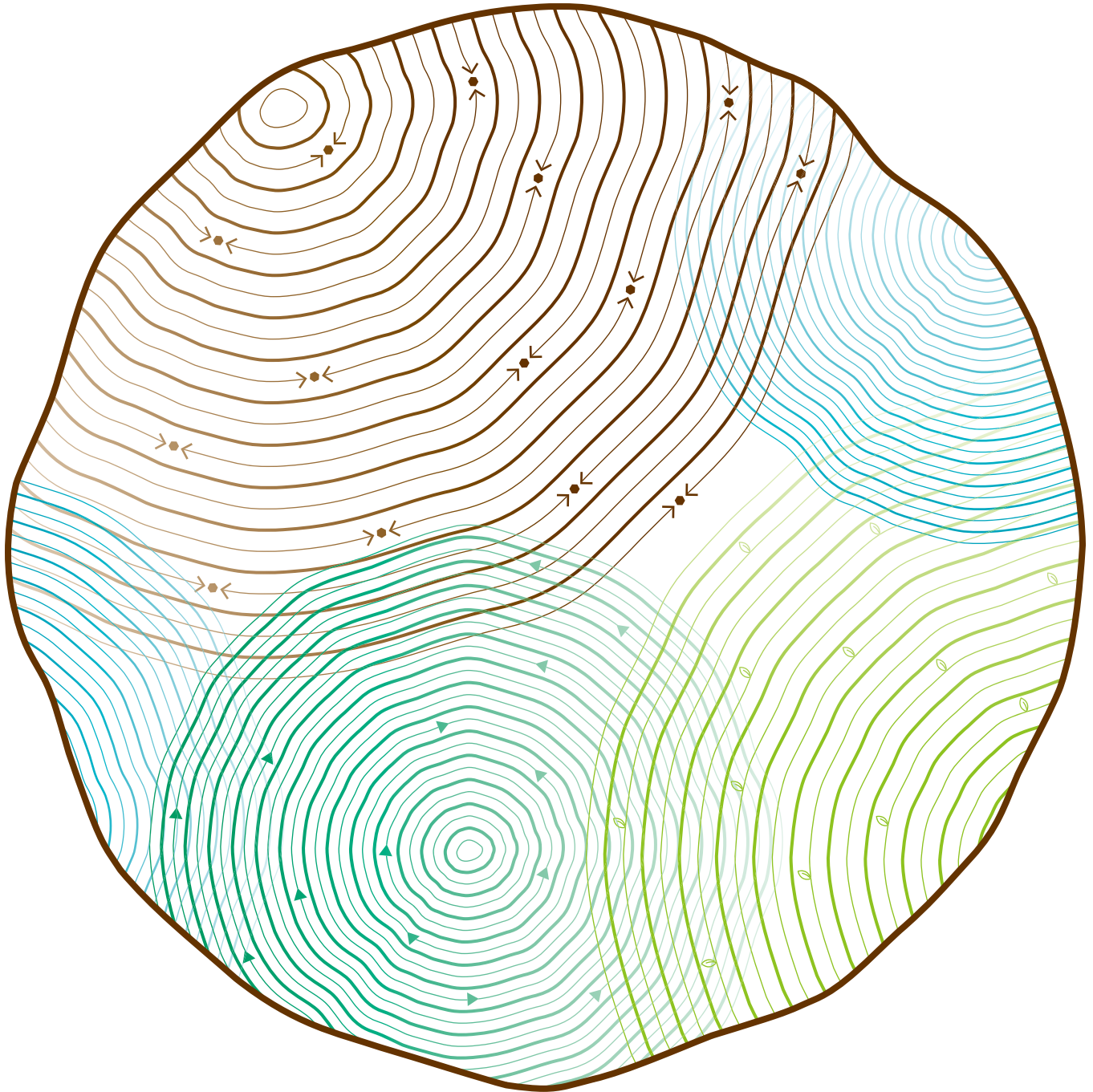




新創建 NWS



NWS HOLDINGS LIMITED

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

ANNUAL REPORT 2020

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

NWS Holdings Limited (Hong Kong stock code: 659), headquartered and listed in Hong Kong, invests and operates a wide range of businesses predominantly in Hong Kong and across Greater China. Our core businesses include toll roads, commercial aircraft leasing, construction and insurance, while we also manage a strategic portfolio spanning sectors from environment, logistics, facilities management to transport.

As the diversified industries flagship of New World Development Company Limited (Hong Kong stock code: 17), NWS Holdings seeks to foster long-term and sustainable growth that benefits our employees, investors and stakeholders.

(Please refer to Project Key Facts and Figures on pages 296 to 311 for project details)

Core Business

ROADS



15 projects in Mainland China with a network of approximately **740** km long

AVIATION



Owned, managed and committed **233** commercial aircraft for leasing

CONSTRUCTION

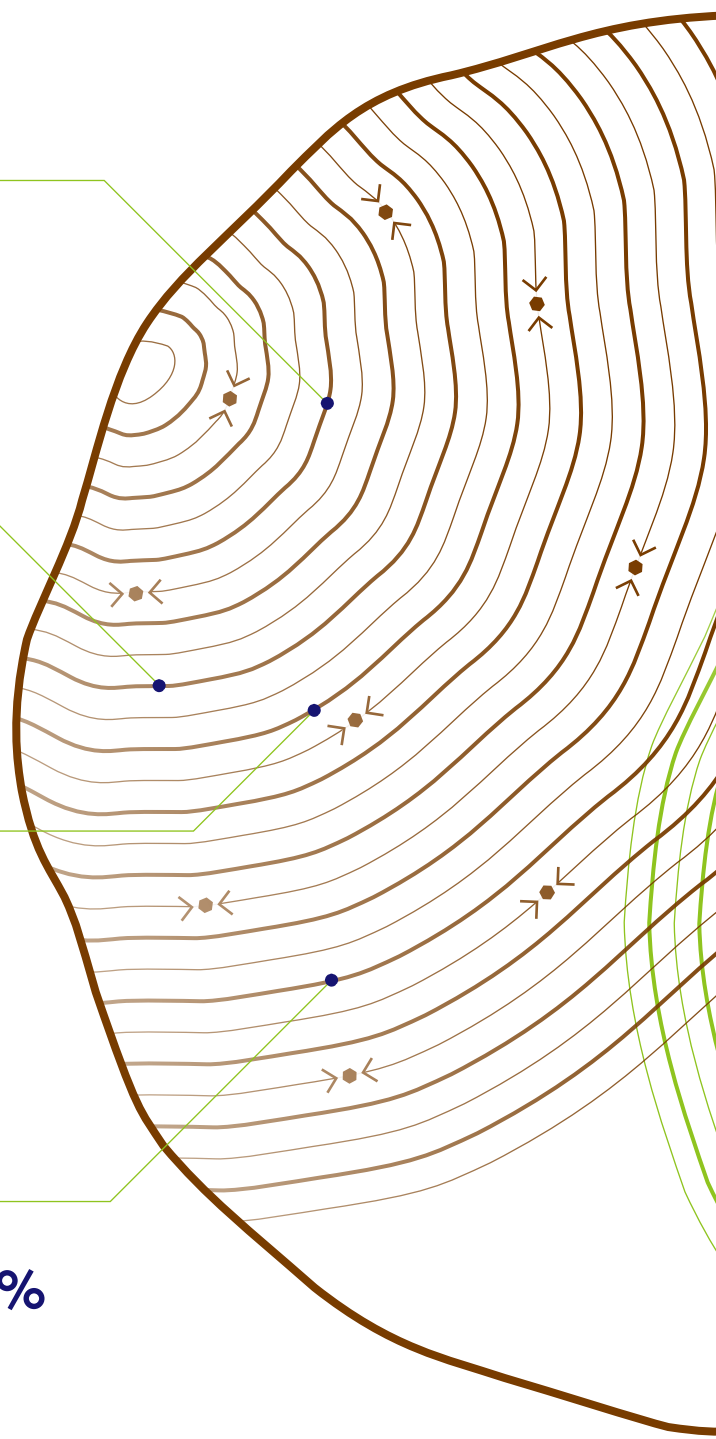


Hip Hing Group has approximately HK\$ **52.6** billion gross value of contracts on hand

INSURANCE



FTLife Insurance's solvency ratio reaches **542%** (minimum requirement by regulator is 150%)



Strategic Portfolio



ENVIRONMENT

122 projects in **47** cities
across Greater China region



LOGISTICS

99.7% average occupancy rate
at ATL Logistics Centre



FACILITIES MANAGEMENT

35+ specialties and subspecialties
in GHK Hospital

Over **4.6** million attendance
at HKCEC this year



TRANSPORT

Our bus and ferry fleets carry
over **955,000** patronage per day



NWS Holdings acquired concession rights for Changliu Expressway, strengthening our presence in Central China to bring long-term growth.

Major Events And Accolades

NWS Holdings completed the acquisition of FTLife Insurance, establishing insurance as one of the Group's core business interests.

(Photo: Artistic rendering)





To help fight the COVID-19 epidemic, NWS Holdings has implemented preventive measures for internal staff such as flexible working hours, and distributed medical supplies kits to employees. To show our care for the community, the Company also donated masks and cleaning supplies to the needy through its corporate volunteer team.

Hip Hing Engineering Company Limited garnered the Green Management Award - Project Management (Large Corporation) - Gold Award at the Hong Kong Green Awards 2019, acknowledging its exceptional green management performance in Kai Tak Sports Park project.

(Source of the photo: Kai Tak Sports Park's website© acknowledged by **Kai Tak Sports Park Limited & Populous**)



NWS Holdings announced its first HK\$1 billion sustainability-linked loan with Crédit Agricole Corporate and Investment Bank, the proceeds of which will be used for funding measures driving long-term sustainability goals as well as for general corporate funding and refinancing purposes, working towards the "New World Sustainability Vision 2030".



Hang Seng Corporate Sustainability Index Series Member 2019-2020

NWS Holdings was selected as a constituent stock of the Hang Seng Corporate Sustainability Benchmark Index for the ninth consecutive year, and maintained an AA rating for its overall sustainability performance.

「傑出伙伴合作計劃獎」
Outstanding Partnership Project Award
創建生涯路
NWS Career Navigator For Youth



The Group's community programme NWS Career Navigator for Youth has won the Outstanding Partnership Project Award 2019/20 awarded by The Hong Kong Council of Social Service, in recognition of the Group's commitment to Create Shared Value for the community and support youth development.

Chairman's Statement



Dear Shareholders,

During a period of turbulence, a solid foundation is of the essence for one to navigate through the volatility and proceed steadily. The last financial year was a challenging one for NWS Holdings, which was hit hard by public activities in Hong Kong, COVID-19, and the uncertainties arising from the ongoing conflicts between USA and China. While NWS Holdings has inevitably been impacted, the solid foundation that we have built over the past decade, our portfolio optimization strategy that we have been implementing, the risk management and the prudent financial policy in place, are set to guide us over this difficult time and steer us on a steady growth path.

During the last financial year, global COVID-19 has had adverse impact to the Group's businesses in varying degrees. In particular, by echoing the toll fee exemption policy imposed by the PRC Government to support the overall economic recovery and social stability after the outbreak of COVID-19, the Group saw a temporary disruption in the Roads segment's performance. Moreover, the lockdown and social distancing measures implemented by the governments around the world to control the spread of the virus also weighed on the results of our other segments such as Aviation, Insurance, Facilities Management and Transport. Yet, with our sturdy foundation built over the years, our financial position remains sound and we are committed to maintaining a sustainable and progressive dividend policy.

The last financial year continued to be a year of transition for the Group. The completion of the acquisition of FTLife Insurance, a quality Hong Kong life insurance company, has added fresh growth impetus to the Group while the cash recuperated from the non-core disposals in the past two years has further strengthened our fundamentals to brace for any challenges and uncertainties ahead and setting solid base for new opportunities. Our strategy of optimizing our portfolio will continue to pave the way for a sustainable and quality long-term growth.

Looking ahead, while headwinds and uncertainties are still overshadowing the market and COVID-19 is reshaping the global economic landscape, we believe there are opportunities in every crisis. We endeavour to create more value for our shareholders through optimizing our business portfolio while exploring new business opportunities to enhance the return to our shareholders. At the same time, together with the entire New World Group, we strive to thrive with our stakeholders by creating shared value with the wider community. Meanwhile, leveraging on New World Group's exposure in the Greater Bay Area, the increasing interconnectivity between Hong Kong and the Greater Bay Area offers ample of opportunities to maximize the untapped growth potential in the region. With our solid foundation, the Group is confident of sailing through the volatility and committed to capitalizing on the opportunities in seeking sustainable and quality growth in the years to come.

A handwritten signature in black ink that reads "Henry Cheng." The signature is written in a cursive, flowing style.

Dr Cheng Kar Shun, Henry
Chairman

Hong Kong, 30 September 2020

Financial Highlights

	2020 HK\$'m	2019 HK\$'m
Revenue	25,920.5	26,833.5
Attributable Operating Profit	3,514.3	4,707.4
Net Debt	17,733.9	10.5
Total assets	150,052.0	86,065.0
Net Assets	57,457.7	57,246.6
Shareholders' funds	46,367.0	49,046.0

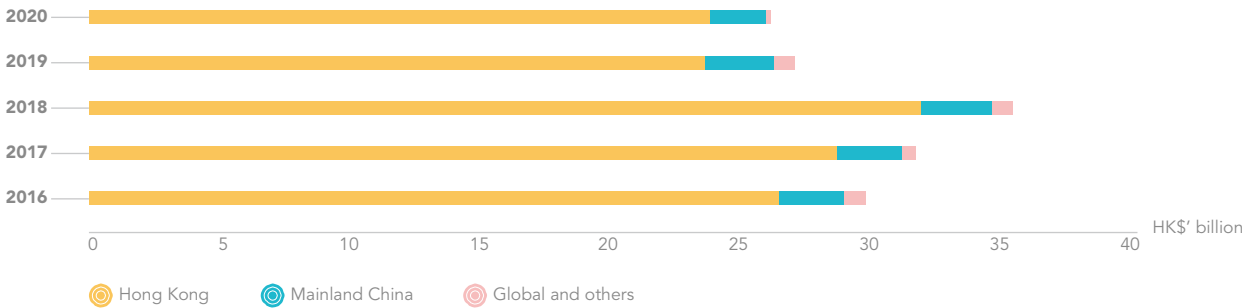
	2020 HK\$	2019 HK\$
Dividend per share – interim and final	0.58	0.58
Net Assets per Share	14.69	14.64

	2020	2019
Net Gearing Ratio	31%	0%
Dividend Payout Ratio	896%	56%

Financial Highlights

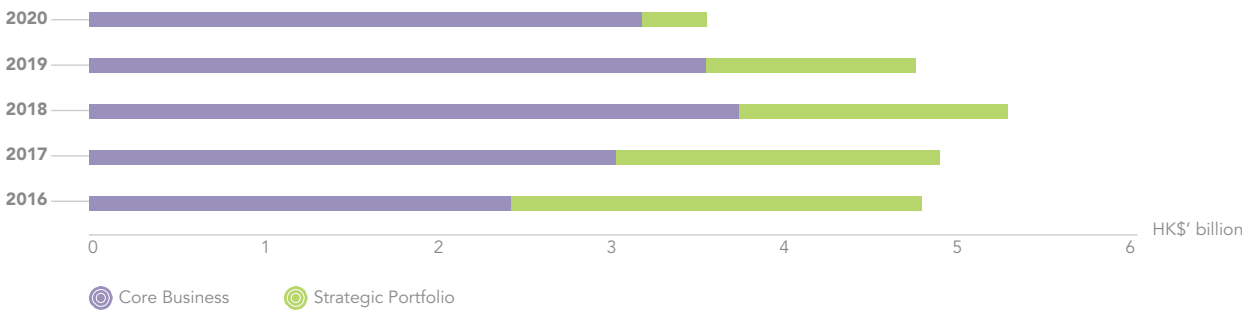
Revenue by region for the year ended 30 June

25.9 billion



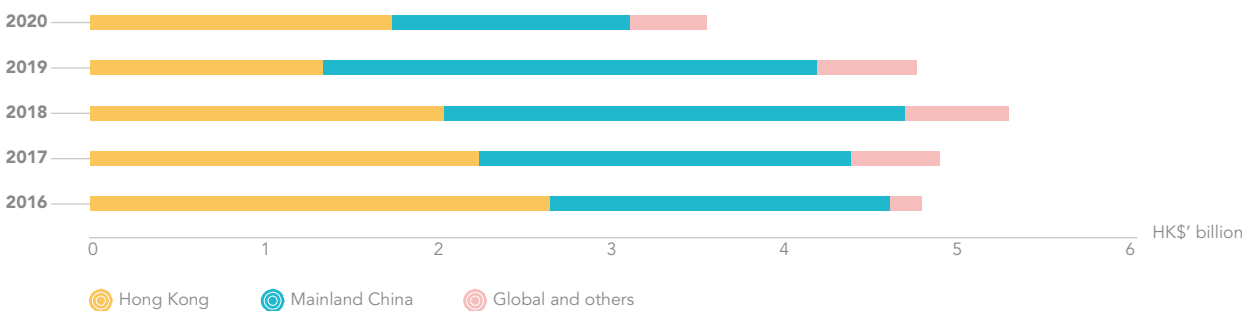
AOP by division for the year ended 30 June

3.5 billion



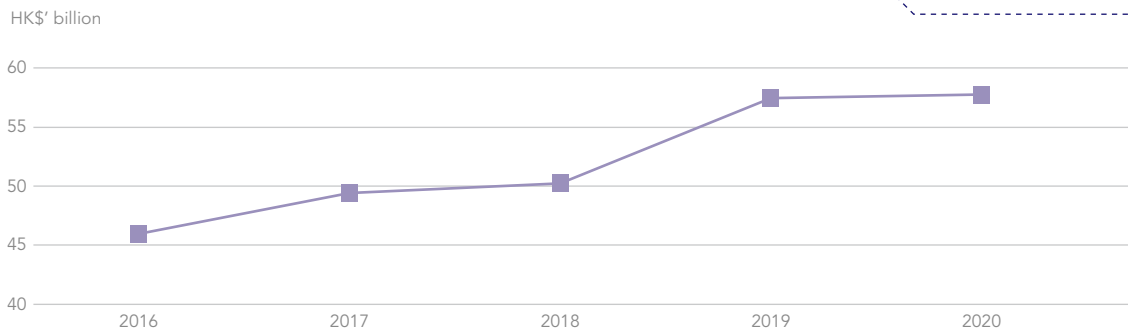
AOP by region for the year ended 30 June

3.5 billion



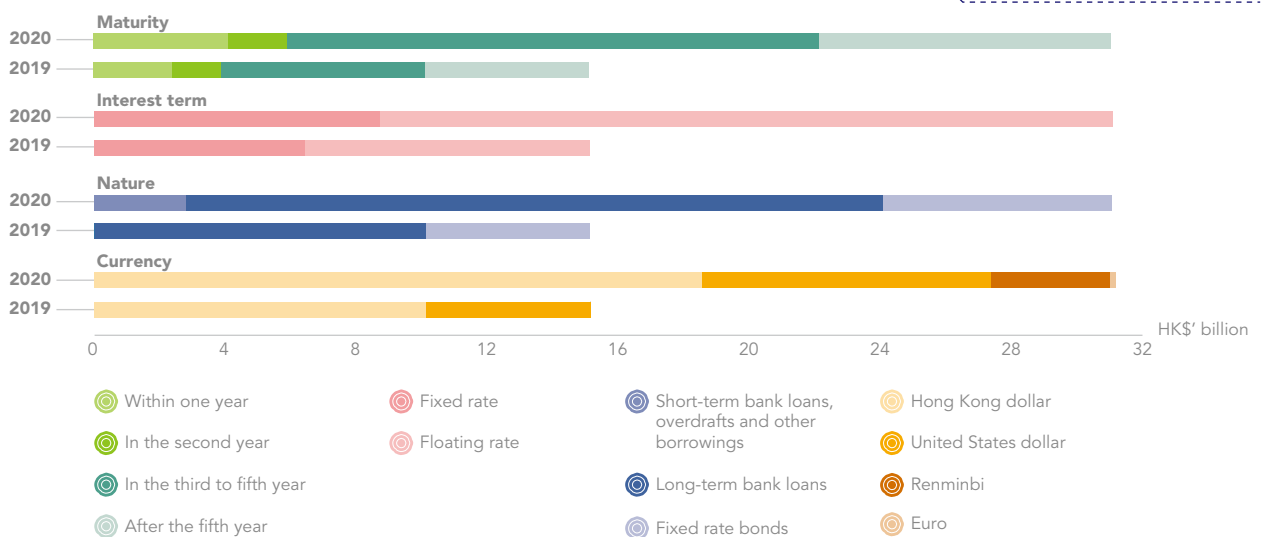
Total Equity as at 30 June

57.5 billion



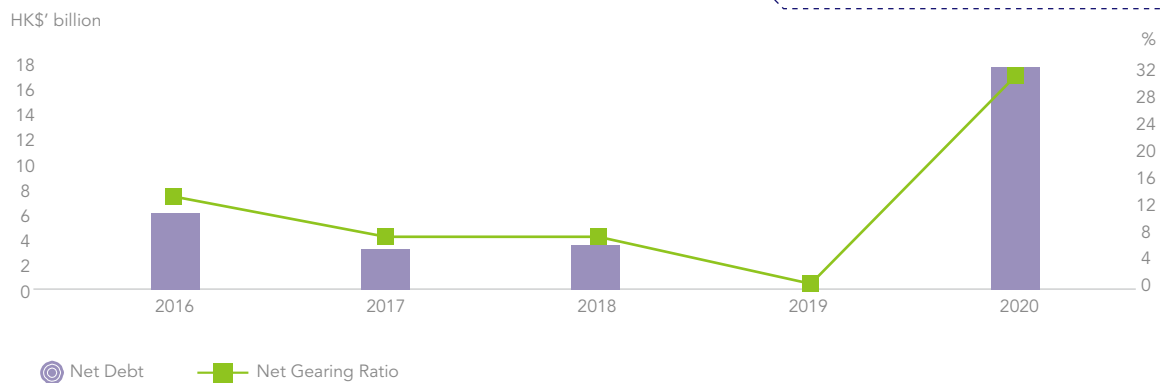
Debt Profile as at 30 June

31.0 billion



Net Debt and Net Gearing Ratio as at 30 June

17.7 billion and **31%**



Board of Directors



Dr Cheng Kar Shun, Henry GBM, GBS

Chairman

Dr Cheng, aged 73, 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 and a director of certain subsidiaries of the Group. Dr Cheng is the Chairman and an executive director of NWD, a substantial shareholder of the Company, and Chow Tai Fook Jewellery Group Limited, the Chairman and a non-executive director of New World Department Store China Limited and FSE Services Group Limited, the Vice Chairman and a non-executive director of i-CABLE Communications Limited and a non-executive director of DTXS Silk Road Investment Holdings Company Limited, all being listed public companies in Hong Kong. He was the Chairman and a non-executive director of Newton Resources Ltd (resigned on 9 April 2018), and an independent non-executive director of HKR International Limited (resigned on 31 March 2018) and Hang Seng Bank Limited (retired on 10 May 2018), and a non-executive director of SJM Holdings Limited (retired on 11 June 2019), all being listed public companies in Hong Kong. Dr Cheng is also a director and the Honorary Chairman of NWCL and a director of several substantial shareholders of the Company, namely Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited, CTFC, CTFH, CTF Enterprises and Mombasa Limited. Dr Cheng is the Chairman of the Advisory Council for The Better Hong Kong Foundation. He was a Standing Committee Member of the Twelfth Chinese People's Political Consultative Conference of the People's Republic of China. Dr Cheng was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal in 2001 and 2017 respectively by the Government of the HKSAR. Dr Cheng is the father of Dr Cheng Chi Kong, Adrian and Mr Cheng Chi Ming, Brian, and the uncle of Mr William Junior Guilherme Doo.



Mr Ma Siu Cheung GBS, JP

Executive Director and Chief Executive Officer

Mr Ma, aged 57, 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 1 January 2019. He is also the Chairman of the Sustainability Committee and a member of the Executive Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee of the Company. He is also a director of certain subsidiaries of the Group and is responsible for overseeing the overall strategic development and business operations of the Group. During the period from February to June 2018, Mr Ma was the Acting Chief Executive Officer of Hong Kong-Shenzhen Innovation and Technology Park Limited. He joined the Government of the HKSAR in January 2014 as the Under Secretary for Development and was subsequently appointed as the Secretary for Development in February 2017 and remained in the post until June 2017. Prior to working with the Government of the HKSAR, Mr Ma was the Executive Vice-President for Civil and Infrastructure Business (Asia Pacific) of AECOM Asia Company Limited. Mr Ma is a Fellow of the Hong Kong Institution of Engineers, the Institution of Civil Engineers, United Kingdom, the Institution of Structural Engineers, United Kingdom, the Chartered Institution of Highways and Transportation, United Kingdom and Royal Institution of Chartered Surveyors, United Kingdom. He is also a Registered Professional Engineer in Hong Kong and a Chartered Engineer in the United Kingdom. Mr Ma holds a Bachelor of Science degree in Engineering (Civil) from The University of Hong Kong and a Master of Engineering degree in Transportation Planning from Monash University, Australia. He is an Honorary Professor of the School of Science and Technology of The Open University of Hong Kong and an Adjunct Professor of the Department of Civil and Environmental Engineering, Faculty of Construction and Environment of The Hong Kong Polytechnic University. Mr Ma was appointed as Justice of the Peace in 2014 and was awarded the Gold Bauhinia Star by the Government of the HKSAR in 2017.

Dr Cheng Chi Kong, Adrian JP

Executive Director

Dr Cheng, aged 40, was appointed as Executive Director on 11 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, an executive director of New World Department Store China Limited and Chow Tai Fook Jewellery Group Limited, and a non-executive director of Giordano International Limited and New Century Healthcare Holding Co. Limited, all being listed public companies in Hong Kong. Dr Cheng is a director and the Executive Chairman of NWCL. He is also a director of CTFH and CTF Enterprises, both being substantial shareholders of the Company. Dr Cheng was a non-executive director of i-CABLE Communications Limited (resigned on 2 July 2019), a listed public company in Hong Kong.

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



Mr Cheung Chin Cheung

Executive Director

Mr Cheung, aged 64, was appointed as Executive Director in October 2003 and is also a member of the Executive Committee, the Corporate Governance Committee and the Sustainability Committee of the Company. He had been an executive director of the Company during the period from May 1998 to January 2003. Mr Cheung is currently the Chairman of Guangzhou Northring Intelligent Transportation Technology Company Limited (formerly known as Guangzhou Northring Freeway Company Limited) and Tianjin Xinzhan Expressway Company Limited, the Vice Chairman of Beijing-Zhuhai Expressway Guangzhou-Zhuhai Section Company Limited, and a director of Chongqing Water Group Company Limited, a company listed in Shanghai, the PRC, and the Vice Chairman of Derun Environment. He is also a director of a number of companies in Mainland China and certain subsidiaries of the Group, and is mainly responsible for managing the Group's infrastructure business. Mr Cheung was a director of Sino-French Holdings (Hong Kong) Limited (now known as SUEZ NWS Limited) and Far East Landfill Technologies Limited, the Vice Chairman of Companhia de Electricidade de Macau – CEM, S.A. and the Managing Director of The Macao Water Supply Company Limited. He had been a member of the Infrastructure Development Advisory Committee and the China Trade Advisory Committee of the Hong Kong Trade Development Council. He has over 29 years of experience in business development, investment and management in the infrastructure business in Mainland China. Mr Cheung is a member of the Hebei Province Committee of the Twelfth Chinese People's Political Consultative Conference of the People's Republic of China. He holds a Bachelor of Commerce degree from Curtin University, Australia and is a Chartered Professional Accountant of Canada.



Board of Directors



Mr Cheng Chi Ming, Brian

Executive Director

Mr Cheng, aged 37, 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 Holdings Limited, all being listed public companies in Hong Kong. He is also the Chairman of Goshawk, and a director of SUEZ NWS, PBA International Pte. Ltd. and a number of companies in Mainland China. Mr Cheng was a non-executive director of BCIA (resigned on 2 February 2018) and Leyou Technologies Holdings Limited (resigned on 5 June 2019), both being listed public companies in Hong Kong. He is currently a member of the Thirteenth Shanghai Municipal Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. Before joining the Company, Mr Cheng had been working as a research analyst in the Infrastructure and Conglomerates sector for CLSA Asia-Pacific Markets. Mr Cheng holds a Bachelor of Science degree from Babson College in Massachusetts, USA. Mr Cheng is the son of Dr Cheng Kar Shun, Henry, the brother of Dr Cheng Chi Kong, Adrian and the cousin of Mr William Junior Guilherme Doo.



Mr Ho Gilbert Chi Hang

Executive Director

Mr Ho, aged 44, was appointed as Executive Director in July 2018 and is also a member of the Executive Committee of the Company. Joined the Company in January 2018, he is also a director of certain subsidiaries of the Group and is responsible for overseeing the business development and merger and acquisition affairs, and certain businesses of the Group. Mr Ho has extensive experience in the area of corporate management, investments, corporate finance, merger and acquisition transactions and international brand and retail management. Prior to joining the Group, Mr Ho was a director and/or senior executive in several Hong Kong listed public companies. He was the senior investment director of NWD, a substantial shareholder of the Company, and an executive director of New World Strategic Investment Limited. He was also a partner of an international law firm Fried, Frank, Harris, Shriver & Jacobson LLP. Mr Ho is an independent non-executive director of Asia Allied Infrastructure Holdings Limited and Kam Hing International Holdings Limited, and a non-executive director of Shoucheng Holdings Limited (formerly known as Shougang Concord International Enterprises Company Limited) and Wai Kee Holdings Limited, all being listed public companies in Hong Kong. He was an executive director and the Chief Executive Officer of AID Partners Technology Holdings Limited (now known as AID Life Science Holdings Limited) (resigned on 1 January 2018) and an independent non-executive director of Hailiang International Holdings Limited (resigned on 1 September 2020), both being listed public companies in Hong Kong. Mr Ho is a member of the Industry Advisory Committee of Insurance Authority, a committee member of the Chinese People's Political Consultative Conference of Shenyang, a standing committee member of the Youth Federation of Inner Mongolia and the Vice Chairman of Inner Mongolia & Hong Kong Youth Exchange Association. Mr Ho holds a Bachelor of Commerce degree and a Bachelor of Laws degree from the University of Sydney, Australia and was admitted as a solicitor in New South Wales, Australia and England and Wales and as a solicitor and barrister in the High Court of Australia. He is also a fellow member of CPA Australia.

Mr Chow Tak Wing

Executive Director and Company Secretary

Mr Chow, aged 53, was appointed as Executive Director in July 2018 and is also a member of the Executive Committee and the Corporate Governance Committee of the Company. He joined the Company in August 2002 and is also the Company Secretary of the Company, and a director of certain subsidiaries of the Group. He is responsible for the financial management, treasury and corporate governance functions of the Group. Mr Chow is a director of HML, Hip Hing Construction Company Limited, Citybus, NWFb and NWFf. Mr Chow has over 31 years' experience in accounting and financial management and corporate governance. Prior to joining the Group, he was a manager of an international accounting firm and senior executive of several Hong Kong listed public companies. Mr Chow is a member of HKICPA and a fellow member of the Association of Chartered Certified Accountants (UK), The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute. He holds an Executive Master of Business Administration degree from Western University, Canada.



Mr To Hin Tsun, Gerald

Non-executive Director

Mr To, aged 71, 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 73, 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, lu, Lai & Li. Mr Lai is also a non-executive director of Chuang's China Investments Limited and Oriental Press Group Limited, both being listed public companies in Hong Kong. He was a non-executive director of Midas International Holdings Limited (now known as Magnus Concordia Group Limited) (resigned on 26 January 2018), a listed public company in Hong Kong.



Board of Directors



Mr Tsang Yam Pui *GBS, OBE, QPM, CPM*

Non-executive Director

Mr Tsang, aged 74, was appointed as Executive Director in June 2004 and was re-designated as Non-executive Director in January 2019. He was the Chief Executive Officer of the Company during the period from July 2015 to December 2018. He is a director of Mapletree Investments Pte Ltd in Singapore and the Chairman and a non-executive director of Mapletree Commercial Trust Management Ltd. (as manager of Mapletree Commercial Trust which is listed on the Singapore Stock Exchange). He was a non-executive director of Wai Kee Holdings Limited (resigned on 31 December 2018), a listed public company in Hong Kong. Prior to joining the Company in 2004, Mr Tsang had served with the Hong Kong Police Force for 38 years and retired from the Force as its Commissioner in December 2003. He has extensive experience in corporate leadership and public administration. Mr Tsang was awarded the Gold Bauhinia Star, the OBE, the Queen's Police Medal, the Colonial Police Medal for Meritorious Service, the Commissioner's Commendation, and the HKSAR Police Long Service Medal.



Mr Lam Wai Hon, Patrick

Non-executive Director

Mr Lam, aged 58, was appointed as Executive Director in January 2003 and was re-designated as Non-executive Director in January 2016. He is also a member of the Sustainability Committee of the Company and a director of certain subsidiaries of the Group. Mr Lam is currently an executive director and the Chief Executive Officer of FSE Holdings Limited. He is also an executive director and the Vice Chairman of the board of directors of FSE Services Group Limited, a listed public company in Hong Kong. Mr Lam is a Chartered Accountant by training and is a fellow of HKICPA and the Institute of Chartered Accountants in England and Wales, and a member of the Chartered Professional Accountants of Ontario, Canada. He is a member of the Asia advisory board of Ivey Business School of Western University, Canada.



Mr William Junior Guilherme Doo *JP*

Non-executive Director

Mr Doo, aged 46, 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 and a director of certain subsidiaries of the Group. Mr Doo is an executive director of FSE Services Group Limited, a listed public company in Hong Kong, and an executive director and the Deputy Chief Executive Officer of FSE Holdings Limited. He is also an independent non-executive director of The Bank of East Asia, Limited, a listed public company 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 and Mr Cheng Chi Ming, Brian.

Mr Kwong Che Keung, Gordon

Independent Non-executive Director

Mr Kwong, aged 71, was appointed as Independent Non-executive Director in October 2002 and is the Chairman of the Audit Committee and the Corporate Governance Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. He is an independent non-executive director of a number of Hong Kong listed public companies including Agile Group Holdings Limited, China Power International Development Limited, Chow Tai Fook Jewellery Group Limited, COSCO SHIPPING International (Hong Kong) Co., Ltd. (appointed on 9 July 2020), FSE Services Group Limited, Henderson Investment Limited and Henderson Land Development Company Limited. He is also an independent non-executive director of Piraeus Port Authority S.A., a listed company in Athens, Greece. He was an independent non-executive director of OP Financial Limited (retired on 27 August 2019) and Global Digital Creations Holdings Limited (retired on 22 May 2020), 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 HKICPA. He was a partner of Price Waterhouse from 1984 to 1998 and an independent member of the Council of the Hong Kong Stock Exchange from 1992 to 1997, during which, he had acted as convener of both the Compliance Committee and the Listing Committee.



Dr Cheng Wai Chee, Christopher GBS, OBE, JP

Independent Non-executive Director

Dr Cheng, aged 72, was appointed as Independent Non-Executive Director in January 2003 and is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Dr Cheng is the Chairman and an executive director of Wing Tai Properties Limited, a listed public company in Hong Kong. He is an independent non-executive director of Eagle Asset Management (CP) Limited (as manager of Champion Real Estate Investment Trust which is listed on the Hong Kong Stock Exchange). Dr Cheng is also an independent non-executive director of The Hongkong and Shanghai Banking Corporation Limited. Dr Cheng has a keen interest in the public services. He serves as a member of the Board of Overseers of Columbia Business School and a member of the President's Council on International Activities of Yale University. He retired as a member of the board of Temasek Foundation CLG Limited on 7 September 2016. Dr Cheng holds a Doctorate in Social Sciences *honoris causa* from The University of Hong Kong and a Doctorate in Business Administration *honoris causa* from The Hong Kong Polytechnic University. He graduated from the University of Notre Dame, Indiana with a BBA degree and from Columbia University, New York with an MBA degree.



Board of Directors



The Honourable Shek Lai Him, Abraham GBS, JP

Independent Non-executive Director

Mr Shek, aged 75, 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, Country Garden Holdings Company Limited, Chuang's China Investments Limited (also acts as Honorary Chairman), Chuang's Consortium International Limited, Cosmopolitan International Holdings Limited, CSI Properties Limited, Everbright Grand China Assets Limited, Far East Consortium International Limited, Goldin Financial Holdings Limited, ITC Properties Group Limited (also acts as Vice Chairman), Lai Fung Holdings Limited, Lifestyle International Holdings Limited, Paliburg Holdings Limited and SJM Holdings Limited, 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 the trusts are listed on the Hong Kong Stock Exchange. Mr Shek was an independent non-executive director of Midas International Holdings Limited (now known as Magnus Concordia Group Limited) (resigned on 26 January 2018), MTR Corporation Limited (retired on 22 May 2019) and Hop Hing Group Holdings Limited (retired on 2 June 2020) and the Chairman of Chuang's China Investments Limited (retired on 29 April 2019), all being listed public companies in Hong Kong. Mr Shek is a member of the Legislative Council for the HKSAR representing real estate and construction functional constituency since 2000. He was appointed as Justice of the Peace in 1995 and was awarded the Gold Bauhinia Star in 2013. Mr Shek graduated from the University of Sydney with Bachelor of Arts.



Mr Lee Yiu Kwong, Alan

Independent Non-executive Director

Mr Lee, aged 76, was appointed as Independent Non-executive Director in October 2012 and he is also a member of the Audit Committee and the Sustainability Committee of the Company. He is 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 Fung Wai Chi, Grace

Independent Non-executive Director

Mrs Oei, aged 67, was appointed as Independent Non-executive Director in January 2016 and is also a member of the Corporate Governance Committee and the Sustainability Committee of the Company. She is currently the Chairperson of Ronald McDonald House Charities in Hong Kong since September 2008 and she has been elected to the global board of trustees of Ronald McDonald House Charities in Chicago since 1 January 2015. Mrs Oei had worked in investment banking and wholesale banking for 36 years. She was the Vice Chairman, Corporate & Institutional Clients, at Standard Chartered Bank, Hong Kong when she retired from the bank in November 2014. Before joining Standard Chartered Bank in 2002, she had worked with UBS for nine years including service as Managing Director responsible for corporate finance and fixed income. During her service with UBS, Mrs Oei had regional responsibilities for institutional sales, fixed income, supervising a team in Hong Kong and Singapore which covered 13 countries in Asia (excluding Japan). Her team advised central banks and other institutional investors in Asia on fixed income investments and hedging strategies for interest rates and currencies. Mrs Oei had taken on a number of public service responsibilities over the years, including as a member of the Takeovers and Mergers Panel and the Takeovers Appeal Committee of the Securities and Futures Commission and a member of the Finance Committee of the Hong Kong Housing Authority. Mrs Oei graduated from the London School of Economics and Political Science, London University, with a BSc (Econ) degree, majoring in Accounting and Finance.



Mr Wong Kwai Huen, Albert BBS, JP

Independent Non-executive Director

Mr Wong, aged 68, was appointed as Independent Non-executive Director in July 2018 and is also a member of the Corporate Governance Committee of the Company. He is the principal of Fried, Frank, Harris, Shriver & Jacobson (China Offices) and has served as its Managing Partner in Asia from 2006 until 2011. He is also an independent non-executive director of China Oilfield Services Limited, Hua Hong Semiconductor Limited and Vinda International Holdings Limited, all being listed public companies in Hong Kong. He was an independent non-executive director of China International Marine Containers (Group) Co., Ltd. (retired on 3 June 2019), a listed public company in Hong Kong. Mr Wong holds a Bachelor of Arts degree from The Chinese University of Hong Kong and a Bachelor of Laws degree from the University of London, United Kingdom. He is admitted as a solicitor in Hong Kong, the United Kingdom and Singapore. Mr Wong is a board member of Aviation Security Company Limited and The Hong Kong Mortgage Corporation Limited, and the Honorary Chairman of Hong Kong International Arbitration Centre. He is also the Chairman of the Board of Review (Inland Revenue Ordinance) and the Copyright Tribunal, a council member of The Hong Kong Institute of Directors, the Honorary Adviser of Financial Reporting Council, the Honorary Legal Adviser of Hong Kong Business Accountants Association and the former President of the Law Society of Hong Kong and the Inter-Pacific Bar Association. Mr Wong holds the posts of honorary lecturer, external examiner and professorships at The University of Hong Kong, The Chinese University of Hong Kong, City University of Hong Kong, The Hang Seng University of Hong Kong and Hong Kong Shue Yan University. He was appointed as Justice of the Peace in 2010 and was awarded the Bronze Bauhinia Star by the Government of the HKSAR in 2014.



Senior Management

Mr Cheng Chi Kwok

Senior Director – Infrastructure

NWS Infrastructure Management Limited

Mr Cheng, aged 56, joined New World Group in 1993 and is the Senior Director (Infrastructure) of NWS Infrastructure Management Limited, a wholly-owned subsidiary of the Company. He is also a director of NWS Infrastructure Management Limited and several major PRC joint ventures in the Roads segment of the Group. Mr Cheng holds a Bachelor of Business Administration degree and he has over 25 years of experience in project development, investment and management in the infrastructure and roads business in Mainland China.

Mr Chu Tat Chi

Managing Director

Hip Hing Construction Company Limited

Mr Chu, aged 63, 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 35 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 the Hong Kong Government.

Ms Lee Yuk Har, Monica

Managing Director

HML

Ms Lee, aged 55, joined HML, a wholly-owned subsidiary of the Company, in 1994 and is currently its Managing Director. Ms Lee is a proven veteran in the hospitality industry and venue management for over 30 years. She is an executive committee member of the Hong Kong Exhibition & Convention Industry Association. She has served as a board member of UFI, The Global Association of the Exhibition Industry since 2008 and has been elected as the Incoming President for 2021/22 to lead the organization, which comprised 774 members in 82 countries and regions. Ms Lee was conferred the Honorary Fellowship by the Vocational Training Council in 2016. Ms Lee holds a Master degree in Management from Macquarie University, Sydney, Australia and a Professional Certificate in Event Management & Marketing from the School of Business and Public Management of George Washington University, USA.

Mr Fang Lin

Vice-chairman and Executive Director

FTLife Insurance

Mr Fang, aged 49, joined FTLife Insurance, a wholly-owned subsidiary of the Company, in 2015 and is currently its Vice-chairman of the board and executive director, and the Chairman of its management committee. Mr Fang has over 26 years of experience in insurance industry, and prior to joining FTLife Insurance, he had worked in China Pacific Insurance (Group) Co., Ltd. and had held various senior management positions in the group. Mr Fang holds a master degree of Executive Master of Business Administration from Cheung Kong Graduate School of Business, a Master degree of Business Administration from Antai College of Economics & Management, Shanghai Jiao Tong University and a Bachelor degree in Mechanical Engineering from South China University of Technology.

Mr Chung Chak Man

Managing Director

NWFB and Citybus

Mr Chung, aged 61, joined Citybus in 1997 and is the Managing Director of NWFB and Citybus, both being wholly-owned subsidiaries of the Company. Mr Chung is a chartered fellow of The Chartered Institute of Logistics and Transport in Hong Kong. He holds an MBA degree from the University of South Australia. Mr Chung has over 35 years' experience in the transport industry. Prior to joining Citybus, he had worked in the Government Land Transport Agency and Kowloon-Canton Railway Corporation.

Mr Au Tze Kei

Chief Executive Officer

Anway Limited and Sky Connection Limited

Mr Au, aged 66, joined Sky Connection Limited in 1997 and is the Chief Executive Officer of Anway Limited and Sky Connection Limited (collectively, the "Free Duty", both being wholly-owned subsidiaries of the Company). Mr Au is responsible for managing Free Duty's concession business at land border crossings, namely Lok Ma Chau, Lo Wu and Hung Hom MTR stations, and Hong Kong-Zhuhai-Macau Bridge. He has over 35 years of experience in duty free business and possesses extensive experience in merchandising and buying function. He was acknowledged "Buyer of the Year in 2010" by the Drinks International Travel Retail Excellence Awards and was also recognized as "Keepers of the Quaich" by the Scotch Whisky Association in 2016. Prior to joining Free Duty, Mr Au had held various senior management positions in a global luxury travel retailer in Hong Kong and New Zealand.

Corporate Governance Report

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

Throughout FY2020, the Company has complied with all the applicable code provisions under the Corporate Governance Code (the "CG Code") as contained in Appendix 14 of the Listing Rules, with the exception of code provision E.1.2.

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

Governance Overview



Board Governance

The Board

Major Roles and Responsibilities and Delegation

- The primary role of the Board is to protect and enhance long-term shareholder value. It sets the overall strategy for the Group, supervises executive management and ensures good corporate governance policies and practices are implemented within the Group.
- In the course of discharging its duties, the Board acts in good faith, with due diligence and care, and in the best interests of the Company and its shareholders.
- Day-to-day operation of the businesses of the Company is delegated to the management who is led by the Executive Committee. The management is being closely monitored by the Board and is accountable for the performance of the Company as measured against the corporate goals and business targets set by the Board.
- The Board has separate and independent access to the senior management and the Company Secretary at all times. With prior request to the Company Secretary, the Board is given access to independent professional advice at any time when it thinks appropriate.
- Appropriate liability insurance for directors has been arranged for indemnifying their liabilities arising out of corporate activities. This insurance coverage is reviewed on an annual basis.

Chairman and Chief Executive Officer

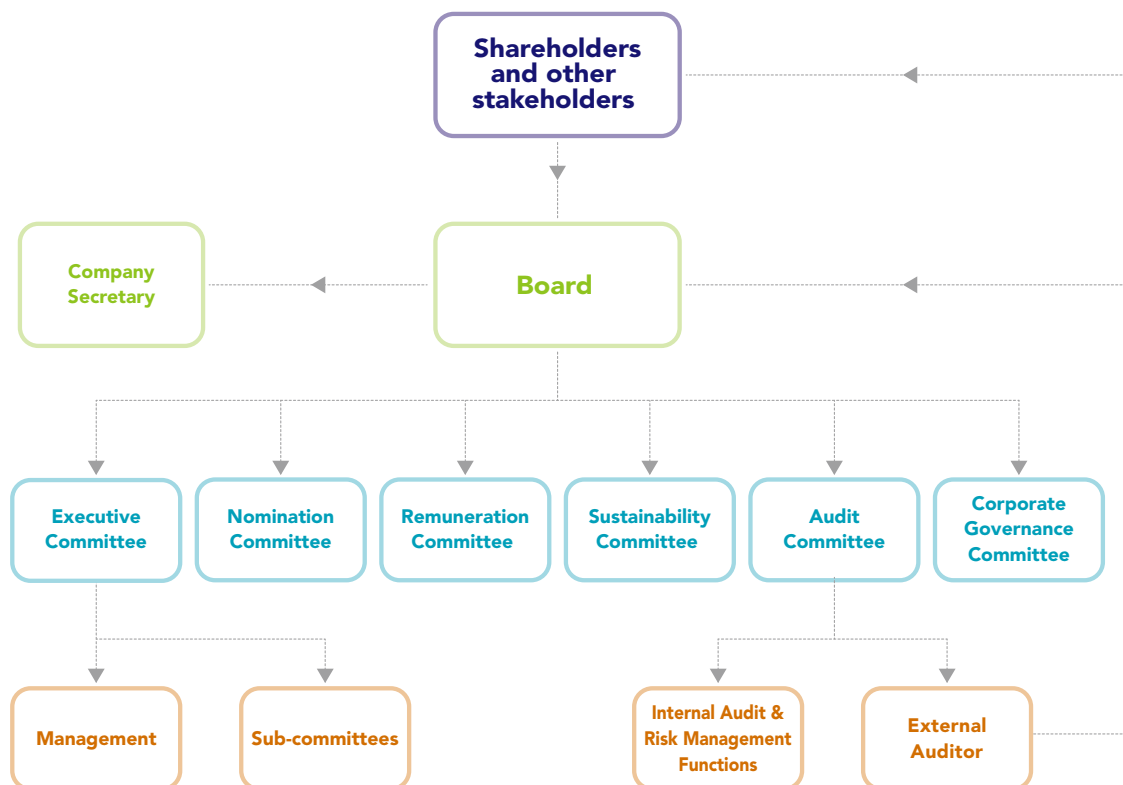
- The two posts are separate to ensure a clear distinction between the Chairman's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Company's business.
- Division of responsibilities between the Chairman and the Chief Executive Officer is clearly established and set out in writing.



Town Hall meeting

Corporate Governance Report

Governance Framework



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

- | | |
|---|---|
| <ul style="list-style-type: none"> • Director’s Manual • Guidelines on Risk Management & Internal Control Systems • Whistleblowing Policy • Board Diversity Policy • Shareholders’ Communication Policy • Corporate Governance Manual | <ul style="list-style-type: none"> • Corporate Policy on Staff Responsibility • Disclosure Policy for Inside Information • Dividend Policy • Sustainability Policy • Terms of reference for various board committees |
|---|---|

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

- The Board is responsible for performing the corporate governance duties. Specific terms of reference are set out in the Corporate Governance Manual of the Company and the relevant duties include the following:
 - (a) to develop and review the Company’s policies and practices on corporate governance;
 - (b) to review and monitor the training and continuous professional development of directors and senior management;

- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- (e) to review the Company's compliance with the CG Code and disclosures in the Corporate Governance Report.

Board Meeting

- The Board meets regularly at least four times a year at quarterly intervals and holds additional meetings as and when the Board thinks appropriate. Seven Board meetings were held during FY2020.
- Notice of no less than 14 days was given to all directors for the regular Board meetings. Draft agendas for Board meetings were prepared by the Company Secretary and were circulated to all directors for comment before each meeting. Directors were given an opportunity to include any other matters in the agenda. Board papers were made available to the directors not less than three business days before the intended date of the regular Board meetings.
- Minutes of Board meetings were prepared by the Company Secretary with details of decisions reached, any concerns raised and dissenting views expressed. The draft minutes were sent to all directors within a reasonable time after each meeting for their comment before being formally signed by the chairman of the meeting. Final versions of minutes of the Board meetings were made available to the directors for information and record.
- At each regular Board meeting, executive directors of the Company made presentations to the Board on various aspects, including the business performance, financial performance, corporate governance and outlook, etc.
- Throughout FY2020, 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 directors in respect of any contract or arrangement or proposal in which he/she or any of his/her associate(s) 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 FY2020.

Corporate Governance Report

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 FY2020.
- The Company has also adopted the “Code for Securities Transactions by Relevant Employees”, which is no less exacting than the Model Code, for governing the securities transactions of specified employees (“Relevant Employees”) who, because of their positions, are likely to come across unpublished inside information. Following specific enquiry by the Company, all Relevant Employees had confirmed that they complied with the standard set out in the “Code for Securities Transactions by Relevant Employees” during FY2020.
- Employees are bound by the corporate policy issued by the Company, among other things, to keep unpublished inside information confidential and refrain from dealing in the Company’s securities if they are in possession of such inside information.
- Formal notifications are sent by the Company to all directors and Relevant Employees reminding them that they should not deal in the securities of the Company during the “black-out period” specified in the Model Code.

Board Composition

- The Board is a diversified board comprising 18 members, with expertise and experience covering a wide range of professions. Their biographical details (including their relationships (if any)) are set out in the “Board of Directors and Senior Management” section of this annual report and available on the Company’s website.
- The non-executive directors have actively participated in the board committees of the Company and have made significant contribution of their skills and expertise to these committees.

Nomination, Appointment and Re-election of Directors

Nomination

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

Appointment

- The Board, having considered the recommendation from the Nomination Committee, will decide whether to approve the proposed appointment.
- None of the directors of the Company has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).
- All non-executive directors are appointed under fixed term and are also subject to retirement on a rotational basis in accordance with the bye-laws of the Company.

During FY2020, the appointment of Dr Cheng Chi Kong, Adrian as executive director was considered by the Nomination Committee and recommendation was made to the Board for approval of his appointment. This appointment was then approved by the Board and took effect on 11 October 2019.

Re-election

- Nomination Committee will make recommendations to the Board on the re-appointment of directors.
- The Board will consider whether to put forward the proposal for re-election of directors for shareholders' consideration.

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

Dr Cheng Chi Kong, Adrian retired at the 2019 AGM and was re-elected as director at the meeting.

- 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.

Dr Cheng Kar Shun, Henry, Mr Ma Siu Cheung, Mr Ho Gilbert Chi Hang, Mr Chow Tak Wing, Mr Lam Wai Hon, Patrick, Dr Cheng Wai Chee, Christopher and Mr Wong Kwai Huen, Albert will retire by rotation at the forthcoming annual general meeting. Mr Lam Wai Hon, Patrick has decided not to offer himself for re-election as a non-executive director of the Company while the other retiring directors, being eligible, will offer themselves for re-election at the meeting.

Remuneration of Directors

- Each director will be entitled to a director's fee which is determined by the Board with authorization granted by the shareholders at the Company's annual general meetings.
- The remuneration of executive directors and senior management of the Company is determined with reference to the Company's performance and profitability, as well as remuneration benchmarks in the industry and the prevailing market conditions. The Company's Human Resources Department assists in providing relevant remuneration data and market conditions for the Remuneration Committee's consideration. Remuneration is performance-based and coupled with an incentive system which is competitive to attract and retain talented employees.
- The emoluments paid to each director for FY2020 are shown in note 16(a) to the financial statements contained in this annual report.

EFFECTIVENESS

Board Diversity

- The Board currently comprises seven executive directors and eleven non-executive directors, six of whom are independent non-executive directors. Coming from diverse business and professional backgrounds, the non-executive directors have shared their valuable experience to the Board for promoting the best interests of the Company and its shareholders.
- The Board adopted the "Board Diversity Policy" in June 2013 setting out the approach to achieve diversity on the Board, and strives for a broad spectrum of directors' background to bring along comprehensive considerations in forming board decisions.
- According to the "Board Diversity Policy", a truly diverse board will include and make good use of differences in the skills, regional and industrial experience, background, race, gender and other qualities of the members of the Board. These differences will be taken into account in determining the optimum composition of the Board.
- The following illustrates the diversity profile of the Board:



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

- The "Board Diversity Policy" also states that the Nomination Committee is responsible for setting annually measurable objectives to implement diversity on the Board and recommends them to the Board for adoption. The "Board Diversity Policy" has been reviewed by the Nomination Committee during FY2020 to ensure its effectiveness.

Board Evaluation

- The Company recognizes the importance for measuring the effectiveness of the Board through a proper board evaluation process on a regular basis. The Board has taken a progressive step of rolling out board evaluation. It started conducting internally-administered questionnaires for its board evaluation exercise since 2017.
- The Company Secretarial Department was responsible for conducting the board evaluation for FY2020. Evaluation questionnaires were completed by directors and an analysis report summarizing the results and opinions from directors was prepared by the Company Secretarial Department and presented to the Board for review.
- To further facilitate the expression of opinions from non-executive directors (including independent non-executive directors), the Chief Executive Officer has arranged for a discussion forum with them to explore their views on the board evaluation results. Non-executive directors actively participated in the discussion forum and provided very constructive opinions.
- The overall result of the board evaluation is very positive and Board members responded to open-ended questions actively. Directors' appreciation of "professionally managed" of the Board and the Company's management laid the foundation for continual strengthening in the corporate governance journey.
- Suggestions arising out of this board evaluation exercise will be closely followed up by the management of the Company.

Commitment and Independence

Directors' Attendance

- Directors of the Company play an active role in participating in the Company's meetings through contribution of their professional opinions and their active participation in discussion. The attendance record of each of the directors for the Board meetings, the board committees meetings and the general meetings held during FY2020 is listed as follows:

Name of director	Meetings attended/held						
	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting	Sustainability Committee meeting	Corporate Governance Committee meeting	General meeting
<i>Executive directors:</i>							
Dr Cheng Kar Shun, Henry (Chairman of the Board)	6/7	-	1/1	-	-	-	0/2
Mr Ma Siu Cheung	7/7	4/4 ⁽¹⁾	1/1	1/1	2/2	1/1	2/2
Dr Cheng Chi Kong, Adrian ⁽²⁾	6/7	-	-	-	-	-	2/2
Mr Cheung Chin Cheung	7/7	-	-	-	2/2	1/1	2/2
Mr Cheng Chi Ming, Brian	7/7	-	-	-	2/2	-	1/2
Mr Ho Gilbert Chi Hang	7/7	2/4 ⁽¹⁾	-	-	-	1/1 ⁽¹⁾	2/2
Mr Chow Tak Wing	7/7	4/4 ⁽³⁾	1/1 ⁽³⁾	-	-	1/1	2/2
<i>Non-executive directors:</i>							
Mr To Hin Tsun, Gerald	7/7	-	-	-	-	-	2/2 ⁽⁵⁾
Mr Dominic Lai	7/7	4/4	-	-	2/2	-	2/2 ⁽⁵⁾
Mr Tsang Yam Pui	7/7	-	-	-	-	-	2/2 ^{(4),(5)}
Mr Lam Wai Hon, Patrick	7/7	-	-	-	2/2	-	2/2 ⁽⁵⁾
Mr William Junior Guilherme Doo	7/7	-	-	-	2/2	-	2/2 ⁽⁵⁾
<i>Independent non-executive directors:</i>							
Mr Kwong Che Keung, Gordon	7/7	4/4	1/1	1/1	-	1/1	2/2 ^{(4),(5)}
Dr Cheng Wai Chee, Christopher	7/7	4/4	1/1	1/1	-	-	2/2 ^{(4),(5)}
Mr Shek Lai Him, Abraham	7/7	4/4	1/1	1/1	-	-	2/2 ⁽⁵⁾
Mr Lee Yiu Kwong, Alan	7/7	4/4	-	-	2/2	-	2/2
Mrs Oei Fung Wai Chi, Grace	7/7	-	-	-	2/2	1/1	2/2 ⁽⁵⁾
Mr Wong Kwai Huen, Albert	7/7	-	-	-	-	1/1	2/2 ⁽⁵⁾

Notes:

- Attended the meeting as an invitee.
- Dr Cheng Chi Kong, Adrian was appointed as director of the Company with effect from 11 October 2019.
- Attended the meeting as the Secretary of the board committee.
- Joined the 2019 AGM by way of telephone conference.
- Joined the special general meeting by way of telephone conference.

Independence

- Independent non-executive directors represent one-third of the Board, which facilitates in bringing to the Board independent advice and judgement. During the year, the Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules, requiring at least one-third (and not less than three) directors being independent non-executive directors, and at least one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.
- A written confirmation was received by the Company under Rule 3.13 of the Listing Rules from each of the independent non-executive directors in relation to his/her independence to the Company. The Company considers all its independent non-executive directors to be independent.
- Mr Kwong Che Keung, Gordon, Dr Cheng Wai Chee, Christopher and Mr Shek Lai Him, Abraham, all being independent non-executive directors of the Company, have served the Board for more than nine years. Notwithstanding their long term service, given their extensive business experience and not being connected with any director or substantial shareholder of the Company, the Board is of the opinion that they continue to bring independent and objective perspectives to the Company's affairs.

Continuous Professional Development to Directors

Seminars

- Seminars are arranged or organized from time to time as part of the training programme to develop and refresh knowledge and skills.
- During FY2020, seminars on corporate governance related topics and economic outlook were organized for directors.

Director Induction

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

Legal and Regulatory Updates

- The Company Secretary updates directors on the latest developments and changes to the Listing Rules and the applicable legal and regulatory requirements. Reading materials on regulatory updates are provided to directors to update their knowledge.
- An online training platform was introduced since 2019 of which directors can access the training materials provided by the Company through the Company's board website.

Corporate Governance Report

- According to the training records maintained by the Company, the training received by each of the directors during FY2020 is summarized as follows:

Name of director	Type of continuous professional development	
	Attending expert briefings/ seminars/conferences relevant to the businesses or directors' duties	Reading regulatory updates or corporate governance related materials
<i>Executive directors:</i>		
Dr Cheng Kar Shun, Henry		✓
Mr Ma Siu Cheung	✓	✓
Dr Cheng Chi Kong, Adrian	✓	✓
Mr Cheung Chin Cheung	✓	✓
Mr Cheng Chi Ming, Brian	✓	
Mr Ho Gilbert Chi Hang	✓	✓
Mr Chow Tak Wing	✓	✓
<i>Non-executive directors:</i>		
Mr To Hin Tsun, Gerald	✓	✓
Mr Dominic Lai	✓	✓
Mr Tsang Yam Pui	✓	✓
Mr Lam Wai Hon, Patrick	✓	✓
Mr William Junior Guilherme Doo	✓	✓
<i>Independent non-executive directors:</i>		
Mr Kwong Che Keung, Gordon	✓	✓
Dr Cheng Wai Chee, Christopher	✓	✓
Mr Shek Lai Him, Abraham	✓	✓
Mr Lee Yiu Kwong, Alan	✓	✓
Mrs Oei Fung Wai Chi, Grace	✓	
Mr Wong Kwai Huen, Albert	✓	✓

- 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 FY2020.



Visit at O • Park1



Visit at mask factory of NWD

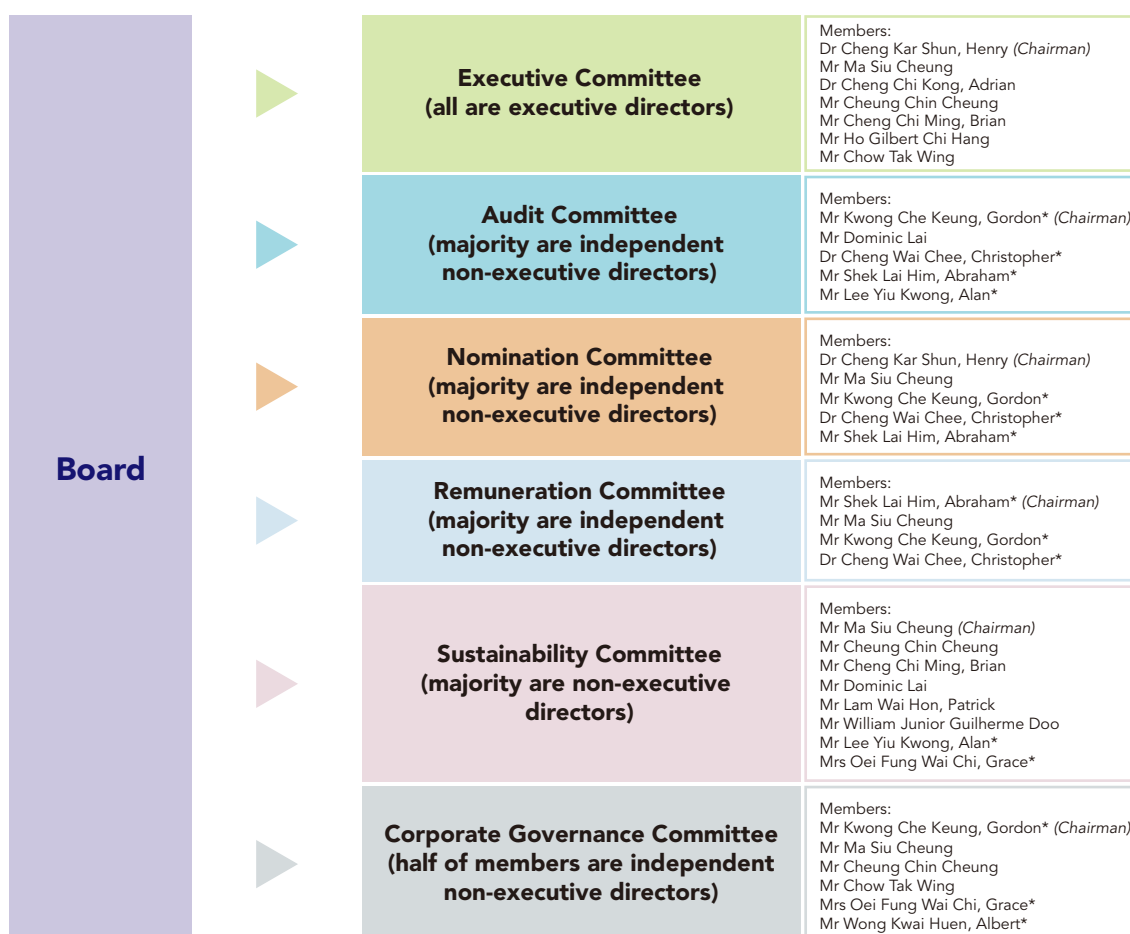
Company Secretary

- As an employee of the Company, the Company Secretary, who is also an executive director of the Company, reports to the Chairman and the Board. He also acts as Secretary of the Audit Committee and the Nomination Committee. He is responsible for providing advice on compliance and corporate governance matters and ensuring the effective conduct of meetings and that proper procedures are followed.
- The Company Secretary has undertaken approximately 58 hours of professional training during FY2020 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 the operational efficiency and specific issues are being handled with relevant expertise.
- Six board committees have been established and each of them has its specific duties and authorities set out in its own terms of reference which are reviewed from time to time.
- Written terms of reference of each of the Audit Committee, the Nomination Committee and the Remuneration Committee are available on the website of each of the Hong Kong Stock Exchange and the Company pursuant to the requirements under the Listing Rules.
- Written terms of reference of each of the Sustainability Committee and the Corporate Governance Committee are available on the website of the Company.
- Regular board committee meetings were held during the year and the number of meetings and attendance of individual committee members are set out on page 28 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.



* independent non-executive director

Executive Committee

Meeting schedule

- meets from time to time when necessary

Major responsibilities

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

Audit Committee

Meeting schedule

- four meetings were held during FY2020
- a private meeting with the Company’s external auditor was held during FY2020 in the absence of the Company’s management

Major responsibilities

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

Work performed during FY2020

- reviewing the audited consolidated financial statements of the Group for FY2019 and the interim results of the Group for the six months ended 31 December 2019
- reviewing the continuing connected transactions of the Company during FY2019 and during the six months ended 31 December 2019
- reviewing risk assessment reports prepared by external consultants
- reviewing the risk management and internal control systems of the Company
- making recommendation to the Board on the revised “Whistleblowing Policy”
- reviewing the internal audit plan of the Group for FY2021 and the internal audit reports prepared by the Group Audit & Risk Assurance Department of the Company (“GARA”)
- reviewing the audit plans from external auditor and its remuneration
- making recommendation to the Board on the re-appointment of the external auditor
- reviewing the resources of GARA and the Group’s finance team
- reviewing the performance, constitution and terms of reference of the Audit Committee
- reviewing the investments under the strategic investment fund of the Company
- reviewing the enterprise risk management report and internal control review report prepared by external consultants in relation to FTLife Insurance

Nomination Committee

Meeting schedule

- one meeting was held during FY2020

Major responsibilities

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

Work performed during FY2020

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

Remuneration Committee

Meeting schedule

- one meeting was held during FY2020

Major responsibilities

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

Work performed during FY2020

- reviewing the remuneration policy, structure and packages for directors and senior management
- making recommendations to the Board regarding the directors' fee and other allowances for FY2020 and the remuneration packages of executive directors
- determining the remuneration packages of senior management
- making recommendation to the Board regarding the remuneration package for an additional director

Sustainability Committee

Meeting schedule

- two meetings were held during FY2020

Major responsibilities

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

Work performed during FY2020

- 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 FY2019
- reviewing the newly-established policies relating to the Group’s sustainability matters, including “Sustainability Policy”, “Climate Change Policy” and “Health and Safety Policy”, etc.

Corporate Governance Committee

Meeting schedule

- one meeting was held during FY2020

Major responsibilities

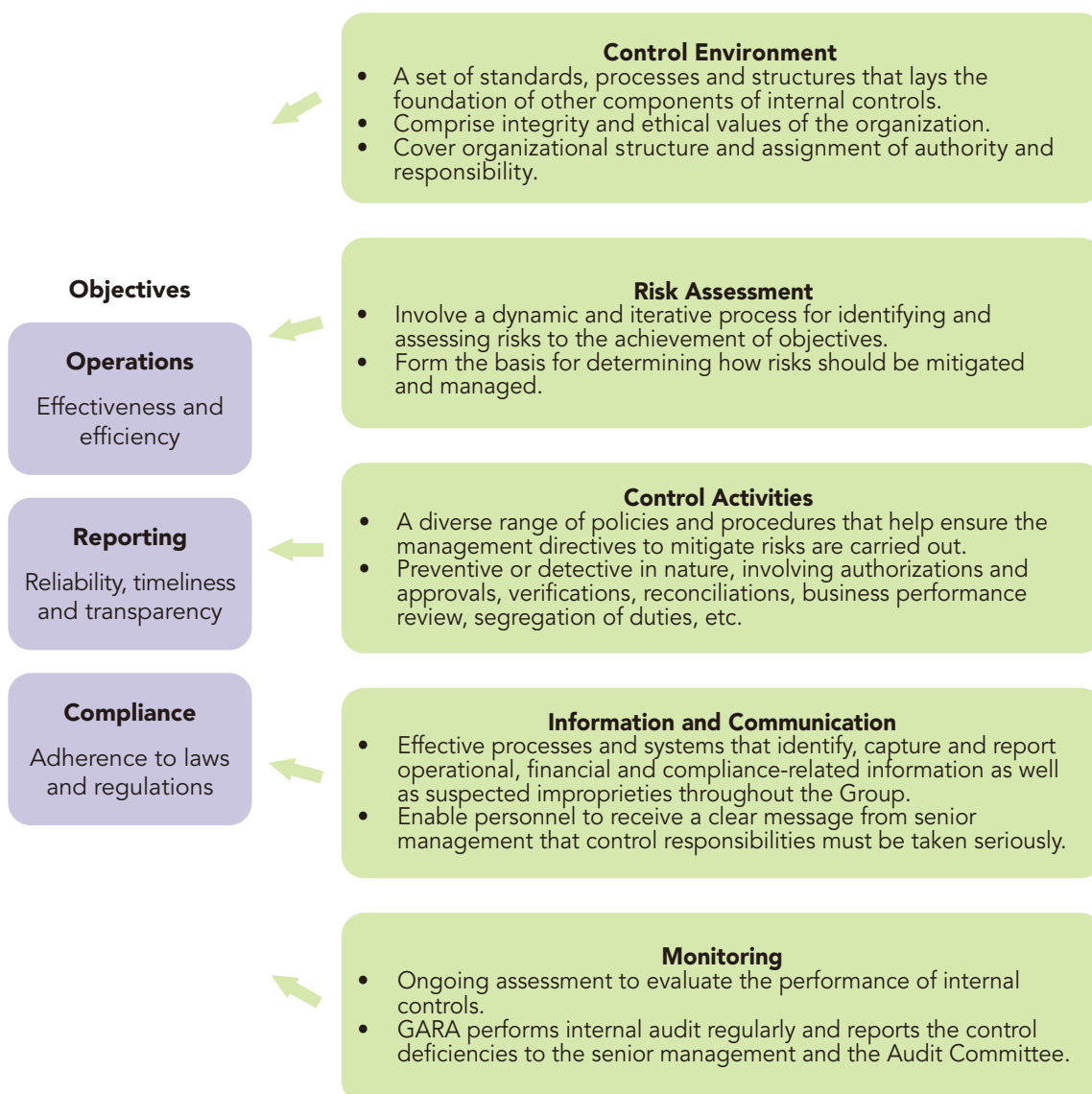
- to develop and review the Company’s policies and practices on corporate governance and to make recommendations to the Board
- to review and monitor the training and continuous professional development of directors and senior management of the Company
- to review and monitor the Company’s policies and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

Work performed during FY2020

- reviewing the Corporate Governance Report and Risk Management Report of the Company for FY2019
 - making recommendations to the Board in relation to the revised “Corporate Policy on Staff Responsibility”
 - reviewing the directors’ training plan for 2020
 - reviewing the investor relations plan of the Company
 - reviewing the terms of reference of the committee
- The Disclosure Committee, a sub-committee, was set up in 2013 under the supervision of the Executive Committee to govern the dissemination of inside information within the Group and ensure proper compliance procedures are followed.

Risk Management and Internal Control

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



Risk Management

- The Board is responsible for overseeing the risk management and internal control systems while the Enterprise Risk Management (“ERM”) Team assists by establishing and maintaining an appropriate and effective ERM framework to facilitate business and functional units in the risk management process. Details of the ERM framework are described in the Risk Management section on pages 47 to 53.
- The Board has reviewed the effectiveness of the risk management and internal control systems of the Group in FY2020. Details of the review are described in the section “Review on the Effectiveness of Risk Management and Internal Control Systems” of the Risk Management section on pages 55 to 59.

Internal Audit

Internal Audit Framework

- The internal audit function is carried out by GARA, which serves as the third line of defence 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.

Assurance and Consulting Services

- GARA provides independent and objective assurance on the adequacy and effectiveness of the Group's corporate governance, risk management and internal control systems, for business and functional units and corporate office departments, where the Group is involved in day-to-day management.
- The frequency and scope of audit/review are formulated in a risk-based approach, with an annual audit plan approved by the Audit Committee. The execution of the FY2020 audit plan was completed. Internal control review on the newly acquired insurance business was performed with assistance from an external consultant.
- Audit or review reports, which include the audit findings identified and recommendations, are issued to management for their remedial actions. Key audit findings and the remediation status are periodically reported to senior management and/or the Audit Committee.
- GARA also performs high-level review on the internal audit results from the business units with local internal audit teams as well as consulting projects and investigative work as requested by senior management and/or Audit Committee.

Policies, Guidelines and Practices

Guideline on Risk Management & Internal Control Systems

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

Whistleblowing Policy

- The Company has established the "Whistleblowing Policy" for stakeholders to directly report to GARA for any serious concerns about suspected fraud, corruption, malpractice, misconduct or irregularity of the Group. GARA will investigate the reported cases in a confidential and timely manner and report the results of investigations to the Executive Committee and/or the Audit Committee.
- In FY2020, there were 4 whistleblowing cases reported to GARA and all the investigations were completed and considered to be unfounded or unsubstantiated.

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.

Corporate Governance Report

- 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

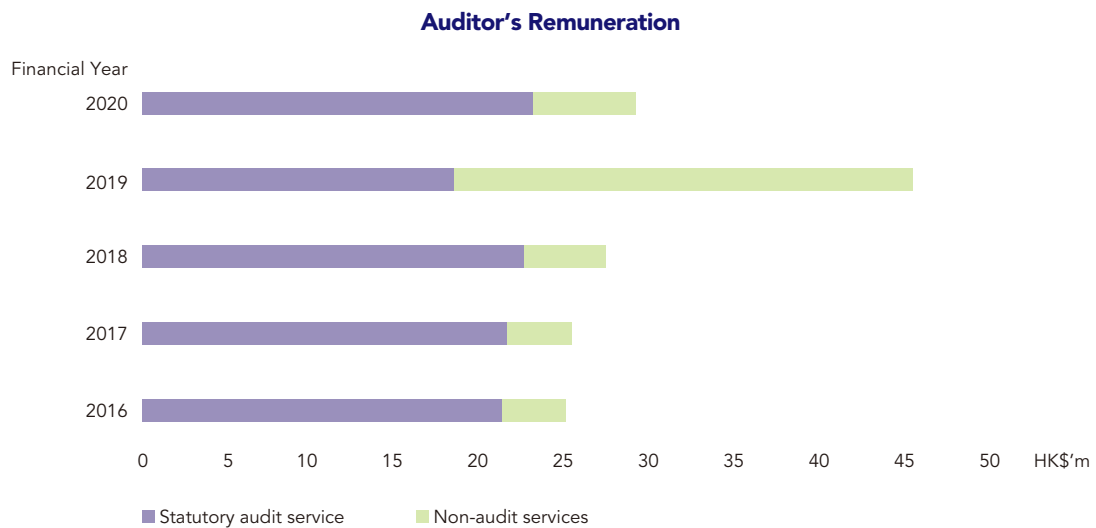
- The Company has adopted this policy and established the Disclosure Committee, under the authority delegated by the Executive Committee, to promote consistent disclosure practices. Various internal control measures such as management review, use of project codes and assignment of project coordinators 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.

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 143 to 152 of this annual report.
- Total auditors’ remuneration for FY2020 in relation to statutory audit work of the Group amounted to HK\$25.7 million (2019: HK\$20.8 million), of which a sum of HK\$23.1 million (2019: HK\$18.3 million) was paid/payable to PricewaterhouseCoopers. A sum of HK\$5.8 million (2019: HK\$26.9 million) was paid/payable to PricewaterhouseCoopers for its non-audit services provided to the Group for FY2020. The remuneration paid/payable to PricewaterhouseCoopers and its affiliated firms for services rendered is illustrated as follows:



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

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

Review of Audited Results

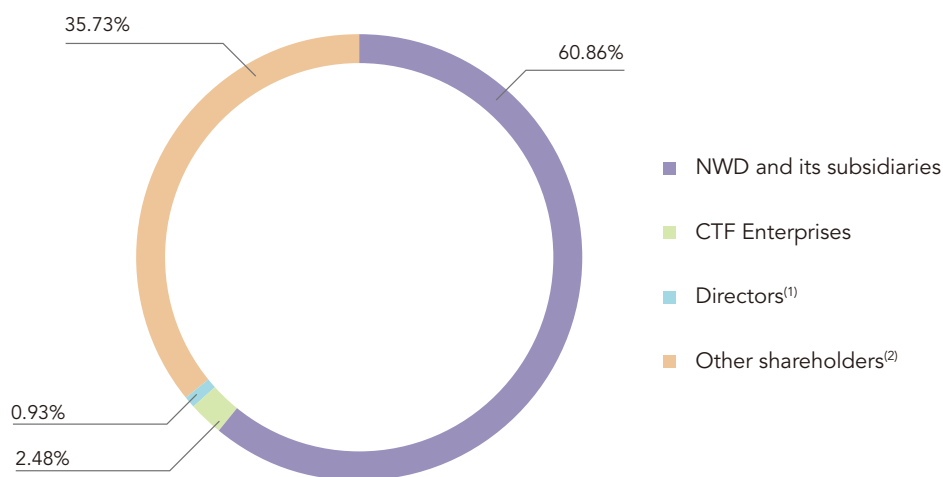
- The Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Group and the audited consolidated financial statements of the Group for FY2020.

ENGAGEMENT

Communication with Shareholders

- The Board recognizes the importance of communication with the Company’s shareholders. A “Shareholders’ Communication Policy” was adopted by the Board for ensuring effective and transparent communication between the Company and its shareholders.
- General meetings of the Company provides an opportunity for face-to-face communication between the Board and the shareholders of the Company. Shareholders are welcome to raise any query in relation to the Group’s businesses at the general meetings.
- Shareholders’ enquiries, either received by telephone or by email, are properly attended by the Company Secretarial Department and are addressed to the Executive Committee, if necessary. Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary at the Company’s head office in Hong Kong.
- Useful information for reference by the Company’s shareholders:

Shareholding Structure as at 30 June 2020



Notes:

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

Stock Code

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

Board Lot

- 1,000 shares

Shareholder Services

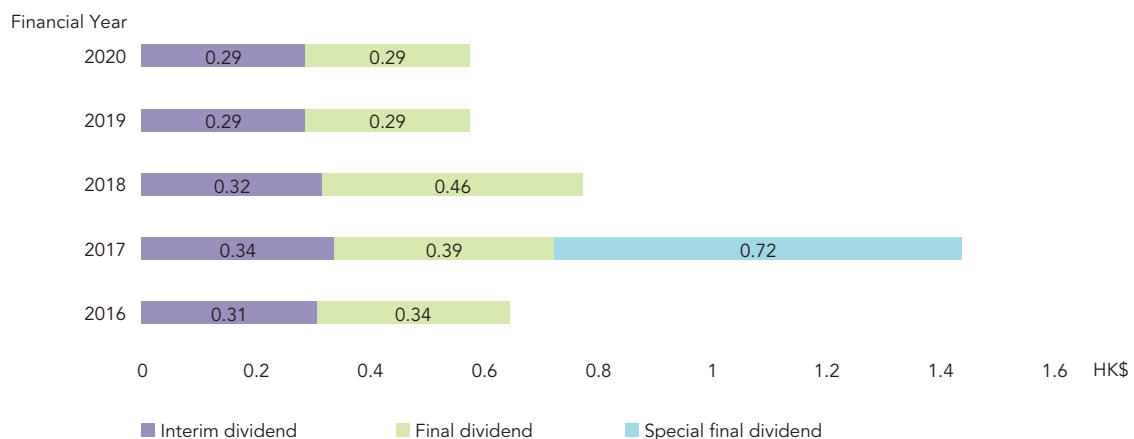
- Any matter in relation to the transfer of shares, change of name or address, or loss of share certificates or dividend cheques, registrations and requests for printed copies of annual/interim report should be addressed to the Company’s branch share registrar as follows:

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

Dividend Policy

- The Board has adopted a new dividend policy of the Company in 2019.
- The Company is committed to delivering a sustainable and progressive dividend policy. The aim of its dividend policy is to steadily increase or at least maintain the Hong Kong dollar value of ordinary dividend per share annually. The prospective dividend growth, however, remains dependent upon the financial performance and future funding needs of the Company.
- Subject to the financial performance of the Company, we expect to pay two dividends each financial year.

Dividend per share



Corporate Governance Report

Financial Calendar

Announcement of FY2020 annual results 30 September 2020

For determining eligibility to attend and vote at the 2020 annual general meeting of the Company ("2020 AGM"):

Latest time to lodge transfer documents for registration	4:30 pm on 19 November 2020
Closure of register of members	20 to 25 November 2020 (both days inclusive)
Record date	25 November 2020
2020 AGM date	25 November 2020

For determining entitlement to the proposed final dividend:

Latest time to lodge transfer documents for registration	4:30 pm on 30 November 2020
Closure of register of members	1 December 2020
Record date	1 December 2020
Final dividend payment date	on or about 17 December 2020

Company Website and Annual Report

- To ensure all shareholders have equal and timely access to important company information, the Company makes extensive use of the Company's website to deliver up-to-date information. Latest information regarding the activities and publications of the Group is included in the Company's website at www.nws.com.hk.
- The Company's annual report is printed in both English and Chinese and is available on the Company's website. Shareholders may at any time change their choice of means of receiving the Company's corporate communications free of charge by notice in writing to the Company's branch share registrar, Tricor Standard Limited.

Shareholders' Rights

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

- The procedures for shareholders to put forward proposals at general meetings are stated as follows:
 1. The written requisition must state the purposes of the meeting, and must be signed by all the shareholders concerned and may consist of several documents in like form each signed by one or more shareholders concerned.
 2. The written requisition must be deposited at the Company's registered office in Bermuda as well as the principal place of business in Hong Kong for the attention of the Company Secretary.
 3. The written requisition will be verified with the Company's branch share registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the relevant resolution in the agenda for such general meeting provided that the shareholders concerned have deposited a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders. Such general meeting shall be held within two months after deposit of such requisition.
 4. If within 21 days of such deposit, the Board fails to proceed to convene such general meeting, the shareholders concerned, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.
- Details of the abovementioned procedures are also available on the website of the Company. Any vote of shareholders at a general meeting must be taken by way of poll and the Company will announce the results of the poll in the manner prescribed under the Listing Rules.
- Chairman of each of the board committees, or failing the Chairman, any member from the respective committees, must attend the annual general meetings of the Company to address shareholders' queries. External auditor is also invited to attend the Company's annual general meetings and is available to assist the directors in addressing queries from shareholders relating to the conduct of the audit and the preparation and content of its auditor's report.

General Meetings

2019 AGM

<p>Matters resolved</p>	<ul style="list-style-type: none"> (i) Receipt and consideration of the audited financial statements and Reports of the Directors and Auditor for FY2019. (ii) Declaration of FY2019 final dividend of HK\$0.29 per share. (iii) Re-election of Dr Cheng Chi Kong, Adrian, Mr Cheng Chi Ming, Brian, Mr Tsang Yam Pui, Mr Kwong Che Keung, Gordon, Mr Shek Lai Him, Abraham and Mrs Oei Fung Wai Chi, Grace 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.
<p>Notice</p>	<p>More than 20 clear business days' notice was given.</p>
<p>Proceedings and attendance</p>	<ul style="list-style-type: none"> • Voting on each resolution was conducted by way of poll. • Poll voting procedure was explained fully to shareholders. • A separate resolution was proposed by the chairman of the meeting in respect of each separate issue. • Tricor Standard Limited, the branch share registrar of the Company in Hong Kong, was appointed as scrutineer to monitor and count the poll votes cast at the meeting. • The meeting was chaired by the Chief Executive Officer of the Company. Chairman and members of the board committees, as well as representative from the Company's external auditor, were available at the 2019 AGM to answer questions from shareholders.



2019 AGM



2019 AGM

Special general meeting held on 18 June 2020 (“SGM”)

Matters resolved	<p>(i) Approval, ratification and/or confirmation of the new master services agreement entered into between NWD and the Company on 24 April 2020, the transactions contemplated thereunder and the proposed annual caps in respect of such transactions for each of the three financial years ending 30 June 2023, and to authorize the directors of the Company acting together or by committee or any director acting individually, to execute all agreements and documents and to take all steps for and on behalf of the Company for, or in connection with, implementing and/or giving effect to the above matter.</p> <p>(ii) Approval, ratification and/or confirmation of the new master services agreement entered into between Mr. Doo Wai Hoi, William and the Company on 24 April 2020, the transactions contemplated thereunder and the proposed annual caps in respect of such transactions for each of the three financial years ending 30 June 2023, and to authorize the directors of the Company acting together or by committee or any director acting individually, to execute all agreements and documents and to take all steps for and on behalf of the Company for, or in connection with, implementing and/or giving effect to the above matter.</p>
Notice	More than 10 clear business days’ notice was given.
Proceedings and attendance	<ul style="list-style-type: none"> • Voting on the resolutions was conducted by way of poll. • Poll voting procedure was explained fully to shareholders. • Tricor Standard Limited, the branch share registrar of the Company in Hong Kong, was appointed as scrutineer to monitor and count the poll votes cast at the meeting. • The meeting was chaired by the Chief Executive Officer of the Company. Members of the board committees and the chairman of the independent board committee, as well as representative from the independent financial adviser, in respect of the relevant transactions were available at the SGM to answer questions from shareholders.

All resolutions proposed at the 2019 AGM and the SGM were passed by the Company’s shareholders.



SGM

Corporate Governance Report

2020 AGM

The 2020 AGM will be held on 25 November 2020. Details of the meeting are set out in the notice of the 2020 AGM which constitutes part of the circular to shareholders sent together with this annual report. Notice of the 2020 AGM and the proxy form are also available on the HKEXnews website and the Company's website.

Investor Relations

- The Company maintains effective communication with shareholders and an open-dialogue with investors and analysts to ensure transparent, timely and accurate dissemination of information, including operating performance and strategic business developments.
- The investor relations team of the Company, which comprises executive directors and senior management, meets existing shareholders and potential investors, research analysts and investment managers on a regular basis. The Company is often invited to attend large-scale investor conferences at home and abroad. With the recent social distancing measures implemented globally, we have hosted and attended virtual conferences and webinars, to enhance our outreach and to promote the differentiation of our brand and business with different stakeholders. During FY2020, the team participated in more than 12 non-deal roadshows and investor conferences in Hong Kong, Shanghai, Singapore and London. Including one-on-one meetings and teleconferences, over 110 investor meetings were held with institutional investors and analysts. Site visits were also organized to enhance investors' understanding of the Company's business.
- Press conference and analyst briefing session are held as soon as practicable following results announcement to promote direct interaction between analysts and the management team. The positive recommendations from reputable financial research institutions, including CLSA, Daiwa Securities, HSBC, Mizuho and CMB International during FY2020 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.

Constitutional Documents

- The Company has not made any change to its constitutional documents during FY2020. However, for the purpose of providing flexibility to the Company in relation to the conduct of general meetings and reflecting certain amendments to the Listing Rules and the applicable laws of Bermuda, 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 2020 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

Effective risk management is essential to achieve the Group's business objectives and sustainable development. The Board recognizes the importance of robust and 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.

ERM Framework

With reference to the international standards published by COSO and ISO, NWS Holdings establishes its own tailor-made ERM framework, which fits in the business nature, structure, sustainable growth and development of the Group. The ERM framework consists of three components:

- ERM Principles
- ERM Governance
- Risk Management Process

ERM Principles

Risk Culture

NWS Holdings promotes a risk-aware culture with the following key themes:

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

Risk Management Objectives

Risk management aims to assist the Group in achieving strategic objectives and sustainable development, thus, ERM is integrated into operations and business planning. ERM supports the Group in mitigating operational risks and optimizing risk and return decisions by risk-informed approach to cope with the dynamic business environment.

Risk Appetite

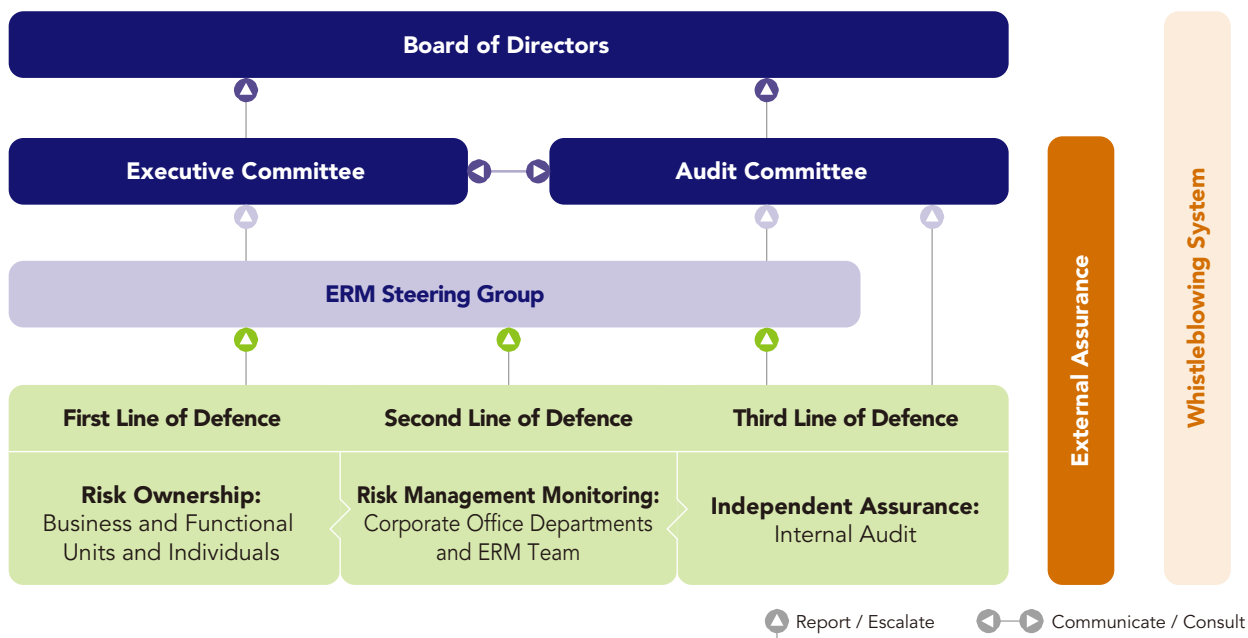
The Board sets its risk appetite that strikes a balance between risks and opportunities as well as sustaining the growth and development of the Group. The scope, context and level of risk appetite are disseminated to the Group via the "ERM Manual", ERM Steering Group Meetings and training sessions. The Board also reviews the risk appetite statements periodically to ensure alignment with its business objectives and strategies amid business changes and evolutions.

Risk Management

ERM Governance

Risk Governance Structure

The Group's overall risk management process is overseen by the Board. A clear risk governance structure is established with defined roles and responsibilities, which facilitates risk management activities and provides assurance to the Board. The Group adopts the **Three Lines of Defence** model as follows:



Risk Oversight

Board of Directors

- Hold the ultimate responsibility for risk oversight including setting and reviewing the risk appetite.
- Ensure the Group establishes and 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 profiles 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.

Three Lines of Defence

First Line of Defence

Business and Functional Units and Individuals (Frontline staff and Operational Management)

- Act as risk owners to perform risk assessments to identify, analyze, and evaluate risks in daily operations and in areas of accountability.
- Prioritize, design and implement risk treatment plans and report in the Risk Register.
- Conduct periodic self-assessment on the effectiveness of risk treatment plans.
- Escalate critical risk to responsible risk oversight parties in a timely manner.

Second Line of Defence

Corporate Office Departments (including the Executive Office)

- Support and drive ERM implementation.
- Remain current with best practice and provide recommendations to the ERM Steering Group.
- Act as risk owners and perform ERM responsibilities for respective departments.

ERM Team

- Facilitate all ERM matters and promote risk-aware culture across the Group.
- Assist management in the design and development of ERM processes and risk controls.
- Conduct risk training campaigns and seminars for the Group.
- Aggregate and prioritize the key risks faced by the Group and report to the ERM Steering Group, the Executive Committee and the Audit Committee every half year.
- Identify and monitor the known and emerging risks and report to senior management periodically, or as needed.
- Validate the implementation of risk treatment plans.

Risk Management

Third Line of Defence

Internal Audit

- Provide independent assurance on the adequacy, effectiveness and efficiency of the risk management and internal control systems.
- Identify internal control deficiencies, non-compliance or potential areas for improvement.
- Consider the key and emerging risks upon formulating the annual audit plan and planning for each audit.
- Perform risk-based validation on the risk treatment plans.

External Assurance

External Auditor

- Provide independent assurance on the Company's processes and controls over financial reporting.

Independent Experts from Respective Professions

- Advise standards on best practice and/or assure compliance, when applicable.

Regulatory Authorities

- Execute regulatory oversight on relevant entities, areas or activities.

Whistleblowing System

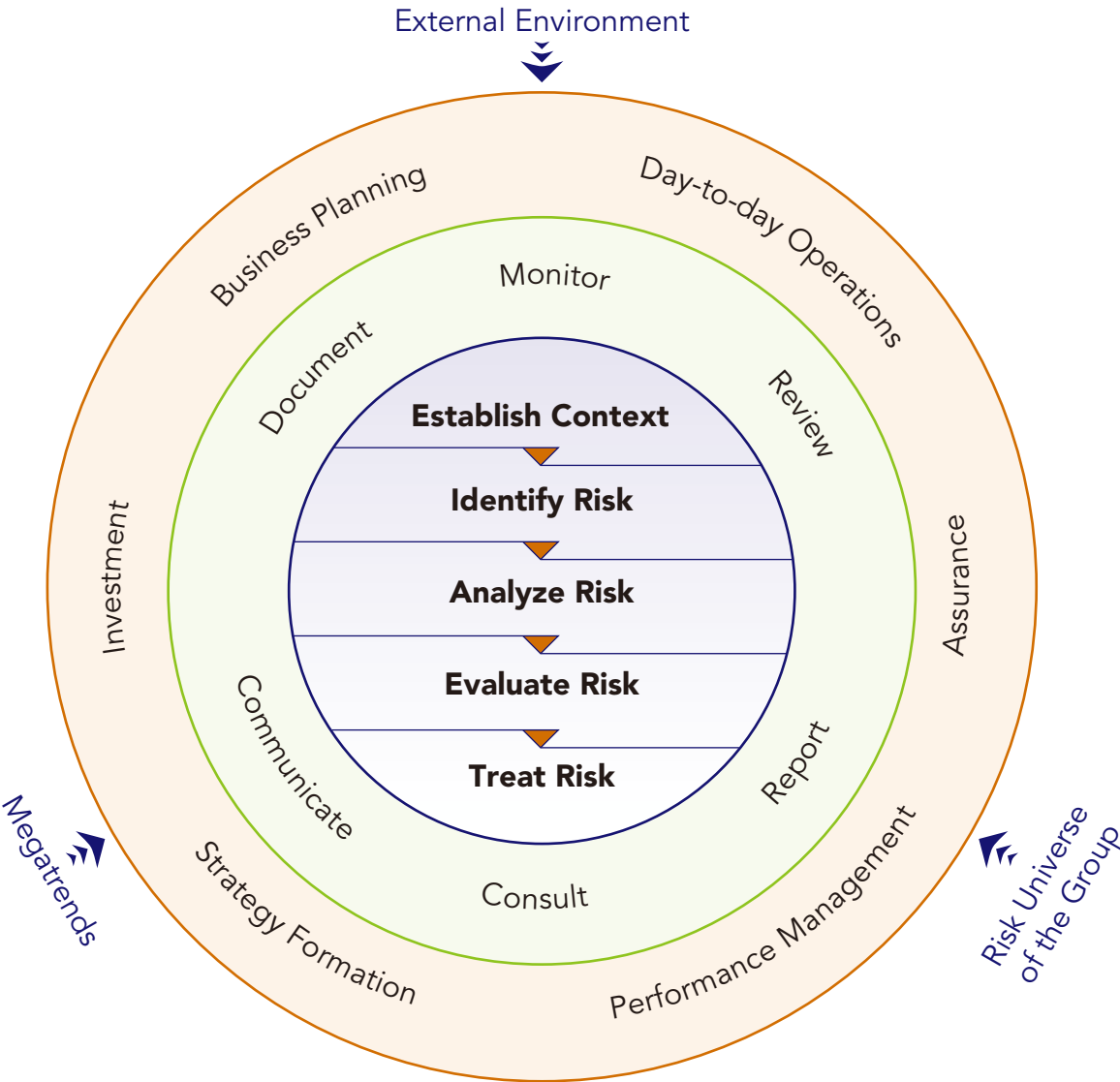
- Provide an independent and confidential channel for stakeholders to directly report to GARA for any serious concerns about suspected fraud, corruption, malpractice, misconduct or irregularity of the Group. Please refer to the Corporate Governance Report on page 37 for details.

Governing Framework

The ERM framework of the Group is tailor-made with reference to international standards and supplemented by internal policies and guidelines to govern the risk management process and key internal control activities. Please refer to the Policies, Guidelines and Practices of the Corporate Governance Report on pages 37 to 38 and the Sustainability Report on pages 68 to 70 for details.

Risk Management Process

Risk management process starts with the establishment of context and risk assessment criteria, as well as the consideration of the external environment, megatrends and the risk universe of the Group. Risks are then identified, analyzed, evaluated and treated with various measures. Through periodic communication, review and monitoring, the risk management process is able to facilitate operations and decision-making processes, including strategy formation, business planning, investment, day-to-day operations, performance management and assurance.



Risk Management

Risk Assessment and Treatment

Establishment of Context

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

Risk Identification

- The Group adopts both top-down and bottom-up approaches to facilitate a comprehensive and holistic risk identification process.

Top-down approach

- Executive directors and senior management provide directions on the key risks that the Group should focus. This enables the understanding of key risks from a top-down perspective and the subsequent cascade down to each entity and individual.
- The ERM Team performs benchmarking analysis on key risks and keeps track of emerging risks which may affect the Group.

Bottom-up approach

- Business and functional units and corporate office departments identify risks and report to the ERM Team in the Risk Register every half year.
- The ERM Team aggregates and prioritizes risks, as well as consults with related parties to compile the risk profile of the Group. The risk profile is then reviewed by the ERM Steering Group, the Executive Committee and the Audit Committee.
- The ERM Team conducts bottom-up risk campaigns with business and functional units and corporate office departments periodically. The purpose is to engage and guide the management, risk owners and relevant individuals to perform the risk management activities. The risk campaigns include constructive discussions, team presentations, sharing of various risk management tools and methodologies.

Risk Analysis

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

Risk Evaluation

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

Risk Treatment

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

Review and Monitoring

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

Risk Register

- Business and functional units and corporate office departments perform self-assessment on the effectiveness of the risk treatment plans upon the submission of Risk Register every half year. Any significant events or emerging risks identified will be reported to the ERM Team.

Risk Management & Internal Control Compliance Certificate and Assessment Checklist ("Certificate and Checklist")

- Business and functional units and corporate office departments are required to evaluate the effectiveness of their risk management and internal control systems in the Certificate and Checklist every half year. The overall Certificate and Checklist of the Company is then reported to the Board and NWD to confirm the effectiveness of these systems.

Early Risk Flagging Mechanism

- An early risk flagging mechanism is applied across the Group, to proactively identify and assess the emerging risks.

Whistleblowing Mechanism

- The Group has established a whistleblowing mechanism for internal and external stakeholders. Please refer to Whistleblowing System on page 50 of this section or page 37 of the Corporate Governance Report for details.

Consultation and Reporting

Periodic reporting 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. Key risks and emerging risks identified as well as the status of risk management activities are reported to management, the Executive Committee and the Audit Committee. Whistleblowing cases are reported to the Executive Committee and/or the Audit Committee.

Integration of Risk Management

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

Business Planning

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

Investment

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

Day-to-day Operations

- Ensure effective implementation of the risk management process and internal controls to lower the likelihood and impact of risk events.

Risk Management

Highlights of the Year

Continuous Improvement and Risk Management Activities

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

Promote Risk Culture and Communication

- The Group believes that an ingrained risk culture is the key to effective risk management, and training is a useful tool to engage management and employees to implement ERM.
- Extensive top-down interviews were conducted with management to discuss their views on the risk landscape. Risk campaigns and training seminars are conducted periodically to promote risk awareness and discuss risk trends and updates. Risk briefing videos will also be provided for new joiners.
- Through the support of the Executive Committee and senior management, the top-down and bottom-up approaches are applied to drive the two-way ERM communication.

Enhance ERM Governance

Risk Management Structure

- Organized ERM Steering Group Meeting every half year to strengthen risk oversight.
- Assessed the Group's ERM strategies on an ongoing basis to assure they remain current with regulatory requirements, operational and business objectives.
- Reviewed and reported the ERM activities and the Group's risk profile to the Audit Committee and the Executive Committee periodically.
- Ensured alignment between the Group's ERM system and business objectives and strategies.

Policies and Procedures

- Revised the "Whistleblowing Policy" by GARA to enhance the whistleblowing mechanism.
- Established the "Anti-Fraud and Counter-Corruption Policy" to govern the identification and investigation of fraud and corruption.
- Established the "ERM Policy" and "ERM Manual" to guide the ERM implementation.

Implement Risk Management Online System ("RMOS")

- Applied RMOS across the Group to support online Risk Register submission, reporting and communication.
- Utilized RMOS to enhance data integrity and facilitate the aggregation and analysis of risks and respective mitigation controls.

Crisis Management

- At the corporate level, “*Issue and Crisis Communication Procedures*” are established with defined roles and responsibilities. In addition, call-out trees are mandated for reportable crises which are managed by business and functional units and corporate office departments.
- At the business unit level, crisis management protocol, business continuity plan and disaster recovery plan are tailor-made for their business operations. Training sessions and drills are provided to staff to facilitate agile and proper actions against crises.
- For example, NWS Holdings was one of the very first employers to execute work-from-home (“WFH”) practice during the first wave of the COVID-19 outbreak. The IT support of the Company was strengthened and upgraded to enable the viability and effectiveness of WFH practice. Please refer to the Sustainability Report on pages 60 to 101 for other pandemic precautionary measures.

Integrate Newly Acquired Business to the Group

- Engaged an external consultant to perform an assessment on the newly acquired business, FTLife Insurance, with respect to its readiness for complying with the Guideline on ERM (GL21) issued by the Insurance Authority and aligning with the Group’s ERM strategies.
- Conducted periodic meetings with the Risk Management Team of FTLife Insurance to ascertain that ERM is implemented appropriately.

Review on the Effectiveness of Risk Management and Internal Control Systems

With the assistance from the Audit Committee, the Board evaluated the effectiveness of the Group’s risk management and internal control systems through communication with management, GARA and external auditors as well as review of their reporting. There was no significant issue that had come to the Board’s attention that would adversely impact on the effectiveness of the risk management and internal control systems of the Group for FY2020. However, it should be acknowledged that 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. Please refer to the Corporate Governance Report on pages 20 to 46 for details.

Risk Management

Top Risks

NWS Holdings emphasized risk management in relation to business continuity, health and safety, cybersecurity and sustainability in FY2020. Through the combined top-down and bottom-up risk review processes, the Group identified ten top risks which may affect the Group's business objectives.


Strategic risk		
Risk	Risk Trend	Mitigating Measures
<p>Macroeconomic risk Global economic uncertainties and slow recovery affecting business growth and financial performance, particularly due to COVID-19 (e.g. lockdown and travel restriction)</p>	▲	<ul style="list-style-type: none"> • Explore new business as new growth drivers and optimize project portfolio • Ensure effective monitoring and controlling of credit risks • Leverage the resources of New World Group and identify opportunities for business collaboration to enhance the ecosystem and streamline operating costs
Please refer to Looking Forward in Management Discussion and Analysis section on page 117 for more analysis.		
<p>Competition risk Intense competition arising from existing competitors and/or new entrants to the market</p>	▲	<ul style="list-style-type: none"> • Monitor the market trend and review existing services and products particularly on the pricing strategies • Maintain competitive edge in terms of quality, efficiency and timeliness of project completion, client management and reputation • Establish working groups to address competitive issues in the market
<p>Strategic direction risk The adoption of inappropriate strategies or deviated execution resulting in misalignment with the Group's directions, impacting the achievement of the Group's objectives</p>	▲	<ul style="list-style-type: none"> • Review business strategy periodically to adapt to market changes • Increase staff participation and encourage feedback in Town Hall meetings, training webinars, etc. • Ensure business plans are aligned with the Group's strategy via ongoing communication between executive and working levels
<p>Partnering risk Partnering risk due to limited control in minority interest investment, unhealthy partnering relationship and dependency on business partner</p>	▼	<ul style="list-style-type: none"> • Perform detailed due diligence prior to establishment of partnership • Establish standards with business partners to oversee the business and monitor the performance • Build own expertise of the industry to enhance management and maintain a healthy relationship with business partners
<p>Business investment risk Investment risk due to long-term commitment to unprofitable projects or deviation from desired return of investment</p>	▼	<ul style="list-style-type: none"> • Adopt cautious and pragmatic investment strategies and conduct comprehensive due diligence • Discuss the strategic directions with management and assess risks to align with the Group's strategy • Monitor the operational and financial performance of projects to ensure they are carried out as planned • Provide regular update to management and require proper approval on major business decisions

▲ Risk level increased during FY2020


▼ Risk level decreased during FY2020

▬ Risk level remained similar as FY2019


Compliance risk

Risk	Risk Trend	Mitigating Measures
<p>Legal compliance risk Violation of laws and regulations, and failure to adapt to government policies due to the changes of political landscape, exposing the Group to legal liability, operational suspension, financial loss and/or reputational damage</p>		<ul style="list-style-type: none"> • Monitor the change of laws and regulations closely and formulate responsive strategy for the anticipated changes • Seek clarity from regulators about the changes in laws and regulations • Establish and review policies and procedures and provide regular training to staff

Operational risk

<p>Business interruption risk Occurrence of crises or unexpected events (e.g. COVID-19 pandemic and social unrest) affecting business operations</p>		<ul style="list-style-type: none"> • Establish policies and guidelines covering crisis management • Form specific committees to monitor the COVID-19 pandemic situation • Enhance pandemic precautionary measures
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Please refer to the Sustainability Report on pages 60 to 101 for the detailed mitigation measures carried out under COVID-19.

<p>Cyber security risk Cyber security issues such as cyber attack, compromising data integrity and confidentiality and system availability</p>		<ul style="list-style-type: none"> • Assess cyber security risk and enhance the network infrastructure security periodically • Implement security measures to protect data integrity, confidentiality and privacy • Provide periodic training to promote cyber security awareness
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<p>Quality and safety risk Safety incidents, substandard products or services affecting business operations and/or reputation</p>		<ul style="list-style-type: none"> • Establish and review policies and procedures related to quality and safety • Provide periodic safety training and drills to promote safety awareness • Evaluate product and service quality periodically
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Please refer to the Sustainability Report on pages 60 to 101 for the detailed mitigation measures carried out.

Financial risk

<p>Interest rate risk Unfavourable interest rate fluctuation or the risk of asset and liability duration mismatch exposing the Group to financial loss</p>		<ul style="list-style-type: none"> • Maintain a healthy and sound financial position and evaluate financial performance periodically • Review and optimize the structure of capital and debt, and the financing strategy periodically • Monitor the trend and fluctuation of HIBOR and review derivative contracts with floating rates regularly • Maintain a balanced portfolio of bank loans with spreading interest periods
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Please refer to Financial Resources in Management Discussion and Analysis section on pages 118 to 119 for analysis.

Risk Analysis by Core Business

Core Business	Business Risk Analysis
Road 	<p>The uncertainty of traffic flow in the operating area remains a challenge for the profitability forecast prior to acquiring new projects. Factors affecting the traffic flow include the economic activities of the area, traffic control policies and roads network planning by the government, and the existence of competing roads. Adopting inappropriate assumptions for forecasting or occurrence of unexpected changes from external environment may affect the project profitability and result in deviation from the desired return of investment.</p> <p>To address the risk, management endeavours to conduct detailed studies on targeted areas such as economic growth, transportation needs and traffic forecast by professional bodies, coupled with a holistic review mechanism to ensure the reasonableness of financial assumptions used in the investment models.</p>
Aviation 	<p>A number of governments implemented control measures, like entry restrictions and quarantine arrangements on travellers to contain the spread of COVID-19, leading to the plunge of passengers and flight volumes. If the pandemic remains severe and widespread, Goshawk's lessees may have potential issues on funding and capital management. This may lead to heightened risk of lessee defaults in the future, which poses credit and default risk to Goshawk.</p> <p>In view of such challenges, Goshawk has taken various measures which include setting up a dedicated risk team, performing risk assessment or due diligence on the creditworthiness of counterparties before entering into a contractual relationship. Please refer to Management Discussion and Analysis section on pages 106 and 109 for details on mitigation measures.</p>
Construction 	<p>Construction site related incidents could severely affect employee health and safety, business operations, and the Group's reputation. Furthermore, construction incidents are one of the key factors that impacts the vision and values of Hip Hing Group.</p> <p>Hip Hing Group stringently enforced health and safety measures, amongst others, to promote safety awareness, establish detailed safety working procedures, conduct training and drills as well as independent appraisal. Hip Hing Group will continue to implement the aforementioned procedures more effectively by using the latest technologies.</p>
Insurance 	<p>Amid the intense competition from multinational and Mainland China competitors, the insurance industry landscape is being reshaped with the increasing adoption of InsurTech and the authorization of virtual insurers during the year. The COVID-19 pandemic has further stimulated the urge of digital transformation and accelerated the process, since resident customers have avoided face-to-face meetings as a precautionary measure and non-resident customers could not travel to Hong Kong to purchase life insurance policies. In anticipation of the "Insurance Connect" for the Greater Bay Area, industry players are enhancing their competitive advantage to prepare for this market and to capture the potential business opportunities.</p> <p>FTLife Insurance management team is now working on a growth plan especially looking into digital strategy and transformation as well as the development opportunities in the Greater Bay Area to support such growth strategy.</p>

For further analysis by Core Business, please refer to Management Discussion and Analysis section on pages 102 to 119.

Emerging Risks

NWS Holdings acknowledges that the megatrends and emerging risks could have an impact on the business objectives of the Group, and they could evolve and change rapidly. Several key emerging risks are identified as follows:

ESG-related Risks

The Group recognizes the growing concern on ESG-related matters and their potential impact on compliance and sustainable development. Relevant risk areas include but not limited to climate risks, environmental management and compliance, as well as social responsibility. The Group performed various risk treatment plans in FY2020 such as implementation of internal procedures, training sessions and assessments. During the year, the ERM Team conducted a webinar for the Group on emerging risks with a focus on climate risks to raise staff awareness. Moreover, the potential physical risks on HKCEC regarding climate change have been examined and the Company is in the progress of reviewing the resilience and protection measures for HKCEC. In addition, the Company plans to extend the climate risk assessment to the main assets of the Group.

Please refer to the Sustainability Report on pages 60 to 101 for details and analysis in relation to other ESG aspects.

Funding and Capital Management Risks

The Group is committed to sustainable growth and development as well as creating shared values for its stakeholders. During this period of high uncertainty and the downturn of the global economy, it may be more challenging on large-scale financing for the Group in terms of the availability and cost. The Group monitors its cash flows and capital position cautiously. In addition, long-horizon business planning and financing are deployed for investments, innovation and continuous improvement to achieve the Group's missions and objectives.

Please refer to Financial Resources in Management Discussion and Analysis section on pages 118 to 119 for analysis.

Innovation Risks

Inadequate innovation may impact business objectives and performance. The Group responds to the need of evolution and advancement, amid the waves of technological innovation, with the following implementations as examples:

- Set up IT Project Steering Committees and Growth Task Forces to review business initiatives and the feasibility to integrate latest technologies with current business operations.
- There are a number of innovative projects at business unit level:
 - Hip Hing Group has applied innovative Modular Integrated Construction ("MiC") technology to build one of the first steel MiC permanent buildings in Hong Kong.
 - The management of Hangzhou Ring Road will further explore the use of artificial intelligence and big data technology in the smart traffic monitoring system to enhance road safety, traffic management and operational efficiency.
 - HML has launched a Five-year Advancement Project, which includes the Smart Building Management System and the set-up of 5G infrastructure.
 - FTLife Insurance is planning to digitalize their platform to enable online services to enhance efficiency and customer experience.

Please refer to the Sustainability Report on pages 60 to 101 for further analysis and initiatives by other business units.

Sustainability Report

The Sustainability Report covers the discussion of specific environmental and social topics that contribute to the sustainable development of the Group and are of interest to our stakeholders. In line with our commitment to transparency and accountability, we share both our progress and the challenges we faced in delivering our 2030 sustainability targets; likewise, we share our achievements, as well as areas where we need to improve.

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* Refer to our online Sustainability Report for details of these sections.

Sustainability Report



Message from the Chairman of the Sustainability Committee

2020 is proving to be a year of change. A corporation's fundamental strengths and adaptability are being put to the test, from severe flooding in southern China – just one of the increasingly noticeable impacts of climate change – to social movements in Hong Kong and global geopolitical tensions, to the COVID-19 pandemic.

In recent years, the Group has been driving the adoption of advanced technology in our operations, through employing smart road monitoring systems, applying innovative methodologies such as Modular Integrated Construction, and digitalizing human resources and financial management. All these efforts not only enhance operational efficiency, but also strengthen our resilience to tough market conditions, bolstering our ability to maintain stable and sustainable growth.

A core aspect of our future strategy is to integrate considerations for environmental and social sustainability with the economic activities of our businesses. For example, in our energy-related investments, we are phasing out coal-fired power in favour of renewable energy, in response to megatrends such as the surging impacts of climate change. Integration of sustainability with our businesses will enable us to cater for the ever-changing market environment by systematically managing foreseeable risks and capturing market opportunities.

In this financial year, the Group signed its first sustainability-linked loan, amounting to HK\$1 billion,

“Responding to social needs is both our responsibility and a business opportunity.”

with the interest rate linked to our sustainability performance, including greenhouse gas emissions. This reaffirms our commitment to sustainable development, while diversifying our financing channels.

We have established our sustainability governance framework and 2030 sustainability targets with reference to the Sustainable Development Goals of the United Nations, the economic, social and environmental policy planning of places where we operate, as well as the four impact areas of Green, Wellness, Caring and Smart of the Sustainability Vision 2030 of our parent company, NWD.

Our Sustainability Committee, which I personally chair, is responsible for managing our strategy and actions on sustainability and coordinating progress towards our targets. The committee makes regular reports to the Board. This year, we have also introduced quantifiable social goals to promote caring and wellness by accumulating over 20 million beneficiaries by 2030. These goals shall guide us in conducting our business and activities in ways that create shared value for our customers and related stakeholders. Responding to social needs is therefore both our responsibility and a business opportunity. We endeavour to facilitate socio-environmental development as we expand our businesses, connecting lives and building a sustainable future to create a win-win situation for all.

Looking ahead, we hope to leverage further synergies within the ecosystem of New World Group, from fostering development in sustainable construction to combating climate change, to strengthen our resilience to upcoming economic and market changes, supporting the Group's sustainable development into the future.

A handwritten signature in black ink, appearing to read 'MA Siu Cheung', with a stylized flourish at the end.

MA Siu Cheung

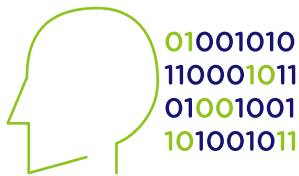
Chief Executive Officer and
Chairman of Sustainability Committee

Our Purpose

Pursuing operational excellence and innovation

Investing in a low carbon future

We have launched our first sustainability-linked loan of **HK\$1 billion** in FY2020. For our energy related investments, we continue to phase out investment from coal-fired power to increasing investment in renewable energy.



Smart technologies and big data

We formalized a strategic collaboration with Shanghai Supremind Intelligence Technology Co., Ltd. ("Supremind"), to further develop artificial intelligence applications in toll roads and construction site management.



Connect people through smart and green space

Our construction operator, Hip Hing Group, estimated **>80%** construction waste reduction at InnoCell using the Modular Integrated Construction ("MiC") approach.

We have **>87%** of projects built using sustainable construction standards: BEAM Plus or equivalent.

In FY2020, Hong Kong Convention and Exhibition Centre (Management) Limited, certified with ISO 20121 Event Sustainability Management System, served



**428
Events**



**>4.6 million
Attendance**



adopted energy management with data analytics.



Connect cities and people through safe and efficient road operations

Average daily
>280,000
traffic flow¹



Average daily
>955,000
bus & ferry passengers²



Connect people to opportunities for a life well-lived

Our new business arm FTLife Insurance has extended additional protection under COVID-19 to **275,000** beneficiaries.



Our flagship NWS Career Navigator for Youth programme has engaged **>7,200** participants since its launch in 2016.



We have **>1,200** new hires in FY2020.

Connecting lives, building a sustainable and inclusive future

¹ Average daily traffic flow for Roads operations including Zhejiang NWS Expressway and Changliu Expressway in FY2020.

² Average daily patronage of NWFB and Citybus' franchised buses and NWFF in FY2020.

About this Sustainability Report

Reporting Boundary

NWS Holdings has a portfolio of businesses and investments spanning a diverse range of industries, with varying levels of ownership and operational control over individual entities. The Sustainability Report provides an overview of the sustainability governance and performance of the Group's corporate office and principal subsidiaries from our five business segments: Roads, Construction, Insurance, Facilities Management and Transport^{3,4}, represented by the business units outlined below. Compared to the previous year, the boundary of this year's report has expanded to include Changliu Expressway and FTLife Insurance, which joined the Group's portfolio of businesses in July 2019 and November 2019 respectively.



Roads

Zhejiang NWS Expressway Co., Ltd. ("Zhejiang NWS Expressway"), is mainly responsible for the management of Hangzhou Ring Road in Zhejiang Province of Mainland China. This 103.4 km long expressway has dual two to three-lane carriageways with an average daily traffic flow of over 250,000 vehicles. There are 14 toll stations, a tunnel and a rescue team under our management.

For the latest news from Zhejiang NWS Expressway, please scan the QR code to access its WeChat page.



Hunan NWS Expressway Management Co., Ltd. is responsible for the management of Changliu Expressway, which connects Changsha and Liuyang in Hunan Province in Mainland China. With a total length of 65 km, this dual two-lane expressway has an average daily traffic flow of over 30,000 vehicles. There are four toll stations and six tunnels under our management.



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, as well as site investigation in the public and private sectors.

For more information about Hip Hing Group, please visit its website (www.hiphing.com.hk) and its publication namely, Hip Hing Voice for the latest news.



Insurance

FTLife Insurance offers a comprehensive range of life insurance products, accidents and health products to serve the diverse needs of its customers. Led by a management team of Tier 1 insurance industry leaders, FTLife Insurance currently has a network of more than 3,000 tied agents as well as strategic partnerships with more than 270 brokers and independent financial advisers in Hong Kong.

For more information about FTLife Insurance, please visit its website (www.ftlife.com.hk).

³ The Group announced the proposed disposal of 100% of its interest in NWFB and Citybus on 21 August 2020 (refer to Management Discussion and Analysis section of the annual report on pages 102 to 119 for details).

⁴ The Group has disposed of 60% of its interest in NWFF to Chu Kong Shipping in May 2020 (refer to Management Discussion and Analysis section of the annual report on pages 102 to 119 for details).



Facilities Management

With over 91,500 square metres of gross rentable space, the HKCEC is an award-winning venue for international exhibitions and conventions. HML, who manages HKCEC, has received numerous international awards in recognition for their professional and attentive service for this iconic landmark in Hong Kong.

For additional information, please refer to the website of HKCEC (www.hkcec.com) and its publication namely, Centrepoint for the latest news.

Free Duty offers retail of a wide range of merchandise from tobacco, liquor, perfume, cosmetics, packaged food to general merchandise at Hong Kong's cross-border railway terminal and the Hong Kong-Zhuhai-Macao Bridge (Hong Kong Port Passenger Clearance Building).



Transport

NWFB and Citybus, with a combined fleet of more than 1,600 buses, operate more than 200 bus routes in Hong Kong, serving 922,000 passengers a day.

Please visit the website of NWFB and Citybus (www.nwstbus.com.hk) for their latest Fuller Disclosures.

NWFF operates five main routes between inner harbour and the outlying islands. It carries more than 33,000 passengers daily on its 17 owned vessels and three chartered vessels.

For more information about NWFF, please visit its website (www.nwff.com.hk) and quarterly newsletter.

We endeavour to engage the Group's other subsidiaries and associated companies, over which we do not have controlling interest, as our partners inviting them to share our values and vision for sustainability stewardship, and leveraging our influence as board members and investors.

Reporting Standards

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide ("ESG Guide") set out in Appendix 27 of the Listing Rules as updated in December 2019, and with reference to the Core option of the Global Reporting Initiative ("GRI") Standards.

Reporting Principles

This report is prepared based on the reporting principles of materiality, quantitative, consistency and balance, which are set out in the ESG Guide.

Sustainability Report Assurance

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

Defining Report Content

The report content focuses on our performance in FY2020. In line with the materiality principles of the ESG Guide and GRI, the report content is determined by the most significant and relevant environmental and social sustainability issues endorsed by the Sustainability Committee of the Company and through a materiality assessment process involving both external and internal stakeholders. An overview of the top material issues and how they are mapped to the impact areas of our Sustainability Vision 2030 is provided in the section of "Stakeholder Engagement and Materiality". The "Environmental Performance Data Summary" and "Social Data Summary" supplement the discussion with detailed performance data. Please refer to our online Sustainability Report for the detailed data summary.

Contact Us

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



**NEW WORLD
SUSTAINABILITY
VISION 2030**

An Integrative Disclosure Framework

The Group aims to create shared value for our shareholders, stakeholders and the communities in which we operate, by integrating considerations relating to environmental and social sustainability into decision-making and day-to-day practices across our businesses. This commitment is outlined in our "Sustainability Policy".

In line with our parent company, NWD, we subscribe to the New World Sustainability Vision 2030 ("SV2030"), which references the United Nations Sustainable Development Goals ("SDGs") and establishes a focus on four pillars: Green, Wellness, Caring and Smart. We integrate these two frameworks to report on the environmental and social issues material to the Group. Each of the four pillars of SV2030 is intricately linked with each of the four SDGs, that are most relevant to the Group and that enable us to have greater impact: the following illustration highlights the main touchpoint across the two frameworks.

SDGs' relevance to SV2030 and NWS Holdings' Business Strategy

SDG 17 Partnerships for the Goals

- Promote the development, transfer, and dissemination of environmentally sound technologies to 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

SDG 8 Decent Work and Economic Growth

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

SDG 11 Sustainable Cities and Communities

- Provide safe, 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 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 hazardous chemicals, air and water pollution, etc.
- Enhance customer experiences by improving quality and wellness of our services



2030 Targets and Progress

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

SV2030	FY2020 Progress		Relevant SDG
Green Moving us towards a greener future 	(Baseline: FY2013)		
	↓ 50% Energy Intensity FY2020: ↓ 40% On Track	↓ 50% Carbon Intensity FY2020: ↓ 38% On Track	
	↓ 30% Water Intensity FY2020: ↑ 7% Behind Plan	>90% reuse of construction and demolition materials FY2020: >94% Target Met	
Wellness Promoting health in body and mind 	(Since FY2015)		
	Maintain Lost-Time Injury Rate ("LTIR") below 3.0 per 100 employees FY2020: 1.7 LTIR Target Met	Improve the well-being of >4 million beneficiaries FY2020: Reached 1.4 million beneficiaries On Track	
Caring Nurturing our communities and culture 	(Since FY2015)		
	Enhance quality of life of >17 million beneficiaries FY2020: Reached 7.4 million beneficiaries On Track	Accumulate 175,000 hours of voluntary service to the community FY2020: Accumulated 90,000 hours volunteering service On Track	
Smart Using innovation to unlock potential 			
	Building Information Modelling ("BIM") and Virtual Reality ("VR") to enhance safety management at construction sites Smart metering with big data analytics for energy management at HKCEC	Artificial Intelligence ("AI") and big data applications in toll roads management	

Sustainability Governance and Management

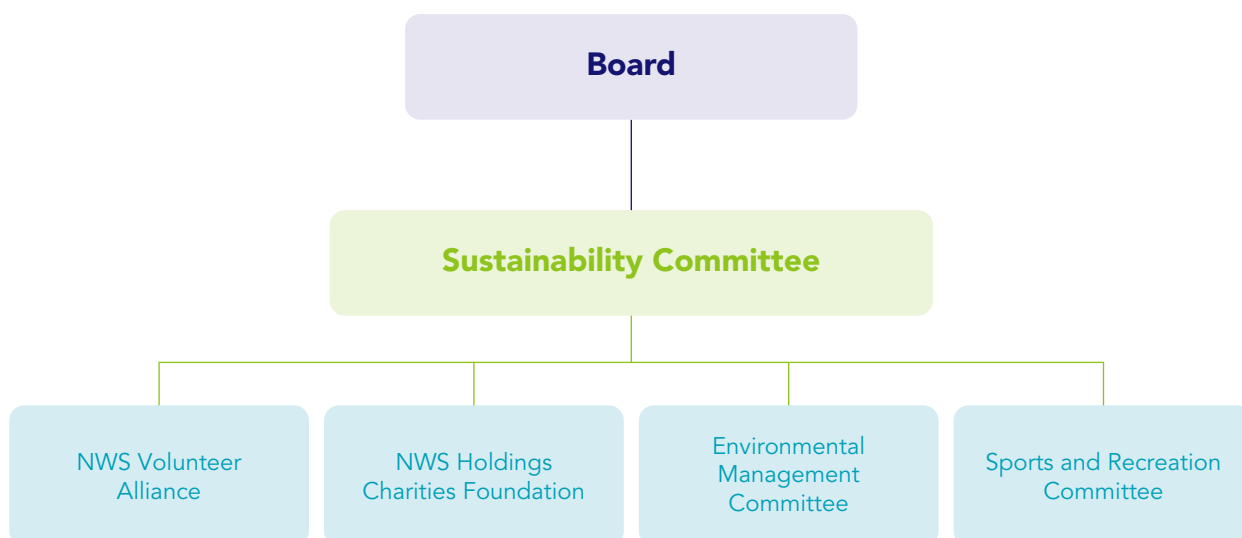
The Board oversees the long-term success of the Group through setting the overall strategy, supervising executive management, and ensuring that our corporate governance practices meet the highest standards of integrity and ethics and are effectively implemented throughout the Group. The Board is accountable for ensuring the relevance and effectiveness of our strategic approach to the Group’s sustainable development.

How We Govern and Manage

The Board provides oversight on matters relating to ESG through the Sustainability Committee, which is chaired by the Chief Executive Officer of the Company and involves other executive directors, non-executive directors, as well as independent non-executive directors as members. The Sustainability Committee, supported by the Group’s sustainability team and our wider management team, evaluates, prioritizes and manages ESG-related issues that are material to the Group, and monitors the progress made towards the 2030 goals and targets.

A set of policies, procedures and guidelines have been developed as part of the Group’s sustainability governance framework. These policies and guidelines are reviewed and updated regularly by the Board and relevant board committees to meet the latest regulatory requirements and where applicable, industry best practice. In FY2020, the Sustainability Committee met twice and endorsed new policies and guides including “Climate Change Policy”, “Health and Safety Policy”, “Supply Chain Management Guide”, and “Sustainable Procurement Guide”, to further strengthen our governance. Our sustainability policies and guidelines are publicly available on the Company’s website.

The Sustainability Committee is supported by four task forces and sub-committees which work with our employees, business partners, customers and the local community to maximize shared value creation across our operations. GARA also incorporates ESG-related risks in the wider enterprise risk assessment and management process. More information can be found in the Risk Management section on pages 47 to 59 of the annual report.



As we refine our business strategy and operations, we are mindful of the related potential impact of ESG and climate related risk. We made reference to the four pillars under the Task Force on Climate-related Financial Disclosure (“TCFD”) framework, Governance, Strategy, Risk Management and Metric and Targets in preparing our sustainability disclosure.

Ethical Standards

Commitment to ethical conduct is firmly rooted in our company values. This means taking a clear stance against corruption and respecting laws and regulations wherever we operate. We believe that maintaining high standards of ethics and corporate governance is essential to the success and sustainability of our business, and is what our stakeholders expect from us.

To uphold the highest ethics and corporate governance standards across the Group and throughout our value chain, we have established long-standing policies on bribery prevention. Our *"Corporate Policy on Staff Responsibility"* and our *"Code of Conduct"* set out the standards of behaviour we expect from our employees, while the *"Supplier Code of Conduct (NWD)"* that we adopted details our expectations for our suppliers.

We keep the Board informed of the latest information. For instance, to support our anti-corruption efforts, we included training materials provided by ICAC⁵ in the online training platform for our directors. Our *"Whistleblowing Policy"* enables employees to confidentially raise concerns about suspected misconduct. During FY2020, we introduced an *"Anti-Fraud and Counter-Corruption Policy"* which covers the reporting and investigation process of any suspected fraud, corruption or other irregularities. GARA records all reported cases and undertakes investigations as designated by the Audit Committee⁶ in a confidential and timely manner. There were no reported cases of non-compliance with the Prevention of Bribery Ordinance (Cap. 201) in FY2020.

Anti-Competition

In the business community, the Group observes the principle of healthy rivalry with competitors. As stated in our *"Corporate Policy on Staff Responsibility"*, we will not acquire another company's trade secrets or other proprietary information by improper means. We take extra care in our dealings with competitors as there are laws and regulations in some countries governing the protection and promotion of competition. In Hong Kong, the Competition Ordinance (Cap. 619) is designed to promote competition and prohibit anti-competitive practices which we strictly enforce in our modes of communication and contracts. All staff members shall always be aware of and comply with competition laws and regulations and shall recognize sensitive situations and behaviour that are or might be considered anti-competitive. Advice will be sought from the Group's Legal Department whenever any anti-competition and related questions arise. We provide refresher training on anti-competition for our staff on a periodic basis. There were no reported cases of non-compliance with the Competition Ordinance (Cap. 619) in FY2020.

Customer Privacy

To respect and protect the privacy of our customers, we only collect the essential personal information from our customers and have policies governing the access, use and disposal of the collected data. All customer data is handled in compliance with the Personal Data (Privacy) Ordinance (Cap. 486) and with relevant regulations of the jurisdictions that we operate. There were no substantiated incidents regarding breaches of customer data privacy recorded in FY2020.

Guidance on data storage and handling is stipulated in the Data Confidentiality and Protection Policy section of NWD's *"IT Policy and Procedures"* to ensure proper management of customer data. Our standards of information security and confidentiality are applicable to all our employees and service providers. Multiple facets of protection, including administrative, physical and technical measures, have been implemented to safeguard the collected customer data and prevent unauthorized access. For instance, at HML, *"Privacy Policy Statement and Disclaimer"* is available to inform our customers about their rights and the reasons for collecting their personal data.

⁵ ICAC – The Independent Commission Against Corruption of Hong Kong

⁶ The Audit Committee has the authority to engage an independent third party to conduct the investigations as deemed necessary.

Intellectual Property Rights

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

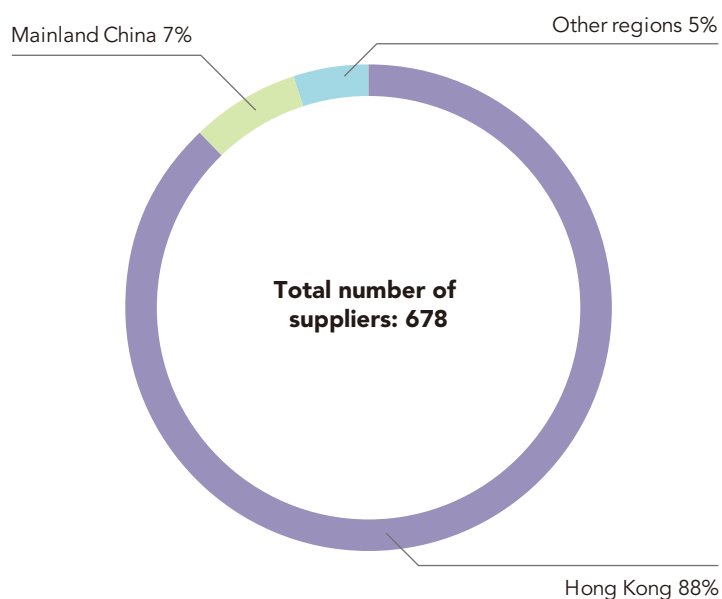
Supply Chain Management

We are committed to identifying and managing the environmental and social impacts associated with our supply chain. We comply with all relevant laws and regulations and we expect the same from our business partners. While the "Supplier Code of Conduct (NWD)" outlines our expectations with regards to environmentally and socially responsible behaviour, we have developed the "Supply Chain Management Guide" and "Sustainable Procurement Guide" to provide guidance to our operations teams on the incorporation of ESG considerations in procurement decisions. We also have procedures in place to monitor the effectiveness of our suppliers' environmental and social management. We maintain consistent engagement and communication with our suppliers especially in identifying opportunities for process enhancement and/or risk reduction. For example, Hip Hing Group piloted the "Enertainer", which replaces diesel generator sets by electrifying on-site power generation, in order to enhance site safety, energy efficiency and reduce local air pollution.

Social and environmental issues vary across the Group and they are managed according to the needs of each business unit. Our business units also have supply chain and procurement management framework in place that suit their needs, factoring in ESG and sustainability into the assessment and selection of new suppliers, and the performance review of existing suppliers.

Our guidelines promote efforts to reduce the environmental footprint of our supplies and encourage sourcing from local, responsible and ethical suppliers. Suppliers who value and act on the principles of sustainable development are preferred. All suppliers must comply with regulatory requirements regarding environmental, health and safety, and labour practices, which prohibit the use of forced and child labour, for instance. In line with our "Sustainable Procurement Policy (NWD)", we prioritize local suppliers⁷: in FY2020, 95% of our suppliers⁸ were from Hong Kong or Mainland China.

Geographical Breakdown of Suppliers



⁷ Local suppliers include both Hong Kong and Mainland China suppliers.

⁸ Total number of suppliers refers to those that have a valid contract with the company and with a total expenditure of HK\$500,000 or above within FY2020.

Stakeholders Engagement and Materiality

Our stakeholders and their concerns lie at the heart of our sustainability work. To focus our efforts in driving the resilience and growth of the Group, we regularly invite both our internal and external stakeholders to provide their advice through online surveys and in-depth interviews. The materiality assessment helped us understand and prioritize a range of topics with regards to their relevance and importance to the continuity and sustainable development of our businesses. While the full materiality matrix was published in our 2019 Sustainability Report and is available in our website, the top material issues are summarized in the following table and discussed in greater detail in relevant sections of this report.

Top material issues	Description	Examples of how we manage	Relevant report sections
Corporate Governance	Processes and practices by which a company is managed and overseen.	<ul style="list-style-type: none"> Group-wide policies guiding principles for all operations Internal audit and risk management functions to provide on-going risk assurance and management. 	Sustainability Governance and Management, Corporate Governance Report, Risk Management
Occupational Health and Safety	Health and safety of employees and contractors on the Group's premises	<ul style="list-style-type: none"> Health and safety policies at the Group level, as well as specific guidance from individual business units on relevant safety requirements and practices Application of technology to enhance employee health and safety 	Human Capital
Employee Wellness and Benefits	Physical and mental health and wellness of our employees, both at work and beyond	<ul style="list-style-type: none"> Regular communication with employees to promote mutual understanding of priorities and concerns Policies and practices to promote employee wellness Cultivating a positive workplace culture, nurturing talents and enhancing employee well-being 	Human Capital
Sustainable Construction	Minimizing negative impacts to the environment during construction	<ul style="list-style-type: none"> Use of new construction methods such as MiC to minimize air and noise pollution and reduce construction waste Adoption of emission reduction technology at construction sites 	Smart Environment
Greenhouse Gas and Air Emissions Management	Reducing the emissions of carbon and air pollutants across the Group's operations	<ul style="list-style-type: none"> Continuous upgrade of vehicle fleets to meet latest emission standards, reducing air emissions Continuous use of innovative solutions in construction sites to reduce energy use and air emissions: for example, use of the "Enertainer" by Hip Hing Group 	Smart Environment
Customer Health and Safety	Minimizing safety risks to users of services	<ul style="list-style-type: none"> Technology to enhance safety in operating vehicles and reduce the occurrence of accidents 	Better Community
Customer Privacy	Procedures and security measures to protect the confidentiality of customer data	<ul style="list-style-type: none"> Policies and software infrastructure to safeguard confidential data 	Sustainability Governance and Management

Details regarding the management of these material issues are addressed in the Corporate Governance Report on pages 20 to 46 and Risk Management section on pages 47 to 59 of the annual report, and relevant chapters of the Sustainability Report.

Ongoing Engagement with Stakeholders






We maintain ongoing engagement with our key stakeholders to ensure that we gain a thorough understanding of their concerns and expectations, and to help us enhance and balance our sustainability strategies, accelerating our sustainable growth.

We proactively engage with stakeholder groups that are directly impacted by our operations, including our employees, investors and customers, as well as our supply chain partners. Our regular stakeholder engagement programme also enables us to consult other stakeholder groups, including community organizations, trade and industry associations, academia and the media. Our business units also carry out communication with their stakeholders regularly, tailoring these to their business needs and interests. For example, HML continually conducts customer surveys, while NWFF and Citybus have passenger group liaison meetings annually.

During FY2020, we used a variety of means to maintain communication with our stakeholders: in addition to traditional engagement channels such as press releases, liaison groups and face-to-face meetings, we also used mobile apps and social media to enhance our reach and response rates effectiveness.

Our Stakeholder Accountability

The Group believes we can have positive impacts through our roles as a business operator, transport operator, life insurer, investor and employer, and through wider contributions to society. Our commitment to sustainability guides us in creating shared value for our customers, shareholders, employees and the communities where we operate. This table summarizes examples of our positive impacts in response to key stakeholders in FY2020:

<h3>Impacts in Response to Stakeholders</h3>	 <h4>Employee</h4> <ul style="list-style-type: none"> • Provided employment for 11,427 staff⁹ and acquired new hires of over 1,200 staff • Offered free COVID-19 insurance protection to all employees of the Group • Signed the Racial Diversity and Inclusion Charter for Employers • Recognized as Asia's Dream Company to Work for-Dream Employer of the Year by World HRD Congress and Excellence in Workplace Wellbeing by Human Resources Magazine
 <h4>Environment</h4> <ul style="list-style-type: none"> • Greater than 7% carbon emissions reduction¹⁰ to contribute to climate change mitigation efforts • Constructed infrastructure with 12 electric charging points, providing over 6,000 recharges to toll road users to promote the use of electric vehicles • Over 95% of our bus fleet meets Euro 5 or Euro 6 emissions requirements • Phasing out investments relating to coal-fire power 	 <h4>Society</h4> <ul style="list-style-type: none"> • Use of the latest construction methodology and technology, such as MiC, to rapidly deliver 120 quarantine shelters in addressing the pandemic emergency in Hong Kong • 0.92 million¹¹ average daily patronage as transport operator • HK\$4.8 million contributed to charitable causes • Over 16,600 hours of volunteering to the community
 <h4>Customer</h4> <ul style="list-style-type: none"> • Extended free COVID-19 insurance protection to all insurance customers • Improved safety features in buses • Ensured IAQ¹² in bus compartments meet Level 1 good air quality • Simplifying procedures of making specialist appointments, instant out-of-pocket cost estimations and cashless arrangements for outpatient colonoscopy and gastroscopy 	 <h4>Investor</h4> <ul style="list-style-type: none"> • Reinforced the implementation of our ERM framework and enhanced our risk management activities. Refer to the Risk Management section of the annual report on pages 47 to 59 for details • Adopting ESG considerations for future investments • Investment in infrastructure and service businesses that enhance lives • Strengthen our corporate governance by introducing new policies and guides on how we manage climate change, health and safety and supply chain matters

⁹ Total number of employees of in-scope business units as of 30 June 2020.

¹⁰ Absolute carbon emission reduction in tonne CO₂e comparing to FY2019.

¹¹ Average daily patronage of franchised buses as of 30 June 2020.

¹² IAQ – Indoor Air Quality

Smart Environment

In our efforts to build a better future for the communities in which we operate, and enhance their quality of life today, we strive to apply new technologies and innovative solutions. Not only this, but we do so in ways that help us reduce the environmental footprint of our operations, in accordance with our "Sustainability Policy". The main way this is achieved is through savings in resource consumption, from energy to water, along with reductions in greenhouse gas emissions, air pollutant emissions and waste generation.

Our business such as roads and transport operations, serve more than one million people daily, and we are aware that their environmental performance can cause significant impacts to the local environment, and so to the health of local communities. We are committed to maintaining green and energy-efficient operations across our business units. For example, the smart monitoring of road operations enables more timely attendance to road incidents, minimizing idling on the road, while ongoing upgrades to the bus fleet at NWFB and Citybus with the more fuel-efficient Euro 6 buses have helped to deliver reductions in roadside air emissions.

In addition to the oversight of the Sustainability Committee driving the group-wide sustainability objectives, our Environmental Management Committee, chaired by an executive director, meets twice a year. The Environmental Management Committee provides the platform to ensure the implementation of green initiatives and the exchange of knowledge, experience and environmental best practices among business units. We endeavour to go beyond regulatory compliance, and consistently benchmark ourselves against local and international standards and best practices. This ensures we are well positioned to continually enhance our environmental performance.

Combating Climate Change

Climate resilience is an essential part of our sustainability strategy, evidenced in Hong Kong and Mainland China by the increased occurrence of acute weather conditions. The Group notes the four major pillars under the TCFD framework (Governance, Strategy, Risk Management, Metric and Targets) and is working to meet the recommended disclosure. As part of a Group-wide initiative, a climate scenario planning study was piloted to assess the physical climate risks faced by the HKCEC in order to identify areas for improvements, such as enhancing existing facility management practices to better prepare for more extreme wind and flooding events. In the coming years, we plan to further explore climate studies in relation to our wider business operations.

We proactively seek opportunities to enhance our energy performance. As energy consumption is the key source of greenhouse gas emissions, we proactively seek opportunities to enhance our energy performance. For instance, during the year, we enhanced the energy management system of the HKCEC by installing over 350 digital power meters to enable real-time monitoring of electricity consumption, and data analytics of usage patterns to identify power saving opportunities. In the same year, we also signed the Business Environment Council's ("BEC") Low Carbon Charter – Pathway 1, signifying our commitment to work towards decarbonization targets, transitioning towards a low carbon economy in line with the goals of the "United Nations Framework Convention on Climate Change's Paris Agreement".

Sustainability-linked Loan



In June 2020, we announced our first sustainability-linked loan with Crédit Agricole Corporate and Investment Bank. The loan is converted from existing facilities amounting to HK\$1 billion, of which interest rates will be reduced according to our improvement on environmental and social targets, including greenhouse gas emission intensity and continual improvement on the overall Labour Practice criteria in accordance with the Hang Seng Corporate Sustainability Benchmark Index.

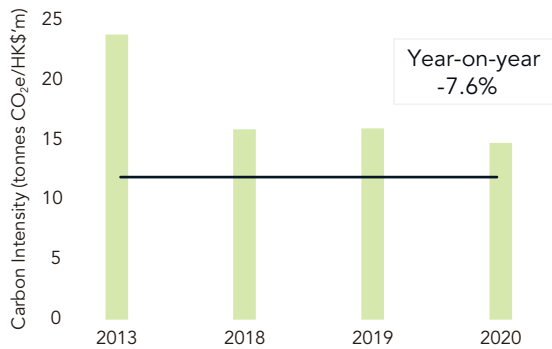
This sustainability-linked loan reinforces our commitment to improving our sustainability performance, as well as demonstrating the financial incentives for continual improvements.

2030 Targets

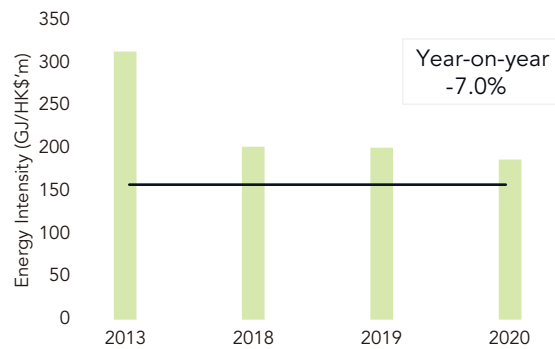
We aim for continuous improvement, beyond regulatory compliance. Last year, we announced our long-term environmental targets for FY2030, developed with reference to SV2030. Using FY2013 as a baseline, our group-wide targets are to reduce our greenhouse gas emissions intensity by 50%, energy intensity by 50%, and water intensity by 30%. Annually, we also aim to achieve at least 90% reuse of construction and demolition (“C&D”) materials. These measurable targets provide a reference point and time frame as we evaluate the efficacy of our reduction initiatives.



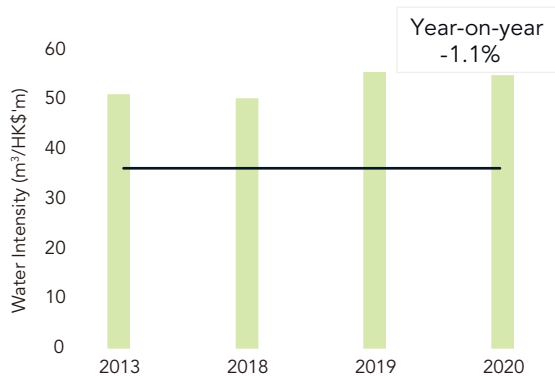
Overall Carbon Intensity



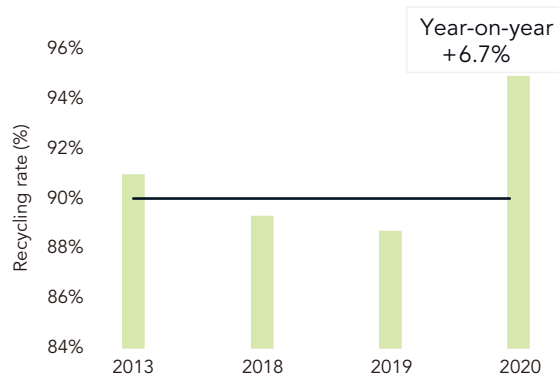
Overall Energy Intensity



Overall Water Intensity



Recycling Rate of C&D Waste

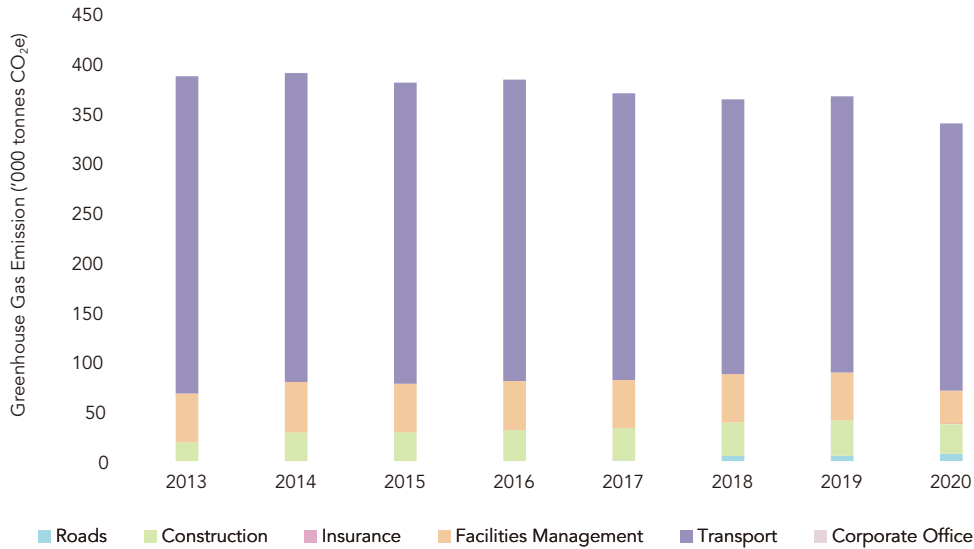


During FY2020, our energy consumption intensity and carbon emissions intensity dropped by 7.0% and 7.6% respectively from the previous year. We will continue our efforts in reducing our carbon footprint. Based on current forecasts, we expect our performance to remain on track towards the year 2030. However, our water consumption performance was less than satisfactory and we will seek opportunities to improve on our water consumption efficiency. For further details, see the Water Management section.

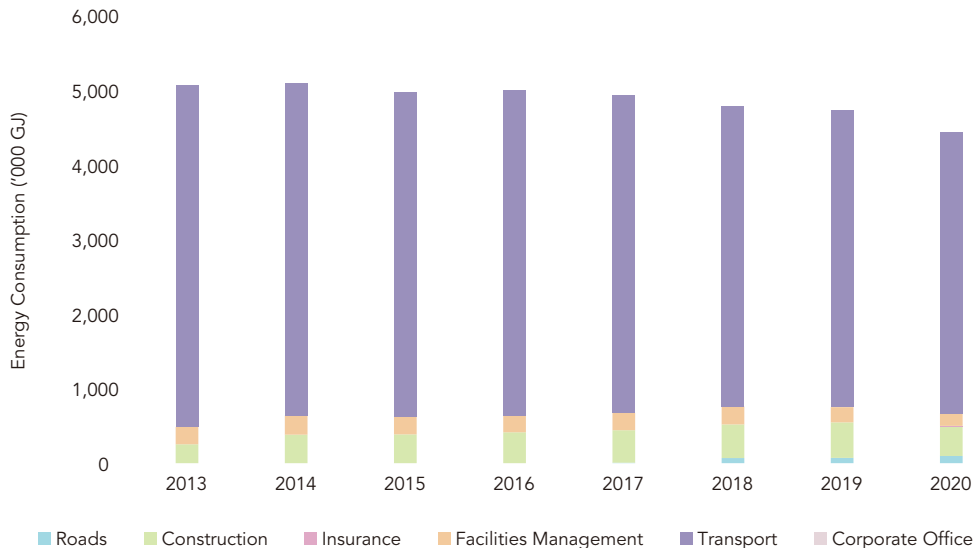
Greenhouse Gas Emissions and Energy Management

In spite of our business expansion over recent years, we have maintained effective management of our energy consumption, as shown by the continued decrease in our energy consumption and associated greenhouse gas emissions since 2013.

Trend of Absolute Greenhouse Gas Emission FY2013 – FY2020



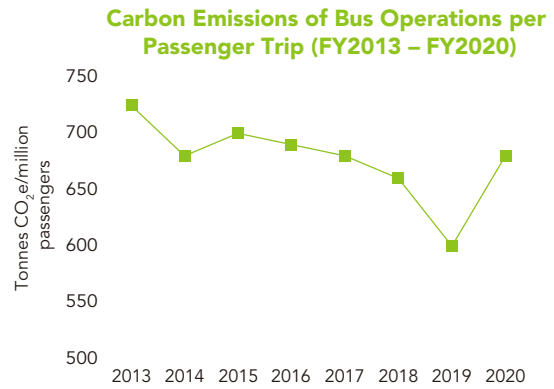
Trend of Absolute Energy Consumption FY2013 – FY2020



As one of the major transport operators in Hong Kong, the transport operations remained the primary contributor to our carbon footprint in FY2020.

Carbon Emissions of Bus Operations

We use the best available technology to improve the operating efficiency of our vehicles. The ongoing upgrade of our bus fleets over recent years has delivered observable performance improvements in terms of carbon intensity per passenger. The carbon intensity performance in FY2020 has been impacted by significant reductions in commuting passengers due to restrictions on social movement and COVID-19. Besides upgrading our bus fleet, we have also trialled the installation of solar panels on the roofs of our buses, which power the lighting system, and so reduce demand for diesel.



We adopt international management standards within our operations where practical. At Hip Hing Group, all our construction sites are certified to the ISO 14001 Environmental Management System and ISO 50001 Energy Management System, providing standards for impact management and driving continuous improvements. During FY2020, we have increased our use of biodiesel at Hip Hing Group to 89% from 80% in the previous year, an ongoing trajectory. Hip Hing Group has also piloted the accounting of embodied carbon for seven of its active projects in FY2020 using the CIC¹³ carbon assessment tool with plan to increase such coverage in later years. With better understanding of the embodied carbon of construction materials and carbon emissions of on-site construction process, we seek to identify opportunities to continually improve our sustainability performance in construction.

To optimize energy efficiency performance in managing facility, HML has continued with retro-commissioning of the building operations systems at the HKCEC since the energy audit conducted in 2016. The on-going improvement measures range from lighting replacement to air-conditioning. The facility’s energy performance is also continuously monitored for improvement by big data analysis from building services.



Electricity Use Reduction

year-on-year electricity expenses
↓ HK\$10 million
 (excluding HML*)

* HML is excluded as it contributed highest among electricity consumption of the Group and its usage was highly impacted by COVID-19 in FY2020.

Expense reduction was estimated using unit cost of HK\$0.987/kWh as referenced from the non-residential electricity tariff of Hong Kong Electric.
<https://www.hkelectric.com/en/customer-services/billing-payment-electricity-tariffs/non-residential-tariff>

¹³ CIC – Construction Industry Council

Renewable Energy



Throughout our operations, we have also adopted the use of renewable, zero-emissions energy sources where practical, such as solar panels. Sites including the HKCEC, NWFB's Choi Wan depot and NWFF's office at Lai Chi Kok have solar panels installed on their rooftops, supplying renewable energy to the local power grid to take advantage of the Feed-In Tariff Scheme in Hong Kong. During FY2020, the total renewable energy generated for the Feed-In Tariff Scheme on our premises was over 59,000 kWh (214 GJ), avoiding around 30 tonnes of carbon emissions, which is equivalent to the annual emissions from six passenger vehicles¹⁴.



Solar panels installed at the rooftop of the HKCEC

In June 2020, NWFB and Citybus launched its first double-decker equipped with solar power system. Twenty solar panels, cover 80% of the rooftop surface and can generate 1,500 watts of electricity, thereby reducing fuel consumption and associated carbon emissions. The system includes battery storage and provides auxiliary power supply to the lighting system and display panels inside the bus. It is estimated that the system can save 716 kg of carbon emissions annually, equivalent to planting 31 trees.

Hip Hing Group Piloting "Enertainer" on Site



Emissions associated with the use of diesel generators at construction sites have been a long-standing issue for the construction industry with respect to their environmental impacts. To tackle this problem, Hip Hing Group trialled the "Enertainer": an advanced, compact battery system designed to replace diesel generators for power provision in construction sites. The system was installed at the Two Taikoo Place project in FY2020. The "Enertainer" draws power from the grid during low load periods, recharging overnight, and then supplies this stored power to demanding construction site activities throughout the day. Not only does the system produce zero direct air emissions in the vicinity of the construction site, it also provides substantial improvements in energy efficiency. The system is anticipated to reduce approximately up to 85% savings in energy costs.¹⁵



Use of "Enertainer" at construction sites

Substitution for on-site diesel generators also eliminates diesel handling, spills and potential fires, as well as noise, "Enertainer" is expected to be up to 32 times quieter than diesel-run generators. As a result, using the "Enertainer" at construction sites provides the additional benefits of reducing disturbance and improving the work environment for construction workers and the communities within the vicinity.

Air Emissions

Air emissions are significant issues for transport, roads and construction. Our transport businesses (i.e. NWFB, Citybus and NWFF) remained the predominant source of our air emissions in FY2020.

¹⁴ Equivalency result was generated from the Greenhouse Gas Equivalencies Calculator published by the United States Environmental Protection Agency (EPA). <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>

¹⁵ Energy savings and noise reduction are supplier provided product information. <https://ampd.energy/#HOW-IT-WORKS>

Sustainability Report

For the transport operations, ongoing investments in fleet upgrades were made to reduce roadside air pollution. Currently, over 95% of our fleet meets Euro 5 emission standards, with over 180 (about 10%) meeting Euro 6 standards. We expect the emission levels associated with the fleet to continue to improve as retiring vehicles are replaced with newer models compliant with Euro 6. These fleet upgrades allow our transport operations to stay well ahead of the tightening air emission requirements of the Government of the HKSAR, such as the recent update of Franchised Bus Low Emission Zones which takes effect in 2020, and which specifies Euro 5 as the minimum standard for buses serving busy road corridors within specified districts.

In line with the increasing use of electric vehicles across the world, our toll road operations in Hangzhou, Mainland China has an electric vehicle charging zone equipped with a total of 12 charging points, providing over 6,000 recharges to toll road users over the course of FY2020, and so contributing to cleaner roadside air quality in the Hangzhou area. In Hong Kong, our transport operations have been experimenting with the use of electric buses in the bus fleet during recent years. However, results of the trials suggest that it may take some time until the wide adoption of electric buses becomes feasible. This is due to the unique operating conditions in Hong Kong, whereby over 90% of our buses are double-deckers, which have a higher power load than the single-decker commonly found in other cities worldwide. The hilly terrains of Hong Kong, high peak passenger loadings and intense air-conditioning usage during hot and humid summers further aggravate the challenge of meeting the power demand of double-decker electric buses. The development of the electric bus technologies for wider application remains a challenge awaiting for further explorations.



Improve Roadside Air Quality by Technological Upgrade



Hangzhou Ring Road has adopted a series of technological upgrades to enhance the operations of the 103.4 km toll road – as part of the Hangzhou City Brain 2.0 project, launched by Hangzhou City Government and Alibaba Group in 2016. The upgrades include real-time automated monitoring, intelligent dispatch, and vehicle management.

Through the integrated use of surveillance footage and big data technology, real-time analysis of all vehicles running along the entire toll road can be performed. The system is capable of quickly identifying situations which may interrupt traffic flow, such as vehicles stopping illegally, vehicle breakdowns and trespassing pedestrians. The automated system can spot anomalies within one second and raise alerts within 10 seconds of incidents, a significant improvement on the manual inspection of over 300 surveillance footages, which can take more than one hour. The “Smart Ring” platform enables rapid dispatch of personnel and equipment to the scene of all incidents in order to restore normal traffic flow as soon as possible. As AI technology develops, we continue to consider its wider application in our road operations.

Optimizing traffic flow provides multiple benefits. Timely response to road incidents can significantly reduce traffic congestion, which also translates to reduce greenhouse gas and air emissions. The less time spent in congested traffic, the less users are exposed to air pollutants, translating into positive impacts for their physical health and well-being. Furthermore, enhancements to traffic flow improve revenue stability for the toll road, and contribute to the overall efficiency of the city. This provides a great example of our pursuit of shared value creation, bringing about a triple-win situation for the customers, the environment, and our business.

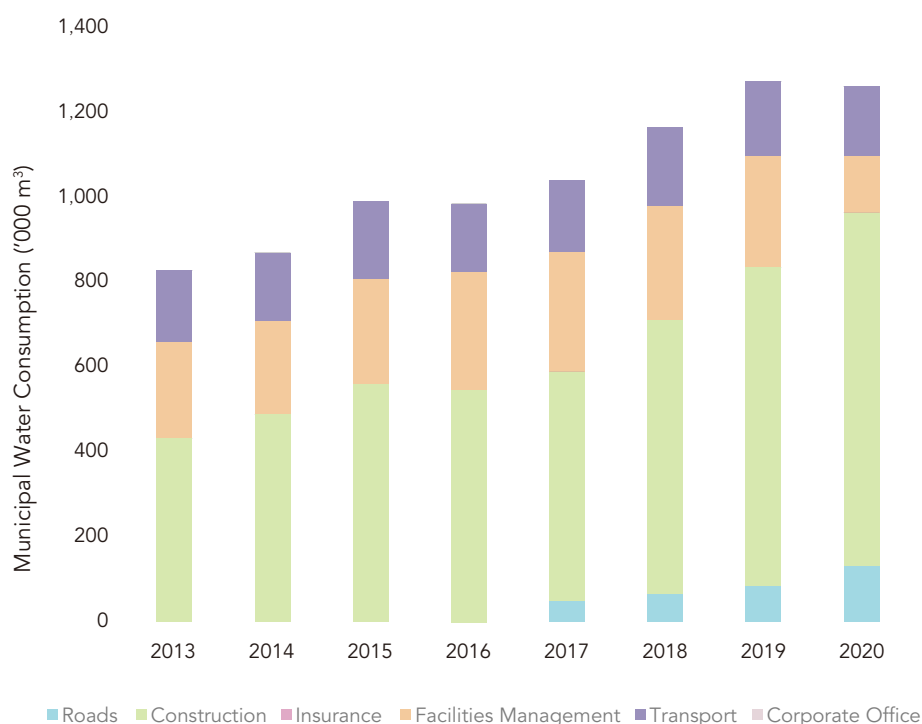


Real-time automated monitoring, intelligent dispatch and vehicle management

Water Management

As freshwater shortages become an increasingly significant concern across the world, we are committed to achieving efficient water use across our operations. Water reduction is one of our sustainability targets. We have been monitoring water consumption among our business units and corporate office; with the usage trend shown below.

Absolute Municipal Water Consumption FY2013 – FY2020



The water consumption from our facilities management businesses decreased significantly in FY2020 as a result of business impacts from COVID-19, whereas the water consumption by our construction and road management businesses increased respectively by 10.7% and 57% from FY2019 to FY2020. Water consumption in our construction business depends on key factors including the quantity of projects, and the project stage and scale. While we had fewer projects in FY2020, our projects were at stages which consume intensive amounts of water, in particular site formation and foundation works. The significant increase of water use in our road management businesses was due to the addition of Changliu Expressway.

The nature of Hip Hing Group’s business makes it the most water-intensive among our business units, accounting for over 65% of our total water usage. Typical essential uses of water at construction sites include dust suppression, cleaning vehicles to remove dirt as they leave the construction sites. Water is most intensively used for foundation works and flushing of plumbing networks during the commissioning of buildings. While we maximize water reuse on-site for vehicle washing and floor cleaning, we are still exploring further conservation measures to reduce water consumption in construction.

For construction site wastewater treatment, in order to better ensure the water quality prior to on-site discharge during construction, Hip Hing Group has installed and piloted the use of real-time wastewater monitoring systems in specific sites. Automated monitoring and logging of treated construction wastewater quality allows any related issues be quickly identified and rectified prior to discharge.

The Group continues to explore options to reduce our water consumption and take action where feasible. Examples of water reduction initiatives applied include the replacement of 677 faucets, or 67% of the total number at the HKCEC with Water Efficiency Labelling Scheme Grade 1 faucets, as part of an ongoing Five-Year Advancement Project; the use of seawater for flushing at NWFF’s vessels; and the installation of rainwater harvesting systems at a number of NWFF’s locations to reduce the freshwater use in cleaning operations. In order to enhance our water use performance, we will keep on looking for means to improve our water management on construction sites as well as closely monitoring water use efficiency among our business operations.

Waste Management

Construction waste and municipal solid waste comprise the majority of waste from our businesses. We use resources on a needs-only basis and we reduce, reuse and recycle as much as is possible and practical. For example, we trialled a bituminous mix with used tyre materials on road maintenance in Changliu Expressway. Almost all our business units have attained the Wastewi\$e certificate for many years, committing to and adopting various measures in managing their wastes. Inert C&D waste remains most significant component of our waste stream within the Group. We recognize that the disposal of C&D materials of construction waste can put tremendous strain on landfills. Hip Hing Group strives to minimize waste generation from its construction sites and recycle the waste it produced. During FY2020, about 95% of inert C&D material was recycled through transfer to the public fill bank for reuse. In addition, the in-house Inert Material Transfer programme also enables the reuse of inert C&D materials among Hip Hing Group’s project sites where practical. In the coming years, we plan to develop a mobile app and online platform, tapping into technology to strengthen our management of inert waste, enabling more efficient communication between Hip Hing Group’s project sites. The reuse of segregated C&D materials not only contributes to building greener cities, but also generates cost savings.

We also engaged our staff through a series of awareness training and workshops on the topic “From Waste to Resources”, and the outdoor activity – “Clean our Wild”, where we co-operated with Run for Good for a couple of garbage cleaning-cum-hiking activities with our NWS Volunteer Alliance members.



Collaboration with Run for Good on “Clean our Wild” in June



Test-trialling bituminous mix with used tyre materials for road maintenance

The level of hazardous waste generation varies among our business units and all is managed in accordance with the local regulatory requirements, from storage to disposal, where the use of a qualified third party contractor is mandatory. Chemical waste is the only hazardous waste generated among the business units and its generation is most prominent under the transport operations maintenance, especially in the bus depots, which is of particular importance for the safety of bus operations.

There were no reported cases of non-compliance with environmental regulations that had a significant impact on the Group in FY2020.



Waste to Landfill Reduction

year-on-year landfill disposal expenses

↓ HK\$1.28 million

Expense reduction was estimated based on unit cost of HK\$200/tonne according to the government C&D waste disposal charge to landfill.

<https://www.epd.gov.hk/epd/misc/cdm/scheme.htm#a>

Sustainable Construction

Hip Hing Group is committed to delivering sustainable construction practices, and minimizing negative impacts associated with its construction works. Typical performance indicators for sustainable construction include waste reduction, energy consumption, air and water pollution, and noise pollution, for which we have implemented a variety of mitigation measures to reduce our impact in the vicinity of our construction sites. We use sustainable and recycled materials during construction where practical.

Hip Hing Group is often recognized for its efforts in driving sustainable construction practices. In FY2020, Hip Hing Group’s construction projects at Queen Hill and Pak Shek Kok were awarded Silver and Bronze awards by Hong Kong Awards for Environmental Excellence, organized by the Environmental Protection Department of the Government of the HKSAR.



Modular Integrated Construction (“MiC”)



During FY2020, Hip Hing Group adopted the MiC approach in some of its construction projects, including the InnoCell at Hong Kong Science Park, and the quarantine facilities at the Junior Police Call Permanent Activity Centre at Pat Heung. The InnoCell is on track for completion in the fourth quarter of 2020 and will be one of the first permanent modular buildings in Hong Kong.

Using MiC, prefabrication works such as interior finishing, mechanical, electrical and plumbing installations and fitting are all completed at off-site factories located in Mainland China. The pre-assembled modules only require installation on-site, which can shorten the construction schedule by about 40% compared to conventional construction approaches. This can reduce environmental impacts and occupational risk exposures at the site. At the same time, due to the lower complexity of on-site construction work associated with MiC, the demand for skilled labour onsite is reduced, as are potential impacts of adverse weather conditions occurring during construction, improving operational efficiency.



Constructional phase of InnoCell at Hong Kong Science Park

Moreover, MiC enables major pollution-emitting steps to be carried out at off-site factories for more effective pollution control and mitigation, improving the quality and health and safety of the construction process significantly. Through resource streamlining and off-site fabrication, the manufacturing process of MiC modules is estimated to reduce the construction material loss from 8% to about 2%, and the construction waste generation by over 80%.

In an effort to promote and build capacity for the use of MiC in the construction industry, Hip Hing Group worked with the Construction Industry Council and provided two prototype modules to the Council’s training centre, which serve as practical facilities for trainees to learn more about MiC.

Biodiversity

While direct impacts on biodiversity are not recognized as a material issue among our business operations, we practice biodiversity conservation where appropriate. We are committed to minimizing the potential adverse impacts of our operations on biodiversity through, for example, adopting recognized standards and certificates for more sustainable use of natural resources (e.g. FSC ¹⁶ and PEFC ¹⁷) where possible; minimizing habitat disturbance, degradation and indirect effects of operations; and promoting the awareness of biodiversity among our stakeholders such as employees and the community.

Just as material sustainability issues vary across our business units, so do the means for addressing them, including how each support biodiversity conservation. From our headquarters, we work to enhance the awareness of staff on biodiversity by offering training sessions. In June, we invited The Nature Conservancy to hold a lunchtime talk through Zoom about the Hong Kong marine habitat and the role oysters play as ecosystem engineers in coastal protection. Colleagues who first completed a quiz that followed with the highest scores were rewarded with the opportunity to visit the Nature Discovery Park: Hong Kong’s first urban biodiversity museum and sustainability-themed education park located in K11 Musea.

Hip Hing Group ensures tree protection where applicable, and tree protection guidelines and procedures are adopted in our construction projects accordingly. Tree protection typically includes measures such as the delineation of a tree protection zone, erecting individual fencing for trees retained in-situ and conducting routine inspections. On occasion, transplanting trees may be needed, and carefully designed procedures to ensure their proper growth at the temporary or permanent receptor site will be followed. We always try to transplant affected trees to permanent locations within the project site after construction, where feasible.

At HML, biodiversity is conserved through sustainable catering and the procurement of biodegradable and/or reusable materials to reduce the use of single-use plastics. Ingredients from vulnerable sources, such as shark fins, are not included in the standard banquet menus. The majority of seafood dishes served in western banquets use ingredients certified by recognized agencies such as the Marine Stewardship Council, Friends of the Sea, and the sustainable seafood guide of the World Wide Fund for Nature. In addition, low-carbon diets are also promoted through the increased usage of vegetables in its dishes.



Tree conservation through transplanting at a Public Housing Project in Queen’s Hill, Fanling

Key Milestones	Main Challenges
<ul style="list-style-type: none"> • An additional 7.0% and 7.6% reduction in energy consumption and greenhouse gas emission intensities on the previous year • Our first sustainability-linked loan, to a value of HK\$1 billion, reinforcing our commitment to improving sustainability performance in our businesses • Use of green technology and construction methodology, such as MiC, at construction sites to reduce environmental impacts • First double-decker bus with on-board solar power system 	<ul style="list-style-type: none"> • Identifying effective strategies to achieve improvements in water efficiency in construction operations

¹⁶ FSC – Forest Stewardship Council

¹⁷ PEFC – Programme for the Endorsement of Forest Certification

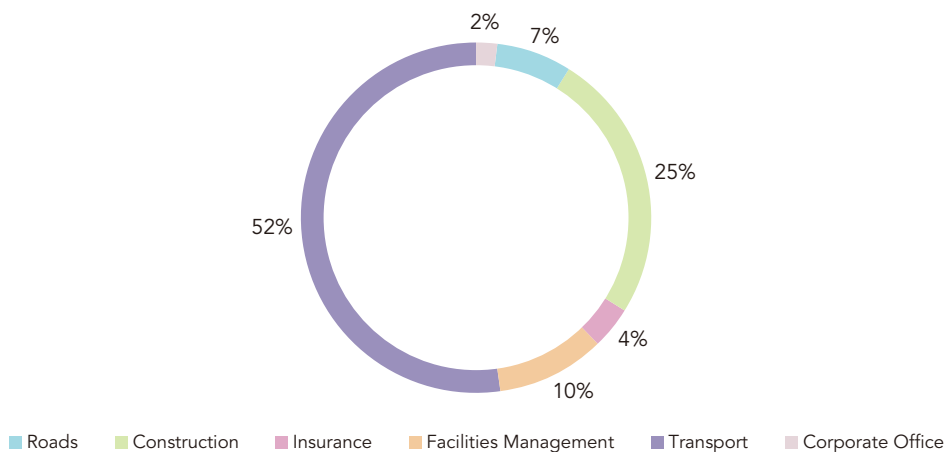
Human Capital

Our people are essential to the success of our company, as they provide the underlying foundation which enables us to connect lives and build the future. We are committed to attracting and retaining talent, and strive to create a healthy and inclusive environment for our staff to foster their growth. We understand that the cultivation of a strong sense of belonging for our employees can in turn improve job satisfaction and productivity, which are essential elements for driving sustainable business growth.

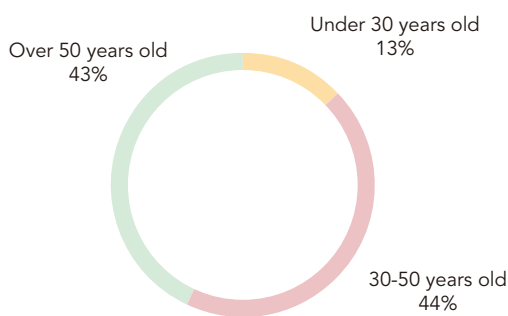
Workforce Demographics

As of 30 June 2020, the total workforce of the reporting entities covered within the scope of this report was 11,427 employees, including 11% new hires. The annual employee turnover rate was 12.8%.

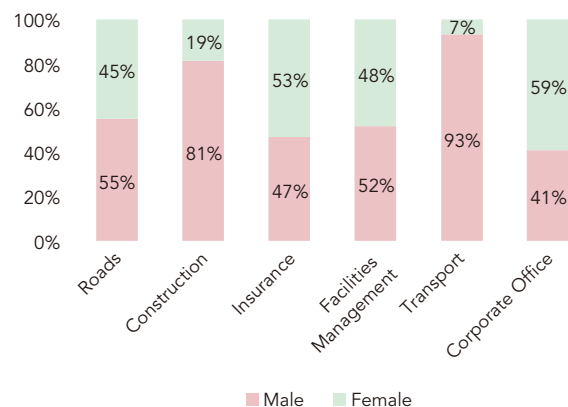
Total Workforce by Industry



Total Workforce by Age Group



Gender Profile by Industry



The overall employee gender distribution is at a male to female ratio of 4.6:1, a small but consistent improvement over the years from a gender ratio of 4.8:1 in FY2017. The gender split at our business units is generally considered to be quite balanced, with the exception of our construction and transport businesses which are traditionally more male-dominated industries. Nevertheless, we will continue to promote gender diversity across our business units.

Equal Opportunity Employer

We appreciate the talents and skills brought by people from different social and cultural backgrounds and are committed to instilling the importance of inclusion, diversity and equal opportunities within our workforce. The recruitment of employees with talent and development potential is the prime objectives of our recruitment strategy, regardless of their background. In FY2020, NWS Holdings has become a signatory of the Racial Diversity & Inclusion Charter of the Equal Opportunities Commission, a milestone in our commitment to promoting an inclusive and diverse workplace. Discrimination on the grounds of age, gender, race, disability, religion, family status and obligations are strictly prohibited in our operations, as specified in our "Sustainability Policy". During FY2020, there were no reported cases of regulatory non-compliance regarding employment.



Bridging gender gaps in business operations

Protecting Employee Rights

Safeguarding human rights is one of our top priorities and we are committed to implementing fair labour practices across our operations, consistent with the principles of the United Nations Global Compact ("UNGC"). We have established a range of policies and guidelines to protect the rights of our employees and to establish a framework for the smooth operations of our business in compliance with laws and regulations, including the "Corporate Policy on Staff Responsibility" and "Human Rights Policy". Our policies and guidelines are reviewed periodically and as needed to reflect current employment practices and to ensure full compliance with regulatory requirements.

In line with UNGC principles and the local regulatory requirements where we operate, we strictly prohibit the use of child labour and forced labour across our businesses. We respect our employees' freedom of association and rights to collective bargaining, such as those undertaken by employee unions at the transport business where regular engagement with unions and employee representatives are conducted. During FY2020, there were no reported cases of non-compliance regarding labour practices on child and forced labour employment.

Occupational Health and Safety

Maintaining the health and safety of our employees is essential to our operations and is a critical aspect of a sustainable workforce. During FY2020, we introduced the "Health and Safety Policy" to outline our commitment to building a healthy and safe workplace for our employees by minimizing health and safety risks as far as possible. We have established policies and dedicated Occupational Health and Safety ("OHS") management committees at our construction and transport businesses which are generally associated with higher occupational risks.

The OHS management system at Hip Hing Group, used in every construction site, is certified to the standards of OHSAS 18001 and ISO 45001. Each construction site features a safety committee to review site conditions and develop site-specific safety measures. We have piloted the use of NOVADE: one of the applications of this one-stop platform is to enable safety incident forms and reports to be shared, reviewed and approved electronically, allowing more timely responses to these incidents. In addition, we have incorporated the use of BIM along with VR technology, supporting detailed workflow planning and immersive visualization of project sites. This enables staff to become more familiar with the real site conditions in advance, minimizing safety incidents on-site.

At Hip Hing Group, we actively participate in a variety of external safety awards. This is to establish a culture that values the importance and implementation of health and safety practices, as well as to provide us with opportunities to benchmark our performance against industry peers.

Continually striving for zero-accidents at all of our construction sites, we have established a Safety Promotion Fund to encourage our staff to develop innovative safety ideas and provide financial support to ameliorate safety measures and equipment. In August 2019, Hip Hing Group was presented with the Proactive Safety Contractor Award by the Hong Kong Construction Association. Six of our frontline staff members also received Safe Supervisor and Safe Person-in-Charge Awards, recognizing their performance in upholding safety.

To enhance road safety, a number of safety features were incorporated across the bus fleet, including active speed limiters and electronic stability controls, providing bus captains with improved vehicle control.

Regular OHS training sessions have been provided to our employees, totalling 24,040 hours in FY2020 across our businesses, of which over 7,000 hours of health and safety training were provided to our staff at Hip Hing Group, while employees of the transportation business received a total of over 9,000 hours of OHS-related training. There were no reported cases of non-compliance regarding OHS with significant impact to the Group during FY2020.

AI for Construction Site Safety



The proper usage of personal protective equipment (“PPE”) at construction sites is critical to ensuring the safety of every worker. We have introduced an AI recognition system at Hip Hing Group to help monitor the proper use of PPE on site. The system analyzes video input from real-time IP Camera and CCTV systems to spot if any potential abnormalities in PPE usage, triggering inspection by on-site safety officers.



Use of Virtual Reality for site project training

Compared to visual inspection at specific safety checkpoints, the automated monitoring system provides a continuous and comprehensive monitoring coverage. This serves as a constant reminder to site workers to protect themselves against accidents, which tend to occur when workers least expect them. The correct use of PPE can make the difference between minor and severe injuries, reducing the rate of injuries at our construction sites.

During the recent COVID-19 outbreak, the monitoring system was further enhanced to detect the body temperatures of workers at construction sites, as a preventive measure to avoid potential spread of the virus.

Employee Wellness and Well-being

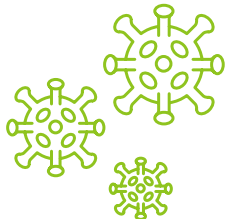
Over the years, we have introduced many initiatives to promote employee well-being and a healthy work-life balance. We have introduced flexible working hours at some of our business units, such as HML, to facilitate a better balance between work and the family needs of our employees. In addition, we have set up caring rooms at some of our offices to provide suitable areas for breastfeeding employees as part of our family-friendly philosophy.

We are committed to providing a healthy working environment for our employees, in terms of both physical and mental health. We introduced more resting and leisure spaces at our new offices at FTLife Tower and NEO, supporting our employees to relax and recharge during their breaks.

We also provide opportunities for our employees to improve their physical health outside of work hours through various recreational activities, such as sports events and group hikes to promote an active and healthy lifestyle.

Extraordinary Measures for Extraordinary Times

In light of the COVID-19 outbreak, we have introduced a number of response measures to safeguard the health of our employees and to enable them to carry on with their daily work with a safe state of mind. The readiness of our business infrastructure and flexible use of resources across the ecosystem of New World Group enhanced our resilience against the impacts of COVID-19 on our business operations (see the feature "Leading through COVID-19" for more details).



Better Rest for Bus Captains

To meet passenger demand at different times of day, working hours for bus captains at NWF and Citybus tend to be longer than for employees in other business units. We have capped the maximum duty hours of "special shifts" at 13 hours, below the regulatory limit of 14 hours.

We strive to improve the quality of resting stations for bus captains by continuously providing facilities to better suit their needs. During recent years, we have repurposed decommissioned buses to serve as resting stations and installed new lounges at various depots and terminuses, providing our bus captains with comfortable places to relax and rest.

The bus captain resting room at Exchange Square was renovated during FY2020, featuring an air-conditioned communal area, with reclining chairs, suitable for resting and socializing.

Employee Engagement

We strive to engage employees by listening to their needs and finding ways to enhance their sense of belonging and unity within the Group. We facilitate dialogue between management and general staff through a variety of communication channels, including e-platforms, employee satisfaction surveys, regular departmental gatherings, Town Hall meetings, staff newsletters such as "New Voice", as well as regular meetings with union representatives. Consistent engagement with employees allows us to maintain our understanding of employee needs and listen to their suggestions on how to improve their work experience.

Talent Management

The Group recognizes the importance of attracting talented employees and retaining them in order to support business growth and maintain high levels of quality in our service delivery. We provide competitive remuneration packages and staff benefits to our employees, and conduct regular reviews of salary and benefits to ensure that our offer remains competitive in the market. Rewards such as performance-based bonuses are provided as part of our talent management approach to motivate our staff. We also have Education Subsidy Schemes to provide financial support to members of our staff who intend to participate in studying and training activities, as well as towards professional membership applications.

To nurture young talent and maintain a stable talent pool, some of our business units, particularly those prone to shortages of skilled workers, offer on-the-job trainee programmes for fresh graduates. For example, Hip Hing Group offers scholarships for universities and Vocational Training Council students studying construction-related courses, attracting qualified people to the industry and improving the talent pool for future construction projects. We also stay abreast of industrial trends and continue to develop the knowledge and skill sets of staff through internal and external training. For instance, as BIM is widely and increasingly demanded in the construction industry, not only do we sponsor our engineers for external training, but our in-house BIM specialists at Hip Hing Group also provide practical real-case training, enriching the skills of our engineers.

Employee Abundance Programme

To enhance the mental well-being of our employees, we have established an Employee Abundance Programme at FTLife Insurance. The programme features a 24/7 hotline service, providing professional counselling and consultation service for our employees and their family members, including a confidential channel for them to share any concerns and seek professional counsel, whether they are encountering difficulties at work or in their personal lives.

NWS Town Hall

Regular Town Hall meetings are held to convey key management messages and support two-way communication between employee and management. Over 2,600 participants from the Group attended the NWS Town Hall, held in June 2020. At this event, our Chief Executive Officer, Mr Eric Ma, and Executive Director, Mr Gilbert Ho, shared details of New World Group's strategic direction with regards to "Creating Shared Value", as well as our intention to maximize synergies across the ecosystem with our staff members. In addition, they provided inspiring insights on how to transform a crisis into an opportunity, so that we might continue to grow together towards our vision.

Our endeavours to become an employer of choice have gained recognition among our peers. During FY2020, we garnered a number of human resources accolades, summarized in the table below:

Achievement	Granted By
<ul style="list-style-type: none"> Excellence in Workplace Wellbeing 	Human Resources Magazine
<ul style="list-style-type: none"> Asia Dream's Company to Work for – Dream Employer of the Year HR Tech Leadership Award – The Most Engaged Workplace 10th Asia's Best Employer Brand Awards – Best Employer Brand Award 10th Asia's Best Employer Brand Awards – Promoting Health in the Workplace 	World HRD Congress

Training and Development

Our employees’ long-term development is critical to the sustainable growth of our business. We have organized a variety of internal training sessions during the year to provide our employees with knowledge about the latest industry trends and practices, as well as to support their professional and career development. We also use e-learning platforms to deliver training sessions, which significantly extends their reach and accessibility, as well as reducing delivery and administrative costs. In FY2020, we delivered 94,094 hours of training related to professional development, an average of over 8.2 hours per employee.

Average Training Hours per Employee by Category

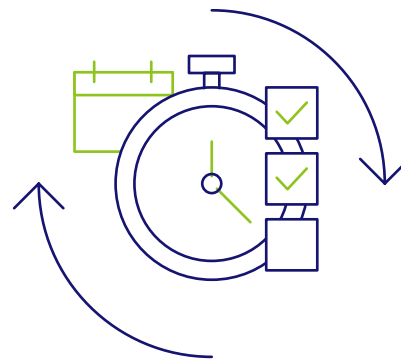


Average Training Hours per Employee by Gender



In addition to professional development topics, other key aspects covered by our training curriculum include occupational health and safety, corporate culture, environmental protection and anti-corruption. In total we delivered an average of 11.8 hours of training per employee.

Training Topic	Total Hours of Training Provided
Professional Development	94,094
Occupational Health and Safety	24,040
Corporate Culture	8,630
Environmental Protection	2,486
Anti-Corruption	2,783



E-Learning across the Ecosystem of the New World Group



During the second half of FY2020, a series of e-learning training sessions led by NWD was opened up to our employees. The e-learning modules cover various topics, including culture and knowledge about the New World Group, corporate governance, sustainability-related policies, anti-corruption and our corporate mission of creating shared value.

In light of the COVID-19 pandemic situation, a number of training sessions typically delivered in-person were transferred to electronic platforms. This included the Anti-Corruption Training by ICAC, which featured content regarding anti-bribery laws and tips on how to uphold ethical governance and practices. Other training topics delivered through online platforms during FY2020 included anti-competition, anti-money laundering and counter-terrorist financing. During the year, a total of over 2,700 hours of training related to anti-corruption were carried out.

Key Milestones	Main Challenges
<ul style="list-style-type: none"> Maintained stable operations, demonstrating resilience against the impacts of COVID-19 Provided complementary COVID-19 insurance coverage to our employees Became a signatory of The Racial Diversity & Inclusion Charter for Employers, launched by Equal Opportunities Commission in Hong Kong Exceeded safety goals with a LTIR¹⁸ of 1.7, well beyond our target of 3.0 	<ul style="list-style-type: none"> Explore strategies to further minimize the impact of COVID-19 on business operations Pursue zero-accidents at our construction sites

¹⁸ LTIR – Lost Time Injury Rate

Leading through COVID-19

The COVID-19 pandemic has brought profound impacts for the economy, the market environment and business operations. Every company is being put to the test, exposing the robustness of their business, their capacity for crisis management, and their adaptability to a “new normal”. The nature of our businesses is closely linked to the everyday life of the communities in which we operate. We see it as our responsibility to ensure that the business services we manage are not affected and continue to operate smoothly, providing opportunities for people to connect with each other while respecting the need of social distancing. Despite the challenging circumstances, we are committed to fostering a sustainable future for all.

Resilience and Agility in a Time of Uncertainty

Since the beginning of the pandemic outbreak, the Group has swiftly put in place a series of policies and measures to safeguard the health and safety of our employees and customers. We also adopted the operational procedures of different business units, taking into consideration the specific context and requirements of each one. While contributing to efforts to contain the pandemic, and also maintaining uninterrupted operations, we have endeavoured to offer our employees a sense of care and security, motivating them to respond positively to the uncertainties wrought by the pandemic. The policies and measures we introduced include:

- Offering free COVID-19 insurance protection to all existing customers of FTLife Insurance and of the Group’s Hong Kong employees, with benefits covering diagnosis and hospitalization, as well as additional cash subsidies in case of hospitalization.
- Enhancing facilities management from ventilation to disinfection on the premises and public transport facilities¹⁹ that we manage such as the HKCEC²⁰ and the bus fleet.
- Providing hand sanitizers to the Hong Kong and Mainland China cross-border school children at the cross-boundaries.
- Implementing measures such as working from home, staggered working hours and flexible working hours to lower the risk of exposure.
- Arranging professional instructors to conduct virtual exercise classes for staff working from home or in their offices, motivating them to maintain their up keeping of their physical and mental wellness.
- Establishing hygiene measures such as infrared body temperature monitors, health declarations for staff and visitors, tips on health protection and social distancing, and increased workplace sanitation.
- Providing employees with vitamins and protective gears such as face masks and hand sanitizers.



Free Duty distributing sanitizers to cross-border students

We have also found ways to bolster our operational efficiency by minimizing the adverse impacts of the pandemic on our business and its growth. These measures include.

- Prudent cost control and deployment of resources.
- Applying advanced technologies to enhance our operational resilience and efficiency, such as further digitalizing the human resources and financial management.
- Upgrading the smart traffic monitoring system in our Roads segment.

¹⁹ Source of Info: NWFB and Citybus: http://www.nwstbus.com.hk/tc/uploadedPublication/7945_20200720_抗疫篇.pdf

²⁰ Source of Info: HKCEC: <https://www.hkcec.com/en/preventive-measures-response-covid-19>

MiC: Agile Response to Quarantine Facility Needs



In January, when the COVID-19 had just begun to spread in Hong Kong, Hip Hing Group was commissioned by the Government of the HKSAR to construct quarantine shelters in Junior Police Call Permanent Activity Centre at Pat Heung.

Hip Hing Group used MiC, a quick and reliable method, and mobilized rapid resource deployment across departments to speed up the planning and production process. The construction of 120 new units was completed in just 63 days, a record for Hong Kong, timely addressing the pandemic emergency.

Moreover, Hip Hing Group designed the units with potential long-term benefits: for instance, they could be reused as transitional housing to alleviate pressure on housing demand without demolishing and rebuilding.

120
quarantine units 

63 days
to complete construction



Junior Police Call Permanent Activity Centre at Pat Heung

Creating Shared Value: Turning the Crisis into Opportunities

The COVID-19 outbreak is a challenge shared by our businesses, our customers and the community at large. In line with our strategy to create shared value, the Group has proactively explored opportunities to use our business to address social needs arising from the pandemic, turning the crisis into opportunities for win-win benefits. In addition to the example of Hip Hing Group highlighted in the case study "MiC: Agile Response to Quarantine Facility Needs":

- FTLife Insurance offered additional COVID-19 protection for free to its existing customers, covering diagnosis and hospital cash benefits, a one-off diagnosis benefit of value HK\$20,000 and extra HK\$4,000 per week in hospitalization benefits (for up to eight weeks). FTLife Insurance also simplified the processes for claims and introduced extensions for premium payments, reinforcing their trust and loyalty.
- NWFB and Citybus enhanced sanitization and air purification of the bus compartments to safeguard the health of passengers on public transportation.

At the same time, we made efforts to care for the underprivileged and neglected in our community, providing them with the additional support they need in the fight against COVID-19:

- Many schools opted for online teaching as the pandemic persists, yet this created barriers for students from families who cannot afford personal computers. Our corporate volunteer team has therefore been collecting computers from corporate office and business units for donation and repair by Caritas Computer Workshop, benefitting 50 families.

Better Community

Strengthening communities is central to our purpose of “Connecting Lives, Building Future”. The range of our services in construction, roads, and transport provides a sound foundation for a connected city, whether linking people or fusing technologies to build smarter cities.

On any given day, our transport operations carry almost a million passengers to their destinations around Hong Kong, while roads in Mainland China managed by the Group bring convenience and safety to an average of 0.28 million²¹ users a day.

Customer Safety

With our business in roads and transport, we take customer safety very seriously. We believe in our capacity to provide the safest environments for both our customers and our employees because we strongly recognize that the risk of injuries can be minimized through better care and technology. To ensure the safety of customers who use our buses or ferries in Hong Kong, or who drive on the roads we manage in Mainland China, we invest in comprehensive training for our employees as well as in the latest safety technologies, such as smart speed monitoring and control systems on our buses. These initiatives all have a direct impact on our community of users, in particular in our bus operations. Customer safety is always front of mind for us and will continue to be a top priority. During FY2020, there were no cases of non-compliance in relation to customer health and safety regarding products and services provided.

We continued to improve road safety and traffic for better customer experiences during the year. In Hangzhou, for example, we installed over 300 sets of cameras along more than 100 km of the inner ring road. This has helped to improve real-time monitoring, smart scheduling and vehicle management, thus giving rise to timely interventions and ultimately providing enhanced safety and travel experiences for our customers. Throughout the COVID-19 pandemic, we have increased efforts to protect our customers by disinfecting and enhancing air ventilation in our vehicles so that our passengers can travel with ease of mind.

Bus Passenger Safety

**9,000
hours**

health and safety
training

NWFB and Citybus introduced rigorous training for our bus captains in accordance with the Code of Practice for the Training Programme for Franchised Bus Drivers, established by

the Transport Department, as well as adapting new technologies to enhance safety features on the bus fleet. Both NWFB and Citybus have set up a safety committee to review and supervise safety measures relating to vehicle services, bus maintenance, staff training and recruitment. The occupational health and safety of bus captains is intricately linked with the health and safety of our passengers. During FY2020, 9,000 hours of employee training on health and safety were undertaken by NWFB and Citybus. NWFB and Citybus is also actively improving the work, rest and compensation benefits of our bus captains.

We embarked on the second trial of our Advanced Driver Assisted System to re-assess the efficiency of current systems and identify areas for fine-tuning. We also introduced new measures to the buses we acquired during the year and implemented these on the existing fleet of buses to improve passenger safety:

- Speed-limiting devices to prevent speeding when driving downhill
- Speed monitoring systems to alert bus captains when they are going too fast
- Electronic stability controls to improve vehicular stability by detecting and preventing under- or over-steering
- Seatbelts for all seats for extra protection

These initiatives have played a part in contributing to a year-on-year drop in the number of accidents involving the fleet this year.

²¹ Average daily traffic flow for Roads operations including Zhejiang NWS Expressway and Changliu Expressway in FY2020.

Customer Health and Wellness

In March 2020, the Chinese government launched its new infrastructure policy which includes broader digital innovations, while retaining its priorities for inner-city transportation and inner-city rail systems. With traffic congestion and road safety top issues in cities, we have invested in AI equipment and facilities in a bid to reduce the occurrence of traffic accidents, thereby improving the driving experience and safety of our users.

The COVID-19 pandemic has also heightened health and wellness concerns for our customers. On buses, we put stringent measures in place to strengthen air purification in the compartments with regular checks on the carbon dioxide levels. All NWFB buses have achieved Level 1 for good air quality, according to the standard of the Hong Kong Environmental Protection Department.

Smart Technology for Better Connectivity



The Chinese government's new Infrastructure policy focuses strongly on the development of AI, 5G networks and Electric Vehicle Charging Stations. With 20 AI innovative trial zones to be built across the country by 2023, AI will play a crucial role in the development of smart transport in Mainland China, connecting people, cars and roads. The urban brain powered by AI technologies will optimize the processes from traffic signalling to toll roads operations.

In April 2020, we signed a memorandum of understanding with Supremind, an AI specialist firm, to apply the technology in our business operations, starting with a focus on toll roads and construction site management. We are committed to exploring opportunities to jointly develop AI-powered products, leveraging our expertise along with technology, not only to increase the productivity and safety in our operations, but also developing new markets for the products in the future.

Customer Feedback

The Group values all feedback from our customers. We are dedicated to offering quality services to our customers by understanding their needs and expectations. Our business units have customer feedback handling systems in-place, ensuring insights from our customers are dealt with in timely and appropriate ways. For example, NWFB and Citybus are committed to providing a substantive reply within 10 working days, or an interim reply in 10 working days and a substantive reply within 21 working days, for any opinions received through their official channel. Details can be found on their website.

Unique Synergies among the New World Group

As part of the diverse ecosystem of the New World Group, FTLife Insurance is able to capitalize on synergies to provide a more seamless and comprehensive healthcare service. FTLife Insurance is working closely with other entities of the Group (e.g. GHK Hospital) and NWD to offer comprehensive services, from health assessments that help identify risks and facilitate preventive measures, to improved outpatient colonoscopy and gastroscopy procedures, where policyholders could enjoy seamless service through our newly launched e-Connect Health Platform, from making specialist appointments and providing instant cost estimations, to cashless arrangements.

Creating Shared Value through Cancer Patient Support Programme



FTLife Insurance has partnered with St. James' Settlement and launched the "Cancer Patient Support Programme" to provide eligible colon and gastrointestinal cancer patients with cash assistance and nutrition packs. Between 1 June 2020 and 31 May 2021, FTLife Insurance will donate HK\$1,000 to the Programme every time a medical insurance customer makes claims relating to outpatient colonoscopy and gastroscopy.

This initiative demonstrates the philosophy of creating shared value by promoting innovative services and facilitating interaction with members of society for mutual benefit. The new e-Connect Health Platform provides customers with an all-in-one outpatient colonoscopy and gastroscopy service, simplifying the check-up and medical claim process. The savings from streamlining the process are redirected to support underprivileged cancer patients.



Kick-off event of "Cancer Patient Support Programme"

Community Development Strategy

NWS Holdings has long been committed to fostering a better community through ongoing charitable outreach and sustainable initiatives. The Group's community investment strategy is spearheaded by the NWS Holdings Charities Foundation ("the Foundation") and the NWS Volunteer Alliance, which has garnered the support of more than 2,400 registered volunteers and family members across the Group. The Foundation helps foster a more inclusive and sustainable future for our society through investing in the three strategic areas of youth empowerment, environmental sustainability and nurturing a volunteering culture to serve the community. During FY2020, we built on efforts to enhance well-being in society through training and career programmes for youth and for children with special educational needs. We also worked to help ethnic minorities impacted by the pandemic, and to improve the lives of the elderly through schemes such as "Count on You – Safe Home for Seniors II".



Volunteer team in Mainland China

Since 2005, the Group has celebrated the anniversary of its first trading day on the Hong Kong Stock Exchange by giving back to Hong Kong society and honouring the day as NWS Caring Day. Unfortunately, this tradition had to be put on hold this year due to COVID-19. Nevertheless, over 2,000 volunteers contributed more than 16,600 hours over 250 events during FY2020, and the Group contributed HK\$4.8 million towards charitable causes. In December 2019, NWS Volunteer Alliance also launched new chapters in Guangzhou, Hangzhou and Changsha. Over its first half-year, our more than 280 strong volunteer team in Mainland China contributed over 1,560 hours through 18 events that helped over 3,800 beneficiaries, despite the impact of COVID-19.

Empowering the Youth, Investing in Our Future

As we see more and more young people taking leadership in changing our world, there is no doubt that today's youth form the building blocks of the future. We are providing positive platforms that foster better mutual understanding between youth and the business community, and help the next generation identify opportunities and career paths, empowering them to make contribution to Hong Kong.



Inspiring the Youth with Possibilities



The NWS Career Navigator for Youth is an award-winning programme that was implemented in 2016 and is run in collaboration with community partners such as Po Leung Kuk, Young Women’s Christian Association of Hong Kong, and The Association of Heads of Secondary School of Tsuen Wan, Kwai Chung & Tsing Yi District. Since its launch, more than 7,200 students and teachers have gained exposure to 25 different industries and participated in over 250 activities organized under the umbrella of the programme.

>7,200
students, parents and teachers have participated

25
industries explored

Aimed at secondary Form Four to Form Six students, the programme leverages the Group’s diverse business portfolio and aims to encourage our business units to help participants build aspirations and plans for their future career. Through job shadowing, corporate visits, mock interviews and sharing sessions, different business units have worked closely with youth groups and the business community to better prepare Hong Kong’s youths to enter the workforce.

The pre-programme survey found that there was often a disconnect between students’ expectations and practical abilities for work. Many had limited awareness of different walks of life and were unclear about their future careers. An independent social impact assessment for the programme conducted by the Hong Kong Council of Social Service (“HKCSS”) found that, through visits to the Group’s different business units, interacting with our teams, and other training sessions and activities as part of the programme, students increased their understanding of different industries, broadening their horizons through greater awareness of different career options.

Besides helping students to access highly useful knowledge and skills in career planning, the programme can help teachers enhance the ability of schools to provide better career advice. At the same time, the programme allows our senior staff members to understand the new generation better and prepare to manage our workforce more effectively. As a recognition of the Group and our partners’ commitment to supporting youth development and creating shared value for the community, the NWS Career Navigator for Youth received the Outstanding Partnership Award by the HKCSS.



Highlight of the NWS Career Navigator for Youth Programme

Outstanding
Partnership Project Award
傑出伙伴合作計劃獎 (2019/20)
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

Supporting SEN children through "Catch Your 5**"



We have been supporting the special educational needs (SEN) children through our "Catch Your 5**" programme since 2019. Many children with such needs do not thrive within mainstream education environments, but they all have the potential to learn, explore and enhance their self-confidence to find alternative routes to success. Our programme "Catch Your 5**" hopes to fill the service gap in this respect. Under the programme, our partner, The Salvation Army, organizes diverse workshops to help these children unearth talents away from their studies and build up successful experiences that support and encourage more holistic development. We have also embarked on public education programmes to raise awareness of the needs and potential of SEN children through different media, including advertisements on our public buses. The programme has set up four parental support service groups with professionals providing positive training and offering a platform for parents to share the experience of caring for their children with peers and build support networks. In response to the social distancing measures imposed during the pandemic outbreak, we swiftly adapted the delivery format of the programme and moved many of these efforts online to continue to provide support to SEN children and their parents.



SEN children enjoying cup-cake making with our volunteers

Extending Care to Underprivileged Minorities



The outbreak of COVID-19 has brought unprecedented challenges and changed the way we live our lives. During this challenging time, we extended our care for the underprivileged minority groups in our community. In addition to distributing home cleaning products and translated cleaning tips to about 200 ethnic minorities' families in Hong Kong, through a collaboration with Christian Action, we have also supported the continued learning of these minority students. The Group has collected a number of used computers for refurbishment and donation, enabling these students to attend online classes and benefitting a total of 50 families.



Extending care to ethnic minorities during COVID-19

Key Milestones

- Launched new chapters of NWS Volunteer Alliance in Guangzhou, Hangzhou and Changsha
- Contributed HK\$ 4.8M to charitable causes
- Contributed over 16,000 volunteer hours
- Reached over 2 million beneficiaries combined for Wellness and Caring in FY2020

Main Challenges

- Postponing events due to COVID-19
- Adapting to new means of service delivery under the influence of COVID-19

Hong Kong Stock Exchange ESG Reporting Guide Content Index

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

Aspect	General Disclosure and Key Performance Indicators (KPIs)	Section/Remarks
Governance Structure	<p>A statement from the board containing the following elements:</p> <ul style="list-style-type: none"> i. a disclosure of the board’s oversight of ESG issues; ii. the board’s ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer’s businesses); and 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 and Management
Reporting Principles	Disclosure on the application of relevant Reporting Principles “materiality”, “quantitative” and “consistency”	About this Sustainability Report
Reporting Boundary	An explanation of the reporting boundary and identification process for including specific entities or operations	About this Sustainability Report
A. Environmental		
A1: Emissions	<p>General Disclosure</p> <p>KPI A1.1</p> <p>KPI A1.2</p> <p>KPI A1.3</p> <p>KPI A1.4</p> <p>KPI A1.5</p> <p>KPI A1.6</p>	<p>Smart Environment</p> <p>Environmental Performance Data Summary*</p> <p>Environmental Performance Data Summary*</p> <p>Environmental Performance Data Summary*</p> <p>Environmental Performance Data Summary*</p> <p>Smart Environment</p> <p>Smart Environment;</p> <p>Environmental Performance Data Summary*</p>

* Refer to our online Sustainability Report for details of these sections.

Aspect	General Disclosure and Key Performance Indicators (KPIs)	Section/Remarks
A2: Use of Resources	General Disclosure	Smart Environment
	KPI A2.1	Environmental Performance Data Summary*
	KPI A2.2	Environmental Performance Data Summary*
	KPI A2.3	Smart Environment
	KPI A2.4	Smart Environment; Freshwater is sourced municipally, not anticipating any material impact on the Group, yet we strive to conserve water consumption
	KPI A2.5	The use of packaging material for finished products is not material to the Group's business
A3: The Environment and Natural Resources	General Disclosure	Smart Environment
	KPI A3.1	Smart Environment
A4: Climate Change	General Disclosure	Sustainability Governance and Management; Smart Environment
	KPI A4.1	Sustainability Governance and Management; Smart Environment
B. Social		
Employment and Labour Practices		
B1: Employment	General Disclosure	Human Capital
	KPI B1.1	Social Data Summary*
	KPI B1.2	Social Data Summary*
B2: Health and Safety	General Disclosure	Human Capital
	KPI B2.1	Social Data Summary*
	KPI B2.2	Social Data Summary*
	KPI B2.3	Human Capital
B3: Development and Training	General Disclosure	Human Capital
	KPI B3.1	Social Data Summary*
	KPI B3.2	Social Data Summary*
B4: Labour Standards	General Disclosure	Human Capital
	KPI B4.1	Human Capital
	KPI B4.2	Human Capital

Sustainability Report

Aspect	General Disclosure and Key Performance Indicators (KPIs)	Section/Remarks
Operating Practices		
B5: Supply Chain Management	General Disclosure	Sustainability Governance and Management
	KPI B5.1	Sustainability Governance and Management
	KPI B5.2	Sustainability Governance and Management
	KPI B5.3	Sustainability Governance and Management
	KPI B5.4	Sustainability Governance and Management
B6: Product Responsibility	General Disclosure	Sustainability Governance and Management; Better Community; No reported case of non-compliance with advertising and labelling laws and regulations that has a significant impact on the Group
	KPI B6.1	Zero recalls regarding products Health and Safety in the FY2020
	KPI B6.2	Better Community; The Group received a total of 5,391 complaints in relation to product and services during FY2020, including 592 cases from Zhejiang NWS Expressway, 6 cases from Changliu Expressway, 30 cases from Hip Hing Group and 4,763 cases from NWFB & Citybus.
	KPI B6.3	Sustainability Governance and Management
	KPI B6.4	Recall is not material to the Group's operations, yet procedures are in place for Free Duty to inform customers for refund when recall incidents are confirmed with manufacturers. Free Duty purchase products from "Authorized Distributor" only. Procurement from unknown or suspected source is strictly prohibited. Monitoring process is in place to ensure products procured are in compliance with the Hong Kong Law and Regulations.
	KPI B6.5	Sustainability Governance and Management
B7: Anti-corruption	General Disclosure	Sustainability Governance and Management
	KPI B7.1	Sustainability Governance and Management
	KPI B7.2	Sustainability Governance and Management
	KPI B7.3	Sustainability Governance and Management; Human Capital
Community		
B8: Community Investment	General Disclosure	Better Community
	KPI B8.1	Better Community
	KPI B8.2	Better Community; Social Data Summary*



VERIFICATION STATEMENT

Scope and Objectives

Hong Kong Quality Assurance Agency (“HKQAA”) performed a limited assurance engagement on the sustainability disclosures articulated in the Sustainability Report 2020 (“the Report”) of NWS Holdings Limited (“NWS”) for the period from 1st July 2019 to 30th June 2020.

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

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

- assess whether the scope of the Report covers all significant aspects of NWS Holdings’ sustainability performance;
- verify whether the Report addresses the ESG Reporting Guide and the Core option of the GRI Standards;
- evaluate whether the selected data and information presented in the Report are accurate; and
- review whether the data and information management mechanism for preparing the Report is reliable.

Level of Assurance and Methodology

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

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

- reviewing internal systems and processes for collecting, analyzing, aggregating and reporting of the performance data,
- verifying performance data including Environment, Social, Target Setting and Progress, 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. HKQAA did not involve in the collection and calculation of data or the compilation of the reporting contents where HKQAA’s verification activities are entirely independent from NWS.

Conclusion

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

Signed on behalf of Hong Kong Quality Assurance Agency

Connie Sham
Head of Audit
Hong Kong Quality Assurance Agency
August 2020

Management Discussion and Analysis

Group Overview

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

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

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

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

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

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

Contribution by Division

For the year ended 30 June	2020 HK\$'m	2019 HK\$'m
Core Business	3,145.7	3,509.6
Strategic Portfolio	368.6	1,197.8
Attributable Operating Profit	3,514.3	4,707.4
<i>Corporate office and non-operating items</i>		
(Loss)/gain on fair value of investment properties	(22.9)	33.7
Impairment losses and provisions	(1,709.4)	–
Net gain on disposal of projects, net of tax	101.0	285.1
Net gain on fair value of derivative financial instruments, net of tax	73.1	40.1
Interest income	107.5	78.3
Finance costs	(737.4)	(373.8)
Expenses and others	(491.1)	(540.7)
	(2,679.2)	(477.3)
Profit for the year[^]	835.1	4,230.1
Profit attributable to:		
Shareholders of the Company	253.2	4,043.2
Holders of perpetual capital securities	581.9	186.9
	835.1	4,230.1
Adjusted EBITDA[#]	4,729.9	5,479.8

[^] After non-controlling interests

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

Operational Review – Core Business

The Core Business contributed an AOP of HK\$3,145.7 million for FY2020, accounting for 90% of the Group's AOP.

AOP Contribution by Segment

For the year ended 30 June	2020 HK\$m	2019 HK\$m	Change % Fav./Unfav.)
Roads	907.4	1,805.5	(50)
Aviation	421.9	500.3	(16)
Construction	1,066.0	1,203.8	(11)
Insurance	750.4	–	N/A
Total	3,145.7	3,509.6	(10)



Roads

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

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

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

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



Changliu Expressway

Management Discussion and Analysis

Aviation

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

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

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

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

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



West Kowloon Government Offices

Construction

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

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

Management Discussion and Analysis

Insurance

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

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

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

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



FTLife Insurance

Business Outlook – Core Business

Roads



ETC system applied on Hangzhou Ring Road

While the unprecedented toll fee exemption policy imposed by the PRC Government has posed significant pressure to our Roads segment's performance in the second half of FY2020, we have seen an encouraging sign of traffic recovery since the resumption of toll fee collection in May 2020. Together with the contribution from the newly acquired Changliu Expressway, the overall average daily traffic flow of our roads portfolio for June 2020 grew 3% year-on-year, which further validates the encouraging signs of recovery. AOP of the Roads segment is expected to recover rapidly in FY2021. The Group will also continue its discussion with government authorities for compensation during toll fee exemption period. Other government policies rolled

out in FY2020, including the ETC initiative, the revocation of toll station at provincial boundaries and the change of charging method of trucks, are expected to facilitate the traffic growth over the longer term.

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

Aviation

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

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

Management Discussion and Analysis

Construction

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

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

Insurance

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

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

Operational Review – Strategic Portfolio

AOP Contribution by Segment

For the year ended 30 June	2020 HK\$'m	2019 HK\$'m	Change % Fav./Unfav.)
Environment	354.8	629.0	(44)
Logistics	627.8	650.6	(4)
Facilities Management	(771.8)	(393.4)	(96)
Transport	(118.8)	(10.1)	(1,076)
Strategic Investments	276.6	321.7	(14)
Total	368.6	1,197.8	(69)



Management Discussion and Analysis

Environment

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

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

Despite expiry of Zhongshan Water Plants which led to a drop in overall water treatment capacity, the daily treatment capacity of a water treatment plant in Chongqing has been expanded by 400,000 m³ which commenced operation in June 2020.

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

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

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

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

Logistics

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

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

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

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

Facilities Management

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

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

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



Gleneagles Medical Clinic Central, Hong Kong

Management Discussion and Analysis

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

Transport

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

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

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

Strategic Investments

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

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

Business Outlook – Strategic Portfolio

Environment

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

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

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

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

Logistics

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

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

Management Discussion and Analysis

Facilities Management

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

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

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

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

Transport

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

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

Looking Forward

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

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



Financial Resources

Treasury management and cash funding

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

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

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

Liquidity and capital resources

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

Debt profile and maturity

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

Commitments

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

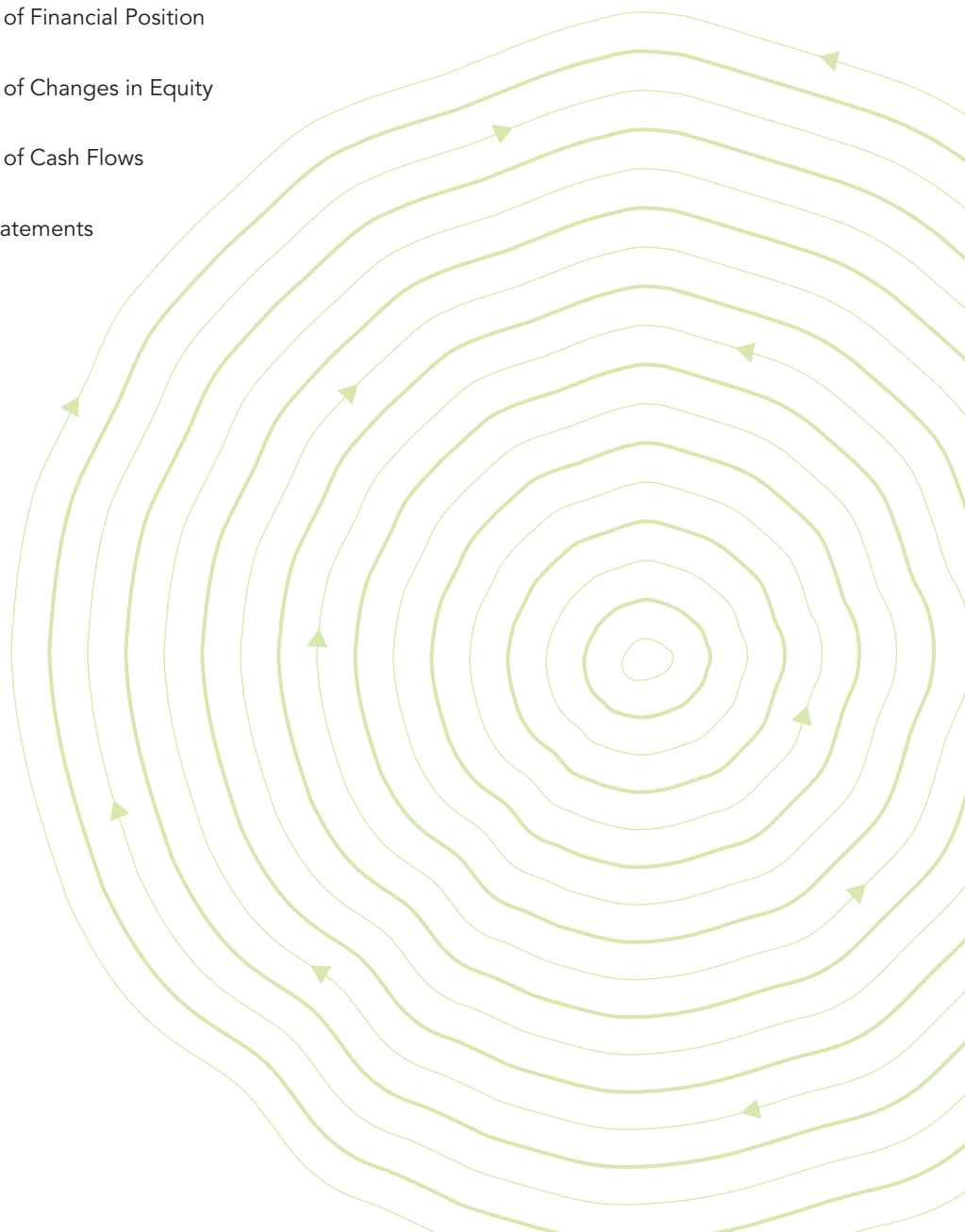
Financial guarantee contracts

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

In addition, as at 30 June 2020, the Company and 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 entered, the Group's guarantee towards KTSPL is up to the extent of 25% or amounts to approximately HK\$7.5 billion. KTSPL is an associated company of the Group in which the Group has a 25% interest.

Reports and Financial Statements

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Report of the Directors

The directors of NWS Holdings Limited submit their report together with the audited financial statements of the Group for FY2020.

Principal Activities and Geographical Analysis of Operations

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

- (i) the development of, investment in and/or operation of roads, commercial aircraft leasing, construction and insurance; and
- (ii) the investment in and/or operation of environmental and logistics projects, facilities and transport.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 7 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 6) and the "Management Discussion and Analysis" (pages 102 to 119) sections. Particulars of significant events affecting the Group that have occurred since the end of FY2020, if applicable, can also be found in the aforesaid sections and the notes to the financial statements (pages 161 to 293). Description of the principal risks and uncertainties faced by the Group can be found throughout this annual report, particularly in the "Risk Management" section (pages 47 to 59). Description of the Group's relationships with its key stakeholders is included in the "Corporate Governance Report" (pages 20 to 46) and the "Sustainability Report" (pages 60 to 101) sections. Furthermore, the Group's environmental policies and performance are set out in the "Sustainability Report" section (pages 60 to 101) and details regarding the Group's compliance with relevant laws and regulations which have a significant impact on the Group are provided in the "Corporate Governance Report" section (pages 20 to 46).

This 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 2020 are set out in the financial statements on pages 153 to 293.

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

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

Report of the Directors

Subsidiaries

Particulars of the Company's principal subsidiaries are set out in note 56 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 57 and 58 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 55 and 37 to the financial statements respectively.

Distributable Reserves

As at 30 June 2020, the Company's reserves available for distribution amounted to HK\$23,778.6 million (2019: HK\$21,038.7 million).

Donations

During the year, the charitable donations made by the Group amounted to HK\$6.0 million (2019: HK\$6.3 million).

Investment Properties

Details of movements in the investment properties of the Group during the year are set out in note 17 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 18 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

On 3 July 2019, Celestial Miles Limited, an indirect wholly-owned subsidiary of the Company, had issued US\$300.0 million 5.75% guaranteed senior perpetual capital securities (listed on the Hong Kong Stock Exchange) at a price of 104% of the principal amount which were consolidated and formed a single series with the original issue of US\$1.0 billion 5.75% guaranteed senior perpetual capital securities in January 2019. The gross proceeds of the capital securities of US\$319.3 million (equivalent to approximately HK\$2,489.8 million) and net proceeds of US\$316.5 million (equivalent to approximately HK\$2,467.6 million) are for general corporate purposes of the Group.

Save as disclosed above, the Group has not issued any debentures during the year.

Borrowings and Other Interest-bearing Liabilities

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

Equity-Linked Agreements

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

Pre-emptive Rights

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

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

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 turnover and purchases attributable to the Group's five largest customers and suppliers accounted for less than 30% of the Group's total turnover and purchases for FY2020 respectively.

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 FY2020 and remained in effect up to the date of this report.

Report of the Directors

Directors

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

Executive directors

Dr Cheng Kar Shun, Henry (*Chairman*)

Mr Ma Siu Cheung (*Chief Executive Officer*)

Dr Cheng Chi Kong, Adrian (appointed on 11 October 2019)

Mr Cheung Chin Cheung

Mr Cheng Chi Ming, Brian

Mr Ho Gilbert Chi Hang

Mr Chow Tak Wing

Non-executive directors

Mr To Hin Tsun, Gerald

Mr Dominic Lai

Mr Tsang Yam Pui

Mr Lam Wai Hon, Patrick

Mr William Junior Guilherme Doo

Independent non-executive directors

Mr Kwong Che Keung, Gordon

Dr Cheng Wai Chee, Christopher

The Honourable Shek Lai Him, Abraham

Mr Lee Yiu Kwong, Alan

Mrs Oei Fung Wai Chi, Grace

Mr Wong Kwai Huen, Albert

In accordance with bye-law 87 of the Company's bye-laws, Dr Cheng Kar Shun, Henry, Mr Ma Siu Cheung, Mr Ho Gilbert Chi Hang, Mr Chow Tak Wing, Mr Lam Wai Hon, Patrick, Dr Cheng Wai Chee, Christopher and Mr Wong Kwai Huen, Albert will retire by rotation at the 2020 AGM. Mr Lam Wai Hon, Patrick informed the Board that he would not offer himself for re-election as a non-executive director of the Company while the other retiring directors, being eligible, will offer themselves for re-election at the 2020 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 16(b) to the financial statements, and the contracts amongst group companies, no other transactions, arrangements or contracts of significance in relation to the Group's businesses to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party, and in which any director of the Company or the director's connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Competing Business

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

Name	Entity whose business is considered to compete or likely to compete with the businesses of the Group	Description of business of the entity which is considered to compete or likely to compete with the businesses of the Group	Nature of interest of the director in the entity
Dr Cheng Kar Shun, Henry	CTF Enterprises group of companies	Investment in healthcare and commercial aircraft leasing businesses	Director
	FSE Holdings Limited group of companies	Carpark management	Shareholder
	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 Lam Wai Hon, Patrick	FSE Holdings Limited group of companies	Carpark management	Director
Mr William Junior Guilherme Doo	FSE Holdings Limited group of companies	Carpark management	Director
	The Dynasty Club Limited	Food and beverage operations	Director

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.

Report of the Directors

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 2020, 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

Name	Number of shares			Total	Approximate percentage of shareholding as at 30.06.2020
	Personal interests	Family interests	Corporate interests		
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 Tsang Yam Pui	180,000	–	–	180,000	0.005%
Mr Lam Wai Hon, Patrick	1,446,207	–	7,608 ⁽²⁾	1,453,815	0.037%
Mr William Junior Guilherme Doo	–	–	128,869 ⁽³⁾	128,869	0.003%
Mr Kwong Che Keung, Gordon	1,207,077	–	–	1,207,077	0.031%
Dr Cheng Wai Chee, Christopher	2,875,786	–	–	2,875,786	0.074%
NWD					
(Ordinary shares)					
Dr Cheng Kar Shun, Henry	2,668,909 ⁽⁴⁾	–	–	2,668,909	0.105%
Dr Cheng Chi Kong, Adrian	2,059,118 ⁽⁴⁾	–	–	2,059,118	0.081%
Mr Cheung Chin Cheung	31,100 ⁽⁴⁾	–	–	31,100	0.001%
Mr William Junior Guilherme Doo	–	10,000 ^{(4),(5)}	–	10,000	0.000%
Mr Kwong Che Keung, Gordon	10,000 ⁽⁴⁾	–	–	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 Lam Wai Hon, Patrick.
- (3) The shares were held by a company wholly-owned by Mr William Junior Guilherme Doo.
- (4) Due to the consolidation of shares (on the basis that every four then issued shares were consolidated into one consolidated share) of NWD which became effective on 23 June 2020 (the "NWD Share Consolidation"), pro-rata adjustments were made to the number of shares of NWD.
- (5) The shares were held by the spouse of Mr William Junior Guilherme Doo.

Directors' Interests in Securities (continued)

(b) Long position in underlying shares – share options

(i) The Company

The following directors of the Company had personal interests in options to subscribe for shares of the Company:

Name	Date of grant	Exercisable period (Note)	Number of share options				Balance as at 30.06.2020	Exercise price per share ⁽²⁾ HK\$
			Balance as at 01.07.2019	Granted during the year	Exercised during the year	Lapsed during the year		
Dr Cheng Kar Shun, Henry	9 March 2015	(1)	7,420,739	–	–	(7,420,739)	–	14.120
Mr Cheung Chin Cheung	9 March 2015	(1)	3,710,368	–	–	(3,710,368)	–	14.120
Mr Cheng Chi Ming, Brian	9 March 2015	(1)	3,710,368	–	–	(3,710,368)	–	14.120
Mr Chow Tak Wing	9 March 2015	(1)	508,212	–	–	(508,212)	–	14.120
Mr To Hin Tsun, Gerald	9 March 2015	(1)	701,960	–	–	(701,960)	–	14.120
Mr Dominic Lai	9 March 2015	(1)	701,960	–	–	(701,960)	–	14.120
Mr Tsang Yam Pui	9 March 2015	(1)	200,368	–	–	(200,368)	–	14.120
Mr Lam Wai Hon, Patrick	9 March 2015	(1)	1,429,368	–	–	(1,429,368)	–	14.120
Mr Kwong Che Keung, Gordon	9 March 2015	(1)	1,403,922	–	–	(1,403,922)	–	14.120
Dr Cheng Wai Chee, Christopher	9 March 2015	(1)	1,403,922	–	–	(1,403,922)	–	14.120
Mr Shek Lai Him, Abraham	9 March 2015	(1)	1,403,922	–	–	(1,403,922)	–	14.120
Mr Lee Yiu Kwong, Alan	9 March 2015	(1)	922	–	–	(922)	–	14.120

Notes:

- (1) 60% of the share options granted were exercisable from 9 May 2015 to 8 March 2020 while the remaining 40% of the share options granted were divided into 2 tranches exercisable from 9 March 2016 and 9 March 2017 respectively to 8 March 2020. All outstanding share options lapsed on 9 March 2020.
- (2) The exercise price per share immediately before the date of lapse of the share options.
- (3) The cash consideration paid by each of the directors for the grant of share options was HK\$10.

Directors' Interests in Securities (continued)

(b) Long position in underlying shares – share options (continued)

(ii) NWD

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

Name	Date of grant	Exercisable period (Note)	Number of share options				Exercise price per share ⁽⁴⁾ HK\$
			Balance as at 01.07.2019	Granted during the year	Exercised during the year	Balance as at 30.06.2020	
Dr Cheng Kar Shun, Henry	10 June 2016	(1)	10,675,637	–	(10,675,637)	–	7.540
	3 July 2017	(2)	2,000,000	–	–	500,000 ⁽⁴⁾	40.144
Dr Cheng Chi Kong, Adrian	9 March 2016	(3)	3,800,000	–	(3,800,000)	–	7.200
	10 June 2016	(1)	3,736,471	–	(3,736,471)	–	7.540
	3 July 2017	(2)	2,000,000	–	–	500,000 ⁽⁴⁾	40.144

Notes:

- (1) Divided into 4 tranches exercisable from 10 June 2016, 10 June 2017, 10 June 2018 and 10 June 2019 respectively to 9 June 2020.
- (2) Divided into 4 tranches exercisable from 3 July 2017, 3 July 2018, 3 July 2019 and 3 July 2020 respectively to 2 July 2021.
- (3) Divided into 4 tranches exercisable from 9 March 2016, 9 March 2017, 9 March 2018 and 9 March 2019 respectively to 8 March 2020.
- (4) Due to the NWD Share Consolidation, adjustments were made to the number and exercise price of outstanding share options of NWD granted on 3 July 2017. The exercise price per share was adjusted from HK\$10.036 to HK\$40.144 on 23 June 2020. No adjustment was made to the share options granted on 9 March 2016 and 10 June 2016 as all such share options were exercised before the NWD Share Consolidation.
- (5) The cash consideration paid by each of the directors for each grant of share options was HK\$10.

Directors' Interests in Securities (continued)**(c) Long position in debentures**

Name	Amount of debentures			Total	Approximate percentage to the total amount of debentures in issue as at 30.06.2020
	Personal interests	Family interests	Corporate interests		
NWCL					
Mr William Junior Guilherme Doo	–	–	HK\$7,800,000 ⁽¹⁾	HK\$7,800,000	0.095%
NWD Finance (BVI) Limited					
Mr William Junior Guilherme Doo	–	–	US\$6,000,000 ⁽²⁾	US\$6,000,000	0.179%
NWD (MTN)					
Mr William Junior Guilherme Doo	–	–	US\$2,000,000 ⁽²⁾	US\$2,000,000	0.042%

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 Mr William Junior Guilherme Doo.

Save as disclosed above, as at 30 June 2020, none of the directors or chief executives of the Company had or was deemed to have any interests or short positions 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.

Report of the Directors

Share Option Scheme

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

Purpose of the Share Option Scheme	To reward directors and employees of the Group for their past service or performance; providing incentive, motivation or reward to eligible participants for optimizing their performance or making contribution to the Group; attracting and retaining persons of right caliber with the necessary experience to work for or make contribution to the Group; and fostering a sense of corporate identity.
Participants of the Share Option Scheme	<p>Eligible participant may be a person or an entity belonging to any of the following classes:</p> <ul style="list-style-type: none">(i) any employee (whether full time or part time employee, including any executive director but excluding any non-executive director) of the Company, any subsidiary or any invested entity ("Invested Entity") of the Group ("Eligible Employee");(ii) any non-executive director (including independent non-executive director) of the Group or any Invested Entity;(iii) any supplier of goods or services to any member of the Group or any Invested Entity;(iv) any customer of any member of the Group or any Invested Entity;(v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and(viii) any joint venture partner or business alliance that co-operates with any member of the Group or any Invested Entity in any area of business operation or development.

Share Option Scheme (continued)

<p>Total number of shares available for issue under the Share Option Scheme and percentage of the issued shares as at the date of this report</p>	<p>The Company had granted share options to certain eligible participants to subscribe for a total of 55,623,705 shares of the Company under the Share Option Scheme, which include certain adjustments made pursuant to the rules of the Share Option Scheme, up to the date of this report.</p> <p>The total number of shares available for issue under the Share Option Scheme is 310,957,666 shares, representing approximately 7.95% of the Company's total number of issued shares as at the date of this report.</p>
<p>Maximum entitlement of each participant under the Share Option Scheme</p>	<p>Unless approved by shareholders of the Company, the total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total number of shares of the Company in issue.</p>
<p>The period within which the shares must be taken up under an option</p>	<p>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.</p>
<p>The minimum period for which an option must be held before it can be exercised</p>	<p>Any period as determined by the directors.</p>
<p>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</p>	<p>HK\$10 is to be paid as consideration for the grant of option within 14 days from the date of offer.</p>
<p>The basis of determining the exercise price</p>	<p>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.</p>
<p>The remaining life of the Share Option Scheme</p>	<p>The Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption, i.e. 21 November 2011.</p>

Report of the Directors

Share Option Scheme (continued)

During FY2020, movement of share options granted by the Company under the Share Option Scheme is as follows:

- (a) Details of the movement of share options granted to directors of the Company are disclosed under the section headed "Directors' Interests in Securities" above.
- (b) Details of the movement of share options granted to other eligible participants are as follows:

Category	Date of grant	Exercisable period (Note)	Number of share options				Balance as at 30.06.2020	Exercise price per share ⁽⁴⁾ HK\$
			Balance as at 01.07.2019	Granted during the year	Exercised during the year	Lapsed during the year		
Eligible employees ⁽¹⁾	9 March 2015	(2)	2,047,649	-	-	(2,047,649)	-	14.120
Eligible participant other than eligible employees ⁽³⁾	9 March 2015	(2)	1,403,922	-	-	(1,403,922)	-	14.120

Notes:

- (1) Such interests refer to the interests held by the employees (whether full time or part time employees, excluding directors of the Company) of the Company, any subsidiary or any invested entity of the Group.
- (2) 60% of the share options granted were exercisable from 9 May 2015 to 8 March 2020 while the remaining 40% of the share options granted were divided into 2 tranches exercisable from 9 March 2016 and 9 March 2017 respectively to 8 March 2020. All outstanding share options lapsed on 9 March 2020.
- (3) Such interest refers to the interest held by a retired independent non-executive director of the Company.
- (4) The exercise price per share immediately before the date of lapse of the share options.
- (5) The cash consideration paid by each eligible participant for the grant of share options was HK\$10.

Substantial Shareholders' Interests in Securities

As at 30 June 2020, 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:

Name	Number of shares			Approximate percentage to the issued share capital of the Company as at 30.06.2020
	Beneficial interests	Corporate interests	Total	
Cheng Yu Tung Family (Holdings) Limited	–	2,477,530,362 ⁽¹⁾	2,477,530,362	63.35%
Cheng Yu Tung Family (Holdings II) Limited	–	2,477,530,362 ⁽²⁾	2,477,530,362	63.35%
CTFC	–	2,477,530,362 ⁽³⁾	2,477,530,362	63.35%
CTFH	–	2,477,530,362 ⁽⁴⁾	2,477,530,362	63.35%
CTF Enterprises	97,034,424	2,380,495,938 ⁽⁵⁾	2,477,530,362	63.35%
NWD	1,588,468,276	792,027,662 ⁽⁶⁾	2,380,495,938	60.86%
Mombasa Limited	718,384,979	–	718,384,979	18.37%

Notes:

- (1) Cheng Yu Tung Family (Holdings) Limited held approximately 48.98% direct interest in CTFC and was accordingly deemed to have an interest in the shares deemed to be interested by CTFC.
- (2) Cheng Yu Tung Family (Holdings II) Limited held approximately 46.65% direct interest in CTFC and was accordingly deemed to have an interest in the shares deemed to be interested by CTFC.
- (3) CTFC held approximately 81.03% direct interest in CTFH and was accordingly deemed to have an interest in the shares deemed to be interested by CTFH.
- (4) CTFH held 100% direct interest in CTF Enterprises and was accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF Enterprises.
- (5) CTF Enterprises, together with its subsidiaries, held more than one-third of the issued shares of NWD and was accordingly deemed to have an interest in the shares interested by or deemed to be interested by NWD.
- (6) NWD held 100% indirect interest in Mombasa Limited and was accordingly deemed to have an interest in the shares held by Mombasa Limited. 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 2020, 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 corporations are set out on pages 126 to 129) 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 27 December 2018, Earning Star Limited, an indirect wholly-owned subsidiary of the Company, entered into a share purchase agreement to acquire the entire issued share capital of FTLife Insurance at a total consideration of HK\$21,812.2 million (after adjustments). FTLife Insurance is a life insurance company operating in Hong Kong, providing a broad range of protection and savings-related life and medical insurance products. This acquisition was completed on 1 November 2019 and FTLife Insurance became an indirect wholly-owned subsidiary of the Company since then.
2. On 19 July 2019, NWS (Guangdong) Investment Company Limited (formerly known as Guangdong Xin Chuan Co., Ltd.), an indirect wholly-owned subsidiary of the Company, won a bid for acquiring the concession rights (and other related rights and assets) to operate Changliu Expressway in Hunan Province, the PRC at the bid purchase price of RMB4,571.0 million (equivalent to approximately HK\$5,099.1 million). The bid purchase price had been fully paid. As of the date of this report, the Group is in the process of negotiating with the Department of Transportation of Hunan Province, the PRC for the concession right agreement.
3. On 5 September 2019, the Group disposed of all the remaining 2.77% interest in BCIA for a consideration of approximately HK\$778.3 million and thereafter, the Group no longer holds any interest in BCIA.

Connected Transactions

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

- (1) On 10 April 2017, 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 in the equity capital of which CTF Enterprises and/or such other companies referred to in (b) above taken together are or will be directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings from time to time or to control the composition of a majority of the board of directors; 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 44.20% of the total issued share capital of NWD and CTF Enterprises held approximately 2.52% of the total issued share capital of the Company. NWD together with its subsidiaries held approximately 61.32% 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 commenced from 1 July 2017. 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).

Connected Transactions (continued)

(1) (continued)

During FY2020, 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	5.5	216.0
Operational services by members of the CTF Enterprises Group to members of the Group	3.1	10.0

(2) On 10 April 2017, 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 in the equity capital of which NWD and/or any of its subsidiaries taken together are or will be directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings from time to time or to control the composition of a majority of the board of directors, 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 61.32% 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 25 May 2017 (the "2017 SGM"). The NWD Master Services Agreement has an initial term of three years commenced from 1 July 2017. 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 FY2020, 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	1,560.7	13,186.0
Operational services by members of the NWD Group to members of the Group	37.1	138.0

Report of the Directors

Connected Transactions (continued)

- (3) On 10 April 2017, 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 in the equity capital of which Mr Doo is or will be directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings from time to time or to control the composition of a majority of the board of directors, and the subsidiaries of such other 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 was the father of Mr William Junior Guilherme Doo, brother-in-law of Dr Cheng Kar Shun, Henry and uncle of Mr Cheng Chi Ming, Brian, all of whom were directors of the Company. Mr Doo was therefore a connected person of the Company under the Listing Rules. Certain members of the Services Group were majority-controlled companies of Mr Doo and hence connected persons of the Company. Accordingly, the DOO Master Services Agreement constituted continuing connected transactions of the Company under the Listing Rules.

The DOO Master Services Agreement, the transactions contemplated thereunder and the related annual caps were approved by the independent shareholders at the 2017 SGM. The DOO Master Services Agreement has an initial term of three years commenced from 1 July 2017. 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 FY2020, 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	1.3	45.0
Operational services by members of the Services Group to members of the Group	720.8	3,448.0

Connected Transactions *(continued)*

- (4) On 1 November 2019, an indirect wholly-owned subsidiary of the Company completed the acquisition of the entire issued share capital in FTLife Insurance pursuant to the share purchase agreement entered into by the subsidiary of the Company on 27 December 2018 in relation to the acquisition as disclosed in the announcement of the Company dated 27 December 2018. Upon completion of this acquisition, FTLife Insurance became an indirect wholly-owned subsidiary of the Company and an indirect non-wholly-owned subsidiary of NWD, and since then the financial statements of FTLife Insurance and its subsidiaries were consolidated into the consolidated financial statements of the Group and of the NWD Group.

The investment portfolio of FTLife Insurance comprised, among other things, certain bonds issued by wholly-owned subsidiaries of NWD which FTLife Insurance had subscribed for and/or acquired prior to the date of the share purchase agreement in relation to the acquisition. As at the date of completion of the acquisition of FTLife Insurance, such bonds included (i) the 4.375% senior unsecured bonds due on 30 November 2022 issued by NWD (MTN) and guaranteed by NWD in the principal amount of US\$4,000,000 (the "NWD (MTN) Bonds"), which were acquired by FTLife Insurance on 20 January 2017 at the consideration of approximately US\$4.09 million (equivalent to approximately HK\$32.07 million); and (ii) the 4.75% senior unsecured bonds due on 23 January 2027 issued by NWCL and guaranteed by NWD in the principal amount of US\$12,000,000 (the "NWCL Bonds"), which were subscribed for and acquired by FTLife Insurance on 11 and 20 January 2017 respectively at the aggregate consideration of approximately US\$11.97 million (equivalent to approximately HK\$93.84 million). Both NWD (MTN) and NWCL were wholly-owned subsidiaries of NWD. As at 31 October 2019, the mid-price of each of the NWD (MTN) Bonds and the NWCL Bonds (per US\$100 principal amount) was US\$104.1007 and US\$105.6211 respectively.

As at the date of completion of the acquisition of FTLife Insurance, NWD together with its subsidiaries held approximately 61% of the total issued share capital of the Company. Both NWD (MTN) and NWCL were wholly-owned subsidiaries of NWD. Accordingly, NWD, NWD (MTN) and NWCL were connected persons of the Company. Therefore, the investments in the NWD (MTN) Bonds and the NWCL Bonds by FTLife Insurance constituted financial assistance by the Group to the NWD Group and hence a connected transaction of the Company under Chapter 14A of the Listing Rules.

The investments in the NWD (MTN) Bonds and the NWCL Bonds were exempt from the circular (including independent financial advice) and independent shareholders' approval requirements, but was subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

Connected Transactions (continued)

- (5) On 24 December 2019, FTLife Insurance agreed to subscribe for the 4.89% senior unsubordinated and unsecured notes in the principal amount of HK\$1,500,000,000 issued by NWD (MTN) on 31 December 2019 (the "NWD (MTN) Notes") and listed on the Hong Kong Stock Exchange upon satisfaction of the conditions to issue and other terms under the US\$6,000,000,000 medium term note programme established by NWD (MTN) as part of its investment portfolio management by utilizing internal funds derived from premiums paid for the insurance policies by its customers. As part of its business strategy, FTLife Insurance managed its liquidity risk by focusing on effective asset and liability management and maintaining an investment portfolio that consists mainly of liquid investment assets. FTLife Insurance also aimed at matching the duration of its investment assets with the duration of its insurance contract liabilities. In view of the NWD (MTN) Notes having a maturity of 30 years with a steady fixed interest return and the scarcity of notes with similar characteristics in the market, FTLife Insurance considered that investment in the NWD (MTN) Notes represented a good match of the long duration of its insurance contract liabilities. At the same time, as the NWD (MTN) Notes were listed on the Hong Kong Stock Exchange and were therefore tradeable, they were in good liquidity, allowing FTLife Insurance to convert such investment into cash within a short period in the event of unexpected payment obligations.

As at the date of subscription, NWD together with its subsidiaries held approximately 61% of the total issued share capital of the Company. Therefore, NWD (MTN) (being an associate of NWD) was a connected person of the Company and accordingly, the subscription constituted financial assistance provided by the Group to the NWD Group and hence a connected transaction of the Company under Chapter 14A of the Listing Rules.

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

- (6) In view of the expiry of the CTF Enterprises Master Services Agreement, the NWD Master Services Agreement and the DOO Master Services Agreement on 30 June 2020, three new master services agreements were entered into by the Company on 24 April 2020 with details as follows:
- (a) a new master services agreement was entered into between the Company and CTF Enterprises (the "New 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 (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 (as the case may be) during the term of the New CTF Enterprises Master Services Agreement;
 - (b) a new master services agreement was entered into between the Company and NWD (the "New 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 (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 (as the case may be) during the term of the New NWD Master Services Agreement; and

Connected Transactions (continued)

(6) (continued)

- (c) a new master services agreement was entered into between the Company and Mr Doo (the “New DOO Master Services Agreement”) whereby each of the Company and Mr Doo agreed to, and agreed to procure that members of the Group or the Services Group (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 (as the case may be) during the term of the New DOO Master Services Agreement,

(the New CTF Enterprises Master Services Agreement, the New NWD Master Services Agreement and the New DOO Master Services Agreement collectively, the “New Master Services Agreements”).

As at the date of signing of the New Master Services Agreements,

- (a) 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. Both CTF Enterprises and NWD were therefore connected persons of the Company under the Listing Rules; and
- (b) Mr Doo was the father of Mr William Junior Guilherme Doo, brother-in-law of Dr Cheng Kar Shun, Henry and uncle of Dr Cheng Chi Kong, Adrian and Mr Cheng Chi Ming, Brian, all of whom were directors of the Company. Accordingly, 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, each of the New Master Services Agreements constituted continuing connected transactions of the Company under the Listing Rules. The New NWD Master Services Agreement and the New DOO Master Services Agreement were subject to the independent shareholders’ approval requirements under the Listing Rules. Approval from independent shareholders for such agreements, the transactions contemplated thereunder and the related annual caps was obtained at the special general meeting of the Company held on 18 June 2020. Each of the New Master Services Agreements has an initial term of three years commenced from 1 July 2020. Subject to re-compliance with the applicable Listing Rules at the relevant time, the New Master Services Agreements 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) unless either party gives written notice to the other party not later than two months before the end of the initial term to terminate the New Master Services Agreements.

Report of the Directors

Connected Transactions (continued)

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 9 May 2017. 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 the Hong Kong Institute of Certified Public Accountants. 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 51 to the financial statements.

Disclosure pursuant to Rule 13.22 of the Listing Rules

As at 30 June 2020, the Group has provided financial assistance, by way of shareholders' loans or advances, in the aggregate amount of HK\$12,613.8 million to its affiliated companies (included in the amounts disclosed in notes 24, 25 and 31 to the financial statements), guarantees given for bank loans and other credit facilities for the benefit of the affiliated companies and the guarantee towards KTSPL in the aggregate amount of HK\$11,307.9 million (included in the amounts disclosed in note 48 to the financial statements) and contracted to provide an aggregate amount of HK\$566.0 million in capital and/or loans to affiliated companies (included in the amount disclosed in note 47 to the financial statements). The said amounts, in aggregate, represent approximately 16.4% 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.

Disclosure pursuant to Rule 13.22 of the Listing Rules (continued)

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\$21.3 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 HIBOR 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\$280.8 million which carries interest at 12-month LIBOR plus a margin of 12.15% per annum and is repayable on demand; (v) an amount of HK\$219.8 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\$106.8 million which carries interest at one-to-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; (vii) an amount of HK\$751.8 million which carries interest at 1-month HIBOR plus a margin of 1.025% per annum and is not repayable within the next 12 months from the end of the reporting period; (viii) an amount of HK\$180.3 million which carries interest at 4% per annum; and (ix) an aggregate amount of HK\$6,331.3 million which is interest free and is repayable within the next 12 months from the end of the reporting period. The advances also include an amount of HK\$197.5 million which has been subordinated to certain indebtedness of an affiliated company. Contracted capital and loan contributions to affiliated companies would be funded by internally generated resources and banking facilities of the Group.

Pursuant to Rule 13.22 of the Listing Rules, a proforma combined statement of financial position of those affiliated companies with financial assistance from the Group and the Group's attributable interest in those affiliated companies as at 30 June 2020 are presented as follows:

	Proforma combined statement of financial position HK\$m	The Group's attributable interest HK\$m
Non-current assets	120,090.3	54,785.1
Current assets	14,524.7	5,306.5
Current liabilities	(33,578.6)	(16,268.8)
Non-current liabilities	(69,385.3)	(32,883.0)
	31,651.1	10,939.8

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 2020.

Report of the Directors

Employees and Remuneration Policies

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

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 294 and 295.

Auditor

The financial statements for FY2020 have been audited by PricewaterhouseCoopers, who will retire at the 2020 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 2020

Independent Auditor's Report



羅兵咸永道

To the shareholders of NWS Holdings Limited

(incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of NWS Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 153 to 293, which comprise:

- the consolidated statement of financial position as at 30 June 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2020, 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 ("HKSA") 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.

Independent Auditor's Report

Key Audit Matters (continued)

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

Key Audit Matters

How our audit addressed the Key Audit Matters

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

(Refer to notes 6, 24, 25 and 34 to the consolidated financial statements)

As at 30 June 2020, the carrying values of the Group's interests in associated companies and joint ventures amounted to HK\$13,354 million and HK\$12,288 million respectively. Management reviewed regularly whether there are any indicators of impairment of the investments by reference to the requirements of HKAS 28 (2011) "Investments in Associates and Joint Ventures" and HKAS 36 "Impairment of Assets".

Based on management's assessment, the Group has certain associated companies and joint ventures mainly engaging in roads, environment, aviation and strategic investments businesses with an aggregate carrying amount of approximately HK\$3,456 million (before impairment as detailed below) where relevant impairment indicators existed at the end of the reporting period.

For the above-mentioned businesses, management estimated the recoverable amount to be the higher of fair value less costs of disposal and value in use. Independent external valuers were involved in certain value in use assessments. Based on the results of these impairment assessments, impairment losses were recognized for the underlying assets of relevant associated companies and joint ventures and the Group's share of such impairment losses amounting to approximately HK\$330 million and approximately HK\$64 million have been included in the Group's share of results of associated companies and share of results of joint ventures for the year ended 30 June 2020. In addition, an impairment loss in investment in associated companies amounting to approximately HK\$335 million was recognized in the consolidated income statement for the year ended 30 June 2020.

Our procedures to assess management's judgements and estimates applied in the impairment assessments of the Group's interests in associated companies and joint ventures based on value in use approach included:

- We evaluated the competence, capabilities and objectivity of independent external valuers;
- With the support from our in-house valuation experts, we assessed the appropriateness of the valuation methodology and the reasonableness of the key assumptions adopted in the cash flow projections;
- We assessed the reasonableness of the discount rates applied by the management in the discounted cash flow model by comparing to external market data and publicly available information; and
- We checked the key assumptions used to external market data or other supporting evidence where available; we performed sensitivity analysis on the key assumptions adopted in the impairment assessments to understand the impact of reasonable changes in assumptions on the estimated recoverable amounts.

Based on the procedures performed, we found management's impairment assessments of the Group's interests in associated companies and joint ventures based on value in use approach to be reasonable.

Key Audit Matters (continued)

Key Audit Matters

How our audit addressed the Key Audit Matters

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

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

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

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

(Refer to notes 6, 26, 27 and 32 to the consolidated financial statements)

As at 30 June 2020, 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\$38,540 million and HK\$17,745 million respectively.

Management determined the fair value of these investments as follows:

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

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

- We performed control testing over the investment system and evaluated and tested management's control procedures over investment cycle on a sample basis where applicable;
- We performed the following work with the support from our in-house valuation experts in relation to fair value measurement of investment funds and equity and debt securities:
 - For investments with quoted market prices, we checked fair value determined by management against the quoted market prices or quotes obtained from independent sources;

Key Audit Matters (continued)

Key Audit Matters

How our audit addressed the Key Audit Matters

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

- For investments in investment funds, management discussed with the respective fund managers to understand the performance of the underlying investments and fair value measurement basis conducted by the respective fund managers in order to evaluate whether the fair values as stated in the fund statements at the end of reporting period is appropriate;
- For investments in unlisted equity and debt securities with recent transactions, management determined the fair value at the end of reporting period with reference to recent transaction prices of these financial assets; and
- For investments in unlisted equity and debt securities without recent transactions, management established fair values of these investments by using appropriate valuation techniques. Independent external valuer has been involved in determining the fair value, where appropriate.

We focused on this area because of the financial significance of the balances and management judgements involved in determining the fair values of these financial assets.

- For investments in investment funds, we obtained fund statements from fund managers and selected a sample of investments to enquire about and assess management control regarding the appropriateness of methodologies, parameters and key assumptions used by fund managers and/or to assess the reasonableness of the methodologies and key assumptions used in the fair value assessment;
- For investments in unlisted equity and debt securities with recent transactions, we agreed, on a sample basis, to the evidence of recent transaction prices of those financial assets in fair value measurement; and
- For investments in unlisted equity and debt securities without recent transactions, we evaluated the competence, capabilities and objectivity of the independent valuer. We assessed, on a sample basis, the appropriateness of methodologies and key assumptions used in the fair value measurement of these financial assets. We also assessed the reasonableness of the key observable and unobservable inputs used in the valuation by comparing assumptions used against appropriate third party pricing sources such as public stock prices and bond yields.

Based on the procedures performed above, we found judgements exercised by management in the fair value measurement of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss to be reasonable.

Key Audit Matters (continued)

Key Audit Matters

How our audit addressed the Key Audit Matters

(iii) Business combination of FTLife Insurance Company Limited and its subsidiaries

(Refer to notes 6 and 50 to the consolidated financial statements)

In November 2019, the Group completed the acquisition of 100% equity interest of FTLife Insurance Company Limited and its subsidiaries (collectively "FTLife Insurance") at a consideration of approximately HK\$21,812 million.

The Group accounted for the acquisition as a business combination in accordance with HKFRS 3 (Revised) "Business Combinations" which requires identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations measured initially at their fair values at the acquisition date.

The Group has made a provisional assessment of the fair value of the assets and liabilities as at the acquisition date with assistance from independent external experts. The fair value of identifiable net assets amounted to HK\$16,236 million. A provisional goodwill of HK\$5,576 million has been recognized by the Group as a result of this transaction.

We focused on this area due to significant management judgements and estimates required for identification and valuation of assets acquired and liabilities assumed of FTLife Insurance.

Our procedures to assess management's identification and valuation of assets acquired and liabilities assumed of FTLife Insurance included the following:

- We inspected the share purchase agreement and agreed related terms to assets and liabilities identified;
- We evaluated the competence, capabilities and objectivity of the independent external experts; and
- With the support from our in-house actuarial and valuation experts, we reviewed the purchase price allocation report prepared by independent external experts and applied our industry and business knowledge in:
 - assessing the appropriateness of the valuation methodology and key parameters used in relation to the assets acquired and liabilities assumed at the acquisition date;
 - assessing the reasonableness of key assumptions used in the valuation and checked to external market data or other supporting evidence where available.

Based on the procedures performed, we found management's assessments relating to identification and valuation of assets acquired and liabilities assumed of FTLife Insurance to be reasonable.

Key Audit Matters (continued)

Key Audit Matters

How our audit addressed the Key Audit Matters

(iv) **Assessment on (a) valuation of insurance contract liabilities and (b) amortization of value of business acquired and deferred acquisition costs**

(a) valuation of insurance contract liabilities

(Refer to notes 3, 5, 32 and 41 to the consolidated financial statements)

The Group had insurance contract liabilities (including those classified as liabilities related to unit-linked contracts) of HK\$32,227 million as at 30 June 2020, representing approximately 35% of the Group's total liabilities.

The valuation of insurance contract liabilities requires the use of appropriate actuarial methodologies and various economic and operational assumptions that are subject to a high degree of management's judgements. The key assumptions used in measuring the insurance contract liabilities include discount rates, mortality rates, lapse rates and expenses.

We focused on this area due to significant management judgements and estimates required in the valuation of insurance contract liabilities at the end of reporting period.

(a) valuation of insurance contract liabilities

We involved our in-house actuarial experts in performing the following audit procedures:

- We evaluated whether the methodologies are consistent with recognized actuarial practices in the insurance industry. We built independent models to test, on a sampling basis, the algorithm within the actuarial models applied;
- We assessed the reasonableness of the key assumptions made by management including discount rates, mortality rates, lapse rates and expenses based on the Group's own historical data and experience study, market-observable data, and our industry knowledge and experience;
- We performed analysis of the movements in insurance contract liabilities to assess whether the changes are in line with our understanding of the assumptions and any developments and changes during the period; and
- We reviewed the calculation of the liability adequacy test to assess the adequacy of insurance contract liabilities.

Based on the procedures performed above, we found the methodologies and assumptions used by management in the valuation of insurance contract liabilities to be reasonable.

Key Audit Matters (continued)

Key Audit Matters

How our audit addressed the Key Audit Matters

(iv) **Assessment on (a) valuation of insurance contract liabilities and (b) amortization of value of business acquired and deferred acquisition costs (continued)**

(b) amortization of value of business acquired and deferred acquisition costs

(Refer to notes 3, 21 and 23 to the consolidated financial statements)

As at 30 June 2020, the carrying value of value of business acquired ("VOBA") and deferred acquisition costs ("DAC") amounting to HK\$5,652 million and HK\$688 million respectively. Amortization of VOBA and DAC amounting to HK\$174 million and HK\$136 million, respectively, was recognized in the consolidated income statement for the year ended 30 June 2020.

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.

(b) amortization of value of business acquired and deferred acquisition costs

With the assistance of our in-house actuarial experts, we evaluated the basis of amortization of VOBA and DAC determined by management and assessed the reasonableness of key assumptions used by management, including discount rates, mortality rates, lapse rates and expenses in determining the expected future profits.

Based on the procedures performed above, we found the assumptions used in the amortization of VOBA and DAC to be appropriate.

Independent Auditor's Report

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 HKSA's 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 HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Independent Auditor's Report

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

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

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

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 30 September 2020

Consolidated Income Statement

For the year ended 30 June

	Note	2020 HK\$'m	2019 HK\$'m
Revenue	7	25,920.5	26,833.5
Cost of sales	8,10	(23,399.6)	(23,625.7)
Gross profit		2,520.9	3,207.8
Other income/gains (net)	9	779.5	1,029.6
Selling and marketing expenses	10	(829.5)	(231.1)
General and administrative expenses	10	(1,719.3)	(1,351.4)
Overlay approach adjustments on financial assets	3(b)(xiii)	208.2	–
Operating profit	10	959.8	2,654.9
Finance costs	12	(995.8)	(452.2)
Share of results of			
Associated companies	7(c)	80.2	759.3
Joint ventures	7(c)	1,240.9	1,948.5
Profit before income tax		1,285.1	4,910.5
Income tax expenses	13	(457.6)	(651.8)
Profit for the year		827.5	4,258.7
Profit attributable to			
Shareholders of the Company		253.2	4,043.2
Holders of perpetual capital securities		581.9	186.9
Non-controlling interests		(7.6)	28.6
		827.5	4,258.7
Earnings per share attributable to the shareholders of the Company	15		
Basic		HK\$0.06	HK\$1.04
Diluted		N/A	HK\$1.04

Consolidated Statement of Comprehensive Income

For the year ended 30 June

	Note	2020 HK\$'m	2019 HK\$'m
Profit for the year		827.5	4,258.7
Other comprehensive loss			
Items that will not be reclassified to profit or loss			
Net fair value changes on financial assets at fair value through other comprehensive income (equity instruments)	37(a)	(774.1)	(391.8)
Remeasurement of post-employment benefit obligation		32.0	(8.3)
Items that have been reclassified/may be subsequently reclassified to profit or loss			
Net fair value changes and other net movements on financial assets at fair value through other comprehensive income (debt instruments)	37(a)	1,881.1	–
Release of reserve upon disposal of financial assets at fair value through other comprehensive income (debt instruments)		(309.7)	–
Release of reserves upon disposal of subsidiaries		24.7	0.1
Release of reserves upon disposal/partial disposal of interests in associated companies		(14.5)	(57.1)
Share of other comprehensive (loss)/income of associated companies and joint ventures		(12.9)	88.1
Cash flow/fair value hedges		131.4	(543.2)
Amount reported in other comprehensive income applying overlay approach adjustments on financial assets	3(b)(xiii)	(208.2)	–
Currency translation differences		(1,293.2)	(1,553.5)
Other comprehensive loss for the year, net of tax		(543.4)	(2,465.7)
Total comprehensive income for the year		284.1	1,793.0
Total comprehensive income attributable to			
Shareholders of the Company		(281.7)	1,582.7
Holders of perpetual capital securities		581.9	186.9
Non-controlling interests		(16.1)	23.4
		284.1	1,793.0

Consolidated Statement of Financial Position

As at 30 June

	Note	2020 HK\$'m	2019 HK\$'m
ASSETS			
Non-current assets			
Investment properties	17	1,703.1	1,726.5
Property, plant and equipment	18	4,881.5	5,413.4
Intangible concession rights	19	14,083.9	10,060.8
Intangible assets	20	5,906.8	718.7
Value of business acquired	21	5,651.5	–
Right-of-use assets	22	1,999.7	–
Deferred acquisition costs	23	688.2	–
Associated companies	24	13,353.5	14,552.3
Joint ventures	25	12,287.5	13,645.1
Financial assets at fair value through other comprehensive income	26	38,011.7	2,125.1
Financial assets at fair value through profit or loss	27	8,488.2	4,300.0
Derivative financial instruments	28	1,972.0	34.4
Other non-current assets	29	1,198.7	4,003.5
		110,226.3	56,579.8
Current assets			
Inventories	30	328.6	428.6
Trade, premium and other receivables	31	16,207.5	13,992.0
Investments related to unit-linked contracts	32(a)	9,053.6	–
Financial assets at fair value through other comprehensive income	26	528.1	–
Financial assets at fair value through profit or loss	27	373.2	0.1
Derivative financial instruments	28	0.7	5.6
Cash and bank balances	33	13,221.8	15,058.9
		39,713.5	29,485.2
Assets held-for-sale	34	112.2	–
Total assets		150,052.0	86,065.0
EQUITY			
Share capital	36	3,911.1	3,911.1
Reserves	37	42,455.9	45,134.9
Shareholders' funds		46,367.0	49,046.0
Perpetual capital securities	38	10,528.5	8,039.8
Non-controlling interests		562.2	160.8
Total equity		57,457.7	57,246.6

Consolidated Statement of Financial Position

As at 30 June

	Note	2020 HK\$'m	2019 HK\$'m
LIABILITIES			
Non-current liabilities			
Borrowings and other interest-bearing liabilities	39	26,891.7	12,666.1
Deferred tax liabilities	40	2,285.9	2,262.2
Insurance and investment contract liabilities	41	14,454.8	–
Liabilities related to unit-linked contracts	32(b)	168.2	–
Derivative financial instruments	28	140.7	8.3
Lease liabilities	42	1,575.1	–
Other non-current liabilities	43	189.3	152.7
		45,705.7	15,089.3
Current liabilities			
Borrowings and other interest-bearing liabilities	39	4,064.0	2,403.3
Insurance and investment contract liabilities	41	20,445.3	–
Liabilities related to unit-linked contracts	32(b)	9,053.6	–
Derivative financial instruments	28	97.7	23.8
Trade, other payables and payables to policyholders	44	12,475.0	10,818.8
Lease liabilities	42	377.3	–
Taxation		375.7	483.2
		46,888.6	13,729.1
Total liabilities		92,594.3	28,818.4
Total equity and liabilities		150,052.0	86,065.0

Dr Cheng Kar Shun, Henry
Director

Mr Ma Siu Cheung
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

HK\$m	Note	Shareholders' funds					Perpetual capital securities	Non-controlling interests	Total
		Share capital	Share premium	Revenue reserve	Other reserves	Total			
At 30 June 2019		3,911.1	17,821.5	28,290.7	(977.3)	49,046.0	8,039.8	160.8	57,246.6
Impact on initial adoption of HKFRS 16	2(b)	-	-	(106.6)	-	(106.6)	-	-	(106.6)
At 1 July 2019, restated	37	3,911.1	17,821.5	28,184.1	(977.3)	48,939.4	8,039.8	160.8	57,140.0
Total comprehensive income for the year	37	-	-	(378.7)	97.0	(281.7)	581.9	(16.1)	284.1
<i>Contributions by/(distribution to) owners</i>									
<i>Dividends paid to</i>									
Shareholders of the Company	14, 37	-	-	(2,268.5)	-	(2,268.5)	-	-	(2,268.5)
Non-controlling interests		-	-	-	-	-	-	(35.2)	(35.2)
Issuance of perpetual capital securities	38	-	-	-	-	-	2,489.8	-	2,489.8
Distribution to perpetual capital securities holders		-	-	-	-	-	(583.0)	-	(583.0)
Transaction costs in relation to the issuance of perpetual capital securities	37	-	-	(22.2)	-	(22.2)	-	-	(22.2)
Capital contribution from non-controlling interests		-	-	-	-	-	-	555.6	555.6
Return of capital to non-controlling interests		-	-	-	-	-	-	(102.9)	(102.9)
Transfer of reserves	(a),37	-	-	234.6	(234.6)	-	-	-	-
Total transactions with owners		-	-	(2,056.1)	(234.6)	(2,290.7)	1,906.8	417.5	33.6
At 30 June 2020		3,911.1	17,821.5	25,749.3	(1,114.9)	46,367.0	10,528.5	562.2	57,457.7

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

HK\$m	Note	Shareholders' funds					Perpetual capital securities	Non-controlling interests	Total
		Share capital	Share premium	Revenue reserve	Other reserves	Total			
At 30 June 2018		3,896.5	17,629.5	27,518.3	905.7	49,950.0	-	173.8	50,123.8
Impact on initial adoption of HKFRS 9		-	-	414.0	(104.0)	310.0	-	-	310.0
At 1 July 2018, restated	37	3,896.5	17,629.5	27,932.3	801.7	50,260.0	-	173.8	50,433.8
Total comprehensive income for the year	37	-	-	3,364.1	(1,781.4)	1,582.7	186.9	23.4	1,793.0
<i>Contributions by/(distribution to) owners</i>									
<i>Dividends paid to</i>									
Shareholders of the Company	37	-	-	(2,927.3)	-	(2,927.3)	-	-	(2,927.3)
Non-controlling interests		-	-	-	-	-	-	(36.4)	(36.4)
<i>Share options</i>									
Nominal value of new shares issued		14.6	-	-	-	14.6	-	-	14.6
Share premium on new shares issued	37	-	192.0	-	-	192.0	-	-	192.0
Issuance of perpetual capital securities	38	-	-	-	-	-	7,852.9	-	7,852.9
Transaction costs in relation to the issuance of perpetual capital securities	37	-	-	(76.0)	-	(76.0)	-	-	(76.0)
Transfer of reserves	37	-	-	(2.4)	2.4	-	-	-	-
Total transactions with owners		14.6	192.0	(3,005.7)	2.4	(2,796.7)	7,852.9	(36.4)	5,019.8
At 30 June 2019		3,911.1	17,821.5	28,290.7	(977.3)	49,046.0	8,039.8	160.8	57,246.6

Consolidated Statement of Cash Flows

For the year ended 30 June

	Note	2020 HK\$'m	2019 HK\$'m
Cash flows from operating activities			
Net cash generated from operations	49(a)	4,356.2	3,043.3
Finance costs paid		(857.2)	(331.4)
Interest received		1,402.5	284.5
Dividends received from financial assets in relation to insurance business and investments related to unit-linked contracts		33.8	–
Hong Kong profits tax paid		(333.3)	(229.7)
Mainland China and overseas taxation paid		(497.7)	(650.0)
<hr/>			
Net cash generated from operating activities before net purchases of financial assets in relation to insurance business		4,104.3	2,116.7
<hr/>			
Purchases of financial assets in relation to insurance business		(14,135.5)	–
Disposal of financial assets in relation to insurance business		9,802.5	–
<hr/>			
		(4,333.0)	–
<hr/>			
Net cash (used in)/generated from operating activities		(228.7)	2,116.7
<hr/>			
Cash flows from investing activities			
Acquisition of/deposit paid for acquisition of subsidiaries, net of cash acquired	50(b)	(10,097.7)	(3,120.0)
Dividends received from associated companies	24(g)	345.6	484.5
Dividends received from joint ventures	25(d)	1,656.7	1,887.7
Increase in investments in and advances to associated companies		(207.4)	(1,218.9)
Increase in investments in and advances to joint ventures		(431.7)	(1,638.7)
Disposal of subsidiaries, net of cash disposed	49(c)	241.0	153.5
Deferred consideration/proceeds received from disposal/partial disposal of interests in associated companies		391.5	86.8
Additions of intangible concession rights, intangible assets and property, plant and equipment	18,19,20	(5,962.1)	(647.6)
Purchases of financial assets at fair value through profit or loss		(955.1)	(1,613.3)
Disposal of financial assets at fair value through other comprehensive income		778.3	1,012.8
Disposal of financial assets at fair value through profit or loss		563.4	756.9
Disposal of intangible concession rights and property, plant and equipment		97.1	59.7
Disposal of derivative financial instruments		140.5	–
Disposal of assets held-for-sale		–	168.0
Dividends received from financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss		108.0	113.7
Increase in short-term bank deposits maturing after more than three months		(0.1)	(0.7)
Increase in other non-current assets		(56.7)	–
<hr/>			
Net cash used in investing activities		(13,388.7)	(3,515.6)

Consolidated Statement of Cash Flows

For the year ended 30 June

	Note	2020 HK\$m	2019 HK\$m
Cash flows from financing activities			
Issuance of new shares from share options exercised		–	206.6
Proceeds from issuance of perpetual capital securities, net of transaction costs	38	2,467.6	7,776.9
Issuance of fixed rate bonds	49(d)	–	5,012.9
New bank loans and other borrowings	49(d)	14,559.7	3,116.4
Repayment of bank loans, other borrowings and financing received under a financial reinsurance arrangement	49(d)	(2,672.6)	(3,275.0)
Distribution to perpetual capital securities holders		(583.0)	–
Capital element of lease liabilities payments	49(d)	(280.9)	–
Capital contribution from non-controlling interests		555.6	–
Return of capital to non-controlling interests		(102.9)	–
Increase in cash collateral received from counterparties	49(d)	423.9	–
Repayment of loan from non-controlling interests	49(d)	(4.5)	(2.7)
Dividends paid to shareholders of the Company	37	(2,268.5)	(2,927.3)
Dividends paid to non-controlling interests		(35.2)	(36.4)
Net cash from financing activities		12,059.2	9,871.4
Net (decrease)/increase in cash and cash equivalents		(1,558.2)	8,472.5
Cash and cash equivalents at the beginning of year		15,045.4	6,643.2
Currency translation differences		(119.6)	(70.3)
Cash and cash equivalents at the end of year		13,367.6	15,045.4
Analysis of cash and cash equivalents			
Cash and bank balances	33	13,221.8	15,058.9
Cash and bank balances attributable to investments related to unit-linked contracts	32(a)	169.4	–
Short-term bank deposits maturing after more than three months	33	(13.6)	(13.5)
Pledged deposits	33	(10.0)	–
		13,367.6	15,045.4

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:

- (a) the development of, investment in and/or operation of roads, commercial aircraft leasing, construction and insurance; and
- (b) the investment in and/or operation of environmental and logistics projects, facilities and transport.

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

The consolidated financial statements were approved for issuance by the Board on 30 September 2020.

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 and interpretations (collectively, the "HKFRS") issued by 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 notes 3 and 6 below.

As analyzed in note 7(b), the Group, before taking into consideration the newly acquired insurance business, is in net current assets position as at 30 June 2020, while the Group is in net current liabilities position of HK\$7,062.9 million after taking into consideration the consolidation of FTLife Insurance, which is mainly due to the classification of the full surrender value of insurance and investment contract liabilities of HK\$20,445.3 million (note 41) as current liabilities at the reporting date.

Under Hong Kong Accounting Standard 1 "Presentation of Financial Statements", liability is classified as current if there is no unconditional right by the issuer to defer the settlement for at least 12 months after the reporting period. The unavoidable payment obligation exists if all the policyholders choose to exercise their surrender option at the reporting date and accordingly the full surrender value of insurance and investment contract liabilities is classified as current liabilities as at the year end. However, management considered the likelihood for all policyholders to exercise the surrender option and leading to the settlement of the aforesaid liabilities within one year is low. Based on historical pattern, management considered the amount of insurance contract liabilities expected to be settled within one year is approximately HK\$3,200.5 million as detailed in the liquidity risk table in note 5(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 new standard, amendments to standards and interpretation

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

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

The Group also early adopted HKFRS 16 (Amendments) "COVID-19-Related Rent Concessions". Except for the adoption of Hong Kong Financial Reporting Standard 16 "Leases" ("HKFRS 16") as disclosed in notes 2(b) and 3(a) and amendments to Hong Kong Accounting Standard 28 "Long-term Interests in Associates and Joint Ventures" which resulted in reclassification of expected credit loss provision from share of net assets to set off against amounts receivable from associated companies and joint ventures as disclosed in notes 24(f) and 25(c), the adoption of other amendments to standards and interpretation does not have significant effect on the results and financial position of the Group.

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

The Group has adopted HKFRS 16 retrospectively from 1 July 2019, but has not restated comparative information for the prior reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore not reflected in the consolidated statement of financial position as at 30 June 2019, but are recognized in the opening consolidated statement of financial position as at 1 July 2019. Details of the changes in accounting policy are set out in note 3(a).

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

2 Basis of preparation and accounting policies (continued)

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

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

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

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

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

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

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

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

2 Basis of preparation and accounting policies (continued)

(c) Amendments to standard early adopted by the Group

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

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

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

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

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

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

2 Basis of preparation and accounting policies (continued)

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

HKFRS 17 "Insurance Contracts" ("HKFRS 17")

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

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

3 Changes in/adoption of accounting policies, critical accounting estimates and judgements

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

As explained in note 2(b) above, the Group has adopted HKFRS 16 which resulted in changes in accounting policy used in the preparation of the consolidated financial statements.

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

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

3 Changes in/adoption of accounting policies, critical accounting estimates and judgements (continued)

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

Accounting policies applied from 1 July 2019

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

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

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

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

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

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

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

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

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

3 Changes in/adoption of accounting policies, critical accounting estimates and judgements (continued)

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

As detailed in note 50, the Group completed its acquisition of the entire equity interest in FTLife Insurance on 1 November 2019 which resulted in adoption of the following accounting policies used in the preparation of the consolidated financial statements.

(i) **Product classification**

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

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

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

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

(ii) **Insurance contract liabilities**

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

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

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

3 Changes in/adoption of accounting policies, critical accounting estimates and judgements (continued)

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

(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.

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

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

3 Changes in/adoption of accounting policies, critical accounting estimates and judgements (continued)

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

(vi) *Deferred acquisition costs ("DAC")*

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

(vii) *Liability adequacy test*

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

(viii) *Premiums*

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

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

(ix) *Fees and commission income*

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

(x) *Benefits and insurance claims*

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

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

3 Changes in/adoption of accounting policies, critical accounting estimates and judgements (continued)

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

(xi) Commissions and bonuses

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

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

(xii) 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.

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

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

(c) New critical accounting estimates and judgements applied by the Group upon acquisition of insurance business

(i) Product classification

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(b)(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.

3 Changes in/adoption of accounting policies, critical accounting estimates and judgements (continued)

(c) New critical accounting estimates and judgements applied by the Group upon acquisition of insurance business (continued)

(ii) *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.

(iii) *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.

4 Significant accounting policies

In addition to the accounting policies adopted as described in notes 3(a) and 3(b), 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 either in the consolidated income statement or as a change to other comprehensive income. 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.

4 Significant accounting policies (continued)

(a) Consolidation (continued)

(i) **Subsidiaries (continued)**

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.

(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.

4 Significant accounting policies (continued)

(a) Consolidation (continued)

(ii) *Associated companies (continued)*

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. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired associated companies at the date of 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 associates 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.

4 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. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill.

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.

4 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.

4 Significant accounting policies (continued)

(c) Intangible assets

(i) Goodwill

Goodwill arising on acquisitions of subsidiaries is included in intangible assets. Goodwill arising on acquisitions of associated companies and joint ventures is included in interests in associated companies and joint ventures respectively and is tested for impairment as part of overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of all or part of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGU") for the purpose of testing for impairment. The allocation is made to those CGU or groups of CGU that are expected to benefit from the business combination in which the goodwill arose.

(ii) Operating right

Operating right primarily resulted from the acquisition of right to operate facilities management and transport businesses. Separately acquired operating rights are initially recognized at cost. Operating rights acquired in a business combination are initially recognized at fair value at the acquisition date. Operating right is carried at cost less accumulated amortization and impairment. Amortization is calculated using the straight-line method to allocate the cost over the period of the operating right.

(iii) Intangible concession rights

The Group has entered into various service concessions ("Service Concessions") with local government authorities for its participation in the development, financing, operation and maintenance of infrastructural projects ("Infrastructures"). The Group carries out the construction or upgrade work of Infrastructures from the granting authorities in exchange for the right to operate the Infrastructures concerned and the right to charge users of the respective Infrastructures. The fees collected during the operating periods are attributable to the Group. The relevant Infrastructures are required to be returned to the local government authorities upon the expiry of the operating rights without significant compensation to the Group.

The Group applies the intangible asset model to account for the Infrastructures where they are paid by the users of the Infrastructures and the concession grantors (the respective local governments) have not provided any contractual guarantees in respect of the amounts of construction costs incurred to be recoverable. The consideration to be received during the construction or upgrade period is classified as contract assets and reclassified as intangible concession rights upon completion.

Land use rights acquired in conjunction with the Service Concessions which the Group has no discretion or latitude to deploy for other services other than the use in the Service Concessions are treated as intangible assets acquired under the Service Concessions.

4 Significant accounting policies (continued)

(c) Intangible assets (continued)

(iii) Intangible concession rights (continued)

Amortization of intangible concession rights is calculated to write off their costs, where applicable, on an economic usage basis for roads whereby the amount of amortization is provided based on the ratios of actual volume compared to the total projected volume or on a straight-line basis for water treatment plant over the periods which the Group is granted the rights to operate these Infrastructures. The total projected volume of the respective Infrastructures is reviewed regularly with reference to both internal and external sources of information and appropriate adjustments will be made should there be a material change.

(iv) Other intangible assets

Other intangible assets mainly represents for computer software. Expenditure on development activities is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalized includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalized development costs are stated at cost less accumulated amortization and impairment losses.

Amortization of intangible assets with finite useful lives is charged to profit or loss 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.

4 Significant accounting policies (continued)

(d) Revenue recognition (continued)

(i) Toll revenue

Toll revenue from road operations is recognized at a point in time when services are rendered.

(ii) Service fee income

Property and facilities management service fees and property letting agency fee are recognized over time and at a point in time respectively when services are rendered.

(iii) Rental income

Rental income from investment properties is recognized on a straight-line basis over the terms of the lease agreements.

(iv) Construction revenue

Revenue from construction service contract is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation using input method.

(v) Sales of goods

Income from sales of goods is recognized at a point in time when the goods are delivered to customers and title has passed.

(vi) Fare revenue

Fare revenue from bus and ferry services is recognized at a point in time when the services are rendered.

(vii) Advertising income

Advertising income is recognized over time when the advertisement or commercial appears before the public.

(viii) Interest income

Interest income is recognized on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues to unwind the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

(ix) Dividend income

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

(x) Revenue related to insurance business

Accounting policies of revenue recognition in relation to insurance business are set out in notes 3(b)(viii) and 3(b)(ix).

4 Significant accounting policies (continued)

(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

Accounting policy applied from 1 July 2019

Details of the accounting policy are set out in note 3(a).

Accounting policy applied before 1 July 2019

(i) Finance leases

Leases that transfer to the Group substantially all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalized at the lease's commencement date at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balances outstanding. The corresponding rental obligations net of finance charges are included in liabilities as trade and other payables. The finance charges are charged to the consolidated income statement over the lease periods so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(ii) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(g) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value. Fair value is determined by professional valuation or estimation by management conducted at the end of each reporting period. Changes in fair values are recognized in the consolidated income statement.

Property that is being constructed or developed for future use as investment property is stated at fair value.

4 Significant accounting policies (continued)

(g) Investment properties (continued)

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.

(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 financial 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.

Leasehold land classified as finance lease commences amortization from the time when the land interest becomes available for its intended use. Amortization of leasehold land classified as finance lease and depreciation of other 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:

Leasehold land classified as finance lease	over the period of lease terms (Policy applicable until 30 June 2019)
Properties	2.5%–5%
Other plant and equipment	4%–50%
Buses, vessels and other motor vehicles	5%–25%

The residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

4 Significant accounting policies (continued)

(h) Property, plant and equipment (continued)

(iii) *Gain or loss on disposal*

The gain or loss on disposal of property, plant and equipment is determined by comparing the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in the consolidated income statement.

(i) Impairment of non-financial assets

Assets that have an indefinite useful life (e.g. goodwill) or have not yet been available for use are not subject to amortization and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount. An impairment loss is recognized in the consolidated income statement for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and value in use. Impairment losses on goodwill are not reversed. For the purpose of assessing impairment, assets are grouped as CGU for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(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 profit or loss 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 investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

4 Significant accounting policies (continued)

(j) Investments and other financial assets (continued)

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss 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.

(1) Debt instruments

Subsequent measurement of 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 a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss 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 fair value through other comprehensive income

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income ("FVOCI"). Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other income/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/gains (net).

Financial assets at fair value through profit or loss

Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss ("FVPL"). A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognized in profit or loss and presented net in the consolidated income statement within other income/gains (net) in the period in which it arises.

4 Significant accounting policies (continued)

(j) Investments and other financial assets (continued)

(iii) Measurement (continued)

(2) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income/gains (net) when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other income/gains (net) in the consolidated income statement. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(k) Impairment of financial assets

The Group's financial assets measured at amortized cost, including trade and other receivables and amounts receivable that form part of investments in associated companies and joint ventures, and debt instruments at FVOCI as well as contract assets are subject to HKFRS 9's expected credit loss model. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 5(b) details how the Group determines whether there has been a significant increase in credit risk.

For trade 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 all trade receivables and contract assets.

For debt instruments at FVOCI, 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.

(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.

4 Significant accounting policies (continued)

(m) Derivative financial instruments and hedging activities (continued)

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 28. 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.

(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 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 within OCI 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 within OCI in the costs of hedging reserve within equity. In some cases, the entity 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 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 the asset. The deferred amounts are ultimately recognized in profit or loss as the hedged item affects profit or loss.
- The gain or loss relating to the effective portion of the hedging instruments is recognized in profit or loss at the same time as expense on the hedged items.

4 Significant accounting policies (continued)

(m) Derivative financial instruments and hedging activities (continued)

(i) Cash flow hedges that qualify for hedge accounting (continued)

- 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.

(ii) Fair value hedges

Change in the fair value on hedging instrument is recognized in OCI in the fair value hedge reserve when the hedged item is an equity instrument for which the Group has elected to present changes in fair value in OCI.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in the consolidated income statement.

(n) Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operation cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. The Group's impairment policies are further described in notes 4(k) and 5(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 related 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 profit or loss 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 profit or loss.

4 Significant accounting policies (continued)

(p) Contracts related assets and contract liabilities (continued)

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortized cost. Contract liabilities are recognized as revenue when the Group transfers the goods or services to the customers and therefore satisfied its performance obligation.

The incremental costs of obtaining a contract with a customer are capitalized and presented as contract 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 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) Assets held-for-sale

Non-current assets are classified as assets 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. Investment properties classified as assets held-for-sale are stated at fair value at the end of reporting period.

(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.

(s) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(t) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow of resources will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow of resources with respect to any one item included in the same class of obligations may be small.

4 Significant accounting policies (continued)

(t) Provisions (continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(u) Share capital and perpetual capital securities

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Perpetual capital securities with no contractual obligation to repay its principal or to pay any distribution are classified as part of equity.

(v) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as a provision.

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.

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 countries 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.

4 Significant accounting policies (continued)

(w) Current and deferred income tax (continued)

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.

4 Significant accounting policies (continued)

(y) Foreign currencies (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates prevailing at the end of the reporting period are recognized in the consolidated income statement.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation differences on financial assets and liabilities held at FVPL are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities 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 consolidated statement of financial position presented are translated at the exchange rate prevailing at the date of that consolidated statement of financial position;
- (2) income and expenses for each consolidated income statement are translated at the average exchange rate during the period covered by the consolidated income statement; and
- (3) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in equity.

4 Significant accounting policies (continued)

(y) Foreign currencies (continued)

(iv) *Disposal of foreign operation and partial disposal*

On the disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to the consolidated income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and not recognized in the consolidated income statement. For all other partial disposals (that is, reductions in the Group's ownership interest in associated companies or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to the consolidated income statement.

(z) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(ii) *Bonus plans*

Provision for bonus plans are recognized when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) *Defined contribution plans*

A defined contribution plan is a pension plan under which the Group pays contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions to defined contribution plans including the Mandatory Provident Fund Scheme and employee pension schemes established by municipal governments in the PRC 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.

4 Significant accounting policies (continued)

(z) Employee benefits (continued)

(iv) *Defined benefit plans*

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of services and compensation.

The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to other comprehensive income in the period in which they arise.

(v) *Share-based compensation*

The Group operates equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of share options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted at the date of grant, excluding the impact of any non-market vesting conditions. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision of original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

At the expiration of options, the accumulated balance of special reserve recognized for those options is reclassified to revenue reserve.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

4 Significant accounting policies (continued)

(aa) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings 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 4(x) over the period of the borrowings using the effective interest method.

Borrowings 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.

(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 contract 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, 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) 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.

(ad) Financial guarantee 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.

The Group accounts for its financial guarantee contracts as insurance contracts.

5 Financial risk 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 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 investments in bonds 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 (2019: 100 basis points) higher/lower with all other variables held constant, the Group's profit for the year would have been HK\$144.9 million lower/higher (2019: HK\$18.9 million higher/lower) respectively and the Group's other reserves would have been HK\$5.5 billion lower/higher (2019: Nil) 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 financial assets at FVOCI (debt instruments) and fair values of derivative financial instruments designated in hedge relationships. As a consequence, they are included in the calculation of sensitivities.

5 Financial risk management and fair value estimation (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk

The Group operates mainly in Hong Kong and Mainland China. 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 commercial transactions and monetary assets and liabilities 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 forward foreign exchange contracts and cross currency swaps contracts to reduce the exposure should the need arises.

At 30 June 2020, the Group's entities with functional currency of Hong Kong dollar had net monetary assets denominated in United States dollar of HK\$20,861.2 million (2019: HK\$13,563.1 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.

At 30 June 2020, the Group's entities with functional currency of Hong Kong dollar had net monetary assets denominated in Renminbi of HK\$602.7 million (2019: HK\$574.6 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\$30.1 million (2019: HK\$28.7 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. Currency risks as defined by HKFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency, differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

5 Financial risk 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 equity or consolidated income statement. 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.

At 30 June 2020, if the price of listed and unlisted investments, classified as financial assets at FVOCI (note 26) and financial assets at FVPL (note 27), excluding the investments in bonds, had been 25% higher/lower with all other variables held constant, the Group's FVOCI reserve would have been HK\$701.6 million (2019: HK\$531.3 million) higher/lower respectively and profit for the year would have been HK\$2,075.4 million (2019: HK\$1,075.0 million) higher/lower respectively. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months and assumed no impact from overlay approach adjustments.

The Group is exposed to the upside risk of fuel prices as it has heavy demand on fuel for its transport business. The Group manages its exposure to this risk by using fuel price swap contracts if considered appropriate.

(b) Credit risk

The credit risk of the Group mainly arises from deposits with banks, trade, premium and other receivables, debt securities and balances receivable from group companies, including amounts due from associated companies and joint ventures. The exposures to these credit risks are closely monitored on an ongoing basis by established credit policies in each of its core businesses.

Deposits with banks are mainly placed with high-credit-quality financial institutions and the balances are considered to be of low credit risk. Debt securities 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 2020, the amount of the non-investment grade bonds held by the Group was approximately 1.5% of its invested assets.

For trade receivables and contract assets in relation to provision of services and infrastructure operations, no significant loss allowance had been provided under lifetime expected credit loss assessment with reference to the historical credit loss experience with counterparties and ageing analysis, adjusted for forward-looking factors specific to the counterparties and the economic environment. There is no concentration of credit risk with respect to trade receivables and contract assets from third party customers as the customer bases are widely dispersed in different industries.

5 Financial risk management and fair value estimation (continued)

(b) Credit risk (continued)

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.

Impairment on 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, through the management's critical assessment on the recoverable amounts based on underlying assets, historical repayment pattern, the actual and expected changes in business performance and general market default rate. 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.

5 Financial risk management and fair value estimation (continued)

(c) Liquidity risk (continued)

The amounts disclosed in the table are the contractual undiscounted cash outflows/(inflows).

At 30 June 2020

Non-derivative financial liabilities

HK\$m	Note	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years	Over 5 years	Unit-linked
Trade payables	44	584.8	584.8	584.7	0.1	-	-
Retention money payables and other payables		8,734.5	8,734.5	6,552.2	2,142.7	39.6	-
Payables to policyholders	44	1,468.8	1,468.8	1,468.8	-	-	-
Amounts due to non-controlling interests	44	155.3	155.3	155.3	-	-	-
Amounts due to associated companies	44	1.5	1.5	1.5	-	-	-
Amounts due to joint ventures	44	56.4	56.4	56.4	-	-	-
Liabilities related to unit-linked contracts							
– Investment contract liabilities	32(b)	8,554.9	8,554.9	-	-	-	8,554.9
Borrowings, other interest-bearing liabilities and contracted interest payment	39	30,955.7	34,842.8	4,786.2	20,032.1	10,024.5	-
Loans from non-controlling interests	43	28.9	28.9	-	28.9	-	-
Lease liabilities	42	1,952.4	2,199.8	441.1	1,207.1	551.6	-

Derivative financial liabilities

HK\$m	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years	Over 5 years
Derivative financial instruments (net settlement)	228.6	123.2	153.8	(48.4)
Derivative financial instruments (gross settlement)				
Cash inflow	(1,127.9)	(249.4)	(647.8)	(230.7)
Cash outflow	1,141.4	250.5	657.4	233.5
	13.5	1.1	9.6	2.8

5 Financial risk management and fair value estimation (continued)

(c) Liquidity risk (continued)

At 30 June 2019

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
Trade payables	44	933.7	933.7	933.4	0.3	–
Retention money payables and other payables		8,150.7	8,150.7	6,066.3	2,084.4	–
Amounts due to non-controlling interests	44	149.9	149.9	149.9	–	–
Amounts due to associated companies	44	64.7	64.7	64.7	–	–
Amounts due to joint ventures	44	0.8	0.8	0.8	–	–
Borrowings and contracted interest payment	39	15,069.4	18,067.5	2,901.8	9,085.9	6,079.8
Loans from non-controlling interests	43	34.5	34.5	–	34.5	–

Derivative financial liabilities

HK\$m	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years
Derivative financial instruments (net settlement)	24.2	24.0	0.2

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 securities.

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.

5 Financial risk management and fair value estimation (continued)

(c) Liquidity risk (continued)

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.

At 30 June 2020

HK\$m	Note	Total discounted cash flow	Within 1 year	Over 1 year but within 5 years	Over 5 years
Insurance contract liabilities	41	34,894.7	3,200.5	(2,332.1)	34,026.3

No comparative figure as at 30 June 2019 for the above table was showed as the acquisition of insurance business by the Group was completed in November 2019.

(d) Asset liability management framework

Upon completion of acquisition of insurance business, financial risks also 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.

5 Financial risk management and fair value estimation (continued)

(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 at 30 June were as follows:

	Note	2020 HK\$m	2019 HK\$m
Total borrowings and other interest-bearing liabilities	39	(30,955.7)	(15,069.4)
Add: Cash and bank balances	33	13,221.8	15,058.9
Net Debt		(17,733.9)	(10.5)
Total equity		57,457.7	57,246.6
Net Gearing Ratio		31%	0%

The increase of Net Debt as at 30 June 2020 was primarily resulted from payments for the acquisition of FTLife Insurance and the concession rights of Changliu Expressway, payments of dividends, net of the proceeds from the additional issuance of perpetual capital securities and dividends received.

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.

5 Financial risk management and fair value estimation (continued)

(f) Capital management (continued)

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.

At 30 June 2020

HK\$m	Gross insurance contract liabilities (note 41(b))	Reinsurer's share of insurance contract liabilities	Insurance contract liabilities, net of reinsurer's share
Type of products			
Whole life	29,069.6	(23.8)	29,045.8
Term	97.0	(0.3)	96.7
Dread disease	1,890.3	(0.1)	1,890.2
Medical	226.1	–	226.1
Disability	11.1	(0.1)	11.0
Accident	21.6	(0.1)	21.5
	31,315.7	(24.4)	31,291.3
Coinsurance liabilities	244.7	–	244.7
	31,560.4	(24.4)	31,536.0

No comparative figure as at 30 June 2019 for the above table was showed as the acquisition of insurance business by the Group was completed in November 2019.

5 Financial risk 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:

At 30 June 2020

Mortality rates	For products with full underwriting, 62% of 2001 Hong Kong Assured Life Mortality tables for males and females, with selection factor 50% at year 1 and 75% at year 2. For products without full underwriting, 62% of 2001 Hong Kong Assured Life Mortality tables for males and females.
Discount rates	Range between 2.00% and 4.10%, depending on the insurance plan policies
Lapse rates	Based on Group's experience
Expenses	Based on Group's experience

The method of calculating the liabilities is the net level premium reserve, with an adjustment to remove premium deficiency.

The Group's actual claims compared to the mortality experience assumed in the calculation of future insurance contract liabilities, for the current year, is 114%.

5 Financial risk 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.

At 30 June 2020

	Assumption change	(Decrease)/ increase in profit for the year and equity HK\$m
Mortality rates	+10%	(217.7)
Discount rates	-50 basis points	(2,378.5)
Lapse rates	+20%	221.1
Expenses	+10%	(56.4)

(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.

5 Financial risk management and fair value estimation (continued)

(h) Fair value estimation (continued)

(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 unit-linked contracts, that are measured at fair value at 30 June 2020 and 30 June 2019 respectively:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Management determined the fair value of these financial assets within Level 2 and Level 3 as follows:

- The fair value of forward starting swap contracts and forward exchange contracts is determined by discounting the contractual future cash flows. The discount rate used is derived from the relevant swap curve as at the reporting date, with potential adjustment made for various collateralization agreement when appropriate;
- The fair value of cross currency swap contracts is determined by discounting the contractual future cash flows. The exchange rate and discount rate used are derived from the relevant foreign exchange forward rates and swap curve as at the reporting date, with potential adjustment made for various collateralization agreement when appropriate;
- For investments in 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 securities 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 securities without recent transactions, management has established fair values of these investments by using appropriate valuation techniques such as discounted cash flow with the credit risk of the issuer taken into consideration for investments in bonds. Independent external valuer has been involved in determining the fair value, when appropriate; and
- The fair values of the investment contract liabilities and liabilities related to unit-linked contracts are determined with reference to the accumulation value.

5 Financial risk management and fair value estimation (continued)

(h) Fair value estimation (continued)

(iv) (continued)

At 30 June 2020

HK\$m	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at FVOCI				
Equity securities	2,448.8	357.6	–	2,806.4
Debt securities	21,630.6	14,102.8	–	35,733.4
Financial assets at FVPL				
Equity securities	130.0	117.0	139.9	386.9
Debt securities	0.1	1,284.0	248.2	1,532.3
Investment funds	3,557.5	–	3,384.7	6,942.2
Derivative financial instruments	–	1,493.8	478.9	1,972.7
Investments related to unit-linked contracts				
Investment funds	8,884.2	–	–	8,884.2
	36,651.2	17,355.2	4,251.7	58,258.1
Liabilities				
Derivative financial instruments	–	(237.0)	(1.4)	(238.4)
Investment contract liabilities	–	(5.4)	–	(5.4)
Liabilities related to unit-linked contracts				
Investment contract liabilities	–	(8,554.9)	–	(8,554.9)
	–	(8,797.3)	(1.4)	(8,798.7)

5 Financial risk management and fair value estimation (continued)

(h) Fair value estimation (continued)

(iv) (continued)
At 30 June 2019

HK\$m	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at FVOCI				
Equity securities	1,805.3	319.8	–	2,125.1
Financial assets at FVPL				
Equity securities	–	117.0	311.0	428.0
Debt securities	0.1	1,348.2	280.8	1,629.1
Investment funds	–	–	2,243.0	2,243.0
Derivative financial instruments	–	40.0	–	40.0
	1,805.4	1,825.0	2,834.8	6,465.2
Liabilities				
Derivative financial instruments	–	(24.8)	(7.3)	(32.1)

During the year, there were transfer of financial assets at FVOCI (debt instruments) relating to the Group's insurance business with fair value of HK\$1,650.5 million (2019: Nil) from Level 1 to Level 2 fair value hierarchy classifications. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market.

5 Financial risk management and fair value estimation (continued)

(h) Fair value estimation (continued)

(iv) (continued)

The following table presents the changes/transfers in Level 3 financial instruments for the year ended 30 June 2020:

HK\$m	Financial assets at FVPL	Derivative financial assets	Derivative financial liabilities
At 1 July 2019	2,834.8	–	(7.3)
Transfer to Level 2	(164.0)	–	–
Translation differences	(7.7)	–	–
Acquisition of subsidiaries	471.2	283.0	–
Purchases	662.0	–	–
Disposals	(179.4)	–	–
Net fair value changes recognized in OCI	–	180.1	–
Net fair value changes recognized in profit or loss	155.9	15.8	5.9
At 30 June 2020	3,772.8	478.9	(1.4)

The following table presents the changes/transfers in Level 3 financial instruments for the year ended 30 June 2019:

HK\$m	Available-for-sale financial assets	Financial assets at FVOCI	Financial assets at FVPL	Derivative financial liabilities
At 30 June 2018	1,413.9	–	–	(13.1)
Impact on initial adoption of HKFRS 9	(1,413.9)	317.3	1,406.6	–
At 1 July 2018, restated	–	317.3	1,406.6	(13.1)
Transfer (to)/from Level 2	–	(317.3)	459.8	–
Translation differences	–	–	(7.8)	–
Purchases	–	–	1,554.7	–
Disposals	–	–	(756.8)	–
Net fair value changes recognized in profit or loss	–	–	178.3	5.8
At 30 June 2019	–	–	2,834.8	(7.3)

5 Financial risk management and fair value estimation (continued)

(h) Fair value estimation (continued)

(iv) (continued)

Level 3 financial instruments comprise investment funds, unlisted debt and equity securities and derivative financial assets/(liabilities). Fair values of the investment funds are mainly determined based on the net asset value, representing the fair value of the funds reported by respective fund managers and relevant factors if deemed necessary. Fair value of unlisted debt and equity securities is determined primarily based on the purchase price paid by the Group and taking into account the analysis of the investees' financial position and results, risk profile, prospects, industry trend and other factors. Recent transaction prices, if any, are referenced or independent external valuer is involved, where appropriate, to determine the fair value.

Level 3 derivative financial asset represents a put option to sell or dispose of an equity investment held by the Group. The fair value of the put option is estimated by an independent external valuer. Valuation techniques used involve the use of current market based or independently sourced market parameters such as interest rates, currency rates and option volatilities. Fair value measurement of the underlying equity investment is negatively correlated with valuation of the put option. Details of the put option are set out in note 28(c).

6 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated by the Group and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstance.

The Group has considered the existing and potential impacts arising from the COVID-19 when preparing the consolidated financial statements. Assumptions and estimates are based on circumstances and conditions available when the consolidated financial statements were prepared and in particular, assumed that the current market condition as a result of the COVID-19 is not a long-term norm. Given the severity, duration and economic consequences of the COVID-19 are uncertain, actual results may differ significantly from those assumptions and estimates. The Group will remain alert and cautious on the ongoing development of COVID-19 that may cause further volatility and uncertainty in the global financial market, economy and business environment, and will take necessary measures to address the impact arising therefrom.

The estimates and assumptions that have a significant effect on carrying amounts of assets and liabilities are as follows:

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

In accordance with the requirements under HKAS 28 (2011) "Investments in Associates and Joint Ventures" and HKAS 36 "Impairment of Assets", management regularly reviews whether there are any indications of impairment of the Group's investments in associated companies and joint ventures based on value in use calculations or fair value less cost of disposal approach. In determining the value in use, management assesses the present value of estimated future cash flows expected to arise from their businesses. Estimates and judgements are applied in determining these future cash flows and discount rate.

6 Critical accounting estimates and judgements (continued)

(a) Impairment of the Group's investments in associated companies and joint ventures (continued)

(i) Investment in Tharisa

The Group holds approximately 15% equity interest in Tharisa, an associated company of the Group incorporated in Cyprus with its ordinary shares dual-listed on the Johannesburg Stock Exchange Limited and the London Stock Exchange plc and principally engaged in chrome and platinum group metals mining, processing and trading in South Africa.

As at 30 June 2020, the Group's share of market value of Tharisa amounting to approximately HK\$223.3 million on average, which is lower than its carrying value of approximately HK\$816.9 million (before impairment provision as detailed below). Management has carried out an impairment assessment on the carrying value of such investment based on value in use approach using the discounted cash flow method over a forecast period of life of mine of about 17 years. The estimated cash flows used in the assessment are based on assumptions, such as revenue growth rate, metal price, exchange rate, production volume and discount rate. Long term metal price annual growth of 2.8% are made reference to the business plan and prevailing market conditions. The discount rate of approximately 15.4% (2019: 13.0%) is derived with reference to the weighted average cost of capital of comparable companies that are engaged in mining industry. Based on the assessment, an impairment loss of HK\$330.0 million (note 7(a)(i)) was provided against the Group's investment in Tharisa for FY2020 and was recognized in share of results of associated companies.

The assumptions used in the carrying value assessment are highly judgemental, and heavily dependent on the discount rate used and metal price projection. For example, if the risk premium increases by 0.5% or metal price for the first five projection years decreases by 10% with other variable remain constant, if adopted, would result in a decrease in the recoverable amount of approximately HK\$15.5 million or approximately HK\$77.5 million, respectively, as determined by the value in use calculation.

(ii) Investment in Goshawk

The Group holds 50% equity interest in Goshawk, a joint venture of the Group and principally engaged in aircraft leasing. As at 30 June 2020, the Group's share of net assets was HK\$1,037.7 million (before share of impairment provision as detailed below) and advances to Goshawk was HK\$6,332.7 million (note 31(d)).

In view of the outbreak of the COVID-19 pandemic during the year which brought challenges to aviation industry, Goshawk management has carried out an impairment assessment on the carrying value of its aircraft portfolio. Impairment arises when an aircraft's carrying amount exceeds its recoverable amount (which is the higher of fair value less cost to sell and value in use).

The value in use of an aircraft is derived from discounted cash flow model after taking into account of assumptions, such as forecast rental income, terminal value and discount rate. The discount rate ranged between 5.0% and 6.0% is derived with reference to the weighted average cost of capital of comparable companies that are engaged in aviation industry. Based on the assessment, the Group shared an impairment losses for Goshawk on aircraft portfolio of approximately HK\$64.3 million for FY2020.

6 Critical accounting estimates and judgements (continued)

(a) Impairment of the Group's investments in associated companies and joint ventures (continued)

(ii) *Investment in Goshawk (continued)*

The assumptions used in the carrying value assessment are highly judgemental, and heavily dependent on the discount rate used and revenue projection. For example, if the discount rate increases by 0.5% with other variables remain constant, if adopted, would result in an increase in impairment losses of approximately HK\$91.6 million shared by the Group, as determined by the value in use calculation.

(iii) *Investments in Guangzhou City Nansha Port Expressway and Guangzhou Dongxin Expressway*

In relation to the Group's investment in Guangzhou City Nansha Port Expressway and Guangzhou Dongxin Expressway (joint ventures of the Group) with aggregate carrying value amounting to HK\$1,045.2 million, management has carried out an updated assessment using a discounted cash flow method. In preparing the assessment, management has taken into consideration certain key assumptions such as traffic growth, toll rate growth and discount rate. The annual traffic growth rates of 2% – 15% for the first five projection years was adopted after taking into account the latest transportation network development and prevailing market condition. Discount rate ranged between 8.0% and 8.5% was used to reflect specific risk relating to these investments. Based on the assessment, there was no further impairment for the Group's investments in both expressways as at 30 June 2020. If the discount rate increases by 0.5% with other variables remain constant, if adopted, would not result in any impairment losses to the Group.

(iv) *Investments in Chongqing Silian*

The Group holds 20% equity interest in Chongqing Silian, an associated company of the Group and principally engaged in manufacturing and sale of sapphire substrate and wafer, LED packaging and application. As at 30 June 2020, the Group's carrying costs of Chongqing Silian was approximately HK\$443.6 million (before impairment on goodwill as detailed below).

In view of the challenging business environment and its outlook (including but not limited to oversupply and keen competition in LED market, the outbreak of COVID-19 and China-US disputes in 2020) as well as the operating loss incurred by Chongqing Silian, management assessed recoverability of the Group's carrying value of Chongqing Silian primarily based on fair value less cost of disposal approach. In assessing the recoverable amount, management has also taken into consideration the value of assets pledged held by the Group. Based on the assessment, a goodwill impairment loss of HK\$294.8 million (note 7(a)(i)) was provided against the Group's investment in Chongqing Silian for FY2020.

6 Critical accounting estimates and judgements (continued)

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

For financial assets at FVOCI and financial assets at FVPL with quoted market price, management determined fair value based on quoted market price. The fair value of those financial assets at FVOCI or FVPL that are not traded in an active market is determined by using valuation techniques as detailed in note 5(h)(iv). The Group uses its judgement to select a variety of methods and determine the fair values primarily based on the purchase price paid by the Group, net asset value and taking into account of the analysis of the investees' financial trends and results, risk profile, prospects, industry trends and other factors. Recent transaction prices, if any, are referenced and independent external valuer has been involved in determining fair value of certain unlisted investments. The key assumptions adopted on projected cashflow are based on management's best estimates.

(c) Business combination of FTLife Insurance

In November 2019, the Group completed the acquisition of the entire equity interest of FTLife Insurance at a consideration of HK\$21,812.2 million.

The Group accounted for the acquisition as a business combination in accordance with HKFRS 3 (Revised) "Business Combinations" which requires significant judgement and estimates for identification and valuation of assets acquired and liabilities and contingent liabilities assumed at the acquisition date.

The Group has made an assessment of the fair value of the assets and liabilities as at the acquisition date with assistance from an independent external expert. The fair value of identifiable net assets amounted to HK\$16,235.9 million. A provisional goodwill of HK\$5,576.3 million has been recognized by the Group as a result of this transaction. Further details of the acquisition are set out in note 50.

(d) Impairment of property, plant and equipment, goodwill and financial assets at amortized cost

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts of property, plant and equipment have been determined based on the higher of their fair values less costs of disposal and value in use, taking into account the latest market information and past experience.

The Group tests annually whether goodwill has suffered any impairment according to its recoverable amount determined by the CGU based on either fair value less cost of disposal or value in use calculations whichever is higher. These calculations require the use of estimates which are subject to changes of economic environment in future.

In relation to goodwill and property, plant and equipment associated with transport business, the recoverable amount as at 30 June 2020 is primarily determined based on fair value less cost of disposal approach after considering both internal and external factors and with reference to expected disposal consideration. Based on the assessment, impairment losses of HK\$386.9 million (notes 7(a)(i), 9 and 20) and HK\$375.0 million (notes 7(a)(i), 9 and 18) against goodwill and property, plant and equipment respectively were recognized in the consolidated income statement for the current year. The disposal of the entire issued share capital of NWS Transport is further detailed in note 52.

6 Critical accounting estimates and judgements (continued)

(d) Impairment of property, plant and equipment, goodwill and financial assets at amortized cost (continued)

The loss allowances for financial assets at amortized cost are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(e) Provision for onerous contract

The provision for onerous contract is based on the difference between the total expected cash inflow (revenue) and the total value of future cash outflow (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 revenue and expected expenses in the future. Where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, onerous contract provision is recognized.

An onerous contract provision of HK\$230.0 million (notes 7(a)(i) and 9) was recognized as at 30 June 2020 for the Group's duty free business in view of impact on financial performance and market condition arising from COVID-19 pandemic. 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.

(f) 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.

6 Critical accounting estimates and judgements (continued)

(g) 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.

(h) Valuation of investment properties

The fair value of each investment property is individually determined at the end of each reporting period by management or by independent external valuers based on a market value assessment. Fair value is based on active market prices and adjusted if necessary for any difference in nature, location or conditions of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets, income capitalization approach or professional valuation. These methodologies are based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cash flow profile. The fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

At 30 June 2020, if the market value of investment properties had been 5% (2019: 5%) higher/lower with all other variables held constant, the carrying value of the Group's investment properties would have been HK\$85.2 million (2019: HK\$86.3 million) higher/lower respectively.

Other critical accounting estimates and judgements adopted by the Group after the acquisition of an insurance business are detailed in note 3(c).

7 Revenue and segment information

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

2020 HK\$m	Hong Kong	Mainland China	Global and others	Total
Roads	–	2,070.5	–	2,070.5
Construction	12,454.4	–	–	12,454.4
Insurance	6,180.0	–	–	6,180.0
Facilities Management	1,637.0	47.0	223.3	1,907.3
Transport	3,308.3	–	–	3,308.3
	23,579.7	2,117.5	223.3	25,920.5
2019 HK\$m	Hong Kong	Mainland China	Global and others	Total
Roads	–	2,529.0	–	2,529.0
Aviation	–	–	161.6	161.6
Construction	16,211.0	–	–	16,211.0
Facilities Management	3,391.7	71.2	688.8	4,151.7
Transport	3,780.2	–	–	3,780.2
	23,382.9	2,600.2	850.4	26,833.5

Revenue from insurance business is further analyzed as follows:

	2020 HK\$m	2019 HK\$m
Gross premiums on insurance contracts	5,991.9	–
Less: premiums ceded to reinsurers	(224.7)	–
Premiums, net of reinsurance	5,767.2	–
Fee income on insurance and investment contracts	411.2	–
Reinsurance commission income and refund	(2.0)	–
General insurance commission under agency agreements	3.6	–
Fee and commission income	412.8	–
	6,180.0	–

The basis of revenue recognition of the Group's insurance business is detailed in notes 3(b)(viii) and 3(b)(ix).

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

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

7 Revenue and segment information (continued)

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

HK\$m	Roads	Aviation	Construction	Environment
2020				
Total revenue	2,070.5	-	12,462.4	-
Inter-segment	-	-	(8.0)	-
Revenue – external	2,070.5	-	12,454.4	-
Revenue from contracts with customers:				
Recognized at a point in time	2,070.5	-	-	-
Recognized over time	-	-	12,454.4	-
	2,070.5	-	12,454.4	-
Revenue from other source:				
Insurance revenue	-	-	-	-
	2,070.5	-	12,454.4	-
Attributable Operating Profit/(Loss)				
Company and subsidiaries	543.3	-	757.1	25.7
Associated companies	101.6	-	308.9	159.3
Joint ventures	262.5	421.9	-	169.8
	907.4	421.9	1,066.0	354.8
Reconciliation – corporate office and non-operating items				
Loss on fair value of investment properties				
Impairment losses and provisions				
Net gain on disposal of projects, net of tax				
Net gain on fair value of derivative financial instruments, net of tax				
Interest income				
Finance costs				
Expenses and others				
Profit for the year after non-controlling interests				
Profit attributable to holders of perpetual capital securities				
Profit attributable to shareholders				

(i) The amount mainly represents impairment losses and expected credit loss provision for Tharisa of HK\$330.0 million (as detailed in note 6(a)(i)), Chongqing Silian of HK\$294.8 million (as detailed in note 6(a)(iv), Goshawk of HK\$107.7 million (as detailed in note 25(a)), transport business of HK\$700.0 million (being impairment loss against goodwill of HK\$386.9 million and against property, plant and equipment of HK\$375.0 million as detailed in note 6(d), net of tax HK\$61.9 million) and UMP of HK\$40.0 million (as detailed in note 34) as well as provision for onerous contract of HK\$230.0 million (as detailed in note 6(e)).

(ii) The finance costs recognized in the consolidated income statement for the year amounting to HK\$995.8 million (as detailed in note 12), in which the above HK\$737.4 million represents corporate office finance costs and HK\$258.4 million is recognized as part of Attributable Operating Profit in various reportable segments.

Notes to the Financial Statements

Logistics	Facilities Management	Transport	Strategic Investments	Subtotal	Insurance	Total	
-	1,911.1	3,308.6	-	19,752.6	6,180.0	25,932.6	
-	(3.8)	(0.3)	-	(12.1)	-	(12.1)	
-	1,907.3	3,308.3	-	19,740.5	6,180.0	25,920.5	
-	1,144.1	3,131.5	-	6,346.1	-	6,346.1	
-	763.2	176.8	-	13,394.4	412.8	13,807.2	
-	1,907.3	3,308.3	-	19,740.5	412.8	20,153.3	
-	-	-	-	-	5,767.2	5,767.2	
-	1,907.3	3,308.3	-	19,740.5	6,180.0	25,920.5	
-	(419.5)	(124.5)	243.4	1,025.5	750.4	1,775.9	
91.8	(357.7)	5.7	91.5	401.1	-	401.1	(c)
536.0	5.4	-	(58.3)	1,337.3	-	1,337.3	(c)
627.8	(771.8)	(118.8)	276.6	2,763.9	750.4	3,514.3	
						(22.9)	
						(1,709.4)	(i)
						101.0	
						73.1	
						107.5	
						(737.4)	(ii)
						(491.1)	
						835.1	
						(581.9)	
						253.2	

7 Revenue and segment information (continued)

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

HK\$m	Roads	Aviation	Construction	Environment
2020				
Depreciation of property, plant and equipment	45.0	-	41.5	-
Depreciation of right-of-use assets	0.7	-	25.3	-
Amortization of intangible concession rights	714.9	-	-	-
Amortization of intangible assets	-	-	-	-
Amortization of VOBA	-	-	-	-
Interest income	(49.1)	(0.1)	(3.7)	(30.3)
Finance costs	59.7	-	54.7	-
Income tax expenses/(credit)	368.0	-	139.1	1.4
Overlay approach adjustments on financial assets	-	-	-	-
Net (gain)/loss on fair value of financial assets at FVPL	-	-	-	-
Additions to non-current assets (remark)	5,387.6	-	80.5	-
At 30 June 2020				
Company and subsidiaries	15,554.1	6,332.7	7,462.8	165.2
Associated companies	2,530.9	-	2,009.4	4,722.9
Joint ventures	3,984.3	978.1	0.1	3,199.8
Total assets	22,069.3	7,310.8	9,472.3	8,087.9
Total liabilities	6,034.7	-	8,065.6	44.1

Notes to the Financial Statements

	Facilities Logistics Management	Transport	Strategic Investments	Subtotal	Insurance	Segment Total	Corporate	Consolidated	
	-	122.5	397.1	-	606.1	26.0	632.1	7.8	639.9
	-	95.6	110.5	-	232.1	93.1	325.2	22.8	348.0
	-	-	-	-	714.9	-	714.9	-	714.9
	-	31.2	1.4	-	32.6	23.9	56.5	-	56.5
	-	-	-	-	-	173.5	173.5	-	173.5
	(0.1)	(58.5)	(1.5)	(93.1)	(236.4)	(877.3)	(1,113.7)	(107.5)	(1,221.2)
	-	35.1	29.0	-	178.5	79.9	258.4	737.4	995.8
	8.5	(2.8)	(132.0)	8.0	390.2	43.2	433.4	24.2	457.6
	-	-	-	-	-	(208.2)	(208.2)	-	(208.2)
	-	-	-	(158.6)	(158.6)	223.0	64.4	-	64.4
	-	188.9	274.0	3.3	5,934.3	6,566.4	12,500.7	17.7	12,518.4
	118.1	4,284.5	4,977.2	6,988.5	45,883.1	75,061.9	120,945.0	3,466.0	124,411.0
	1,587.4	528.2	160.3	1,811.2	13,350.3	-	13,350.3	3.2	13,353.5
	2,848.9	5.6	-	1,257.2	12,274.0	-	12,274.0	13.5	12,287.5
	4,554.4	4,818.3	5,137.5	10,056.9	71,507.4	75,061.9 (b)	146,569.3	3,482.7	150,052.0
	68.5	1,544.1	2,116.4	33.2	17,906.6	51,448.3 (b)	69,354.9	23,239.4	92,594.3

7 Revenue and segment information (continued)

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

HK\$'m	Roads	Aviation	Construction	Environment
2019				
Total revenue	2,529.0	161.6	16,211.0	–
Inter-segment	–	–	–	–
Revenue – external	2,529.0	161.6	16,211.0	–
Revenue from contracts with customers:				
Recognized at a point in time	2,529.0	161.6	–	–
Recognized over time	–	–	16,211.0	–
	2,529.0	161.6	16,211.0	–
Attributable Operating Profit/(Loss)				
Company and subsidiaries	899.7	63.9	853.7	28.2
Associated companies	184.6	–	348.4	506.1
Joint ventures	721.2	436.4	1.7	94.7
	1,805.5	500.3	1,203.8	629.0
Reconciliation – corporate office and non-operating items				
Gain on fair value of investment properties				
Net gain on disposal of projects, net of tax				
Net gain on fair value of derivative financial instruments, net of tax				
Interest income				
Finance costs				
Expenses and others				
Profit for the year after non-controlling interests				
Profit attributable to holders of perpetual capital securities				
Profit attributable to shareholders				

Notes to the Financial Statements

Logistics	Facilities Management	Transport	Strategic Investments	Total
–	4,154.8	3,780.6	–	26,837.0
–	(3.1)	(0.4)	–	(3.5)
–	4,151.7	3,780.2	–	26,833.5
–	2,768.1	3,593.8	–	9,052.5
–	1,383.6	186.4	–	17,781.0
–	4,151.7	3,780.2	–	26,833.5
–	(12.7)	(10.1)	196.8	2,019.5
112.2	(390.7)	–	(1.2)	759.4 (c)
538.4	10.0	–	126.1	1,928.5 (c)
650.6	(393.4)	(10.1)	321.7	4,707.4
				33.7
				285.1
				40.1
				78.3
				(373.8)
				(540.7)
				4,230.1
				(186.9)
				4,043.2

7 Revenue and segment information (continued)

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

HK\$m	Roads	Aviation	Construction	Environment
2019				
Depreciation of property, plant and equipment	29.0	–	49.7	–
Amortization of intangible concession rights	859.0	–	–	–
Amortization of intangible assets	–	–	–	–
Interest income	(49.4)	(1.6)	(11.1)	(53.5)
Finance costs	–	–	65.8	–
Income tax expenses/(credit)	400.7	5.2	177.5	10.6
Net gain on fair value of financial assets at FVPL	–	–	–	–
Additions to non-current assets (remark)	34.0	–	31.9	–
As at 30 June 2019				
Company and subsidiaries	11,199.8	6,592.0	7,616.4	177.2
Associated companies	2,573.1	–	2,029.0	5,173.1
Joint ventures	4,621.6	1,612.5	0.1	3,007.9
Total assets	18,394.5	8,204.5	9,645.5	8,358.2
Total liabilities	2,194.4	2.2	8,651.9	55.0

Notes to the Financial Statements

Logistics	Facilities Management	Transport	Strategic Investments	Segment Total	Corporate	Consolidated
–	110.6	394.8	–	584.1	6.3	590.4
–	–	–	–	859.0	–	859.0
–	31.2	1.7	–	32.9	–	32.9
–	(58.0)	(1.2)	(56.9)	(231.7)	(78.3)	(310.0)
–	0.8	11.8	–	78.4	373.8	452.2
22.4	44.0	(7.8)	(1.6)	651.0	0.8	651.8
–	–	–	(117.9)	(117.9)	–	(117.9)
–	95.1	479.2	–	640.2	7.4	647.6
–	4,481.2	5,864.5	5,873.8	41,804.9	16,062.7	57,867.6
1,663.6	1,029.7	–	2,080.4	14,548.9	3.4	14,552.3
2,959.1	5.4	–	1,424.5	13,631.1	14.0	13,645.1
4,622.7	5,516.3	5,864.5	9,378.7	69,984.9	16,080.1	86,065.0
0.3	1,212.2	1,730.6	18.9	13,865.5	14,952.9	28,818.4

7 Revenue and segment information (continued)

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

At 30 June 2020

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

7 Revenue and segment information (continued)

- (c) Reconciliation of Attributable Operating Profit from associated companies and joint ventures to the consolidated income statement:

HK\$m	Note	Associated companies		Joint ventures	
		2020	2019	2020	2019
Attributable Operating Profit		401.1	759.4	1,337.3	1,928.5
Corporate and non-operating items					
Impairment losses and expected credit loss provision	24(d),25(a)	(330.0)	–	(107.7)	–
Others		9.1	(0.1)	11.3	20.0
Share of results of associated companies and joint ventures		80.2	759.3	1,240.9	1,948.5

- (d) Information by geographical areas:

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

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

The Group's share of revenue of associated companies and joint ventures are as follows:

HK\$m	Note	Associated companies		Joint ventures	
		2020	2019	2020	2019
Hong Kong		3,825.3	2,924.3	740.1	729.2
Mainland China		1,693.9	1,927.4	7,644.8	8,095.0
Macau		558.7	609.4	–	–
Global and others		610.8	587.3	5,337.0	5,572.3
	24(j),25(g)	6,688.7	6,048.4	13,721.9	14,396.5

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

Notes to the Financial Statements

8 Cost of sales

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

	Note	2020 HK\$m	2019 HK\$m
Cost of inventories sold	(a)	1,044.9	2,269.6
Cost of construction	(b)	9,894.9	13,637.7
Cost of services rendered		7,202.2	7,718.4
Claims and benefits, net of reinsurance	(c)	5,084.1	–
Amortization of VOBA	21	173.5	–
		23,399.6	23,625.7

- (a) Cost of inventories sold is mainly related to the Group's duty free business. The decrease in amount as compared to last year is primarily due to impact on financial performance and market condition of duty free business arising from COVID-19 pandemic.
- (b) Cost of construction mainly represents subcontractor's costs and material costs.
- (c) Details of claims and benefits, net of reinsurance is shown below:

	2020 HK\$m	2019 HK\$m
Claims	519.9	–
Reinsurers' and coinsurers' share of claims	(236.1)	–
Claims, net of reinsurers' and coinsurers' share	283.8	–
Surrenders, annuities and maturities	886.0	–
Reinsurers' and coinsurers' share	(28.7)	–
	857.3	–
Policyholders' dividends and interests	239.3	–
Incentives to policyholders	103.1	–
Increase in insurance contract liabilities	3,600.6	–
Total claims and benefits, net of reinsurance	5,084.1	–

The accounting policy of claims and benefits is detailed in notes 3(b)(ii) and 3(b)(x).

9 Other income/gains (net)

	Note	2020 HK\$'m	2019 HK\$'m
Net profit on disposal of financial assets at FVOCI (debt instruments)		309.7	–
Gain associated with investments related to unit-linked contracts		122.2	–
Profit on disposal of subsidiaries	49(b)	174.8	140.1
Net gain on fair value of derivative financial instruments		105.6	–
Net (loss)/gain on fair value of financial assets at FVPL		(64.4)	117.9
(Loss)/profit on disposal of an associated company		(9.7)	83.0
Profit on disposal of assets held-for-sale		–	67.6
Profit on disposal of financial assets at FVPL		–	60.4
Interest income			
Financial assets at FVOCI (debt instruments)		822.7	–
Bank deposits and others		398.5	310.0
Dividend income		204.6	92.1
Government grants and subsidies		288.8	74.6
Other income		104.0	127.9
Impairment losses related to associated companies	24(d)	(334.8)	–
Impairment loss on goodwill	6(d),7(a)(i),20	(386.9)	–
Impairment loss on property, plant and equipment	6(d),7(a)(i),18	(375.0)	–
Provision for onerous contract	6(e),7(a)(i)	(230.0)	–
Charges related to unit-linked contracts		(133.9)	–
Loss on partial disposal of interests in an associated company		(67.3)	(54.2)
Net exchange loss		(76.6)	(1.3)
(Loss)/gain on fair value of investment properties	17	(22.9)	33.7
Expected credit loss provision			
Financial assets at FVOCI (debt instruments)		(32.2)	–
Trade, premium and other receivables		(17.7)	(22.2)
		779.5	1,029.6

10 Operating profit

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

	Note	2020 HK\$'m	2019 HK\$'m
Crediting			
Gross rental income from investment properties		54.8	61.0
Less: outgoings		(12.3)	(14.1)
		42.5	46.9
Charging			
Auditors' remuneration		25.7	20.8
Cost of inventories sold		1,044.9	2,269.6
Cost of construction		9,894.9	13,637.7
Cost of services of transport business	(a)	1,226.7	1,257.1
Claims and benefits, net of reinsurance		5,084.1	–
Amortization of VOBA	21	173.5	–
Depreciation of property, plant and equipment	18	639.9	590.4
Depreciation of right-of-use assets	22(c)	348.0	–
Amortization of intangible concession rights	19	714.9	859.0
Amortization of intangible assets	20	56.5	32.9
Agency commission and allowances, net of change in deferred acquisition costs (including amortization of HK\$136.1 million (note 23))		640.0	–
Expenses on short-term leases		118.1	–
Expenses on variable lease payments		86.3	–
Operating lease rental expenses - properties		–	263.1
Staff costs (including directors' emoluments (note 16))	11	4,562.1	4,554.2
Other costs and expenses		1,332.8	1,723.4
		25,948.4	25,208.2
Represented by			
Cost of sales	8	23,399.6	23,625.7
Selling and marketing expenses	(b)	829.5	231.1
General and administrative expenses	(b)	1,719.3	1,351.4
		25,948.4	25,208.2

- (a) Cost of services of transport business mainly represents fuel costs, tunnel charges, repair and maintenances but excluding staff cost and depreciation which have been separately shown above.
- (b) The increases are mainly due to consolidation of expenses associated with the Group's insurance business since the completion of acquisition of FTLife Insurance in November 2019.

11 Staff costs

(a) Staff costs

	Note	2020 HK\$'m	2019 HK\$'m
Wages, salaries and other benefits		4,351.6	4,353.3
Pension costs – defined contribution plans		208.1	198.6
Pension costs – defined benefits plans		2.4	2.3
	10	4,562.1	4,554.2

Directors' emoluments are included in staff costs.

Subsidies received from Employment Support Scheme launched by the HKSAR Government amounting to HK\$70.6 million for June 2020 are net off in total staff costs.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2019: four) directors whose emoluments are reflected in note 16(a). The emoluments of the remaining two individuals (2019: one) during the year are as follows:

	2020 HK\$'m	2019 HK\$'m
Fees	0.1	0.1
Basic salaries, allowances and other benefits	10.2	5.5
Discretionary bonuses	27.4	6.5
Employer's contribution to retirement benefits schemes	1.0	0.6
	38.7	12.7

The emoluments of the individuals fell within the following bands:

Emolument band (HK\$)	Number of individual(s)	
	2020	2019
12,500,001–13,000,000	–	1
13,000,001–13,500,000	1	–
25,000,001–25,500,000	1	–

11 Staff costs (continued)

(c) Emoluments of senior management

Other than the emoluments of five highest paid individuals and directors disclosed in notes 11(b) and 16(a), the emoluments of the senior management whose profiles are included in the “Board of Directors and Senior Management” section of this report fell within the following bands:

	Number of individual(s)	
	2020	2019
Emolument band (HK\$)		
2,500,001–3,000,000	1	1
3,500,001–4,000,000	–	1
4,000,001–4,500,000	1	–
4,500,001–5,000,000	1	–
5,000,001–5,500,000	1	–
5,500,001–6,000,000	–	1
6,000,001–6,500,000	–	1

12 Finance costs

	Note	2020 HK\$'m	2019 HK\$'m
Interest on borrowings and other interest-bearing liabilities		583.9	339.1
Interest on fixed rate bonds		268.1	1.8
Interest on lease liabilities	49(d)	65.9	–
Others		77.9	111.3
		995.8	452.2

13 Income tax expenses

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

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

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

	Note	2020 HK\$m	2019 HK\$m
Current income tax			
Hong Kong profits tax		211.3	237.6
Mainland China and overseas taxation		426.6	577.0
Deferred income tax credit	40	(180.3)	(162.8)
		457.6	651.8

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

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

13 Income tax expenses (continued)

The tax expenses 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:

	2020 HK\$m	2019 HK\$m
Profit before income tax	1,285.1	4,910.5
Excluding share of results of associated companies	(80.2)	(759.3)
Excluding share of results of joint ventures	(1,240.9)	(1,948.5)
	(36.0)	2,202.7
Calculated at a taxation rate of 16.5% (2019: 16.5%)	(5.9)	363.4
Effect of different taxation rates in other countries	71.7	106.7
Tax on 5% of net premium of life insurance business	51.2	–
Results of life insurance business not taxable at the statutory rate	(143.3)	–
Income not subject to taxation	(142.0)	(146.9)
Expenses not deductible for taxation purposes	382.6	190.4
Tax losses not recognized	81.7	49.5
Utilization of previously unrecognized tax losses	(2.4)	(2.9)
Withholding tax	170.5	89.9
Over-provisions in prior years	(5.4)	(1.2)
Others	(1.1)	2.9
Income tax expenses	457.6	651.8

14 Dividends

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

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

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

15 Earnings per share

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

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

The calculation of diluted earnings per share for FY2019 was as follows:

	2019 HK\$'m
Profit attributable to shareholders of the Company and for calculation of diluted earnings per share	4,043.2
	Number of shares
	2019
Weighted average number of shares for calculating basic earnings per share	3,901,972,770
Effect of dilutive potential ordinary shares	
Share options	4,053,508
Weighted average number of shares for calculating diluted earnings per share	3,906,026,278

16 Benefits and interests of directors

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

	Note	2020 HK\$'m	2019 HK\$'m
Remunerations	(i)	79.3	93.5

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.

- (i) The remunerations of individual directors are set out below:

Name of director	As director [#]		As management ^{##}		2020 Total HK\$'m	2019 Total HK\$'m
	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\$		
Dr Cheng Kar Shun, Henry	0.77	0.05	15.38	0.62	16.82	20.71
Mr Ma Siu Cheung**	0.61	0.12	11.08	0.35	12.16	7.98
Dr Cheng Chi Kong, Adrian***	0.35	0.02	4.65	0.39	5.41	–
Mr Cheung Chin Cheung	0.41	0.08	8.39	0.54	9.42	10.20
Mr Cheng Chi Ming, Brian	0.50	0.05	8.40	0.54	9.49	10.26
Mr Ho Gilbert Chi Hang**	0.62	0.06	9.28	0.91	10.87	7.87
Mr Chow Tak Wing**	0.39	0.10	8.84	0.54	9.87	9.34
Mr To Hin Tsun, Gerald	0.30	0.05	–	–	0.35	0.36
Mr Dominic Lai	0.43	0.09	–	–	0.52	0.52
Mr Tsang Yam Pui*	0.31	0.05	–	–	0.36	15.88
Mr Lam Wai Hon, Patrick	0.35	0.06	–	–	0.41	0.42
Mr William Junior Guilherme Doo	0.35	0.06	–	–	0.41	0.42
Mr Kwong Che Keung, Gordon	0.63	0.10	–	–	0.73	0.66
Dr Cheng Wai Chee, Christopher	0.47	0.08	–	–	0.55	0.57
Mr Shek Lai Him, Abraham	0.52	0.09	–	–	0.61	0.62
Mr Lee Yiu Kwong, Alan	0.42	0.09	–	–	0.51	0.52
Mrs Oei Fung Wai Chi, Grace	0.39	0.07	–	–	0.46	0.42
Mr Wong Kwai Huen, Albert**	0.34	0.06	–	–	0.40	0.19
Mr Mak Bing Leung, Rufin [^]	–	–	–	–	–	6.56
	8.16	1.28	66.02	3.89	79.35	93.50

16 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 (continued):

- * Re-designated from executive director to non-executive director on 1 January 2019
- ** Appointed on 9 July 2018
- *** Appointed on 11 October 2019
- ^ Resigned on 13 September 2018
- # The amount represented emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings.
- ## The amount represented emoluments paid or receivable in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings and included basic salaries, discretionary bonuses, employer's contribution to retirement benefit scheme, allowances and other benefits.

(b) Directors' material interest in transactions, arrangements or contracts

On 10 April 2017, 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 in the equity capital of which Mr Doo is or will be directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings from time to time or to control the composition of a majority of the board of directors, and the subsidiaries of such other 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 Mr Cheng Chi Ming, Brian, all of whom except of Mr Doo are directors of the Company.

The DOO Master Services Agreement has an initial term of three years commencing from 1 July 2017. For the year ended 30 June 2020, the approximate total contract sum was HK\$722.1 million (2019: HK\$1,036.5 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.

17 Investment properties

HK\$m	Note	Commercial properties in Hong Kong	Commercial properties in Macau	Residential properties in Mainland China	Total
At 1 July 2019		1,681.0	31.6	13.9	1,726.5
Fair value changes	9	(23.0)	(0.2)	0.3	(22.9)
Translation differences		–	–	(0.5)	(0.5)
At 30 June 2020		1,658.0	31.4	13.7	1,703.1

HK\$m	Note	Commercial properties in Hong Kong	Commercial properties in Macau	Residential properties in Mainland China	Total
At 1 July 2018		1,648.0	30.9	14.4	1,693.3
Fair value changes	9	33.0	0.7	–	33.7
Translation differences		–	–	(0.5)	(0.5)
At 30 June 2019		1,681.0	31.6	13.9	1,726.5

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 2020 by an independent, professionally qualified valuer, Knight Frank Petty Limited, based on a market value assessment or income approach as detailed in note 6(h).

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.

17 Investment properties (continued)

(b) Valuation methods

Fair values of the residential properties in Mainland China are generally derived using the sales comparison method. This valuation method is based on comparing the properties to be valued directly with other comparable properties transacted and/or asking prices. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the properties under consideration.

Fair values of commercial properties in Hong Kong and Macau are generally derived using the income capitalization method. This valuation method is based on the capitalization of the net income and reversionary income potential by adopting appropriate capitalization rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

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

(c) Significant unobservable inputs used to determine fair value

	Fair value at 30 June 2020 HK\$m	Fair value at 30 June 2019 HK\$m	Valuation methods	Unobservable inputs	Range of unobservable inputs for 2020	Range of unobservable inputs for 2019	Note
Commercial properties in Hong Kong	1,658.0	1,681.0	Income capitalization	Capitalization rate	4.20%- 5.20%	4.20%-5.20%	(i)
				Average monthly rental	HK\$40- HK\$450/sq ft HK\$3,600 per carpark space	HK\$45- HK\$478/sq ft HK\$3,640 per carpark space	(ii)
Commercial properties in Macau	31.4	31.6	Income capitalization	Capitalization rate	1.90%- 3.00%	1.90%-2.95%	(i)
				Average monthly rental	HK\$30.0- HK\$34.0/sq ft HK\$3,500 per carpark space	HK\$30.0- HK\$33.8/sq ft HK\$3,500 per carpark space	(ii)
Residential properties in Mainland China	13.7	13.9	Sales comparison	Property specific adjusting factor	0.95-1.00	0.80-1.00	(ii)
	1,703.1	1,726.5					

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.

18 Property, plant and equipment

HK\$m	Note	Land and properties	Other plant and equipment	Construction in progress	Buses, vessels and other motor vehicles	Total
Cost						
At 30 June 2019		1,359.6	2,499.1	142.0	3,970.9	7,971.6
Impact on initial adoption of HKFRS 16	2(b)	(211.9)	-	-	-	(211.9)
At 1 July 2019, restated		1,147.7	2,499.1	142.0	3,970.9	7,759.7
Acquisition of subsidiaries	50(b)	-	110.4	-	0.4	110.8
Additions		-	534.8	48.0	167.4	750.2
Disposals		-	(152.6)	-	(23.5)	(176.1)
Disposal of subsidiaries	49(b)	(15.2)	(27.8)	-	(190.4)	(233.4)
Transfers		-	1.0	(88.0)	87.0	-
Translation differences		-	(6.0)	-	(0.1)	(6.1)
At 30 June 2020		1,132.5	2,958.9	102.0	4,011.7	8,205.1
Accumulated depreciation and impairment						
At 30 June 2019		175.5	1,612.7	-	770.0	2,558.2
Impact on initial adoption of HKFRS 16	2(b)	(27.0)	-	-	-	(27.0)
At 1 July 2019, restated		148.5	1,612.7	-	770.0	2,531.2
Depreciation	10	45.5	259.7	-	334.7	639.9
Impairment	6(d),7(a)(i),9	84.5	-	-	290.5	375.0
Disposals		-	(120.0)	-	(19.3)	(139.3)
Disposal of subsidiaries	49(b)	(4.4)	(14.9)	-	(59.9)	(79.2)
Translation differences		-	(3.9)	-	(0.1)	(4.0)
At 30 June 2020		274.1	1,733.6	-	1,315.9	3,323.6
Net book value						
At 30 June 2020		858.4	1,225.3	102.0	2,695.8	4,881.5

18 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 2018		1,359.6	2,363.9	85.4	3,586.0	7,394.9
Additions		–	180.1	160.4	307.1	647.6
Disposals		–	(36.0)	–	(24.3)	(60.3)
Disposal of subsidiaries	49(b)	–	(2.6)	–	–	(2.6)
Transfers		–	1.6	(103.8)	102.2	–
Translation differences		–	(7.9)	–	(0.1)	(8.0)
At 30 June 2019		1,359.6	2,499.1	142.0	3,970.9	7,971.6
Accumulated depreciation and impairment						
At 1 July 2018		113.4	1,446.6	–	464.6	2,024.6
Depreciation	10	62.1	206.5	–	321.8	590.4
Disposals		–	(34.1)	–	(16.3)	(50.4)
Disposal of subsidiaries	49(b)	–	(1.6)	–	–	(1.6)
Translation differences		–	(4.7)	–	(0.1)	(4.8)
At 30 June 2019		175.5	1,612.7	–	770.0	2,558.2
Net book value						
At 30 June 2019		1,184.1	886.4	142.0	3,200.9	5,413.4

19 Intangible concession rights

	Note	2020 HK\$m	2019 HK\$m
Cost			
At beginning of year		18,153.1	19,143.8
Additions	(a)	5,167.4	–
Disposals		(233.2)	(125.6)
Translation differences		(669.3)	(865.1)
At end of year		22,418.0	18,153.1
Accumulated amortization and impairment			
At beginning of year		8,092.3	7,651.9
Amortization	10	714.9	859.0
Disposals		(203.2)	(64.5)
Translation differences		(269.9)	(354.1)
At end of year		8,334.1	8,092.3
Net book value			
At end of year	(b)	14,083.9	10,060.8

(a) Additions mainly represent acquisition of intangible concession rights of Changliu Expressway during the current year.

(b) Intangible concession rights refer to the Group's investment in the Roads segment. Amortization of intangible concession rights is included in the cost of sales in the consolidated income statement.

20 Intangible assets

HK\$m	Note	Goodwill	Operating right and others	Total
Cost				
At 1 July 2019		422.0	636.4	1,058.4
Acquisition of subsidiaries	50(b)	5,576.3	90.5	5,666.8
Additions		–	44.5	44.5
Disposals		(6.6)	–	(6.6)
Disposal of subsidiaries	49(b)	(9.8)	(69.2)	(79.0)
At 30 June 2020		5,981.9	702.2	6,684.1
Accumulated amortization and impairment				
At 1 July 2019		15.4	324.3	339.7
Amortization	10	–	56.5	56.5
Impairment	6(d),7(a)(i),9	386.9	–	386.9
Disposal of subsidiaries	49(b)	–	(5.8)	(5.8)
At 30 June 2020		402.3	375.0	777.3
Net book value				
At 30 June 2020		5,579.6	327.2	5,906.8
HK\$m	Note	Goodwill	Operating right and others	Total
Cost				
At 1 July 2018		424.0	636.4	1,060.4
Disposals		(2.0)	–	(2.0)
At 30 June 2019		422.0	636.4	1,058.4
Accumulated amortization and impairment				
At 1 July 2018		15.4	291.4	306.8
Amortization	10	–	32.9	32.9
At 30 June 2019		15.4	324.3	339.7
Net book value				
At 30 June 2019		406.6	312.1	718.7

20 Intangible assets (continued)

(a) Goodwill

A summary of the goodwill allocation to segment is presented below:

HK\$m	Note	Hong Kong	Mainland China	Total
At 30 June 2020				
Roads		–	3.3	3.3
Insurance		5,576.3	–	5,576.3
		5,576.3	3.3	5,579.6
At 30 June 2019				
Roads		–	9.9	9.9
Transport		396.7	–	396.7
		396.7	9.9	406.6

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. The impairment of goodwill associated with Transport segment is detailed in note 6(d).

For Insurance segment, annual growth rates for premium from new business being 15%–25% for the first five projection years and steady growth rate of 5% for the next five projection years are determined by considering both internal and external factors. Discount rate of 7.75% was used to reflect specific risk relating to such business. The assessment indicated no impairment is required on the carrying value of goodwill of Insurance segment as at 30 June 2020.

The assumptions used in the carrying value assessment are highly judgmental, and heavily dependent on the discount rate used and premium from new business projection. For example, any increase in the risk premium or any decrease in the premium from new business projection with other variables remain constant, if adopted, would result in decrease in the recoverable amount as determined by the value in use calculation.

(b) Operating right and others

Operating right was primarily resulted from the acquisition of right to operate facilities management business and is amortized over the period of the operating right. As at 30 June 2020, other intangible asset 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. As at 30 June 2019, other intangible asset represents the licences to operate and provide services under the Group's Transport segment. 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.

21 Value of business acquired

	Note	HK\$'m
At 1 July 2019		–
Acquisition of subsidiaries	50(b)	5,825.0
Amortization	8,10	(173.5)
At 30 June 2020		5,651.5

The nature and measurement of value of business acquired are detailed in note 3(b)(v).

22 Right-of-use assets

	At 30 June 2020 HK\$'m	At 1 July 2019 HK\$'m
Leasehold land	635.7	695.0
Buildings, plant and equipment	657.0	137.0
Others	707.0	791.0
	1,999.7	1,623.0

- (a) Rental contracts capitalized as right-of-use assets are typically made for fixed periods range from 21 months to 19 years for buildings, plant and equipment and others, but may have extension options which majority of these options are exercisable only by the Group and not by the respective lessors. Lease term for leasehold land ranges from 3 years to 125 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

- (b) For FY2020, additions to the right-of-use assets were HK\$778.7 million, which includes an amount of HK\$557.5 million in relation to the acquisition of subsidiaries (note 50(b)).
- (c) Depreciation of right-of-use assets for FY2020:

	Note	HK\$'m
Leasehold land		124.2
Buildings, plant and equipment		139.8
Others		84.0
	10	348.0

23 Deferred acquisition costs

	Note	HK\$m
At 1 July 2019		–
Additions of new business		824.3
Amortization	10	(136.1)
At 30 June 2020		688.2

The nature and measurement of deferred acquisition costs are detailed in note 3(b)(vi).

24 Associated companies

	Note	2020 HK\$m	2019 HK\$m
Group's share of net assets			
Listed shares – Hong Kong	(a)	2,967.1	2,627.4
Listed shares – Overseas	(a)	486.9	850.6
Unlisted shares	(b),(c),2(a)	8,305.8	7,810.0
		11,759.8	11,288.0
Goodwill		278.1	591.8
Amounts receivable			
Gross amount	(e)	2,575.3	2,672.5
Less: expected credit loss provision	(f),2(a)	(1,259.7)	–
	(d)	13,353.5	14,552.3

(a) As at 30 June 2020, the carrying amount represents the Group's investments in Wai Kee Holdings Limited, Shoucheng Holdings Limited (formerly known as Shougang Concord International Enterprises Company Limited) and Tharisa. The share of market value of the Group's listed associated companies amounts to HK\$2,197.3 million (2019: HK\$2,152.6 million).

(b) As at 30 June 2020, the Group has provided a pledge over its 30% equity interest in an associated company which owns and operates Suiyuenan Expressway with carrying amount of approximately HK\$1,443.2 million (2019: HK\$1,477.4 million) as security for a bank loan made by that associated company.

(c) As at 30 June 2020, the carrying amount mainly represents the Group's investments in various infrastructure, ports, healthcare, transport, strategic investments and other projects.

24 Associated companies (continued)

(d) Management regularly reviews whether there are any indications of impairment of the Group's investments in associated companies as detailed in note 6(a). Management is of the view that there is no impairment of the Group's investments in associated companies as at 30 June 2020 except for the impairment losses of HK\$330.0 million for Tharisa's mining rights shared by the Group for FY2020 as detailed in note 6(a)(i), and goodwill impairment losses for HK\$334.8 million (note 9) recognised in other income/gains (net) in the consolidated income statement in FY2020, among which HK\$294.8 million was provided against the Group's investment in Chongqing Silian as detailed in note 6(a)(iv) and HK\$40.0 million was provided against the Group's investment in UMP as detailed in note 34.

(e) Amounts receivable are analyzed as follows:

	Note	2020 HK\$'m	2019 HK\$'m
Interest bearing	(i)	2,563.3	2,608.9
Non-interest bearing		12.0	63.6
		2,575.3	2,672.5

(i) The balance includes an amount of HK\$104.7 million (2019: HK\$104.7 million) which carries interest at 8% per annum, an aggregate amount of HK\$1,600.0 million (2019: HK\$1,600.0 million) which carries interest at 6-month HIBOR plus a margin of 1.3% per annum, an amount of HK\$751.8 million (2019: HK\$793.8 million) which carries interest 1-month HIBOR plus a margin of 1.025% per annum and an amount of HK\$106.8 million (2019: HK\$110.4 million) which carries interest at one-to-five-year Renminbi benchmark lending rate published by People's Bank of China.

The amounts are not repayable within the next 12 months from the end of the reporting period. As at 30 June 2020, the carrying amounts of the amounts receivable are not materially different from their fair values.

(f) Upon adoption of HKAS 28 (Amendment) on 1 July 2019, expected credit loss provision of HK\$916.1 million was reclassified from the Group's share of net assets to set off against amounts receivable from associated companies. Additional provision of HK\$343.6 million was recognized for FY2020. The aggregate balance mainly represents share of loss from associated companies.

(g) Dividend income from associated companies for the year is HK\$534.6 million (2019: HK\$463.2 million). The amount of dividend income received during the year amounting to HK\$345.6 million (2019: HK\$484.5 million) is disclosed in the consolidated statement of cash flows.

(h) Details of principal associated companies are given in note 57. The directors of the Company were of the view that as at 30 June 2020, there is no individual associated company that was material to the Group.

(i) Financial guarantee contracts relating to associated companies are disclosed in note 48.

24 Associated companies (continued)

- (j) The Group's share of revenue, results, assets and liabilities of associated companies are summarized below:

	Note	2020 HK\$m	2019 HK\$m
Revenue	7(d)	6,688.7	6,048.4
Profit for the year		80.2	759.3
Other comprehensive loss for the year		(469.5)	(427.6)
Total comprehensive (loss)/income for the year		(389.3)	331.7
Non-current assets		19,002.3	19,531.3
Current assets		4,199.9	3,842.5
Current liabilities		(5,153.3)	(4,645.6)
Non-current liabilities		(7,548.8)	(7,440.2)
Net assets		10,500.1	11,288.0

25 Joint ventures

	Note	2020 HK\$m	2019 HK\$m
Co-operative joint ventures			
Cost of investment less provision		1,116.5	1,392.4
Goodwill		86.2	86.2
Share of undistributed post-acquisition results		1,715.2	1,980.7
Amounts receivable	(b)	21.3	12.8
		2,939.2	3,472.1
Equity joint ventures			
Group's share of net assets		3,289.0	4,099.7
Goodwill		87.2	87.2
		3,376.2	4,186.9
Companies limited by shares			
Group's share of net assets	(c),2(a)	4,358.3	3,342.2
Goodwill		180.2	180.2
Amounts receivable			
Gross amount	(b)	2,820.9	2,688.3
Less: expected credit loss provision	(c),2(a)	(1,387.3)	–
Amounts payable		–	(224.6)
		5,972.1	5,986.1
	(a)	12,287.5	13,645.1

25 Joint ventures (continued)

(a) As at 30 June 2020, the carrying amount mainly represents the Group's investments in various infrastructure, logistics, commercial aircraft leasing and other projects. Management is of the view that there is no impairment of the Group's investment in joint ventures as at 30 June 2020 except for impairment losses of approximately HK\$64.3 million shared by the Group from Goshawk for FY2020 as detailed in note 6(a)(ii), and the Group's share of an expected credit loss provision of HK\$43.4 million from Goshawk in relation to accounts receivables as at 30 June 2020. The key assumptions used in the expected credit loss assessment include credit rating of airlines and provision rate.

(b) Amounts receivable are analyzed as follows:

	Note	2020 HK\$m	2019 HK\$m
Interest bearing	(i)	421.4	258.2
Non-interest bearing	(ii)	2,420.8	2,442.9
		2,842.2	2,701.1

(i) The balance includes an amount of HK\$21.3 million (2019: HK\$12.8 million) which carries interest at Hong Kong prime rate, an amount of HK\$219.8 million (2019: HK\$227.3 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\$180.3 million (2019: HK\$18.1 million) which carries interest at 4% per annum.

(ii) The balance includes an amount of HK\$197.5 million (2019: HK\$197.5 million) which has been subordinated to certain indebtedness of a joint venture.

As at 30 June 2020, the carrying amounts of the amounts receivable are not materially different from their fair values.

(c) Upon adoption of HKAS 28 (Amendment) on 1 July 2019, expected credit loss provision of HK\$1,308.5 million was reclassified from the Group's share of net assets to set off against amounts receivable from joint ventures. Additional provision of HK\$78.8 million was recognized for FY2020. The aggregate balance mainly represents share of loss from joint ventures.

(d) Dividend income from joint ventures for the year is HK\$1,770.1 million (2019: HK\$1,857.9 million). The amount of dividend income received during the year amounting to HK\$1,656.7 million (2019: HK\$1,887.7 million) is disclosed in the consolidated statement of cash flows.

(e) Details of principal joint ventures are given in note 58. The directors of the Company were of the view that as at 30 June 2020, there is no individual joint venture that was material to the Group.

(f) Financial guarantee contracts relating to joint ventures are disclosed in note 48.

Notes to the Financial Statements

25 Joint ventures (continued)

(g) The Group's share of revenue, results, assets and liabilities of joint ventures are summarized below:

	Note	2020 HK\$'m	2019 HK\$'m
Revenue	7(d)	13,721.9	14,396.5
Profit for the year		1,240.9	1,948.5
Other comprehensive loss for the year		(699.1)	(993.6)
Total comprehensive income for the year		541.8	954.9
Non-current assets		45,196.9	43,984.0
Current assets		5,876.4	6,016.9
Current liabilities		(14,470.1)	(13,003.6)
Non-current liabilities		(27,511.5)	(26,182.3)
Net assets		9,091.7	10,815.0

26 Financial assets at fair value through other comprehensive income

	Note	2020 HK\$'m	2019 HK\$'m
Equity securities			
Listed in Hong Kong		2,448.8	1,805.3
Unlisted	(a)	357.6	319.8
		2,806.4	2,125.1
Debt securities			
Listed in Hong Kong		7,613.8	–
Listed in Overseas		24,700.5	–
Unlisted	(a)	3,419.1	–
	(b)	35,733.4	–
	(c)	38,539.8	2,125.1
Represented by			
Non-current assets		38,011.7	2,125.1
Current assets		528.1	–
		38,539.8	2,125.1

26 Financial assets at fair value through other comprehensive income (continued)

(a) Unlisted investments are stated at fair values which are determined by the recent transaction price or estimated using a variety of valuation methods or assessed the reasonableness with reference to market comparables, with the assistance of independent external valuer when necessary.

(b) A maturity profile of the debt securities is as follows:

	2020 HK\$'m	2019 HK\$'m
Within one year	528.1	–
In the second to fifth year	1,439.4	–
After the fifth year	33,765.9	–
	35,733.4	–

(c) The financial assets at fair value through other comprehensive income are denominated in the following currencies:

	2020 HK\$'m	2019 HK\$'m
Hong Kong dollar	5,743.8	2,125.1
United States dollar	32,796.0	–
	38,539.8	2,125.1

27 Financial assets at fair value through profit or loss

	Note	2020 HK\$m	2019 HK\$m
Equity securities			
Listed in Hong Kong		112.7	–
Listed in Overseas		17.3	–
Unlisted	(a)	256.9	428.0
		386.9	428.0
Unlisted debt securities	(a)	1,532.3	1,629.1
Investment funds			
Listed		3,493.9	–
Unlisted	(a)	3,448.3	2,243.0
	(b),(c)	6,942.2	2,243.0
	(d)	8,861.4	4,300.1
Represented by			
Non-current assets		8,488.2	4,300.0
Current assets		373.2	0.1
		8,861.4	4,300.1

Financial assets at FVPL related to unit-linked contracts are detailed in note 32(a).

As mentioned in note 3(b)(xiii), 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 securities and investment funds that are managed as underlying assets supporting the insurance contracts issued and those fair values are generally expected to be volatile. The designated eligible financial assets applying the overlay approach, which are included in the financial assets at fair value through profit or loss, at the end of the reporting period are analyzed below:

	2020 HK\$m	2019 HK\$m
Equity securities	97.6	–
Investment funds	3,922.0	–
	4,019.6	–

27 Financial assets at fair value through profit or loss (continued)

During the year, the total amount of overlay approach adjustments reclassified between profit or loss and other comprehensive income was derived from:

	2020 HK\$m	2019 HK\$m
The amount of losses reported in profit or loss and presented in consolidated income statement within other income/gains (net) under HKFRS 9 for the designated financial assets	(202.3)	–
Overlay approach adjustments on financial assets in profit or loss	208.2	–
The amount of gains that would have been reported in profit or loss for the designated financial assets as if HKAS 39 had been applied	5.9	–

- (a) Unlisted investments are stated at fair values which are estimated using a variety of valuation methods or assessed the reasonableness with reference to market comparables, with the assistance of independent external valuer, when necessary.
- (b) As at 30 June 2020, the Group holds certain investment funds with aggregate fair value of HK\$2,452.0 million (2019: HK\$1,444.1 million) which are managed by the general partner while the Group participated in the funds as a limited partner. Management considered that the Group has neither significant influence nor joint control over the fund and therefore it is classified as financial assets at fair value through profit or loss.
- (c) As at 30 June 2020, the Group holds participating shares of an investment fund with fair value of HK\$776.7 million (2019: HK\$658.4 million). Given all relevant investment decision making power is rested with the management shareholder and investment manager. There is no mechanism in place that allow participating shareholder to participate in investment related decision making. Management considered that the Group has neither significant influence nor joint control over this investment and therefore accounted for this investment as financial assets at fair value through profit or loss.
- (d) The financial assets at fair value through profit or loss are denominated in the following currencies:

	2020 HK\$m	2019 HK\$m
Hong Kong dollar	753.2	48.6
United States dollar	7,749.3	3,420.9
Renminbi	291.6	787.9
Pound Sterling	42.9	42.7
Euro	23.7	–
Others	0.7	–
	8,861.4	4,300.1

28 Derivative financial instruments

	Note	2020 HK\$'m	2019 HK\$'m
Derivative financial assets			
Cross currency swaps	(a)	0.2	34.4
Interest rate swaps	(b)	1,493.0	–
Fuel price swaps		–	5.6
Foreign currency forward contracts		0.6	–
Put option	(c)	478.9	–
		1,972.7	40.0
Represented by			
Non-current assets		1,972.0	34.4
Current assets		0.7	5.6
		1,972.7	40.0
Derivative financial liabilities			
Cross currency swaps	(a)	(92.9)	–
Interest rate swaps		(3.6)	(15.3)
Fuel price swaps		(141.5)	(5.3)
Foreign currency forward contracts		(0.4)	(11.5)
		(238.4)	(32.1)
Represented by			
Non-current liabilities		(140.7)	(8.3)
Current liabilities		(97.7)	(23.8)
		(238.4)	(32.1)

(a) Cross currency swaps

As at 30 June 2020, 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\$122.9 million (2019: Nil) and HK\$1,005.7 million (2019: Nil), respectively, and with maturities ranging from 2020 to 2029. These cross currency swap contracts are entered with several counterparties over the counter. The Group seeks to hedge the foreign currency risk by the exchange of payments denominated in targeted currency, and applies a hedge ratio of 1:1. The existence of an economic relationship between the cross currency swap contracts and the highly probable forecast transactions/actual transaction is determined based on their currency amounts and the timing of their respective cash flows. The terms of the cross currency swap contracts have been negotiated to match the terms of the underlying bond investments and bank loan. The cash flow hedges were assessed to be highly effective and the related cumulative losses in the hedge reserve amounted to HK\$72.9 million (2019: Nil).

28 Derivative financial instruments (continued)

(b) Interest rate swaps

As at 30 June 2020, 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 USD published by the British Banker's Association. The total notional amount was US\$450.0 million (2019: Nil). The cash flow hedge was assessed to be highly effective and the related cumulative gains in the hedge reserve amounted to HK\$477.9 million (2019: Nil).

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 2020, the Group's insurance business received HK\$1,582.0 million (2019: Nil) 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 2020, the Group's insurance business holds a put option to sell or dispose of an equity investment held by the Group, which is classified as financial assets at FVOCI, at a specified price within a specified transaction period. As at 30 June 2020, the fair value of the underlying equity investment amounted to HK\$252.3 million (2019: Nil).

29 Other non-current assets

	Note	2020 HK\$'m	2019 HK\$'m
Deposits paid for acquisition of a subsidiary	50(b)	–	3,120.0
Security deposits		400.7	852.2
Deferred tax assets	40	22.8	28.0
Policy loans		478.4	–
Others		296.8	3.3
		1,198.7	4,003.5

30 Inventories

	2020 HK\$'m	2019 HK\$'m
Raw materials and consumables	89.7	105.0
Finished goods	238.9	323.6
	328.6	428.6

31 Trade, premium and other receivables

	Note	2020 HK\$'m	2019 HK\$'m
Trade receivables	(a)	1,924.4	1,971.1
Premium receivables		344.4	–
Other receivables, deposits and prepayments	(b)	4,843.4	4,077.3
Retention money receivables		1,697.8	1,681.2
Contract assets	35	201.2	45.7
Amounts due from associated companies	(c)	271.1	37.7
Amounts due from joint ventures	(c),(d)	6,925.2	6,179.0
		16,207.5	13,992.0

(a) Trade receivables can be further analyzed as follows:

The ageing analysis of trade receivables based on invoice date is as follows:

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

The Group has various credit policies for different business operations depending on the requirements of the markets and businesses in which the subsidiaries operate. Retention money receivables in respect of construction services are settled in accordance with the terms of respective contracts.

31 Trade, premium and other receivables (continued)

(a) (continued)

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected credit loss allowance for trade receivables. The movement of loss allowance is as follows:

	2020 HK\$'m	2019 HK\$'m
At beginning of year	–	0.8
Amounts provided during the year	–	0.2
Amounts recovered during the year	–	(0.8)
Amounts written off during the year	–	(0.2)
At end of year	–	–

No loss allowance was provided for retention money receivables and contract asset as they have a low risk of default.

- (b) The balance includes construction related receivables amounting to HK\$2,789.2 million (2019: HK\$2,901.1 million) which have not yet been billed at year end.
- (c) As at 30 June 2020, 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\$280.8 million (2019: HK\$280.8 million) due from a joint venture which carries interest at 12-month LIBOR plus a margin of 12.15% per annum.
- (d) The balance mainly includes advances to Goshawk amounting to HK\$6,332.7 million (2019: HK\$5,746.7 million) are interest free and unsecured, of which HK\$6,331.3 million (2019: HK\$5,743.3 million) are repayable within the next 12 months from the end of reporting period.
- (e) Included in the Group's trade, premium and other receivables are HK\$8,047.7 million (2019: HK\$6,495.0 million) denominated in United States dollar, HK\$545.9 million (2019: HK\$620.0 million) denominated in Renminbi and HK\$14.8 million (2019: HK\$18.0 million) denominated in Macau Pataca. The remaining balances are mainly denominated in Hong Kong dollar.

32 Investments/liabilities related to unit-linked contracts

(a) Investments related to unit-linked contracts are analyzed as follows:

	2020 HK\$m	2019 HK\$m
Financial assets at FVPL – Investment funds, at fair value	8,884.2	–
Cash and bank balances	169.4	–
	9,053.6	–

The classification and measurement of financial assets at FVPL related to unit-linked contracts are in accordance with HKFRS 9.

(b) Liabilities related to unit-linked contracts are analyzed as follows:

	2020 HK\$m	2019 HK\$m
Insurance contract liabilities	666.9	–
Investment contract liabilities	8,554.9	–
	9,221.8	–
Represented by		
Non-current liabilities	168.2	–
Current liabilities	9,053.6	–
	9,221.8	–

The classification and measurement of insurance contract liabilities and investment contract liabilities related to unit-linked contracts are detailed in notes 3(b)(ii) and 3(b)(iii), respectively.

33 Cash and bank balances

	2020 HK\$'m	2019 HK\$'m
Time deposits – maturing within three months	7,973.4	7,053.2
Time deposits – maturing after more than three months	13.6	13.5
Pledged deposits	10.0	–
Other cash at bank and on hand	5,224.8	7,992.2
Cash and bank balances	13,221.8	15,058.9

The effective interest rate on time deposits is 1.5% (2019: 2.6%) per annum; these deposits have an average maturity of 17 days (2019: 16 days).

The balances include HK\$2,898.5 million (2019: HK\$1,977.0 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:

	2020 HK\$'m	2019 HK\$'m
Hong Kong dollar	3,601.7	4,258.1
Renminbi	3,006.8	1,972.6
United States dollar	6,467.8	8,766.3
Euro	111.8	0.8
Macau Pataca	12.3	45.6
Others	21.4	15.5
	13,221.8	15,058.9

34 Assets held-for-sale

During the year, the Group reclassified certain investments from associated companies to assets held-for-sale. The balance as at 30 June 2020 mainly includes the Group's 20% equity interest in UMP which is principally engaged in healthcare business. As at 30 June 2020, the Group's interest in UMP amounting to HK\$72.7 million was classified as assets held-for-sale as the Group intended to recover the carrying amount through a sale transaction. The recoverable amount is determined primarily based on estimated disposal consideration. Based on the assessment, a provision of HK\$40.0 million (notes 7(a)(i) and 24(d)) for goodwill impairment was made against the Group's interests in associated companies in FY2020.

35 Contract assets and contract liabilities

Contract assets and contract liabilities are related to the Group's construction business, details are as follows:

	Note	2020 HK\$'m	2019 HK\$'m
Contract assets	31	201.2	45.7
Contract liabilities	44	(1,311.8)	(1,337.3)
		(1,110.6)	(1,291.6)

The following table shows the amount of the revenue recognized in the current reporting period relates to contract liability balance at the beginning of the year and the amount relates to performance obligations that were satisfied in previous years:

	2020 HK\$'m	2019 HK\$'m
Revenue recognized that was included in the contract liability balance at the beginning of the year	1,006.9	2,791.6
Revenue recognized from performance obligations satisfied/ partially satisfied in previous years	272.2	900.0

The following table shows the amount of unsatisfied performance obligations:

	2020 HK\$'m	2019 HK\$'m
Expected to be recognized within one year	19,672.6	12,271.6
Expected to be recognized after one year	16,475.6	29,342.1
	36,148.2	41,613.7

36 Share capital

	Ordinary Shares	
	No. of shares	HK\$m
Authorized		
At 1 July 2019 and 30 June 2020	6,000,000,000	6,000.0
Issued and fully paid		
At 1 July 2018	3,896,506,451	3,896.5
Exercise of share options	14,631,398	14.6
At 30 June 2019 and 30 June 2020	3,911,137,849	3,911.1

Share Option Scheme

The share option scheme of the Company (the "Share Option Scheme"), which was adopted on 21 November 2011, is valid and effective for a period of ten years from the date of adoption. The Board may, at their discretion, grant options to any eligible participant as defined under the Share Option Scheme to subscribe for the shares of the Company. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the share capital of the Company in issue as at 21 November 2011, i.e. 3,388,900,598 shares.

Movements in the number of share options outstanding during the year are as follows:

	Number of options	
	2020	2019
At beginning of year	26,047,602	41,241,393
Lapsed	(26,047,602)	(562,393)
Exercised	–	(14,631,398)
At end of year	–	26,047,602

36 Share capital (continued)

On 9 March 2015, 55,470,000 share options were granted to directors and certain eligible participants at the exercise price of HK\$14.16 per share, which represents the average closing price of the Company's shares in the daily quotations sheets of the Hong Kong Stock Exchange for the five consecutive trading days immediately preceding 9 March 2015. All unexercised share options were lapsed on 9 March 2020.

Pursuant to the Share Option Scheme, the number of unexercised share options and the exercise price may be subject to adjustment in case of alteration in the capital structure of the Company. Due to the distribution of dividends of the Company in scrip form in prior years, several adjustments had been made to the number and the exercise price of outstanding share options in accordance with the Share Option Scheme in prior years. With effect from 15 May 2017, the exercise price per share for the share options granted was adjusted to HK\$14.12.

Share options outstanding at 30 June 2019 were granted to:

	Number of options
Directors	22,596,031
Other eligible participants	3,451,571
	<hr/> 26,047,602 <hr/>

The share options were vested according to the Share Option Scheme and the terms of grant provided that for the vesting to occur the grantee has to remain as an eligible participant on such vesting date. All share options outstanding as at 30 June 2019 are fully vested.

37 Reserves

HK\$'m	Note	Share premium	Special reserves	Hedge reserve	FVOCI reserve (non-recycling)	FVOCI reserve (recycling)	Exchange reserve	Revenue reserve	Total
At 30 June 2019		17,821.5	784.5	(421.5)	(704.7)	-	(635.6)	28,290.7	45,134.9
Impact on initial adoption of HKFRS 16	2(b)	-	-	-	-	-	-	(106.6)	(106.6)
At 1 July 2019, restated		17,821.5	784.5	(421.5)	(704.7)	-	(635.6)	28,184.1	45,028.3
Profit attributable to shareholders of the Company		-	-	-	-	-	-	253.2	253.2
Dividends paid to shareholders of the Company		-	-	-	-	-	-	(2,268.5)	(2,268.5)
Release of reserves upon disposal/partial disposal of interests in associated companies		-	(8.5)	-	-	-	(6.0)	-	(14.5)
Release of reserves upon disposal of subsidiaries		-	-	24.7	(1.8)	-	-	1.8	24.7
Release of reserve upon disposal of financial assets at FVOCI (equity instruments)		-	-	-	666.1	-	-	(666.1)	-
Release of reserve upon disposal of financial assets at FVOCI (debt instruments)		-	-	-	-	(309.7)	-	-	(309.7)
Net fair value changes on financial assets at FVOCI (equity instruments)		-	-	-	-	-	-	-	-
Group	(a)	-	-	-	(761.5)	-	-	-	(761.5)
Associated company		-	-	-	(15.7)	-	-	-	(15.7)
Joint venture		-	-	-	3.1	-	-	-	3.1
Net fair value changes and other net movements on financial assets at FVOCI (debt instruments)	(a)	-	-	-	-	1,881.1	-	-	1,881.1
Amount reported in other comprehensive income applying overlay approach adjustments on financial assets		-	-	-	-	(208.2)	-	-	(208.2)
Currency translation differences		-	-	-	-	-	-	-	-
Group		-	-	-	-	-	(472.2)	-	(472.2)
Associated companies		-	-	-	-	-	(424.0)	-	(424.0)
Joint ventures		-	-	-	-	-	(388.5)	-	(388.5)
Share of other comprehensive (loss)/income of associated companies and joint ventures		-	(13.3)	-	-	-	-	0.4	(12.9)
Cash flow/fair value hedges		-	-	-	-	-	-	-	-
Group		-	-	438.3	-	-	-	-	438.3
Associated company		-	-	2.1	-	-	-	-	2.1
Joint venture		-	-	(309.0)	-	-	-	-	(309.0)
Remeasurement of post-employment benefit obligation		-	-	-	-	-	-	32.0	32.0
Transaction costs in relation to the issuance of perpetual capital securities		-	-	-	-	-	-	(22.2)	(22.2)
Transfer of reserves	(b)	-	(234.6)	-	-	-	-	234.6	-
At 30 June 2020		17,821.5	528.1	(265.4)	(814.5)	1,363.2	(1,926.3)	25,749.3	42,455.9

(a) The amounts 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 equity instruments and debt instruments are mainly relating to investments held by the Group's insurance business.

(b) The amount mainly includes the transfer of share option reserve HK\$254.9 million to revenue reserve.

37 Reserves (continued)

HK\$m	Share premium	Special reserves	Hedge reserve	Investment revaluation reserve	FVOCI reserve (non-recycling)	Exchange reserve	Revenue reserve	Total
At 30 June 2018	17,629.5	675.9	121.7	(874.8)	-	982.9	27,518.3	46,053.5
Impact on initial adoption of HKFRS 9	-	-	-	874.8	(978.8)	-	414.0	310.0
At 1 July 2018, restated	17,629.5	675.9	121.7	-	(978.8)	982.9	27,932.3	46,363.5
Profit attributable to shareholders of the Company	-	-	-	-	-	-	4,043.2	4,043.2
Dividends paid to shareholders of the Company	-	-	-	-	-	-	(2,927.3)	(2,927.3)
Release of reserves upon disposal/partial disposal of interest in associated companies	-	-	-	-	-	(57.1)	-	(57.1)
Release of reserve upon disposal of subsidiaries	-	-	-	-	-	0.1	-	0.1
Release of reserve upon disposal of financial assets at FVOCI	-	-	-	-	665.9	-	(665.9)	-
Net fair value changes on financial assets at FVOCI								
Group	-	-	-	-	(424.0)	-	-	(424.0)
Associated company	-	-	-	-	18.9	-	-	18.9
Joint ventures	-	-	-	-	13.3	-	-	13.3
Currency translation differences								
Group	-	-	-	-	-	(571.2)	-	(571.2)
Associated companies	-	-	-	-	-	(483.1)	-	(483.1)
Joint ventures	-	-	-	-	-	(494.0)	-	(494.0)
Share options								
Share premium on new shares issued	192.0	-	-	-	-	-	-	192.0
Share of other comprehensive income/(loss) of associated companies and joint ventures	-	106.2	-	-	-	(13.2)	(4.9)	88.1
Cash flow hedges								
Group	-	-	(31.0)	-	-	-	-	(31.0)
Joint ventures	-	-	(512.2)	-	-	-	-	(512.2)
Remeasurement of post-employment benefit obligation	-	-	-	-	-	-	(8.3)	(8.3)
Transaction cost in relation to the issuance of perpetual capital securities	-	-	-	-	-	-	(76.0)	(76.0)
Transfer of reserves	-	2.4	-	-	-	-	(2.4)	-
At 30 June 2019	17,821.5	784.5	(421.5)	-	(704.7)	(635.6)	28,290.7	45,134.9

Special reserves include statutory reserves which are created in accordance with the relevant laws of the PRC and/or terms of the joint venture agreements of subsidiaries and joint ventures established in Mainland China and are required to be retained in the financial statements of these subsidiaries and joint ventures for specific purposes. Special reserves also include capital redemption reserve and property revaluation reserve. Hedge reserve includes (i) cash flow hedge reserve arising from foreign exchange forward contracts, interest rate swaps, cross currency swaps and fuel price swaps and (ii) fair value hedge reserve arising from a put option.

38 Perpetual capital securities

In January 2019, the Group issued US\$1.0 billion 5.75% senior perpetual capital securities of which US\$800.0 million was issued at a price of 100% of the principal amount and US\$200.0 million were issued at a price of 100.4% of the principal amount. In July 2019, the Group further issued US\$300.0 million 5.75% senior perpetual capital securities at a price of 104% of the principal amount which was consolidated and formed a single series with the original issue in January 2019. The proceeds of the capital securities are for general corporate purpose and the capital securities are listed on Hong Kong Stock Exchange. The senior perpetual capital securities have no maturity date and 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	2020 HK\$'m	2019 HK\$'m
Non-current			
Unsecured long-term bank loans	(a),(b)	19,668.2	7,663.4
Unsecured fixed rate bonds	(c)	6,973.7	5,002.4
Financing received under a financial reinsurance arrangement	(d)	249.6	–
Unsecured other borrowings		0.2	0.3
		26,891.7	12,666.1
Current			
Current portion of unsecured long-term bank loans	(a),(b)	1,537.0	2,403.2
Unsecured short-term bank loans		829.7	–
Financing received under a financial reinsurance arrangement	(d)	115.2	–
Cash collateral received for cross currency swap and forward starting interest rate swap contracts	28(b)	1,582.0	–
Unsecured other borrowings		0.1	0.1
		4,064.0	2,403.3
		30,955.7	15,069.4

(a) Unsecured long-term bank loans

	2020 HK\$'m	2019 HK\$'m
Unsecured long-term bank loans	21,205.2	10,066.6
Amounts repayable within one year included in current liabilities	(1,537.0)	(2,403.2)
	19,668.2	7,663.4

39 Borrowings and other interest-bearing liabilities (continued)

(a) Unsecured long-term bank loans (continued)

The maturity of unsecured long-term bank loans is as follows:

	2020 HK\$m	2019 HK\$m
Within one year	1,537.0	2,403.2
In the second year	1,724.9	1,470.6
In the third to fifth year	14,075.8	6,192.8
After the fifth year	3,867.5	–
	21,205.2	10,066.6

As at 30 June 2020, the Group's long-term bank loans of HK\$21.205 billion (2019: HK\$10.067 billion) are exposed to interest rate risk of contractual repricing dates falling within one year. As at 30 June 2019, an amount of HK\$0.4 billion was fixed rate interest-bearing. Interest rate swaps and cross currency swaps 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:

	2020	2019
Hong Kong dollar	1.62%	3.29%
Renminbi	4.30%	–

(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; 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 3.46% per annum.

As at 30 June 2020, the fair value of the bonds amounted to US\$901.9 million (equivalent to approximately HK\$7,022.3 million) (2019: US\$657.2 million (equivalent to approximately HK\$5,126.2 million)) which is based on the quoted market prices.

39 Borrowings and other interest-bearing liabilities (continued)

- (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 a 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):

	2020 HK\$'m	2019 HK\$'m
Hong Kong dollar	18,462.6	10,067.0
United States dollar	8,846.7	5,002.4
Renminbi	3,572.5	–
Euro	73.9	–
	30,955.7	15,069.4

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	2020 HK\$'m	2019 HK\$'m
Deferred tax assets	29	22.8	28.0
Deferred tax liabilities		(2,285.9)	(2,262.2)
		(2,263.1)	(2,234.2)
At beginning of year		(2,234.2)	(2,480.3)
Translation differences		50.7	76.8
Acquisition of subsidiaries	50(b)	(299.0)	–
Disposal of subsidiaries	49(b)	34.4	–
Written back upon disposal of intangible concession rights		4.7	6.5
Net amount credited to the consolidated income statement	13	180.3	162.8
At end of year		(2,263.1)	(2,234.2)

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2019: 16.5%).

40 Deferred income tax (continued)

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\$1,668.5 million (2019: HK\$1,176.9 million) to be carried forward against future taxable income. These tax losses have no expiry dates.

As at 30 June 2020, the aggregate amount of unrecognized deferred tax liabilities associated with investments in subsidiaries totalled approximately HK\$117.4 million (2019: HK\$212.7 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.

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

HK\$'m	Tax losses		Other deductible temporary differences		Total	
	2020	2019	2020	2019	2020	2019
At beginning of year	1.9	1.6	65.4	64.1	67.3	65.7
Translation differences (Charged)/credited to the consolidated income statement	-	-	(1.3)	(2.3)	(1.3)	(2.3)
	(1.2)	0.3	(1.5)	3.6	(2.7)	3.9
At end of year	0.7	1.9	62.6	65.4	63.3	67.3

Deferred tax liabilities

HK\$'m	Accelerated tax depreciation		Amortization of concession rights		Undistributed profits of subsidiaries, associated companies and joint ventures		Others		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
At beginning of year	(594.1)	(613.0)	(1,488.8)	(1,686.1)	(215.3)	(216.9)	(3.3)	(30.0)	(2,301.5)	(2,546.0)
Translation differences	-	-	48.9	78.1	3.1	4.2	-	(3.2)	52.0	79.1
Acquisition of subsidiaries	-	-	-	-	-	-	(299.0)	-	(299.0)	-
Disposal of subsidiaries	34.4	-	-	-	-	-	-	-	34.4	-
Written back upon disposal of intangible concession rights	-	-	4.7	6.5	-	-	-	-	4.7	6.5
Credited/(charged) to the consolidated income statement	145.9	18.9	61.2	112.7	(32.3)	(2.6)	8.2	29.9	183.0	158.9
At end of year	(413.8)	(594.1)	(1,374.0)	(1,488.8)	(244.5)	(215.3)	(294.1)	(3.3)	(2,326.4)	(2,301.5)

41 Insurance and investment contract liabilities

	Note	2020 HK\$m	2019 HK\$m
Insurance contract liabilities	(a),(b)	34,894.7	–
Investment contract liabilities		5.4	–
		34,900.1	–
Represented by			
Non-current liabilities		14,454.8	–
Current liabilities	2	20,445.3	–
		34,900.1	–

Insurance and investment contract liabilities related to unit-linked contracts are detailed in note 32(b).

- (a) The maturity profile of insurance contract liabilities based on estimated amounts on a discounted basis and the timing of cash flows is stated as below:

	Note	2020 HK\$m	2019 HK\$m
Payable within one year		3,200.5	–
Payable after one year		31,694.2	–
	5(c)	34,894.7	–

41 Insurance and investment contract liabilities (continued)

(b) Insurance contract liabilities comprised:

	Note	2020 HK\$'m	2019 HK\$'m
Liabilities for guaranteed benefits		31,246.0	–
Liabilities for coinsurance payments		244.7	–
Provision for annual dividends		69.7	–
Insurance contract liabilities excluding policyholders' dividends and bonuses	5(g)	31,560.4	–
Policyholders' dividends and bonuses		3,334.3	–
Total insurance contract liabilities		34,894.7	–

Movements in the relevant insurance contract liabilities/reinsurers' 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 2019	–	–	–	–	–
Acquisition of subsidiaries	28,099.3	245.6	28,344.9	(107.0)	28,237.9
Premiums received	4,119.9	(33.8)	4,086.1	(168.9)	3,917.2
Liabilities incurred for death, surrender and maturity	(1,507.5)	19.8	(1,487.7)	153.1	(1,334.6)
Benefit and claim experience variations	188.1	0.2	188.3	98.7	287.0
Investment income variations	(334.4)	5.2	(329.2)	–	(329.2)
Investment income	880.2	–	880.2	(1.0)	879.2
Financing cost for coinsurance	–	7.7	7.7	–	7.7
Adjustment due to change in reserve assumptions	112.3	–	112.3	–	112.3
Translation differences	(242.2)	–	(242.2)	0.7	(241.5)
At 30 June 2020	31,315.7	244.7	31,560.4	(24.4)	31,536.0

Investment income and investment income variations mainly correspond to the investment income on the assets backing the insurance contract liabilities and variations of such investment income against the interest accretion on the insurance contract liabilities, respectively.

42 Lease liabilities

The maturity of lease liabilities is as follows:

	2020 HK\$'m
Within one year	377.3
In the second year	319.5
In the third to fifth year	736.7
After the fifth year	518.9
	1,952.4
Represented by	
Non-current liabilities	1,575.1
Current liabilities	377.3
	1,952.4

For the year ended 30 June 2020, the total cash outflow for leases, which comprise payments for lease liabilities, short-term leases and variable leases, was HK\$579.1 million.

43 Other non-current liabilities

	Note	2020 HK\$'m	2019 HK\$'m
Long service payment obligations		38.0	37.4
Deferred income		52.1	67.5
Loans from non-controlling interests	(a)	28.9	34.5
Retirement benefit obligations		8.9	13.3
Others		61.4	–
		189.3	152.7

(a) The loans are interest free, unsecured and not repayable within one year.

44 Trade, other payables and payables to policyholders

	Note	2020 HK\$m	2019 HK\$m
Trade payables	(a)	584.8	933.7
Payables to policyholders	45	1,468.8	–
Other payables and accruals	(b)	7,553.8	7,171.4
Retention money payables		1,342.6	1,161.0
Contract liabilities	35	1,311.8	1,337.3
Amounts due to non-controlling interests	(c)	155.3	149.9
Amounts due to associated companies	(c)	1.5	64.7
Amounts due to joint ventures	(c)	56.4	0.8
		12,475.0	10,818.8

(a) The ageing analysis of trade payables based on invoice date is as follows:

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

(b) The balance includes construction related accruals and provisions amounting to HK\$4,153.6 million (2019: HK\$4,780.5 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\$1,602.9 million (2019: HK\$154.3 million) denominated in United States dollar, HK\$828.9 million (2019: HK\$371.6 million) denominated in Renminbi and HK\$115.6 million (2019: HK\$180.5 million) denominated in Macau Pataca. The remaining balances are mainly denominated in Hong Kong dollar.

45 Payables to policyholders

	2020 HK\$m	2019 HK\$m
Claims payable	254.1	–
Premium deposits	1,094.1	–
Other payables	120.6	–
	1,468.8	–

The carrying amounts disclosed above reasonably approximate their fair values as at 30 June 2020.

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, derivative financial instruments, investments related to unit-linked contracts, trade receivables, loan and other receivables and cash and bank balances. All these financial assets are carried at amortized cost using the effective interest method except for the “financial assets at FVOCI”, “financial assets at FVPL”, “derivative financial instruments” and financial assets at FVPL under “investments related to unit-linked contracts” which are carried at fair value.

Financial liabilities in the consolidated statement of financial position include borrowings and other interest-bearing liabilities, trade payables, derivative financial instruments, investment contract liabilities, liabilities related to unit-linked contracts, loan and other payables. All these financial liabilities are carried at amortized cost using the effective interest method except for the “derivative financial instruments”, “investment contract liabilities” and investment contract liabilities under “liabilities related to unit-linked contracts” which are carried at fair value.

Notes to the Financial Statements

47 Commitments

(a) The outstanding commitments for capital expenditure are as follows:

	Note	2020 HK\$m	2019 HK\$m
Contracted but not provided for			
Intangible concession rights		3.3	62.5
Property, plant and equipment		196.8	347.0
Acquisition of subsidiaries	(i)	–	18,380.0
Capital contributions to/acquisitions of associated companies and joint ventures	(ii)	566.0	873.1
Other financial investments		393.7	48.4
		1,159.8	19,711.0

(i) The completion of the acquisition of FTLife Insurance took place on 1 November 2019.

(ii) 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\$566.0 million (2019: HK\$873.1 million) which represents the attributable portion of the capital and loan contributions to be made to the associated companies and joint ventures.

(b) The Group's share of commitments for capital expenditure committed by the joint ventures not included above are as follows:

	2020 HK\$m	2019 HK\$m
Contracted but not provided for		
Property, plant and equipment	11,559.4	11,064.0

47 Commitments (continued)

(c) Commitments under operating leases

As at 30 June 2019, the future aggregate lease payments under non-cancellable operating leases are as follows:

	2019 HK\$m
Buildings	
In the first year	123.1
In the second to fifth year inclusive	58.1
After the fifth year	2.7
	183.9

From 1 July 2019, the Group has recognized right-of-use assets for these leases, except for short-term and low-value leases. Please refer to note 3(a) for the changes in accounting policies.

(d) Future minimum rental payments receivable

The future minimum rental payments receivable under non-cancellable operating leases are as follows:

	2020 HK\$m	2019 HK\$m
In the first year	26.0	37.7
In the second year	13.2	14.0
In the third year	0.5	13.2
In the fourth year	–	0.5
	39.7	65.4

The Group's operating leases terms range from 1 to 5 years.

48 Financial guarantee contracts

The Group's financial guarantee contracts are as follows:

	2020 HK\$m	2019 HK\$m
Guarantees for credit facilities granted to		
Associated companies	1,662.9	1,567.6
Joint ventures	2,145.0	2,145.0
	3,807.9	3,712.6

In addition, as at 30 June 2020, 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 entered, the Group's guarantee towards KTSPL is up to the extent of 25% or amounts to approximately HK\$7.5 billion. KTSPL is an associated company of the Group in which the Group has a 25% interest.

49 Notes to consolidated statement of cash flows

(a) Reconciliation of operating profit to net cash generated from operations:

	2020 HK\$'m	2019 HK\$'m
Operating profit	959.8	2,654.9
Depreciation and amortization	1,932.8	1,482.3
Overlay approach adjustments on financial assets	(208.2)	–
Net profit on disposal of financial assets at FVOCI (debt instruments)	(309.7)	–
Gain associated with investments related to unit-linked contracts	(122.2)	–
Profit on disposal of subsidiaries	(174.8)	(140.1)
Net gain on fair value of derivative financial instruments	(105.6)	–
Net loss/(gain) on fair value of financial assets at FVPL	64.4	(117.9)
Interest income	(1,221.2)	(310.0)
Dividend income	(204.6)	(92.1)
Loss on partial disposal of interests in an associated company	67.3	54.2
Loss/(profit) on disposal of an associated company	9.7	(83.0)
Profit on disposal of assets held-for-sale	–	(67.6)
Profit on disposal of financial assets at FVPL	–	(60.4)
Impairment losses related to associated companies	334.8	–
Impairment loss on goodwill	386.9	–
Impairment loss on property, plant and equipment	375.0	–
Provision for onerous contract	230.0	–
Loss/(gain) on fair value of investment properties	22.9	(33.7)
Expected credit loss provision on financial assets at FVOCI (debt instruments)	32.2	–
Expected credit loss provision on trade, premium and other receivables	17.7	22.2
Net exchange loss/(gain)	66.3	(14.0)
Other non-cash items	6.2	(80.2)
Operating profit before working capital changes	2,159.7	3,214.6
Decrease in inventories	69.8	33.3
Decrease in security deposits	452.0	19.5
(Increase)/decrease in trade, premium and other receivables	(324.7)	359.8
Decrease in trade, other payables and payables to policyholders	(985.3)	(551.4)
Increase/(decrease) in amounts due to non-controlling interests	8.6	(36.2)
Increase in deferred acquisition costs	(688.2)	–
Increase in insurance and investment contract liabilities	3,618.4	–
Decrease in liabilities related to unit-linked contracts	(18.1)	–
Purchases of financial assets at FVPL associated with investments related to unit-linked contracts	(4,600.1)	–
Disposal of financial assets at FVPL associated with investments related to unit-linked contracts	4,895.5	–
Changes in balances with associated companies, joint ventures and related companies	(216.1)	(18.0)
Others	(15.3)	21.7
Net cash generated from operations	4,356.2	3,043.3

49 Notes to consolidated statement of cash flows (continued)

(b) Disposal of subsidiaries

	Note	2020 HK\$'m	2019 HK\$'m
Net assets disposed			
Property, plant and equipment	18	154.2	1.0
Intangible assets	20	73.2	–
Right-of-use assets		4.2	–
Joint ventures		–	56.1
Financial assets at FVOCI		1.8	–
Inventories		30.2	–
Trade, premium and other receivables		53.9	3.4
Cash and bank balances		15.3	19.2
Lease liabilities	49(d)	(4.2)	–
Derivative financial instruments		(24.7)	–
Other non-current liabilities		(15.9)	–
Trade, other payables and payables to policyholders		(52.5)	(13.6)
Taxation		(3.8)	(0.1)
Deferred tax liabilities	40	(34.4)	–
		197.3	66.0
Net profits on disposal	9	174.8	140.1
Release of reserves upon disposal		24.7	0.1
Interest retained by the Group as an associated company		(140.5)	–
		256.3	206.2
Represented by			
Cash consideration received		256.3	172.7
Consideration settled by additional equity interest in an associated company by the Group		–	33.5
		256.3	206.2

During FY2020, the Group disposed certain subsidiaries which engaged in information technology business, ticketing business or ferry services operation. For FY2019, the Group disposed certain subsidiaries which engaged in property development business in Hong Kong or car parking business in the PRC.

49 Notes to consolidated statement of cash flows (continued)

(c) Analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	2020 HK\$'m	2019 HK\$'m
Cash consideration received	256.3	172.7
Cash and bank balances disposed of	(15.3)	(19.2)
	241.0	153.5

(d) 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 30 June 2019		10,067.0	5,002.4	34.5	-	15,103.9
Impact on initial adoption of HKFRS 16	2(b)	-	-	-	1,510.9	1,510.9
At 1 July 2019, restated		10,067.0	5,002.4	34.5	1,510.9	16,614.8
Acquisition of subsidiaries	50(b)	1,554.4	1,994.4	-	559.8	4,108.6
Disposal of subsidiaries	49(b)	-	-	-	(4.2)	(4.2)
Cash flows from financing activities						
Drawdown		14,559.7	-	-	-	14,559.7
Repayment		(2,672.6)	-	(4.5)	-	(2,677.1)
Increase in cash collateral received from counterparties		423.9	-	-	-	423.9
Capital element of lease liabilities payments		-	-	-	(280.9)	(280.9)
New leases entered/lease modified		-	-	-	164.1	164.1
Interest expenses	12	-	-	-	65.9	65.9
Interest element of lease liabilities payments		-	-	-	(63.0)	(63.0)
Translation differences		(37.8)	(22.3)	(1.1)	(0.2)	(61.4)
Other non-cash movements		87.4	(0.8)	-	-	86.6
At 30 June 2020		23,982.0	6,973.7	28.9	1,952.4	32,937.0

49 Notes to consolidated statement of cash flows (continued)

(d) (continued)

HK\$m	Bank loans and other interest- bearing liabilities	Fixed rate bonds	Loans from non-controlling interests	Total
At 1 July 2018	10,174.6	–	39.1	10,213.7
Cash flows from financing activities				
Issuance of fixed rate bonds	–	5,012.9	–	5,012.9
Drawdown	3,116.4	–	–	3,116.4
Repayment	(3,275.0)	–	(2.7)	(3,277.7)
Translation differences	–	(10.5)	(1.9)	(12.4)
Other non-cash movements	51.0	–	–	51.0
At 30 June 2019	10,067.0	5,002.4	34.5	15,103.9

50 Business combination

Acquisition of subsidiaries

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

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

50 Business combination (continued)**Acquisition of subsidiaries (continued)**

(b) (continued)

	Note	Provisional fair value HK\$'m
Property, plant and equipment	18	110.8
Intangible assets	20	90.5
Value of business acquired	21	5,825.0
Right-of-use assets	22(b)	557.5
Financial assets at FVOCI		33,569.5
Financial assets at FVPL		2,803.6
Derivative financial instruments (net)		1,512.3
Other non-current assets		724.3
Trade, premium and other receivables		1,125.9
Investments related to unit-linked contracts		9,168.3
Cash, bank balances and pledged deposits		8,586.8
Borrowings and other interest-bearing liabilities	49(d)	(3,548.8)
Deferred tax liabilities	40	(299.0)
Insurance and investment contract liabilities		(31,543.4)
Liabilities related to unit-linked contracts		(9,330.8)
Lease liabilities	49(d)	(559.8)
Other non-current liabilities		(64.5)
Trade, other payables and payables to policyholders		(2,411.4)
Taxation		(80.9)
Identifiable assets acquired and liabilities assumed		16,235.9
Provisional goodwill on acquisition	20	5,576.3
		21,812.2
Purchase consideration settled in cash during the year		18,692.2
Less: cash and cash equivalents of the subsidiaries acquired		(8,576.8)
Cash and bank balances		(8,576.8)
Cash and bank balances attributable to investments related to unit-linked contracts		(17.7)
Net cash outflow on acquisition during the year		10,097.7

50 Business combination (continued)

Acquisition of subsidiaries (continued)

- (c) A provisional goodwill of HK\$5,576.3 million arising from the acquisition is attributable mainly to the benefit of talents and experience of the management and workforce of the acquired insurance business and integration of the Group's existing premium products and services into the attractive insurance sector.
- (d) The measurement of goodwill, identifiable assets acquired and liabilities assumed at the acquisition date will be subject to finalization within one year from the acquisition date in accordance with HKFRS 3. Any adjustment to the provisional amount, if necessary, will be reflected in the upcoming interim condensed consolidated financial statements of the Group.
- (e) For the purpose of disclosing the revenue and results of the combined entity for the current reporting period if the acquisition occurred at the beginning of the current reporting period, it is considered impracticable to quantify the impact as the valuation of certain balances including insurance contract liabilities and value of business acquired is based on assumptions made on the acquisition date which is not applicable to that of the beginning of the current reporting period. As a result, the information is considered not being a fair indicator to illustrate the full period financial impact of FTLife Insurance could have been contributed to the Group.
- (f) Up to 30 June 2020, acquisition-related costs of HK\$194.1 million was incurred, in which HK\$45.3 million are recognized as general and administrative expenses in the consolidated income statement for FY2020 and the remaining HK\$148.8 million was recognized in FY2019.

51 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	2020 HK\$'m	2019 HK\$'m
Transactions with affiliated companies			
	(i)		
Provision of construction work services	(ii)	0.5	7.0
Provision of other services	(iii)	0.8	0.8
Interest income	(iv)	149.4	134.8
Management fee income	(v)	4.4	5.4
Lease payments and other related expenses	(vi)	(1.7)	(8.8)
Other expenses	(viii)	(383.2)	(231.4)
Transactions with other related parties			
	(i)		
Provision of construction work services	(ii)	1,516.9	880.7
Provision of other services	(iii)	49.7	52.1
Interest income	(iv)	38.1	–
Lease payments and other related expenses	(vi)	(31.8)	(29.1)
Mechanical and electrical engineering services	(vii)	(638.6)	(861.1)
Other expenses	(viii)	(99.6)	(133.7)

51 Related party transactions (continued)

(a) (continued)

- (i) Affiliated companies include associated companies and joint ventures of the Group. Related parties are subsidiaries, associated companies and joint ventures of NWD, CTF Enterprises as well as Mr Doo and his associates which are not companies within the Group. NWD is the ultimate holding company of the Company and CTF Enterprises is a substantial shareholder of NWD. Mr Doo is a Vice-chairman and a non-executive director of NWD and is the father of Mr William Junior Guilherme Doo, a non-executive director of the Company.
- (ii) Revenue from the provision of construction work services was charged in accordance with the relevant contracts. Revenue from provision of construction work services to KTSPL, which is both a subsidiary of NWD and an associated company of the Group, was presented under "Transactions with other related parties" only.
- (iii) The Group provided various kinds of services including facilities management, property management and other services to certain affiliated companies and related parties. The services were provided and charged in accordance with the relevant contracts.
- (iv) Interest income was charged at relevant interest rates as specified in notes 24, 25 and 31 on the outstanding balances due from the affiliated companies or relevant yield on investments in debt securities.
- (v) Management fee was charged at rates in accordance with the relevant contracts.
- (vi) Lease payments and other related expenses were charged at rates in accordance with the respective tenancy agreements.
- (vii) Mechanical and electrical engineering services were charged in accordance with the relevant contracts.
- (viii) Other expenses include purchase of construction materials, laundry, security and guarding, landscaping, cleaning, property management and other services. The services were charged in accordance with the relevant contracts.

(b) Key management compensation

No significant compensation arrangement has been entered into with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in note 16.

51 Related party transactions (continued)

- (c) During the year, FTLife Insurance, a wholly-owned subsidiary of the Company, subscribed for senior unsubordinated and unsecured notes due 2049 in the principal amount of HK\$1,500.0 million issued by NWD (MTN), a wholly-owned subsidiary of NWD, as part of its investment portfolio. These notes are bearing a coupon rate of 4.89% per annum and listed on the Hong Kong Stock Exchange. As at 30 June 2020, the outstanding principal amount was HK\$1,500.0 million and fair value of these notes was HK\$1,614.7 million which was included in the consolidated statement of financial position of the Group as financial assets at FVOCI.
- (d) The amounts of outstanding balances with associated companies, joint ventures and non-controlling interests are disclosed in notes 24, 25, 31, 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 24(b).

52 Event subsequent to year end

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

53 Comparative figures

Certain comparative figures have been reclassified or extended to conform with the current year's presentation.

54 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.

55 Company statement of financial position

	2020 HK\$'m	2019 HK\$'m
ASSETS		
Non-current assets		
Property, plant and equipment	17.1	10.6
Subsidiaries	7,893.4	7,893.4
Right-of-use assets	23.5	–
Other non-current asset	3.3	3.3
	7,937.3	7,907.3
Current assets		
Trade and other receivables	65,946.6	42,752.6
Cash and bank balances	887.4	10,519.5
	66,834.0	53,272.1
Total assets	74,771.3	61,179.4
EQUITY		
Share capital	3,911.1	3,911.1
Reserves	41,600.1	38,860.2
Total equity	45,511.2	42,771.3
LIABILITIES		
Non-current liability		
Lease liabilities	9.5	–
Current liabilities		
Trade and other payables	29,236.0	18,408.1
Lease liabilities	14.6	–
	29,250.6	18,408.1
Total liabilities	29,260.1	18,408.1
Total equity and liabilities	74,771.3	61,179.4

Dr Cheng Kar Shun, Henry
Director

Mr Ma Siu Cheung
Director

55 Company statement of financial position (continued)

Reserves

HK\$'m	Share premium	Contributed surplus	Special reserves	Revenue reserve	Total
At 30 June 2019	17,821.5	237.3	208.3	20,593.1	38,860.2
Impact on initial adoption of HKFRS 16	-	-	-	(0.6)	(0.6)
At 1 July 2019, restated	17,821.5	237.3	208.3	20,592.5	38,859.6
Profit for the year	-	-	-	5,009.0	5,009.0
Dividends	-	-	-	(2,268.5)	(2,268.5)
Transfer of reserves	-	-	(207.2)	207.2	-
At 30 June 2020	17,821.5	237.3	1.1	23,540.2	41,600.1
At 1 July 2018	17,629.5	237.3	208.3	16,932.0	35,007.1
Profit for the year	-	-	-	6,588.4	6,588.4
Dividends	-	-	-	(2,927.3)	(2,927.3)
Share options					
Share premium on new shares issued	192.0	-	-	-	192.0
At 30 June 2019	17,821.5	237.3	208.3	20,593.1	38,860.2

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.

Special reserves as at 30 June 2020 mainly represent capital redemption reserve.

56 Principal subsidiaries

The directors of the Company were of the view that as at 30 June 2020, there was no individual subsidiary that had non-controlling interests that were material to the Group.

As at 30 June 2020

	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	
Bounty Gain Limited	1	1	100.0	Investment holding
Cheering Step Investments Limited	1	1	100.0	Investment holding
Chinese Future Limited	1,300,000,000	1,300,000,000	100.0	Investment holding
Citybus Limited	37,500,000	376,295,750	100.0	Provision of franchised and non-franchised bus services
Dynamic Ally Limited	1	1	100.0	Investment holding
Earning Star Limited	1	1	100.0	Investment holding
Grace Crystal Limited	1	1	100.0	Investment holding
Grand Express International Limited	1	1	100.0	Investment holding
Hip Hing Builders Company Limited	40,000	40,000,000	100.0	Construction
	10,000*	10,000,000	100.0	
Hip Hing Construction Company Limited	400,000	40,000,000	100.0	Construction and civil engineering
	600,000*	60,000,000	100.0	
Hip Hing Engineering Company Limited	2,000,000	200,000,000	100.0	Building construction
Hong Kong Convention and Exhibition Centre (Management) Limited	3	3	100.0	Management of HKCEC
	1*	1	100.0	
Hong Kong Exhibition and Convention Venue Management China Limited	1	1	100.0	Investment holding
i-Residence Management Limited	1	1	100.0	Property management and consultancy
Kiu Lok Property Services (China) Limited	2	2	100.0	Property agency, management and consultancy
	2*	2	100.0	
New Advent Limited	1	1	100.0	Property investment
New World – Guangdong Highway Investments Co. Limited	999,900	99,990,000	100.0	Investment holding
	100*	10,000	50.0	
New World Port Investments Limited	2	2	100.0	Investment holding
New World (Xiamen) Port Investments Limited	2	2	100.0	Investment holding
NWS (Finance) Limited	2	2	100.0	Financial services
NWS Holdings (Finance) Limited	1	1	100.0	Financing
NWS Hong Kong Investment Limited	1	1	100.0	Investment holding
NWS Infrastructure Renewables (Italy) Limited	1	1	100.0	Investment holding

56 Principal subsidiaries (continued)

As at 30 June 2020

	Issued and fully paid up share capital [†]		Approximate percentage of shares held by the Group	Principal activities
	Number	Amount HK\$		
Incorporated and operate in Hong Kong (continued)				
Polytown Company Limited	2 100,000*	20 1,000,000	100.0 100.0	Property investment, operation, marketing, promotion and management of HKCEC
Profit Now Limited	1	1	100.0	Investment holding
Sky Connection Limited	100	100	100.0	Duty free operation and general trading
True Hope Investment Limited	299,999,998 2*	299,999,998 2	100.0 100.0	Investment holding
Urban Parking Limited	15,000,000	15,000,000	100.0	Carpark management
Vibro Construction Company Limited	1,630,000 20,000*	163,000,000 2,000,000	100.0 100.0	Civil engineering
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

56 Principal subsidiaries (continued)

As at 30 June 2020

	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				
FTLife Insurance Company Limited	506,100,141	US\$1	100.0	Life insurance
	9,000,000 [§]	US\$1	100.0	
	10,000,000 ^{§§}	US\$1	100.0	
Incorporated in the Cayman Islands and operates in Hong Kong				
NWS Service Management Limited	1,323,943,165	HK\$0.10	100.0	Investment holding
Incorporated in the Cayman Islands				
Chinese Future Corporation	1,000,000	US\$0.01	100.0	Investment holding
Incorporated in the British Virgin Islands and operate in Hong Kong				
Bellwood Group Limited	100	US\$1	100.0	Investment holding
Best Star (BVI) Investments Limited	1	US\$1	100.0	Investment holding
Celestial Dynasty Limited	1	US\$1	100.0	Bond issuer
Celestial Miles Limited	1	US\$1	100.0	Bond issuer
Creo Capital Limited	1	US\$1	100.0	Investment holding
Economic Velocity Limited	1	US\$1	100.0	Investment holding
Hetro Limited	101	US\$1	100.0	Investment holding
Lucky Strong Limited	1	US\$1	100.0	Investment holding
Noonday Limited	100	US\$1	100.0	Investment holding
New World First Bus Services Limited	200,000,000	HK\$1	100.0	Provision of franchised bus services
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
NWS Transport Services Limited	500,000,016	HK\$1	100.0	Investment holding
Incorporated in the British Virgin Islands				
Beauty Ocean Limited	1	US\$1	100.0	Investment holding
FTL Capital Limited	1	US\$1	100.0	Bond issuer
Gravy Train Investments Limited	1	US\$1	100.0	Investment holding
Ideal Global International Limited	1	US\$1	100.0	Investment holding
Moscan Developments Limited	1	US\$1	100.0	Investment holding
Natal Global Limited	1	US\$1	100.0	Investment holding
NWS CON Limited	1	HK\$1	100.0	Investment holding
NWS Construction Limited	190,000	US\$0.1	100.0	Investment holding
	7,225**	US\$0.1	-	
	6,022***	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

56 Principal subsidiaries (continued)

As at 30 June 2020

	Amount of fully paid up capital	Approximate percentage of attributable interest to the Group	Principal activities
Incorporated and operate in Mainland China			
[^] Chaoming (Chongqing) Investment Company Limited	US\$78,000,000	100.0	Investment holding
⁺⁺ Hunan NWS Expressway Management Co., Ltd.	RMB1,600,000,000	100.0	Operation of toll road
[^] NWS (Guangdong) Investment Company Limited	RMB3,184,853,600	100.0	Investment holding
⁺ Shanxi Xinda Highways Limited	RMB49,000,000	60.0 (b)	Operation of toll road
⁺ Shanxi Xinhuang Highways Limited	RMB56,000,000	60.0 (b)	Operation of toll road
[^] Xiamen Creo Capital Investment Company Limited (Formerly known as Xiamen NWS Management Consultancy Limited)	RMB7,678,214	100.0	Investment holding
[®] Zhejiang NWS Expressway Co., Ltd. (Formerly known as Hangzhou Guoyi Expressway and Bridge Management Co., Ltd.)	US\$320,590,000	100.0	Operation of toll road
Incorporated and operate in Macau			
Hip Hing Engineering (Macau) Company Limited	MOP100,000	100.0	Construction
Vibro (Macau) Limited	MOP1,000,000	99.8 (a)	Foundation works
Incorporated and operates in Italy			
NWS Infrastructure Renewables (Italy) S.r.l.	EUR10,000	100.0	Investment holding

- # Ordinary shares, unless otherwise stated
 * Non-voting deferred shares
 ** Redeemable, non-convertible and non-voting A preference shares
 *** Redeemable, non-convertible and non-voting B preference shares
 ^ Registered as wholly foreign owned enterprises under PRC law
 ® Registered as sino-foreign equity joint venture under PRC law
 + Registered as sino-foreign cooperative joint venture under PRC law
 ++ Registered as limited company under PRC law
 § Class A redeemable preference shares (non-convertible)
 §§ Class C redeemable preference shares (convertible)

- (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%)

57 Principal associated companies

The list of principal associated companies which are accounted for by the equity method of accounting as at 30 June 2020 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
Yargoan Company Limited	150,000	15,000,000	42.0	Operating a quarry mill and trading in aggregates and stone fines
Shoucheng Holdings Limited (Formerly known as Shougang Concord International Enterprises Company Limited)	6,925,576,780	11,832,426,000	12.06 (a)	Investment holding
Incorporated in Hong Kong and operates in Greater China				
SUEZ NWS Limited	20,256,429	5,134,005,207	42.0	Investment holding and operation of water, wastewater and waste management businesses
	Issued and fully paid up share capital [#]		Approximate percentage of shares held by the Group	Principal activities
	Number	Amount		
Incorporated and operates in Singapore				
PBA International Pte. Ltd.	10,932	Singapore dollar 24,242,000	20.0	Development and manufacturing of advanced robotics

Notes to the Financial Statements

57 Principal associated companies (continued)

The list of principal associated companies which are accounted for by the equity method of accounting as at 30 June 2020 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 and operates in Hong Kong				
New World First Ferry Services Limited	1,000	US\$1.00	40.0	Provision of ferry services
Incorporated in Bermuda and operates in Hong Kong				
Wai Kee Holdings Limited	793,124,034	HK\$0.10	23.0	Construction
Incorporated in the Cayman Islands and operates in Hong Kong and Mainland China				
UMP Healthcare China Limited*	100	US\$0.01	20.0	Healthcare
Incorporated in Cyprus and operates in South Africa				
Tharisa plc	266,610,951	US\$0.001	15.2 (a)	Chrome and platinum group metals mining, processing and trading

57 Principal associated companies (continued)

The list of principal associated companies which are accounted for by the equity method of accounting as at 30 June 2020 is as follows (continued):

	Amount of fully paid up capital	Approximate percentage of attributable interest to the Group	Principal activities
Incorporated and operate in Mainland China			
Chongqing Silian Optoelectronics Science & Technology Co., Ltd.	RMB500,000,000	20.0 (b)	Manufacturing and sale of sapphire substrate and wafer, LED packaging and application
Hangzhou Ring Road Expressway Petroleum Development Co., Ltd.	RMB10,000,000	39.0 (c)	Operation of gasoline station
Hubei Suiyuan Expressway Co., Ltd.	RMB1,770,000,000	30.0 (b)	Operation of toll road
Hunan Daoyue Expressway Industry Co., Ltd.	RMB600,950,000	40.0 (b)	Operation of toll road
Xiamen Container Terminal Group Co., Ltd.	RMB2,436,604,228	20.0 (b)	Operation of container terminals
Zhaoqing Yuezhao Expressway Co., Ltd.	RMB818,300,000	25.0 (c)	Operation of toll road

Ordinary shares, unless otherwise stated

* The Group's interest in this company was reclassified as assets held-for-sale as at 30 June 2020 (note 34)

(a) The directors of the Company considered the Group has significant influence over these companies through its representatives on the board of directors of these companies

(b) Percentage of equity interest

(c) Percentage of interest in ownership and profit sharing

58 Principal joint ventures

The list of principal joint ventures which are accounted for by the equity method of accounting as at 30 June 2020 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	
Chongqing Suyu Business Development Company Limited	RMB650,000,000	50.0 (a)	Investment holding	
Guangzhou Northring Intelligent Transportation Technology Company Limited (formerly known as Guangzhou Northring Freeway Company Limited)	US\$19,255,000	65.3 (a),(d)	Operation of toll road	
Guangzhou Oriental Power Company Limited	RMB990,000,000	25.0 (b)	Generation and supply of electricity	
Guangzhou Pearl River Electric Power Fuel Co., Ltd.	RMB613,361,800	35.0 (b)	Wholesale, assembling and storage of fuel	
Guodian Chengdu Jintang Power Generation Co., Ltd.	RMB924,000,000	35.0 (a)	Generation and supply of electricity	
Huizhou City Huixin Expressway Company Limited	RMB34,400,000	50.0 (a)	Investment holding	
Tianjin Xinshan 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 shares held by the Group	Principal activities
	Number	Amount HK\$		
Incorporated and operate in Hong Kong				
ATL Logistics Centre Hong Kong Limited	100,000 ^A	100,000	56.0 (d)	Operation of cargo handling and storage facilities
	20,000 ^{B***}	20,000	79.6	
	54,918 [*]	54,918	–	
Wincon International Limited	300,000,000	300,000,000	50.0	Investment holding

58 Principal joint ventures (continued)

The list of principal joint ventures which are accounted for by the equity method of accounting as at 30 June 2020 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				
Hyya I B.V.	19,000	EUR1	50.0	Manufacturing and supply of components used in hydraulic loading and unloading systems
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

	2020	2019	2018	2017	2016
Earnings per share – Basic (HK\$)	0.06	1.04	1.56	1.46	1.30
Earnings per share – Diluted (HK\$)	N/A	1.04	1.56	N/A	N/A
Key ratios					
Net Gearing Ratio	31%	0%	7%	7%	13%
Return on Equity	1%	7%	12%	11%	11%
Return on Capital Employed	1%	6%	10%	9%	9%
Consolidated income statement data					
(HK\$m)					
Revenue	25,920.5	26,833.5	35,114.8	31,385.0	29,497.8
Revenue by segments					
Roads	2,070.5	2,529.0	2,623.6	2,377.0	2,399.8
Aviation	–	161.6	160.8	–	–
Construction	12,454.4	16,211.0	23,260.4	20,360.3	20,080.0
Insurance	6,180.0**	–	–	–	–
Logistics	–	–	–	–	100.1
Facilities Management	1,907.3	4,151.7	5,570.9	6,915.1	6,917.9
Transport	3,308.3	3,780.2	3,499.1	1,732.6*	–
Revenue by region					
Hong Kong	23,579.7	23,382.9	31,599.0	28,449.7	26,243.3
Mainland China	2,117.5	2,600.2	2,726.1	2,470.5	2,480.2
Global and others	223.3	850.4	789.7	464.8	774.3
Profit attributable to shareholders of the Company					
	253.2	4,043.2	6,068.8	5,628.9	4,912.8
Attributable Operating Profit					
	3,514.3	4,707.4	5,231.9	4,840.3	4,739.6
Attributable Operating Profit/(Loss) by segments					
Roads	907.4	1,805.5	1,947.1	1,479.1	1,259.8
Aviation	421.9	500.3	695.2	610.5	424.0
Construction	1,066.0	1,203.8	1,055.3	909.5	715.5
Insurance	750.4	–	–	–	–
Environment	354.8	629.0	494.1	392.1	469.8
Logistics	627.8	650.6	654.6	641.2	702.6
Facilities Management	(771.8)	(393.4)	(73.1)	301.1	645.0
Transport	(118.8)	(10.1)	157.6	222.3	196.1
Strategic Investments	276.6	321.7	301.1	284.5	326.8

* The amount represented revenue consolidated after being acquired as the Group's subsidiaries since 30 December 2016.

** The amount represented revenue consolidated after being acquired as the Group's subsidiaries since 1 November 2019.

Five-Year Financial Summary

	2020	2019	2018	2017	2016
Consolidated income statement data					
(continued)					
(HK\$'m)					
Attributable Operating Profit by region					
Hong Kong	1,716.6	1,324.4	2,015.8	2,213.8	2,615.9
Mainland China	1,361.0	2,815.6	2,623.5	2,117.9	1,937.9
Global and others	436.7	567.4	592.6	508.6	185.8
Corporate office and non-operating items					
Net gain on disposal of a project under an associated company	–	–	–	932.8	–
Gain on restructuring of a joint venture	–	–	–	454.3	–
Net gain on disposal of projects, net of tax	101.0	285.1	52.7	179.8	199.4
(Loss)/gain on fair value of investment properties	(22.9)	33.7	93.6	117.1	1,420.0
Gain on remeasurement of a previously held equity interest in a joint venture	–	–	–	113.1	–
Gains on partial disposal and remeasurement related to an associated company	–	–	1,879.3	–	–
Gain on disposal of an available-for-sale financial asset	–	–	–	–	534.1
Net gain on deemed disposal of a project under a joint venture	–	–	–	–	179.3
Losses on partial disposal, impairment and remeasurement related to an associated company	–	–	–	(290.6)	–
Impairment losses and provisions	(1,709.4)	–	(600.0)	–	(1,048.0)
Interest income	107.5	78.3	36.8	54.4	198.1
Net gain on fair value of derivative financial instruments, net of tax	73.1	40.1	–	–	–
Finance costs	(737.4)	(373.8)	(266.6)	(399.8)	(546.3)
Expenses and others	(491.1)	(540.7)	(358.9)	(372.5)	(763.4)
Consolidated statement of financial position data					
(HK\$'m)					
Total assets	150,052.0	86,065.0	78,138.6	75,725.9	75,685.0
Total liabilities, perpetual capital securities and non-controlling interests	103,685.0	37,019.0	28,188.6	26,668.8	30,066.1
Total Debt	30,955.7	15,069.4	10,174.6	9,682.7	15,064.8
Shareholders' funds	46,367.0	49,046.0	49,950.0	49,057.1	45,618.9

Project Key Facts and Figures

(As at 30 June 2020)

ROADS



Guangdong Province



1. Guangzhou City Northern Ring Road

2. Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section)

Attributable Interest	65.29%	25%
Form of Investment	CJV	CJV
Length	22 km	Section 1: 8.6 km Section 2: 49.59 km
Lanes	Dual 3-Lane	Section 1: Dual 3-Lane Section 2: Dual 2 to 3-Lane
Location	Guangzhou City	Zhongshan City & Zhuhai City
Operation Date	January 1994	December 1999
Expiry Date	2023	2030
Current Toll Rates	RMB0.60 – RMB2.45 / km	Section 1: RMB0.60 – RMB2.45 / km Section 2: RMB0.45 – RMB2.45 / km
Average Daily Traffic Flow	2020 264,877 2019 350,818 2018 345,037	2020 124,007 2019 195,047 2018 194,400

Project Key Facts and Figures

3. Beijing-Zhuhai Expressway

(Guangzhou-Zhuhai Northern Section)

Attributable Interest	15%						
Form of Investment	CJV						
Length	27 km						
Lanes	Dual 3-Lane						
Location	Guangzhou City						
Operation Date	December 2005						
Expiry Date	2032						
Current Toll Rates	RMB0.60 – RMB2.45 / km						
Average Daily Traffic Flow	<table border="1"> <thead> <tr> <th>2020</th> <th>2019</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td>69,134</td> <td>83,974</td> <td>71,765</td> </tr> </tbody> </table>	2020	2019	2018	69,134	83,974	71,765
2020	2019	2018					
69,134	83,974	71,765					

4. Guangzhou-Zhaoqing Expressway

Attributable Interest	25%						
Form of Investment	CJV						
Length	Phase 1: 48 km Phase 2: 5.39 km						
Lanes	Phase 1: Dual 2-Lane Phase 2: Dual 3-Lane						
Location	Zhaoqing City & Foshan City						
Operation Date	Phase 1: September 2002 Phase 2: September 2010						
Expiry Date	2031						
Current Toll Rates	RMB0.45 – RMB2.45 / km						
Average Daily Traffic Flow	<table border="1"> <thead> <tr> <th>2020</th> <th>2019</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td>66,301</td> <td>87,003</td> <td>79,527</td> </tr> </tbody> </table>	2020	2019	2018	66,301	87,003	79,527
2020	2019	2018					
66,301	87,003	79,527					

5. Shenzhen-Huizhou Expressway

(Huizhou Section)

Attributable Interest	33.33%						
Form of Investment	CJV						
Length	34.7 km						
Lanes	Dual 3 to 4-Lane						
Location	Huizhou City						
Operation Date	June 1993						
Expiry Date	2023						
Current Toll Rates	RMB0.60 – RMB2.45 / km						
Average Daily Traffic Flow	<table border="1"> <thead> <tr> <th>2020</th> <th>2019</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td>78,720</td> <td>105,694</td> <td>103,958</td> </tr> </tbody> </table>	2020	2019	2018	78,720	105,694	103,958
2020	2019	2018					
78,720	105,694	103,958					

6. Guangzhou Dongxin Expressway

Attributable Interest	45.9%						
Form of Investment	Equity						
Length	46.22 km						
Lanes	Dual 3 to 4-Lane						
Location	Guangzhou City						
Operation Date	December 2010						
Expiry Date	2035						
Current Toll Rates	RMB0.60 – RMB2.45 / km						
Average Daily Traffic Flow	<table border="1"> <thead> <tr> <th>2020</th> <th>2019</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td>119,605</td> <td>148,685</td> <td>123,163</td> </tr> </tbody> </table>	2020	2019	2018	119,605	148,685	123,163
2020	2019	2018					
119,605	148,685	123,163					

Project Key Facts and Figures

7. Guangzhou City Nansha Port Expressway

Attributable Interest	22.5%	1.02%				
Form of Investment	Equity	Equity				
Length	72.4 km	N/A				
Lanes	Dual 3 to 4-Lane	N/A				
Location	Guangzhou City	Guangzhou City				
Operation Date	December 2004	January 2013				
Expiry Date	2030	N/A				
Current Toll Rates	RMB0.60 – RMB2.45 / km	N/A				
Average Daily Traffic Flow	2020 116,144	2019 139,714	2018 122,357	2020 N/A	2019 N/A	2018 N/A

8. Guangdong E-serve United Co., Ltd.

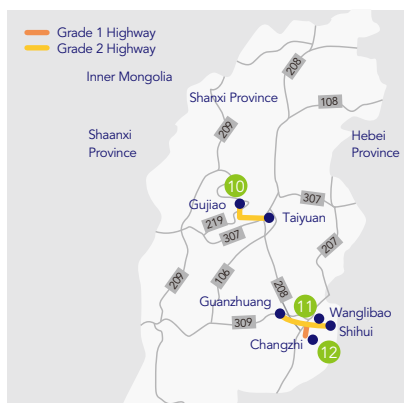
Zhejiang Province



9. Hangzhou Ring Road

Attributable Interest	100%		
Form of Investment	Equity		
Length	103.4 km		
Lanes	Dual 2 to 3-Lane		
Location	Hangzhou City		
Operation Date	January 2005		
Expiry Date	2029		
Current Toll Rates	RMB0.40 – RMB1.75 / km		
Average Daily Traffic Flow	2020 250,236	2019 318,521	2018 298,512

Shanxi Province



10. Shanxi Taiyuan – Gujiao Roadway (Gujiao Section)

Attributable Interest	60% [†]		
Form of Investment	CJV		
Length	36.02 km		
Lanes	Dual 1-Lane		
Location	Gujiao City		
Operation Date	April 1999		
Expiry Date	2025		
Current Toll Rates	RMB10 – RMB60**		
Average Daily Traffic Flow	2020	2019	2018
	1,158	1,541	716

11. Roadway No.309 (Changzhi Section)

Attributable Interest	60% [†]		
Form of Investment	CJV		
Length	22.2 km		
Lanes	Dual 1 to 2-Lane		
Location	Changzhi City		
Operation Date	July 2000		
Expiry Date	2023		
Current Toll Rates	RMB10 – RMB60**		
Average Daily Traffic Flow	2020	2019	2018
	2,849	4,955	5,183

12. Taiyuan – Changzhi Roadway (Changzhi Section)

Attributable Interest	60% [†]		
Form of Investment	CJV		
Length	18.3 km		
Lanes	Dual 1 to 2-Lane		
Location	Changzhi City		
Operation Date	August 2000		
Expiry Date	2023		
Current Toll Rates	RMB10 – RMB70**		
Average Daily Traffic Flow	2020	2019	2018
	981	1,061	1,420

Project Key Facts and Figures

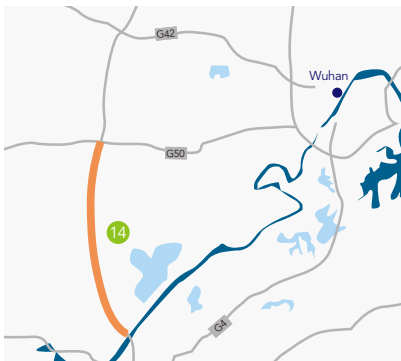
Tianjin Municipality



13. Tangjin Expressway (Tianjin North Section)

Attributable Interest	60% ^{††}		
Form of Investment	CJV		
Length	Section 1: 43.45 km Section 2: 17.22 km		
Lanes	Dual 3-Lane		
Location	Tianjin Municipality		
Operation Date	Section 1: December 1998 Section 2: December 2000		
Expiry Date	2039		
Current Toll Rates	RMB0.50 – RMB2.00 / km		
Average Daily Traffic Flow	2020	2019	2018
	51,824	71,337	62,369

Hubei Province



14. Hubei Suiyuanan Expressway

Attributable Interest	30%		
Form of Investment	EJV		
Length	98.06 km		
Lanes	Dual 2-Lane		
Location	Xiantao City & Jingzhou City		
Operation Date	March 2010		
Expiry Date	2040		
Current Toll Rates	RMB0.50 – RMB3.10 / km		
Average Daily Traffic Flow	2020	2019	2018
	20,683	24,389	23,196*

Hunan Province



15. Hunan Sui-Yue Expressway

16. Hunan Changliu Expressway

Attributable Interest	40%	100%	
Form of Investment	EJV	Equity	
Length	24.08 km	65 km	
Lanes	Dual 3-Lane	Dual 2-Lane	
Location	Yueyang City	Liuyang City	
Operation Date	December 2011	October 2013	
Expiry Date	2038	2043	
Current Toll Rates	RMB0.50 – RMB2.16 / km	RMB0.45 – RMB1.94 / km	
Average Daily Traffic Flow	2020 22,162	2019 30,660 [#]	2018 N/A
	2020 30,092 [^]	2019 N/A	2018 N/A

† 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%

* Including average daily traffic flow from January to June 2018 as the acquisition of 30% interest was completed in January 2018

[#] Including average daily traffic flow from December 2018 to June 2019 as the acquisition of 40% interest was completed in December 2018

[^] Including average daily traffic flow from August 2019 to June 2020 as the concession rights were acquired in July 2019

** Toll fee for roadways is charged at a fixed amount per usage for various vehicle type

Project Key Facts and Figures

AVIATION



Goshawk Aviation Limited

Attributable Interest	50%		
Form of Investment	Equity		
Operation Date	October 2013 [#]		
No. of Aircraft Owned	2020 162	2019 154	2018 105

[#] Date of incorporation

CONSTRUCTION



Hip Hing Group

Attributable Interest	100%
Services Offered	General contracting, construction management, civil engineering works and foundation works
Total Value of Contracts Awarded this Year	HK\$8.8 billion
Value of Contracts on Hand	HK\$52.6 billion (remaining value of works to be completed: HK\$36.1 billion)
Major Projects	<p>Construction Management of Kai Tak Sports Park; Inland Revenue Tower at Kai Tak Development; Immigration Headquarters at Tseung Kwan O; InnoCell adjacent to Hong Kong Science Park, Tai Po; Office Development at 2 Murray Road, Central; Commercial Development at NKIL 6557, Kai Tak Area 1E Site 2; Commercial Development at Nos. 999–1021 King’s Road, Quarry Bay; Commercial Development at NKIL 6556, Kai Tak Area 1F Site 2; Two Taikoo Place Phase 2B at Taikoo Place; Residential Development “LOHAS Park” Package 5 and 6 at Tseung Kwan O; Residential Development at Lee Nam Road, Ap Lei Chau; Residential Development at NKIL 6584 Off Sin Fat Road, Kwun Tong; Hong Kong Jockey Club Happy Valley Clubhouse Extension; Hong Kong Science Park Expansion Stage 1; Transport Department’s Vehicle Examination Centre at Tsing Yi; Public Rental Housing Development at Chung Nga Road East, Tai Po; Public Rental Housing Development at Queen’s Hill Site 1 (Phase 1 and portion of Phase 6); Temporary Quarantine Facilities at Junior Police Call Permanent Activity Centre at Pat Heung</p>

Project Key Facts and Figures

INSURANCE



FTLife Insurance Company Limited

Attributable Interest	100%
Services Offered	Provision of financial protection and wealth management services to individual and institutional clients from a diverse portfolio
Product Category	Life Insurance, Medical Insurance, Critical Illness Insurance, Personal Accident Insurance, Saving Insurance Plan, Investment-linked Assurance Scheme, Annuity
No. of Agents	Over 3,000
Gross Premium*	HK\$5,992 million
Solvency Ratio	542%

* From 1 November 2019 to 30 June 2020; exclude Investment-Linked Assurance Scheme business

ENVIRONMENT



1. SUEZ NWS Limited

Attributable Interest	42%			
Form of Investment	Equity			
No. of Projects and Design Capacity		No. of Projects	Total Design Capacity	
	Water and wastewater treatment:	37	8.84 million m ³ / day	
	Sludge treatment:	4	2,140 tonnes / day	
	Waste collection and treatment:	13	11,283 tonnes / day	
	Industrial and municipal waste incineration:	11	848,300 tonnes / year	
	Landfill and landfill restoration:	9	96 million m ³ (excluding landfill restoration)	
	Total	74		
Location	Liaoning, Beijing, Tianjin, Hebei, Shandong, Shanghai, Jiangsu, Zhejiang, Guangdong, Shaanxi, Henan, Hubei, Jiangxi, Chongqing, Sichuan, Guangxi, Hainan, Hong Kong, Macau, Taiwan			
Operation Date	May 1985 [#]			
Average Daily Volume Treated/Sold		2020	2019	2018
	Water and wastewater treatment (million m ³):	6.89	6.90	6.58
	Waste treatment (tonnes):	23,525	25,052	24,153

2. Chongqing Derun Environment Co., Ltd.

Attributable Interest	12.55%		
Form of Investment	Equity		
No. of Projects and Design Capacity		No. of Projects	Total Design Capacity
	Water and wastewater treatment:	5	6.16 million m ³ / day
	Municipal waste incineration:	36	52,340 tonnes / day
	Environmental remediation:	3	47.68 km (river) 1,037 mu (landfill)
	Total	44	
Location	Xinjiang, Gansu, Inner Mongolia, Liaoning, Shandong, Henan, Hubei, Jiangsu, Anhui, Zhejiang, Chongqing, Sichuan, Yunnan, Guangxi, Guangdong		
Operation Date	October 2014 [#]		

3. Chongqing Silian Optoelectronics Science & Technology Co., Ltd.

Attributable Interest	20%		
Form of Investment	EJV		
Location	Chongqing Municipality		
Operation Date	July 2008		

Project Key Facts and Figures

4. Zhujiang Power Station – Phase II

5. Chengdu Jintang Power Plant

Attributable Interest	25% [^]	35%												
Form of Investment	EJV	Equity												
Installed Capacity	620 MW	1,200 MW												
Location	Guangzhou City, Guangdong Province	Chengdu City, Sichuan Province												
Type of Power	Coal-Fired Thermal	Coal-Fired Thermal												
Operation Date	April 1996	June 2007												
Expiry Date	2020	2040												
Electricity Sales (GWh)	<table border="1"> <tr> <th>2020</th> <th>2019</th> <th>2018</th> </tr> <tr> <td>2,176</td> <td>2,029</td> <td>2,904</td> </tr> </table>	2020	2019	2018	2,176	2,029	2,904	<table border="1"> <tr> <th>2020</th> <th>2019</th> <th>2018</th> </tr> <tr> <td>4,172</td> <td>3,592</td> <td>3,213</td> </tr> </table>	2020	2019	2018	4,172	3,592	3,213
2020	2019	2018												
2,176	2,029	2,904												
2020	2019	2018												
4,172	3,592	3,213												

6. Guangzhou Fuel Company

Attributable Interest	35%
Form of Investment	EJV
Coal Pier Handling Capacity	7 million tonnes / year
Location	Guangzhou City, Guangdong Province
Nature of Business	Wholesale, assembling and storage of coal
Operation Date	January 2008
Expiry Date	2033

7. ForVEI II S.r.l.

Attributable Interest	40%				
Form of Investment	Equity				
No. of Projects and Installed Capacity	<table border="1"> <tr> <th>No. of Projects</th> <th>Total Installed Capacity</th> </tr> <tr> <td>7</td> <td>49.12 MW</td> </tr> </table>	No. of Projects	Total Installed Capacity	7	49.12 MW
No. of Projects	Total Installed Capacity				
7	49.12 MW				
Location	Italy				
Type of Power	Solar Power				
Operation Date	June 2018 [#]				
Expiry Date	2050				

[#] Date of incorporation

[^] The project was disposed of in September 2020

LOGISTICS



1. ATL Logistics Centre Hong Kong Limited

Attributable Interest	56%		
Form of Investment	Equity		
Leasable Area	5.9 million sq ft		
Location	Hong Kong		
Operation Date	Phase 1: February 1987 Phase 2: March 1988 Phase 3: February 1992 Phase 4: January 1994 Phase 5: November 1994		
Expiry Date	2047		
Average Occupancy Rate	2020 99.7%	2019 99.3%	2018 97.2%

2. China United International Rail Containers Co., Limited

Attributable Interest	30%		
Form of Investment	EJV		
Investment Scope	Pivotal rail container terminal network		
Handling Capacity	6 million TEUs / year		
Location	Kunming, Chongqing, Chengdu, Zhengzhou, Dalian, Qingdao, Wuhan, Xian, Ningbo, Tianjin, Urumqi, Qinzhou		
Operation Date	Kunming: January 2008 Chongqing: December 2009 Chengdu: March 2010 Zhengzhou: April 2010 Dalian: July 2010 Qingdao: August 2010 Wuhan: August 2010 Xian: December 2010 Ningbo: January 2011 Tianjin: January 2017 Urumqi: June 2017 Qinzhou: June 2019		
Expiry Date	2057		
Throughput Achieved (TEUs)	2020 3,895,000	2019 3,438,000	2018 2,730,000

Project Key Facts and Figures

3. Xiamen Container Terminal Group Co., Ltd.

Attributable Interest	20%		
Form of Investment	EJV		
Handling Capacity	9.1 million TEUs / year		
Location	Xiamen City, Fujian Province		
Operation Date	December 2013		
Expiry Date	2063		
Length of Berths	6,838 m		
No. of Cranes	63		
Throughput Achieved (TEUs)	2020 8,469,000*	2019 8,555,000*	2018 8,248,000*

* The figures represent the aggregate throughput handled by Xiamen Container Terminal Group Co., Ltd. and its invested companies

FACILITIES MANAGEMENT



	1. Hong Kong Convention and Exhibition Centre (Management) Limited	2. Shenyang New World Expo (Management) Limited	3. 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	Management and operation of venues for exhibitions, conventions, meetings, entertainment events, banquets and catering events, etc	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	428	19	175
Total Attendance this Year	Over 4.6 million*	Over 0.2 million**	Approximately 1.23 million***

4. Gleneagles Hospital Hong Kong

Attributable Interest	40%
Services Offered	500-bed private hospital with more than 35 specialties and subspecialties. It offers a comprehensive range of healthcare facilities and services, including 24-hour outpatient and emergency, cardiac catheterisation laboratory, clinical laboratory, critical care unit, radiotherapy and oncology centre, radiology department, endoscopy centre, chemotherapy centre, dialysis centre, health screening clinic, rehabilitation centre, specialist outpatient clinics, dietetic services, etc

5. Healthcare Assets Management Limited

Attributable Interest	30%^
Services Offered	Medical and clinical healthcare services
No. of Medical Centres	4
Service Locations	Beijing and Shanghai

6. UMP Healthcare China Limited

Attributable Interest	20% ^Δ
Services Offered	Corporate healthcare solution business, clinical healthcare and health check-up services in Mainland China
No. of Medical Centres	5
Service Locations	Beijing, Shanghai and Shenzhen

* Starting 25 January 2020, the Hong Kong SAR Government implemented various regulations on prohibition of gatherings and compulsory quarantine that essentially made it almost impossible for events to be staged at the HKCEC. Stringent measures continue to FY2021

** Pursuant to Government Directive due to COVID-19, Shenyang New World EXPO's business was suspended on 27 January 2020 and remained so through 30 June 2020. The suspension of business continued into July without indication of a date of resumption

*** Pursuant to Government Directive due to COVID-19, Zhengzhou International Convention and Exhibition Centre's business was suspended on 24 January 2020 and was permitted to resume on 11 June 2020

[^] In October 2019, the Group has sold all of our 30% stake in Healthcare Assets Management Limited

^Δ The project was disposed of in September 2020

Project Key Facts and Figures

7. 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)

TRANSPORT



	1. Citybus Limited	2. New World First Bus Services Limited	3. New World First Ferry Services Limited
Attributable Interest	100%	100%	40%
Services Offered	Franchised bus services in Hong Kong	Franchised bus services in Hong Kong	Ferry services of outlying islands and inner harbor routes
Fleet Size	1,017 buses	681 buses	17 owned vessels and 3 chartered vessels
No. of Routes	123	93	5
Average Daily Patronage	522,000	400,000	33,380

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
"BCIA"	Beijing Capital International Airport Company Limited
"Board"	the board of directors of NWS Holdings
"Changliu Expressway"	the expressway operated by Hunan NWS Expressway Management Co., Ltd. or Hunan NWS Expressway Management Co., Ltd., where appropriate
"Chongqing Silian"	Chongqing Silian Optoelectronics Science & Technology Co., Ltd.
"Chu Kong Shipping"	Chu Kong Shipping Enterprises (Group) Co., Ltd.
"Citybus"	Citybus Limited
"Citybus F1"	Franchise for Hong Kong Island and Cross-Harbour Bus Network of Citybus Limited
"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
"ETC"	electronic toll collection system
"EUR"	Euro, the official currency of the Eurozone
"FTLife Insurance"	FTLife Insurance Company Limited
"FY2019"	the financial year ended 30 June 2019
"FY2020"	the financial year ended 30 June 2020
"FY2021"	the financial year ending 30 June 2021
"GHK Hospital"	Gleneagles Hospital Hong Kong
"Goshawk"	Goshawk Aviation Limited
"Greater Bay Area"	the Guangdong-Hong Kong-Macao Greater Bay Area
"Greater China"	the PRC including Hong Kong, Macau and Taiwan
"Group"	NWS Holdings and its subsidiaries
"HIBOR"	Hong Kong Interbank Offered Rate
"Hip Hing Group"	NWS Construction Limited and its subsidiaries
"HK\$"	Hong Kong dollar, the lawful currency of Hong Kong
"HK\$m"	million of Hong Kong dollar
"HKCEC"	Hong Kong Convention and Exhibition Centre

GENERAL TERMS (continued)

"HKICPA"	Hong Kong Institute of Certified Public Accountants
"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 China"	the PRC excluding Hong Kong, Macau and Taiwan
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
"MOP"	Macau Pataca, the lawful currency of Macau
"NWCL"	New World China Land Limited
"NWD"	New World Development Company Limited
"New World Group"	NWD and its subsidiaries
"NWD (MTN)"	NWD (MTN) Limited
"NWFB"	New World First Bus Services Limited
"NWFF"	New World First Ferry Services Limited
"NWS Holdings" or "Company"	NWS Holdings Limited
"NWS Transport"	NWS Transport Services Limited
"PRC"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Sanfeng Environment"	Chongqing Sanfeng Environment Group Corp., Ltd.
"SUEZ NWS"	SUEZ NWS Limited
"Suiyuenan Expressway"	the expressway operated by Hubei Suiyuenan Expressway Co., Ltd. or Hubei Suiyuenan Expressway Co., Ltd., where appropriate
"Takeovers Code"	the Code on Takeovers and Mergers
"Tharisa"	Tharisa plc
"UMP"	UMP Healthcare China Limited
"US" or "USA"	the United States of America
"VONB"	value of new business
"US\$"	United States dollar, the lawful currency of USA

Glossary of Terms

TECHNICAL TERMS

"CO ₂ e"	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
"GWh"	gigawatt-hour, equals to 1,000,000 kilowatt-hours
"km"	kilometre(s)
"MW"	megawatt(s), equals to 1,000 kilowatts
"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 gross profit minus general and administrative expenses, and selling and marketing expenses plus depreciation/amortization, dividend received from associated companies and joint ventures and interest income from financial assets at fair value through other comprehensive income (debt instruments)
"APE"	annual premium equivalent, a measure of new business activity that is calculated as the sum of annualized regular premiums from new business plus 10% single premiums on new business written during a period
"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"	$\frac{\text{profit attributable to shareholders of the Company}}{\text{weighted average number of shares in issue during the year}}$
"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

Corporate Information

Board of Directors

Executive Directors

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

Non-executive Directors

Mr To Hin Tsun, Gerald
Mr Dominic Lai
Mr Tsang Yam Pui
Mr Lam Wai Hon, Patrick
Mr William Junior Guilherme Doo

Independent Non-executive Directors

Mr Kwong Che Keung, Gordon
Dr Cheng Wai Chee, Christopher
The Honourable Shek Lai Him, Abraham
Mr Lee Yiu Kwong, Alan
Mrs Oei Fung Wai Chi, Grace
Mr Wong Kwai Huen, Albert

Board Committees

Executive Committee

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Sustainability Committee

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

Corporate Governance Committee

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

Company Secretary

Mr Chow Tak Wing

Corporate Information

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place Of Business

28/F, New World Tower
18 Queen's Road Central
Hong Kong

Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
4th Floor, North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

Branch Share Registrar and Transfer Office in Hong Kong

Tricor Standard Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Auditor

PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

Principal Bankers

Bank of America, N.A.
Bank of China (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited
China Merchants Bank Co., Ltd., Beijing Branch
Crédit Agricole Corporate & Investment Bank
DBS Bank Ltd. Hong Kong Branch
Hang Seng Bank Limited
Mizuho Bank, Ltd. Hong Kong Branch
Standard Chartered Bank (Hong Kong) Limited
Sumitomo Mitsui Banking Corporation
Hong Kong Branch
MUFG Bank, Ltd. Hong Kong Branch
The Hongkong and Shanghai Banking
Corporation Limited

Website

www.nws.com.hk

NWS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

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NWS Holdings Limited takes every practicable measure to conserve resources and minimize waste. This annual report is printed on FSC™ certified paper and other controlled material using chemistry free plate system and soy ink.

The FSC™ logo identifies product group from responsible forestry in accordance with the rules of the Forest Stewardship Council®.