable talent amidst evolving demand and supply in the market | • Establish regular employee engagement channels, including conducting periodic employee satisfaction surveys to obtain employees opinions and address their needs<br>• Respond to employee feedback. Going forward, we will launch the NWS Flexi Care programme in FY2023, a new Human Resources initiative to improving employee wellbeing and maintain competitiveness of staff benefits<br>• Regular review of the competitiveness of the existing remuneration packages by benchmarking with industry<br>• Provide comprehensive development and training for our staff to build capacity and promote career progression<br>• Streamline work routines through digitalising administration processes |

| Megatrend | Stakeholder's concerns | How we are addressing |
|---|---|---|
| **Diversity and inclusion** | • Creating a more diversified and inclusive workplace and community | • Encourage female talents to participate in construction operation<br>• Review and update Human Rights Policy with enhanced guidelines on D&I<br>• Conduct D&I trainings to enhance staff awareness<br>• Offer programmes and charity fund with consideration to the needs of ethnic minority groups |
| **Cyber security** | • Understanding of threats and monitoring capabilities as the business becomes more digitalized | • Conduct comprehensive risk assessments and audits through internal controls and/or engaging external specialists, both at the corporate and business units level to understand cyber security needs<br>• Provide periodic training and conduct phishing drills to promote cyber security awareness<br>• Continuously monitor evolving landscape with enhanced authorization and authentication mechanisms<br>• Consider insurance to cover losses arising from cyber incidents or data loss events |
| **Climate change** | • Action on assessing and mitigating climate-related risks<br>• More stringent requirements on climate-related disclosures expected from regulatory bodies | • Conduct climate transition risk assessment and expand assessment scope of climate physical risk across portfolio<br>• On-going communication with suppliers on ESG issues including transparency on Scope 3 GHG emission data |

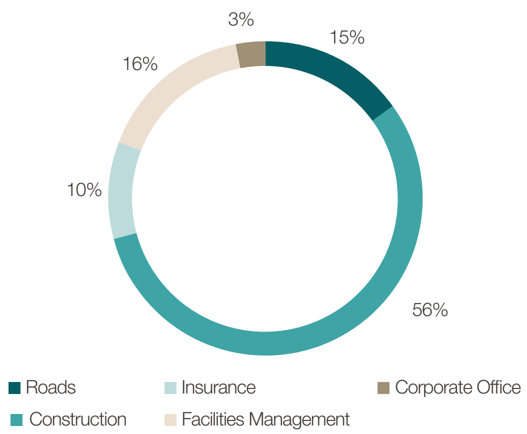
## THRIVING PEOPLE

Our talents are the cornerstone of NWS's business and the heart of our commitment to growing sustainably. We strive to create a culture where people feel heard and supported. In FY2022, the Group has a workforce of 4,862, among which the majority of our staff are based in Hong Kong where the Group is headquartered, with about 15% working in the Mainland China. This section of the report showcases how we support and care for our colleagues through improving our safety performance, promoting the health and wellbeing atmosphere, building a diverse and inclusive workplace, and empowering them to bring the best versions of themselves to work and feel proud while fostering cheerful and meaningful professional growth amongst our staff.

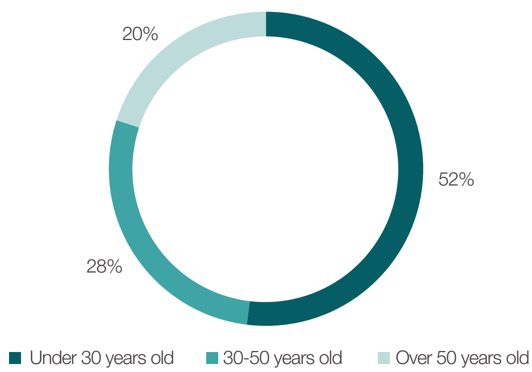
Putting the right governance and leadership in place is critical for developing a strong and caring culture. Policies and guidelines are well established, including our "*Sustainability Policy*", "*Human Rights Policy*", "*Health and Safety Policy*", "Employee Handbook" and "Corporate Policy on Staff Responsibility". These policies outline our strategies and expectations toward creating an equitable and supportive workplace, which are fully-communicated to our staff through relevant trainings, campaigns and employee newsletters.

In recognition of our long-standing commitments to caring for our employees, NWS has been awarded the "20+ Caring Company Logo" by the Hong Kong Council of Social Services and has been well recognized by JobMarket in becoming a winner of the Employer of Choice Award 2021, and was awarded HR Excellence Awards 2021/2022 from Hong Kong Institute of Human Resource Management.

**Total Workforce by Industry**




**Total Workforce by Age Group**





**NWS received market commendation and recognition**

**NWS Summer Friday Activities**

## Employee's Rights

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 UNGC[9]. Our "Corporate Policy on Staff Responsibility" and "Employee Handbook" outlines work hours, remuneration and benefits, including commitment against illegal labour and human trafficking and the rights on freedom of association and collective bargaining.

## Talent Engagement and Retention

We engage our talent using an extensive and dynamic approach: Employees are encouraged to speak up and voice out through multiple communication channels such as employee surveys and group-wide town hall meetings. This year, we conducted an employee satisfaction survey with 95% response rate from the Group. Results from the survey indicates our staff are proud, motivated and curious to work in NWS. We encourage our staff to communicate openly in close collaboration with the top management. In June 2022, we hosted a "Dialogue with CEO" webinar where over 1,100 colleagues participated to understand top management's expectations on development for the upcoming financial year and beyond, with the desire to grow together.

An important aspect to attracting and retaining talent is our commitment to provide equitable remuneration packages based on employees' performance and their responsibilities. Employees receive feedback on their performance through a structured and open appraisal system that enables a two-way dialogue. We value each opinion and feedback from all of our employees and regularly benchmark against peer companies to ensure our packages remain fair and competitive. We plan to continue to strengthen our talent development programme, foster a strong mentor and coaching culture and provide each of our employees with a clear career path. This year we are proud to present 8 long-term service awards to employees who demonstrated dedication and willingness to grow our business together.

## Promoting the Wellbeing of our People

At NWS, we value the wellbeing of our employees and continue to innovate on how we promote health and wellness in body and mind. We have supported our employees to actively improve their physical and mental health through events and wellness programmes. These include webinars on mental health and mindfulness workshops, and introducing a wellness subsidy to improve physical fitness awareness. FTLife Insurance launched an Employee Abundance Programme, with the support of Hong Kong Family Welfare Society, to provide holistic professional services for over 840 colleagues and their family members in FY2022 that cater both their mental and spiritual needs. The programme includes webinars by medical practitioners who provided professional advice on how to manage and cope with emotions during the pandemic.

**Establishing exercise-friendly-work environment and promoting healthy living culture at work**

Free Duty collaborated with the Leisure and Cultural Services Department to raise awareness and obtain fitness information of respondents in the "Territory-wide Physical Fitness Survey", which aims to create a database on physical fitness of local citizens. A total of 44 employees participated and through the survey, our staff gained better understanding of their own fitness condition and learned about the importance of physical health and exercising regularly in daily life. Various wellbeing activities were organized for colleagues in Mainland China during the year, including HZRR's "Happy Walking" walkathon event with more than 200 participants accomplishing a total of 3,800 km trail in October 2021.

9 United Nations Global Compact

Throughout COVID-19, NWS continued to provide support to our employees through flexible work arrangements and distributing care packages to frontline service staff. Care hampers filled with anti-pandemic supplies were sent to infected staff members. We also took proactive action to ensure our employees had access to vaccine information and made on-site vaccination arrangements. To allow our staff sufficient time to recuperate after getting vaccinated, they were entitled to paid vaccination leave which was extended to the fourth dose of the COVID-19 vaccine. These measures aim to protect our employees, their families and the wider community.

### NWS Flexi Care Programme

In response to majority feedback from our employee satisfaction survey conducted in October 2021, we launched "Flexi Care Programme" in FY2023. It includes a series of family-centric and work-flexibility initiatives, such as imposing a 4.5-day work week during the summer time plus one work-from-home (WFH) day arrangement every week for office-based employees, enabling better bonding with families and beloved ones while maintaining a healthy work-life balance. In addition, we also lined up a series of Summer Fun activities for our employees, including birthday parties, booth games, orientation sessions etc. with aim to improve the work-life balance of our employees.

**Work flexibility**

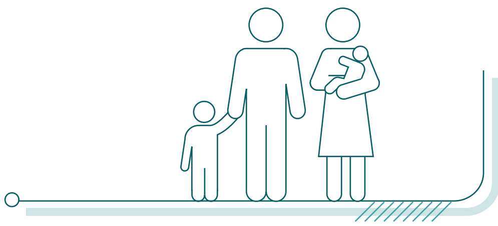
- One WFH day per week to provide flexibility at work.
- Allow smart casual wear at office.
- Pilot 4.5-day work week this summer.

**Extended health package**

- Free medical coverage for dependents of employees at Manager level and above.
- Wellness subsidy to employees for the purpose of raising general fitness and physical awareness.

**Staff engagement**

- Leisurable events on every second Friday of the month in the afternoon time.
- An option to take half day off every Friday afternoon during summer time.



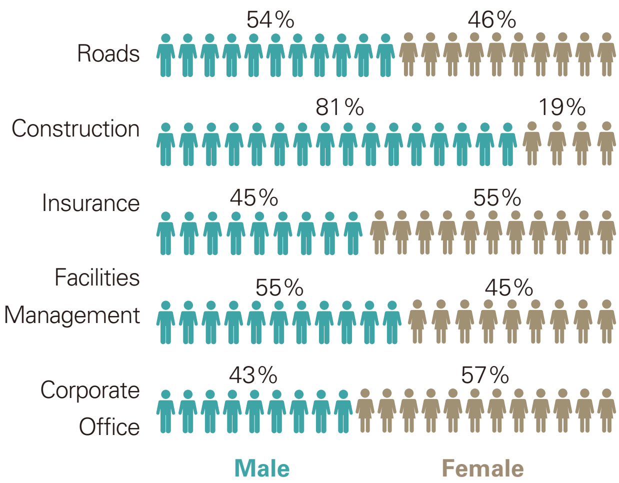
**Family caring**

- Extended the criteria of family care leave to cover non-sickness related situation.

## Fostering a Diverse and Inclusive Workplace

Culture is a crucial factor in the success of a business, NWS supports an inclusive workplace culture and drive for a more diverse and balanced workforce. We strive to foster diversity and inclusivity in the workplace so that our employees are treated with dignity and respect, free from any discrimination, bullying, physical and psychological harassment. As a signatory of the Racial Diversity and Inclusion Charter for Employers, NWS is committed to maintaining an equitable and supportive work environment by promoting diversity among the Group through education, training and engagement, such as hosting webinar training on "Cultural Diversity" and "Gender Equity in the Workplace".

**Gender Profile by Industry**




**Promoting inclusive workplace across our construction sites**

**Join hands with ethnic minority cultural ambassadors to visit ethnic minority neighbourhood**

We strive to provide a diversified workplace with a balanced gender ratio across our business portfolio. NWS provides various career opportunities and platforms to encourage female employees to take up leadership roles and unlock their full potential. HML Managing Director Ms Monica Lee-Müller became the President of UFI – The Global Association of the Exhibition Industry, the first Asian female leader in this global organization's 95 years of history. While recognising there are fewer female employees in the construction business, we have taken measures such as hosting "Lap Dog Challenge" to promote gender balance in the construction industry and to have the first female Project Manager, Ms Michele Lui from Hip Hing Group win the "Young Achiever of the Year" from RICS Awards 2021, demonstrating our persistent effort on promoting women empowerment and talent development.

## Prioritising Health and Safety

Our long-term approach to safety goes beyond compliance and is built on strong foundation that includes a robust approach to mitigate risks to employees. This includes a "*Health and Safety Policy*" which outlines protocols including yearly assessments on the health and safety performance, providing employees with ergonomic office equipment, fire precautions and ensures each department develops a set of procedures in handling emergency situations. Apart from policy control, we have also provided 10,626 hours of occupational health and safety training to institutionalize a safety-first culture. We are also keen to embrace innovative technologies across our operations to reduce the health and safety risks to our frontline workers. For example, to enhance safety standardization and centralized control at construction sites, Hip Hing Group introduced an artificial intelligence detector to monitor the personal protective equipment usage. They also adopted "NOVADE", a smart safety supervision system to minimize safety hazards, monitoring construction sites effectively.

Our Lost-Time injury rate in FY2022 is 0.5, which is much lower than our target of 3.0, while our Lost Day rate is 47.3% per 100 employees, a 30% reduction compared to last year. At Hip Hing Group, we sought to implement a series of safety measures to enhance the safety awareness of the project team and workers. Meetings of the independent panel of investigation for fatal accidents are held immediately after the accident, which consists of members from senior management and representatives from the safety department and is chaired by the Managing Director. The panel reviews the cause of accident and control measures to prevent similar accidents from happening in the future. Follow-up actions may include hosting a safety review forum to eliminate risks, issuing site memo to all site workers on reviewed safety measures and forming Project Special Safety Surveillance Teams to conduct regular site assessments.

**Automatic Detection System for Safety Harness**

## Nurturing Talents

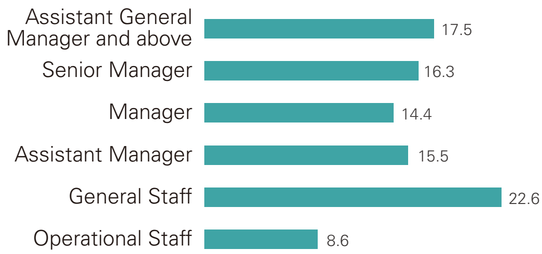
We are committed to the development of skills and opportunities that empower all our employees to grow and excel in their careers. Our objective is to create a continuous learning culture that drives performance and enable our employees to reach their full potential. We have set out a comprehensive approach on talent cultivation where we invest in providing training opportunities and learning incentives through structured development programmes. Key highlights on the training and development data in FY2022 include:

**Total Training Hours by Training Topics**

| Training Topic | Total Hours of Training Provided |
|---|---|
| Anti-corruption | 3,360 |
| Corporate Culture | 15,294 |
| Environmental Protection | 1,849 |
| Occupational Health and Safety | 10,626 |
| Professional Development | 25,204 |

**Average Training Hours per Employee by Gender**


**Average Training Hours per Employee by Category**



### How We Cultivate our Employees


## Talent Development

In FY2022, we co-launched a new e-learning platform with NWD, to provide over 200 online trainings covering a wide variety of topics which suit emerging market trends, from sustainability, innovative technologies, business, to corporate culture as well as laws and regulations. We provide theme-based trainings and motivate our employees to become learning planners. We also proactively collaborate with NWD and other external experts to build up our internal capacities. In FY2022, a series of five insight sessions with CEO and Executive Vice-Chairman of NWD, Dr Cheng Chi Kong, Adrian were hosted in June, covering topics such as demonstration of entrepreneurship, innovative business ideas and growth mind-set for colleagues to have better understanding of our corporate culture. Through a Group-wide webinar conducted in September 2022, our C-suite have delivered training to staff members across the Group on the company's vision, mission and core values. In addition, we provide training schemes and annual membership fee subsidies for eligible employees as an incentive to drive capability building and industry transformation.

In addition to conventional training approaches, NWS actively explores new training techniques and platforms to enhance the learning efficiency of our employees. As part of our passion to inspire creativity and innovation, in FY2022, we participated in the New World Innovation Challenge 2021. Hip Hing Group won the competition with their revolutionary idea in proposing MMA as a solution to reducing C&D waste and our roads business won with combining the concept of post medical procedures recovery and hotel retreats.

### Transforming Learning and Development with AI Integration

In partnership with a local start-up, FTLife Insurance developed the industry's first "AI Drill", an artificial intelligence and big data driven training tool that complements hybrid coaching for insurance agents to excel beyond industry standards. The AI Drill transforms traditional learning models. The platform is not only equipped with intelligent communication technology, but can also be customized to simulate 10 different virtual meeting scenarios, which can flexibly and comprehensively train insurance agents in sales and customer service techniques, cultivating more professionals for the industry.

**VR learning journey for young talents**

The AI Drill has also been integrated into the training of young talents in our "LEAP & Beyond Entrepreneurship Development Programme" to help them develop entrepreneurial skills in the insurance industry.

**Students from the Hong Kong Metropolitan University participated in "C-suite Job Shadowing" programme**

### Cultivating Future Leaders

To cultivate young talent for leadership roles, we are passionate about allocating resources to comprehensive development programmes and offer internal rotation programmes within the Group for our talents to explore different career opportunities. NWS and our business units have also implemented their own young talent development programmes that are catered to the different needs within their industries, such as the High Potential (Hipo) programme.

### Case Study – Hip Hing Group gains market recognition by constructing excellent atmosphere

Hip Hing Group developed the Hip Hing Talent Development Programme to recruit and support young talents in building their own career paths. Potential candidates are supported through the Hip Hing Scholarship for their university studies and are offered on-the-job training through internships or job attachment programmes. Depending on their interest, young talents can choose to progress in becoming either a project manager under the Project Management Stream, or a site agent under the Works Supervision Stream.

Hip Hing Group has made efforts to reinvigorate the appeal of the construction industry to young and energetic talents. In recognition of Hip Hing Group's corporate culture of embracing change and innovation, Hip Hing Engineering Co., Ltd. was awarded the Revitalization Award and Vibro was awarded the Corporate Innovation Award by the Construction Industry Council in FY2021.

**Apple Chan joined Hip Hing Group as an apprentice in 2017. She garnered the Most Improved Trainee of the Youth Employment and Training Programme by Labour Department, Outstanding Apprentice by CIC and VTC[10] as well as the Young Lo Pan Award.**

[10] Vocational Training Council

## GREENER FUTURE

Based on the Paris Agreement and the subsequent 26th United Nations Climate Change Conference in Glasgow ("COP26"), the governments of Mainland China and Hong Kong have committed to transition to a low-carbon economy and pledged to achieve carbon neutrality by 2060 and 2050 respectively. NWS strives to combat climate change and enhance our commitment towards a long-term emission reduction ambition. Since 2020, we established Group-wide environmental targets for FY2030 focusing on carbon emission, energy, water, and waste, in line with NWD SV2030 and SDGs, demonstrating our long-term commitment toward a low-carbon future, and creating shared value for our customers and stakeholders. As a responsible conglomerate, we are in full support of the NWD net zero ambitions and HKSAR government commitments to achieve carbon neutrality 2050, while leveraging all resources and business ecosystem to carefully protect our environment.

We recognize that the building and construction sector and the transport sector accounts for 36%[11] and 24%[12] of global GHG emissions respectively. As part of our core business portfolio, 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 in driving the group-wide sustainability objectives, our Environmental Management Committee, chaired by an executive director of the Group and comprising representatives from NWS Holding's corporate office and major subsidiaries, meets twice a year. This provides a platform connecting our various business units, so as to facilitate exchange of knowledge, experience and environmental best practices on sustainability among business units, and also to ensure the successful implementation of green initiatives.

**Hong Kong Convention & Exhibition Centre**

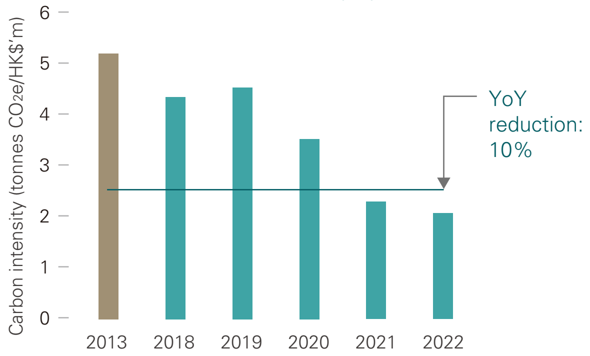
11 Source: https://globalabc.org/resources/publications/2021-global-status-report-buildings-and-construction
12 Source: https://ourworldindata.org/co2-emissions-from-transport

## Our 2030 Environmental Targets

### Environmental Performances

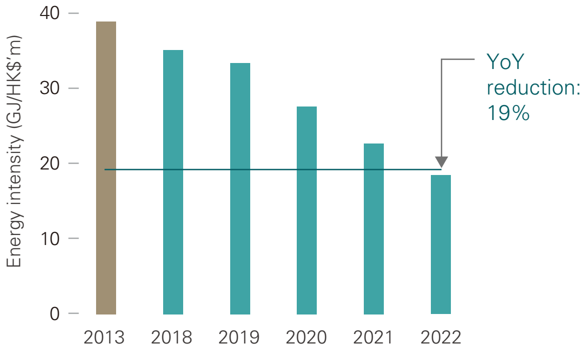
**Carbon Intensity**

Reduce GHG intensity by 50%



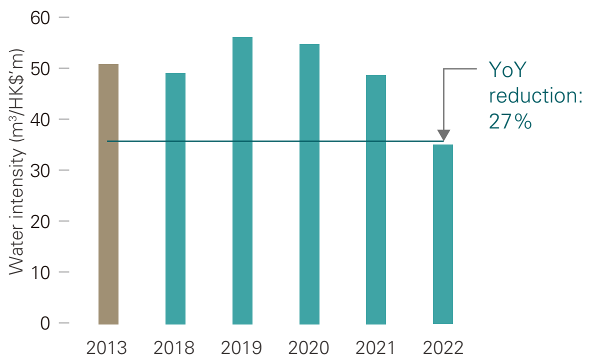

**Energy Intensity**

Reduce energy intensity by 50%



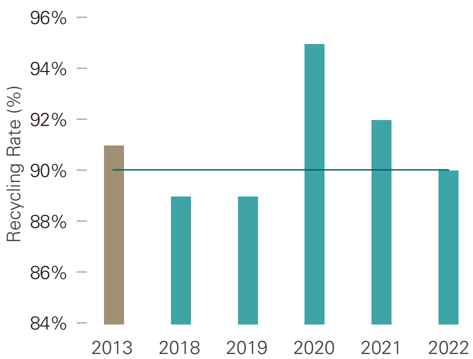

**Water Intensity**

Reduce water intensity by 50%




**% of Construction Waste Reuse**

Achieve at least 90% reuse of C&D material




In 2020, we set proactive targets for FY2030 to reduce our environmental footprint, and are making continuous progress towards these targets. Our metrics in FY2022 suggest significant progress towards our Sustainability Targets 2030. However, our businesses are still under significant impact of the pandemic, and the reduction in business activities resulted correspondingly in an overall reduction in energy and water consumption. For example, international events and exhibitions were still constrained, which led to the reduced electricity consumption of HML by 42% in FY2022 comparing to FY2019[13] (before COVID-19). We are still taking a longer-term perspective in monitoring the target performances as we anticipate a continual business rebound from the pandemic. Regardless, we continued to implement our decarbonization plan and resource reduction initiatives, striving to make a positive impact toward our committed environmental targets.

[13] The financial year ending 30 June 2019

## Accelerating Climate Resilience and Action

Climate resilience is an essential element of our sustainability in acting on further climate studies concerning our broader business operations, we strive to curb our carbon emissions and work collaboratively with our external and internal stakeholders to transition to a low-carbon economy. In this regard, NWS has proactively set out climate resilience strategies holistically at the group and various business unit levels. Apart from target setting and becoming one of the signatories of the Carbon Neutrality Partnership, we have also enhanced our decarbonization journey by taking the following actions and making future plans:

### Our journey and implementation plan towards climate resilience

**2020**
- Committed to NWS Sustainability Targets 2030
- Established Climate Change Policy
- Conducted pilot climate physical risks assessment of the HKCEC
- Secured the first sustainability linked loan

**2021**
- Conducted first group-level transition risk assessment
- First batch of company joining the Hong Kong Government's Carbon Neutrality Partnership

**2022**
- Accumulated HK$4.49 billion of sustainable finance
- Began conducting climate physical risk assessment of 2 toll roads

**2030 (TARGET YEAR)**
- Aspire to achieve the NWS Sustainability Targets 2030

### Knowledge sharing with industry leaders

Sharing environmental knowledge amongst our employees, partners, and peers is crucial for us to drive continuous changes collectively. The theme of this year's NWS Sustainability Forum was "Embracing Innovation Opportunities to Accelerate Climate Actions" where our management shared the latest NWS sustainability roadmap with the audience. We also invited distinguished guest speakers to exchange knowledge on how innovations could support addressing future sustainability trends, from climate-related policies to transforming business models to achieving net-zero ambitions. The event received enthusiastic support from over 800 staff across our business ecosystem including our Board of Directors, management and staff from both Hong Kong and Mainland China offices.

**CEO Eric Ma, with our guest speakers sharing sustainability outlook at the NWS Sustainability Forum 2022**

## Addressing TCFD Recommendations

Recognizing the impact of climate change globally, as we progressively build our climate resilience, we strive to make reference to globally recognized reporting frameworks that guide us to communicate more comprehensively and better inform our investors and stakeholders on how climate-related issues may impact our business in the short, medium and long term, as well as our mitigating actions.


This year, we continue to uphold our work on climate-related disclosures with reference to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Going forward, we will evolve and improve our disclosure as we progress in identifying our climate-related risks and devising respective measures to mitigate and manage these risks.

While we have disclosed details of our sustainability governance in an earlier section, we have highlighted our sustainability governance and approach as specific to climate-related risks with reference to above recommendations:

## NWS's Actions on TCFD Disclosure

| Recommendations of TCFD | Our responses and approach |
|---|---|
| **Governance** | • Definitions of roles and responsibilities in climate risks at all group levels<br>• Constantly improve the approach to ESG in routine business operations and encourage sustainability stewardship in other investment portfolios without full ownership<br>• The Board of Directors has ultimate responsibility for business sustainability and for driving long-term growth<br>• Climate-related risks per TCFD are incorporated into the ERM framework of which the Board also has oversight<br>• Sustainability Department is responsible for engaging all levels of operations in advising and driving the Group's sustainability commitments, including climate-related actions<br>For more details, please refer to the Sustainability Governance section of this Report. |
| **Strategy** | • Stakeholders consider climate change as a top material issue and we are committed to formulating and implementing long-term plans and reduction targets on GHG emissions<br>• Appropriate processes and measures to prevent or minimize potential risks. Extreme weather events would be taken into account as we devise our business continuity plan<br>• ESG is factored into investment decisions, e.g. formalized in Sustainability Policy to phase out investments relating to coal-fired power plants<br>• Diversify funding sources by increasing and institutionalizing the use of green financing<br>• Perform climate-related risk assessment (physical and transition) by stages in light of the migration to a low-carbon economy |
| **Risk Management** | • Climate-related risks per TCFD are constantly incorporated into the ERM framework, of which the risks bank is continually updated as new risks are identified as we progress with our assessments on climate risks<br>• Conduct by stages climate risks assessments to identify impacts in our business, e.g. in FY2022, physical risk assessment has begun on two toll roads in Mainland China; refer to Climate-related Transition Risk Assessment and Climate-related Physical Risk Assessment for more details on the progress |
| **Metrics and Targets** | • Scope 1 and 2 GHG Emissions in absolute units and by the intensity<br>• Sustainability Targets 2030 – Energy, GHG Emission, Water and C&D waste recycling<br>• Exploring the feasibility of Scope 3 GHG Emissions estimation<br>• Accumulated green financing of HK$4.49 billion |

## Climate-related Transition Risk Assessment

In 2021, NWS completed the first climate-related transition risk assessment on our key businesses concerning the International Energy Agency's Stated Policies Scenario ("STEPS") and desktop research on emerging policies and regulations related to climate change, within a timeframe of about five years into the future.

A list of risk registers comprising regulatory, technological, market and potential reputation risks were identified as a result of the assessment. We have incorporated the climate risks into our risk management process to review any impact routinely. A technical manual stipulates the approach for identification, assessment and management of transition risks under the ERM Framework. The transition risk assessment result was reviewed and included in the compilation of the risk profile of the Group, which was 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 action plans.

Business units and corporate office departments are required to identify and analyze significant risks, which cover climate-related transition risks, in the regular risk register exercise. In addition, the potential impact and risk treatment plan should be documented in the register. After the consolidation of risk information, the Group's risk profile and key risk treatments will be reviewed by the Board of Directors.

For more details of the ERM, please refer to the Risk Management Report.

The following table summarizes the top transition risks identified based on inherent risk assessment. The mitigation measures disclosed were updated due to the annual risks assessment review by business units and at the Group level. The expected time horizon of the anticipated risk is short to medium term.

| | Top Transition Risk Identified | Mitigation Measure |
|---|---|---|
| **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 the National Development and Reform Commission, the demand of charging facilities, especially in support of long haul trips will increase | • Review policies on the green highway to comply with relevant regulations<br>• Collaborate with third-party to install EV charging facilities at the service areas and other appropriate sites |
| **Construction** | • With the mandatory adoption of Building Information Modelling ("BIM") and Modular Integrated Construction ("MiC") by the government of HKSAR, on civil works projects and certain public housing works respectively, alongside the government's commitment in adopting green buildings in the public sector, the client's expectations and the change of market demand would require our preparedness on resource and expertise in coping with the new trends in construction | • Clearly define roles and responsibilities across departments for data centralization and improvement of data integrity<br>• Initiate a New Materials Study for the feasibility of adopting light-weight construction materials in MiC<br>• Engage and encourage our suppliers to obtain CIC Green Product Certification for their low-carbon products<br>• Allocate sufficient resources and budget to maintain up-to-date technologies |
| **Insurance** | • More stringent regulatory disclosure requirements on climate change<br>• 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<br>• Consider establishing a sustainability task force to drive initiatives |
| **Facilities Management** | • More stringent regulatory requirements for green buildings management<br>• Growing stakeholder expectations on sustainability achievement | • Improve performance on building energy efficiency through equipment replacement projects<br>• Complete building energy audits on a regular basis<br>• 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 appoint external experts to assess climate risk |

### Climate-related Physical Risk Assessment

NWS had its climate scenario planning study piloted in 2019 to assess the climate-related physical risks faced by the HKCEC for improvements, such as enhancing facility management practices to better prepare for more extreme wind and floods. In FY2022, physical risk assessment was extended to road management with reference to the latest IPCC AR6 and the recommendations of the TCFD. The scope of the physical risk assessment covers our wholly owned HZRR and Changliu Expressway with scenario analyses to assess physical risks in the short, medium and long term, covering desktop review of sites, climate modelling and hazards assessment based on the geographical locations and the respective local weather trends and projections. Fuller assessment results and recommendations for enhancing resilience are anticipated in FY2023.


**Road**

**Bridge**

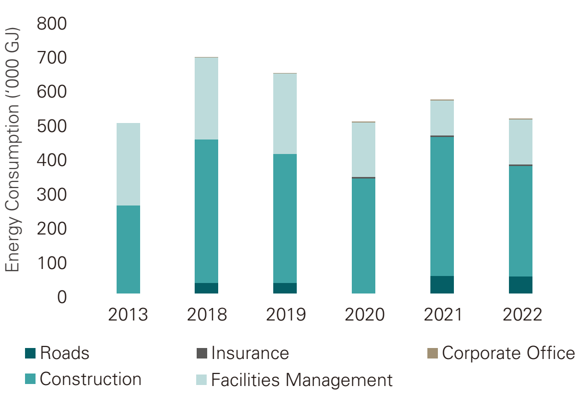
**Tunnel**

## GHG Emissions and Energy Use

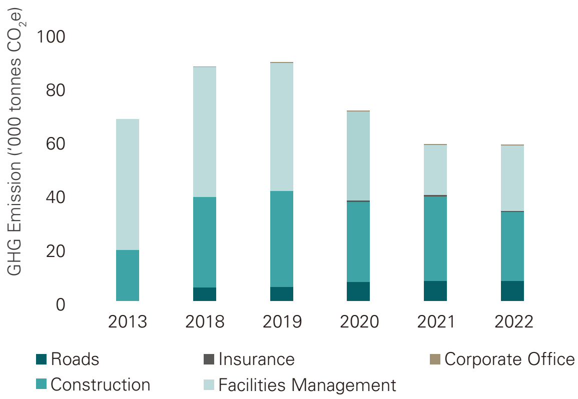
In line with our commitment to sustainability, we are dedicated to reducing our GHG and energy intensity by 50% by 2030. In addition, we strive to enhance energy efficiency across our businesses. The graph below shows our absolute GHG emissions and energy use since FY2013.

While the pandemic has impacted our business operations, resulting in lower energy consumption since FY2019, we take a holistic view toward energy reduction, and continue exploring more efficient technology and alternative energy with a lower carbon footprint in our operations. Examples of the principal measures taken by our business units will be highlighted in the following sections.

**Trend of absolute energy consumption**




**Trend of absolute GHG emission**



## Decarbonization in Roads

Road transportation contributes around 12%[14] of global GHG emissions and is a key focus area for Mainland China to achieve the government's carbon neutrality targets. NWS is in full support of the country's initiatives through decarbonizing our road operations and encouraging users and customers to change in behaviour, striving toward the carbon neutrality target together.

### Artificial Intelligence to Improve Road Management

In our road operation, we consistently improve our processes, enhancing users' experience. Since 2018, HZRR has adopted a series of technological upgrades to improve the 103.4 km toll road operations. For example, with AI and big data analyses, the automated system can quickly identify anomalies that may interrupt traffic flow, such as vehicles stopping illegally, vehicle breakdowns and trespassing pedestrians. Timely response to road incidents can significantly reduce traffic congestion, improve road safety and reduce GHG and air emissions, enhancing user experience with less congested traffic.

HZRR also launched an automatic high traffic volume forecasting alert system in FY2021, which provides warnings to road users through an automatic lighting alert and speaker announcement system at traffic hotspots, such as congested ramps on the HZRR, with warning lights and speakers installed. The smart system utilizing AI technology can detect traffic congestion and road incidents to alert road users, improving the safety of all road users by offering them peace of mind while driving.

At Changliu Expressway, we introduced an intelligent tunnel management and control platform in FY2022, which supports remote monitoring and emergency response, reducing the frequency of on-site inspections, improving work efficiency and reducing safety risks. Moreover, a smart cash collection system was also introduced to support cash from tolls deposited directly to the banking system, significantly reducing the frequencies to collect cash from toll stations by vehicles, whilst reducing carbon emission from vehicular fuel use.

### A Pioneering Concept of Service Area

As one of the first service area designs in Mainland China to incorporate the concept of sustainability, Zhiyi West Lake Service Area is designed in harmony with the surroundings. It includes a number of green features designed to reduce environmental impacts and, enhance the comfort of our customers. For example, weather sensors are strategically placed to monitor real-time water conditions to achieve optimal thermal comfort in the indoor environment and lower temperatures. The sensors are designed to operate with enhanced insulation and automated shading of the building envelope to achieve higher energy efficiencies. In addition, the rainwater harvesting system are installed to maximize water efficiency by collecting rainwater for reuse on the site. For the increased generation of renewable energy on-site, photovoltaic panels are installed on the Zhiyi West Lake Service Area rooftops. The system is designed to generate an estimated 440,000 kWh of electricity annually, equivalent to 133 households' annual electricity consumption in Hong Kong[15].

14 Source: https://ourworldindata.org/ghg-emissions-by-sector
15 Source: https://www.emsd.gov.hk/energylabel/en/cal/cal.php

## Use of Alternative Energy

In support of the national goals for electrifying and decarbonising the mobility sector, we consistently seek opportunities and partnerships on applications from renewable energy ("RE") for our road operations. In the past couple of years, we have explored the use of RE on various roadside applications, from integrated noise barriers to retaining walls for slope stabilization. During the reporting year, Changliu Expressway has replaced its inspection vehicles from fossil fuel to electric vehicles (EV). In addition, Zhiyi West Lake Service Area has scheduled more than 50 EV chargers to enable the broader adoption of EVs on highway and toll roads.


**Signing of tripartite strategic cooperation framework agreement with a national leading enterprise**

In FY2022, we came into a strategic alliance with Guangdong Guodian Longyuan Wind Power Generation and China Power Construction Group Urban Planning and Design Institute to promote intelligent highways in support of the national carbon neutrality target by 2060.

## Assessment of Climate Readiness

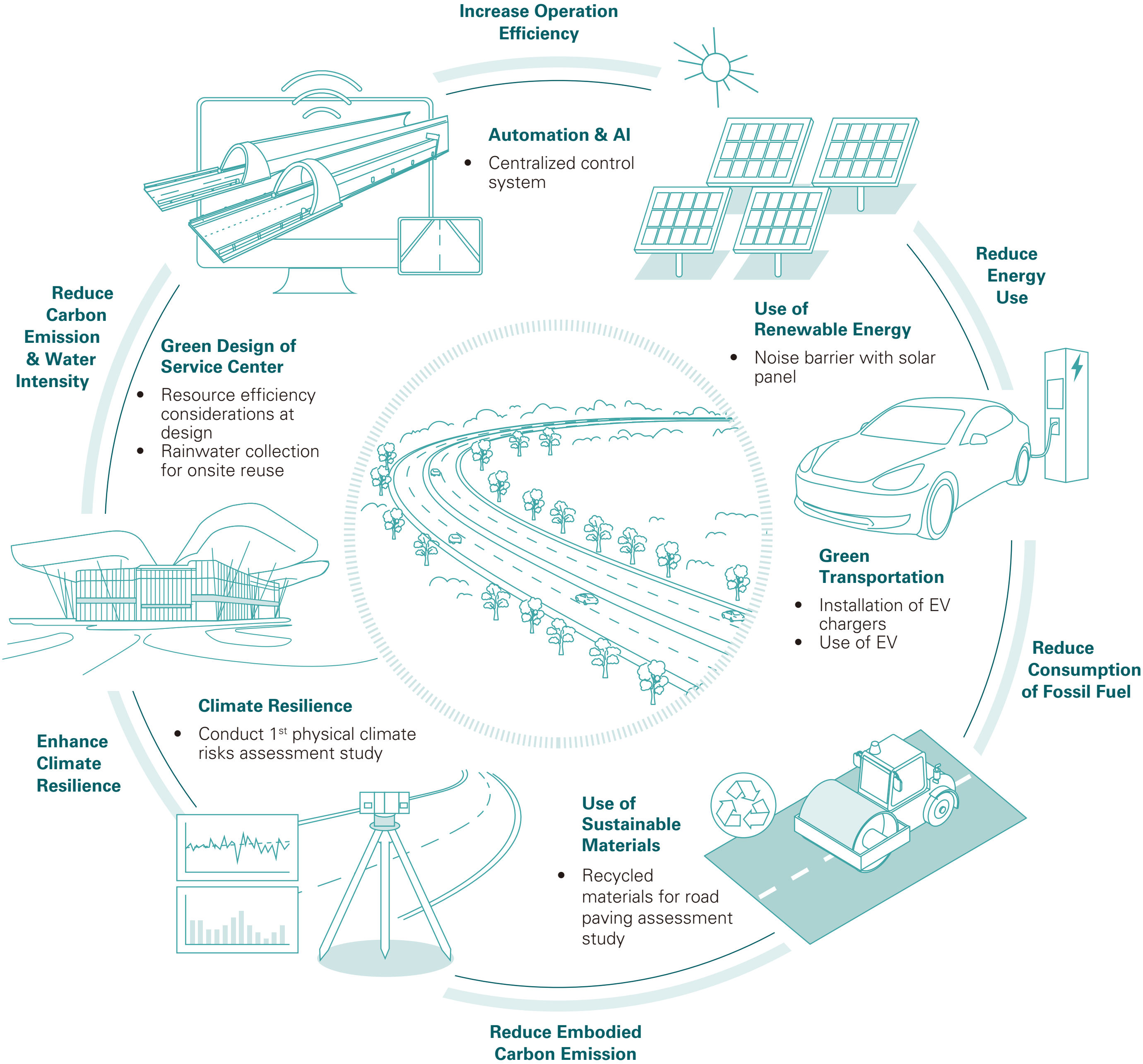
In our stakeholder engagement this year, climate change was identified as one of the emerging areas of concern. Meaningful actions to mitigate climate risks and opportunities arising from the changing climate will be vital to the long-term growth of our business. Recognizing the diverse nature of our business, we have been conducting climate risk assessments across our operations to better understand and prepare for the impact brought about by climate change.

With more frequent record rains and severe flooding becoming more prominent in Mainland China, we are considering the potential impact of climate change on our road operations. As part of our climate action plan, we have begun climate-related physical risk assessments on HZRR and Changliu Expressway. The assessment covers desktop studies and physical walkthroughs of our infrastructures plus vulnerability assessment under the SSP1-2.6, SSP2-4.5 and SSP5-8.5 climate scenarios as per climate projections from the IPCC AR6. We anticipate the assessments will be completed towards the first half of 2023, when we will have a further understanding of vulnerability and strengthen our resilience accordingly.

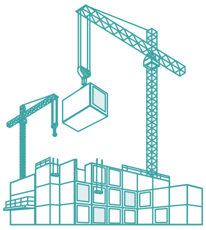
## Use of Sustainable Materials

In line with our commitment to adopting innovative concepts for a sustainable future, our road business is exploring using sustainable materials in our expressways. For example, Changliu Expressway became the first road management company to adopt a new road repair approach for 3 km expressways. This novel technology uses a raw material made from waste tyres that not only enhances the efficiency of the repair works because it can be applied at lower temperatures and hence allow maintenance works at night but also contributes to lowering waste generation. The material is more durable and provides a means for recycling waste tyres. On the other hand, HZRR developed GT Tech, a protective layer to enhance the durability of the asphalt underneath to minimize attrition and lower the use of materials.

### Major Decarbonization Approach in Road Operation



## Reducing GHG Emission during Construction



Hip Hing Group is one of the industry leaders in the construction industry in Hong Kong. As decarbonization initiatives gain momentum, we should enhance the practice of sustainable construction, bringing positive impact to the entire construction ecosystem.

### Industrial Trend of Sustainable Construction

Hip Hing Group has been highly recognized in the industry in the adoption of innovative approaches, the MiC[19] approach, which enhances overall productivity and safety standards, construction quality and sustainability. We have proficiently adopted the use of our in-house MiC expertise in the development of a large-scale transitional social housing project at Tung Tau, Yuen Long, where we successfully completed the design and construction of three 4-storey high residential blocks with steel MiC in June 2022. The project provides a total of 1,800 units and communal facilities for underprivileged families and will be operated and managed by the charity Hong Kong Sheng Kung Hui Welfare Council to build a caring community. In addition, Hip Hing Group continually supports BIM's development by providing financial resources to upgrade our internal IT system and staff's expertise to adopt the wider use of BIM in our projects, staying ahead of the industry. As a pioneer in the industry, our BIM team at Hip Hing Group is highly recognized with numerous awards in its capability.

### Fostering Electrification in Construction Sites

Electrification in construction and using more energy efficient construction technology has been a focus for Hip Hing Group. Hip Hing Group partnered with a start-up company and deployed 16 Battery Energy Storage Systems (BESS) at 13 project sites to facilitate our decarbonizing progress. Hip Hing Group is currently one of the largest users of BESS within the Hong Kong construction industry. Application of BESS is a cleaner alternative for Hip Hing Group as it does not produce point-source pollutants and it reduces its carbon footprint.

**The BESS replaces the conventional diesel generators**

### Practicing Green Construction

Hip Hing Group also utilizes Auto Power Supply ("APS") Systems, comprising silent generators (QPME certified) to supply energy for the site area. While generators are synchronized for load sharing, they can also be automatically operated according to load demand. Moreover, the APS has zero downtime, which greatly enhances the electricity supply's stability and is more energy efficient. The system is estimated to save more than 30% of fuel consumption compared to traditional generators.

Another example of reducing GHG emissions within construction sites is introducing an automatic engine switch-off system on forklift trucks. Hip Hing Group noticed that operators often leave the engines of idle forklift trucks running, creating potential environmental, health and safety risks. The automatic engine switch-off system cuts off the diesel supply to the engine after detecting that the operator has left the vehicle for a pre-determined period. The system not only reduces the potential safety risk from an unattended forklift truck but also reduces the amount of fuel consumed.

## Green Facilities Management

Maintaining existing equipment in good condition contributes to reducing operational carbon emissions. HML is one of the founding signatories of the "Net Zero Carbon Events" initiative, pledging to reduce carbon emissions by 50% by 2030 and achieving net zero by 2050. HML Managing Director, Ms Monica Lee-Müller was the first Hong Kong exhibition industry representative to speak at the 26th United Nations Climate Change Conference, advocating sustainable development.

Reducing resource consumption is of utmost importance to HML's decarbonization journey, and energy use has the largest contribution to HML's carbon emission profile. In tackling this, HML has its decarbonization focus on energy efficiency categorized in three key aspects:

- 5-year advancement project that includes replacement of building facilities
- Infrastructure upgrade
- On-going practices

HML embarked on a five-year advancement project which includes retrofitting equipment to enhance our energy and water conservation efforts to provide our customers with a greener and more comfortable experience. The Project involves large-scale renovation and upgrade of the HKCEC facilities and infrastructure, including replacing facilities such as lighting, water fixtures, air-handling units (AHU), and adopting high-efficiency Electrically Commutated (EC) plug fans, and the replacement of water-cooled chillers with high energy efficiencies and refrigerants of low GWP[16]. In FY2022, lighting retrofit projects, such as upgrading approximately 400 traditional halogen and neon tube lights to LED lights were completed with an estimated yearly energy saving of around 90,000 kWh.

[16] Global Warming Potential

### Decarbonization strategy in facilities management of the HKCEC

**Decarbonization Strategy**

**5-year Advancement Project:**

Enhancement of building facilities' energy efficiency through facilities improvement since 2019, include:

- Replacement of chillers
- Calorifiers replacement
- Lighting replacement
- Water pumps
- Installation of solar panels

**Infrastructure Upgrade:**

- Revamp of building management system
- Installation of power/ energy meters

**On-going Practices:**

- Retro-commissioning to optimize energy performance
- Use of big data analytics to improve energy management
- Application of demand control ventilation in kitchens

**Aspiration towards Green Building Certification**

- Targeting LEED and BEAM Plus EB Gold rating in 2023

HML has also begun replacing its chillers in phases as chillers contribute to a large part of buildings' operational carbon emissions and energy consumption. Therefore, not only was energy efficiency a prime consideration of the new chillers, but refrigerant with lower GWP was also carefully selected. Furthermore, the life cycle of the product, including LCC[17] and LCA[18], was also the key decision-making consideration in the tender selection process.

## Case Study – LCC and LCA for Chillers Selection

HML plans to replace a total of seven chillers in phases from FY2022 onwards. The first phase included the replacement of two chillers in 2022 with more energy-efficient and low GWP sea water-cooled chillers. Besides energy efficiency, the chillers use more environment-friendly refrigerant R514a instead of the conventional R134a. With GWP of 2 and 1,430 for R514a and R134a respectively, the new refrigerant will have GWP around 715 times lower than that of the conventional refrigerant, further lowering the environmental impact.

### Life Cycle Assessment and Life Cycle Cost

During the selection of chillers, we also take into consideration of LCA and LCC over a nominal life of chillers of 25 years. Instead of the capital cost alone, we consider the operating and maintenance costs, energy consumption and thus carbon emissions during the chillers' lifetime of operation. As a result, upon completing all chiller's replacement, it is estimated to have an annual saving of 2.84 million kWh/year and >2,500 ton/year of carbon.

**Life cycle assessment avoiding an estimate of >2,500 ton $CO_2$/year**

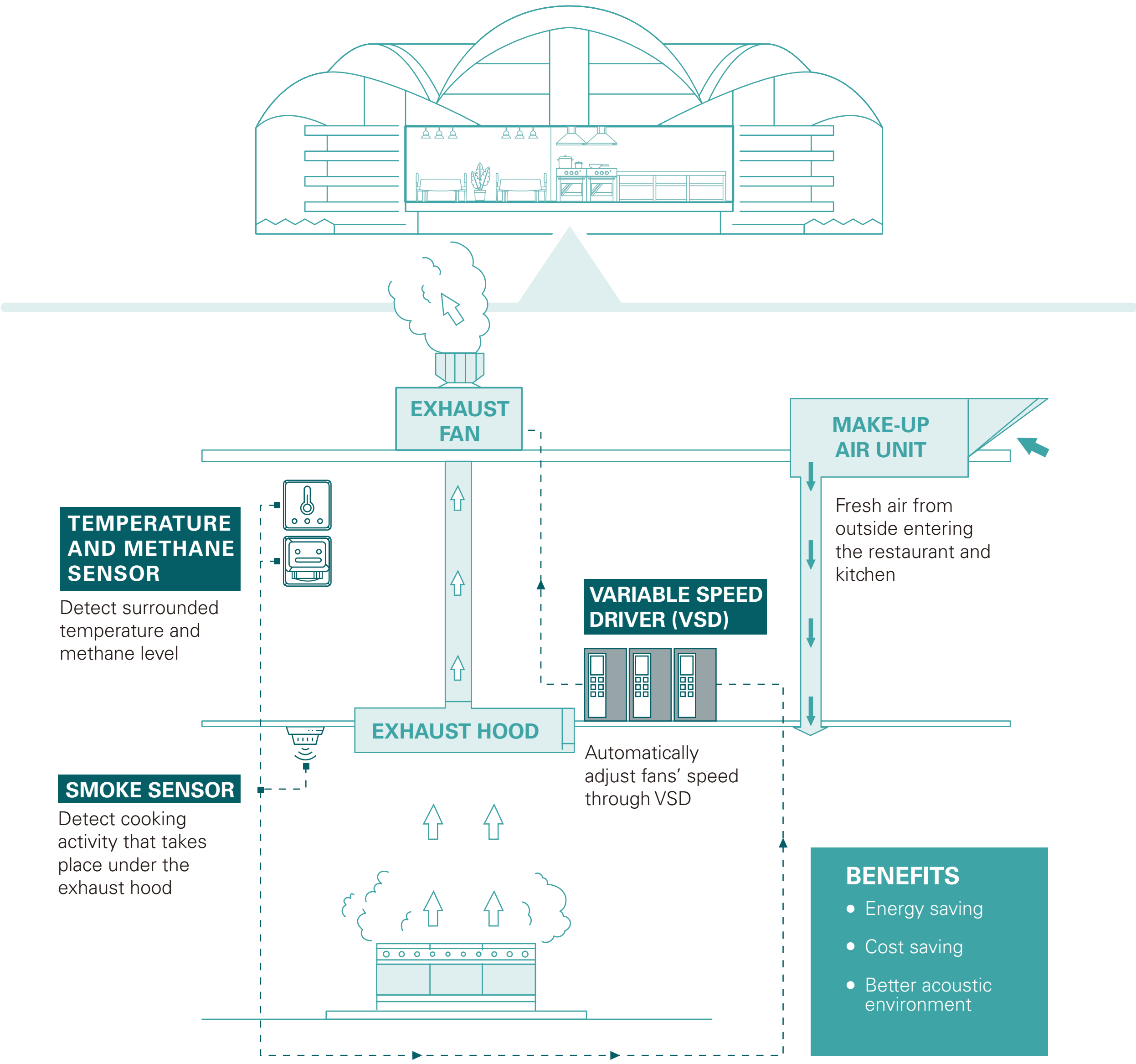

**Two 2500TR chillers replaced in FY2022**

[17] Life Cycle Costs
[18] Life Cycle Assessment

### Demand Control Ventilation

HML not only improves the energy efficiency in its exhibition areas and the common areas from MVAC to lighting, they also extend to details like kitchen ventilation. Since FY2021, HML has been experimenting DCV system in three HKCEC kitchens, including Congress Plus, Harbour Kitchen and Staff Canteen, by retrofitting the conventional kitchen ventilation systems. Using sensors, the ventilation system can be controlled by modulating the kitchen exhaust fan speed depending on cooking activity, in terms of smoke and temperature. With the capability to adjust the exhaust fans speed per demand, the energy use is significantly reduced. The DCV system also included a methane detection sensor to detect any gas leakage. This project is expected to achieve a saving of 220,000 kWh/year, representing approximately 157 tonnes of $CO_2$-e emission, equivalent to planting 6,826 trees[19].

**Mechanism of Demand Control Ventilation**




19 According to NWS sustainability report 2020, 716 kg of $CO_2$-e emissions equivalent to 31 trees (i.e., 23 kg/tree). Therefore 157 tonnes equivalent to 6,826 trees.

## Managing Waste through Circular Economy

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

C&D waste is the main waste type from our businesses, and we recognize how the disposal of waste can put tremendous strain on landfills, not to mention the operating cost that it imposes. Considering this, Hip Hing Group leverages the nature of works among its construction sites and their respective construction phases. Together with the use of technology, they have developed a mobile app to exchange surplus construction materials and facilitate the reuse of inert waste across its construction sites, reducing waste generation and reducing operation costs. Since piloting the app in FY2022, positive results have been demonstrated.

### Case Study – Material Management App (MMA)

Hip Hing Group developed the Material Management App (MMA), a digital, cloud-based system to facilitate the exchange of surplus C&D materials across its construction sites to maximize the use of resources and minimize waste generation.

Leveraging the use of the app, projects with surplus C&D and reusable construction materials can be matched with other projects of Hip Hing Group which require those materials. The app's Unique Selling Proposition enables maximizing the utilization of reusable construction materials to reduce embodied carbon emissions and traffic volumes, release pressure on the fill banks and realize the effect of a circular economy. In FY2022, through the app, an estimated of over 500 tonnes of C&D waste were diverted from landfills.

**Match over 500 tonnes C&D materials**


**User Interface of the Material Management App**

Other business units of the Group demonstrate how waste reduction can also enhance customer experience, delivering shared value. Our roads business introduced paperless invoicing at tolls booths and encouraged electronic tender documentation to reduce generation of paper waste. The insurance sector is traditionally a paper-heavy industry due to stringent regulations and processes which call for a lot of documentation. Considering this, FTLife Insurance is practicing this new norm of business operation, making use of digital platforms to process insurance-related transactions where at the same time, minimizing its impact to the environment.

## Case Study – Sim Card Donation Scheme

As FTLife Insurance upholds strong governance in its business operation, it is in full swing of its digitalization journey. Since officialising the Paper Reduction Campaign in 2022, FTLife Insurance has saved over 45% of paper usage in the first half of 2022, compared to the same period in 2021. The amount of paper saved is equivalent to saving more than 100 trees.

In its campaign, FTLife Insurance has also engaged its customers in switching to e-policy and e-notification as well as encouraging their use of the Reach FTLife customer app, kick-started through the launch of ***Go Green Go Digital sim card donation scheme*** for Q2 FY2022.

Besides engaging customers to go paperless, for each successful customer's registration and switching-over to e-service, FTLife Insurance will donate sim cards to underprivileged children to support their online learning through their NGO partner – Principal Chan Free Tutorial World. 9,000 sim cards were donated to 4,500 children through this FY period, alleviating the burden of these underprivileged families especially during COVID-19.


**9,000 sim cards were donated to 4,500 children to support their on-line learning**

**9,000 sim cards were donated to 4,500 children**

## Inspirations to Reducing Food Waste

Food waste represents 35% of municipal solid waste in Hong Kong. As the operator of a world-class convention and exhibition centre, HML motivates staff, event organizers and visitors to recycle waste by introducing various waste recycling facilities and measures. Not only has HML discontinued the use of most single use plastics, we also recycle food waste through the Government's food waste processing facility Organic Resources Recovery Centre Phase 1, which converts food waste into biogas for energy. Besides, HML developed the "HKCEC Waste Management Guide for Organisers and Exhibitors", providing concrete tips in managing wastes, including construction waste, general waste as well as recyclables and food waste.

To raise employees' awareness of food waste, FTLife Insurance partnered with Eco-Greenergy. This local environmental and social enterprise supports customers to adopt greener lifestyles while enhancing an inclusive society. During FTLife Insurance's Green Month in June 2022, the social enterprise organized a series of awareness-raising activities to promote greener lifestyle choices and to rethink waste, such as coffee grounds upcycling. As a result, a total of 10 kg of coffee grounds were collected from the activity and used in green workshops where they learned to upcycle the coffee grounds into soaps and fertilizers.

At our corporate office, we established the "Towards Zero Waste" task force responsible for regular engagement with internal employees to minimize waste generation and recycle more. Employees were educated to clean recyclables, including used plastic lunch boxes and Tetrapaks. Sending recyclables to the Green@Sheung Wan Recycling Store is now made a routine at our corporate office. We have successfully recycled over 1,800 pieces of waste in FY2022.

**Staff engagement on waste innovation competition**

### "Green My City" waste innovation competition

NWS organised the "Green My City" waste innovation competition in November 2021 aiming to encourage new ideas to reduce office waste from employees. The winning proposals were shortlisted based on evaluation from a judging panel comprised of our CEO, a number of department heads and votes from employees. The winning proposals were intriguing with ideas from innovative technology adoption to rewarding participants with K-dollars, the New World ecosystem's digital currency.

In handling hazardous waste, the level and types of its generation varies among our business units, and are managed in accordance with the local regulatory requirements, from storage to disposal, where the use of a qualified third-party contractor is mandatory. We ensure procedures are in place for their proper management and at the same time, we strive to reduce the total amount of hazardous waste generation in our operation.

## Taking Action on Biodiversity

NWS is committed to conserving the natural habitat and minimizing impact on biodiversity. When sourcing materials, we follow our "*Sustainable Procurement Guide*", taking considerations of ESG impacts when procuring products and services to meet our operational needs, from use of timber from sustainable forests, to sourcing sustainable seafood from responsible fisheries. We make every effort to minimize habitat disturbance and degradation, from ensuring proper tree protection in construction to avoiding shark-fin and promoting sustainable seafood in menus.

Protecting biodiversity through staff and community engagement is just as important in raising awareness and protecting our natural capital. We partner with different community organizations to host different biodiversity-related activities. FTLife Insurance launched several initiatives since 2021 in support of tree planting through the social enterprise EcoMatcher, a platform that runs global forestation programmes for carbon reduction. The programme also aims to support low-income farmers worldwide to improve their lives by creating more job opportunities through tree planting. We have received 3,000 green pledges through this initiative and over 1,000 trees were planted as of June 30, 2022, offsetting an estimated 12 tonnes of carbon, benefiting 7 families of local farmers in Thailand.


**FTLife Tree Planting initiative — One Plan One Tree**

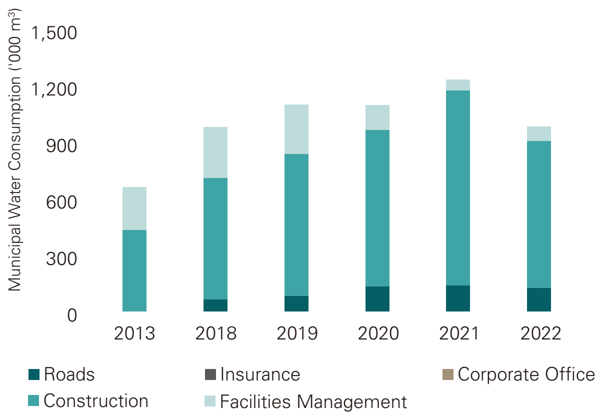
In addition, we continued to engage with young talents to participate in estuary guided tours and organized eco-tours with the Nature Conservancy, raising awareness among young talents in local biodiversity preservation and explore new skill sets in supporting marine habitat protection.

**Estuary guided tour**

## Reducing Our Water Footprint

Amidst global water stress concerns and availability of quality fresh water, we recognize the importance of adopting a comprehensive approach towards water management to maintain and enhance the efficiency in the long run. A number of water conservation initiatives have been implemented across our operations with efforts to achieving our water intensity target.

**Absolute municipal water consumption**




The absolute municipal water consumption experienced a decrease of 19.5% as compared with FY2021. We are on track for the water intensity target set against a FY2013 baseline. Among our business segments, Hip Hing Group remains the largest contributor regarding water use, at 79% of the Group's overall water footprint. The roads business and facilities management are the second and third largest contributors for water consumption, at 13% and 8% respectively over the total water footprint of the Group.

Our business units actively track and explore innovative technology to reduce our water consumption. Within our construction business, Hip Hing Group has established water reuse guidelines to reduce the freshwater use in commissioning phases, including systematic flushing process and other ponding tests on water seepage. Besides, on-site treated wastewater is reused for vehicle washing and floor cleaning. A real-time wastewater monitoring system is also available at our construction sites to ensure discharged wastewater complies with statutory discharge requirements.

The Zhiyi West Lake Service Area under HZRR was designed to attain zero water discharge with on-site wastewater treatment facility to enable the reuse of wastewater from flushing and landscape irrigation and cleaning applications. The system has a capacity of 292,000 tonnes per annum and the treated effluents meet the national standard of the "Reuse of Urban Recycling Water-Water Quality Standard for Urban Miscellaneous Use".

As we anticipate businesses to progressively pick up, HML has continued to identify means to reduce water consumption, such as replacing 100% water fixtures with water efficient ones in the guest washrooms. Since last year, cleaning robots, Harry and Hana, were also adopted to support floor cleaning, saving 12 $m^3$ of water per month, equivalent to 80% saving of cleaning water use.

## OPTIMIZING VALUE CHAIN

NWS is committed to provide premium products and services across our business. We proactively respond to expectations of stakeholders of the value chain; striving to enhance our brand image among the public and to offer our clients safe, and consistently high quality products and services. Aligned with our dedication in protecting the environment, we strive to consider and prioritize products and services with sustainability elements. We endeavour to provide higher transparency and work closer with our suppliers and contractors to strengthen the market position of our value chain.

### Supply Chain Management

Our commitment to responsible business practices extends into our supply chain. ESG considerations are integrated into the selection and management of new/existing service providers and contractors, abiding to our "*Supplier Code of Conduct*" and "*Supply Chain Management Guide*", as well as other related processes. Suppliers' performances are regularly reviewed and assessed to ensure highest standards are met, including compliance to regulatory requirements regarding environmental, health and safety, and labour practices. In adopting a clear, systematic supply chain management approach, NWS has established a reputation as a fair and equitable business partner across the industries we serve.

#### Sustainable Procurement

NWS has been recognized as a "Sustainable Consumption Enterprise" by the Business Environmental Council in Hong Kong since 2017. Under our "*Sustainable Procurement Guide*", our business units actively promote reducing the environmental footprint of our supplies and encourage sourcing from local[20] responsible suppliers. Local suppliers accounted for over 99% of our total suppliers in FY2022, comprising of 86% from Hong Kong and 13.6% from Mainland China, to reflect our commitment towards supporting local sourcing. Suppliers who act on the principles of sustainable development are preferred during the selection and procurement process.

**Geographical Breakdown of Suppliers**


[20] Local suppliers includes suppliers from Hong Kong and Mainland China.

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 frameworks in place addressing their differentiated business needs. As we commit to our Sustainability Targets 2030, close collaboration with our service providers plays an essential part of our roadmap towards decarbonization. We actively adopt sustainable products across our diversified business units. Further examples on our collaborations throughout our value chain are covered throughout this report.

In the construction business, where sustainable procurement are actively promoted, Hip Hing Group uses 100% temporary wood materials certified with Forest Stewardship Council and/or Programme for the Endorsement of Forest Certification in construction. We also utilize concrete with low carbon that are certified by the CIC Green Product Certification at platinum level in building projects. For facilities management, HML offers canned beverages from vending machines, while restaurants have stopped providing beverages in plastic bottles, promoting green supply chain at source.

### Supply Chain Assessment and Evaluation

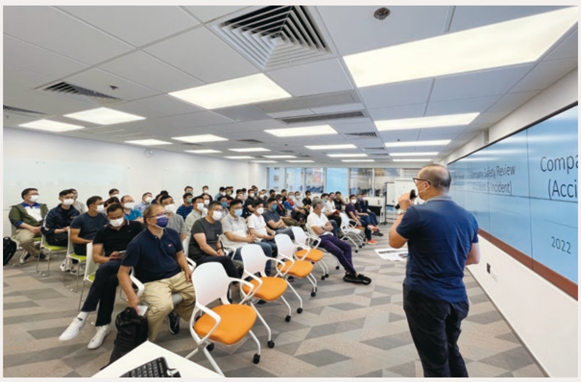
We systematically review and assess suppliers through established procedures. The "*Supply Chain Management Guide*" provides an overview to incorporate ESG factors into supply chain management. Suppliers are assessed with consideration to sourcing risk and regular reviews on the suppliers' ESG performance. Each of our business units have the flexibility to develop guidelines and implement its procurement practices based on its industry background. We regularly monitor performance and adherence of the Group's related policies and guidelines of our suppliers through regular meetings, audits and inspections. Going beyond compliance, suppliers are encouraged to demonstrate their commitments on sustainability through disclosure and integration of ESG elements into their business operations.

### Supply Chain Engagement and Partnerships

To deliver quality products and services across our diversified business, we proactively work with our suppliers to act in alignment with our sustainability agenda. Through hosting dedicated focus groups with our suppliers, we communicated our commitment to decarbonization and shared ideas to enhancing climate resilience along the supply chain, such as the data transparency on Scope 3 GHG emissions of the supply chain in the future. Our business units also engage with their suppliers on a regular basis to review and enhance their ESG performance. Going forward, we will continue to work with our suppliers to better understand and improve our supply chain management approach and strategies.

#### Connecting with contractors to jointly enhance ESG performance

Hip Hing Group engaged construction workers in the "Life First Campaign" to enhance safety awareness and raise working safety standards on sites. They also reward suppliers and sub-contractors with outstanding environmental performances in the launch of the "Star of Environment" programme, where the most distinct workers for reducing waste are rewarded with coupons.



**Safety review forum to enhance the safety awareness of the workers**

## Continuous Innovation for Quality Customer Service

We are committed to delivering quality, competitive and satisfactory products and services by incorporating ESG elements and supporting the current and future needs of customers and the society.

### Upholding Service and Product Quality

We focus on delivering quality products and services 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. We adopt international standards to guide our quality, environmental, and safety actions. All Hip Hing Group's construction sites are certified against International Organization for Standardization (ISO) Standards, such as ISO 9001 Quality Management System, ISO 14001 Environmental Management System, ISO 50001 Energy Management System, and ISO 45001 Occupational Health and Safety Management System. Through adopting these management approach, we assess items with high risk profiles on sites and identify respective mitigation measures alongside routine audits and inspections.

### Safeguarding Customer Health and Safety

We strive to provide the safest environment for both our customers and employees and the risk of injuries can be minimized through better care and technology. We actively invest in training for our employees as well as in the latest technologies to enhance safety that positively impact on our community of users. We have also increased efforts to protect our customers and staff through innovative products and services.

In FY2022, FTLife Insurance was honoured to receive the Health & Protection Product – Outstanding Award at the Bloomberg Businessweek/Chinese Edition Financial Institution Awards 2022 for the ComboPro Insurance Plan. The Plan provides an innovative package of all-rounded critical illness, medical, accident and life protection coupled with wellness benefits to address mental and physical strains faced by our customers.

### Free COVID-19 vaccine coverage for all new and existing customers

During the COVID-19 pandemic, our insurance business played an important role in addressing the needs of our community. FTLife Insurance adheres to the promise of "Think beyond insurance" by exploring and introducing COVID-19 related products:

- Free insurance coverage for any side effects or hospitalization induced by COVID-19-vaccines
- Over 300,000 customers benefited from this new offering


**COVID-19 related insurance products by FTLife Insurance**

Apart from the commitment of ensuring health and safety of customers, NWS has always placed strong emphasis on customer wellbeing and will continue to strive to improve with a number of innovative measures to improve service standards and quality. Our business units attained recognitions from the industry as well as the community and we will strive to make continuous progress in addressing Wellness and Smart.

### HZRR uses the Unmanned Aerial Vehicle (UAV) for inspection

For our roads business, we actively incorporate smart designs and concepts to enhance user experience. Our HZRR adopts the use of new technology, UAV to conduct inspections on slopes, guardrails, toll stations rooftop, isolation fences and other incidents on expressways. The technology not only helped safeguard the safety of roads for users but also improved the efficiency and safety of inspections as well as reducing costs.


**Use of UAV for road inspection**

## 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 the Personal Information Collection Statement, are in place at Group and business unit levels, to improve the data lifecycle management and safeguard the integrity and confidentiality of personal data.

### Cyber Security

Through the stakeholder engagement exercise conducted in FY2022, we learned that our stakeholders considered cyber security a topic of concern as our business transforms to become more digitalized. In our internal review process, business units examine their cyber risk exposure and report in the risk register on a half yearly basis. Our cyber security assessment in FY2020 highlighted the growing risks and regulations in data protection and customer privacy and the need for a long term action plan. Mitigating actions taken within the year are summarized:

## Our Holistic Approach on Cyber Security

### Computer system

- Encrypt data for all computational end point with internal storage
- Perform drill test on a regular basis for system recovery
- Restrict copying of data from office computers to all USB drives
- Track record for file transfer in email and Zoom
- Deploy multilayer defense solutions
- Provide alert system mechanism for any detected suspicious behaviour

### Policies and Guidelines

- The "NWCS IT Policy"
- The Data Privacy Policy
- The Personal Data Retention Policy
- Up-to-date Personal Information Collection Statement

### Governance and Management

- Information security of NWS is overseen at corporate level by the IT department of NWCS
- Cyber security issues governed by the Data Leakage Prevention Committee of NWD
- Implement Privacy Management Programme
- Appoint staff with information security expertise to conduct regular compliance checking
- Conduct IT Audit for NWS and business units on a regular basis to enhance operation management of cyber security risk

### Training and Awareness

- Regular cyber security related trainings for knowledge refreshment
- Issue regular email alert
- Screening of IT system
- Conduct stakeholder engagement with external expert and internal colleagues to identify improvement opportunities

## Attaching Importance to Information Privacy

With rapidly changing technologies and increasing IT demands among business units, we foresee greater cyber security and data risks in our business. Our cyber security governance establishes the architecture with policies to enhance the building of internal systems for information protection. In addition to having relevant policies and statements in place to protect sensitive customer information, NWS also provides proactive support to our parent company – New World Group's Data Leakage Prevention Committee which oversee and centralize management on cyber security issues for all business units. Our measures are developed with the intent to optimize data management process and safeguard customers' data privacy, from data collection to destruction through our computer systems and ensuring applicable procedures are followed by persons who need to handle the data. We ensure our operations comply with the Personal Data (Privacy) Ordinance (Cap. 486), the Personal Information Protection Law of the People's Republic of China and relevant laws and regulations. There were no material IT-related incidents recorded in FY2022.

## Responsible Marketing

NWS strictly adheres to the Trade Descriptions Ordinance (Cap. 362) and relevant legislation to ensure that our products and services meet applicable laws and labeling requirements. Designated staff are responsible to review marketing and promotional materials before issuance to ensure accuracy and avoid disclosing misleading information. Regular training is also provided to our staff to ensure these requirements are properly followed. There were no reported cases of regulatory non-compliance regarding marketing or labelling during the reporting year.

## 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 quality and meeting our customers' needs and expectations. During the reporting year, NWS Holdings has conducted a satisfaction survey with over 350 customers and an average satisfaction rate of 98% was achieved. Our business units have customer feedback handling systems tailored to their business, ensuring insights from our customers are dealt with in appropriate ways. Contact information is available at each of our business units' websites. Comments and complaints are carefully handled by dedicated teams and are properly recorded and reviewed by management on a regular basis to identify areas for improvement.

### Unmanned AI convenience store at Zhiyi West Lake Service Area under HZRR

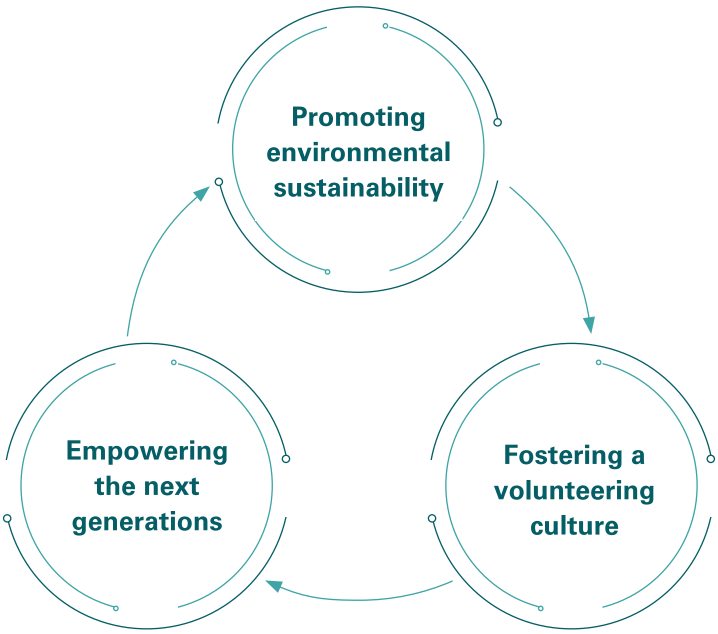
An AI convenience store at the Zhiyi West Lake Service Area was introduced to accurately identify products and shopping behaviours of the customers. A new shopping experience of "Take and go away without paying physically" was promoted to further reduce the manpower and product costs, and also enable us to continually deliver enhanced customer experiences.

AI convenience store at HZRR

## FOSTERING AN INCLUSIVE COMMUNITY

As one of the key themes of our sustainability pillars is fostering an inclusive community, we partner with social enterprises and non-governmental organizations (NGOs) to help a wide range of community members including ethnic minorities, those with disabilities, and low-income families. Our community investment strategy clearly states three focus areas, which are **empower the next generations, foster a volunteer culture, and promote environmental sustainability**. The core of our community engagement and investment work is spearheaded by the NWS Holdings Charities Foundation and the NWS Volunteer Alliance. In line with our commitment, we aim to create a sustainable and inclusive community for everyone and especially to provide opportunities to nurture the next generation, empowering them to recognize their capabilities, raising their environmental awareness, building up confidence and standing up for their values.

Only through collaboration could we create more positive impact in the community. As a company with diversified businesses, we fully leverage our resources and network within our ecosystem, including partnerships among our business units as well as different units within our parent company, and the wider community, to support the long-term development of society and future generations by means of community investment, cash and in-kind donation, and various volunteering services.




NWS Community Investment Strategy

## Celebrating 20 years of Serving the Community

Our strong tradition of active community engagements through volunteering has evolved from philanthropy and charity complements to creating shared values for the community. We have been vigorously promoting the spirit of caring and have served the community through the employee-led NWS Volunteer Alliance established since 2001. As we celebrated the 20th Anniversary of NWS Volunteer Alliance, we are proud to have developed the strong culture in serving our community and we strive for continued efforts in creating a more inclusive society through promoting social inclusion, equality and respect.

**2001**

Formation of "NWS Volunteer Alliance"

**2006**

Held the first annual "NWS Caring Day" to celebrate the anniversary of the Group's Hong Kong Listing by providing community service to the needy.

**NWS Caring Day**

**2021**

Launched EXP Journey, our new flagship programme to provide youth with learning opportunities beyond the classroom, in exploring different career experiences.

**Students exploring new technology as part of EXP Journey**

**2022**

Organized appreciation ceremony to volunteers with active participation.

**Awarded to volunteers for their contribution**

**"We serve our society with what we know, what we have and what our heart has told us"**

Over
100
partners

Over
118,900
beneficiaries

Contributed over
227,000
hours of service

*Data covers from 11/2001 to 6/2022

## 2008

Launched our signature event "NWS Hong Kong Geo Wonders Hike". The event successfully arouse public awareness on geological conservation for over 10 years.

**Students exploring nature at NWS Hong Kong Geo Wonders Hike**

## 2012

Provided specialized training to our volunteers, including haircutting, chair-based dance, handicraft and balloon twisting to uphold more quality services to the community.

## 2019

Initiated "Catch Your 5**" programme for children with special education needs (SEN) to develop non-academic skills.

**SEN students learning through specially designed interactive games**

## 2020

Gave back to local communities where we operate. We expanded The Alliance to Mainland China, including Changsha, Guangzhou, Hangzhou and Tianjin since 2019 and welcomed the volunteers from FTLife Insurance to the team in 2020.


**NWS Volunteer Alliance in China**

## Empowering the Next Generations

NWS believes that nurturing young people and providing them with a supportive environment to unleash their full potential are the keys to their future success. Youth empowerment can contribute to creating employment and long-term growth for the community. Throughout the years, NWS has focused on bringing learning beyond the school environment by launching a geological training programme for secondary school students, and a community programme for children with special educational needs. NWS's signature Creating Shared Value programme, namely EXP Journey, bringing real life work experience to the students. The programme allows them to explore, experience and experiment with their passion and develop their future career aspirations.

### Youth Empowerment through EXP Journey

Visits at the Hong Kong Science Park offered to EXP Journey participants

#### Experience Sharing – Unlocking Innovative Minds of the Next Generation

26 EXP Journey participants were invited for a day-trip to the Hong Kong Science Park. Participants got to learn about next-gen technology from the management of four start-up companies and they also learned about Hong Kong's innovation stories in the Science Park's four strategic areas of AI & Robotics, Biomedical Technology, Data & Smart City, and FinTech.

#### Inspiring Talk at School

Staff members shared interesting work stories through 10 talks organized for the participants from 10 secondary schools. As EXP Journey embarks on its second year, there were 22 volunteers and 50 students that joined the Junior Achievement Future Skills workshop this year. The workshop aims to develop students' 3C skills – Collaboration, Creativity, and Critical thinking.

Our staff member shared with participants on workplace fun facts

Students job-shadowing across NWS business units

#### Job Shadowing

39 students experienced working at different NWS departments, business units and NGOs for 2 days.

### Field Trips

Teachers and students from Buddhist Yip Kei Nam Memorial College were invited to visit the ATL to experience the operations and learn about ATL's sustainability features such as the rooftop solar photovoltaic system, at first-hand.

**Students learning about the ATL**

**Participants making chocolate truffles at the HKCEC**

### Apprentice Workshops

Executive Pastry Chef, Ken Lee from HML, taught 12 students how to make chocolate truffles to experience the job of a pastry chef.

## Positive feedback from participants

> "This programme provided me with a lot of precious experience and I enjoyed exploring a variety of business units during the field trips."

**EXP participant from the Buddhist Yip Kei Nam Memorial College**

> "As teachers, we would like to better understand different career development options for our students. EXP Journey has provided us abundant knowledge and opportunities to enrich our student's' exposures."

**Teacher from the Buddhist Yip Kei Nam Memorial College**

### Promoting Youth's Upward Social Mobility and Caring for Ethnic Minorities

Consistent with the principles of the UNGC, our "*Human Rights Policy*" reaffirms our commitment to treat our stakeholders with dignity, fairness and respect. We recognize fostering an inclusive and multicultural community can reduce inequality and is a key factor for sustainable development. Through providing educational programmes and scholarships, we want to help children from marginalized communities achieve their full potential. We kick-started the Chinese learning programme for primary school students from ethnic minorities in June and targeted to deliver 30 Chinese enhancement classes from June to September 2022.

#### FTLife Insurance Supported Underprivileged Students through Principal Chan

Since 2019, FTLife Insurance has set up a three-year Scholarship programme for underprivileged students from "Principal Chan Free Tutorial World" to encourage their improvement in academic performance, about 1,000 students have benefited from the 3-year Scholarship programme.

**FTLife Insurance actively engages with community**

## Fostering a Volunteering Culture

NWS recognize an active volunteering programme is an important aspect of corporate social responsibility. Connecting our employees to the community and leveraging upon our diverse networks are key to fostering a vibrant volunteering culture to serve our communities.

### Power up Volunteering Ecosystem through Incentives

The NWS volunteer programme consists of different incentives to encourage active participation from employees and their families and friends, such as donating HK$500 to charity for every new volunteer who has volunteered for more than 24 hours, which multiplies social impact through corporate matching gift measures.

### Connecting the wider elderly group through partnership with NGOs

Elderly isolation and loneliness, a public health issue as cautioned by the World Health Organization, has become more prominent during the pandemic and can severely impact the physical and mental wellbeing among the elderly. Recognizing the challenges presented by the aging population, NWS plays our part to encourage active aging, such as organizing various social initiatives to connect the elderly with their peers in the community. Our Hip Hing Group – Vibro Volunteer Team partnered with the Hong Kong Young Women's Christian Association to host an annual Cantonese Opera Show that was attended by over 700 elderly citizens this year. HML partnered with St. James' Settlement this year to organize Christmas gatherings for 20 pairs of elderly people and their caregivers to build social connection over lunch and afternoon tea.

## Promoting Environmental Sustainability

With the rapid growth of the urban environment, the United Nations estimates that by 2050, two-thirds of the world's population will live in cities. As a caring company, we consider it our responsibility to protect the planet for the wellbeing of the future generations. To support our next generation to create a greener community, NWS has initiated a number of sustainability initiatives this year that are focused on environmental protection and biodiversity conservation with the objective to build up knowledge amongst internal and external stakeholders.

### Case Study – Habitat Heroes: An Inspiring Journey for Young Talents to Restore Marine Habitat

83% of the global carbon cycle is circulated through the ocean. Restoring coastal wetland is an important nature-based solution to increase carbon sequestration and combating climate change. Together with The Nature Conservancy Hong Kong, NWS launched our Group's first biodiversity themed programme for young talent, namely Habitat Heroes, to understand our local ecosystems as well as to demonstrate what nature can do for the cities, and the ways to preserve biodiversity.

In June, a total of 18 participants of the EXP Journey and corporate volunteers gathered at Pak Nai and Kon Pak Stream to carry out environmental fieldwork, ranging from water sampling to wildlife observation to discovering and learning about the abundant varieties of wildlife.

**Students of EXP Journey explore biodiversity at Pak Nia and Kon Pak Stream**

## 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 and Key Performance Indicators (KPIs) | Description | Section/Remarks |
|---|---|---|
| Governance Structure | A statement from the board containing the following elements:<br>(i) a disclosure of the board's oversight of ESG issues;<br>(ii) the board's ESG management approach and strategy, including the process used to evaluate, priortize and manage material ESG-related issues (including risks to the issuer's businesses); and<br>(iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses. | Sustainability Governance |
| Reporting Principles | A description of, or an explanation on, the application of the (i) Materiality, (ii) Quantitative, (iii) Consistency reporting principles. | About this Report |
| Reporting Boundary | Reporting boundaries of the ESG report and process of setting them. | About this Report |
| **A. Environmental** | | |
| **Aspect A1: Emissions** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | Sustainability Governance;<br><br>There were no reported cases of non-compliance that had a significant impact on the Group in FY2022. |
| KPI A1.1 | The types of emissions and respective emissions data. | Environmental Performance Data Summary |
| KPI A1.2 | Direct (Scope 1) and energy indirect (Scope 2) GHG 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 |

| Aspect and Key Performance Indicators (KPIs) | Description | Section/Remarks |
|---|---|---|
| KPI A1.5 | Description of emissions target(s) set and steps taken to achieve them. | Progress towards Our 2030 Targets; Greener Future |
| KPI A1.6 | Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them. | Progress towards Our 2030 Targets; Greener Future |
| **Aspect A2: Use of Resources** | | |
| General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | Sustainability Governance |
| 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 target(s) set and steps taken to achieve them. | Greener Future |
| KPI A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them. | Greener Future<br><br>There were no problems in sourcing water encountered in our operations in FY2022.<br><br>Fresh water 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 material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | Data not tracked. The use of packaging material is not material to the Group. |

| Aspect and Key Performance Indicators (KPIs) | Description | Section/Remarks |
|---|---|---|
| **Aspect A3: The Environment and Natural Resources** | | |
| General Disclosure | Policies on minimizing significant impacts on the environment and natural resources. | Sustainability Governance |
| 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 |
| **Aspect A4: Climate Change** | | |
| General Disclosure | Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer. | Sustainability Governance |
| KPI A4.1 | Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them. | Greener Future |
| **B. Social** | | |
| **Aspect B1: Employment and Labour Practices** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. Policies on employment practices. | Sustainability Governance<br><br>There were no reported cases of non-compliance related to employment that had a significant impact on the Group in FY2022. |
| KPI B1.1 | Total workforce by gender, employment type, age group and geographical region. | Social Data Summary |
| KPI B1.2 | Employee turnover rate by gender, age group and geographical region. | Social Data Summary |
| **Aspect B2: Health and Safety** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. | Sustainability Governance<br><br>There were no reported cases of non-compliance related to health and safety in FY2022. |

| Aspect and Key Performance Indicators (KPIs) | Description | Section/Remarks |
| --- | --- | --- |
| 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 occupational health and safety measures adopted, and how they are implemented and monitored. | Thriving People |
| **Aspect B3: Development and Training** | | |
| General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | Sustainability Governance;<br><br>Thriving People |
| KPI B3.1 | Percentage of employees trained by gender and employee category. | Social Data Summary;<br><br>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 People. |
| KPI B3.2 | Average training hours completed per employee by gender and employee category. | Social Data Summary |
| **Aspect B4: Labour Standards** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour. Policies on preventing child and forced labour. | Thriving People<br><br>There were no reported cases of non-compliance related to labour standards that had a significant impact on the Group in FY2022. |
| KPI B4.1 | Description of measures to review employment practices to avoid child and forced labour. | Thriving People |
| KPI B4.2 | Description of steps taken to eliminate child and forced labour practices when discovered. | Thriving People |

| Aspect and Key Performance Indicators (KPIs) | Description | Section/Remarks |
|---|---|---|
| **Aspect B5: Supply Chain Management** | | |
| General Disclosure | Policies on managing environmental and social risks of the supply chain. | Optimizing Value Chain |
| KPI B5.1 | Number of suppliers by geographical region. | Optimizing Value Chain |
| KPI B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored. | Optimizing Value Chain |
| KPI B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | Optimizing Value Chain |
| KPI B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | Optimizing Value Chain |
| **Aspect B6: Product Responsibility** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | Sustainability Governance;<br><br>Optimizing Value Chain<br><br>There were no reported cases of non-compliance that had a significant impact on the Group in FY2022. |

| Aspect and Key Performance Indicators (KPIs) | Description | Section/Remarks |
|---|---|---|
| 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 433 complaints in relation to product and services during FY2022. Refer to "Optimizing Value Chain" section for description of complaint handling mechanism. |
| KPI B6.3 | Description of practices relating to observing and protecting intellectual property rights. | Sustainability Governance |
| 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.<br><br>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, how they are implemented and monitored. | Optimizing Value Chain |

| Aspect and Key Performance Indicators (KPIs) | Description | Section/Remarks |
| --- | --- | --- |
| **Aspect B7: Anti-corruption** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | Sustainability Governance<br><br>There were no reported or concluded legal cases in FY2022. |
| KPI B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | Sustainability Governance<br><br>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 FY2022. |
| KPI B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | Sustainability Governance |
| KPI B7.3 | Description of anti-corruption training provided to directors and staff. | Sustainability Governance |
| **Aspect B8: Community Investment** | | |
| General Disclosure | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | 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 reasonable assurance engagement on the sustainability disclosures stated in the Sustainability Report 2022 ("the Report") of NWS Holdings Limited ("NWS") for the period from 1st July 2021 to 30th June 2022.

The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide ("ESG Guide") set out in the Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Exchanges and Clearing Limited (HKEx), and with reference to the Global Reporting Initiative ("GRI") Standards 2021.

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 Guide and review the referencing of the GRI Standards 2021;
- evaluate the accuracy of the selected data and information presented in the Report including the performance of NWS Sustainability Targets 2030 and progress status, Environment and Social Performance Data, 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 wconclusions to obtain a reasonable level of assurance. The extent of this verification process undertaken covered the criteria specified in the ESG Guide and the GRI Standards 2021.

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 of NWS Sustainability Targets 2030 and progress status, Environment and Social Performance Data, 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

The verification results revealed that:

- The Report has been prepared in accordance with the ESG Guide and with reference to the GRI Standards 2021;
- The Report illustrates NWS's sustainability performance, covering all material and relevant aspects and topics, in a balanced, comparable, clear and timely manner;
- The data and information disclosed in the Report are reliable and accurate; and
- In FY2022, NWS has achieved a 10.1% reduction from FY2021 in Greenhouse Gas (Scope 1 & 2) intensity.

In conclusion, HKQAA has obtained reasonable assurance and is in the opinion that the disclosures in the Report reflect most prudently the sustainability performance of NWS in all material aspects, which provides clear information for stakeholders to make informed decisions on NWS's overall sustainability performance.

**Signed on behalf of Hong Kong Quality Assurance Agency**

**Connie Sham**
Head of Audit
Hong Kong Quality Assurance Agency
September 2022

# Report of the Directors

The directors of NWS Holdings Limited submit their report together with the audited financial statements of the Group for FY2022.

## 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 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 4) and the "Management Discussion and Analysis" (pages 8 to 26) sections. Particulars of significant events affecting the Group that have occurred since the end of FY2022, if applicable, can also be found in the aforesaid sections. 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 74 to 92). An analysis using financial key performance indicators is provided in the "Financial Highlights" section (pages 5 and 6. Description of the Group's relationships with its key stakeholders is included in the "Corporate Governance Report" (pages 40 to 73) and the "Sustainability Report" (pages 94 to 160) sections. Furthermore, the Group's environmental policies and performance are set out in the "Sustainability Report" section (pages 94 to 160) 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" (pages 40 to 73) and the "Sustainability Report" (pages 94 to 160) sections.

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 2022 are set out in the financial statements on pages 186 to 330.

The Board has resolved to recommend a final dividend for FY2022 (the "Final Dividend") of HK$0.31 per share (2021: HK$0.30 per share) in cash to the shareholders whose names appear on the register of members of the Company on 25 November 2022. Together with the interim dividend of HK$0.30 per share (2021: HK$0.29 per share) paid in April 2022, total distribution of dividend by the Company for FY2022 will be HK$0.61 per share (2021: HK$0.59 per share).

Subject to the passing of the relevant resolutions at the 2022 AGM, it is expected that the Final Dividend will be paid on or about 16 December 2022.

## SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 54 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 55 and 56 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 53 and 37 to the financial statements respectively.

## DISTRIBUTABLE RESERVES

At 30 June 2022, the Company's reserves available for distribution amounted to HK$24,409.4 million (2021: HK$24,556.2 million).

## DONATIONS

During the year, the charitable donations made by the Group amounted to HK$7.3 million (2021: HK$1.2 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 were 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 schemes of the Company 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 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") in the outstanding amount of US$635,950,000, which are listed on the Hong Kong Stock Exchange, issued by CDL and unconditionally and irrevocably guaranteed by the Company, at the price of US$940 per US$1,000 of the principal amount of the CDL Notes. An aggregate principal amount of US$300,000,000 of the CDL Notes were purchased and redeemed, representing approximately 47 per cent. of the outstanding principal amount of the CDL Notes, on 1 June 2022. US$335,950,000 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 aggregate amount of revenue and purchases attributable to the Group's five largest customers and suppliers accounted for less than 30% of the Group's total revenue and purchases for FY2022 respectively.

## SIGNIFICANT CONTRACT WITH CONTROLLING SHAREHOLDERS

Save as disclosed in the section "Connected Transactions" below, the Group and the controlling shareholders of the Company did not enter into any contract of significance during the year.

## 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 provide 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 FY2022 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)* | |
| Mr Ho Gilbert Chi Hang *(Chief Operating Officer)* | (appointed as Chief Operating Officer on 1 February 2022) |
| Dr Cheng Chi Kong, Adrian | |
| Mr Cheung Chin Cheung | (resigned on 1 July 2022) |
| Mr Cheng Chi Ming, Brian | |
| Mr Chow Tak Wing | (resigned on 1 January 2022) |
| 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 | (resigned on 1 January 2022) |
| Mr Shek Lai Him, Abraham | |
| Mr Lee Yiu Kwong, Alan | |
| Mrs Oei Wai Chi Grace Fung | |
| Mr Wong Kwai Huen, Albert | |
| Professor Chan Ka Keung, Ceajer | (appointed on 1 January 2022) |

In accordance with bye-law 86(2) of the Company's bye-laws, Professor Chan Ka Keung, Ceajer, who was appointed as a director of the Company by the Board with effect from 1 January 2022, hold office until the conclusion of the 2022 AGM and, being eligible, will offer himself for re-election at the 2022 AGM.

Moreover, in accordance with bye-law 87 of the Company's bye-laws, Dr Cheng Chi Kong, Adrian, Mr Cheng Chi Ming, Brian, Mr Kwong Che Keung, Gordon, Mr Shek Lai Him, Abraham and Mrs Oei Wai Chi Grace Fung will retire by rotation at the 2022 AGM. Mr Kwong Che Keung, Gordon informed the Board that he would not offer himself for re-election as an independent non-executive director of the Company while the other retiring directors, being eligible, will offer themselves for re-election at the 2022 AGM.

## 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, pursuant to Rule 8.10(2) of the Listing Rules, 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) 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 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 | 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 |
| 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 entities since 1 June 2022.

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 as 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 2022, 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 as at 30.06.2022 |
|---|---|---|---|---|---|
| Name | Personal interests | Family interests | Corporate interests | Total | |
| **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% |
| Mr Lam Wai Hon, Patrick | 1,446,207 | – | 7,608[3] | 1,453,815 | 0.037% |
| **NWD** | | | | | |
| (Ordinary shares) | | | | | |
| Dr Cheng Kar Shun, Henry | 5,168,909 | – | – | 5,168,909 | 0.205% |
| Dr Cheng Chi Kong, Adrian | 2,559,118 | – | – | 2,559,118 | 0.102% |
| 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 director of the Company had personal interest in options to subscribe for shares of NWD. Details of the share options of NWD granted to him are as follows:

| | | | Number of share options | | | | | |
|---|---|---|---|---|---|---|---|---|
| Name | Date of grant | Exercisable period (Note) | Balance as at 01.07.2021 | Granted during the year | Exercised during the year | Lapsed during the year | Balance as at 30.06.2022 | Exercise price per share[2] HK$ |
| Dr Cheng Kar Shun, Henry | 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. The outstanding share options lapsed on 3 July 2021.

(2) The exercise price per share immediately before the date of lapse of the share options.

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

### (c) Long position in debentures

| | Amount of debentures | | | | | |
|---|---|---|---|---|---|---|
| Name | Personal interests | Family Interests | Corporate Interests | Other interests | Total | Approximate percentage to the total amount of debentures in issue as at 30.06.2022 |
| **NWCL** | | | | | | |
| Mr William Junior Guilherme Doo | – | – | HK$7,800,000[1] | – | HK$7,800,000 | 0.110% |
| **NWD Finance (BVI) Limited** | | | | | | |
| Mr William Junior Guilherme Doo | – | US$660,000[2] | US$6,000,000[3] | – | US$6,660,000 | 0.142% |
| **NWD (MTN) Limited** | | | | | | |
| Mr William Junior Guilherme Doo | – | HK$3,900,000[4] | – | – | HK$3,900,000 | 0.011% |

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, which were issued in US$, were held by the spouse of Mr William Junior Guilherme Doo and had been translated into HK$ using the rate of US$1=HK$7.8.

Save as disclosed above, as at 30 June 2022, 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 previous share option scheme adopted by the Company on 21 November 2011 (the "2011 Share Option Scheme"), which was valid and effective for a period of 10 years from the date of adoption, expired on 21 November 2021. A new share option scheme of the Company (the "2021 Share Option Scheme") has been approved by the shareholders of the Company and NWD at their respective annual general meetings and the 2021 Share Option Scheme became effective on 23 November 2021.

A summary of the 2011 Share Option Scheme and the 2021 Share Option Scheme (collectively, the "Share Option Schemes") disclosed in accordance with the Listing Rules is as follows:

| | |
|---|---|
| Purpose of the Share Option Schemes | 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. |
| Total number of shares available for issue under the Share Option Schemes 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 2011 Share Option Scheme, which include certain adjustments made pursuant to the rules of the 2011 Share Option Scheme. All the outstanding share options have lapsed as at the date of this report. Following the expiry of the 2011 Share Option Scheme on 21 November 2021, no further option can be granted under this scheme.<br><br>The Company had granted share options to certain eligible participants to subscribe for 85,798,050 shares of the Company under the 2021 Share Option Scheme up to the date of this report. The total number of shares available for subscription upon further grant of share options under the 2021 Share Option Scheme is 305,340,734 shares, representing approximately 7.81% 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 Schemes | Unless approved by shareholders of the Company and NWD, the holding company 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. |
| Participants of the 2011 Share Option Scheme | Eligible participant may be a person or an entity belonging to any of the following classes:<br><br>(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;<br><br>(ii) any non-executive director (including independent non-executive director) of the Group or any Invested Entity;<br><br>(iii) any supplier of goods or services to any member of the Group or any Invested Entity;<br><br>(iv) any customer of any member of the Group or any Invested Entity;<br><br>(v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;<br><br>(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;<br><br>(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<br><br>(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. |
| Participants of the 2021 Share Option Scheme | any director (including any executive director, non-executive director or independent non-executive director) and employee (whether full time or part time) of the Company, any subsidiary or member of the Group. |
| The remaining life of the Share Option Schemes | The 2011 Share Option Scheme expired on 21 November 2021.<br><br>The 2021 Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption, i.e. 23 November 2021. |

During the year ended 30 June 2022, no share option of the Company has been granted under the 2021 Share Option Scheme. The Company granted share options to certain eligible participants to subscribe for 85,798,050 shares of the Company under the 2021 Share Option Scheme in July 2022.

## SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at 30 June 2022, 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 |
|---|---|---|---|---|
| **Name** | **Beneficial interests** | **Corporate interests** | **Total** | **30.06.2022** |
| 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 2022, 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 166 and 167) 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 11 January 2021, Beauty Ocean Limited, an indirect wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with SUEZ (Asia) Limited ("SUEZ Asia") for the disposal of its entire 42% interest in SUEZ NWS, an associated company of the Group, to SUEZ Asia at the cash consideration of HK$4,173 million. Completion of the disposal took place on 15 November 2021.

2. On 20 August 2021, New World (Xiamen) Port Investments Limited, an indirect wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Xiamen International Port Co., Ltd. ("XIPC") for the disposal of its entire 20% interest in XCTG, an associated company of the Group, to XIPC at the cash consideration of RMB1,568.0 million (equivalent to approximately HK$1,877.8 million). Completion of the disposal took place on 8 October 2021.

3. On 31 August 2021, certain indirect wholly-owned subsidiaries of the Company entered into the preliminary agreements with Good Sense Development Limited (the "Vendor", an indirect wholly-owned subsidiary of NWD) and further entered into the formal sale and purchase agreements with the Vendor on 7 September 2021 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 is entitled to (i) having 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. Completion of the transactions took place in the second quarter of 2022.

4. On 26 April 2022, NWS (Guangdong) Investment Co. Ltd., an indirect wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement, which was superseded by a new conditional sale and purchase agreement on 5 September 2022, with Logan Transport Group Co., Ltd and its subsidiary, pursuant to which the Group agreed to acquire 40% equity interest in Guiwu Expressway (which wholly owns the concession right to operate Guigang-Wuzhou Expressway) and related creditor's right and dividend receivable at the total consideration of RMB1,902.4 million (equivalent to approximately HK$2,238.1 million). The acquisition is yet to complete up to the date of this report. Upon completion, the Group's 40% equity interest in Guiwu Expressway will be accounted for as a joint venture.

5. On 14 May 2022, Glorious Hope Limited, an indirect wholly-owned subsidiary of the Company, entered into share purchase agreements with Goodman Developments Asia, Goodman China Logistics Holding Limited and GCLP Core HoldCo (as the case may be) pursuant to which the Group agreed to acquire the entire equity interests in and shareholders' loan owed by certain target companies, which own the entire interest in a portfolio of six premium logistics real estate properties in Chengdu and Wuhan, at the aggregate consideration of RMB2,290.0 million (equivalent to approximately HK$2,663.0 million), subject to adjustments. Completion of the acquisitions of five operating logistics properties took place in June 2022. The remaining one is yet to complete as of the date of the report and is estimated to be completed by the end of 2022.

6. On 16 May 2022, GAL, a joint venture whose equity interest is held as to 50% indirectly by the Company, entered into a main transaction agreement with SMBC Aviation Capital Limited ("SMBC") pursuant to which GAL agreed to dispose of its substantially all of the commercial aircraft leasing platform to SMBC via the sale of entire equity interest in GML (the main wholly-owned operating subsidiary of GAL) together with all assets, liabilities and contracts held by GAL which relate to the commercial aircraft leasing business operated by entities held or controlled by GML, except for entities which own six aircraft associated with Russian lessees, at an estimated total consideration of US$1,575 million (the Group's attributable portion: US$787.5 million) (subject to adjustments). The disposal is yet to complete up to the date of this report and is estimated to be completed by the end of 2022.

## CONNECTED TRANSACTIONS

The following connected transactions of the Group have 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 (as defined in the Listing Rules) 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).

    On 5 November 2021, the Company entered into a supplemental agreement with CTF Enterprises (the "Supplemental Agreement") to expand the scope of the operational services to cover services relating to, among others, mechanical, electrical and building services.

In view of the expanded scope of the operational services to be covered under the CTF Enterprises Master Services Agreement (as supplemented by the Supplemental Agreement), the relevant annual caps for the two financial years ended/ending 30 June 2022 and 2023 were revised as follows:

| Categories | For the financial year ended/ending 30 June 2022 HK$'m | 2023 HK$'m |
|---|---|---|
| Operational services by members of the Group to members of the CTF Enterprises Group | 104.0 | 113.0 |
| Operational services by members of the CTF Enterprises Group to members of the Group | 711.0 | 824.0 |

During FY2022, 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 | 2.8 | 104.0 |
| Operational services by members of the CTF Enterprises Group to members of the Group | 10.3 | 711.0 |

(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 (as defined in the Listing Rules) 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 2022, 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 | 328.6 | 2,224.0 |
| Operational services by members of the NWD Group to members of the Group | 73.6 | 193.0 |

(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 (as defined in the Listing Rules) 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 (except Mr Doo) 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 2022, 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 | 1.0 | 40.0 |
| Operational services by members of the Services Group to members of the Group | 1,054.5 | 2,700.0 |

(4) 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 thereafter, 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 and completion took place in the second quarter of 2022.

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. In respect of these connected transactions, the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

## DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

As at 30 June 2022, the Group has provided financial assistance, by way of shareholders' loans or advances, in the aggregate amount of HK$11,709.7 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 and Goshawk in the aggregate amount of HK$12,507.8 million (included in the amounts disclosed in note 48 to the financial statements) and contracted to provide an aggregate amount of HK$205.2 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 16.6% 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$13.4 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$523.5 million which carries compound interest at 5% per annum and is repayable on demand; (v) an amount of HK$235.3 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$168.4 million which carries interest at 4% per annum; (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; and (viii) an aggregate amount of HK$145.8 million which is interest free and is not 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 2022 are presented as follows:

| | **Proforma combined statement of financial position** HK$'m | **The Group's attributable interest** HK$'m |
|---|---|---|
| Non-current assets | 37,562.5 | 17,598.4 |
| Current assets | 62,406.6 | 30,485.5 |
| Current liabilities | (62,497.0) | (30,623.3) |
| Non-current liabilities | (17,423.5) | (8,932.8) |
| | 20,048.6 | 8,527.8 |

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 2022.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, approximately 13,800 staff were employed by entities under the Group's management of which approximately 4,100 staff were employed in Hong Kong. Total staff related costs from continuing operations, including provident funds, staff bonus and deemed share option benefit but excluding directors' remunerations during FY2022 were HK$2.525 billion (2021: HK$2.373 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 331 and 332.

## AUDITOR

The financial statements for the year ended 30 June 2022 have been audited by PricewaterhouseCoopers, who will retire at the 2022 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 2022

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"), which are set out on pages 186 to 330, comprise:

- the consolidated statement of financial position as at 30 June 2022;
- 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 significant accounting policies and other explanatory information.

### 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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

We 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)

Key audit matters identified in our audit are summarised as follows:

- Fair value measurement of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss
- Assessment on (a) valuation of insurance contract liabilities and (b) amortization of value of business acquired and deferred acquisition costs
- Valuation of investment properties held by the Group and its joint venture

| Key Audit Matters | How our audit addressed the Key Audit Matters |
|---|---|
| **(i) Fair value measurement of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss**<br><br>(Refer to notes 5(a), 25, 26 and 31 to the consolidated financial statements)<br><br>As at 30 June 2022, 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$41,584 million and HK$21,577 million respectively.<br><br>Management determined the fair value of these investments at the end of reporting period as follows:<br><br>• For investments with quoted market prices, management determined the fair value based on quoted market prices;<br><br>• For investments in unlisted investment funds, management determined the fair value based on the latest fund statements obtained from respective fund managers. Management discussed with respective fund managers to understand the performance of the underlying investments in the investment funds and fair value measurement basis used in estimating the fair value of the investment funds as stated in the fund statements;<br><br>• For investments in unlisted equity and debt instruments with recent transactions, management determined the fair value with reference to recent transaction prices of these financial assets; and | Our procedures to assess management's judgements in respect of the fair value measurement of investment funds and equity and debt instruments included:<br><br>• We obtained an understanding of the management's controls and processes of fair value measurement of financial assets at fair value through other comprehensive income and financial assets at 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;<br><br>• We performed control testing over the investment system and evaluated and validated management's control procedures over investment cycle on a sample basis where applicable;<br><br>• We performed the following work in relation to fair value measurement of investment funds or equity and debt instruments:<br><br>  • For investments with quoted market prices, we checked fair value determined by management against the quoted market prices or quotes obtained from independent sources;<br><br>  • For investments in unlisted investment funds, we obtained fund statements from fund managers and selected a sample of investments to (i) enquire fund managers on the performance of the underlying investments in the investment funds and the methodologies and key assumptions used in determining the fair value as stated in the fund statements; and (ii) assess management basis on the determination of fair value of the unlisted investment funds; |

## KEY AUDIT MATTERS (CONTINUED)

| Key Audit Matters | How our audit addressed the Key Audit Matters |
|---|---|
| **(i) Fair value measurement of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss (continued)**<br><br>• For investments in unlisted equity and debt instruments without quoted market prices and recent transactions, management determined fair values of these investments by using appropriate valuation techniques, such as discounted cash flow and quantitative assessments with reference to market comparable or market indices with consideration to the latest business development of the investee companies. Independent external valuer has been involved in determining the fair value, where appropriate.<br><br>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 equity and debt instruments with recent transactions, we agreed, on a sample basis, to the evidence of recent transaction prices of those financial assets; and<br><br>• For investments in unlisted equity and debt instruments without quoted market prices and recent transactions, with the support from our in-house valuation experts, if applicable, we (i) evaluated the competence, capabilities and objectivity of the independent valuer if independent valuer was involved; and (ii) assessed, on a sample basis, the appropriateness of methodologies and key assumptions used in the fair value measurement of these financial assets, and 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.<br><br>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 |
|---|---|
| **(ii) 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**<br><br>(Refer to notes 5(c), 31 and 41 to the consolidated financial statements)<br><br>The Group had insurance contract liabilities (including those classified as liabilities related to unit-linked contracts) of HK$44,892 million as at 30 June 2022, representing approximately 47% of the Group's total liabilities.<br><br>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.<br><br>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:<br><br>• 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;<br><br>• We evaluated whether the methodologies were 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;<br><br>• 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;<br><br>• We performed analysis of the movements in insurance contract liabilities to assess whether the changes were in line with our understanding of the assumptions and any developments and changes during the period; and<br><br>• We reviewed the calculation of the liability adequacy test to assess the adequacy of insurance contract liabilities.<br><br>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**

**(ii) 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 5(d), 20 and 22 to the consolidated financial statements)

As at 30 June 2022, the carrying amount of value of business acquired ("VOBA") and deferred acquisition costs ("DAC") amounting to HK$5,240 million and HK$2,335 million respectively. Amortization of VOBA and DAC amounting to HK$155 million and HK$524 million, respectively, was recognized in the consolidated income statement for the year ended 30 June 2022.

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 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.

## KEY AUDIT MATTERS (CONTINUED)

| Key Audit Matters | How our audit addressed the Key Audit Matters |
| --- | --- |
| **(iii) Valuation of investment properties held by the Group and its joint venture**<br><br>Refer to notes 5(b), 16 and 24 to the consolidated financial statements.<br><br>As at 30 June 2022, the investment properties held by the Group were stated at fair value of HK$4,842 million. The Group also shared significant interest in investment properties held by its joint venture of HK$8,345 million.<br><br>Independent external valuers were engaged to determine the fair value of investment properties held by the Group and its joint venture as at 30 June 2022, where considered necessary.<br><br>Fair value was generally derived by the income approach and where appropriate, by the direct comparison method. Income approach was based on either the capitalization of the net income and reversionary income potential by adopting appropriate capitalization rates and prevailing market rents or discounted cash flow forecast. Direct comparison method was based on comparable market transactions, as adjusted by the property-specific qualitative factors.<br><br>We focused on this area due to the fact that there are significant judgements and estimation uncertainty involved in the valuation of investment properties. | Our procedures in relation to the valuation of investment properties included:<br><br>• We understood management's controls and processes for determining the valuation of investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the level of other inherent risk factors;<br><br>• We evaluated the competence, capability and objectivity of the independent external valuers;<br><br>• We obtained the valuation reports and discuss the valuation methodologies and key assumptions adopted with the independent external valuers;<br><br>• We, on a sample basis, involved our in-house valuation experts and assessed the appropriateness of valuation methodologies and the reasonableness of the key assumptions used in the valuation of investment properties, based on our knowledge of the property industry, research evidence of capitalization rates, prevailing market rents and comparable market transactions for similar properties, where applicable; and<br><br>• We tested, on a sample basis, the data used in the valuation of investment properties, including rental rates from existing tenancies, by agreeing to the underlying agreements with the tenants.<br><br>Based on the procedures performed, we found the methodologies used in preparing the valuations were appropriate and the key assumptions were supportable in light of available evidence. |

## 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.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- 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.

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. Chu Ho Kwan Raphael.

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 30 September 2022

# Consolidated Income Statement

For the year ended 30 June

| | Note | **2022 HK$'m** | 2021 HK$'m (restated) |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 6 | **31,138.6** | 28,197.3 |
| Cost of sales | 7, 9 | **(27,609.3)** | (24,406.1) |
| Other income and gains, net | 8 | **966.6** | 1,948.5 |
| Selling and marketing expenses | 7 | **(1,290.9)** | (969.0) |
| General and administrative expenses | 7 | **(1,918.2)** | (1,810.6) |
| Overlay approach adjustments on financial assets | 8(a) | **1,845.9** | (1,270.6) |
| Operating profit | 7 | **3,132.7** | 1,689.5 |
| Finance costs | 11 | **(760.1)** | (838.7) |
| Share of results of | | | |
| Associated companies | 6(c) | **340.5** | 311.6 |
| Joint ventures | 6(c) | **(254.9)** | 1,280.6 |
| Profit before income tax | | **2,458.2** | 2,443.0 |
| Income tax expenses | 12 | **(576.2)** | (691.2) |
| Profit from continuing operations | | **1,882.0** | 1,751.8 |
| **Discontinued operations** | | | |
| Profit/(loss) from discontinued operations | 33(a) | **302.3** | (43.8) |
| **Profit for the year** | | **2,184.3** | 1,708.0 |
| Profit/(loss) attributable to | | | |
| Shareholders of the Company | | | |
| From continuing operations | | **1,284.5** | 1,157.3 |
| From discontinued operations | | **302.3** | (43.8) |
| | | **1,586.8** | 1,113.5 |
| Holders of perpetual capital securities | | **583.1** | 583.1 |
| Non-controlling interests | | **14.4** | 11.4 |
| | | **2,184.3** | 1,708.0 |
| Basic earnings/(loss) per share attributable to shareholders of the Company | 14 | | |
| From continuing operations | | **HK$0.33** | HK$0.30 |
| From discontinued operations | | **HK$0.08** | (HK$0.01) |
| | | **HK$0.41** | HK$0.29 |

# Consolidated Statement of Comprehensive Income

For the year ended 30 June

| | Note | 2022 HK$'m | 2021 HK$'m (restated) |
|---|---|---|---|
| Profit for the year | | **2,184.3** | 1,708.0 |
| Other comprehensive (loss)/income | | | |
| Items that will not be reclassified to profit or loss | | | |
| Net fair value change on equity instruments as financial assets at FVOCI | | **137.2** | 76.5 |
| Remeasurement of post-employment benefit obligation | | **(6.2)** | 25.2 |
| Share of gain arising from revaluation of a logistic property held by a joint venture upon reclassification to investment property, net of tax | 37(b) | **6,312.1** | – |
| Items that have been reclassified/may be subsequently reclassified to profit or loss | | | |
| Net fair value change on debt instruments as financial assets at FVOCI and other net movement | 37(a) | **(7,041.1)** | (1,677.3) |
| Release of reserve upon disposal of debt instruments as financial assets at FVOCI | | **(137.6)** | (40.7) |
| Release of reserves upon disposal of subsidiaries | | **–** | 71.4 |
| Release of reserves upon disposal/partial disposal of interests in associated companies | | **1.3** | (61.6) |
| Release of reserve upon disposal of interest in a joint venture | | **–** | (93.8) |
| Release of reserve upon deconsolidation of a subsidiary | | **–** | (10.3) |
| Release of reserves upon disposal of assets held-for-sale | | **(81.9)** | – |
| Share of other comprehensive loss of associated companies | | **(29.0)** | (3.3) |
| Cash flow/fair value hedges | | **(357.4)** | 242.7 |
| Amount reported in other comprehensive income applying overlay approach adjustments on financial assets | 8(a) | **(1,845.9)** | 1,270.6 |
| Currency translation differences | | **(797.7)** | 2,922.9 |
| Other comprehensive (loss)/income for the year, net of tax | | **(3,846.2)** | 2,722.3 |
| Total comprehensive (loss)/income for the year | | **(1,661.9)** | 4,430.3 |
| Total comprehensive (loss)/income attributable to | | | |
| Shareholders of the Company | | | |
| From continuing operations | | **(2,399.8)** | 3,319.8 |
| From discontinued operations | 33(b) | **141.6** | 495.1 |
| | | **(2,258.2)** | 3,814.9 |
| Holders of perpetual capital securities | | **583.1** | 583.1 |
| Non-controlling interests | | **13.2** | 32.3 |
| | | **(1,661.9)** | 4,430.3 |

# Consolidated Statement of Financial Position

As at 30 June

| | Note | 2022 HK$'m | 2021 HK$'m (restated) |
|---|---|---|---|
| **ASSETS** | | | |
| Non-current assets | | | |
| Investment properties | 16 | **4,842.2** | 1,681.4 |
| Property, plant and equipment | 17 | **1,315.7** | 1,186.0 |
| Intangible concession rights | 18 | **13,081.9** | 14,355.6 |
| Intangible assets | 19 | **5,890.1** | 5,916.2 |
| Value of business acquired | 20 | **5,239.8** | 5,395.1 |
| Right-of-use assets | 21 | **1,360.7** | 1,359.9 |
| Deferred acquisition costs | 22 | **2,335.0** | 1,711.5 |
| Associated companies | 23 | **6,443.4** | 6,052.8 |
| Joint ventures | 24 | **15,413.5** | 10,806.0 |
| Financial assets at FVOCI | 25 | **38,500.3** | 42,889.2 |
| Financial assets at FVPL | 26 | **11,052.2** | 12,551.8 |
| Derivative financial instruments | 27 | **64.5** | 658.2 |
| Other non-current assets | 28 | **1,728.5** | 1,947.7 |
| | | **107,267.8** | 106,511.4 |
| Current assets | | | |
| Inventories | 29 | **170.0** | 207.0 |
| Trade, premium and other receivables | 30 | **14,217.1** | 15,162.2 |
| Investments related to unit-linked contracts | 31(a) | **8,649.2** | 10,770.2 |
| Financial assets at FVOCI | 25 | **3,083.5** | 1,898.1 |
| Financial assets at FVPL | 26 | **1,903.2** | 471.9 |
| Derivative financial instruments | 27 | **27.4** | 801.8 |
| Cash and bank balances | 32 | **13,452.6** | 10,804.6 |
| | | **41,503.0** | 40,115.8 |
| Assets held-for-sale | 34 | **–** | 5,945.7 |
| Total assets | | **148,770.8** | 152,572.9 |
| **EQUITY** | | | |
| Share capital | 36 | **3,911.1** | 3,911.1 |
| Reserves | 37 | **39,397.4** | 44,002.3 |
| Shareholders' funds | | **43,308.5** | 47,913.4 |
| Perpetual capital securities | 38 | **10,528.5** | 10,528.5 |
| Non-controlling interests | | **50.1** | 12.1 |
| Total equity | | **53,887.1** | 58,454.0 |

As at 30 June

| | Note | 2022 HK$'m | 2021 HK$'m (restated) |
|---|---|---|---|
| **LIABILITIES** | | | |
| Non-current liabilities | | | |
| Borrowings and other interest-bearing liabilities | 39 | **18,323.2** | 23,229.4 |
| Deferred tax liabilities | 40 | **1,787.2** | 1,925.4 |
| Insurance and investment contract liabilities | 41 | **16,470.0** | 18,143.5 |
| Liabilities related to unit-linked contracts | 31(b) | **190.8** | 180.8 |
| Derivative financial instruments | 27 | **172.3** | 102.5 |
| Lease liabilities | 42 | **901.6** | 1,079.4 |
| Other non-current liabilities | 43 | **95.8** | 102.5 |
| | | **37,940.9** | 44,763.5 |
| Current liabilities | | | |
| Borrowings and other interest-bearing liabilities | 39 | **5,267.7** | 2,118.6 |
| Insurance and investment contract liabilities | 41 | **31,734.4** | 24,359.3 |
| Liabilities related to unit-linked contracts | 31(b) | **8,645.1** | 10,770.2 |
| Trade, other payables and payables to policyholders | 44 | **10,403.5** | 11,333.2 |
| Lease liabilities | 42 | **223.1** | 227.3 |
| Taxation | | **669.0** | 546.8 |
| | | **56,942.8** | 49,355.4 |
| Total liabilities | | **94,883.7** | 94,118.9 |
| Total equity and liabilities | | **148,770.8** | 152,572.9 |

**Dr Cheng Kar Shun, Henry**
*Director*

**Mr Ma Siu Cheung**
*Director*

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

| HK$'m | Note | Shareholders' funds: Share capital | Share premium | Revenue reserve | Other reserves | Total | Perpetual capital securities | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|
| At 1 July 2021, restated | | 3,911.1 | 17,821.5 | 24,915.6 | 1,265.2 | 47,913.4 | 10,528.5 | 12.1 | 58,454.0 |
| Total comprehensive income/(loss) for the year | 37 | – | – | 1,867.0 | (4,125.2) | (2,258.2) | 583.1 | 13.2 | (1,661.9) |
| *Contributions by/(distribution to) owners* | | | | | | | | | |
| Dividends paid to | | | | | | | | | |
| Shareholders of the Company | 13, 37 | – | – | (2,346.7) | – | (2,346.7) | – | – | (2,346.7) |
| Non-controlling interests | | – | – | – | – | – | – | (6.1) | (6.1) |
| Distribution to perpetual capital securities holders | | – | – | – | – | – | (583.1) | – | (583.1) |
| Deregistration of a subsidiary | | – | – | – | – | – | – | 30.9 | 30.9 |
| Transfer of reserves | 37 | – | – | (29.2) | 29.2 | – | – | – | – |
| Total transactions with owners | | – | – | (2,375.9) | 29.2 | (2,346.7) | (583.1) | 24.8 | (2,905.0) |
| **At 30 June 2022** | | 3,911.1 | 17,821.5 | 24,406.7 | (2,830.8) | 43,308.5 | 10,528.5 | 50.1 | 53,887.1 |

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

| HK$'m | Note | Shareholders' funds: 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, restated | 37 | – | – | 1,467.1 | 2,347.8 | 3,814.9 | 583.1 | 32.3 | 4,430.3 |
| *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 | | – | – | – | – | – | – | (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, restated | | 3,911.1 | 17,821.5 | 24,915.6 | 1,265.2 | 47,913.4 | 10,528.5 | 12.1 | 58,454.0 |

# Consolidated Statement of Cash Flows

For the year ended 30 June

| | Note | 2022<br>HK$'m | 2021<br>HK$'m |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Net cash generated from operations | 49(a) | **10,168.3** | 8,391.3 |
| Finance costs paid | | **(691.4)** | (858.1) |
| Interest received | | **1,991.3** | 1,855.3 |
| Dividends received from financial assets in relation to insurance business and investments related to unit-linked contracts | | **265.4** | 223.4 |
| Hong Kong profits tax paid | | **(156.8)** | (220.7) |
| Mainland China and overseas taxation paid | | **(473.1)** | (482.4) |
| Net cash generated from operating activities before net purchase of financial assets in relation to insurance business | | **11,103.7** | 8,908.8 |
| Purchases of financial assets in relation to insurance business | | **(18,742.0)** | (13,965.4) |
| Disposal of financial assets in relation to insurance business | | **12,186.5** | 4,953.7 |
| | | **(6,555.5)** | (9,011.7) |
| Net cash generated from/(used in) operating activities | | **4,548.2** | (102.9) |
| Cash flows from investing activities | | | |
| Dividends received from associated companies | 23(h) | **463.5** | 436.3 |
| Dividends received from joint ventures | 24(f) | **1,655.9** | 910.6 |
| (Increase)/decrease in investments in and advances to associated companies | | **(340.0)** | 870.6 |
| Decrease in investments in and advances to joint ventures | | **110.4** | 471.4 |
| Disposal of subsidiaries, net of cash disposed of | 49(b) | **–** | 5,083.4 |
| Deconsolidation of a subsidiary | | **–** | (1,104.5) |
| Proceeds received from disposal/partial disposal of interests in associated companies and a joint venture | | **6,011.1** | 934.8 |
| Additions of investment properties | 16 | **(3,150.1)** | – |
| Additions of intangible assets, property, plant and equipment and right-of-use assets | 17, 19, 21(b) | **(679.9)** | (403.8) |
| Purchases of financial assets at FVOCI | | **(142.4)** | (508.2) |
| Purchases of financial assets at FVPL | | **(3,702.7)** | (1,599.0) |
| Disposal of financial assets at FVOCI | | **141.3** | 17.4 |
| Disposal of financial assets at FVPL | | **2,375.8** | 1,076.4 |
| Disposal of intangible assets and property, plant and equipment | | **0.8** | 9.2 |
| Settlement of derivative financial instruments | | **28.2** | (340.5) |
| Dividends received from financial assets at FVOCI and financial assets at FVPL | | **67.7** | 84.2 |
| 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 | | **(22.9)** | (8.1) |
| Net cash generated from investing activities | | **2,816.6** | 5,940.1 |

# Consolidated Statement of Cash Flows

For the year ended 30 June

| | Note | **2022 HK$'m** | 2021 HK$'m |
|---|---|---|---|
| Cash flows from financing activities | | | |
| New bank loans and other borrowings | 49(c) | **5,895.7** | 1,860.1 |
| Repayment of bank loans and other borrowings | 49(c) | **(4,517.5)** | (6,106.7) |
| Redemption of fixed rate bonds | 49(c) | **(2,199.6)** | (112.0) |
| Repayment of financing received under a financial reinsurance arrangement | 49(c) | **(59.2)** | (91.1) |
| Distribution to perpetual capital securities holders | | **(583.1)** | (583.1) |
| Capital element of lease liabilities payments | 49(c) | **(236.3)** | (301.1) |
| Decrease in cash collateral received from counterparties | 49(c) | **(598.1)** | (948.0) |
| Repayment of loan from non-controlling interests | 49(c) | **–** | (6.5) |
| Dividends paid to shareholders of the Company | 37 | **(2,346.7)** | (2,268.5) |
| Dividends paid to non-controlling interests | | **(6.1)** | (26.3) |
| Net cash used in financing activities | | **(4,650.9)** | (8,583.2) |
| Net increase/(decrease) in cash and cash equivalents | | **2,713.9** | (2,746.0) |
| Cash and cash equivalents at the beginning of year | | **10,844.0** | 13,367.6 |
| Currency translation differences | | **(91.8)** | 222.4 |
| Cash and cash equivalents at the end of year | | **13,466.1** | 10,844.0 |
| Analysis of cash and cash equivalents | | | |
| Cash and bank balances | 32 | **13,452.6** | 10,804.6 |
| Cash and bank balances attributable to investments related to unit-linked contracts | 31(a) | **27.3** | 53.1 |
| Short-term bank deposits maturing after more than three months | 32 | **(13.8)** | (13.7) |
| | | **13,466.1** | 10,844.0 |

# 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 logistics and facilities management projects.

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

The consolidated financial statements were approved for issuance by the Board on 30 September 2022.

## 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 is in net current liabilities position of HK$15,439.8 million as at 30 June 2022 which is mainly due to the classification of the full surrender value of insurance and investment contract liabilities of HK$31,734.4 million (note 41) as current liabilities at the reporting date. The Group, before taking into account the insurance business, is in net current assets position as at 30 June 2022.

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 HK$4,120.1 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

During FY2022, the Group has adopted the following amendments to standards which are relevant to the Group's operations and are mandatory for FY2022:

| | |
|---|---|
| HKFRS 16 (Amendments) | COVID-19-Related Rent Concessions beyond 30 June 2021 |
| HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments) | Interest Rate Benchmark Reform – Phase 2 |

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

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

The following new standard, amendments to standards and interpretation are mandatory for accounting period beginning on or after 1 July 2022 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 |
| HKAS 1 (Amendments) | Classification of Liabilities as Current or Non-current |
| HKAS 1 (Amendments) and HKFRS Practice Statement 2 | Disclosure of Accounting Policies |
| HKAS 8 (Amendments) | Definition of Accounting Estimates |
| HKAS 12 (Amendments) | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| HKAS 16 (Amendments) | Property, Plant and Equipment – Proceeds before Intended Use |
| HKAS 37 (Amendments) | Onerous Contracts – Cost of Fulfilling a Contract |
| HK Interpretation 5 (2020) | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause |
| 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 interpretation which are not yet effective (continued)

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

HKFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard and will replace the current HKFRS 4 "Insurance Contracts" ("HKFRS 4"). HKFRS 17 includes some fundamental differences to current accounting treatment in both insurance contracts measurement and profit recognition. Besides, HKFRS 17 requires more granular information as well as extensive disclosures.

Under HKFRS 17, a comprehensive model (general model) is introduced to measure insurance contracts liabilities based on a discounted cash flow model with a risk adjustment and deferral of unearned profits.

The major impacts from the adoption of HKFRS 17 are highlighted as follows:

(i) Insurance segment revenue presented in consolidated income statement under HKFRS 17 excludes any investment component, an amount that the policyholder will be repaid in all circumstances as required by the insurance contract, regardless of whether an insured event occurs.

(ii) In accordance with HKFRS 17, the estimated unearned future profits from in-force insurance contracts will be included in the measurement of insurance contract liabilities in the consolidated statement of financial position as the contractual service margin and will be gradually recognized in Insurance segment revenue in the consolidated income statement based on the services provided over the coverage period of the insurance contract.

In October 2020, HKFRS 17 (Amendments) was issued to address concerns and implementation challenges that were identified after HKFRS 17 was published and to defer the effective date of HKFRS 17 (incorporating the amendments) to accounting period beginning on or after 1 January 2023. The implementation of this standard involves significant enhancements to the information technology, actuarial and finance systems and the Group is undertaking active assessments with the assistance of external consultants and taking steps to get ready for adoption of HKFRS 17 in accordance with the required timeline. The assessment of the impacts on the Group's consolidated financial statements is still in progress and it is expected to have impacts on revenue and results of the Group's insurance business. Although the work is well advanced as of the date of this annual report, it is not yet practicable to reliably quantify them.

Except for HKFRS 17 above, the Group has commenced the assessment on the impact of adoption of all other amendments to standards and interpretation, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the consolidated financial statements.

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### (c) Restatements of comparative figures

In December 2020, the Group reclassified its entire shareholding interest in Wai Kee from an associated company to an asset held-for-sale. In April 2021, the Group disposed of half of its shareholding interest in Wai Kee and the remaining interest continued to be an asset held-for-sale.

During the second half of FY2022, the Group ceased to classify its remaining interest held in Wai Kee as held-for-sale since the criteria in HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" ("HKFRS 5") were no longer met. As such, the Group retrospectively as from the date of its classification as held-for-sale accounted for the remaining interest held in Wai Kee as an associated company using equity method in accordance with HKAS 28 "Investment in Associates and Joint Ventures".

The comparative figures in the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of changes in equity have been restated accordingly to present the remaining interest held in Wai Kee as if it was an associated company since December 2020.

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

| | As previously stated HK$'m | Adjustments HK$'m | As restated HK$'m |
|---|---|---|---|
| **Consolidated income statement (extract)** | | | |
| For the year ended 30 June 2021 | | | |
| Continuing operations | | | |
| Other income and gains, net | 2,026.9 | (78.4) | 1,948.5 |
| Share of results of associated companies | 266.2 | 45.4 | 311.6 |
| **Consolidated statement of comprehensive income (extract)** | | | |
| For the year ended 30 June 2021 | | | |
| Other comprehensive income | | | |
| Currency translation differences | 2,889.9 | 33.0 | 2,922.9 |
| **Consolidated statement of financial position (extract)** | | | |
| As at 30 June 2021 | | | |
| Assets | | | |
| Associated companies | 5,673.6 | 379.2 | 6,052.8 |
| Assets held-for-sale | 6,324.9 | (379.2) | 5,945.7 |
| Equity | | | |
| Reserves | | | |
| – Exchange reserve | 754.3 | 33.0 | 787.3 |
| – Revenue reserve | 24,948.6 | (33.0) | 24,915.6 |

## 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, 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.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Consolidation (continued)

#### *(i) Subsidiaries (continued)*

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

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.

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.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Consolidation (continued)

#### *(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.

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.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Consolidation (continued)

#### *(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.

##### *(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 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 allocate 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 represent 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.

Incremental costs incurred to obtain a contract, if recoverable, are capitalized as contract assets and subsequently amortized when the related revenue is recognized.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Revenue recognition (continued)

The Group's recognition policies on revenue from contracts with customers, other sources of revenue and other income are further described as follows:

#### *(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) 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.

#### *(vii) Dividend income*

Dividend income is recognized when the right to receive payment is established.

#### *(viii) 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.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Revenue recognition (continued)

#### *(ix) 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.

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.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Leases (continued)

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.

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% |
| Motor vehicles | 20% – 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 interests in associated companies, joint ventures and other non-financial assets

Non-financial 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. Other 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 of disposal 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, 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 FVOCI.

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 FVPL, 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 other comprehensive income, 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 other comprehensive income 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, 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 other comprehensive income 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 other comprehensive income 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 other comprehensive income 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 other comprehensive income 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 other comprehensive income 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 other comprehensive income.

#### *(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 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 and other 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 properties 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 and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other 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 and other 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.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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.

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.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (w) Current and deferred income tax (continued)

***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.

### (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.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (y) Foreign currencies (continued)

#### *(ii) Transactions and balances (continued)*

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 classified 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 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 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.

#### *(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 is 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.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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 Scheme ("MPF") 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.

#### *(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.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (z) Employee benefits (continued)

#### *(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 (Amendments)*

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 (2021: 100 basis points) higher/lower with all other variables held constant, the Group's profit for the year would have been HK$92.7 million lower/higher (2021: HK$79.3 million lower/higher) respectively and the Group's other reserves would have been HK$5.0 billion lower/higher (2021: HK$6.3 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 investment 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 2022, the Group's entities with functional currency of Hong Kong dollar had net monetary assets denominated in United States dollar of HK$15,371.6 million (2021: HK$23,527.1 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 2022, the Group's entities with functional currency of Hong Kong dollar had net monetary assets denominated in Renminbi of HK$63.8 million (2021: HK$96.4 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$3.2 million (2021: HK$4.8 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 arises 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.

## 4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

### (a) Market risk (continued)

#### *(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.

As at 30 June 2022, 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 reserve would have been HK$445.6 million (2021: HK$619.2 million) higher/lower respectively and profit for the year would have been HK$2,699.9 million (2021: HK$2,811.5 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$2,105.5 million (2021: HK$2,377.9 million) higher/lower respectively and the profit for the year would have been HK$1,040.0 million (2021: HK$1,052.8 million) higher/lower respectively. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

### (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 consider 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 behavior of the counterparties, including changes in the payment status of counterparties in the Group and changes in the operating results of the counterparties.

## 4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

### (b) Credit risk (continued)

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 there is no reasonable expectation of recovery.

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 2022, the amount of the non-investment grade bonds held by the Group was approximately 2.2% (2021: 3.2%) of its invested assets.

For trade receivables, retention money 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, retention money 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 forwarding-looking information by incorporating a set of different economic scenarios.

## 4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

### (b) Credit risk (continued)

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.

### (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 2022**

***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 | 633.8 | 633.8 | 633.8 | – | – | – |
| Retention money payables and other payables | | 7,108.9 | 7,108.9 | 6,581.2 | 522.7 | 5.0 | – |
| Payables to policyholders | 44 | 1,774.2 | 1,774.2 | 1,774.2 | – | – | – |
| Amounts due to non-controlling interests | 44 | 107.8 | 107.8 | 107.8 | – | – | – |
| Amounts due to associated companies | 44 | 9.1 | 9.1 | 9.1 | – | – | – |
| Amounts due to joint ventures | 44 | 1.2 | 1.2 | 1.2 | – | – | – |
| Liabilities related to unit-linked contracts – Investment contract liabilities | 31(b) | 8,160.9 | 8,160.9 | – | – | – | 8,160.9 |
| Borrowings and other interest-bearing liabilities | 39 | 23,590.9 | 25,771.0 | 5,836.1 | 15,890.5 | 4,044.4 | – |
| Loans from non-controlling interests | 43 | 24.4 | 24.4 | – | 24.4 | – | – |
| Lease liabilities | 42 | 1,124.7 | 1,250.5 | 262.4 | 782.6 | 205.5 | – |

***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 liabilities (net settlement) | 173.3 | 27.2 | 146.1 | – |
| Derivative financial liabilities (gross settlement) | | | | |
| Cash inflow | (1,241.1) | (58.6) | (363.3) | (819.2) |
| Cash outflow | 1,264.1 | 62.0 | 363.9 | 838.2 |
| | 23.0 | 3.4 | 0.6 | 19.0 |

## 4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

### (c) Liquidity risk (continued)

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 liabilities (net settlement) | 103.8 | 27.5 | 106.2 | (29.9) |
| Derivative financial liabilities (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)

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 2022**

| **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) | **48,199.0** | **4,120.1** | **(343.0)** | **44,421.9** |

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 |

## 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 | **2022**<br>**HK$'m** | 2021<br>HK$'m |
|---|---|---|---|
| Total borrowings and other interest-bearing liabilities | 39 | **(23,590.9)** | (25,348.0) |
| Add: Cash and bank balances | 32 | **13,452.6** | 10,804.6 |
| Net Debt | | **(10,138.3)** | (14,543.4) |
| Total equity | | **53,887.1** | 58,454.0 |
| Net Gearing Ratio | | **19%** | 25% |

## 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 received from the disposals of interests in SUEZ NWS, XCTG and certain non-core investments, as well as net operating cash inflow and dividends received from associated companies and joint ventures, net of investments made and payments of dividends.

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 2022**

| **HK$'m** | **Insurance contract liabilities excluding policyholders' dividends and bonuses** (note 41(b)) | **Reinsurer's share of insurance contract liabilities** | **Net liabilities excluding policyholders' dividend and bonuses** |
|---|---|---|---|
| **Type of products** | | | |
| Whole life | **41,125.2** | **(1.3)** | **41,123.9** |
| Term | **103.2** | **(0.3)** | **102.9** |
| Dread disease | **2,337.2** | **–** | **2,337.2** |
| Medical | **270.6** | **–** | **270.6** |
| Disability | **10.1** | **(0.1)** | **10.0** |
| Accident | **25.5** | **–** | **25.5** |
| | **43,871.8** | **(1.7)** | **43,870.1** |
| Coinsurance liabilities | **345.0** | **–** | **345.0** |
| | **44,216.8** | **(1.7)** | **44,215.1** |

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' dividend 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)

#### *(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 2022**

| | |
|---|---|
| Mortality rates | For products with full underwriting, 59% of 2001 Hong Kong Assured Life Mortality tables for males and females, with selection factor 50% at year 1 and 75% at year 2.<br>For products without full underwriting, 59% of 2001 Hong Kong Assured Life Mortality tables for males and females. |
| Discount rates | Range between 2.10% and 4.25%, depending on the insurance plan policies |
| Lapse rates | Based on Group's experience |
| Expenses | Based on Group's experience |

As at 30 June 2021

| | |
|---|---|
| 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.<br>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 83% (2021: 73%).

## 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 2022**

| | **Assumption change** | **(Decrease)/ increase in profit for the year and equity HK$'m** |
|---|---|---|
| Mortality rates | **+10%** | **(232.0)** |
| Discount rates | **-50 basis points** | **(2,463.9)** |
| Lapse rates | **+20%** | **253.7** |
| Expenses | **+10%** | **(65.3)** |

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) |

## 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 2022 and 30 June 2021 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;

## 4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

### (h) Fair value estimation (continued)

(iv) (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 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 and the purchase price paid by the Group with consideration to the latest financial information, movement of market comparable/market indices and the latest business development of the investee companies, where applicable. 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.

## 4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

### (h) Fair value estimation (continued)

(iv) (continued)

**As at 30 June 2022**

| HK$'m | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Financial assets at FVOCI | | | | |
| – Equity instruments | 1,763.8 | – | 18.5 | 1,782.3 |
| – Debt instruments | 30,049.5 | 9,752.0 | – | 39,801.5 |
| Financial assets at FVPL | | | | |
| – Equity instruments | 1,654.7 | 117.0 | 299.9 | 2,071.6 |
| – Debt instruments | 696.3 | 384.4 | 1,646.7 | 2,727.4 |
| – Investment funds | 4,037.0 | – | 4,119.4 | 8,156.4 |
| Derivative financial instruments | – | 91.9 | – | 91.9 |
| Investments related to unit-linked contracts | | | | |
| – Investment funds | 8,621.9 | – | – | 8,621.9 |
| | 46,823.2 | 10,345.3 | 6,084.5 | 63,253.0 |
| **Liabilities** | | | | |
| Derivative financial instruments | – | (172.7) | – | (172.7) |
| Investment contract liabilities | – | (5.4) | – | (5.4) |
| Liabilities related to unit-linked contracts | | | | |
| – Investments contract liabilities | – | (8,160.9) | – | (8,160.9) |
| | – | (8,339.0) | – | (8,339.0) |

## 4 FINANCIAL AND INSURANCE RISKS MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

### (h) Fair value estimation (continued)

(iv) (continued)

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) |

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$427.6 million from Level 2 to Level 1 (2021: HK$3,106.8 million from Level 2 to Level 1) 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 in Level 3 financial instruments for FY2022:

| | Assets | | | |
|---|---|---|---|---|
| **HK$'m** | **Financial assets at FVOCI** | **Financial assets at FVPL** | **Derivative financial assets** | **Total** |
| As at 1 July 2021 | **72.7** | **4,974.3** | **801.8** | **5,848.8** |
| Translation differences | **–** | **(18.6)** | **–** | **(18.6)** |
| Purchases | **–** | **3,086.9** | **–** | **3,086.9** |
| Disposals/derecognized | **–** | **(2,211.7)** | **–** | **(2,211.7)** |
| Net fair value changes recognized in other comprehensive income | **(54.2)** | **–** | **(801.8)** | **(856.0)** |
| Net fair value changes recognized in consolidated income statement | **–** | **235.1** | **–** | **235.1** |
| **As at 30 June 2022** | **18.5** | **6,066.0** | **–** | **6,084.5** |
| Net unrealized fair value changes recognized in consolidated income statement relating to balances held as at 30 June 2022 | **–** | **189.5** | **–** | **189.5** |

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 other comprehensive income | (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 | – |

## 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). The fair value of these financial instruments is determined by using valuation techniques as detailed above.

Level 3 derivative financial asset as at 30 June 2021 represented a put option to sell or dispose of an investment in equity instrument held by the Group. The fair value of the put option was estimated by an independent external valuer. Valuation techniques used involved 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 was negatively correlated with valuation of the put option. Details of the put option were 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) 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 using valuation techniques. The Group uses its judgement to select a variety of methods as detailed in note 4(h)(iv).

## 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (b) 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 other approaches where appropriate. 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 2022, if the market value of investment properties had been 5% (2021: 5%) higher/lower with all other variables held constant, the carrying value of the Group's investment properties would have been HK$242.1 million (2021: HK$84.1 million) higher/lower respectively and the Group's share of carrying value of the investment property held by interest in a joint venture would have been HK$417.2 million (2021: nil) higher/lower respectively.

### (c) 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.

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.

## 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (d) 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.

### (e) 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.

### (f) Impairment of the Group's investments in associated companies and joint ventures

In accordance with the requirements under HKAS 28 "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. The assumptions include discount rate and future revenue growth, which would be affected by selling price, market development and other relevant economic factors.

***Investment in Goshawk***

The Group holds 50% equity interest in Goshawk, a joint venture which is principally engaged in aircraft leasing. Since March 2022, various countries have imposed sanctions against Russia and Goshawk has terminated the leases with the Russian airlines. As at 30 June 2022 and up to the date of this annual report, Goshawk's six aircraft retained in Russia.

While Goshawk holds title to these aircraft, it is uncertain whether and when Goshawk will be able to regain possession of these aircraft from the Russian airline customers. If returned, the value of the aircraft will highly depend on the conditions upon repossession which is unclear. As a result, a full impairment of its net exposure (representing the carrying amount of these aircraft assets less the release of related maintenance reserve and security deposits) has been made by Goshawk for aircraft retained in Russia, of which an impairment loss (net of tax) of HK$752.8 million was shared by the Group in FY2022.

## 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (g) Impairment of property, plant and equipment, goodwill and financial assets at FVOCI and 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 FVOCI and 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.

### (h) 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 expenses) 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 was recognized in the year ended 30 June 2020 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 2022 and reversed the full provision of HK$230.0 million (notes 6(a)(i) and 8). 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.

## 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (i) 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.

### (j) 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.

### (k) Classification of property, plant and equipment and investment properties

The Group classifies property, plant and equipment and investment properties based on whether the property is more likely to earn rental and whether the ancillary services are significant to the arrangement as a whole after taking into consideration of the latest income mix and business model of the property, and the relevant market trend.

## 6 REVENUE AND SEGMENT INFORMATION

The Group's revenue from continuing operations is analyzed as follows:

| **2022**<br>**HK$'m** | **Hong Kong** | **Mainland**<br>**China** | **Total** |
|---|---|---|---|
| Roads | **–** | **2,717.5** | **2,717.5** |
| Construction | **15,240.9** | **–** | **15,240.9** |
| Insurance | **12,373.6** | **–** | **12,373.6** |
| Logistics | **–** | **11.8** | **11.8** |
| Facilities Management | **745.6** | **49.2** | **794.8** |
| | **28,360.1** | **2,778.5** | **31,138.6** |

| 2021<br>HK$'m | Hong Kong | Mainland<br>China | 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 |

## 6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Revenue from insurance business is further analyzed as follows:

| | **2022** **HK$'m** | 2021 HK$'m |
|---|---|---|
| Gross premiums on insurance contracts | **12,041.1** | 9,291.6 |
| Less: premiums ceded to reinsurers | **(391.7)** | (385.3) |
| Premiums, net of reinsurance | **11,649.4** | 8,906.3 |
| Fee income on insurance and investment contracts | **628.6** | 677.2 |
| Reinsurance commission income and refund | **85.4** | 46.1 |
| Fee on referral business and commission income for general insurance and MPF | **10.2** | 10.6 |
| Others | **–** | 0.4 |
| Fee and commission income | **724.2** | 734.3 |
| | **12,373.6** | 9,640.6 |

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. The results of the Environment segment and Transport segment are presented as discontinued operations in accordance with HKFRS 5 as detailed in note 33.

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 FY2022 and related comparative figures is as follows:

| | Continuing operations | | | |
|---|---|---|---|---|
| **HK$'m** | **Roads** | **Aviation** | **Construction** | **Insurance** |
| **2022** | | | | |
| Total revenue | **2,717.5** | **–** | **15,240.9** | **12,375.4** |
| Inter-segment | **–** | **–** | **–** | **(1.8)** |
| Revenue – external | **2,717.5** | **–** | **15,240.9** | **12,373.6** |
| Revenue from contracts with customers | | | | |
| Recognized at a point in time | **2,717.5** | **–** | **–** | **–** |
| Recognized over time | **–** | **–** | **15,240.9** | **724.2** |
| | **2,717.5** | **–** | **15,240.9** | **724.2** |
| Revenue from other sources | **–** | **–** | **–** | **11,649.4** |
| | **2,717.5** | **–** | **15,240.9** | **12,373.6** |
| Attributable Operating Profit/(Loss) | | | | |
| Company and subsidiaries | **923.0** | **–** | **798.2** | **1,074.9** |
| Associated companies | **191.5** | **–** | **114.0** | **–** |
| Joint ventures | **595.4** | **511.5** | **–** | **–** |
| | **1,709.9** | **511.5** | **912.2** | **1,074.9** |
| Reconciliation – corporate office and non-operating items | | | | |
| Remeasurement, impairments and provisions, net | | | | |
| Net gain on disposal of projects, net of tax | | | | |
| Net gain on fair value of derivative financial instruments | | | | |
| Net gain on redemption of senior notes | | | | |
| 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 share of remeasurement/impairment losses, expected credit loss provision and aircraft repossession/recovery costs of Goshawk of HK$1,897.1 million (net of tax) (included in "share of results of joint ventures" and detailed in note 24(b)) and impairment loss for investment in Wai Kee of HK$109.9 million (included in "other income and gains, net" and detailed in notes 8 and 23(e)), offset by the reversal of provision for onerous contract of HK$230.0 million (included in "other income and gains, net" and detailed in notes 5(h) and 8).

(ii) The finance costs recognized in the consolidated income statement for FY2022 from continuing operations is HK$760.1 million, in which the above HK$424.9 million represents corporate office finance costs and HK$335.2 million is recognized as part of Attributable Operating Profit in various reportable segments.

| | | | | | Discontinued operation | |
|---|---|---|---|---|---|---|
| | Logistics | Facilities Management | Strategic Investments | Subtotal | Environment | Total |
| | 11.8 | 794.9 | – | 31,140.5 | – | 31,140.5 |
| | – | (0.1) | – | (1.9) | – | (1.9) |
| | 11.8 | 794.8 | – | 31,138.6 | – | 31,138.6 |
| | – | 186.0 | – | 2,903.5 | – | 2,903.5 |
| | – | 608.8 | – | 16,573.9 | – | 16,573.9 |
| | – | 794.8 | – | 19,477.4 | – | 19,477.4 |
| | 11.8 | – | – | 11,661.2 | – | 11,661.2 |
| | 11.8 | 794.8 | – | 31,138.6 | – | 31,138.6 |
| | (4.0) | (254.2) | (300.6) | 2,237.3 | – | 2,237.3 |
| | 0.8 | (162.4) | 206.3 | 350.2 (c) | 121.0 | 471.2 |
| | 595.8 | 7.1 | (47.4) | 1,662.4 (c) | – | 1,662.4 |
| | 592.6 | (409.5) | (141.7) | 4,249.9 | 121.0 | 4,370.9 |
| | | | | | | (1,816.9) (i) |
| | | | | | | 243.9 |
| | | | | | | 78.2 |
| | | | | | | 97.5 |
| | | | | | | 49.9 |
| | | | | | | (424.9) (ii) |
| | | | | | | (428.7) |
| | | | | | | 2,169.9 |
| | | | | | | (583.1) |
| | | | | | | 1,586.8 |

## 6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

**(a)** The information of the reportable segments provided to the Executive Committee for FY2022 and related comparative figures is as follows (continued):

| | Continuing operations | | | | |
|---|---|---|---|---|---|
| **HK$'m** | **Roads** | **Aviation** | **Construction** | **Insurance** | |
| **2022** | | | | | |
| Depreciation of property, plant and equipment | 54.3 | – | 51.3 | 42.8 | |
| Depreciation of right-of-use assets | 0.8 | – | 33.6 | 120.0 | |
| Amortization of intangible concession rights | 962.2 | – | – | – | |
| Amortization of intangible assets | – | – | – | 51.8 | |
| Amortization of VOBA | – | – | – | 155.3 | |
| Interest income | (46.9) | – | (1.8) | (1,639.0) | |
| Finance costs | 154.2 | – | 56.9 | 94.6 | |
| Income tax expenses/(credit) | 402.9 | – | 141.7 | 77.3 | |
| Overlay approach adjustments on financial assets | – | – | – | (1,845.9) | |
| Net loss on fair value of financial assets at FVPL | – | – | 1.7 | 1,120.1 | |
| Additions to non-current assets (remark) | 170.9 | – | 412.8 | 781.8 | |
| **At 30 June 2022** | | | | | |
| Company and subsidiaries | 15,987.9 | 6,166.6 | 7,342.3 | 78,746.1 | |
| Associated companies | 2,855.3 | – | 381.8 | – | |
| Joint ventures | 3,822.9 | 301.0 | – | – | |
| Total assets | 22,666.1 | 6,467.6 | 7,724.1 | 78,746.1 | (b) |
| Total liabilities | 5,632.2 | – | 6,741.5 | 62,731.8 | (b) |

Remark: Being additions to non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, VOBA and DAC.

| Logistics | Facilities Management | Strategic Investments | Corporate | Subtotal | Discontinued operation<br>Environment | Total |
|---|---|---|---|---|---|---|
| 0.2 | 102.1 | – | 6.3 | 257.0 | – | 257.0 |
| 1.1 | 95.2 | – | 13.3 | 264.0 | – | 264.0 |
| – | – | – | – | 962.2 | – | 962.2 |
| – | 31.2 | – | – | 83.0 | – | 83.0 |
| – | – | – | – | 155.3 | – | 155.3 |
| (0.5) | (28.3) | (85.4) | (49.9) | (1,851.8) | – | (1,851.8) |
| – | 28.4 | 1.1 | 424.9 | 760.1 | – | 760.1 |
| (0.1) | (40.5) | 19.2 | (24.3) | 576.2 | – | 576.2 |
| – | – | – | – | (1,845.9) | – | (1,845.9) |
| – | – | 206.1 | – | 1,327.9 | – | 1,327.9 |
| 2,099.6 | 72.9 | 0.3 | 360.3 | 3,898.6 | – | 3,898.6 |
| 2,248.3 | 3,516.1 | 7,583.6 | 5,323.0 | 126,913.9 | – | 126,913.9 |
| 318.2 | 294.1 | 2,591.4 | 2.6 | 6,443.4 | – | 6,443.4 |
| 9,278.3 | 13.1 | 1,987.3 | 10.9 | 15,413.5 | – | 15,413.5 |
| 11,844.8 | 3,823.3 | 12,162.3 | 5,336.5 | 148,770.8 | – | 148,770.8 |
| 143.0 | 1,054.9 | 127.1 | 18,453.2 | 94,883.7 | – | 94,883.7 |

## 6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

**(a)** The information of the reportable segments provided to the Executive Committee for FY2022 and related comparative figures is as follows (continued):

| | Continuing operations | | | |
|---|---|---|---|---|
| HK$'m | Roads | Aviation | Construction | Insurance |
| 2021 (restated) | | | | |
| 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 | – | – | – | 8,906.3 |
| | 3,033.2 | – | 15,114.1 | 9,640.6 |
| Attributable Operating Profit/(Loss) | | | | |
| Company and subsidiaries | 955.6 | – | 780.2 | 971.7 |
| Associated companies | 205.1 | – | 191.5 | – |
| Joint ventures | 646.8 | 496.0 | 0.3 | – |
| | 1,807.5 | 496.0 | 972.0 | 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 | | | | |

(iii) The amount mainly represented remeasurement/impairment loss for investment in Wai Kee of HK$1,430.3 million (restated, included in "other income and gains, net" and detailed in note 8) and for investment in Derun Environment of HK$228.1 million (included in "profit/(loss) from discontinued operations" and detailed in note 33), share of impairment loss, expected credit loss provision and aircraft repossession/recovery costs of 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 as well as certain other expected credit loss provision.

(iv) The finance costs recognized in the consolidated income statement for FY2021 from continuing operations and discontinued operations was HK$838.7 million and HK$5.7 million (note 33(a)) respectively, in which the above HK$483.4 million represented corporate office finance costs and HK$361.0 million was 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 | 2,737.2 | | 5.0 | (3.5) | 2,738.7 | |
| | 101.4 | (217.5) | 144.7 | 425.2 | (c) | 144.4 | 8.3 | 577.9 | |
| | 564.0 | 5.9 | 124.9 | 1,837.9 | (c) | 94.9 | – | 1,932.8 | |
| | 663.0 | (649.3) | 739.4 | 5,000.3 | | 244.3 | 4.8 | 5,249.4 | |
| | | | | | | | | (13.2) | |
| | | | | | | | | (2,608.1) | (iii) |
| | | | | | | | | 9.3 | |
| | | | | | | | | (59.1) | |
| | | | | | | | | 37.5 | |
| | | | | | | | | (483.4) | (iv) |
| | | | | | | | | (435.8) | |
| | | | | | | | | 1,696.6 | |
| | | | | | | | | (583.1) | |
| | | | | | | | | 1,113.5 | |

## 6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

**(a)** The information of the reportable segments provided to the Executive Committee for FY2022 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 (restated) | | | | |
| Company and subsidiaries | 16,351.4 | 6,168.0 | 6,280.0 | 84,705.6 |
| Associated companies | 2,808.1 | – | 449.0 | – |
| Joint ventures | 4,312.4 | 1,198.7 | – | – |
| Total assets | 23,471.9 | 7,366.7 | 6,729.0 | 84,705.6 |
| Total liabilities | 6,175.0 | – | 6,679.6 | 60,509.6 |

Remark: Being additions to non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, VOBA and DAC.

| | | | | | Discontinued operations | | |
|---|---|---|---|---|---|---|---|
| Logistics | Facilities Management | Strategic Investments | Corporate | Subtotal | Environment | Transport | Total |
| – | 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 | 131,659.6 | 4,054.5 | – | 135,714.1 |
| – | 310.7 | 2,482.5 | 2.5 | 6,052.8 | – | – | 6,052.8 |
| 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)

**(b)** Additional information of assets and liabilities by the following line items:

**At 30 June 2022**

| HK$'m | Non-insurance and corporate | Insurance | Total |
|---|---|---|---|
| **Assets** | | | |
| Investment properties | 4,153.3 | 688.9 | 4,842.2 |
| Intangible concession rights | 13,081.9 | – | 13,081.9 |
| Intangible assets | 156.8 | 5,733.3 | 5,890.1 |
| Value of business acquired | – | 5,239.8 | 5,239.8 |
| Deferred acquisition costs | – | 2,335.0 | 2,335.0 |
| Associated companies | 6,443.4 | – | 6,443.4 |
| Joint ventures | 15,413.5 | – | 15,413.5 |
| Financial assets at FVOCI | 1,032.8 | 40,551.0 | 41,583.8 |
| Financial assets at FVPL | 5,146.8 | 7,808.6 | 12,955.4 |
| Derivative financial instruments | 27.4 | 64.5 | 91.9 |
| Trade, premium and other receivables | 13,471.1 | 746.0 | 14,217.1 |
| Investments related to unit-linked contracts | – | 8,649.2 | 8,649.2 |
| Cash and bank balances | 7,861.5 | 5,591.1 | 13,452.6 |
| Others | 3,236.2 | 1,338.7 | 4,574.9 |
| | 70,024.7 | 78,746.1 | 148,770.8 |
| Represented by | | | |
| Non-current assets | 46,595.7 | 60,672.1 | 107,267.8 |
| Current assets | 23,429.0 | 18,074.0 | 41,503.0 |
| | 70,024.7 | 78,746.1 | 148,770.8 |
| **Liabilities** | | | |
| Borrowings and other interest-bearing liabilities | 21,338.8 | 2,252.1 | 23,590.9 |
| Insurance and investment contract liabilities | – | 48,204.4 | 48,204.4 |
| Liabilities related to unit-linked contracts | – | 8,835.9 | 8,835.9 |
| Trade, other payables and payables to policyholders | 7,817.1 | 2,586.4 | 10,403.5 |
| Others | 2,996.0 | 853.0 | 3,849.0 |
| | 32,151.9 | 62,731.8 | 94,883.7 |
| Represented by | | | |
| Non-current liabilities | 20,509.8 | 17,431.1 | 37,940.9 |
| Current liabilities | 11,642.1 | 45,300.7 | 56,942.8 |
| | 32,151.9 | 62,731.8 | 94,883.7 |
| **Net current assets/(liabilities) (note 2)** | 11,786.9 | (27,226.7) | (15,439.8) |

## 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 2022 | Associated companies 2021 (restated) | Joint ventures 2022 | Joint ventures 2021 |
|---|---|---|---|---|---|
| Attributable Operating Profit | | **350.2** | 425.2 | **1,662.4** | 1,837.9 |
| Corporate and non-operating items | | | | | |
| – Remeasurement/impairment loss, expected credit loss provision and/or aircraft repossession/ recovery costs | 23(e), 24(b) | **–** | (120.0) | **(1,897.1)** | (553.3) |
| – Others | | **(9.7)** | 6.4 | **(20.2)** | (4.0) |
| Share of results of associated companies and joint ventures | | **340.5** | 311.6 | **(254.9)** | 1,280.6 |

**(d)** Information by geographical areas:

| HK$'m | Non-current assets (remark) 2022 | Non-current assets (remark) 2021 |
|---|---|---|
| Hong Kong | **10,789.0** | 9,743.8 |
| Mainland China | **15,669.6** | 14,722.6 |
| Others | **32.0** | 32.7 |
| | **26,490.6** | 24,499.1 |

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 2022 | Associated companies 2021 (restated) | Joint ventures 2022 | Joint ventures 2021 |
|---|---|---|---|---|---|
| Hong Kong | | **3,349.1** | 2,989.2 | **741.8** | 734.7 |
| Mainland China | | **1,458.9** | 1,279.0 | **12,408.0** | 9,274.0 |
| Global and others | | **739.4** | 842.5 | **5,595.2** | 5,736.5 |
| | 23(k), 24(i) | **5,547.4** | 5,110.7 | **18,745.0** | 15,745.2 |

Remark: Being balance of non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, VOBA and DAC.

## 7 OPERATING PROFIT

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

| | Note | 2022<br>HK$'m | 2021<br>HK$'m |
|---|---|---|---|
| **Crediting** | | | |
| Gross rental income from investment properties | | **67.3** | 49.5 |
| Less: outgoings | | **(16.6)** | (11.2) |
| | | **50.7** | 38.3 |
| **Charging** | | | |
| Auditors' remuneration | | **22.4** | 19.1 |
| Cost of inventories sold | | **57.9** | 32.0 |
| Cost of construction | | **12,495.4** | 12,436.8 |
| Claims and benefits, net of reinsurance | | **11,436.7** | 8,331.3 |
| Depreciation of property, plant and equipment | 17 | **257.0** | 266.0 |
| Depreciation of right-of-use assets | 21(c) | **264.0** | 271.6 |
| Amortization of intangible concession rights | 18 | **962.2** | 1,052.5 |
| Amortization of intangible assets | 19 | **83.0** | 69.1 |
| Amortization of VOBA | 20 | **155.3** | 256.4 |
| Agency commission and allowances, net of change in deferred acquisition costs | (a) | **1,171.4** | 856.3 |
| Expenses on short-term leases | | **20.3** | 15.6 |
| Expenses on variable lease payments | | **75.1** | 57.2 |
| Staff costs (including directors' emoluments (note 15)) | 10 | **2,609.8** | 2,442.2 |
| Other costs and expenses | | **1,207.9** | 1,079.6 |
| | | **30,818.4** | 27,185.7 |
| Represented by | | | |
| Cost of sales | 9 | **27,609.3** | 24,406.1 |
| Selling and marketing expenses | | **1,290.9** | 969.0 |
| General and administrative expenses | | **1,918.2** | 1,810.6 |
| | | **30,818.4** | 27,185.7 |

(a) The amount includes amortization of deferred acquisition costs arising from insurance business of HK$524.2 million (2021: HK$367.0 million) (note 22).

## 8 OTHER INCOME AND GAINS, NET

| | Note | 2022 HK$'m | 2021 HK$'m (restated) |
|---|---|---|---|
| **Continuing operations** | | | |
| Credits/(charges) associated with liabilities related to unit-linked contracts | | **2,198.8** | (2,171.0) |
| Reversal of provision for onerous contract | 5(h), 6(a)(i) | **230.0** | – |
| Net profit on disposal of debt instruments as financial assets at FVOCI | | **137.6** | 40.7 |
| Profit on disposal/partial disposal of interests in associated companies | | **118.6** | 69.0 |
| Gain on redemption of fixed rate bonds | 49(c) | **117.0** | – |
| Net gain/(loss) on fair value of derivative financial instruments | | **55.7** | (59.1) |
| Profit on disposal of interest in a joint venture | | **–** | 40.4 |
| Interest income | | | |
| – Debt instruments as financial assets at FVOCI | | **1,625.5** | 1,392.0 |
| – Bank deposits and others | | **226.3** | 261.1 |
| Dividend income | | **323.1** | 190.4 |
| Other income | | **106.2** | 40.3 |
| Net exchange gain | | **85.8** | 47.1 |
| Net (loss)/gain associated with investments related to unit-linked contracts | | **(2,201.6)** | 2,187.9 |
| Net (loss)/gain on fair value of financial assets at FVPL | (a) | **(1,327.9)** | 1,936.7 |
| Loss on disposal of an asset held-for-sale | 34 | **(56.0)** | – |
| Impairment/remeasurement loss related to associated companies | 6(a)(i), (iii), 23(e) | **(109.9)** | (1,558.3) |
| Net loss on fair value of investment properties | 16 | **–** | (13.2) |
| Expected credit loss provision | | | |
| – Trade, premium and other receivables | 30(e) | **(229.5)** | (418.4) |
| – Debt instruments as financial assets at FVOCI | | **(333.1)** | (37.1) |
| | | **966.6** | 1,948.5 |

(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 but currently classified as financial assets at FVPL under HKFRS 9. 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 net loss on fair value of financial assets at FVPL of HK$1,327.9 million (2021: net gain of HK$1,936.7 million) includes (i) a net fair value loss of HK$1,845.9 million (2021: net gain of HK$1,270.6 million) arising from those designated financial assets held by insurance business applying the overlay approach; and (ii) the remaining net fair value gain of HK$518.0 million (2021: HK$666.1 million) arising from other financial assets held by insurance business which are not eligible for the overlay approach or financial assets not related to insurance business. The net fair value loss of HK$1,845.9 million (note 37) (2021: net gain of HK$1,270.6 million) was then reclassified from consolidated income statement to other comprehensive income as overlay approach adjustments for the designated financial assets.

## 9 COST OF SALES

The Group's cost of sales from continuing operations is analyzed as follows:

| | Note | **2022 HK$'m** | 2021 HK$'m |
|---|---|---|---|
| Cost of inventories sold | | **57.9** | 32.0 |
| Cost of construction | (a) | **12,495.4** | 12,436.8 |
| Cost of services rendered | | **3,464.0** | 3,349.6 |
| Claims and benefits, net of reinsurance | (b) | **11,436.7** | 8,331.3 |
| Amortization of VOBA | 20 | **155.3** | 256.4 |
| | | **27,609.3** | 24,406.1 |

(a) Cost of construction mainly represents subcontractor's costs and material costs.

(b) Details of claims and benefits, net of reinsurance are shown below:

| | **2022 HK$'m** | 2021 HK$'m |
|---|---|---|
| Claims | **1,074.2** | 880.0 |
| Reinsurers' and coinsurers' share of claims | **(341.7)** | (233.0) |
| Claims, net of reinsurers' and coinsurers' share | **732.5** | 647.0 |
| Surrenders, annuities and maturities | **1,297.1** | 1,083.4 |
| Reinsurers' and coinsurers' share | **39.0** | (7.9) |
| | **1,336.1** | 1,075.5 |
| Policyholders' dividends and interests | **389.8** | 368.7 |
| Incentives to policyholders | **289.3** | 280.6 |
| Increase in insurance contract liabilities | **8,689.0** | 5,959.5 |
| Total claims and benefits, net of reinsurance | **11,436.7** | 8,331.3 |

The increase is mainly due to (i) growth of in-force business with regard to higher premium received during FY2022, (ii) higher net claims incurred compared to FY2021 as well as (iii) additional increase in insurance contract liabilities with respect to increase in realized investment income. The increase in insurance contract liabilities includes an estimate of future dividend payments to the policyholders of participating products which is partly determined based on the investment income arising from participating fund assets, whereas the corresponding investment income is recognized in "other income and gains, net" and is not netted in the "cost of sales" for presentation purpose.

## 10 STAFF COSTS

### (a) Staff costs

| | Note | 2022 HK$'m | 2021 HK$'m |
|---|---|---|---|
| **Continuing operations** | | | |
| Wages, salaries and other benefits | | **2,472.9** | 2,312.1 |
| Pension costs – defined contribution plans | | **135.2** | 128.1 |
| Pension costs – defined benefits plans | | **1.7** | 2.0 |
| | 7 | **2,609.8** | 2,442.2 |

Directors' emoluments are included in staff costs.

Subsidies received from Employment Support Scheme launched by the Hong Kong Government amounting to HK$25.0 million for FY2022 (2021: HK$131.1 million) are netted 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 two (2021: three) directors whose emoluments are reflected in note 15(a). The emoluments of the remaining three individuals (2021: two) during the year are as follows:

| | 2022 HK$'m | 2021 HK$'m |
|---|---|---|
| Fees | **0.1** | 0.1 |
| Basic salaries, allowances and other benefits | **36.5** | 12.7 |
| Discretionary bonuses | **20.2** | 17.9 |
| Employer's contribution to retirement benefits schemes | **1.0** | 1.1 |
| | **57.8** | 31.8 |

The emoluments of the individuals fell within the following bands:

| | Number of individual(s) | |
|---|---|---|
| | **2022** | 2021 |
| Emolument band (HK$) | | |
| 12,000,001–12,500,000 | **–** | 1 |
| 12,500,001–13,000,000 | **1** | – |
| 15,500,001–16,000,000 | **1** | – |
| 19,000,001–19,500,000 | **–** | 1 |
| 29,000,001–29,500,000 | **1** | – |

## 10 STAFF COSTS (CONTINUED)

### (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) | |
|---|---|---|
| | **2022** | 2021 |
| Emolument band (HK$) | | |
| 1,500,001–2,000,000 | **1** | – |
| 2,500,001–3,000,000 | **–** | 2 |
| 3,000,001–3,500,000 | **–** | 1 |
| 4,000,001–4,500,000 | **1** | 2 |
| 4,500,001–5,000,000 | **2** | – |
| 6,000,001–6,500,000 | **1** | – |

## 11 FINANCE COSTS

| | Note | **2022 HK$'m** | 2021 HK$'m |
|---|---|---|---|
| **Continuing operations** | | | |
| Interest on borrowings and other interest-bearing liabilities | | **338.9** | 397.5 |
| Interest on fixed rate bonds | | **278.8** | 294.3 |
| Interest on lease liabilities | 49(c) | **46.3** | 53.0 |
| Others | | **96.1** | 93.9 |
| | | **760.1** | 838.7 |

## 12 INCOME TAX EXPENSES

Hong Kong profits tax is provided at the rate of 16.5% (2021: 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% (2021: 12% to 28%). Withholding tax on dividends is mainly provided at the rate of 5% or 10% (2021: 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 | **2022**<br>**HK$'m** | 2021<br>HK$'m |
|---|---|---|---|
| Current income tax | | | |
| Hong Kong profits tax | | **262.6** | 224.4 |
| Mainland China and overseas taxation | | **502.5** | 628.6 |
| Deferred income tax credit | 40 | **(188.9)** | (161.8) |
| | | **576.2** | 691.2 |

Share of taxation of associated companies and joint ventures from continuing operations of HK$110.9 million (2021: HK$151.0 million) and HK$277.3 million (2021: HK$339.7 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$67.4 million (2021: HK$124.1 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:

| | **2022** **HK$'m** | 2021 HK$'m (restated) |
|---|---|---|
| Profit before income tax | **2,458.2** | 2,443.0 |
| Excluding share of results of associated companies | **(340.5)** | (311.6) |
| Excluding share of results of joint ventures | **254.9** | (1,280.6) |
| | **2,372.6** | 850.8 |
| Calculated at a taxation rate of 16.5% (2021: 16.5%) | **391.5** | 140.4 |
| Effect of different taxation rates in other countries | **106.2** | 127.7 |
| Tax on 5% of net premium of life insurance business | **104.9** | 73.1 |
| Results of life insurance business not taxable at the statutory rate | **(181.5)** | (177.4) |
| Income not subject to taxation | **(137.2)** | (101.7) |
| Expenses not deductible for taxation purposes | **177.4** | 464.2 |
| Tax losses not recognized | **86.9** | 28.0 |
| Utilization of previously unrecognized tax losses | **(3.4)** | (0.7) |
| Withholding tax | **81.2** | 130.1 |
| Over-provisions in prior years | **(47.8)** | (1.8) |
| Others | **(2.0)** | 9.3 |
| Income tax expenses | **576.2** | 691.2 |

## 13 DIVIDENDS

| | **2022** **HK$'m** | 2021 HK$'m |
|---|---|---|
| Interim dividend paid of HK$0.30 (2021: HK$0.29) per share | **1,173.4** | 1,134.2 |
| Final dividend proposed of HK$0.31 (2021: paid of HK$0.30) per share | **1,212.2** | 1,173.3 |
| | **2,385.6** | 2,307.5 |

At the meeting held on 30 September 2022, the Board recommended a final dividend of HK$0.31 per share. This proposed dividend has not been recognized as a dividend payable in these consolidated financial statements but will be reflected as an appropriation of the retained profits in the consolidated financial statements for FY2023.

Subject to the passing of the relevant resolution at the 2022 AGM, it is expected that the final dividend will be paid on or about 16 December 2022.

## 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$1,284.5 million (2021 restated: HK$1,157.3 million) and on the weighted average of 3,911,137,849 (2021: 3,911,137,849) ordinary shares outstanding during the year.

The calculation of basic earnings/(loss) per share from discontinued operations is based on the profit attributable to shareholders of the Company arising from the discontinued operations of HK$302.3 million (2021: loss of HK$43.8 million) and on the weighted average ordinary shares outstanding during the year as abovementioned.

There is no dilutive potential ordinary share outstanding for FY2022 and FY2021.

## 15 BENEFITS AND INTERESTS OF DIRECTORS

**(a)** The aggregate amounts of emoluments of the directors of the Company are as follows:

| | Note | **2022**<br>**HK$'m** | 2021<br>HK$'m |
|---|---|---|---|
| Remunerations | (i) | **84.8** | 69.4 |

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 | 2022 Total HK$'m | 2021 Total HK$'m |
| Dr Cheng Kar Shun, Henry | 0.69 | 0.03 | 10.86 | 0.63 | **12.21** | 9.13 |
| Mr Ma Siu Cheung | 1.17 | 0.11 | 12.62 | 0.37 | **14.27** | 10.29 |
| Mr Ho Gilbert Chi Hang | 0.98 | 0.06 | 9.48 | 0.58 | **11.10** | 8.70 |
| Dr Cheng Chi Kong, Adrian | 0.60 | 0.06 | 7.33 | 0.55 | **8.54** | 8.23 |
| Mr Cheung Chin Cheung* | 0.41 | 0.08 | 7.34 | 0.55 | **8.38** | 7.84 |
| Mr Cheng Chi Ming, Brian | 0.68 | 0.07 | 7.52 | 0.57 | **8.84** | 8.19 |
| Mr Chow Tak Wing** | 0.39 | 0.07 | 8.71 | 0.27 | **9.44** | 7.84 |
| Mr Cheng Chi Leong, Christopher | 0.30 | 0.06 | 6.84 | 0.26 | **7.46** | 3.79 |
| Mr To Hin Tsun, Gerald | 0.30 | 0.06 | – | – | **0.36** | 0.37 |
| Mr Dominic Lai | 0.43 | 0.09 | – | – | **0.52** | 0.53 |
| Mr Tsang Yam Pui*** | – | – | – | – | **–** | 0.37 |
| Mr Lam Wai Hon, Patrick**** | – | – | – | – | **–** | 0.39 |
| Mr William Junior Guilherme Doo | 0.35 | 0.06 | – | – | **0.41** | 0.42 |
| Mr Kwong Che Keung, Gordon | 0.63 | 0.09 | – | – | **0.72** | 0.74 |
| Dr Cheng Wai Chee, Christopher** | 0.47 | 0.09 | – | – | **0.56** | 0.57 |
| Mr Shek Lai Him, Abraham | 0.52 | 0.09 | – | – | **0.61** | 0.62 |
| Mr Lee Yiu Kwong, Alan | 0.43 | 0.09 | – | – | **0.52** | 0.53 |
| Mrs Oei Wai Chi Grace Fung | 0.39 | 0.08 | – | – | **0.47** | 0.48 |
| Mr Wong Kwai Huen, Albert | 0.34 | 0.06 | – | – | **0.40** | 0.41 |
| Professor Chan Ka Keung, Ceajer***** | – | – | – | – | **–** | – |
| | 9.08 | 1.25 | 70.70 | 3.78 | **84.81** | 69.44 |

* Resigned on 1 July 2022

** Resigned on 1 January 2022

*** 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

***** Appointed on 1 January 2022

# The amount represented emoluments paid in respect of a person's services as a director, whether of the Company or its subsidiary undertakings.

## The amount represented emoluments paid 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 2022, the approximate total contract sum was HK$1,055.5 million (2021: HK$936.0 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 | Commercial properties in Mainland China | Residential properties in Mainland China | Total |
|---|---|---|---|---|---|---|
| At 1 July 2021 | | **1,644.0** | **31.4** | **–** | **6.0** | **1,681.4** |
| Additions | (c), (d) | **1,054.1** | **–** | **2,096.0** | **–** | **3,150.1** |
| Translation differences | | **–** | **–** | **10.9** | **(0.2)** | **10.7** |
| **At 30 June 2022** | | **2,698.1** | **31.4** | **2,106.9** | **5.8** | **4,842.2** |

| 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 |

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 2022 by independent, professionally qualified valuers, Knight Frank Petty Limited and Jones Lang LaSalle Corporate Appraisal and Advisory Limited, based on a market value assessment or income approach as detailed in note 5(b).

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 certain commercial properties in Hong Kong, Macau and Mainland China 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.

Fair values of the residential properties in Mainland China and certain commercial properties in Hong Kong are 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.

There were no changes to the valuation techniques during the year.

**(c)** In May 2022, the Group entered into the share purchase agreements to acquire the entire equity interests of a portfolio of property investment companies and investment holding companies ("Assets Co") and the entire amount of shareholders' loans owed by the Assets Co at an aggregate consideration of RMB2,290.0 million (equivalent to approximately HK$2,663.0 million), subject to adjustments. Assets Co mainly consist of five completed logistics properties in operation and one property under development located in Chengdu and Wuhan and the logistics properties are held for long-term rental yield, accordingly, such logistics properties are accounted for as investment properties.

In June 2022, the acquisitions of five operating logistics properties were completed. The remaining one is yet to complete as of the date of this annual report and is estimated to be completed by the end of 2022.

**(d)** During the year, the Group acquired the office units on 18th–21st floors and car parking spaces of No. 888 Lai Chi Kok Road, Kowloon, Hong Kong at the aggregate purchase price of approximately HK$1,367 million and HK$81 million respectively. Certain floors of the office units and car parking spaces are held for long-term rental yield purpose and HK$1,054.1 million was included as investment properties, while the remaining floor of office units and car parking spaces are for self-occupation and accounted for as property, plant and equipment and/or right-of-use assets.

## 16 INVESTMENT PROPERTIES (CONTINUED)

### (e) Significant unobservable inputs used to determine fair value

| | **Fair value at 30 June 2022 HK$'m** | Fair value at 30 June 2021 HK$'m | Valuation methods | Unobservable inputs | **Range of unobservable inputs for 2022** | Range of unobservable inputs for 2021 | Note |
|---|---|---|---|---|---|---|---|
| Commercial properties in Hong Kong | **1,644.0** | 1,644.0 | Income capitalization | Capitalization rate | **4.2%–5.2%** | 4.2%-5.2% | (i) |
| | | | | Average monthly rental | **HK$40– HK$340/sq ft HK$3,600 per carpark space** | HK$40– HK$440/sq ft HK$3,600 per carpark space | (ii) |
| | **1,054.1** | – | Sales comparison | Property specific adjusting factor | **0.90–1.10** | N/A | (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) |
| Commercial properties in Mainland China | **2,106.9** | – | Income capitalization | Capitalization rate | **5.5%–6.0%** | N/A | (i) |
| | | | | Average daily rental | **RMB0.67– RMB1.05/sq m** | N/A | (ii) |
| Residential properties in Mainland China | **5.8** | 6.0 | Sales comparison | Property specific adjusting factor | **1.00–1.05** | 1.00–1.05 | (ii) |
| | **4,842.2** | 1,681.4 | | | | | |

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.

## 16 INVESTMENT PROPERTIES (CONTINUED)

(f) Particulars of major investment properties held by the Group as at 30 June 2022 are as follows:

| | Address | Type of use | Land lease expiry |
|---|---|---|---|
| (i) | Shopping arcade and car parking spaces of Hong Kong Convention and Exhibition Centre, No. 1 Harbour Road, Wan Chai, Hong Kong | Retail, meeting rooms and carparks | 2060 |
| (ii) | Office units on 18th-20th floors and car parking spaces of NCB Innovation Centre, No. 888 Lai Chi Kok Road, Kowloon, Hong Kong | Offices and carparks | 2067 |
| (iii) | No.633 Huiyuan Road, Shuangliu District, Chengdu City, Sichuan Province | Logistics centre | 2063 |
| (iv) | No.333 4th Road South, Chengdu Economic & Technological Development Zone (Longquanyi District), Chengdu City, Sichuan Province | Logistics centre | 2062 |
| (v) | No.3300 Xichuang Avenue, Puxing Town, Xinjin County, Chengdu City, Sichuan Province | Logistics centre | 2064/2065 |
| (vi) | No.1199 Tuoyuan Road, Xindu Town, Xindu District, Chengdu City, Sichuan Province | Logistics centre | 2064 |
| (vii) | North side of Tongjiang 2nd Road, Shamao Street, Hannan District, Wuhan City, Hubei Province | Logistics centre | 2064 |

## 17 PROPERTY, PLANT AND EQUIPMENT

| HK$'m | Note | Land and properties | Other plant and equipment | Motor vehicles | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 July 2021 | | 107.4 | 2,888.0 | 28.2 | 3,023.6 |
| Additions | | 145.5 | 257.8 | – | 403.3 |
| Disposals | | – | (36.9) | (0.1) | (37.0) |
| Translation differences | | (0.2) | (12.4) | – | (12.6) |
| **At 30 June 2022** | | 252.7 | 3,096.5 | 28.1 | 3,377.3 |
| **Accumulated depreciation and impairment** | | | | | |
| At 1 July 2021 | | 22.0 | 1,792.1 | 23.5 | 1,837.6 |
| Depreciation | 7 | 3.4 | 251.0 | 2.6 | 257.0 |
| Impairment | | – | 9.0 | – | 9.0 |
| Disposals | | – | (36.1) | (0.1) | (36.2) |
| Translation differences | | – | (5.8) | – | (5.8) |
| **At 30 June 2022** | | 25.4 | 2,010.2 | 26.0 | 2,061.6 |
| **Net book value** | | | | | |
| **At 30 June 2022** | | 227.3 | 1,086.3 | 2.1 | 1,315.7 |

## 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 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) |
| Disposals | | – | (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 represented depreciation charge of HK$377.1 million which included HK$266.0 million (note 7) arising from continuing operations and HK$111.1 million arising from discontinued operations.

## 18 INTANGIBLE CONCESSION RIGHTS

| | Note | 2022 HK$'m | 2021 HK$'m |
|---|---|---|---|
| **Cost** | | | |
| At beginning of year | | **24,571.2** | 22,418.0 |
| Translation differences | | **(576.3)** | 2,153.2 |
| At end of year | | **23,994.9** | 24,571.2 |
| **Accumulated amortization and impairment** | | | |
| At beginning of year | | **10,215.6** | 8,334.1 |
| Amortization | 7 | **962.2** | 1,052.5 |
| Translation differences | | **(264.8)** | 829.0 |
| At end of year | | **10,913.0** | 10,215.6 |
| **Net book value** | | | |
| At end of year | (a) | **13,081.9** | 14,355.6 |

(a) 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 2021 | | **5,595.0** | **780.7** | **6,375.7** |
| Additions | | **–** | **62.0** | **62.0** |
| Disposals | | **–** | **(6.3)** | **(6.3)** |
| **At 30 June 2022** | | **5,595.0** | **836.4** | **6,431.4** |
| **Accumulated amortization and impairment** | | | | |
| At 1 July 2021 | | **15.4** | **444.1** | **459.5** |
| Amortization | 7 | **–** | **83.0** | **83.0** |
| Disposals | | **–** | **(1.2)** | **(1.2)** |
| **At 30 June 2022** | | **15.4** | **525.9** | **541.3** |
| **Net book value** | | | | |
| **At 30 June 2022** | | **5,579.6** | **310.5** | **5,890.1** |

| 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 | 49(b) | (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 | 7 | – | 69.1 | 69.1 |
| Disposal of subsidiaries | 49(b) | (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 |

## 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 2022** | | | |
| Roads | **–** | **3.3** | **3.3** |
| Insurance | **5,576.3** | **–** | **5,576.3** |
| | **5,576.3** | **3.3** | **5,579.6** |
| At 30 June 2021 | | | |
| Roads | – | 3.3 | 3.3 |
| Insurance | 5,576.3 | – | 5,576.3 |
| | 5,576.3 | 3.3 | 5,579.6 |

***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 value of new business being 21% to 30% 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 2022.

The assumptions used in the carrying value assessment are highly judgmental, and heavily dependent on the discount rate used and value of new business projection. For example, any increase in the risk premium or any decrease in the value of 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. A reasonably possible change in assumption would not result in impairment and as such disclosure of sensitivity analysis is not considered necessary.

### (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 | 2022 HK$'m | 2021 HK$'m |
|---|---|---|---|
| At beginning of the year | | **5,395.1** | 5,651.5 |
| Amortization | 7, 9 | **(155.3)** | (256.4) |
| At end of year | | **5,239.8** | 5,395.1 |

## 21 RIGHT-OF-USE ASSETS

| | 2022 HK$'m | 2021 HK$'m |
|---|---|---|
| Leasehold land | **409.8** | 209.6 |
| Buildings, plant and equipment | **411.8** | 527.3 |
| Others | **539.1** | 623.0 |
| | **1,360.7** | 1,359.9 |

(a) Rental contracts capitalized as right-of-use assets are typically made for fixed periods range from 18 months to 19 years (2021: 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 (2021: same).

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$283.2 million (2021: HK$69.4 million) of which HK$214.6 million (2021: nil) is relating to acquisition of the office units as set out in note 16(d).

(c) Depreciation of right-of-use assets from continuing operations are as follows:

| | Note | 2022 HK$'m | 2021 HK$'m |
|---|---|---|---|
| Leasehold land | | **20.8** | 20.1 |
| Buildings, plant and equipment | | **159.2** | 167.5 |
| Others | | **84.0** | 84.0 |
| | 7 | **264.0** | 271.6 |

## 22 DEFERRED ACQUISITION COSTS

| | Note | 2022 HK$'m | 2021 HK$'m |
|---|---|---|---|
| At beginning of the year | | **1,711.5** | 688.2 |
| Additions of new business | | **1,147.7** | 1,390.3 |
| Amortization | 7(a) | **(524.2)** | (367.0) |
| At end of year | | **2,335.0** | 1,711.5 |

## 23 ASSOCIATED COMPANIES

| | Note | 2022 HK$'m | 2021 HK$'m (restated) |
|---|---|---|---|
| Group's share of net assets, including goodwill | | | |
| Listed shares – Hong Kong | (a), (d) | **1,482.8** | 1,457.3 |
| Listed shares – overseas | (a) | **654.4** | 628.1 |
| Unlisted shares | (b) | **4,080.4** | 3,737.4 |
| | | **6,217.6** | 5,822.8 |
| Amounts receivable | | | |
| Gross amount | (f) | **1,850.5** | 1,704.7 |
| Less: provision | (g) | **(1,624.7)** | (1,474.7) |
| | (c), (e) | **6,443.4** | 6,052.8 |

(a) As at 30 June 2022, the share of market value of the Group's listed associated companies amounts to HK$1,685.6 million (2021 restated: HK$2,473.5 million).

(b) As at 30 June 2022, 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$1,702.8 million (2021: HK$1,679.9 million) as security for a bank loan borrowed by that associated company.

(c) As at 30 June 2022, the carrying amount mainly represents the Group's investments in various roads, logistics, healthcare, strategic investments and other projects.

(d) During the year, the Group reclassified an investment from an asset held-for-sale to interest in associated companies. Details are set out in note 2(c).

(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 2022 except for an impairment loss of HK$109.9 million (note 6(a)(i) and 8) was recognized in "other income and gains, net" from continuing operations in the consolidated income statement (2021 restated: an aggregate impairment/remeasurement loss of HK$1,678.3 million, of which HK$1,558.3 million (note 8) was recognized in "other income and gains, net" from continuing operations in the consolidated income statement whereas HK$120.0 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 | 2022 HK$'m | 2021 HK$'m |
|---|---|---|---|
| Interest bearing | (i) | **1,704.7** | 1,704.7 |
| Non-interest bearing | | **145.8** | – |
| | | **1,850.5** | 1,704.7 |

(i) The balance includes an amount of HK$104.7 million (2021: HK$104.7 million) which carries interest at 8% per annum, an aggregate amount of HK$1,600.0 million (2021: HK$1,600.0 million) which carries interest at 6-month HIBOR plus a margin of 1.3% per annum.

The amounts are not repayable within the next 12 months from the end of the reporting period. As at 30 June 2022, the above amounts are not materially different from their fair values.

(g) During the current year, provision for amounts receivable from certain associated companies of HK$150.0 million (2021: HK$215.0 million) is recognized by the Group, representing the Group's share of results from respective associated companies against the investment in associated companies.

(h) Dividend income from associated companies for the current year is HK$187.1 million (2021 restated: HK$375.0 million). The amount of dividend income received during the current year amounting to HK$463.5 million (2021: HK$436.3 million) is disclosed in the consolidated statement of cash flows.

(i) Details of principal associated companies are given in note 55. The directors of the Company are of the view that as at 30 June 2022, 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 | 2022 HK$'m | 2021 HK$'m (restated) |
|---|---|---|---|
| Revenue | 6(d) | **5,547.4** | 5,110.7 |
| Profit for the year | | **340.5** | 311.6 |
| Other comprehensive (loss)/income for the year | | **(85.4)** | 669.0 |
| Total comprehensive income for the year | | **255.1** | 980.6 |

## 23 ASSOCIATED COMPANIES (CONTINUED)

(l) The Group's share of assets and liabilities of associated companies are summarized below:

| | 2022 HK$'m | 2021 HK$'m (restated) |
|---|---|---|
| Non-current assets | **8,335.8** | 8,003.6 |
| Current assets | **3,769.5** | 3,328.5 |
| Current liabilities | **(2,163.4)** | (1,852.1) |
| Non-current liabilities | **(5,648.1)** | (5,223.7) |
| Net assets | **4,293.8** | 4,256.3 |

## 24 JOINT VENTURES

| | Note | 2022 HK$'m | 2021 HK$'m |
|---|---|---|---|
| Co-operative joint ventures | | | |
| Cost of investment less provision, including goodwill | | **731.0** | 860.6 |
| Share of undistributed post-acquisition results | | **1,942.7** | 2,285.8 |
| Amounts receivable | (d) | **13.4** | 30.1 |
| | | **2,687.1** | 3,176.5 |
| Equity joint ventures | | | |
| Group's share of net assets, including goodwill | (b) | **2,569.7** | 3,459.3 |
| Companies limited by shares | | | |
| Group's share of net assets, including goodwill | (c) | **8,644.1** | 2,624.5 |
| Amounts receivable | | | |
| Gross amount | (d) | **2,902.5** | 2,953.7 |
| Less: provision | (e) | **(1,389.9)** | (1,408.0) |
| | | **10,156.7** | 4,170.2 |
| | (a) | **15,413.5** | 10,806.0 |

(a) As at 30 June 2022, the carrying amount mainly represents the Group's investments in various roads, logistics, commercial aircraft leasing and other projects. Except for note 24(b) below, management is of the view that there is no material impairment of the Group's investments in joint ventures as at 30 June 2022.

## 24 JOINT VENTURES (CONTINUED)

(b) Goshawk is principally engaged in the commercial aircraft leasing business. As mentioned in note 5(f), as of 30 June 2022 and up to the date of this report, six Goshawk's aircraft remain in Russia and it is unlikely to regain possession of these aircraft in the near term, full impairment of its net exposure has been made for aircraft retained in Russia. As a result, the Group shared an impairment loss (net of tax) of HK$752.8 million in FY2022.

In May 2022, Goshawk and SMBC Aviation Capital Limited ("SMBC") entered into an agreement ("Transaction Agreement") and pursuant to which Goshawk has agreed to, at completion, effectively dispose of its interest in its commercial aircraft leasing platform to SMBC, comprising substantially all of the assets, liabilities and contracts of the business, excluding the six aircraft leased to Russian airlines. Goshawk reclassified the assets and liabilities to be sold to SMBC as held-for-sale. Upon the reclassification, the carrying values have been further remeasured with reference to the sale consideration under the Transaction Agreement. Accordingly, the Group's share of remeasurement loss of HK$992.5 million was recognized in the consolidated income statement in FY2022.

Before the reclassification of relevant assets and liabilities as held-for-sale, management has carried out an impairment assessment on the carrying value of Goshawk's aircraft portfolio. Impairment arises when an aircraft's carrying amount exceeds its recoverable amount. As such, an impairment loss on Goshawk's aircraft portfolio (net of tax) of HK$76.8 million was shared by the Group in FY2022, excluding the aforementioned impairment made for aircraft retained in Russia (2021: the Group's share of impairment loss on Goshawk aircraft portfolio (net of tax) amounted to HK$347.1 million).

Besides, the Group also shares an expected credit loss provision on account receivables and aircraft repossession/recovery costs (net of tax) of HK$75.0 million (2021: HK$206.2 million) from Goshawk in FY2022. The key assumptions used in the expected credit loss assessment include the credit rating of airlines and provision rate.

The aggregated total of remeasurement/impairment loss, expected credit loss provision and aircraft repossession/recovery costs of Goshawk (net of tax) abovementioned amounted to HK$1,897.1 million (2021: HK$553.3 million) and is included in "share of results of joint ventures". As at 30 June 2022, the carrying amount of the investment in Goshawk of HK$297.9 million (2021: HK$1,195.1 million) is included as interest in joint ventures.

(c) As detailed in note 37(b), a logistics property held by a joint venture was reclassified by the Group from property, plant and equipment to investment property during the year. The Group's share of other comprehensive income for the year and net assets of the joint venture was increased by the share of revaluation gain (net of tax) of HK$6,312.1 million (net of tax) of the logistics property. As at 30 June 2022, the Group's share of fair value of such logistic property amounted to HK$8,344.5 million.

## 24 JOINT VENTURES (CONTINUED)

(d) Amounts receivable are analyzed as follows:

| | Note | **2022 HK$'m** | 2021 HK$'m |
|---|---|---|---|
| Interest bearing | (i) | **417.1** | 473.1 |
| Non-interest bearing | (ii) | **2,498.8** | 2,510.7 |
| | | **2,915.9** | 2,983.8 |

(i) The balance includes an amount of HK$13.4 million (2021: HK$30.1 million) which carries interest at Hong Kong prime rate, an amount of HK$235.3 million (2021: HK$241.0 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$168.4 million (2021: HK$202.0 million) which carries interest at 4% per annum.

(ii) The balance includes an amount of HK$197.5 million (2021: HK$197.5 million) which has been subordinated to certain indebtedness of a joint venture.

As at 30 June 2022, the carrying amounts of the amounts receivable are not materially different from their fair values.

(e) During the current year, reversal of provision for amounts receivable from certain joint ventures of HK$23.6 million (2021: provision of HK$20.7 million) is recognized by the Group, representing the Group's share of results from respective joint ventures against the investment in joint ventures.

(f) Dividend income from joint ventures for the current year is HK$1,481.9 million (2021: HK$998.6 million). The amount of dividend income received during the current year amounting to HK$1,655.9 million (2021: HK$910.6 million) is disclosed in the consolidated statement of cash flows.

(g) Details of principal joint ventures are given in note 56. The directors of the Company are of the view that as at 30 June 2022, there is no individual joint venture that was material to the Group.

(h) Financial guarantee contracts relating to joint ventures are disclosed in note 48.

(i) The Group's share of revenue and results of joint ventures from continuing operations are summarized below:

| | Note | **2022 HK$'m** | 2021 HK$'m |
|---|---|---|---|
| Revenue | 6(d) | **18,745.0** | 15,745.2 |
| (Loss)/profit for the year | | **(254.9)** | 1,280.6 |
| Other comprehensive income for the year | 24(c) | **6,577.1** | 776.2 |
| Total comprehensive income for the year | | **6,322.2** | 2,056.8 |

## 24 JOINT VENTURES (CONTINUED)

(j) The Group's share of assets and liabilities of joint ventures are summarized below:

| | 2022 HK$'m | 2021 HK$'m |
|---|---|---|
| Non-current assets | **20,239.9** | 42,134.8 |
| Current assets | **32,465.0** | 7,193.7 |
| Current liabilities | **(33,607.8)** | (15,414.3) |
| Non-current liabilities | **(6,772.8)** | (26,265.4) |
| Net assets | **12,324.3** | 7,648.8 |

## 25 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | Note | 2022 HK$'m | 2021 HK$'m |
|---|---|---|---|
| Equity instruments | | | |
| Listed in Hong Kong | | **1,731.0** | 2,363.6 |
| Listed in overseas | | **32.8** | 40.5 |
| Unlisted | (a) | **18.5** | 72.7 |
| | | **1,782.3** | 2,476.8 |
| Debt instruments | | | |
| Listed in Hong Kong | | **7,762.0** | 8,428.0 |
| Listed in overseas | | **29,514.8** | 30,781.3 |
| Unlisted | (a) | **2,524.7** | 3,101.2 |
| | (b) | **39,801.5** | 42,310.5 |
| | (c) | **41,583.8** | 44,787.3 |
| Represented by | | | |
| Non-current assets | | **38,500.3** | 42,889.2 |
| Current assets | | **3,083.5** | 1,898.1 |
| | | **41,583.8** | 44,787.3 |

## 25 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

(a) Unlisted investments are stated at fair values which are determined using valuation techniques as detailed in note 4(h)(iv).

(b) A maturity profile of the debt instruments is as follows:

| | **2022** **HK$'m** | 2021 HK$'m |
|---|---|---|
| Within one year | **2,062.6** | 523.1 |
| In the second to fifth year | **991.2** | 1,788.0 |
| After the fifth year | **36,747.7** | 39,999.4 |
| | **39,801.5** | 42,310.5 |

(c) The financial assets at FVOCI are denominated in the following currencies:

| | **2022** **HK$'m** | 2021 HK$'m |
|---|---|---|
| Hong Kong dollar | **4,196.4** | 6,078.6 |
| United States dollar | **37,387.4** | 38,708.7 |
| | **41,583.8** | 44,787.3 |

## 26 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | Note | 2022 HK$'m | 2021 HK$'m |
|---|---|---|---|
| Equity instruments | | | |
| Listed in Hong Kong | | **1,496.2** | 134.4 |
| Listed in overseas | | **158.5** | 199.2 |
| Unlisted | (a) | **416.9** | 393.5 |
| | | **2,071.6** | 727.1 |
| Debt instruments | | | |
| Listed in Hong Kong | | **266.2** | – |
| Listed in overseas | | **424.8** | – |
| Unlisted | (a) | **2,036.4** | 1,746.3 |
| | (b),(c) | **2,727.4** | 1,746.3 |
| Investment funds | | | |
| Listed | | **2,369.5** | 4,009.5 |
| Unlisted | (a) | **5,786.9** | 6,540.8 |
| | | **8,156.4** | 10,550.3 |
| | (d) | **12,955.4** | 13,023.7 |
| Represented by | | | |
| Non-current assets | | **11,052.2** | 12,551.8 |
| Current assets | | **1,903.2** | 471.9 |
| | | **12,955.4** | 13,023.7 |

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 FVPL, at the end of the reporting period are analyzed below:

| | 2022 HK$'m | 2021 HK$'m |
|---|---|---|
| Equity instruments | **1,392.5** | 107.4 |
| Investment funds | **5,982.5** | 7,863.2 |
| | **7,375.0** | 7,970.6 |

## 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 | 2022 HK$'m | 2021 HK$'m |
|---|---|---|---|
| The amount of (losses)/gains 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 | | **(992.3)** | 1,462.6 |
| Overlay approach adjustments on financial assets in consolidated income statement | 8(a) | **1,845.9** | (1,270.6) |
| 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 | | **853.6** | 192.0 |

(a) Unlisted investments are stated at fair values which are determined using valuation techniques as detailed in note 4(h)(iv).

(b) As at 30 June 2022, the Group holds certain investment funds with aggregate fair value of HK$2,851.0 million (2021: HK$2,319.7 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 FVPL.

(c) As at 30 June 2022, the Group holds participating shares of an investment fund with fair value of HK$1,189.8 million (2021: 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 FVPL.

(d) The financial assets at FVPL are denominated in the following currencies:

| | 2022 HK$'m | 2021 HK$'m |
|---|---|---|
| Hong Kong dollar | **4,292.5** | 1,740.3 |
| United States dollar | **7,355.8** | 10,672.5 |
| Renminbi | **1,172.2** | 471.4 |
| Pound Sterling | **97.5** | 97.5 |
| Euro | **36.9** | 41.3 |
| Others | **0.5** | 0.7 |
| | **12,955.4** | 13,023.7 |

## 27 DERIVATIVE FINANCIAL INSTRUMENTS

| | Note | **2022 HK$'m** | 2021 HK$'m |
|---|---|---|---|
| **Derivative financial assets** | | | |
| Cross currency swaps | (a) | **0.8** | 16.3 |
| Interest rate swaps | (b) | **63.7** | 641.9 |
| Foreign currency forward contracts | | **27.4** | – |
| Put option | (c) | **–** | 801.8 |
| | | **91.9** | 1,460.0 |
| Represented by | | | |
| Non-current assets | | **64.5** | 658.2 |
| Current assets | | **27.4** | 801.8 |
| | | **91.9** | 1,460.0 |
| **Derivative financial liabilities** | | | |
| Cross currency swaps | (a) | **(172.7)** | (102.8) |
| Represented by | | | |
| Non-current liabilities | | **(172.3)** | (102.5) |
| Current liabilities | 44 | **(0.4)** | (0.3) |
| | | **(172.7)** | (102.8) |

### (a) Cross currency swaps

As at 30 June 2022, 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$116.3 million (2021: US$150.7 million) and HK$1,005.7 million (2021: HK$1,005.7 million), respectively and with maturities ranging from 2022 to 2037 (2021: 2021 to 2037). 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 gains in the hedge reserve amounted to HK$49.4 million (2021: losses of HK$40.6 million).

## 27 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Interest rate swaps

As at 30 June 2022, 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$100 million (2021: US$295 million). The cash flow hedge was assessed to be highly effective and the related cumulative losses in the hedge reserve amounted to HK$78.1 million (2021: gains of HK$47.5 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 2022, the Group's insurance business received HK$46.7 million (2021: HK$640.9 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 held a put option which is carried at fair value of HK$801.8 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 investment which was classified as financial assets at FVOCI amounted to HK$220.4 million. During FY2022, the Group exercised the right to dispose of the underlying equity investment at the specified price pursuant to the put option. Full amount of consideration was settled.

## 28 OTHER NON-CURRENT ASSETS

| | Note | **2022 HK$'m** | 2021 HK$'m |
|---|---|---|---|
| Security deposits | | **0.2** | 400.7 |
| Deferred tax assets | 40 | **139.1** | 56.6 |
| Policy loans | | **543.4** | 506.4 |
| Consideration receivable | | **658.5** | 639.8 |
| Others | | **387.3** | 344.2 |
| | | **1,728.5** | 1,947.7 |

## 29 INVENTORIES

| | 2022 HK$'m | 2021 HK$'m |
|---|---|---|
| Raw materials and consumables | **19.2** | 13.5 |
| Finished goods | **150.8** | 193.5 |
| | **170.0** | 207.0 |

## 30 TRADE, PREMIUM AND OTHER RECEIVABLES

| | Note | 2022 HK$'m | 2021 HK$'m |
|---|---|---|---|
| Trade receivables | (a) | **1,723.7** | 1,313.2 |
| Premium receivables | | **230.1** | 288.4 |
| Other receivables, deposits and prepayments | (b) | **2,410.7** | 4,055.0 |
| Retention money receivables | | **1,830.8** | 1,533.6 |
| Contract assets | 35 | **1,078.5** | 870.6 |
| Amounts due from associated companies | (c) | **249.3** | 246.2 |
| Amounts due from joint ventures | (c), (d) | **6,694.0** | 6,855.2 |
| | (e) | **14,217.1** | 15,162.2 |

(a) The ageing analysis of trade receivables based on invoice date is as follows:

| | 2022 HK$'m | 2021 HK$'m |
|---|---|---|
| Under 3 months | **1,572.1** | 1,205.6 |
| 4 to 6 months | **81.3** | 28.5 |
| Over 6 months | **70.3** | 79.1 |
| | **1,723.7** | 1,313.2 |

(b) The balance includes construction related receivables amounting to HK$868.3 million (2021: HK$1,280.5 million) which have not yet been billed at year end.

(c) As at 30 June 2022, 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$523.5 million (2021: HK$498.0 million) due from a joint venture which carries compound interest at 5% per annum.

## 30 TRADE, PREMIUM AND OTHER RECEIVABLES (CONTINUED)

(d) The balance mainly includes advances to Goshawk amounting to HK$6,166.6 million which are interest free, unsecured and repayable within the next 12 months from the end of reporting period (2021: HK$6,168.0 million which are interest free, unsecured and repayable on demand, except for HK$6,166.6 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 2022, loss allowance of HK$8.0 million (2021: HK$8.0 million) is recognized. The amount is expected to be recovered after the completion of disposal of aircraft leasing business by Goshawk as detailed in note 24(b).

(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, deposits and amounts due from associated companies and joint ventures, the expected credit loss allowances are measured as either 12-month or lifetime expected credit loss. The movement of loss allowances are as follows:

| **HK$'m** | Note | **Trade receivables** | **Other receivables and deposits** | **Retention money receivables** | **Contract assets** | **Amount due from joint ventures** | **Total** |
|---|---|---|---|---|---|---|---|
| As at 1 July 2021 | | **41.4** | **347.7** | **60.8** | **–** | **8.0** | **457.9** |
| Increase in loss allowance recognized in consolidated income statement | 8 | **137.7** | **36.9** | **52.7** | **50.9** | **–** | **278.2** |
| Unused amount reversed | 8 | **(40.0)** | **(8.7)** | **–** | **–** | **–** | **(48.7)** |
| Amount written off | | **–** | **(178.3)** | **–** | **–** | **–** | **(178.3)** |
| **As at 30 June 2022** | | **139.1** | **197.6** | **113.5** | **50.9** | **8.0** | **509.1** |

| 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 |

## 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$73.3 million (2021: HK$32.1 million) expected credit loss provision has been made. For non-performing assets including trade receivables, other receivables, retention money receivables and contract assets 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, HK$204.9 million (2021: HK$254.0 million) expected credit loss provision has been made and HK$40.0 million (2021: nil) has been reversed based on amount recovered during the year. In FY2021, management has assessed the expected credit loss on certain interest receivable amounting to HK$149.6 million (before provision) based on lifetime expected credit loss approach with reference to the creditability of the counterparties and provided full amount of expected credit loss provision, the amount is fully written off in the current year.

(f) Included in the Group's trade, premium and other receivables are HK$7,868.0 million (2021: HK$8,791.4 million) denominated in United States dollar, HK$268.4 million (2021: HK$314.0 million) denominated in Renminbi. 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:

| | **2022**<br>**HK$'m** | 2021<br>HK$'m |
|---|---|---|
| Financial assets at FVPL – Investment funds, at fair value | **8,621.9** | 10,717.1 |
| Cash and bank balances | **27.3** | 53.1 |
| | **8,649.2** | 10,770.2 |

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:

| | **2022**<br>**HK$'m** | 2021<br>HK$'m |
|---|---|---|
| Insurance contract liabilities | **675.0** | 808.5 |
| Investment contract liabilities | **8,160.9** | 10,142.5 |
| | **8,835.9** | 10,951.0 |
| Represented by | | |
| Non-current liabilities | **190.8** | 180.8 |
| Current liabilities | **8,645.1** | 10,770.2 |
| | **8,835.9** | 10,951.0 |

## 32 CASH AND BANK BALANCES

| | **2022** **HK$'m** | 2021 HK$'m |
|---|---|---|
| Time deposits – maturing within three months | **2,341.2** | 2,929.3 |
| Time deposits – maturing after more than three months | **13.8** | 13.7 |
| Other cash at bank and on hand | **11,097.6** | 7,861.6 |
| | **13,452.6** | 10,804.6 |

The effective interest rate on time deposits is 1.2% (2021: 0.1%) per annum; these deposits have an average maturity of 14 days (2021: 11 days).

The balances include HK$3,785.7 million (2021: HK$2,251.8 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:

| | **2022** **HK$'m** | 2021 HK$'m |
|---|---|---|
| Hong Kong dollar | **3,795.1** | 2,837.9 |
| Renminbi | **3,856.8** | 2,397.5 |
| United States dollar | **5,706.7** | 5,484.2 |
| Euro | **59.8** | 48.0 |
| Macau Pataca | **15.8** | 11.4 |
| Others | **18.4** | 25.6 |
| | **13,452.6** | 10,804.6 |

## 33 DISCONTINUED OPERATIONS

During FY2021, the Group completed the disposal of its entire interest in the transport business and planned to recover a significant part of the carrying amount of environment business principally through sale rather than through continuing use, as detailed below. Their results are presented separately as one-line item below profit from continuing operations as "discontinued operations" in the consolidated income statement in accordance with HKFRS 5.

### Environment segment

In December 2020, the Group reached an advanced stage of negotiation of the disposal of the Group's 42% interest in SUEZ NWS (an associated company of the Group) and 100% interest in NWS HKI (which indirectly holds 12.55% effective interest in Derun Environment) (collectively, the "Environment Disposal Group"). As such, the interest in the Environment Disposal Group was reclassified as assets held-for-sale.

In January 2021, the Group entered into conditional sale and purchase agreements for the disposal of the Environment Disposal Group together with the inter-company payable by NWS HKI to the Company at an aggregate consideration of HK$6,533.0 million. The disposal related to NWS HKI was completed in May 2021 and the Group recognized a remeasurement loss of HK$228.1 million (note 33(a)) in FY2021. The Group's interest in SUEZ NWS was classified an asset held-for-sale as at 30 June 2021 with carrying amount of HK$4,054.5 million (note 34).

Completion of the disposal of interest in SUEZ NWS took place in November 2021. During FY2022, the Group recognized an aggregate net disposal gain of HK$181.3 million with regard to the Environment Disposal Group, and together with the dividend income received from SUEZ NWS of HK$121.0 million, the "profit from discontinued operations" in the consolidated income statement amounted to HK$302.3 million.

### Transport segment

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 the FY2021. The assets and liabilities of NWS Transport at the date of completion of disposal were included in note 49(b).

## 33 DISCONTINUED OPERATIONS (CONTINUED)

An analysis of the results, total comprehensive income and cash flows relating to the discontinued operations is set out below:

### (a) Results from discontinued operations

| | Note | **2022 HK$'m** | 2021 HK$'m |
|---|---|---|---|
| Revenue | | **–** | 655.1 |
| Cost of sales | | **–** | (791.8) |
| Other income and gains, net | | **121.0** | 126.0 |
| Selling and marketing expenses | | **–** | (1.5) |
| General and administrative expenses | | **–** | (33.4) |
| Operating profit/(loss) | | **121.0** | (45.6) |
| Finance costs | 6(a)(iv) | **–** | (5.7) |
| Share of results of | | | |
| Associated companies | | **–** | 152.8 |
| Joint venture | | **–** | 94.9 |
| Profit before income tax | | **121.0** | 196.4 |
| Income tax credit | | **–** | 52.7 |
| | | **121.0** | 249.1 |
| Remeasurement loss upon reclassification as held-for-sale | 6(a)(iii) | **–** | (228.1) |
| Net profit/(loss) on disposal of discontinued operations | | **181.3** | (64.8) |
| Profit/(loss) for the year from discontinued operations | | **302.3** | (43.8) |

## 33 DISCONTINUED OPERATIONS (CONTINUED)

### (b) Total comprehensive income from discontinued operations

| | **2022** **HK$'m** | 2021 HK$'m |
|---|---|---|
| Profit/(loss) for the year from discontinued operations | **302.3** | (43.8) |
| Other comprehensive (loss)/income | | |
| Net fair value changes on equity instruments as financial assets at FVOCI | – | 1.9 |
| Remeasurement of post-employment benefit obligation | – | 3.1 |
| Release of reserve upon disposal of subsidiaries | – | 99.1 |
| Release of reserves upon disposal of interest in an associated company | – | (1.5) |
| Release of reserve upon disposal of an asset held-for-sale | **(160.7)** | – |
| Cash flow hedges | – | 41.6 |
| Currency translation differences | – | 394.7 |
| Other comprehensive (loss)/income for the year, net of tax | **(160.7)** | 538.9 |
| Total comprehensive income for the year from discontinued operations | **141.6** | 495.1 |

### (c) Cash flows from discontinued operations

| | **2022** **HK$'m** | 2021 HK$'m |
|---|---|---|
| Net cash generated from operating activities | – | 151.1 |
| Net cash generated from investing activities | **121.0** | 858.5 |
| Net cash generated from financing activities | – | 17.8 |
| Net cash from discontinued operations | **121.0** | 1,027.4 |

In addition to above, consideration received from disposals of discontinued operations, net of cash disposed of, amounted to HK$4,032.9 million during the year (2021: HK$4,758.2 million).

## 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 with carrying amount of HK$4,054.5 million. Completion of the disposal of interest in SUEZ NWS took place in November 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 an asset held-for-sale as at 30 June 2021 and was measured at the lower of carrying amount and fair value less costs to sell. A conditional sale and purchase agreement for this disposal was subsequently entered into in August 2021 and the disposal of interest in XCTG was completed in October 2021 with a disposal loss of HK$56.0 million (note 8) recognized as "other income and gains, net" from continuing operations in the consolidated income statement in FY2022.

The assets classified as held-for-sale, which have been presented separately in the consolidated statement of financial position, are as follows:

| | **2022<br>HK$'m** | 2021<br>HK$'m<br>(restated) |
|---|---|---|
| Assets | | |
| Associated companies | – | 5,945.0 |
| Trade and other receivables | – | 0.7 |
| | – | 5,945.7 |

## 35 CONTRACT ASSETS AND CONTRACT LIABILITIES

Contract assets and contract liabilities are related to the Group's construction business, details are as follows:

| | Note | **2022<br>HK$'m** | 2021<br>HK$'m |
|---|---|---|---|
| Contract assets | 30 | **1,078.5** | 870.6 |
| Contract liabilities | 44 | **(606.4)** | (447.3) |
| | | **472.1** | 423.3 |

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:

| | **2022<br>HK$'m** | 2021<br>HK$'m |
|---|---|---|
| Revenue recognized that was included in the contract liability balance at the beginning of the year | **394.7** | 1,209.9 |
| Revenue recognized from performance obligations satisfied/partially satisfied in previous years | **612.0** | 289.4 |

## 35 CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

The following table shows the amount of unsatisfied performance obligations:

| | **2022** **HK$'m** | 2021 HK$'m |
|---|---|---|
| Expected to be recognized within one year | **18,289.7** | 14,972.1 |
| Expected to be recognized after one year | **18,793.1** | 13,257.4 |
| | **37,082.8** | 28,229.5 |

## 36 SHARE CAPITAL

| | **Ordinary Shares** | |
|---|---|---|
| | **No. of shares** | **HK$'m** |
| **Authorized** | | |
| **At 1 July 2021 and 30 June 2022** | **6,000,000,000** | **6,000.0** |
| **Issued and fully paid** | | |
| **At 1 July 2021 and 30 June 2022** | **3,911,137,849** | **3,911.1** |

### Share option scheme

The share option scheme adopted by the Company on 21 November 2011 (the "2011 Share Option Scheme") was valid and effective for a period of ten years from the date of adoption. The 2011 Share Option Scheme expired on 21 November 2021.

The Company adopted a new share option scheme on 23 November 2021, which 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 schemes 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 2022 and 30 June 2021 under the share option schemes of the Company.

## 37 RESERVES

| HK$'m | Note | Share premium | Special reserves | Property revaluation reserve | Hedge reserves | FVOCI reserve (non-recycling) | FVOCI reserve (recycling) | Exchange reserve | Revenue reserve | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| At 1 July 2021, restated | | 17,821.5 | 492.7 | 23.2 | 74.9 | (1,028.7) | 915.8 | 787.3 | 24,915.6 | 44,002.3 |
| Profit attributable to shareholders of the Company | | – | – | – | – | – | – | – | 1,586.8 | 1,586.8 |
| Dividends paid to shareholders of the Company | | – | – | – | – | – | – | – | (2,346.7) | (2,346.7) |
| Release of reserves upon partial disposal of interests in an associated company | | – | – | – | – | – | – | 1.3 | – | 1.3 |
| Release of reserves upon disposal of assets held-for-sale | | – | – | – | – | – | – | (82.9) | 1.0 | (81.9) |
| Release of reserve upon disposal of equity instruments as financial assets at FVOCI | | – | – | – | – | (634.1) | – | – | 634.1 | – |
| Release of reserve upon disposal of debt instruments as financial assets at FVOCI | | – | – | – | – | – | (137.6) | – | – | (137.6) |
| Net fair value changes on equity instruments as financial assets at FVOCI | | | | | | | | | | |
| Company and subsidiaries | | – | – | – | – | 38.4 | – | – | – | 38.4 |
| Associated company | | – | – | – | – | 98.8 | – | – | – | 98.8 |
| Net fair value change on debt instruments as financial assets at FVOCI and other net movement | (a) | – | – | – | – | – | (7,041.1) | – | – | (7,041.1) |
| Amount reported in other comprehensive income applying overlay approach adjustments on financial assets | 8(a) | – | – | – | – | – | (1,845.9) | – | – | (1,845.9) |
| Currency translation differences | | | | | | | | | | |
| Company and subsidiaries | | – | – | – | – | – | – | (417.7) | – | (417.7) |
| Associated companies | | – | – | – | – | – | – | (156.5) | – | (156.5) |
| Joint ventures | | – | – | – | – | – | – | (222.3) | – | (222.3) |
| Share of gain arising from revaluation of a logistic property held by a joint venture upon reclassification to investment property, net of tax | (b) | – | – | 6,312.1 | – | – | – | – | – | 6,312.1 |
| Share of other comprehensive (loss)/income of associated companies | | – | (22.8) | – | – | 43.7 | – | – | (49.9) | (29.0) |
| Cash flow/fair value hedges | | | | | | | | | | |
| Company and subsidiaries | | – | – | – | (545.9) | – | – | – | (298.8) | (844.7) |
| Joint venture | | – | – | – | 487.3 | – | – | – | – | 487.3 |
| Remeasurement of post-employment benefit obligation | | – | – | – | – | – | – | – | (6.2) | (6.2) |
| Transfer of reserves | | – | 29.2 | – | – | – | – | – | (29.2) | – |
| **At 30 June 2022** | | 17,821.5 | 499.1 | 6,335.3 | 16.3 | (1,481.9) | (8,108.8) | (90.8) | 24,406.7 | 39,397.4 |

(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 were mainly relating to investments held by the Group's insurance business. The fair value of the Group's bond investments classified as financial assets at FVOCI fluctuates with changes in market interest rates. Such fair value changes are dealt with in FVOCI reserve (recycling).

(b) As detailed in note 24(c), a logistic property held by a joint venture was reclassified by the Group from property, plant and equipment to investment property during the year. Upon reclassification, the difference between the fair value and carrying value of the property shared by the Group was HK$6,312.1 million (net of tax) and has been dealt with in property revaluation reserve.

## 37 RESERVES (CONTINUED)

| HK$'m | Note | Share premium | Special reserves | Property revaluation reserve | Hedge reserves | FVOCI reserve (non-recycling) | FVOCI reserve (recycling) | Exchange reserve | Revenue reserve | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| At 1 July 2020 | | 17,821.5 | 504.9 | 23.2 | (265.4) | (814.5) | 1,363.2 | (1,926.3) | 25,749.3 | 42,455.9 |
| Profit attributable to shareholders of the Company, restated | | – | – | – | – | – | – | – | 1,113.5 | 1,113.5 |
| 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 | | | | | | | | | | |
| Company and subsidiaries | | – | – | – | – | 62.8 | – | – | – | 62.8 |
| Associated company | | – | – | – | – | 11.8 | – | – | – | 11.8 |
| Joint venture | | – | – | – | – | 1.9 | – | – | – | 1.9 |
| Net fair value change on debt instruments as financial assets at FVOCI and other net movement | (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 | | | | | | | | | | |
| Company and subsidiaries | | – | – | – | – | – | – | 1,186.6 | – | 1,186.6 |
| Associated companies, restated | | – | – | – | – | – | – | 965.0 | – | 965.0 |
| Joint ventures | | – | – | – | – | – | – | 750.4 | – | 750.4 |
| Share of other comprehensive loss of associated companies | | – | (2.9) | – | – | – | – | – | (0.4) | (3.3) |
| Cash flow/fair value hedges | | | | | | | | | | |
| Company and subsidiaries | | – | – | – | (26.6) | – | – | – | – | (26.6) |
| Associated company | | – | – | – | (0.5) | – | – | – | – | (0.5) |
| Joint venture | | – | – | – | 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, restated | | 17,821.5 | 492.7 | 23.2 | 74.9 | (1,028.7) | 915.8 | 787.3 | 24,915.6 | 44,002.3 |

(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 on debt instruments are mainly relating to investments held by the Group's insurance business.

## 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 contributed surplus. Hedge reserves include (i) cash flow hedge reserve arising from interest rate swaps and cross currency 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 | **2022**<br>**HK$'m** | 2021<br>HK$'m |
|---|---|---|---|
| Non-current | | | |
| Unsecured long-term bank loans | (a), (b) | **15,593.7** | 16,167.7 |
| Unsecured fixed rate bonds | (c) | **2,594.4** | 6,864.7 |
| Financing received under a financial reinsurance arrangement | (d) | **135.1** | 197.0 |
| | | **18,323.2** | 23,229.4 |
| Current | | | |
| Current portion of unsecured long-term bank loans | (a), (b) | **3,150.7** | 1,297.1 |
| Unsecured fixed rate bonds | (c) | **1,970.1** | – |
| Unsecured short-term bank loans | | **–** | 94.0 |
| Financing received under a financial reinsurance arrangement | (d) | **100.2** | 86.5 |
| Cash collateral received for cross currency swap and forward starting interest rate swap contracts | 27(b) | **46.7** | 640.9 |
| Unsecured other borrowings | | **–** | 0.1 |
| | | **5,267.7** | 2,118.6 |
| | | **23,590.9** | 25,348.0 |

## 39 BORROWINGS AND OTHER INTEREST-BEARING LIABILITIES (CONTINUED)

### (a) Unsecured long-term bank loans

| | **2022** **HK$'m** | 2021 HK$'m |
|---|---|---|
| Unsecured long-term bank loans | **18,744.4** | 17,464.8 |
| Amounts repayable within one year included in current liabilities | **(3,150.7)** | (1,297.1) |
| | **15,593.7** | 16,167.7 |

The maturity of unsecured long-term bank loans is as follows:

| | **2022** **HK$'m** | 2021 HK$'m |
|---|---|---|
| Within one year | **3,150.7** | 1,297.1 |
| In the second year | **3,103.8** | 4,131.2 |
| In the third to fifth year | **11,353.9** | 9,187.5 |
| After the fifth year | **1,136.0** | 2,849.0 |
| | **18,744.4** | 17,464.8 |

As at 30 June 2022, the Group's long-term bank loans of HK$18.744 billion (2021: HK$17.465 billion) are exposed to interest rate risk of contractual repricing dates falling within one year. 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:

| | **2022** | 2021 |
|---|---|---|
| Hong Kong dollar | **1.74%** | 1.19% |
| Renminbi | **4.19%** | 4.22% |

## 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$300.0 million (2021: US$14.1 million) in aggregate principal amount of the bonds were redeemed and cancelled by the Group. As at 30 June 2022, US$335.9 million (2021: US$635.9 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 2022, the fair value of the bonds amounted to US$555.5 million (equivalent to approximately HK$4,344.1 million) (2021: US$921.2 million (equivalent to approximately HK$7,175.8 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):

| | **2022**<br>**HK$'m** | 2021<br>HK$'m |
|---|---|---|
| Hong Kong dollar | **15,386.4** | 13,778.7 |
| United States dollar | **4,846.5** | 7,765.9 |
| Renminbi | **3,358.0** | 3,780.2 |
| Euro | **–** | 23.2 |
| | **23,590.9** | 25,348.0 |

## 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 | **2022** **HK$'m** | 2021 HK$'m |
|---|---|---|---|
| Deferred tax assets | 28 | **139.1** | 56.6 |
| Deferred tax liabilities | | **(1,787.2)** | (1,925.4) |
| | | **(1,648.1)** | (1,868.8) |
| At beginning of year | | **(1,868.8)** | (2,263.1) |
| Translation differences | | **31.8** | (135.5) |
| Disposal of subsidiaries | 49(b) | **–** | 295.6 |
| Amount credited to other comprehensive income | | **–** | 19.7 |
| Net amount credited to the consolidated income statement | 12, (a) | **188.9** | 214.5 |
| At end of year | | **(1,648.1)** | (1,868.8) |

(a) The amount in FY2021 represents deferred tax credit of HK$214.5 million which includes HK$161.8 million (note 12) arising from continuing operations and HK$52.7 million arising from discontinued operations.

(b) 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$1,998.3 million (2021: HK$1,632.6 million) to be carried forward against future taxable income. These tax losses have no expiry dates except for the tax losses of HK$32.4 million (2021: nil) which will expire at various dates up to and including 2027.

(c) As at 30 June 2022, the aggregate amount of unrecognized deferred tax liabilities associated with investments in subsidiaries totalled approximately HK$153.3 million (2021: HK$112.7 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 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| At beginning of year | 67.2 | 0.7 | 34.8 | 62.6 | 102.0 | 63.3 |
| Translation differences | – | – | (0.7) | 3.5 | (0.7) | 3.5 |
| Disposal of subsidiaries | – | – | – | (19.7) | – | (19.7) |
| Credited to other comprehensive income | – | – | – | 19.7 | – | 19.7 |
| Credited/(charged) to the consolidated income statement | 38.5 | 66.5 | 35.9 | (31.3) | 74.4 | 35.2 |
| At end of year | 105.7 | 67.2 | 70.0 | 34.8 | 175.7 | 102.0 |

### Deferred tax liabilities

| | Accelerated tax depreciation | | Amortization of concession rights | | Undistributed profits of subsidiaries, associated companies and joint ventures | | Others | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| HK$'m | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| At beginning 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) |
| Translation differences | – | 0.2 | 29.9 | (131.5) | 2.6 | (7.7) | – | – | 32.5 | (139.0) |
| Disposal of subsidiaries | – | 311.3 | – | – | – | 4.0 | – | – | – | 315.3 |
| Credited/(charged) to the consolidated income statement | 7.4 | 51.8 | 102.1 | 132.3 | (1.4) | (16.3) | 6.4 | 11.5 | 114.5 | 179.3 |
| At end of year | (43.1) | (50.5) | (1,241.2) | (1,373.2) | (263.3) | (264.5) | (276.2) | (282.6) | (1,823.8) | (1,970.8) |

## 41 INSURANCE AND INVESTMENT CONTRACT LIABILITIES

| | Note | **2022 HK$'m** | 2021 HK$'m |
|---|---|---|---|
| Insurance contract liabilities | (a), (b) | **48,199.0** | 42,497.5 |
| Investment contract liabilities | | **5.4** | 5.3 |
| | | **48,204.4** | 42,502.8 |
| Represented by | | | |
| Non-current liabilities | | **16,470.0** | 18,143.5 |
| Current liabilities | 2 | **31,734.4** | 24,359.3 |
| | | **48,204.4** | 42,502.8 |

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 historical settlement pattern, is stated as below:

| | Note | **2022 HK$'m** | 2021 HK$'m |
|---|---|---|---|
| Payable within one year | | **4,120.1** | 3,861.4 |
| Payable after one year | | **44,078.9** | 38,636.1 |
| | 4(c) | **48,199.0** | 42,497.5 |

(b) Insurance contract liabilities comprised:

| | Note | **2022 HK$'m** | 2021 HK$'m |
|---|---|---|---|
| Liabilities for guaranteed benefits | | **43,801.6** | 38,404.1 |
| Liabilities for coinsurance payments | | **345.0** | 363.0 |
| Provision for annual dividends | | **70.2** | 69.4 |
| Insurance contract liabilities excluding policyholders' dividends and bonuses | 4(g) | **44,216.8** | 38,836.5 |
| Policyholders' dividends and bonuses | | **3,982.2** | 3,661.0 |
| Total insurance contract liabilities | | **48,199.0** | 42,497.5 |

## 41 INSURANCE AND INVESTMENT CONTRACT LIABILITIES (CONTINUED)

Movements in the relevant insurance contract liabilities/reinsurer'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 2021 | **38,473.5** | **363.0** | **38,836.5** | **(1.7)** | **38,834.8** |
| Premiums received | **7,083.0** | **(50.3)** | **7,032.7** | **(312.3)** | **6,720.4** |
| Liabilities incurred for death, surrender and maturity | **(2,506.7)** | **29.0** | **(2,477.7)** | **341.8** | **(2,135.9)** |
| Benefit and claim experience variations | **(463.3)** | **(21.3)** | **(484.6)** | **(29.5)** | **(514.1)** |
| Investment income variations | **(674.0)** | **12.0** | **(662.0)** | **–** | **(662.0)** |
| Investment income | **1,750.3** | **–** | **1,750.3** | **–** | **1,750.3** |
| Financing cost for coinsurance | **–** | **12.6** | **12.6** | **–** | **12.6** |
| Adjustment due to change in reserve assumptions | **(140.1)** | **–** | **(140.1)** | **–** | **(140.1)** |
| Translation differences | **349.1** | **–** | **349.1** | **–** | **349.1** |
| **At 30 June 2022** | **43,871.8** | **345.0** | **44,216.8** | **(1.7)** | **44,215.1** |

| 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 |

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:

| | 2022<br>HK$'m | 2021<br>HK$'m |
|---|---|---|
| Within one year | **223.1** | 227.3 |
| In the second year | **213.2** | 199.9 |
| In the third to fifth year | **488.8** | 530.9 |
| After the fifth year | **199.6** | 348.6 |
| | **1,124.7** | 1,306.7 |
| Represented by | | |
| Non-current liabilities | **901.6** | 1,079.4 |
| Current liabilities | **223.1** | 227.3 |
| | **1,124.7** | 1,306.7 |

For the year ended 30 June 2022, the total cash outflow for leases, which comprise payments for lease liabilities, short-term leases and variable leases, was HK$377.9 million (2021: HK$451.4 million).

## 43 OTHER NON-CURRENT LIABILITIES

| | Note | 2022<br>HK$'m | 2021<br>HK$'m |
|---|---|---|---|
| Long service payment obligations | | **5.7** | 4.8 |
| Deferred income | | **15.9** | 22.7 |
| Loans from non-controlling interests | (a) | **24.4** | 25.0 |
| Others | | **49.8** | 50.0 |
| | | **95.8** | 102.5 |

(a) The loans are interest free, unsecured and not repayable within one year.

## 44 TRADE, OTHER PAYABLES AND PAYABLES TO POLICYHOLDERS

| | Note | 2022 HK$'m | 2021 HK$'m |
|---|---|---|---|
| Trade payables | (a) | **633.8** | 627.9 |
| Payables to policyholders | 45 | **1,774.2** | 1,709.6 |
| Other payables and accruals | (b) | **5,801.3** | 6,976.7 |
| Retention money payables | | **1,469.3** | 1,362.8 |
| Contract liabilities | 35 | **606.4** | 447.3 |
| Derivative financial instruments | 27 | **0.4** | 0.3 |
| Amounts due to non-controlling interests | (c) | **107.8** | 146.2 |
| Amounts due to associated companies | (c) | **9.1** | 6.0 |
| Amounts due to joint ventures | (c) | **1.2** | 56.4 |
| | | **10,403.5** | 11,333.2 |

(a) The ageing analysis of trade payables based on invoice date is as follows:

| | 2022 HK$'m | 2021 HK$'m |
|---|---|---|
| Under 3 months | **615.2** | 606.4 |
| 4 to 6 months | **5.2** | 4.0 |
| Over 6 months | **13.4** | 17.5 |
| | **633.8** | 627.9 |

(b) The balance includes construction related accruals and provisions amounting to HK$3,341.7 million (2021: HK$3,496.3 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$1,664.2 million (2021: HK$2,212.2 million) denominated in United States dollar and HK$837.8 million (2021: HK$995.9 million) denominated in Renminbi. The remaining balances are mainly denominated in Hong Kong dollar.

## 45 PAYABLES TO POLICYHOLDERS

| | 2022 HK$'m | 2021 HK$'m |
|---|---|---|
| Claims payable | **352.3** | 274.2 |
| Premium deposits | **1,232.6** | 1,262.6 |
| Other payables | **189.3** | 172.8 |
| | **1,774.2** | 1,709.6 |

The carrying amounts disclosed above reasonably approximate their fair values as at 30 June 2022.

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, amounts receivables from associated companies and joint ventures, derivative financial instruments, trade, premium and other receivables, investments related to unit-linked contracts 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, investment contract liabilities, liabilities related to unit-linked contracts, derivative financial instruments, lease liabilities and trade, other payables and payables to policyholders. 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 | **2022 HK$'m** | 2021 HK$'m |
|---|---|---|---|
| Contracted but not provided for | | | |
| Property, plant and equipment | | **132.3** | 178.9 |
| Investment properties | | **571.3** | – |
| Intangible concession rights | | **192.9** | 178.8 |
| Intangible assets | | **6.2** | 620.5 |
| Capital contributions to/acquisition of associated companies and joint ventures | (i), (ii) | **2,443.3** | 287.4 |
| Investment funds, financial and other investments | | **1,440.5** | 944.0 |
| | | **4,786.5** | 2,209.6 |

(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$205.2 million (2021: HK$287.4 million) which represents the attributable portion of the capital and loan contributions to be made to the associated companies and joint ventures.

(ii) On 26 April 2022, NWS (Guangdong) Investment Co. Ltd., an indirect wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Logan Transport Group Co., Ltd and its subsidiary, which was superseded by a new conditional sale and purchase agreement on 5 September 2022, pursuant to which the Group agreed to acquire 40% equity interest in Guangxi Logan Guiwu Expressway Co., Ltd (which wholly owns the concession right to operate Guigang-Wuzhou Expressway) and related creditor's right and dividend receivable at the total consideration of RMB1,902.4 million (equivalent to approximately HK$2,238.1 million). The acquisition is yet to complete up to the date of this annual report. Upon completion, the Group's 40% equity interest in Guiwu Expressway will be accounted for as a joint venture.

## 47 COMMITMENTS (CONTINUED)

**(b)** The Group's share of commitments for capital expenditure committed by the joint ventures not included above are as follows:

| | **2022**<br>**HK$'m** | 2021<br>HK$'m |
|---|---|---|
| Contracted but not provided for | | |
| Property, plant and equipment | **8,758.5** | 8,321.5 |

### (c) Future minimum rental payments receivable

The future minimum rental payments receivable under non-cancellable operating leases are as follows:

| | **2022**<br>**HK$'m** | 2021<br>HK$'m |
|---|---|---|
| In the first year | **141.2** | 14.2 |
| In the second year | **117.1** | 0.5 |
| In the third year | **84.6** | – |
| In the fourth year | **77.8** | – |
| In the fifth year | **59.2** | – |
| After the fifth year | **122.0** | – |
| | **601.9** | 14.7 |

The Group's operating leases terms range from 1 to 15 years (2021: 1 to 5 years).

## 48 FINANCIAL GUARANTEE CONTRACTS

The Group's financial guarantee contracts are as follows:

| | 2022 HK$'m | 2021 HK$'m |
|---|---|---|
| Guarantees for credit facilities granted to | | |
| Associated companies | **1,520.4** | 1,736.8 |
| Joint ventures | **1,950.0** | 2,145.0 |
| | **3,470.4** | 3,881.8 |

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 2022 and 30 June 2021. KTSPL is an associated company of the Group in which the Group has a 25% interest.

Under the Transaction Agreement and the related transaction documents in relation to the disposal of aircraft leasing business by Goshawk to SMBC (detailed in note 24(b)), the Group provides a financial guarantee to support the performance of Goshawk of its payment obligation to satisfy claims that may be brought by SMBC against Goshawk. The Group's potential liability under the financial guarantee is limited to a total amount of US$197.1 million (equivalent to approximately HK$1,537.4 million) as at 30 June 2022.

## 49 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

**(a)** Reconciliation of operating profit to net cash generated from operations:

| | 2022<br>HK$'m | 2021<br>HK$'m<br>(restated) |
|---|---|---|
| Operating profit from continuing and discontinued operations | **3,435.0** | 1,351.0 |
| Depreciation and amortization | **1,721.5** | 2,058.6 |
| Overlay approach adjustments on financial assets | **(1,845.9)** | 1,270.6 |
| Net profit on disposal of debt instruments as financial assets at FVOCI | **(137.6)** | (40.7) |
| Net loss/(gain) associated with investments related to unit-linked contracts | **2,201.6** | (2,187.9) |
| Reversal of provision for onerous contract | **(230.0)** | – |
| Gain on redemption of fixed rate bonds | **(117.0)** | – |
| Loss on disposal of subsidiaries | **–** | 87.7 |
| Net (gain)/loss on fair value of derivative financial instruments | **(55.7)** | 59.1 |
| Net loss/(gain) on fair value of financial assets at FVPL | **1,327.9** | (1,936.7) |
| Interest income | **(1,851.8)** | (1,658.3) |
| Dividend income | **(444.1)** | (190.4) |
| Profit on disposal/partial disposal of interest in associated companies | **(118.6)** | (66.5) |
| Loss/(profit) on disposal of interest in a joint venture | **–** | (40.4) |
| Profit on disposal of assets held-for-sale | **(213.0)** | – |
| Impairment/remeasurement loss related to associated companies/ assets held-for-sale | **197.6** | 1,786.4 |
| Net loss on fair value of investment properties | **–** | 13.2 |
| Expected credit loss provision on debt instruments as financial assets at FVOCI and trade, premium and other receivables | **562.6** | 455.5 |
| Net exchange (gain)/loss | **(56.7)** | 33.5 |
| Other non-cash items | **8.8** | (8.4) |
| Operating profit before working capital changes | **4,384.6** | 986.3 |
| Decrease in inventories | **37.0** | 51.2 |
| Decrease in security deposits | **400.5** | – |
| Decrease in trade, premium and other receivables | **65.3** | 709.3 |
| Decrease in trade, other payables and payables to policyholders | **(673.1)** | (765.5) |
| Decrease in amounts due to non-controlling interests | **(4.9)** | (18.4) |
| Increase in deferred acquisition costs | **(623.5)** | (1,023.3) |
| Increase in insurance and investment contract liabilities | **8,980.7** | 6,404.0 |
| (Decrease)/increase in liabilities related to unit-linked contracts | **(2,137.5)** | 1,695.3 |
| Purchases of financial assets at FVPL associated with investments related to unit-linked contracts | **(3,704.5)** | (5,892.2) |
| Disposal of financial assets at FVPL associated with investments related to unit-linked contracts | **3,597.6** | 6,267.3 |
| Changes in balances with associated companies, joint ventures and related companies | **(159.9)** | (12.5) |
| Others | **6.0** | (10.2) |
| Net cash generated from operations | **10,168.3** | 8,391.3 |

## 49 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

### (b) Disposal of subsidiaries

For 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. The net assets of these subsidiaries at the date of completion of disposal and net loss on disposal of subsidiaries recognized during FY2021 were set out as below:

| | Note | 2021<br>HK$'m |
|---|---|---|
| Net assets disposed of | | |
| Property, plant and equipment | 17 | 3,662.3 |
| Right-of-use assets | | 401.8 |
| Joint ventures | | 2,143.2 |
| Financial assets at FVOCI | | 267.9 |
| Financial assets at FVPL | | 468.0 |
| Inventories | | 70.4 |
| Trade, premium and other receivables | | 426.3 |
| Cash and bank balances | | 234.6 |
| Lease liabilities | 49(c) | (405.5) |
| Derivative financial instruments | | (118.8) |
| Other non-current liabilities | | (47.1) |
| Borrowings and other interest-bearing liabilities | 49(c) | (598.8) |
| Trade, other payables and payables to policyholders | | (775.6) |
| Taxation | | (0.6) |
| Deferred tax liabilities | 40 | (295.6) |
| | | 5,432.5 |
| Net loss on disposals | (i) | (87.7) |
| Release of reserves upon disposal | | 71.4 |
| | | 5,416.2 |
| Represented by | | |
| Cash consideration received | | 5,318.0 |
| 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 |

(i) The amount for FY2021 represented net loss on disposals of HK$87.7 million 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<br>HK$'m |
|---|---|
| Cash consideration received | 5,318.0 |
| Cash and bank balances disposed of | (234.6) |
| | 5,083.4 |

### (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 2021 | | **18,483.3** | **6,864.7** | **25.0** | **1,306.7** | **26,679.7** |
| Cash flows from financing activities | | | | | | |
| Drawdown | | **5,895.7** | **–** | **–** | **–** | **5,895.7** |
| Repayment | | **(4,576.7)** | **(2,199.6)** | **–** | **–** | **(6,776.3)** |
| Decrease in cash collateral received from counterparties | | **(598.1)** | **–** | **–** | **–** | **(598.1)** |
| Capital element of lease liabilities payments | | **–** | **–** | **–** | **(236.3)** | **(236.3)** |
| New leases entered/lease modified | | **–** | **–** | **–** | **54.4** | **54.4** |
| Interest expenses of lease liabilities | 11 | **–** | **–** | **–** | **46.3** | **46.3** |
| Interest element of lease liabilities payments | | **–** | **–** | **–** | **(46.3)** | **(46.3)** |
| Gain on redemption of fixed rate bonds | 8 | **–** | **(117.0)** | **–** | **–** | **(117.0)** |
| Translation differences | | **(242.1)** | **20.8** | **(0.6)** | **(0.1)** | **(222.0)** |
| Other non-cash movements | | **64.3** | **(4.4)** | **–** | **–** | **59.9** |
| **At 30 June 2022** | | **19,026.4** | **4,564.5** | **24.4** | **1,124.7** | **24,740.0** |

## 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 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 of lease liabilities | (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 represented interest expenses of HK$56.9 million which included HK$53.0 million (note 11) arising from continuing operations and HK$3.9 million arising from discontinued operations.

## 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 | 2022 HK$'m | 2021 HK$'m |
|---|---|---|---|
| **Transactions with affiliated companies** | (i) | | |
| Provision of other services | (iii) | **0.6** | 4.0 |
| Interest income | (iv) | **77.8** | 96.4 |
| Management fee income | (v) | **4.3** | 2.3 |
| Rental and other related expenses | (vi) | **(1.9)** | – |
| Other expenses | (viii) | **(138.6)** | (199.5) |
| **Transactions with other related parties** | (i) | | |
| Provision of construction work services | (ii) | **288.4** | 805.8 |
| Provision of other services | (iii) | **44.4** | 39.1 |
| Interest income | (iv) | **121.3** | 73.5 |
| Rental, other related expenses and additions to right-of-use assets | (vi) | **(51.4)** | (33.9) |
| Mechanical and electrical engineering services | (vii) | **(952.6)** | (881.4) |
| Other expenses | (viii) | **(138.2)** | (84.2) |

(i) Affiliated companies include associated companies and joint ventures of the Group. Related parties are subsidiaries, associated companies and joint ventures of NWD and CTF Enterprises as well as Mr Doo Wai Hoi, William ("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 also 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.

(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.

## 50 RELATED PARTY TRANSACTIONS (CONTINUED)

**(a)** (continued)

(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 FY2021, 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 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% per annum, having maturity of 30 years and listed on the Hong Kong Stock Exchange.

As at 30 June 2022, the outstanding principal amount was HK$2,500.0 million (2021: HK$2,500.0 million) and fair value of these notes was HK$1,947.1 million (2021: HK$2,693.7 million) which was included in the consolidated statement of financial position of the Group as financial assets at FVOCI.

**(d)** 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 for a pre-determined amount to be received according to when the termination of the relevant tenancy agreement(s) occurs. The transactions for office units above and for the additional purchase of car parking spaces at HK$81 million are completed during the year.

**(e)** 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 COMPARATIVE FIGURES

Certain comparative figures have been reclassified or extended to conform with the current year's presentation.

## 52 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.

## 53 COMPANY STATEMENT OF FINANCIAL POSITION

| | **2022** **HK$'m** | 2021 HK$'m |
|---|---|---|
| **ASSETS** | | |
| Non-current assets | | |
| Property, plant and equipment | **6.1** | 9.9 |
| Subsidiaries | **7,893.4** | 7,893.4 |
| Right-of-use assets | **–** | 9.2 |
| Other non-current asset | **3.3** | 3.3 |
| | **7,902.8** | 7,915.8 |
| Current assets | | |
| Trade and other receivables | **62,745.9** | 63,266.0 |
| Cash and bank balances | **1,204.6** | 1,556.8 |
| | **63,950.5** | 64,822.8 |
| Total assets | **71,853.3** | 72,738.6 |
| **EQUITY** | | |
| Share capital | **3,911.1** | 3,911.1 |
| Reserves | **42,230.9** | 42,377.7 |
| Total equity | **46,142.0** | 46,288.8 |
| **LIABILITIES** | | |
| Current liabilities | | |
| Trade and other payables | **25,711.3** | 26,440.3 |
| Lease liabilities | **–** | 9.5 |
| | **25,711.3** | 26,449.8 |
| Total liabilities | **25,711.3** | 26,449.8 |
| Total equity and liabilities | **71,853.3** | 72,738.6 |

**Dr Cheng Kar Shun, Henry**
*Director*

**Mr Ma Siu Cheung**
*Director*

## 53 COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)

### Reserves

| HK$'m | Share premium | Contributed surplus | Special reserves | Revenue reserve | Total |
|---|---|---|---|---|---|
| At 1 July 2021 | **17,821.5** | **237.3** | **1.1** | **24,317.8** | **42,377.7** |
| Profit for the year | **–** | **–** | **–** | **2,199.9** | **2,199.9** |
| Dividends | **–** | **–** | **–** | **(2,346.7)** | **(2,346.7)** |
| **At 30 June 2022** | **17,821.5** | **237.3** | **1.1** | **24,171.0** | **42,230.9** |
| 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 |

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.

## 54 PRINCIPAL SUBSIDIARIES

The directors of the Company were of the view that as at 30 June 2022, there was no individual subsidiary that had non-controlling interests that were material to the Group.

### As at 30 June 2022

| | 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** | | | | |
| 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 | |
| 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 |
| Ever Honour (Hong Kong) Limited | 1 | 1 | 100.0 | Property investment |
| Goodman Chengdu Developments No.2 Limited | 99[i] | 99 | 100.0 | Investment holding |
| | 1[ii] | 1 | | |
| Goodman Chengdu Developments No.3 Limited | 99[i] | 99 | 100.0 | Investment holding |
| | 1[ii] | 1 | | |
| Goodman Chengdu Longquan Logistics Development Limited | 99[i] | 99 | 100.0 | Investment holding |
| | 1[ii] | 1 | | |
| Goodman Hong Kong (Hubei) Developments No.1 Limited | 99[i] | 99 | 100.0 | Investment holding |
| | 1[ii] | 1 | | |
| 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 | |
| Modern Elite (Hong Kong) Limited | 1 | 1 | 100.0 | Property investment |
| 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 |
| NWS (Finance) Limited | 2 | 2 | 100.0 | Financial services |
| NWS Holdings (Finance) Limited | 1 | 1 | 100.0 | Financing |

## 54 PRINCIPAL SUBSIDIARIES (CONTINUED)

### As at 30 June 2022

| | 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 (continued)** | | | | |
| NWS Infrastructure Renewables (Italy) Limited | 1 | 1 | 100.0 | Investment holding |
| ^^NWS Modern Logistics (Hong Kong) Limited | 1 | 1 | 100.0 | Investment holding, operating modern logistics business |
| 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 |
| Qin Hen Goodman Hong Kong (Chengdu) Developments No.1 Limited | 99[i] | 99 | 100.0 | Investment holding |
| | 1[ii] | 1 | | |
| 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 | |
| Tycoon Estate Investments (HK) Limited | 1 | 1 | 100.0 | Property holding |
| 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 |

| | Issued share capital[#] Number | Par value per share | 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 | |

## 54 PRINCIPAL SUBSIDIARIES (CONTINUED)

### As at 30 June 2022

| | 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 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 |
| Glorious Hope 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 |
| Quality Vibe Limited | 1 | US$1 | 100.0 | Investment holding |
| Utmost Best Limited | 1 | US$1 | 100.0 | Investment holding |
| **Incorporated in the British Virgin Islands** | | | | |
| 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 |
| | 7,150** | US$0.1 | – | |
| | 5,121*** | 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 |

## 54 PRINCIPAL SUBSIDIARIES (CONTINUED)

### As at 30 June 2022

| | Amount of fully paid up capital | Approximate percentage of attributable interest to the Group | Principal activities |
|---|---|---|---|
| **Incorporated and operate in Mainland China** | | | |
| ^Chengdu Dasheng Logistics Co. Ltd. | RMB82,000,000 | 100.0 | Operation of logistics property |
| ^Chengdu Jiachao Warehouse Co. Ltd. | RMB96,000,000 | 100.0 | Operation of logistics property |
| ++Hunan NWS Expressway Management Co., Ltd. | RMB1,600,000,000 | 100.0 | Operation of toll road |
| ^Jialong (Chengdu) Warehouse Co. Ltd. | USD18,500,000 | 100.0 | Operation of logistics property |
| ^Jiaxin (Chengdu) Warehouse Co. Ltd. | USD16,000,000 | 100.0 | Operation of logistics property |
| ^NWS Modern Logistics (Shenzhen) Limited | RMB260,000,000 | 100.0 | Investment holding |
| ^NWS (Guangdong) Investment Company Limited | RMB4,034,853,600 | 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 |
| ^Wuhan Jiamai Warehouse Co. Ltd. | USD30,000,000 | 100.0 | Operation of logistics property |
| ^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 |
| ++Zhiyi (Hangzhou) Service Area Management Limited | RMB3,000,000 | 100.0 | Provision of commercial complex, catering, hotel and property management |
| **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 |

## 54 PRINCIPAL SUBSIDIARIES (CONTINUED)

### As at 30 June 2022

| | Amount of fully paid up capital | Approximate percentage of attributable interest to the Group | Principal activities |
|---|---|---|---|
| **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) |
| ^^ | Name changed on 21 September 2021 |
| i | Class B ordinary shares |
| ii | Class A special voting share |

(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%)

## 55 PRINCIPAL ASSOCIATED COMPANIES

The list of principal associated companies which are accounted for by the equity method of accounting as at 30 June 2022 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 | 7,282,547,194 | 12,546,847,000 | 11.5 (a) | Investment holding |

| | 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 |

| | 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 (a) | Construction |
| **Incorporated in Cyprus and operates in South Africa** | | | | |
| Tharisa plc | 299,618,997 | US$0.001 | 12.9 (a) | Chrome and platinum group metals mining, processing and trading |

## 55 PRINCIPAL ASSOCIATED COMPANIES (CONTINUED)

The list of principal associated companies which are accounted for by the equity method of accounting as at 30 June 2022 is as follows (continued):

| | Amount of fully paid capital | Approximate percentage of attributable interest to the Group | Principal activities |
|---|---|---|---|
| **Incorporated and operate in Mainland China** | | | |
| Hangzhou Ring Road Expressway Petroleum Development Co., Ltd. | RMB10,000,000 | 39.0 (c) | Operation of gasoline station |
| Hubei Laogu Expressway Development Co., Ltd. | RMB616,161,616 | 1.0 (b), (d) | Operation of toll road |
| 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 |
| WorldEx Supply Chain Technology (Shanghai) Co., Limited | RMB81,452,529 | 10.1 (a), (b) | Operation of comprehensive logistics business |
| Zhaoqing Yuezhao Expressway Co., Ltd. | RMB818,300,000 | 25.0 (c) | Operation of toll road |

# Ordinary shares, unless otherwise stated

(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

(d) The directors of the Company considered the Group has significant influence over the company through its representative on the board of directors and the potential voting right of the company

## 56 PRINCIPAL JOINT VENTURES

The list of principal joint ventures which are accounted for by the equity method of accounting as at 30 June 2022 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. | 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 | – | |
| Goodman China (Western) Limited | 100 | 100 | 50.0 | Investment holding |
| Wincon International Limited | 300,000,000 | 300,000,000 | 50.0 | Investment holding |

## 56 PRINCIPAL JOINT VENTURES (CONTINUED)

The list of principal joint ventures which are accounted for by the equity method of accounting as at 30 June 2022 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

| | 2022 | 2021 (restated) | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Earnings per share – Basic (HK$) | **0.41** | 0.29 | 0.06 | 1.04 | 1.56 |
| Earnings per share – Diluted (HK$) | **N/A** | N/A | N/A | 1.04 | 1.56 |
| Key ratios | | | | | |
| Net Gearing Ratio | **19%** | 25% | 31% | 0% | 7% |
| Return on Equity | **4%** | 3% | 1% | 7% | 12% |
| Return on Capital Employed | **2%** | 2% | 1% | 6% | 10% |
| **Consolidated income statement data** (HK$'m) | | | | | |
| Revenue | **31,138.6** | 28,852.4 | 25,920.5 | 26,833.5 | 35,114.8 |
| Revenue by segments | | | | | |
| Roads | **2,717.5** | 3,033.2 | 2,070.5 | 2,529.0 | 2,623.6 |
| Aviation | **–** | – | – | 161.6 | 160.8 |
| Construction | **15,240.9** | 15,114.1 | 12,454.4 | 16,211.0 | 23,260.4 |
| Insurance | **12,373.6** | 9,640.6 | 6,180.0* | – | – |
| Logistics | **11.8** | – | – | – | – |
| Facilities Management | **794.8** | 409.4 | 1,907.3 | 4,151.7 | 5,570.9 |
| Transport** | **–** | 655.1 | 3,308.3 | 3,780.2 | 3,499.1 |
| Revenue by region | | | | | |
| Hong Kong | **28,360.1** | 25,765.6 | 23,579.7 | 23,382.9 | 31,599.0 |
| Mainland China | **2,778.5** | 3,086.8 | 2,117.5 | 2,600.2 | 2,726.1 |
| Global and others | **–** | – | 223.3 | 850.4 | 789.7 |
| Profit attributable to shareholders of the Company | **1,586.8** | 1,113.5 | 253.2 | 4,043.2 | 6,068.8 |
| Attributable Operating Profit | **4,370.9** | 5,249.4 | 3,514.3 | 4,707.4 | 5,231.9 |
| Attributable Operating Profit/(Loss) by segments | | | | | |
| Roads | **1,709.9** | 1,807.5 | 907.4 | 1,805.5 | 1,947.1 |
| Aviation | **511.5** | 496.0 | 421.9 | 500.3 | 695.2 |
| Construction | **912.2** | 972.0 | 1,066.0 | 1,203.8 | 1,055.3 |
| Insurance | **1,074.9** | 971.7 | 750.4* | – | – |
| Logistics | **592.6** | 663.0 | 627.8 | 650.6 | 654.6 |
| Facilities Management | **(409.5)** | (649.3) | (771.8) | (393.4) | (73.1) |
| Strategic Investments | **(141.7)** | 739.4 | 251.0 | 282.8 | 340.3 |
| Environment** | **121.0** | 244.3 | 380.4 | 667.9 | 454.9 |
| Transport** | **–** | 4.8 | (118.8) | (10.1) | 157.6 |

* The amount represented revenue consolidated after being acquired as the Group's subsidiaries since 1 November 2019.

** Being discontinued operations

| | **2022** | 2021 (restated) | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| **Consolidated income statement data (continued)** | | | | | |
| (HK$'m) | | | | | |
| Attributable Operating Profit by region | | | | | |
| Hong Kong | **1,825.0** | 2,038.7 | 1,716.6 | 1,324.4 | 2,015.8 |
| Mainland China | **1,778.2** | 2,389.2 | 1,361.0 | 2,815.6 | 2,623.5 |
| Global and others | **767.7** | 821.5 | 436.7 | 567.4 | 592.6 |
| Corporate office and non-operating items | | | | | |
| Net gain on disposal of projects, net of tax | **243.9** | 9.3 | 101.0 | 285.1 | 52.7 |
| Net (loss)/gain on fair value of investment properties | **–** | (13.2) | (22.9) | 33.7 | 93.6 |
| Gains on partial disposal and remeasurement related to an associated company | **–** | – | – | – | 1,879.3 |
| Remeasurement, impairments and provisions, net | **(1,816.9)** | (2,608.1) | (1,709.4) | – | (600.0) |
| Interest income | **49.9** | 37.5 | 107.5 | 78.3 | 36.8 |
| Net gain/(loss) on fair value of derivative financial instruments, net of tax | **78.2** | (59.1) | 73.1 | 40.1 | – |
| Net gain on redemption of senior notes | **97.5** | – | – | – | – |
| Finance costs | **(424.9)** | (483.4) | (737.4) | (373.8) | (266.6) |
| Expenses and others | **(428.7)** | (435.8) | (491.1) | (540.7) | (358.9) |
| **Consolidated statement of financial position data** | | | | | |
| (HK$'m) | | | | | |
| Total assets | **148,770.8** | 152,572.9 | 150,052.0 | 86,065.0 | 78,138.6 |
| Total liabilities, perpetual capital securities and non-controlling interests | **105,462.3** | 104,659.5 | 103,685.0 | 37,019.0 | 28,188.6 |
| Total borrowings | **23,590.9** | 25,348.0 | 30,955.7 | 15,069.4 | 10,174.6 |
| Shareholders' funds | **43,308.5** | 47,913.4 | 46,367.0 | 49,046.0 | 49,950.0 |

# Project Key Facts and Figures
(As at 30 June 2022)

## 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 | **2022**/369,159<br>**2021**/364,383<br>**2020**/264,877 |
| 2 | **Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section)** | 25% | CJV | Section 1: 8.6 km<br>Section 2: 49.59 km | Section 1:<br>Dual 3-Lane<br>Section 2:<br>Dual 2 to 3-Lane | 2030 | **2022**/157,043<br>**2021**/170,844<br>**2020**/124,007 |
| 3 | **Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Northern Section)** | 15% | CJV | 27 km | Dual 3-Lane | 2032 | **2022**/98,530<br>**2021**/98,523<br>**2020**/69,134 |
| 4 | **Guangzhou-Zhaoqing Expressway** | 25% | CJV | Phase 1: 48 km<br>Phase 2: 5.39 km | Phase 1:<br>Dual 2-Lane<br>Phase 2:<br>Dual 3-Lane | 2031 | **2022**/95,573<br>**2021**/99,224<br>**2020**/66,301 |
| 5 | **Shenzhen-Huizhou Expressway (Huizhou Section)** | 33.33% | CJV | 34.7 km | Dual 3 to 4-Lane | 2023 | **2022**/106,691<br>**2021**/111,976<br>**2020**/78,720 |
| 6 | **Guangzhou Dongxin Expressway** | 45.9% | Equity | 46.22 km | Dual 3 to 4-Lane | 2035 | **2022**/189,315<br>**2021**/190,207<br>**2020**/119,605 |
| 7 | **Guangzhou City Nansha Port Expressway** | 22.5% | Equity | 72.4 km | Dual 3 to 4-Lane | 2030 | **2022**/166,862<br>**2021**/184,631<br>**2020**/116,144 |
| 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 | **2022**/300,776<br>**2021**/340,871<br>**2020**/250,236 |
| | **Shanxi Province** | | | | | | |
| 10 | **Shanxi Taiyuan – Gujiao Roadway (Gujiao Section)** | 60%† | CJV | 36.02 km | Dual 1-Lane | 2025 | **2022**/1,404<br>**2021**/1,126<br>**2020**/1,158 |
| 11 | **Roadway No.309 (Changzhi Section)** | 60%† | CJV | 22.2 km | Dual 1 to 2-Lane | 2023 | **2022**/4,072<br>**2021**/3,790<br>**2020**/2,849 |
| 12 | **Taiyuan – Changzhi Roadway (Changzhi Section)** | 60%† | CJV | 18.3 km | Dual 1 to 2-Lane | 2023 | **2022**/901<br>**2021**/666<br>**2020**/981 |
| | **Tianjin Municipality** | | | | | | |
| 13 | **Tangjin Expressway (Tianjin North Section)** | 60%†† | CJV | Section 1: 43.45 km<br>Section 2: 17.22 km | Dual 3-Lane | 2039 | **2022**/68,453<br>**2021**/79,813<br>**2020**/51,824 |
| | **Hubei Province** | | | | | | |
| 14 | **Hubei Suiyuenan Expressway** | 30% | EJV | 98.06 km | Dual 2-Lane | 2040 | **2022**/28,945<br>**2021**/32,879<br>**2020**/20,683 |
| 15 | **Hubei Laogu Expressway** | 1%# | EJV | 39.28 km | Dual 2-Lane | 2050 | **2022**/5,730# |
| | **Hunan Province** | | | | | | |
| 16 | **Hunan Sui-Yue Expressway** | 40% | EJV | 24.08 km | Dual 3-Lane | 2039 | **2022**/33,732<br>**2021**/33,877<br>**2020**/22,162 |
| 17 | **Hunan Changliu Expressway** | 100% | Equity | 65 km | Dual 2-Lane | 2043 | **2022**/43,923<br>**2021**/48,367<br>**2020**/30,092^ |

## CONSTRUCTION

| | Hip Hing Construction Group |
|---|---|
| Attributable Interest | 100% |
| Services Offered | General contracting, construction management, civil engineering works and foundation works |
| Total Value of Contracts Awarded this Year | HK$23.8 billion |
| Value of Contracts on Hand | HK$62.2 billion (remaining value of works to be completed: HK$37.1 billion) |

## INSURANCE

| | FTLife Insurance Company Limited |
|---|---|
| Attributable Interest | 100% |
| Services Offered | Provision of diversified insurance and financial planning products and services to individuals and institutions. |
| 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 | 342% (as at 30 June 2022) |

## AVIATION

| | Goshawk Aviation Limited** | | |
|---|---|---|---|
| Attributable Interest | 50% | | |
| Form of Investment | Equity | | |
| Date of Incorporation | October 2013 | | |
| No. of Aircraft Owned | **2022** | **2021** | **2020** |
| | 162 | 162 | 162 |

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
# The figure represents the average daily traffic flow for the period from March to June 2022 as the acquisition of 1% interest (and convertible shareholder loan equivalent to 24% interest) was completed in March 2022
^ For the period from August 2019 to June 2020 as the concession rights were acquired in July 2019
** In May 2022, Goshawk contracted to dispose of its commercial aircraft leasing platform, excluding any Goshawk aircraft leased to Russian airlines. Completion of the Transaction is subject to satisfaction of conditions and the exercise of any termination right

# LOGISTICS

| | Attributable Interest | Form of Investment | Gross Leasable Area (sq m) | Location | Operation Date | Expiry Date | Average Occupancy Rate |
|---|---|---|---|---|---|---|---|
| **ATL Logistics Centre Hong Kong Limited** | 56% | Equity | 551,846 | Hong Kong | Phase 1: February 1987<br>Phase 2: March 1988<br>Phase 3: February 1992<br>Phase 4: January 1994<br>Phase 5: November 1994 | 2047 | **2022**/99.4%<br>**2021**/99.7%<br>**2020**/99.7% |
| **Chengdu Dasheng Logistics Co. Ltd.** | 100% | Equity | 53,042 | Chengdu | June 2019 | 2063 | **2022**/96.6%^ |
| **Jialong (Chengdu) Warehouse Co. Ltd.** | 100% | Equity | 77,783 | Chengdu | Phase 1: September 2014<br>Phase 2: April 2018 | 2062 | **2022**/89.1%^ |
| **Jiaxin (Chengdu) Warehouse Co. Ltd.** | 100% | Equity | 27,599<br>39,711 (subject to final design) | Chengdu | February 2018<br>July 2023 (Estimate) | 2064<br>2065 | **2022**/98.8%^<br>N/A |
| **Chengdu Jiachao Warehouse Co. Ltd.** | 100% | Equity | 71,413 | Chengdu | Phase 1: September 2015<br>Phase 2: December 2015<br>Phase 3: November 2016 | 2064 | **2022**/83.2%^ |
| **Wuhan Jiamai Warehouse Co. Ltd.** | 100% | Equity | 169,153 | Wuhan | Phase 1: December 2015<br>Phase 2: May 2016<br>Phase 3: June 2021 | 2064 | **2022**/82.0%^ |

| | Attributable Interest | Form of Investment | Investment Scope | Handling Capacity | Location and Operation Date | Expiry Date | Throughout Achieved (TEUs) |
|---|---|---|---|---|---|---|---|
| **China United International Rail Containers Co., Limited** | 30% | EJV | Pivotal rail container terminal network | 6.6 million TEUs/year | Kunming: January 2008<br>Chongqing: December 2009<br>Chengdu: March 2010<br>Zhengzhou: April 2010<br>Dalian: July 2010<br>Qingdao: August 2010<br>Wuhan: August 2010<br>Xian: December 2010<br>Ningbo: January 2011<br>Tianjin: January 2017<br>Urumqi: June 2017<br>Qinzhou: June 2019<br>Guangzhou: December 2021 | 2057 | **2022**: 4,754,000<br>**2021**: 4,869,000<br>**2020**: 3,895,000 |

^ For the month of June 2022 as the acquisition of logistics properties was completed in June 2022. The average occupancy rate for these logistics properties since acquisitions was 86.7%

## 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 | 420 | 39 | 50 |
| Total Attendance this Year | Approximately 3.0 million | Nearly 0.3 million | Over 1.7 million |

| | Gleneagles Hospital Hong Kong |
|---|---|
| Attributable Interest | 40% |
| Services Offered | 500-bed private hospital with services spanning more than 35 specialties and subspecialties. It offers a comprehensive range of healthcare facilities and clinical services, including 24-hour Outpatient and Emergency, Cardiac Catheterisation Laboratory, Critical Care Unit, Digital Subtraction Angiography Suite, Dialysis Centre, Endoscopy and Day Surgery Centre, Operating Theatre, Radiotherapy and Oncology Centre, Radiology Services, Specialist Service Centres, Specialist Outpatient Clinics, Health Screening Clinic, Dietetic Services, Rehabilitation Centre, Clinical Laboratory, 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) |

Remark: *The management service ended on 31 December 2021

# 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 |
| "FY2021" | the financial year ended 30 June 2021 |
| "FY2022" | the financial year ended 30 June 2022 |
| "FY2023" | the financial year ending 30 June 2023 |
| "GHG" | Greenhouse gas |
| "GHK Hospital" | Gleneagles Hospital Hong Kong |
| "Goshawk" or "GAL" | Goshawk Aviation Limited |
| "GML" | Goshawk Management Limited, the main wholly-owned operating subsidiary of GAL |
| "Greater Bay Area" or "GBA" | the Guangdong-Hong Kong-Macao Greater Bay Area |
| "GRI" | Global Reporting Initiative |
| "Group" | NWS Holdings and its subsidiaries |
| "Guiwu Expressway" | Guangxi Logan Guiwu Expressway Co., Ltd |

## GENERAL TERMS (CONTINUED)

| | |
|---|---|
| "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 |
| "HKRBC" | Hong Kong Risk Based Capital |
| "HML" | Hong Kong Convention and Exhibition Centre (Management) Limited |
| "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 |

## GENERAL TERMS (CONTINUED)

| | |
|---|---|
| "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" | Bravo Transport Services Limited (formerly NWS Transport Services Limited) |
| "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) |
| "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

| | |
|---|---|
| "Adjusted EBITDA" | adjusted earnings before interest, taxes, depreciation and amortization is calculated as operating profit excluding depreciation/amortization and other non-cash items, plus dividends received from associated companies and joint ventures, and any other relevant adjustments |
| "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 |
| "HKASs" | Hong Kong Accounting Standards |
| "HKFRSs" | Hong Kong Financial Reporting Standards |
| "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 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)*
Mr Ho Gilbert Chi Hang *(Chief Operating Officer)*
Dr Cheng Chi Kong, Adrian
Mr Cheng Chi Ming, Brian
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
Mr Shek Lai Him, Abraham
Mr Lee Yiu Kwong, Alan
Mrs Oei Wai Chi Grace Fung
Mr Wong Kwai Huen, Albert
Professor Chan Ka Keung, Ceajer

## BOARD COMMITTEES

### Executive Committee

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

### Audit Committee

Mr Kwong Che Keung, Gordon *(Chairman)*
Mr Dominic Lai
Mr Shek Lai Him, Abraham
Mr Lee Yiu Kwong, Alan
Professor Chan Ka Keung, Ceajer

### Remuneration Committee

Mr Shek Lai Him, Abraham *(Chairman)*
Mr Ma Siu Cheung
Mr Lee Yiu Kwong, Alan
Professor Chan Ka Keung, Ceajer

### Nomination Committee

Dr Cheng Kar Shun, Henry *(Chairman)*
Mr Ma Siu Cheung
Mr Shek Lai Him, Abraham
Mr Lee Yiu Kwong, Alan
Professor Chan Ka Keung, Ceajer

### Sustainability Committee

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

### Corporate Governance Committee

Mr Wong Kwai Huen, Albert *(Chairman)*
Mr Ma Siu Cheung
Mr Ho Gilbert Chi Hang
Mrs Oei Wai Chi Grace Fung

## 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
17/F, Far East Finance Centre
16 Harcourt Road
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 China (Hong Kong) Limited
BNP Paribas Hong Kong Branch
China Construction Bank (Asia) Corporation Limited
China Merchants Bank Co., Ltd., Beijing Branch
Crédit Agricole Corporate and 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

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