HONG KONG FERRY (HOLDINGS) COMPANY LIMITED
香港小輪（集團）有限公司

(Stock Code: 50)

ANNUAL REPORT 2021

15 years+ 商界展關懷 caringcompany
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

90 HKF (since 1923)

CONTENTS

Corporate Information	2
Directors' and Senior Management's Profile	3
Financial Highlights	7
Chairman's Statement	10
Management Discussion and Analysis	13
Report of the Directors	14
Corporate Governance Report	26
Environmental, Social and Governance Report	41
Independent Auditor's Report	73
Consolidated Statement of Profit or Loss	79
Consolidated Statement of Profit or Loss and Other Comprehensive Income	80
Consolidated Statement of Financial Position	81
Consolidated Statement of Changes in Equity	83
Consolidated Cash Flow Statement	84
Notes to the Financial Statements	86
Five Years' Financial Summary	160
Group Properties	163

Forward-looking Statements

This annual report contains certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board of Directors of the Company regarding the industry and markets in which it operates. These forward-looking statements are subject to risks, uncertainties and other factors beyond the Company's control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Dr. Lam Ko Yin, Colin *(Chairman)*
Mr. Li Ning

Non-executive Directors:

Mr. Au Siu Kee, Alexander
Mr. Lau Yum Chuen, Eddie

Independent Non-executive Directors:

Mr. Ho Hau Chong, Norman
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong

AUDIT COMMITTEE

Mr. Ho Hau Chong, Norman *(Chairman)*
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong

REMUNERATION COMMITTEE

Mr. Wu King Cheong *(Chairman)*
Dr. Lam Ko Yin, Colin
Mr. Li Ning
Mr. Ho Hau Chong, Norman
Ms. Wong Yu Pok, Marina

NOMINATION COMMITTEE

Dr. Lam Ko Yin, Colin *(Chairman)*
Mr. Li Ning
Mr. Ho Hau Chong, Norman
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong

GROUP GENERAL MANAGER

Ir. Dr. Ho Chi Shing, David
(Retired on 15 October 2021)
Mr. Lee Gabriel
(Appointed with effect from 4 October 2021)

COMPANY SECRETARY

Mr. Yuen Wai Kuen, Peter

AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd. Hong Kong Branch
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
OCBC Wing Hang Bank Limited
Mizuho Bank, Limited

REGISTERED OFFICE

98 Tam Kon Shan Road
TYTL 102
Ngau Kok Wan
North Tsing Yi
New Territories
Hong Kong

Telephone : (852) 2394 4294
Facsimile : (852) 2786 9001
Website : www.hkf.com
E-Mail : hkferry@hkf.com

SHARE LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 50

SHARE REGISTRAR

Tricor Standard Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

DIRECTOR'S PROFILE

Dr. Lam Ko Yin, Colin, *SBS, FCILT, FHKIoD, DB (Hon), DBA (Hon)*, aged 70, was appointed on 1 July 1986, is the Chairman of the Company. Dr. Lam has over 48 years' experience in banking and property development. He is also a Vice Chairman of Henderson Land Development Company Limited ("Henderson Land") and Henderson Investment Limited, a non-executive director of The Hong Kong and China Gas Company Limited and an executive director of Miramar Hotel and Investment Company, Limited, all of which are listed public companies. He is also a director of Wiselin Investment Limited ("Wiselin"), Henderson Development Limited ("Henderson Development"), Graf Investment Limited ("Graf"), Mount Sherpa Limited ("Mount"), Paillard Investment Limited ("Paillard"), Hopkins (Cayman) Limited ("Hopkins"), Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"). Henderson Land, Wiselin, Henderson Development, Graf, Mount, Paillard, Hopkins, Rimmer and Riddick have discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance. He was awarded the Silver Bauhinia Star (SBS) by the Government of the Hong Kong Special Administrative Region in 2017. Dr. Lam is the Deputy Chairman of The University of Hong Kong Foundation for Educational Development and Research, a Director of Fudan University Education Development Foundation, an honorary Court member of Hong Kong Baptist University, a member of the Court of The Hong Kong University of Science and Technology and a member of the Court of City University of Hong Kong. Dr. Lam was awarded an Honorary University Fellowship by The University of Hong Kong in 2008 and an Honorary Fellowship by The Chinese University of Hong Kong in 2019. He was also conferred with a degree of Doctor of Business (Honoris Causa) by Macquarie University in 2015 and a degree of Doctor of Business Administration (Honoris Causa) by The Hong Kong University of Science and Technology in 2021. Dr. Lam is a Fellow of The Chartered Institute of Logistics and Transport in Hong Kong and a Fellow of The Hong Kong Institute of Directors.

Dr. Lam Ko Yin, Colin
Chairman

Mr. Li Ning, *BSc, MBA*, aged 65, was appointed on 20 October 1989, is an Executive Director of the Company. Mr. Li is also an Executive Director of Henderson Investment Limited, a listed public company. He holds a B.Sc. degree from Babson College and an M.B.A. degree from the University of Southern California. Mr. Li is the son-in-law of Dr. Lee Shau Kee.

Mr. Li Ning

Mr. Au Siu Kee, Alexander

Mr. Au Siu Kee, Alexander, *OBE, FCA, FCCA, FCPA, AAIA, FCIB, FHKIB*, aged 75, was appointed as an Independent Non-executive Director on 17 January 2005 and re-designated as a Non-executive Director of the Company on 7 November 2005. Mr. Au was a well-known banker in Hong Kong and had more than 32 years' experience in local and international banking business, having been the Chief Executive Officer of Hang Seng Bank Limited (from October 1993 to March 1998) and of Oversea-Chinese Banking Corporation Limited in Singapore (from September 1998 to April 2002). He was formerly a non-executive director of a number of leading companies including The Hongkong and Shanghai Banking Corporation Limited, MTR Corporation Limited and Hang Lung Group Limited. He was an executive director and the chief financial officer of Henderson Land Development Company Limited ("Henderson Land") from December 2005 to June 2011. He stepped down from the position of chief financial officer and was re-designated as a non-executive director of Henderson Land on 1 July 2011. On 18 December 2012, Mr. Au was re-designated as an independent non-executive director of Henderson Land until his retirement on 2 June 2015. In December 2018, Mr. Au rejoined Henderson Land as an independent non-executive director. Currently, he is an independent non-executive director of Henderson Investment Limited, Wharf Real Estate Investment Company Limited and Miramar Hotel and Investment Company, Limited, all of which are listed public companies. He is the chairman and a non-executive director of Henderson Sunlight Asset Management Limited, the manager of the publicly-listed Sunlight Real Estate Investment Trust. An accountant by training, Mr. Au is a Fellow of The Institute of Chartered Accountants in England and Wales, The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Henderson Land has discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance.

Mr. Lau Yum Chuen, Eddie

Mr. Lau Yum Chuen, Eddie, aged 75, was appointed on 5 May 1988, is a Non-executive Director of the Company. He has over 50 years of experience in banking, finance and investment. Mr. Lau is also an Executive Director of Miramar Hotel and Investment Company, Limited, and previously served as an Executive Director of Henderson Land Development Company Limited until 8 June 2020, both are listed public companies.

Mr. Ho Hau Chong, Norman, *BA, ACA, FCPA*, aged 66, was appointed on 28 March 1995, is an Independent Non-executive Director of the Company. Mr. Ho is a member of the Institute of Chartered Accountants in England and Wales and a Fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Ho is an Executive Director of Honorway Investments Limited and Tak Hung (Holding) Company, Limited and has over 30 years of experience in management and property development. He is also a Director of Lee Hing Development Limited, Miramar Hotel and Investment Company, Limited, Vision Values Holdings Limited and Shun Tak Holdings Limited, all of which are listed public companies.

Mr. Ho Hau Chong, Norman

Ms. Wong Yu Pok, Marina, *JP*, aged 73, was appointed on 8 May 2008, is an Independent Non-executive Director of the Company. Ms. Wong joined PricewaterhouseCoopers in 1968 and was responsible for the development of the firm's business in Mainland China since 1980. After her retirement as a partner from PricewaterhouseCoopers in July 2004, she joined Tricor Services Limited as a director from September 2004 to February 2006. Ms. Wong was a member of a number of Government advisory and other bodies in Hong Kong, including The Dental Council of Hong Kong up to August 2021 and was the Chairman of The Applied Research Council up to February 2017. Ms. Wong is the Vice-Chairman of the Hong Kong Federation of Women. An accountant by training, Ms. Wong is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Association of Chartered Certified Accountants. She is also an Independent Non-Executive Director of Kerry Properties Limited, Luk Fook Holdings (International) Limited, Kerry Logistics Network Limited and SJM Holdings Limited, all of which are listed public companies in Hong Kong.

Ms. Wong Yu Pok, Marina

Mr. Wu King Cheong, *BBS, JP*, aged 71, was appointed as an Independent Non-executive Director of the Company on 17 January 2005. He is the Life Honorary Chairman of the Chinese General Chamber of Commerce, the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Permanent Honorary President of the Hong Kong Securities Association Limited. Mr. Wu is currently an independent non-executive director of Henderson Land Development Company Limited ("Henderson Land"), Henderson Investment Limited, Miramar Hotel and Investment Company, Limited and Yau Lee Holdings Limited, all of which are listed public companies. Henderson Land has discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance. Mr. Wu was awarded an Honorary Fellowship by Lingnan University in 2009.

Mr. Wu King Cheong

SENIOR MANAGEMENT'S PROFILE

The Senior Management of the Company is as follows:

Mr. Lee Gabriel	Group General Manager and General Manager — Ferry and Property Operations
Mr. Leung Shu Keung, Brian	Internal Audit Manager
Mr. Wong Kam Chuen, Terence	Deputy General Manager — Finance and Accounts
Mr. Yuen Wai Kuen, Peter	Company Secretary

Mr. Lee Gabriel, aged 43, joined the Company and was appointed as the Group General Manager of the Company in October 2021. Mr. Lee has 20 years of experience in business management. Mr. Lee served as an executive director of EC Healthcare (Stock Code: 2138), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since its listing in March 2016, and acted as its chief operating officer from April 2014 to 30 September 2021. Prior to joining EC Healthcare, Mr. Lee commenced his career at Cathay Pacific Airways Limited (國泰航空有限公司)("Cathay Pacific") (Stock Code: 293), an international airline listed on the Main Board of the Stock Exchange, and held various managerial roles in Cathay Pacific in Hong Kong, Shanghai and Beijing, including but not limited to overseeing the Hong Kong International Airport operations and the cargo operations of the airline in 14 cities in the People's Republic of China, as well as being seconded to Air China Cargo Company Limited (中國國際貨運航空有限公司) in Beijing where he served as the assistant president of its commercial (sales and marketing) division.

Mr. Lee holds a bachelor of business administration degree in accounting and finance from the University of Hong Kong and attended the SWIRE Management Programme organized by INSEAD Graduate Business School in Singapore. Mr. Lee also attended the SWIRE Accounting and Control Programme and SWIRE Advanced Management Programme organised by INSEAD Graduate Business School in Fontainebleau, France.

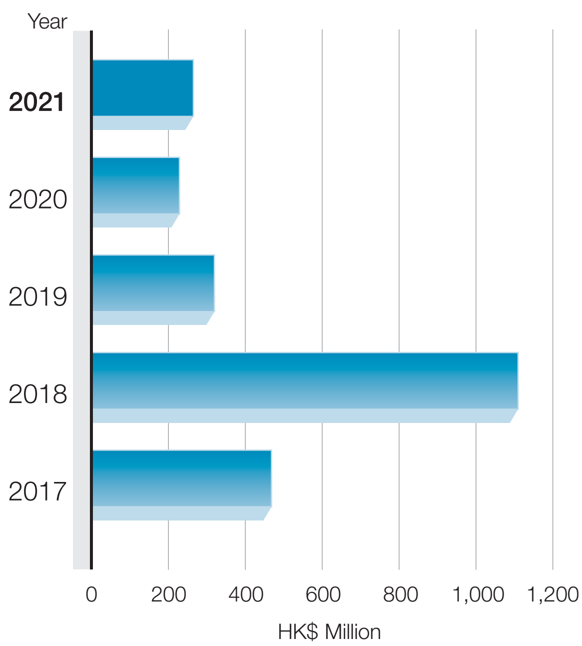
Mr. Leung Shu Keung, Brian, *BA, CIA, CRMA, CFE, PgD*, aged 60, is the Internal Audit Manager of the Company. He joined the Company in 1992 and has over 32 years of experience in accounting, auditing and management assurance.

Mr. Wong Kam Chuen, Terence, *MCF, BA(Hons), FCCA, CPA, ACG, HKACG*, aged 53, has been the Deputy General Manager of Finance and Accounts Department of the Company since 2013. He joined the Company in 1995 and has over 20 years of experience in accounting, auditing and corporate finance.

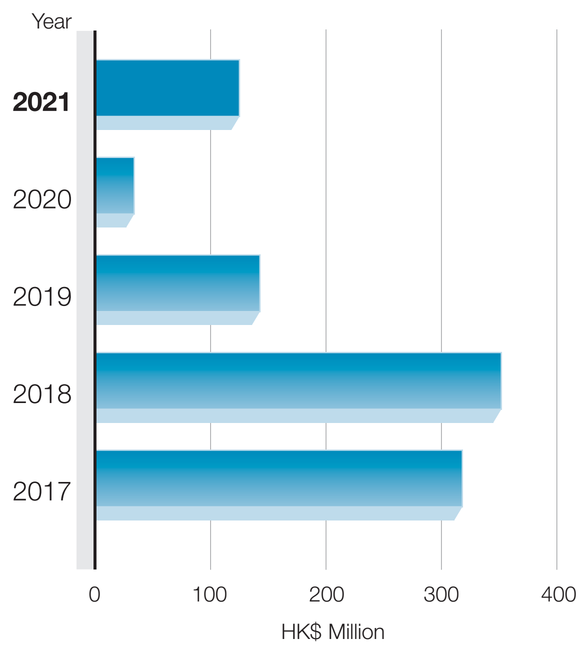
Mr. Yuen Wai Kuen, Peter, *BA(Hons), MBA, FCG, HKFCG, FIPA*, aged 63, has joined the Company in January 2005 and has been appointed Company Secretary of the Company on 1 April 2005. Mr. Yuen has over 20 years of experience in company secretarial, corporate advisory and general management.

		2021	2020	Variance
Revenue	*HK$M*	**244**	208	17.3%
Profit attributable to shareholders	*HK$M*	**118**	27	337.0%
Dividends	*HK$M*	**89**	89	–
Shareholders' funds	*HK$M*	**6,005**	5,972	0.6%
Basic earnings per share	*HK$*	**0.33**	0.07	371.4%
Dividend per share	*HK$*	**0.25**	0.25	–
Dividend cover	*Times*	**1.3**	0.3	333.3%
Return on equity	*%*	**2.0**	0.5	300.0%
Net assets per share	*HK$*	**16.85**	16.76	0.5%

Group Revenue



Profit attributable to shareholders



METRO HARBOUR PLAZA
(8 FUK LEE STREET, TAI KOK TSUI)

Covering over 250,000 square feet, Metro Harbour Plaza is located in the heart of West Kowloon, the occupancy rate was 84%.

(artist's impression)

THE ROYALE
(8 CASTLE PEAK ROAD - CASTLE PEAK BAY, TUEN MUN) DEVELOPMENT PROJECT

The Group's 50%/50% development joint venture with the Empire Group at The Royale, 8 Castle Peak Road, Castle Peak Bay, Tuen Mun (formerly known as Tuen Mun Town Lot No. 547). This project consists of Phase 1 - "Seacoast Royale", Phase 2 - "Starfront Royale" and Phase 3 - "Skypoint Royale". The gross floor area of the site area is approximately 663,000 square feet.

KWEILIN STREET/ TUNG CHAU STREET,
REDEVELOPMENT PROJECT

In June 2018, the Group was awarded the redevelopment contract for the Kweilin Street/Tung Chau Street project in Sham Shui Po by the Urban Renewal Authority. Upon development, the Group will be entitled to the residential gross floor area of about 97,845 square feet.

I am pleased to present to the shareholders on behalf of the Board my report on the operations of the Group for the year ended 31 December 2021.

Dr. Lam Ko Yin, Colin
Chairman

BUSINESS RESULTS

During the year under review, the profit for the Group was mainly derived from rental income from shops and commercial arcades. After taking into account the valuation gains on the Group's investment properties of HK$76 million, the Group's consolidated profit after taxation for the year ended 31 December 2021 increased by 345% to approximately HK$118 million as compared with the same period of 2020. Earnings per share was HK$0.33 (2020: HK$0.07).

DIVIDENDS

The Board of Directors has recommended the payment of a final dividend for the year ended 31 December 2021 of HK15 cents per share (2020: HK15 cents per share). Subject to shareholders' approval at the annual general meeting to be held on Tuesday, 31 May 2022, the final dividend will be paid on or about Friday, 17 June 2022 to shareholders whose names appear on the register of members of the Company on Wednesday, 8 June 2022. The final dividend, together with the interim dividend of HK10 cents per share has already paid, will make a total distribution of HK25 cents for the full year.

BUSINESS REVIEW

Hong Kong economy once experienced a recovery during 2021 and expanded by 6.4%, as the pandemic was temporarily under control in the second half of 2021. Private consumption expenditure increased by 5.6% from 2020, although the economic recovery was uneven, with its size and overall economic activity below the level prior to coronavirus pandemic.

Mr. Gabriel Lee joined the Group as Group General Manager in October 2021. Mr. Lee has experience in the healthcare, transportation and customer service industries for over 20 years. In addition to his association with multinational enterprises, Mr. Lee also demonstrated comprehensive capabilities in leading and managing a medical enterprise through its rapid growth. The Board of Directors strongly believes that Mr. Lee will successfully lead the Group in its diversification into new businesses, including quality medical aesthetic services.

During the year under review, the Group's profit was mainly derived from the rental income from shops and commercial arcades and the valuation gains on the Group's investment properties.

BUSINESS REVIEW (Continued)

Property Development and Investment Operations

During 2021, the gross rental income arising from the commercial arcades of the Group amounted to approximately HK$106 million. The commercial arcade of Metro6 was fully let as at 31 December 2021. The occupancy rate of the commercial arcades of Shining Heights and The Spectacle were 97% and 89% respectively. The occupancy rate of commercial arcades of Metro Harbour View and Green Code were 84% and 99% respectively.

The Royale (8 Castle Peak Road - Castle Peak Bay, Tuen Mun) Development Project

The Group's 50%/50% development joint venture with the Empire Group at The Royale, 8 Castle Peak Road, Castle Peak Bay, Tuen Mun (formerly known as Tuen Mun Town Lot No. 547), since the commencement of the sale of Phase 1 - "Seacoast Royale", Phase 2 - "Starfront Royale" and Phase 3 - "Skypoint Royale", 1,745 residential units had been sold, amounting to approximately 98% of the total units. The total sales considerations are approximately HK$8,600 million with an average selling price of saleable floor area in excess of HK$15,400 per square foot.

The gross floor area of the site area is approximately 663,000 square feet. The occupation permit has been obtained in January 2022 and the project is expected to be delivered to the buyers by phases in mid-2022 and revenue from property sales will be recognised accordingly.

Kweilin Street/Tung Chau Street, Sham Shui Po Redevelopment Project

In June 2018, the Group was awarded the redevelopment contract for the Kweilin Street/Tung Chau Street project in Sham Shui Po by the Urban Renewal Authority. Upon development, the Group will be entitled to the residential gross floor area of about 97,845 square feet. The superstructure works were in progress and the project is expected to be completed in the first quarter of 2024.

Green Code

Ferry, Shipyard and Related Operations

During the year under review, the Ferry, Shipyard and Related Operations recorded a profit of HK$8.6 million as compared with the loss of HK$17.9 million in 2020. The improvement of business results was mainly attributable to the increase in revenue from shipyard operation and the subsidy of repair and maintenance costs received from the Government for ferry operation.

Securities Investment

During the year under review, a deficit of HK$0.8 million in Securities Investment was recorded mainly due to the fair value change of certain financial assets during the year under review.

PROSPECTS

With the outbreak of the military conflict in Europe last month, the global stock markets reacted negatively and the investment environments turned gloomy. The United States and Europe imposed sanctions against Russia, whilst various multinational enterprises suspended their operations in Russia. The global trades and economy have been disrupted.

Hong Kong saw its outbreak of the 5th wave pandemic since two months ago. The tightening of the social distancing measures and the closing of certain premises by the government reduced consumers' consumption, leading to the winding up of some restaurants and retail shops. In the 2022/23 Budget, the Financial Secretary proposed a new legislation forbidding landlords from taking legal actions to recover rentals from tenants affected by the 5th wave pandemic. Such measures may have a temporary impact on the Group's rental income. A new round of electronic consumption vouchers was introduced in the Budget to stimulate public consumption and together with the Anti-epidemic Funds relief measures, will help the local economy. In addition, the government has relaxed the cap on the value of properties eligible for mortgage loans by HKMC Insurance Limited for first-time home buyers in order to assist households to purchase flats, which will be beneficial to the property market.

The Central Government has taken solid actions to strongly back up and support Hong Kong in its fight against the epidemic. In addition to the sending of the expert team and medical professionals to Hong Kong, it also assisted in the construction of the community isolation facility. The San Tin makeshift hospital, which provides up to 2,800 isolation units, was officially completed on 9 March 2022 after an uninterrupted construction in more than a week's time. Recently, anti-epidemic materials from the mainland arrived in Hong Kong successively, providing sufficient and stable supplies of fresh food and daily necessities to the residents.

Amid the prolonged coronavirus pandemic, Hong Kong citizens paid more attention to their health and well-being. The private health expenditure of Hong Kong in 2019/20 amounted to HK$88.1 billion and was expected to further increase. The rising focus among individuals on their appearance and body health will raise the demand for minimal invasive aesthetic procedures. Coupled with the pursuit of innovative technology by the young people, the size of the minimal invasive medical aesthetic market will continue to increase in future. The Group is strategizing to provide quality services via business co-operation and direct investment in order to capture the expected consumer demand in the medical aesthetic market.

The Group has planned to establish a medical aesthetic clinic and premium beauty service centre with over 10,000 square feet of floor area at Tsim Sha Tsui in mid-2022. This centre will provide services such as contouring, firming, lifting, whitening and anti-aging, improvement to skin conditions and contouring management services in conjunction with devices and drugs certified by the United States Food and Drug Administration and the European Union. Such services will be carried out by licensed and registered practitioners. The Group expects to invest HK$40 million in 2022 and will further invest in multiple sums in the coming years.

The Kweilin Street/Tung Chau Street project is expected to be completed in the first quarter of 2024. The revenue from property sales of the development project "The Royale" will be booked upon the delivery of possessions to buyers. Barring any unforeseen circumstances, the Group is expected to achieve a favorable result for the year of 2022. In celebration of the upcoming 100th anniversary of the Group, the Board of Directors has decided to recommend the payment of a special dividend of HK$1 per share next year to the shareholders and the date of payment will be announced in conjunction with the announcement of the 2022 annual results in 2023.

ACKNOWLEDGEMENT

On behalf of the shareholders and the Board, I would like to take this opportunity to express our appreciation to all our staff for their dedication and hard work during the year.

Dr. Lam Ko Yin, Colin
Chairman

Hong Kong, 18 March 2022

The following comments should be read in conjunction with the Audited Consolidated Financial Statements of the Company and the related notes to the financial statements.

IMPACT OF COVID-19 PANDEMIC

The outbreak of COVID-19 since January 2020 continued to have significant impact on the business operations of the Group and in particular, Harbour Cruise - Bauhinia.

REVIEW OF RESULTS

The Group's revenue for the year amounted to approximately HK$244 million, representing an increase of 17% when compared with the previous year. This was mainly attributable to the increase of revenue from shipyard operation.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As of 31 December 2021, shareholders' funds of the Group showed a slight increase of around 0.5% as compared to the previous year and amounted to approximately HK$6,005 million. The increase was mainly due to the net effect of the profit realised from property sale and leasing, the gains on revaluation of the Group's investment properties and the payment of dividends.

There was no change to the capital structure of the Group during the year. Funding for the Group's activities during the year under review was mainly generated from the property leasing and other operations.

Current assets of the Group were recorded at approximately HK$3,282 million and the current liabilities were approximately HK$185 million as of 31 December 2021. Current ratio of the Group had been increased to 17.8 as at 31 December 2021, mainly attributed to the increase in cash and bank balances.

GEARING RATIO AND FINANCIAL MANAGEMENT

As there was no borrowing as at 31 December 2021, no gearing ratio, which is calculated on the basis of bank borrowing as a ratio of the Group's shareholders' fund, was shown.

The Group's financing and treasury activities were managed centrally at the corporate level. Financing facilities extended to the Group were denominated in Hong Kong dollar.

EMPLOYEES

As at 31 December 2021, the number of employees of the Group stood at about 200 (2020: about 200). Total employees' costs for the year amounted to approximately HK$87 million. The remuneration packages to employees were commensurable to the market trend and levels of pay in similar industries. A discretionary year-end bonus was paid to employees based on individual performance. Other benefits to employees included medical insurance, retirement scheme, training programmes and educational subsidies.

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their Annual Report together with the audited financial statements for the year ended 31 December 2021.

PRINCIPAL PLACE OF BUSINESS

Hong Kong Ferry (Holdings) Company Limited (the "Company") is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 98 Tam Kon Shan Road, TYTL 102, Ngau Kok Wan, North Tsing Yi, New Territories, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are property development, property investment, ferry, shipyard and related businesses and securities investment.

The analysis of the principal activities of the Company and its subsidiaries (the "Group") during the financial year are set out in note 3 to the financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year is provided in Management Discussion and Analysis on page 13 and Chairman's Statement on pages 10 to 12 of this Annual Report. A discussion on the Group's future business development is provided in the Chairman's Statement on pages 10 to 12 of this Annual Report. Description of the principal risks and uncertainties that the Group may be facing can be found in the Chairman's Statement on pages 10 to 12 and the sub-section of Risk Management and Internal Controls on pages 34 to 37 of Corporate Governance Report of this Annual Report. Financial risk management of the Group can be found in note 24 to the financial statements on pages 148 to 151 of this Annual Report. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial Highlights on page 7 and Five Years' Financial Summary on pages 160 to 162 of this Annual Report respectively.

Discussions on the Group's environmental policies and performance, relationships with its key stakeholders which have a significant impact on the Group are contained in Environmental, Social and Governance Report on pages 41 to 72 of this Annual Report. These discussions form part of this Report of the Directors.

Discussion on Environmental Policies and Performance

The Group is committed to integrating sustainability considerations into our businesses and practising environmental stewardship. In support of the government's call for decarbonisation, the Group has set an ambitious target by reducing greenhouse gas ("GHG") emissions by 30% by 2030 compared with 2021 level through innovative solutions, technological upgrades and energy optimisation. This year, we installed 100 solar panels on the rooftop of our Shipyard with a capacity of 44.5 kW and an estimated annual avoidance of 18,500 kg of CO_2e. Since 2011, our two most fuel-intensive subsidiaries have undergone carbon audits as part of the Energy and Carbon Management Programme. At our Principal Office, we have commissioned environmental consultants to monitor our energy usage and explore energy-saving solutions. Our property development and investment businesses also incorporate sustainability features from the beginning of our projects in the design and construction phases as well as conducting energy-simulation modelling studies to identify the most optimal energy-saving approach.

The Group has made great strides in maintaining air quality within the harbour and the shared community around it. After our self-initiated and voluntary vessel engine and generator replacement programme, we have established more stringent internal standards in sulphur content in the diesel we use to 0.001% for our dangerous goods vehicular ferries starting from January 2020. Key air pollutant emissions are minimised by switching to environmentally friendly alternatives.

BUSINESS REVIEW (Continued)

Discussion on Environmental Policies and Performance (Continued)

As part of our resource conservation efforts, a third rainwater harvesting tank has been added to collect rainwater for vehicle washing, floor cleaning and irrigation purposes. We also work hard to ensure waste materials and other useful resources are reused, recovered and recycled whenever possible before the consideration of landfill disposal. For instance, our Shipyard introduced a "Wasted Filter Pressing Treatment Plant" which makes use of powerful pressing equipment to reduce the volume of waste products requiring disposal. Waste oil generated from the process will be collected for further processing.

Account of Key Relationships with Employees, Customers and Suppliers

The Group seeks to build positive long-term relationships with our key stakeholder groups by upholding the highest standards of business ethics and taking their interests into full account. We regularly engage and communicate with our employees, customers and suppliers and respond in a timely manner to address their needs and concerns.

Employees

The Group remains steadfast in providing a supportive, inclusive, caring and safe work environment for our employees. They are remunerated with competitive salaries and benefits commensurate with work experience and job duties. We continue to provide apprenticeship and engineer training programmes to new joiners in order to strengthen our talent pipeline and succession planning at our shipyard workshop and ferry operations. To support staff learning and development, the Group encourages our employees to pursue different interests and offers internal and external opportunities to unlock their full potential.

While the pandemic has continued to pose challenges to the health and safety of our employees, we have implemented a range of preventive measures to reduce the risk on our premises and provided staff with essential anti-epidemic supplies. To further encourage employees to receive COVID-19 vaccination as early as possible, they will be entitled to a day of vaccination leave for each vaccination dose received so that they can have sufficient time to recuperate after getting vaccinated. At shipyard and property development operations, committees were established to oversee occupational health and safety measures and initiatives. Regular inspections are carried out by our Safety Officer to ensure safe operational practices and identify areas for rectification as appropriate.

Customers

The Group strives to offer efficient, professional and quality services to satisfy customers' needs. To gather their thoughts and suggestions in a systematic and proactive manner, we conduct regular customer satisfaction surveys and review detailed client feedback from the Service Evaluation Record. Analysing customer engagement data helps the Group to improve performance and develop business strategies which align with customer expectations. Our Ferry, Shipyard and Harbour Cruise - Bauhinia operations adopt the internationally recognised ISO 9001:2015 Quality Management Systems to ensure accountability for our quality standards. We operate with a high level of business ethics and product responsibility, and strictly comply with all relevant intellectual property rights and customer data privacy regulations.

Suppliers

To ensure corporate responsibility across our extensive supply chain networks, the Group upholds high standards when it comes to supply chain management and engagement. Our Code of Conduct provides guidance for fair and open procurement and tendering procedures and ensures impartial and unbiased selection of competent suppliers and contractors. Through our Supplier Evaluation Report and Supplier Performance Review, we assess the suitability and performance of our suppliers and contractors on a regular basis. These appraisals allow us to maintain our consistent service quality. At our property development operations, we work closely with our contractors to ensure safety compliance, promote industry safety best practices and spread occupational safety messages to all workers on our project sites. All suppliers and contractors must comply with all local environmental, employment and safety related regulations. The Group also prioritises local suppliers as far as practicable to mitigate environmental impacts associated with our procurement activities and manage ESG-related risks resulting from disrupted supply chains. Furthermore, in response to the evolving changes in global requirements, additional supplier certifications such as carbon and energy audit as well as Global Reporting Initiative (GRI) are added regarding the review criteria.

BUSINESS REVIEW (Continued)

Compliance Status with Relevant Laws and Regulations that have a Significant Impact on the Business

During the reporting year, there were no reported cases of non-compliance with applicable laws and regulations in Hong Kong on the environment, labour standards, occupational health and safety, anti-corruption, customer privacy and intellectual property that have a significant impact on the Group.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's purchases attributable to the major suppliers during the year is as follows:

	Percentage of the Group's total purchases
The largest supplier	67.4%
Five largest suppliers in aggregate	78.3%

No analysis in respect of the Group's major customers is shown as the percentage of revenue attributable to the Group's five largest customers is less than 30%.

Apart from the foregoing, at no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the number of issued shares of the Company) had any interest in these major customers and suppliers.

SUBSIDIARIES

Details of the principal subsidiaries of the Company at 31 December 2021 are set out in note 12 to the financial statements.

FINANCIAL STATEMENTS AND DIVIDENDS

The profit of the Group for the year ended 31 December 2021 and the financial position of the Group at that date are set out in the financial statements on pages 79 to 159.

An interim dividend of HK10 cents per share (2020: HK10 cents per share) was paid on 28 September 2021. The Board of Directors (the "Board") has recommended the payment of a final dividend for the year ended 31 December 2021 of HK15 cents per share (2020: HK15 cents per share). Subject to shareholders' approval at the annual general meeting to be held on Tuesday, 31 May 2022 (the "2022 annual general meeting"), the final dividend will be paid on or about Friday, 17 June 2022 to shareholders whose names appear on the register of members of the Company on Wednesday, 8 June 2022.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK$14,340 (2020: HK$5,600).

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 23 to the financial statements.

DIRECTORS

The directors of the Company during the year ended 31 December 2021 and up to the date of this report were:

Executive Directors

Dr. Lam Ko Yin, Colin *(Chairman of the Board)*
Mr. Li Ning

Non-executive Directors

Mr. Au Siu Kee, Alexander
Mr. Lau Yum Chuen, Eddie

Independent Non-executive Directors

Mr. Ho Hau Chong, Norman
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong

A list of the names of the Directors of the Group's subsidiaries is available on the website of the Company (www.hkf.com).

In accordance with Article 103(A) of articles of association of the Company (the "Articles of Association") and Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Dr. Lam Ko Yin, Colin, Mr. Au Siu Kee, Alexander and Ms. Wong Yu Pok, Marina shall retire by rotation at the 2022 annual general meeting, and, being eligible, offer themselves for re-election. Ms. Wong Yu Pok, Marina, an Independent Non-executive Director, has served the Company for more than nine years. Pursuant to the Code, her re-election shall be subject to a separate resolution to be approved by the shareholders at the 2022 annual general meeting.

The Company has received from each Independent Non-executive Director an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considered all of them to be independent.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details, of Directors and Senior Management are set out in the Directors' and Senior Management's Profile on pages 3 to 6 of this Annual Report.

DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of Directors' and Chief Executive's emoluments are set out in note 7 to the financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except for the "Connected Transactions" as disclosed in this report, no other transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for re-election at the 2022 annual general meeting has a service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment other than statutory compensation.

PERMITTED INDEMNITY PROVISION

According to the Articles of Association, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities to the fullest extent permitted by the Companies Ordinance, Chapter 622 of the Laws of Hong Kong which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

DISCLOSURE OF INTERESTS

Directors' Interests in Securities

As at 31 December 2021, the interests and short positions of the directors and the chief executive of the Company 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")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Shares and underlying shares (Long positions)

	THE COMPANY				
	Interest in shares				
	Personal Interests *Number of Shares*	**Corporate Interests** *Number of Shares*	**Family Interests** *Number of Shares*	**Total Interests** *Number of Shares*	**Approximate percentage of the total number of issued shares**
Name of Director					
Dr. Lam Ko Yin, Colin	150,000	–	–	150,000	0.04%
Mr. Au Siu Kee, Alexander	–	–	–	–	0.00%
Mr. Ho Hau Chong, Norman	3,313,950	–	–	3,313,950	0.93%
Mr. Lau Yum Chuen, Eddie	–	–	–	–	0.00%
Mr. Li Ning	–	–	119,017,090 *(Note 4)*	119,017,090	33.41%
Ms. Wong Yu Pok, Marina	–	–	–	–	0.00%
Mr. Wu King Cheong	–	–	–	–	0.00%
Name of Group General Manager					
Mr. Lee Gabriel	180,000	–	–	180,000	0.05%

DISCLOSURE OF INTERESTS (Continued)

Directors' Interests in Securities (Continued)

Shares and underlying shares (Long positions) (Continued)

	2OK COMPANY LIMITED	
	Family Interests *Number of Shares*	**Approximate percentage of the total number of issued shares**
Name of Director		
Mr. Li Ning *(Note 6)*	5	50.00%

	WINWIDE LIMITED	
	Family Interests *Number of Shares*	**Approximate percentage of the total number of issued shares**
Name of Director		
Mr. Li Ning *(Note 7)*	70	70.00%

Other than as stated above, no directors or chief executives of the Company had any interest or short position, whether beneficial or non-beneficial, in the shares (in respect of positions held pursuant to equity derivatives), underlying shares and debentures of the Company or any of its associated corporations as at 31 December 2021.

DISCLOSURE OF INTERESTS (Continued)

SUBSTANTIAL SHAREHOLDERS AND OTHERS

As at 31 December 2021, the interests in ordinary shares of the Company of every person as recorded in the register required to be kept under Section 336 of the SFO were as follows:

	Number of shares in which interested	Approximate percentage of the total number of issued shares
Substantial Shareholders		
Henderson Land Development Company Limited *(Note 1)*	119,017,090	33.41%
Pataca Enterprises Limited *(Note 1)*	119,017,090	33.41%
Wiselin Investment Limited *(Note 1)*	48,817,090	13.70%
Henderson Development Limited *(Note 2)*	119,017,090	33.41%
Hopkins (Cayman) Limited *(Note 3)*	119,017,090	33.41%
Rimmer (Cayman) Limited *(Note 3)*	119,017,090	33.41%
Riddick (Cayman) Limited *(Note 3)*	119,017,090	33.41%
Mr. Li Ning *(Note 4)*	119,017,090	33.41%
Dr. Lee Shau Kee *(Note 5)*	119,816,310	33.63%
Persons other than Substantial Shareholders		
Graf Investment Limited *(Note 1)*	23,400,000	6.57%
Mount Sherpa Limited *(Note 1)*	23,400,000	6.57%
Paillard Investment Limited *(Note 1)*	23,400,000	6.57%

DISCLOSURE OF INTERESTS (Continued)

SUBSTANTIAL SHAREHOLDERS AND OTHERS (Continued)

Notes:

1. These 119,017,090 shares included the 48,817,090 shares, 23,400,000 shares, 23,400,000 shares and 23,400,000 shares respectively beneficially owned by Wiselin Investment Limited, Graf Investment Limited, Mount Sherpa Limited and Paillard Investment Limited, all of which were subsidiaries of Pataca Enterprises Limited which in turn was a subsidiary of Henderson Land Development Company Limited ("HLD").

2. These 119,017,090 shares are duplicated in the interests described in Note 1. Henderson Development Limited ("HD") beneficially owned more than one-third of the total number of issued shares of HLD.

3. These 119,017,090 shares are duplicated in the interests described in Notes 1 and 2. Rimmer (Cayman) Limited and Riddick (Cayman) Limited as trustees of the respective discretionary trusts held units in a unit trust (the "Unit Trust"). Hopkins (Cayman) Limited as trustee of the Unit Trust owned all the issued ordinary shares, which carry the voting rights in the share capital of HD.

4. By virtue of the SFO, Mr. Li Ning was taken to be interested in these 119,017,090 shares as Mr. Li's spouse was one of the discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust. These 119,017,090 shares are duplicated in the interests described in Notes 1, 2 and 3.

5. Dr. Lee Shau Kee beneficially owned all the issued share capital of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SFO, Dr. Lee Shau Kee was taken to be interested in 119,017,090 shares which are duplicated in the interests described in Notes 1, 2 and 3. Together with his personal shareholding of 799,220 shares, Dr. Lee Shau Kee was taken to be interested in 119,816,310 shares (approximately 33.63% of the total number of issued shares of the Company) as at 31 December 2021.

6. These 5 shares representing 50% equity interest in 2OK Company Limited (an associated company in which the Company through a subsidiary owned the remaining 50% interest) were beneficially owned by an indirect subsidiary of HLD. By virtue of the SFO, Mr. Li Ning was taken to be interested in these 5 shares in 2OK Company Limited as Mr. Li's spouse was one of the discretionary beneficiaries of the two discretionary trusts holding units in the Unit Trust.

7. These 70 shares representing 70% equity interest in Winwide Limited (an associated company in which the Company through a subsidiary owned the remaining 30% interest) were beneficially owned by a company in which HLD had a 40% interest and HD had the remaining 60% indirect interest. By virtue of the SFO, Mr. Li Ning was taken to be interested in these 70 shares in Winwide Limited as Mr. Li's spouse was one of the discretionary beneficiaries of the two discretionary trusts holding units in the Unit Trust.

Save as disclosed, as at 31 December 2021, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company.

RESERVES

Profits attributable to shareholders, before dividend, of HK$118,249,000 (2020: HK$26,588,000) have been transferred to reserves. Other movements in reserves during the year are set out in note 23 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

ARRANGEMENT TO PURCHASE SHARES, WARRANTS, OPTIONS OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors, chief executive of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares, options, debentures or warrants of the Company or any other body corporate.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2021, the Company has not entered into any equity-linked agreements.

FINANCIAL SUMMARIES

The five years' financial summary of the Group are set out on pages 160 to 162 of this Annual Report.

GROUP PROPERTIES

A summary of the Group's properties is set out on pages 163 and 164 of this Annual Report.

RETIREMENT PLANS

The Group's Hong Kong employees participate either in a defined benefit retirement scheme or a Mandatory Provident Fund scheme. Particulars of these retirement plans are set out in note 16 to the financial statements.

DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

Pursuant to Rule 13.22 of the Listing Rules, a combined statement of financial position of the Company's affiliated companies (as defined in the Listing Rules) with financial assistance from the Group and the Group's attributable interests in those affiliated companies as at 31 December 2021 are presented as follows:

	Combined statement of financial position *HK$'000*	Group's attributable interests *HK$'000*
Non-current assets	95,683	47,842
Current assets	7,977,643	3,988,822
Current liabilities	(6,990,167)	(3,495,084)
Total assets less current liabilities	1,083,159	541,580
Non-current liabilities	(1,196,725)	(598,363)
Net liabilities	(113,566)	(56,783)

The combined statement of financial position of the Company's affiliated companies was 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 31 December 2021.

CONNECTED TRANSACTIONS

Pursuant to the transactions and arrangements entered into by the Group with persons who are connected persons for the purposes of the Listing Rules, the Group recorded the transactions as described in note 27 to the financial statements.

Continuing Connected Transactions

For the year ended 31 December 2021 and up to the date of this Annual Report, the Company and/or its subsidiaries have been entered into certain continuing connected transactions, with details below, which were subject to reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules:

Date	Connected Persons	Transactions
9 June 2020	Citistore (Hong Kong) Limited ("Citistore"), an indirectly non-wholly owned subsidiary of Henderson Land Development Company Limited ("HLD"), and Henderson Real Estate Agency Limited ("HREAL"), a wholly-owned subsidiary of HLD	The Group (by HREAL as agent) as landlord entered into a 2020 renewal offer letter (the "2020 Renewal Offer Letter") with Citistore as tenant in respect of the leasing of Shop Nos. 127-161 and corridors and toilets on Level 1, Metro Harbour Plaza ("MHP"), Tai Kok Tsui, Kowloon, Hong Kong for a term of one year commencing from 1 July 2020 to 30 June 2021. The aggregate rentals, management fees, air-conditioning charges, promotional levy and other miscellaneous charges (exclusive of Government rates) under the 2020 Renewal Offer Letter subject to new annual cap of HK$5,408,000 for the period from 1 January 2021 to 30 June 2021. The term of the 2020 Renewal Offer Letter expired in June 2021. Details of the 2020 Renewal Offer Letter and the new annual caps were set out in the announcement of the Company dated 9 June 2020.

Details of the above continuing connected transactions are set out in note 27 to the financial statements.

The Independent Non-executive Directors of the Company have reviewed and confirmed that the above continuing connected transactions for the year ended 31 December 2021 have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transactions (Continued)

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 their unqualified letter containing the auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 24 and 25 of 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 Stock Exchange of Hong Kong Limited.

The auditor of the Company have also confirmed to the Board in writing that the above continuing connected transactions for the year ended 31 December 2021 (i) have received the approval of the Board or Connected Transaction Committee which was set up by the Board; (ii) have been entered into in accordance with the relevant agreements governing the transactions; and (iii) have not exceeded the cap disclosed in the previous announcements.

CORPORATE GOVERNANCE

The Company is committed to maintaining the high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 26 to 40 of this Annual Report.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2021 and discussed with internal audit department and independent external auditor in respect of matters on auditing, internal control and financial reports of the Group.

PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the directors.

AUDITOR

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the 2022 annual general meeting.

On behalf of the Board

Dr. Lam Ko Yin, Colin
Chairman

Li Ning
Director

Hong Kong, 18 March 2022

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard of corporate governance. The Board of Directors (the "Board") is devoted to the ongoing enhancement of the corporate governance practices of the Company as the Board believes that good corporate governance practices are fundamental to the effective operation of a company and enhancement of shareholders' value as a whole.

In the opinion of the Board, the Company has complied with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2021. The Board shall review and update its corporate governance practices from time to time to ensure its continuous compliance with the Code.

BOARD OF DIRECTORS

Responsibility and delegation

The Board is primarily responsible for considering and deciding on matters covering overall Group strategies, business and investment plans, major acquisitions and disposals, annual financial budgets, approving annual reports and interim reports, announcement of annual results and interim results, dividend policy and payments, appointment of directors, oversight of management and oversee the effectiveness of the risk management and internal control systems of the Group including the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting functions and internal audit function, and their respective training programmes and budget, approval of major capital transactions and other significant operational and financial matters.

The functions reserved to the Board are basically provided by the articles of association of the Company (the "Articles of Association") and the Board will from time to time delegate the functions to the management whenever required. The management of the Company is responsible for the day-to-day operations of the Company and implementation of strategies adopted by the Board.

The Board focuses its attention on matters affecting the Company's long term objectives and plans for achieving these objectives, the Group's overall business and commercial strategy as well as overall policies and guidelines.

The Board has established board committees with written terms of references to assist in the efficient implementation of its functions, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Specific responsibilities have been delegated to the above Board Committees.

Board meetings are held regularly four times a year and additional meetings are held as and when required to discuss significant matters or important issues. In order to meet tight time constraints and make timely decision for the Company's policies and businesses, Board approvals have also been sought by circulation of resolutions in writing from time to time in accordance with the Articles of Association. Directors' attendance by electronic means including telephone conferencing is counted as attendance at a physical board meeting. The Company Secretary shall attend all regular board meetings and additional meetings to advise on statutory compliance and corporate governance, when necessary.

During the year, the Chairman, even though he is an Executive Director, held a meeting with all Independent Non-executive Directors without the presence of another Executive Director.

All Directors have been provided, on a monthly basis, with the Group's management information updates, giving a balanced and understandable assessment of the Group's performance, position, and budget, to keep them abreast of the Group's affairs and facilitate them to discharge their duties under the relevant requirements of the Listing Rules.

BOARD COMPOSITION

The Board comprises seven Directors including two Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. The names of the Directors of the Company are as follows:

Executive Directors

Dr. Lam Ko Yin, Colin *(Chairman of the Board)*
Mr. Li Ning

Non-executive Directors

Mr. Au Siu Kee, Alexander
Mr. Lau Yum Chuen, Eddie

Independent Non-executive Directors

Mr. Ho Hau Chong, Norman
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong

The biographical details of the Directors are set out in the section headed "Directors' and Senior Management's Profile" on pages 3 to 5 of this Annual Report. A list of the Directors and their role and function is available on the websites of the Company (www.hkf.com) and Hong Kong Exchanges and Clearing Limited ("HKEX") (www.hkexnews.hk) respectively.

Dr. Lee Shau Kee and Mr. Li Ning are deemed as having substantial interests in the total number of issued shares of the Company under Part XV of the Securities and Futures Ordinance ("SFO"). Dr. Lee is the father-in-law of Mr. Li Ning. Dr. Lee Shau Kee and Dr. Lam Ko Yin, Colin are executive directors of Henderson Land Development Company Limited ("HLD"). Mr. Wu King Cheong and Mr. Au Siu Kee, Alexander are independent non-executive directors of HLD. HLD has discloseable interests under the provisions of the SFO in the Company.

Save as disclosed above, there is no financial, business, family or other material or relevant relationship among the Directors.

BOARD DIVERSITY POLICY

The Board approved and adopted the Board Diversity Policy setting out the approach to achieve diversity on the Board in August 2013 and revised the Board Diversity Policy in December 2018. The Nomination Committee of the Company has considered measurable objectives mainly on gender, age, professional experience and ethnicity to implement the Board Diversity Policy. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The selection and recommendation of candidates will be based on the nomination procedures, process and criteria adopted by the Board and a range of diversity perspectives, which would include but not be limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Board is satisfied that its composition is appropriate being considered the skills, experience and attributes of the Directors. The Nomination Committee will monitor the implementation of the Board Diversity Policy and review the policy as appropriate. The Board Diversity Policy can be found and accessible on the website of the Company (www.hkf.com).

NOMINATION POLICY

The Board approved and adopted the Nomination Policy in December 2018 for identifying and evaluating candidates for nomination to the Board. The Nomination Policy aims to set out the principles which guide the Nomination Committee to identify and evaluate a candidate for nomination to (i) the Board for appointment or (ii) shareholders of the Company for election as a director of the Company. The Nomination Committee will also take into account the Board Diversity Policy and the Nomination Policy when identifying suitably qualified candidates for the Board and would review the Policies regularly to ensure their continuing effectiveness. The Nomination Policy sets out the criteria and procedures in making nominations, including but not limited to, skills, experience and professional expertise; diversity; commitment and standing. When the candidate to be nominated as an independent non-executive director, he/she must satisfy the independence criteria set out in Rule 3.13 of the Listing Rules. No candidate was nominated for directorship in 2021. The Nomination Policy can be found and accessible on the website of the Company (www.hkf.com).

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Nomination Committee is responsible to review the structure, size, diversity and composition of the Board, identify suitable candidates to the Board, and to make recommendations on any matters in relation to the appointment or re-appointment of members of the Board. Appointment of new Directors is reserved for the Board's approval.

The Nomination Committee ensures that the Board comprises members with mixed skills and experience with appropriate knowledge necessary to accomplish the Group's business development, strategies, operation, challenges and opportunities. The Nomination Committee takes into account that person's skills, qualifications and expected contributions to the Company before making any recommendations to the Board in relation to the appointment or re-appointment of members of the Board.

The Nomination Committee noted that the proposed re-election of Ms. Wong Yu Pok, Marina ("Ms. Wong") who had been serving as an Independent Non-executive Director of the Company since May 2008 for more than nine years, shall be subject to a separate resolution to be approved by the shareholders at the annual general meeting to be held on Tuesday, 31 May 2022 (the "2022 annual general meeting") pursuant to the Code.

Ms. Wong is also a member of Audit Committee, Remuneration Committee and Nomination Committee of the Company.

Ms. Wong has met the independence guidelines set out in Rule 3.13 of the Listing Rules and has also given an annual confirmation of her independence to the Company. Ms. Wong has served in this capacity for more than nine years. Notwithstanding her long-term service, given her extensive commercial and financial experiences, the Nomination Committee and the Board are of the opinion that she continues to bring independent and objective perspectives to the Company's affairs and provides valuable insights to the management. The Nomination Committee also considered that Ms. Wong has continuously contributed to the Company and the Board with her relevant experience and knowledge throughout her years of service. The Nomination Committee and the Board, therefore, recommended her to be re-elected. Ms. Wong shall retire by rotation in accordance with the Articles of Association at the 2022 annual general meeting. Her further appointment should be subject to a separate resolution to be approved by Shareholders at the 2022 annual general meeting in accordance with the Code.

The appointment of independent non-executive directors adheres to the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules.

According to the Articles of Association, a newly appointed Director shall hold office until the next following general meeting of the Company (in case of filling a casual vacancy) or until the next following annual general meeting (in case of an addition to the Board) and shall then be eligible for re-election at that general meeting.

APPOINTMENT AND RE-ELECTION OF DIRECTORS (Continued)

In accordance with the Articles of Association, no Director shall hold office for a continuous period in excess of three years, or past the third annual general meeting, following the Director's appointment or re-election, whichever is the longer, without submitting for re-election at an annual general meeting of the shareholders of the Company.

In addition, at each annual general meeting one-third of the Directors for the time being or, if their number is not three or a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation at least once every three years.

The procedures for shareholders of the Company to propose a person for election as a Director are available and accessible on the website of the Company (www.hkf.com) and to the sub-section of "Procedures for Shareholders to propose a person for election as a director" on page 40 of this Corporate Governance Report.

CHAIRMAN AND GROUP GENERAL MANAGER

The roles of the Chairman and the Group General Manager of the Company are taken by two separate individuals who are not related to each other. The separation of the roles of the Chairman and the Group General Manager enables a clear division of responsibilities between the Chairman of the Board and the Group General Manager and also provides checks and balances effect.

The role of the Chairman of the Board is taken by Dr. Lam Ko Yin, Colin while the role of the Group General Manager (whose status is equivalent to chief executive officer for the purpose of the Code but not otherwise) is taken by Mr. Lee Gabriel following the retirement of Ir. Dr. Ho Chi Shing, David as the Group General Manager on 15 October 2021. Mr. Lee Gabriel joined the Group as the Group General Manager on 4 October 2021. The key function of the Chairman is the management of the Board whereas the key function of the Group General Manager is the day-to-day management of the Company's business.

NON-EXECUTIVE DIRECTORS

The Company has complied with the requirements under Rules 3.10(1) and 3.10A of the Listing Rules of having at least three independent non-executive directors, representing one-third of the Board. One of the independent non-executive directors has the appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

All Non-executive Directors (including Independent Non-executive Directors) of the Company have been appointed for a specific term to 31 December 2022. They are eligible for re-appointment and subject to re-election on retirement by rotation in accordance with the Articles of Association.

CONFIRMATION OF INDEPENDENCE

The Nomination Committee and the Board noted that Mr. Ho Hau Chong, Norman is an executive director of Miramar Hotel and Investment Company, Limited ("Miramar") and a director of Wealth Team Development Limited ("Wealth Team"), which is an indirect subsidiary of HLD. Mr. Ho also has an indirect beneficial interests of 9.9% in all issued share capital of Wealth Team, but is not involved in the management and operation of Wealth Team. Miramar, Wealth Team and HLD are connected persons of the Company under the Listing Rules.

In view of the fact that Mr. Ho does not have any material interests in any principal business activity of and is not involved in any material business dealings with the Company, or any of its subsidiaries or with any connected persons of the Company, and that both the management and the operations of the Miramar Group and the Group are totally independent from each other, the Board in good faith considers that the independence of Mr. Ho as an Independent Non-executive Director of the Company is not in any way affected by his directorships in both Miramar and Wealth Team. Save as aforesaid, Mr. Ho has complied with other conditions set out in Rule 3.13 of the Listing Rules.

The Board has received an annual confirmation of independence from each of Mr. Ho Hau Chong, Norman, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong, Independent Non-executive Directors of the Company, pursuant to Rule 3.13 of the Listing Rules.

CONFIRMATION OF INDEPENDENCE (Continued)

All Independent Non-executive Directors also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules. The Board has not been aware of the occurrence of any events which would cause it to believe that their independence has been impaired.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

On appointment to the Board, each Director receives comprehensive induction covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior management to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, the Companies Ordinance, Chapter 622 of the Laws of Hong Kong (the "Companies Ordinance") and corporate governance practices organised by professional bodies and institutions in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

From time to time, Directors are provided with written reading materials to develop and refresh their professional skills; the Group also organises and arranges seminars on the latest development of applicable laws, rules and regulations for the Directors to assist them in discharging their duties. During the year, the Group arranged for the Directors and senior management to attend presentations of the distinguished speaker from the professional fields on topic of China Economy.

The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

According to the records maintained by the Company, the Directors received the following training(s) in compliance with the requirement of the Code regarding the training records receiving on continuous professional development for the year ended 31 December 2021:

Board of Directors	Type of trainings relevant to corporate governance, regulatory updates and/or accounting, finance, tax, information technology and sustainability
Executive Directors	
Dr. Lam Ko Yin, Colin *(Chairman of the Board)*	A, B
Mr. Li Ning	A, B
Non-executive Directors	
Mr. Au Siu Kee, Alexander	A, B
Mr. Lau Yum Chuen, Eddie	A, B
Independent Non-executive Directors	
Mr. Ho Hau Chong, Norman	A, B
Ms. Wong Yu Pok, Marina	A, B
Mr. Wu King Cheong	A, B

A: attending seminars and/or presentations
B: reading materials

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

BOARD COMMITTEES

The Board has established three board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee to oversee particular aspects of the Company's affairs. Each committee has been delegated with certain functions of the Board.

Audit Committee

The Audit Committee of the Company has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Ho Hau Chong, Norman (Chairman of the Audit Committee), Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong.

The terms of reference of the Audit Committee are available on the websites of the Company (www.hkf.com) and HKEX (www.hkexnews.hk) respectively.

The major duties and responsibilities of the Audit Committee are to review of the annual and interim results and oversight of the Company's financial reporting principles and practices and discuss with the external auditor on financial reporting and compliance; to recommend the appointment, re-appointment or removal of the external auditor, to determine their independence and objectivity as well as to review the scope of audit and the reporting obligation of the external auditor, to review the representation letter and engagement letter from the external auditor. The Audit Committee oversees the effectiveness of risk management and internal control systems of the Group including the adequacy of resources, staff qualifications, experience, programmes and budget of the accounting and reporting function and internal audit function of the Group. The external auditor was invited to attend the meetings of Audit Committee to present their reports and reviews for the interim and annual results of the Group. The Audit Committee has been delegated the corporate governance functions by the Board to review and monitor the corporate compliance within the Group.

During the year, two audit committee meetings were held. During the meetings, the Audit Committee members reviewed the annual results and the financial statements for the year ended 31 December 2020 with recommendation to the Board for approval, the Annual Internal Audit Report, the continuous professional development training records of Directors and senior management, Continuing Connected Transactions, a review of the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions and internal audit function, the interim results for the six months ended 30 June 2021, the Interim Internal Audit Report, to approve the representation letter and the terms of engagement of the external auditor, the works of the Company's internal audit department, assessed the effectiveness of the Group's systems of risk management and internal controls.

The Audit Committee performed the corporate governance duties by reviewing the compliance with the Code and disclosure requirements as set out in this Corporate Governance Report.

As a recommended best practice under the Code, the Company has adopted a whistleblowing policy. The policy aims at encouraging and enabling employees of the Group at all levels and others to report violations or suspected violations and to raise serious concerns about possible improprieties in matters of financial reporting or other matters of the Group.

Remuneration Committee

The Remuneration Committee of the Company has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Remuneration Committee comprises three Independent Non-executive Directors, namely, Mr. Wu King Cheong (Chairman of the Remuneration Committee), Mr. Ho Hau Chong, Norman and Ms. Wong Yu Pok, Marina and two Executive Directors namely Dr. Lam Ko Yin, Colin and Mr. Li Ning.

The terms of reference of the Remuneration Committee are available on the websites of the Company (www.hkf.com) and HKEX (www.hkexnews.hk) respectively.

BOARD COMMITTEES (Continued)

Remuneration Committee (Continued)

The Remuneration Committee has adopted the operation model where it performs to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's emolument and on the establishment of a formal and transparent procedure for developing emolument policy.

The Remuneration Committee is responsible for reviewing the policy and structure for the emolument of all Directors and senior management of the Company, assessing performance of executive directors and establishment of a formal and transparent procedure for developing policy on such emolument.

The emolument of the Directors and senior management is determined by reference to the skills, knowledge and the tasks assigned and also to the individual performance and the overall profitability, corporate goals and objectives of the Company as a whole. In determining the emolument package, the Committee will also obtain relevant information from external source and consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, etc.

During the year, one remuneration committee meeting was held and one resolution in writing signed by all Remuneration Committee members. During the meeting, the Remuneration Committee members reviewed and determined the emolument package of the staff including the senior management of the Company and made recommendations on the fees of all the Directors of the Company for the year ended 31 December 2021. The Remuneration Committee members reviewed and recommended to the Board the emoluments of the newly appointed Group General Manager of the Company as determined with reference to his duties and responsibilities towards the Company and the then prevailing market conditions and practice by resolutions in writing.

Nomination Committee

The Nomination Committee has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Nomination Committee comprises two Executive Directors namely Dr. Lam Ko Yin, Colin (Chairman of the Nomination Committee) and Mr. Li Ning and three Independent Non-executive Directors, namely, Mr. Ho Hau Chong, Norman, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong.

The terms of reference of the Nomination Committee are available on the websites of the Company (www.hkf.com) and HKEX (www.hkexnews.hk) respectively.

The Nomination Committee is responsible for reviewing the structure, size, diversity and composition (including the skills, knowledge, experience and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to implement the Company's corporate strategy, with due regards to the Board Diversity Policy. It also identifies individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships and to assess the independence of independent non-executive directors and make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive. The Nomination Committee shall consider the candidate from a wide range of backgrounds, on his/her merits and against objective criteria set out by the Board and taking into consideration of his/her time devoted to the position.

BOARD COMMITTEES (Continued)

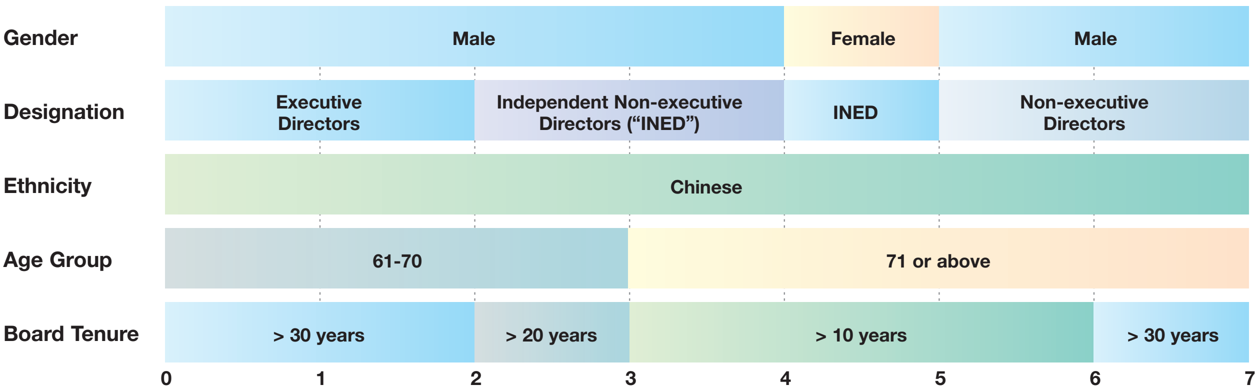
Nomination Committee (Continued)

During the year, there is no change in the composition of the Board and one nomination committee meeting was held and one resolution in writing signed by all Nomination Committee members. During the meeting, the Nomination Committee members reviewed the structure, size, diversity and composition (including the skills, knowledge, experience and length of service) of the Board, assessed the independence of Independent Non-executive Directors and reviewed the Independent Non-executive Directors' annual confirmations on their independence; reviewed the time required for a Director to perform his responsibilities; made recommendations to the Board for re-election of the retiring Directors at the annual general meeting of the Company held on 27 May 2021. The Nomination Committee members also reviewed the Board Diversity Policy and the Nomination Policy remained relevant and no revision was required and reviewed the proposed amendments to the disclosure of corporate governance of the Company, where appropriate, and recommended the same to the Board for approval. The Nomination Committee members reviewed the selection and assessment approach and endorsed the appointment of the new Group General Manager of the Company by resolutions in writing.

The composition of the Board provides a diversity of skills, gender, experience, and knowledge to the Company. The diversity profile of the Board as at 18 March 2022 is as follows:

Board Diversity

Number of Directors: 7



Note:

Multiple professional background and experience may apply to a Director.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors. Having made specific enquiry, the Company confirmed that all Directors of the Company have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2021.

The Company has also adopted the written guidelines on no less exacting terms than the Model Code for relevant employees (including employees of the Company or Directors or employees of its subsidiaries who, because of such office or employment, is likely to be in possession of unpublished inside information in relation to the Company or its securities), in respect of their dealings in the securities of the Company.

POLICY AND PROCEDURES ON DISCLOSURE OF INSIDE INFORMATION

The Board has adopted the Policy and Procedures on Disclosure of Inside Information which contains the guidelines to the directors, officers and relevant employees of the Company to ensure that the inside information of the Company is to be disseminated to public in an equal and timely manner in accordance with the applicable laws and regulations. The Policy and Procedures on Disclosure of Inside Information is available on the website of the Company (www.hkf.com).

COMPANY SECRETARY

Mr. Yuen Wai Kuen, Peter, the Company Secretary of the Company, is a full time employee of the Group and has day-to-day knowledge of the Company's affairs. During the year, the Company Secretary has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. The biographical details of the Company Secretary is set out in the section headed "Directors' and Senior Management's Profile" on page 6 of this Annual Report.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibility for preparing the financial statements of the Group for each financial period to give a true and fair view of the financial position and financial performance of the Group. In preparing the financial statements for the year ended 31 December 2021, the Directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent, fair and reasonable, and have prepared the consolidated financial statements on a going concern basis.

The statement of the Auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 73 to 78 of this Annual Report.

Auditor's Remuneration

Apart from carrying out the annual audit, KPMG, the Auditor of the Company also carried out the review on the interim report of the Company. For the year ended 31 December 2021, the fee of the annual audit amounted to HK$1,802,000 whereas the fee for the interim review amounted to HK$355,000. Save for the interim review, KPMG did not provide any substantial non-audit services to the Company.

Risk Management and Internal Controls

The Board acknowledges its responsibility for overseeing the risk management and internal control systems of the Group and reviewing the effectiveness at least annually through Audit Committee. The systems and internal controls can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

The Internal Audit Department of the Company, which reports directly to the Audit Committee and is independent of the Company's daily operations, is responsible for conducting regular audits on the areas of financial, operational, and compliance controls and risk management functions.

ACCOUNTABILITY AND AUDIT (Continued)

Risk Management and Internal Controls (Continued)

The Group has established an organisational structure with defined levels of responsibility and reporting procedures. The Audit Committee supports the Board in design, implementation and monitoring of the risk management and internal control systems. The operating units of the Group are responsible for the identification, assessment and mitigation of risks at business unit level and across functional areas. The Internal Risk Management Team, composed of nominated department heads and executives, facilitates the implementation of the risk management framework. The Internal Audit Department assists the Audit Committee in the review of the effectiveness of the Group's risk management and internal control systems on an ongoing basis. The Directors, through the Audit Committee, are kept regularly apprised of significant risks that may impact on the Group's performance.

The process of risk management involves:

- understanding of organisational objectives;
- identifying the risk associated with achieving organisational objectives and assessing the likelihood and potential impact of particular risks;
- developing programmes to address the identified risks; and
- ongoing monitoring and evaluating the risks, internal control and the arrangements in place to address them.

The risk management of the Group combines a top-down strategic view with a complementary bottom-up operational process.

The Board, by the top-down approach, has a particular focus on determining the nature and extent of significant risks it is willing to take in achieving the strategic objectives of the Group. The Audit Committee supports the Board to review all significant risks in order to ensure that the activities of the business remain within agreed risk appetite tolerances.

The operating units of the Group are responsible for identifying their own risks and designing, implementing and monitoring the relevant risk management and internal control systems. The setting of business objectives and annual budgeting is one of their key control activities, which shall be refined to take into consideration risk factors. The operating units of the Group consult the Group General Manager on setting the business objectives which are pursuant to the Board's strategic objectives and are consistent with its risk appetite. The process involves the maintenance of risk assessment reports setting out particulars of material risks together with the control strategies as reported by the operating units of the Group. This bottom-up approach is embedded in the operations of the Group and complements the top-down strategic view by identifying the principal risks and ensuring the significant risks to be considered by the Board in determining the risk appetite.

The Internal Audit Department collects the risk assessment reports from the operating units of the Group and then compiles a risk register for review at the meeting of Internal Risk Management Team which is held at least 4 times a year (2 meetings are held before the holding of the Board Meeting to review the interim and annual results of the Group). The Internal Risk Management Team coordinates risk management activities and assesses the effectiveness of the related system of internal control in managing the significant risks, having regard, in particular, to any significant failings or weakness in internal control that have been reported.

The Internal Audit Department adopted a risk-based approach which included all significant risks in each year's annual audit plan and performed audits to evaluate the proper functioning of the risk management and internal control systems for the financial year ended 31 December 2021. It is intended to carry out this evaluation process on an ongoing basis. Key audit findings and recommendations have been shared with the Internal Risk Management Team. The Audit Committee, after reviewing and considering the risk management findings submitted by the Internal Audit Department, reported to the Board of the Company and confirmed to the Board that the risk management and internal control systems are effective and adequate.

ACCOUNTABILITY AND AUDIT (Continued)

Risk Management and Internal Controls (Continued)

The diagram below summarizes the complementary top-down and bottom-up aspects of the integrated approach of the Group to risk management.

"Top-down" Approach
Oversight, identification, assessment and mitigation of risk at corporate level

The Board

- Has overall responsibility for the Group's risk management and internal control systems
- Sets strategic objectives
- Reviews the effectiveness of the Group's risk management and internal control systems
- Monitors the nature and extent of risk exposure for the Group's significant risks
- Provides direction on the importance of risk management and risk management culture

Internal Risk Management Team

- Supports the Audit Committee in designing, implementing, and monitoring the Group's risk management and internal control systems
- Supports the Audit Committee in assessing the Group's risks and mitigating measures Company-wide

Audit Committee

- Supports the Board in monitoring risk exposure, design and operating effectiveness of the underlying risk management and internal control systems

Internal Audit

- Supports the Audit Committee in reviewing the effectiveness of the Group's risk management and internal control systems
- Considers risk assessment results, especially for all significant risks in annual audit planning
- Designs audit program with reference to the risk assessment results
- Reports key audit findings and recommendations to the Audit Committee and Internal Risk Management Team

"Bottom-up" Approach
Identification, assessment and mitigation of risk at business unit level and across functional areas

Operational Level

- Sets business objectives
- Risk identification, assessment and mitigation performed across the business
- Risk management process and internal controls measures practised across business operations and functional areas.

Certain significant risks such as business risk, financial risk, regulatory and compliance risk and operational risk have been identified during the year through the process of risk identification and assessment. Relevant control strategies and mitigation on significant risks have been reported to the Audit Committee. The Audit Committee and the Board were not aware of any areas of concern that would have a material impact on the financial position or results of operations of the Group and considered the risk management and internal control systems to be generally effective and adequate.

The Audit Committee has established and overseen a whistleblowing policy and set comprehensive procedures whereby employees can report any actual or suspected occurrence of improper conduct involving the Company, and for matters to be investigated and dealt with efficiently in an appropriate and transparent manner. The Audit Committee has designated the Internal Audit Manager to receive on his behalf any such reports, to oversee the conduct of subsequent investigations, and to provide information, including recommendations arising from any investigations to them for consideration by the Audit Committee.

ACCOUNTABILITY AND AUDIT (Continued)

Risk Management and Internal Controls (Continued)

Inside Information

With regard to procedures and internal controls for the handling and dissemination of inside information, the Company:

- is required to disclose inside information as soon as reasonably practicable in accordance with the Securities and Futures Ordinance and the Listing Rules.
- conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission.
- has included in its Corporate Code of Conduct a strict prohibition on the unauthorized use of confidential or inside information.
- ensures, through its own internal reporting processes and the consideration of their outcome by senior management, the appropriate handling and dissemination of inside information.

ATTENDANCE RECORD OF DIRECTORS AND BOARD COMMITTEE MEMBERS

Details of the attendance of each director at the Board Meetings ("BM"), Audit Committee Meetings ("ACM"), Remuneration Committee Meeting ("RCM") and Nomination Committee Meeting ("NCM") during the year ended 31 December 2021 and Annual General Meeting held on 27 May 2021 ("2021 AGM") are set out in the following table:

	Number of Meetings attended/held				
Board of Directors	**BM**	**ACM**	**RCM**	**NCM**	**2021 AGM**
Executive Directors					
Dr. Lam Ko Yin, Colin *(Note 1)*	4/4	N/A	1/1	1/1	1/1
Mr. Li Ning *(Note 2)*	4/4	N/A	1/1	1/1	1/1
Non-executive Directors					
Mr. Au Siu Kee, Alexander	4/4	N/A	N/A	N/A	1/1
Mr. Lau Yum Chuen, Eddie	4/4	N/A	N/A	N/A	0/1
Independent Non-executive Directors					
Mr. Ho Hau Chong, Norman *(Note 3)*	4/4	2/2	1/1	1/1	1/1
Ms. Wong Yu Pok, Marina *(Note 4)*	4/4	2/2	1/1	1/1	1/1
Mr. Wu King Cheong *(Note 5)*	4/4	2/2	1/1	1/1	1/1

Notes:

1. *Chairman of the Board, Member of the Remuneration Committee and Chairman of the Nomination Committee*
2. *Member of the Remuneration Committee and the Nomination Committee*
3. *Chairman of the Audit Committee, Member of the Remuneration Committee and the Nomination Committee*
4. *Member of the Audit Committee, the Remuneration Committee and the Nomination Committee*
5. *Member of the Audit Committee, Chairman of the Remuneration Committee and Member of the Nomination Committee*

COMMUNICATION WITH SHAREHOLDERS

The Company continues to pursue investor relations and communications with shareholders.

The Board has adopted a shareholders communication policy to set out the Company's procedures in providing the shareholders with prompt and equal access to information about the Company, in order to enable the shareholders to access the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company.

The Company has established an effective communication system. The Company also maintains a website (www.hkf.com) through which the Company's updated financial information, announcements, circulars, notices of meetings, press releases and contact details can be accessed by the shareholders and investors. The Board believes that the Company's website provides an alternative means for the investing public to obtain information of the Company in a convenient and timely manner.

The annual general meeting also provides an important opportunity for constructive communication between the Board and the shareholders. The Chairman and the chairmen of the audit committee, remuneration committee and nomination committee as well as the Company's external auditor maintained an on-going dialogue with the shareholders and answered questions raised by the shareholders throughout the annual general meeting.

DIVIDEND POLICY

The Board approved and adopted the Dividend Policy in December 2018 setting out the factors in determination of dividend payment of the Company according to the financial conditions in general, operating results, capital requirements, shareholders' equity, contractual restraints and other factors considered relevant by the Board. The Dividend Policy shall be reviewed periodically and submitted to the Board for approval if amendments are required. During the year, the Board reviewed the Dividend Policy and it was agreed that it remained relevant and no revision was required. The Dividend Policy is available on the website of the Company (www.hkf.com).

With respect to the Financial Statements and Dividends for the year ended 31 December 2021, please refer to the Report of the Directors set out on page 16 of this Annual Report.

SHAREHOLDERS' RIGHTS

Set out below are procedures by which shareholders may: (1) request to call a general meeting; (2) put forward enquiries to the Board; and (3) request to circulate a resolution for an annual general meeting. These procedures are generally governed by the provisions of the Articles of Association and applicable laws, rules and regulations, which prevail over what is stated in this section in case of inconsistencies.

1. Procedures by which shareholders may request to call a general meeting

Pursuant to the Articles of Association and Section 566 of the Companies Ordinance, shareholders representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of the Company can make a request to call a general meeting.

The request: (a) must state the general nature of the business to be dealt with at the general meeting; (b) may include the text of a resolution that may properly be moved and is intended to be moved at the general meeting; (c) may consist of several documents in like form; (d) may be sent to the Company Secretary in hard copy form to the registered office of the Company at 98 Tam Kon Shan Road, TYTL 102, Ngau Kok Wan, North Tsing Yi, New Territories, Hong Kong or in electronic form via e-mail at hkferry@hkf.com; and (e) must be authenticated by the shareholders making it.

SHAREHOLDERS' RIGHTS (Continued)

1. Procedures by which shareholders may request to call a general meeting (Continued)

Pursuant to Section 567 of the Companies Ordinance, the Directors must call a general meeting within 21 days after the date on which it becomes subject to the requirement and a general meeting so called must be held on a date not more than 28 days after the date of the notice convening a general meeting. If the Directors do not do so, the shareholders, or any of them representing more than one half of the total voting rights of all of them, may themselves call a general meeting pursuant to Section 568 of the Companies Ordinance, but the meeting must be called for a date not more than 3 months after the date on which the Directors become subject to the requirement to call a general meeting. Any reasonable expenses incurred by the shareholders by reason of the Board's failure to duly call the meeting shall be reimbursed to the shareholders by the Company.

2. Procedures for putting forward enquiries to the Board

Shareholders may put forward enquiries to the Board through the Company Secretary who will direct the enquiries to the Board for handling. The contact details of the Company Secretary are as follows:

The Company Secretary
Hong Kong Ferry (Holdings) Company Limited
98 Tam Kon Shan Road
TYTL 102
Ngau Kok Wan
North Tsing Yi
New Territories
Hong Kong

E-Mail: hkferry@hkf.com
Telephone: (852) 2394 4294
Facsimile: (852) 2786 9001

3. Procedures to circulate a resolution for an annual general meeting

Pursuant to Section 615 of the Companies Ordinance, shareholders can make a request to circulate a proposed resolution that may properly be moved and is intended to be moved at an annual general meeting, accompanied by a statement of not more than 1,000 words with respect to the matter mentioned in the proposed resolution. The request must be made by: (i) shareholders representing at least 2.5% of the total voting rights of all the shareholders who have a relevant right to vote on the resolution at the annual general meeting to which the request relates; or (ii) at least 50 shareholders who have a relevant right to vote on the resolution at the annual general meeting to which the request relates.

The request: (a) may be sent to the Company Secretary in hard copy form to the registered office of the Company at 98 Tam Kon Shan Road, TYTL 102, Ngau Kok Wan, North Tsing Yi, New Territories, Hong Kong or in electronic form via e-mail at hkferry@hkf.com; (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the shareholders making it; and (d) must be received by the Company not later than 6 weeks before the annual general meeting to which the request relates; or if later, not later than the time at which notice is given of that annual general meeting.

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

According to the Articles of Association, a notice signed by a shareholder of his/her intention to propose a person for election and also a notice signed by the person (the "Candidate") to be proposed of his/her willingness to be elected shall be lodged at the registered office of the Company no earlier than the day after the despatch of the notice of the general meeting appointed for such election and no later than 7 days prior to the date of such general meeting.

The Candidate is required to provide his/her biographical details set out under Rule 13.51(2) of the Listing Rules.

The Nomination Committee, where applicable, will review and make recommendations to the Board on the selection of any individuals nominated for directorships in accordance with the terms of reference of the Nomination Committee.

The Company will, where appropriate, issue a supplementary circular which shall include the name of the Candidate together with his/her biographical details set out in Rule 13.51(2) of the Listing Rules, to the shareholders for them to make decision on their election at a general meeting.

INVESTOR RELATIONS

At the annual general meeting of the Company held on 27 May 2021, the Company's articles of association were amended by passing of a special resolution in order to allow the Company to hold general meetings as hybrid meetings where shareholders may participate by means of electronic facilities in addition to physical attendance, and to provide for other flexibility in relation to the conduct of general meetings.

The updated version of the articles of association of the Company is available on the websites of the Company (www.hkf.com) and HKEX (www.hkexnews.hk) respectively.

MESSAGE FROM THE CHAIRMAN

On behalf of Hong Kong Ferry (Holdings) Company Limited (the "Company") and its subsidiaries (collectively, the "Group"), I am pleased to present this Environmental, Social and Governance ("ESG") Report 2021. It communicates the Group's key achievements and vision, highlighting how we integrate ESG considerations into our businesses as we evolve further as a sustainability-conscious organisation.

The Group has been fortunate to grow with Hong Kong together, humbly serving the community over the decades while preserving our collective culture. We remain proudly committed and dedicated to supporting our communities by always "Putting people first" across our diverse businesses, from ferry and shipyard operations to property development and investment.

I extend my sincere gratitude to all our employees who strive to consistently meet, or exceed, ever-increasing expectations for high service quality. This pursuit of operational excellence has earned our reputation as a trusted transport service provider in Hong Kong ever since we were founded. Indeed, we are immensely proud that next year, 2023, will mark our 100th anniversary, an occasion to reflect on our past, but also to look forward.

We will continue to work tirelessly to uphold the faith bestowed upon us as we channel our principle of "Loving Hong Kong and the Harbour" to guide the implementation of our sustainability strategy. It ensures that we give back to our community by creating shared value for our stakeholders, while carefully integrating sustainability into our business practices, with innovation and continual improvement always in mind.

While the ongoing pandemic has made it another challenging year for all of us, the Group has continued to endure and adapt, making us more resilient during this everchanging environment. Thanks to all our employees and stakeholders, we are passing through these turbulent times together and look forward to a brighter future. Despite the numerous challenges, we remain committed to reaching our sustainability objectives and delivering value to our stakeholders and the community.

Dr. Lam Ko Yin, Colin
Chairman

1. 2021 PERFORMANCE HIGHLIGHTS

Core Businesses
- Property Development
- Property Investment
- Ferry, Shipyard and related Operations

Sulphur Content In Diesel
0.001%

Employee Training Hours
4,021 Hours

Turnover Rate
Less than 15.5%

Volunteer Hours
500+ Hours

No. of Community Programmes
30

Harbour Cruise - Bauhinia Local Procurement Rate
100%

Number of Products and Services Related Complaints
0

2. 2030 REDUCTION TARGETS

2030 Energy Target
↓30% against 2021 baseline

2030 GHG Emissions Target
↓30% against 2021 baseline

3. ABOUT THIS REPORT

a. Reporting Standard and Scope

This ESG report has been prepared in accordance with the latest requirements of the ESG Reporting Guide, Appendix 27 ("ESG Reporting Guide") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by Hong Kong Exchanges and Clearing Limited ("HKEX"). It includes an overview of the Group's relevant ESG-related policies and management approach towards its sustainability strategies, initiatives, and performance for the period from 1 January 2021 to 31 December 2021 (the "reporting year"). The scope of this ESG Report includes property development, property investment, ferry and shipyard operations, and related services. To demonstrate a fair and holistic representation of the Group's operations, the following companies are covered in this ESG Report:

Business Units	Company Name
Principal Office	Hong Kong Ferry (Holdings) Company Limited
Property Development	Win Standard Enterprises Limited World Fame Shipping Limited Jet Legend Limited
Property Investment	Well Dynamic Limited World Light Limited Lenfield Limited HKF Property Investment Limited
Shipyard Operations	The Hong Kong Shipyard Limited
Dangerous Goods Vehicular Ferry Services	The Hongkong and Yaumati Ferry Company Limited
Harbour Cruise - Bauhinia	Galaxy Hotel Management Company Limited

To aid readers in navigating the report content, a HKEX ESG Reporting Guide content index is available on pages 70 to 72.

b. Stakeholder Engagement

In preparing this ESG Report, we commissioned an independent consultant to develop and implement a comprehensive stakeholder engagement exercise. It enabled us to better understand our stakeholders' views of the Group's ESG-related issues, initiatives, performance, management approach, megatrends and future strategies. We invited both external and internal stakeholders to respond to our online survey, including clients/customers, suppliers, charity/non-governmental organisations ("NGOs") and employees. The results of the engagement exercise helped to reveal stakeholder sentiments and expectations on the Group's ESG performance, all of which have proved invaluable as we continue to progress in our sustainability journey.

3. ABOUT THIS REPORT (Continued)

c. Materiality Assessment

While the ESG Reporting Guide may include a diverse range of interrelated aspects, not all issues significantly impact the Group's operations. To ascertain which aspects are most relevant to the Group, a three-step materiality assessment was conducted to determine the aspects material for disclosure in this ESG Report.

1

Step 1 : Identification

- ESG disclosures of local peers were reviewed for an indication of potentially relevant ESG issues.
- External and internal stakeholders were invited to complete an online survey to rank the importance of ESG topics to themselves and to the Group, respectively

2

Step 2 : Prioritisation

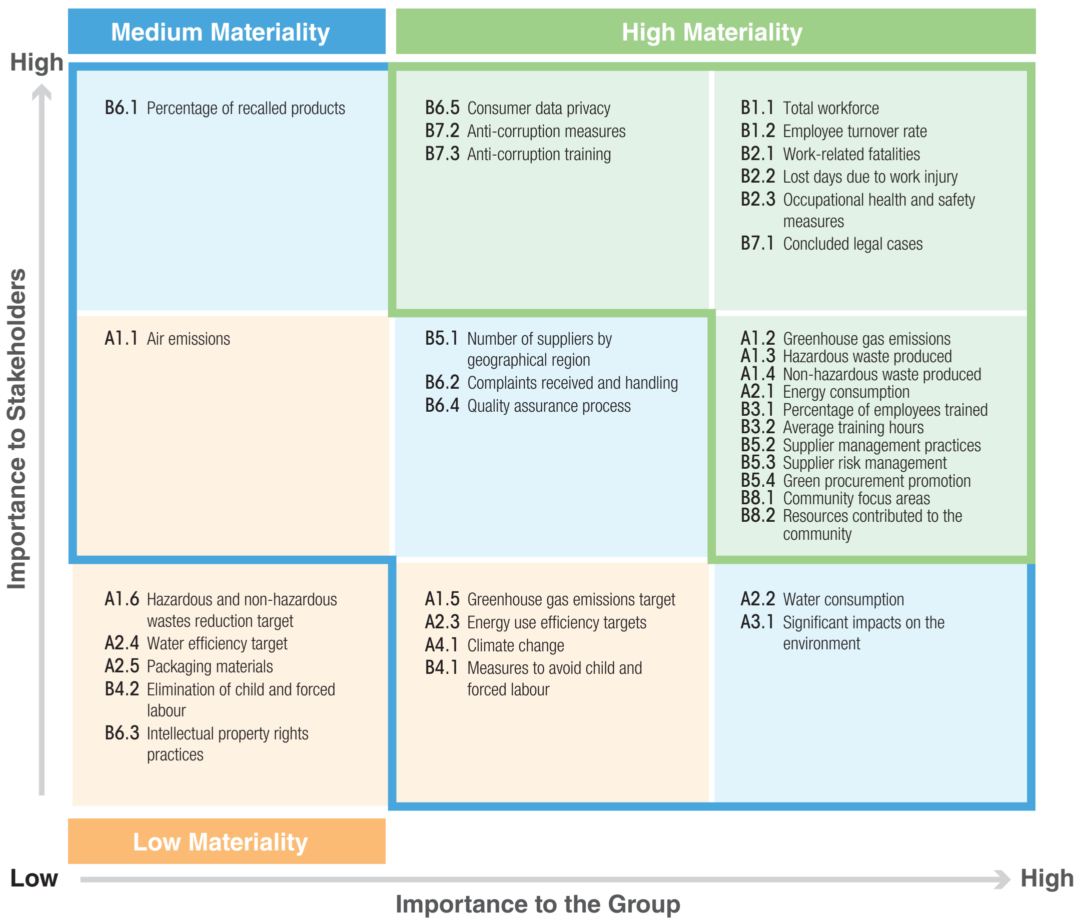
- Results from step 1 were consolidated to develop a prioritised list of prospective material ESG issues.

3

Step 3 : Validation

- The Group's senior management convened meetings with the independent consultant to confirm a finalised list of material issues and their key performance indicators ("KPIs") for disclosure.

The chart below shows the 36 HKEX KPIs mapped according to their importance to the Group and our stakeholders. The 31 HKEX KPIs which were determined to be of "high" and "medium" materiality are included in this ESG Report.



4. OUR COVID-19 RESPONSE

The Group regards health and safety of our employees, subcontractors and customers as our utmost priority. During the reporting period, the measures implemented by the Group shortly after COVID-19 emerged in Hong Kong in late January 2020 remained:

The prolonged COVID-19 pandemic has further disrupted our daily lives during the reporting period. As a caring company, we are striving to support our customers, employees, communities and other stakeholders during such unprecedented period and prevailing economic situation.

To provide our employees with clear directions, established response plans and guidance continue to reference standards including the Hong Kong Special Administrative Region Government's (the "Hong Kong Government") Preparedness and Response Plan for Novel Infectious Disease of Public Health Significance.

Specific preventive measures tailored to different business units are in place including but not limited to:

- Enhancement of cleaning protocols
- Implementation of flexible work practices
- Regular provision of surgical masks and hand sanitisers to all staff
- Provision of paid leave for employees who had taken three vaccination doses
- Provision of Rapid Antigen Test Kits to all staff
- Promotion of vaccination incentives at Harbour Cruise - Bauhinia
- Organisation of health awareness seminars for staff
- Encouragement for staff to avoid commuting during rush hour
- Daily body temperature monitoring for staff
- Virtual instead of face-to-face meetings, as far as practicable
- Cancellation of unnecessary international business travel
- Installation of office air purifiers
- Application of nano antiviral coating in our offices, cruise fleets and common areas of Green Code Plaza and Metro Harbour Plaza
- Body temperature measurement of tenants and visitors at all offices, Green Code Plaza and Metro Harbour Plaza
- Monitoring procedures for our subcontractors at construction sites
- Prevention of visitors from entering our offices without prior registration

5. AWARDS, CERTIFICATES AND MEMBERSHIPS IN 2021

Environmental Leadership

Energy Saving Charter 2020
– Metro Harbour Plaza

by Environment Bureau and Electrical and Mechanical Services Department, HKSAR

Corporate Environmental Leadership Awards 2020
– EcoPartner and 5 Years+ EcoPioneer Certificate (The Hong Kong Shipyard Limited)

Corporate Environmental Leadership Awards 2020
– EcoPartner and 5 Years+ EcoPioneer Certificate (The Hongkong and Yaumati Ferry Company Limited)

by Bank of China (Hong Kong) Limited and Federation of Hong Kong Industries

Hong Kong Green Organisation Certification
- **Energywi$e Certificate – Basic Level**
- **Green Code Plaza**
- **Metro Harbour Plaza**

Hong Kong Green Organisation Certification
- **Wastewi$e Certificate – Basic Level**
- **Green Code Plaza**
- **Metro Harbour Plaza**

by Environmental Campaign Committee

2020 Hong Kong Awards for Environmental Excellence – Certificate of Appreciation
- **The Hongkong and Yaumati Ferry Company Limited**

by Environmental Campaign Committee

Indoor Air Quality Certificate (Good Class) (2021-2022)
- **HKF principal office**

by Environmental Protection Department, HKSAR

Programme on Source Separation of Commercial and Industrial Waste
Silver Award – Green Code Plaza
Certificate – Metro Harbour Plaza

by Environmental Protection Department, HKSAR

Smart Energy Award 2020 – Merit Certification
- **Green Code Plaza**
- **Metro Harbour Plaza**

by CLP Power Hong Kong Limited

Friends of EcoPark – Certificate of Appreciation (2021)

by Environment Bureau, HKSAR

Enterprises Cherish Water Campaign

by Water Supplies Department, HKSAR and Green Council

5. AWARDS, CERTIFICATES AND MEMBERSHIPS IN 2021 (Continued)

Caring Company

Caring Company 15 years+ Logo (2003 – 2021)

by The Hong Kong Council of Social Service

Good Employer Charter (2020-2022)

by Labour Department, HKSAR

Good MPF Employer 5 Years+ and MPF Support Award

by Mandatory Provident Fund Schemes Authority

ERB Manpower Developer Award Scheme – Super MD Award (2020 – 2025)

by Employees Retraining Board

Partner Employer Award 5 years (2021)

by The Hong Kong General Chamber of Small and Medium Business

Happy Company 2021 and 5 years+ Logo

by Promoting Happiness Index Foundation

Community Contributions

CSR Recognition Scheme Industry Cares 2021
– 8+ Year Award (Enterprise Group)

by Federation of Hong Kong Industries

Heart to Heart Company (2005 – 2022)

by The Hong Kong Federation of Youth Groups

Outstanding Industrial Attachment Scholarships 2021

by Vocational Training Council

Social Capital Builder Logo Award (2020 – 2022)

by Labour and Welfare Bureau and Community Investment and Inclusion Fund

5. AWARDS, CERTIFICATES AND MEMBERSHIPS IN 2021 (Continued)

Quality Services
Hong Kong Q-Mark Service Scheme – Hong Kong Q-Mark Certificate (Harbour Cruise - Bauhinia) by Hong Kong Q-Mark Council of Federation of Hong Kong Industries
ISO 9001: 2015 Quality Management System Certification for Harbour Cruise - Bauhinia by Intertek
ISO 9001: 2015 Quality Management System Certification for The Hongkong and Yaumati Ferry Company Limited by Lloyd's Register Quality Assurance Limited
ISO 9001: 2015 Quality Management System Certification for The Hong Kong Shipyard Limited by Lloyd's Register Quality Assurance, Inc. and Lloyd's Register Quality Assurance Limited

Memberships	Organisations
Corporate Member	Hong Kong Brand Development Council
Corporate Member	International Food Safety Association
Corporate Member	The Institute of Purchasing & Supply of Hong Kong
Green Cross Group Member	Occupational Safety & Health Council
Member	Data Protection Officers' Club
Member	Employers' Federation of Hong Kong
Member	Hong Kong Federation of Restaurants & Related Trades Limited
Organisation Member	The Chartered Institute of Logistics and Transport in Hong Kong

6. SUSTAINABILITY GOVERNANCE

a. Board Statement

The Board holds the overall accountability for the Group's ESG management approach, strategy and performance. The Board's responsibilities include providing strategic ESG guidance, reviewing and endorsing the ESG-related policies and targets, and approving our annual ESG Report. The Board are also kept across the performance of our sustainability-related programmes through regular internal meetings where material ESG topics are reviewed and evaluated to ensure that our current business practices are well aligned with our objectives.

To support the Board's oversight and systematic management of material ESG issues, we have set up a ESG working group comprising representatives from across all business units. This working group drives the Group's approach to the management of our ESG risks and opportunities. It does so by uniting the top-down strategic view with bottom-up processes in order to holistically identify and review sustainability risks across all our business units. Moreover, specific sustainability risks, such as long-term staff recruitment and regulatory compliance, are regularly reviewed, evaluated and monitored in accordance with our internal risk management process and control systems, which are reported to the Board.

Please refer to the "Risk Management and Internal Controls" sub-section in the "Corporate Governance Report" on pages 34 to 37 of our Annual Report 2021 for more details.

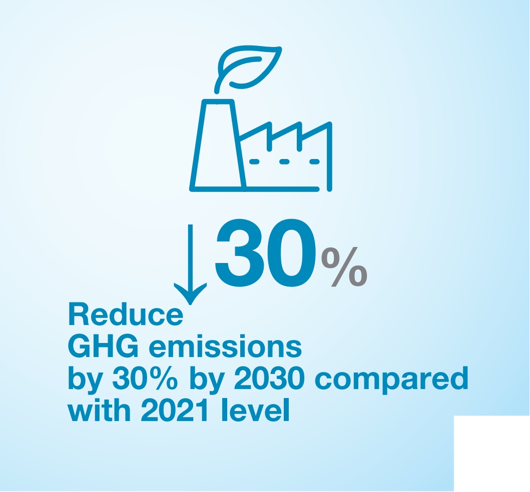
7. OUR COMMITMENT TO ENVIRONMENTAL STEWARDSHIP

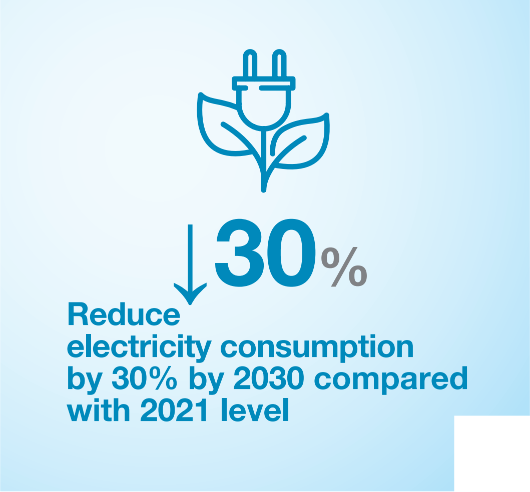
Our Environmental Policies outline our principles and approach to the sustainable management of our environmental footprint. To optimise our sustainability performance over time, we undertake measures including:

- Striving to apply innovative solutions to our operations
- Raising environmental awareness amongst employees
- Actively supporting environment-friendly campaigns led by the Hong Kong Government and NGOs

In 2021, we complied with all applicable legal and regulatory requirements regarding environmental protection. There were no non-compliance cases relating to air and greenhouse gas ("GHG") emissions, discharges into water and land, or the generation of hazardous and non-hazardous wastes.

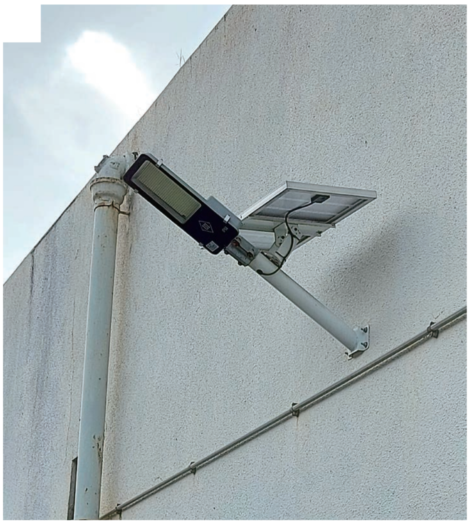
a. Energy and Climate Change Mitigation





In looking to accelerate Hong Kong's transition to a low carbon economy for a climate-resilient future, we actively seek energy-saving opportunities and adopt hardware upgrades to achieve our newly developed GHG emissions and energy targets. Since 2011, we have been working with external consultants through our Energy and Carbon Management Programme to conduct annual energy audits at our two most energy-intensive subsidiaries, namely The Hong Kong Shipyard Limited and The Hongkong and Yaumati Ferry Company Limited. Relevant findings help us better monitor patterns of energy use and identify continuous energy improvements. Our energy audit results showed that we have reduced electricity consumption by around 4% at our Principal Office and Shipyard in 2021.

As energy consumption in our buildings and office premises represents a significant proportion of our carbon footprint, we have also stepped up our efforts to improve building performance and energy efficiency. Aside from installing LED lights and wall-mounted solar lights, our Principal Office was renovated to make better use of natural daylight.



Wall-mounted solar light

7. OUR COMMITMENT TO ENVIRONMENTAL STEWARDSHIP (Continued)

a. Energy and Climate Change Mitigation (Continued)

Case Study – Supporting Renewable Energy

Following the successful installation of the solar photovoltaic system at our Principal Office in 2020, we installed 100 solar panels on the rooftop of our Shipyard in February 2021, with a capacity of 44.5 kW and an estimated annual avoidance of 18,500 kg of CO_2e. Clean energy generated not only provides the Group with an additional source of revenue, but also reduces the building's heat gain and consequently electricity consumption needed for air conditioning. A wider adoption of renewable energy is conducive to transforming Hong Kong to a low-carbon city and mitigating climate-related impacts.

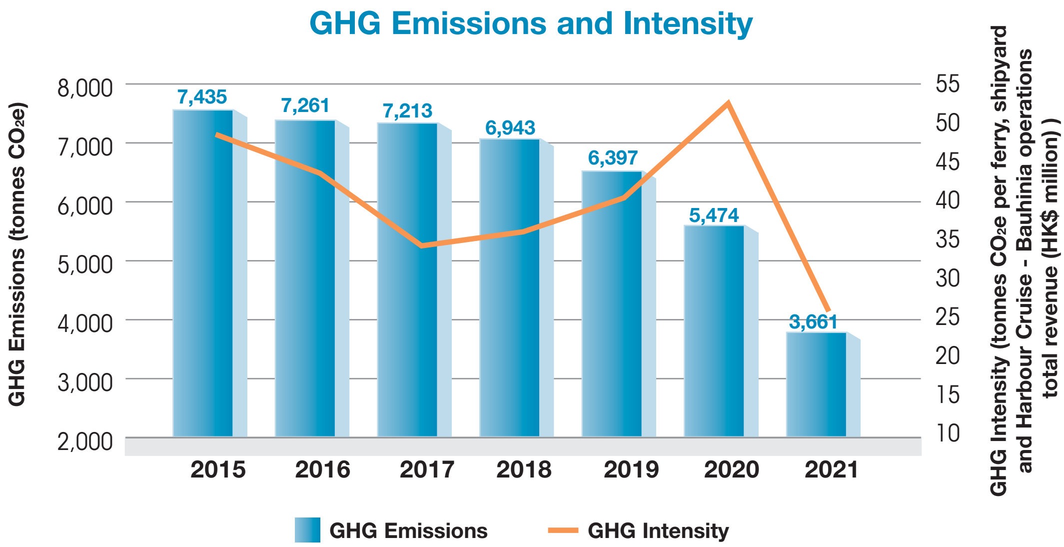
Solar photovoltaic system

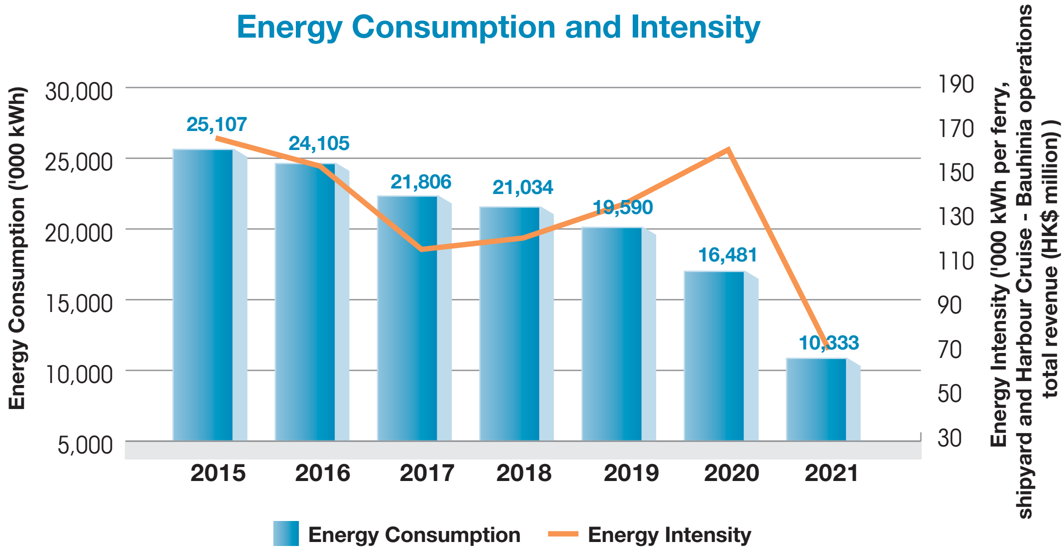
Our property development and investment operations continue to explore opportunities to enhance energy efficiency beyond the technical guidance of the Performance-based Building Energy Code published by the Electrical and Mechanical Services Department ("EMSD"). Aside from adopting green building standards and integrating sustainability considerations into the design and construction phases of our projects, we leverage digital solutions to conduct energy-simulation modelling studies which enable us to identify the most optimal energy-saving approaches. Our managed properties also proactively take part in different environmental campaigns in an attempt to contribute to collective efforts in combating climate challenges. For instance, Metro Harbour Plaza pledged to support the Hong Kong Government's Energy Saving Charter by encouraging community-wide participation in conserving energy.

As part of our ongoing efforts around climate change awareness, we invited an energy consultant to deliver a talk "NET-ZERO – The Goal and Roadmap to combat Climate Changes and Extreme Weather" to managers and supervisors in August 2021. In addition, we conducted a number of communication initiatives and briefings for our Board members through publications and seminars organised by local regulatory authorities.

7. OUR COMMITMENT TO ENVIRONMENTAL STEWARDSHIP (Continued)

a. Energy and Climate Change Mitigation (Continued)





Our ongoing efforts, alongside the implementation of environmental initiatives, resulted in a decrease of the Group's overall energy consumption and GHG emissions by 37.3% and 33.1%, respectively, from 2020 levels. Looking ahead, we will continue to identify energy-saving opportunities to further improve our sustainability performance.

In addition to implementing energy efficiency and carbon reduction measures to mitigate the Group's contribution to climate change, we also evaluate the climate-related risks which may impact the operations and future development of the Group, as part of our internal risk management process and control systems. These included the physical risks (those that relate to climate hazards such as intense tropical cyclones) and transition risks (those refer to adverse effects that arise from a rapid transition to a low-carbon economy) posed by climate change. With the current control strategies in place, we considered these risks have low impacts on the Group. We will continue to monitor the situation and carry out climate-related risks evaluation on a regular basis.

7. OUR COMMITMENT TO ENVIRONMENTAL STEWARDSHIP (Continued)

b. Air Quality Improvement

We remain loyal to our core value of "Loving Hong Kong and the Harbour" and continue to work to maintain the air quality of our city and the shared community. For more than a decade, we have supported the Hong Kong Government's efforts to enhance local air quality through use of our fuel-efficient technologies.

To reduce our key air pollutant emissions including nitrogen oxides ("NOx"), sulphur oxides ("SOx") and particulate matter ("PM"), a replacement programme was launched to replace a total of 13 generators and 10 engines on-board with environmentally-friendly alternatives. In our journey to continuously enhance our vessels' environmental performance, we have gone beyond the statutory requirements by further reducing sulphur content in diesel to 0.001% for our dangerous goods vehicular ferries, starting from January 2020.

c. Water Conservation

Water remains a scarce and valuable resource and to efficiently manage our water use, we continue to update our approach to using it. This year, our third rainwater harvesting tank has been added to collect rainwater for vehicle washing, floor cleaning and irrigation purposes. Additionally, we installed further water-saving aerators and in mid 2021 joined the Enterprises Cherish Water Campaign, demonstrating our commitment to sign the ECH^{2}O Charter and adopt measures to cherish water within the scope of our operations.

Case Study – Installing Our Third Rainwater Harvester

Our Shipyard has installed a third Rainwater Harvester in order to reduce water wastage, maximise use of natural resources, reduce overhead expenditures and achieve the common goal of environmentally-friendly working conditions. The three harvesters, 1 sq.m. each, are installed by our control room in the carpark next to our security, the yard operation control room and our in-house contractor workshops. From past experience and records, approximately 20 cubic metres of rainwater per harvester can be collected and used annually. This long-term, permanent environmental initiative for water consumption also replaces the need for an outside service provider.

d. Waste and Resources Management

Proper waste management is an integral part of our environmental stewardship. Over the years, we have focused our efforts on waste reduction and recycling throughout our operations. At the Shipyard, we engage contractors to classify and separate scrap metals into steel, aluminium and bronze alloys which will be further processed and reused. To properly handle waste oil produced from the use of cranes, forklifts and emergency generators, we appoint licensed collectors to collect and convert it into high-quality green lubricants. In addition, our Shipyard has previously introduced a "Wasted Filter Pressing Treatment Plant" making use of powerful pressing equipment to reduce the volume of waste products. Waste oil generated from the process will also be collected for further processing.

7. OUR COMMITMENT TO ENVIRONMENTAL STEWARDSHIP (Continued)

d. Waste and Resources Management (Continued)

Recycled spent oil	Used battery	Aluminium
5,200 litres	250 kg	180 kg
Steel scrap	**Zinc alloy**	**Bronze**
1,900 kg	860 kg	300 kg
Used cooking oil	**Oily water**	
1,200 litres	8,031 litres	

At Harbour Cruise - Bauhinia, we have implemented a range of waste reduction measures. Apart from the provision of a green dining menu for customers, an onshore sewage system is located at the ferry pier, which avoided the direct discharge of 1,031 litres of wastewater into the harbour in 2021. For our property development and investment operations, acknowledgments were given to Metro Harbour Plaza and Green Code Plaza in recognition of their sound waste recycling practices and fulfilment of the requirements for the Programme on Source Separation of Commercial and Industrial Waste organised by the Environmental Protection Department ("EPD").

Special menu – organic meal set

e. Environmental Awareness

We remain convinced that raising awareness of environmental issues is critical in fostering positive behavioural changes. As such, we continued to actively participate in a series of sustainability-related initiatives to increase environmental consciousness, not only amongst our colleagues but also the general public. For example, we supported Greeners Action's "Tetrapak Clean Recycling Pilot Scheme" by setting up designated recycling bins at Metro Harbour Plaza. Through this scheme, we aim to raise public awareness on Tetrapak cycling and promote a sustainable recycling habit amongst the general public. To supplement our internal efforts, we also continued to engage the public through our Harbour Cruise - Bauhinia by enhancing their knowledge of the need to protect Victoria Harbour.

8. OUR GREATEST ASSET – HUMAN CAPITAL

Employees remain the engine which drives the success of our business and we are dependent on our talented workforce to drive our long-term growth and development. The Group recognises the critical importance of providing a safe, collaborative, inclusive and positive work environment and we are fully committed to providing a supportive working environment in which our employees may thrive.

a. Working Conditions

The Group takes great care to ensure that our workplace is free from any prejudice or discrimination, supporting employment practices which are aligned with fairness and equal opportunity regardless of nationality, race, religion, gender, age or family status. Employee remuneration and compensation packages are strictly prescribed with considerations only based on an individual's working experience, merit, and responsibilities within the Group. Attractive employee welfare benefits are offered, including shopping discount offers, maternity and paternity leave, and medical health insurance coverage which also extends to their families. Communication channels, such as our annual appraisals, promote discussions between employees and managers about past performance, future opportunities, and new ideas for the Group. To support our staff in maintaining a healthy work-life balance, we provide ample rest periods and reasonable working hours to all staff, offering a five-day work week for office staff.

While most of our staff events were again suspended, given health concerns posed by the pandemic, we organised a visit to Tin Hau Temple in Joss House Bay and re-started our "Exclusive Staff Rewards" as a token of appreciation for their hard work over the year. In addition to these initiatives, a further staff treat came in the form of "Daily Soup for free", launched in the fourth quarter to receive very positive feedback from staff. Homemade Chinese soups were especially popular in the canteen.

Visit to Tin Hau Temple

8. OUR GREATEST ASSET – HUMAN CAPITAL (Continued)

a. Working Conditions (Continued)

Office renovation

The Group plans to further improve staff working conditions through a phased renovation of our head office building in 2022. In addition to the new office environment, leisure and recreation zones for use by staff will also be included.

During the reporting year, there were no reported cases of non-compliance with the labour regulations of Hong Kong.

b. Staff Training and Development

The continued development and personal growth of our workforce are vital to the Group's long-term continuity and resilience. We encourage all staff to supplement their professional knowledge and competency through our tailored training programmes which emphasise the importance of soft skills such as communication and cooperation in addition to traditional skills such as technical knowledge and customer service. A special annual training budget is reserved to sponsor staff to take advantage of award-bearing courses and other external training programmes, both for personal development or job enrichment.

Given the ongoing challenges and safety threats posed by COVID-19, types of training become more flexible with many trainings moving online, held via ZOOM instead of face-to-face. In order to minimise social contacts and unnecessary gathering, we again leveraged digital platforms to promote online communication and e-learning.

External training

In 2021 the Group once again encouraged staff to improve their working skills and professional/technical knowledge by joining complimentary external trainings including workshops, conference and symposiums, visits. Examples include:

- Managers, officers, supervisors of corporate departments and shipyard engineers attended symposiums, seminars and workshops in relation to their professional disciplines.
- We arranged for shipyard technicians to join external courses to obtain relevant technical know-how, work-related licenses and qualifications in areas including forklift truck driving, safety cards, work permits in confined space and more.
- Crew members on vessels joined relevant external courses including engineer or coxswain's license training, radar system, dangerous goods carrying, safety at sea and more.
- Harbour Cruise - Bauhinia staff joined "Control of Food Safety and Hygiene" training sessions in April 2021. Held by the Food and Environmental Hygiene Department of the HKSAR, they aimed to help the Harbour Cruise - Bauhinia team members understand food safety, enhance food safety for the Harbour Cruise - Bauhinia workshop and the prevention of contamination and cross-contamination.

8. OUR GREATEST ASSET – HUMAN CAPITAL (Continued)

b. Staff Training and Development (Continued)

Internal training

Internally, the Group also assigned qualified staff as trainers in order to deliver relevant training sessions to staff of all departments throughout the year, such sessions including but not limited to:

- Safety officers delivered safety briefing and training to shipyard workers;
- Ferry operations officers and coxswains delivered relevant internal training to crew and pier staff on areas such as fire safety and environmental/sea protection.
- "NET-ZERO - The Goal and Roadmap to Combat Climate Changes and Extreme Weather" was held in August 2021 to explain critical issues around climate change and its impact.

To alleviate the challenges of an ageing workforce within the industry, and in order to solve the short-hand and succession issue of shipyard workshop and ferry operations, the Group continued to train the younger generation by providing apprenticeship and engineer training programmes to ensure that our talent pipeline remains well maintained into the future. For example, the company continued to train young joiners in-house by providing apprenticeships, such as grooming shipyard technicians and training up licensed crew members on coxswain/engineer training programmes. We also offer training opportunities for the general public through our participation in various internship programmes. In 2021, we provided opportunities to students from The University of Hong Kong ("HKU"), City University of Hong Kong ("CityU") and The Hong Kong Institute of Vocational Education ("IVE"), while an over-50 trainee was also enabled via the Employee Retraining Board post-50 internship programme.

"20 x 50 Internship Programme" of 2021-2022, Labour Department

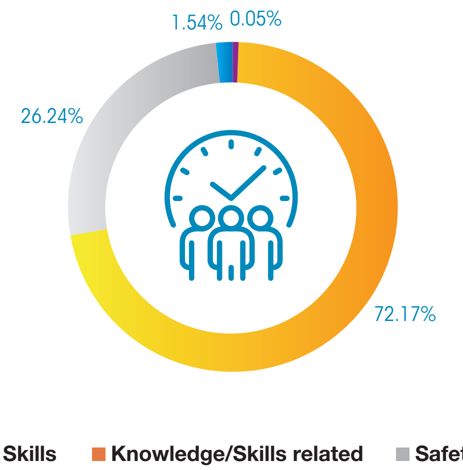
"IVE" 2021 Internship Programme

8. OUR GREATEST ASSET – HUMAN CAPITAL (Continued)

b. Staff Training and Development (Continued)

During the reporting year, our Group's employees received a total of approximately 4,021 training hours.

Percentage of Training Hours by Categories



c. Occupational Health and Safety

Safety always comes first and foremost, so we take a precautionary, uncompromising approach in order to safeguard the health and safety of all employees, contractors and visitors. Through our Safety Policy, we work diligently to maintain a safe working environment and have implemented proactive measures to minimise potential occupational hazards on our premises. Our Substance Use Policy strictly prohibits alcohol and drug consumption at the workplace and applies to all our employees, contractors and suppliers who perform duties at the Shipyard. Prohibition extends to using, possessing and distributing dangerous drugs at our premises. To ensure alignment and understanding of our policies, reminders are regularly dispatched to all employees. Failure to comply with these policies is taken seriously, with violators potentially liable for legal prosecution and disciplinary action up to and including termination of employment.

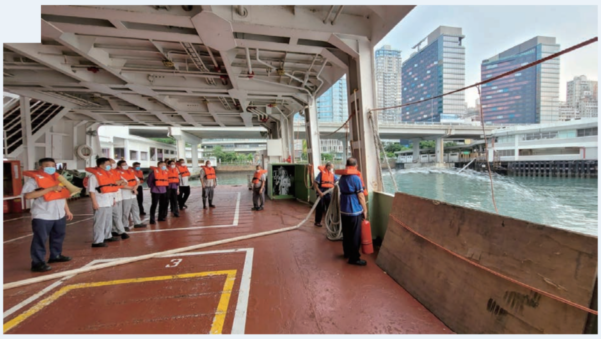
In addition to the provision of all necessary personal protective equipment, we ensure that staff attend regular safety courses and seminars. These include but are not limited to safety training, toolboxes, refreshment courses for in-house and external training, safety walk-around sessions, updated safety equipment and safety control measure briefings. We also conduct risks assessment for workers who perform high-risk duties, such as those working in confined spaces.

As an additional precaution, our Construction Site Safety Committee provides oversight on safety management and risk control at the Shipyard. Operational implementation of our safety management systems and execution of safety inspections are conducted by our Safety Officer and Supervisor to ensure that all employees are working safely and are supplied with appropriate safety gear and personal protection equipment. Weekly safety inspection reports are prepared with the findings helping to identify any potential improvement areas or safety hazards for immediate rectification and future best practice.

8. OUR GREATEST ASSET – HUMAN CAPITAL (Continued)

c. Occupational Health and Safety (Continued)

Fire safety is among our top focus areas across our operations. In order to ensure fire safety in the workplace, in 2021 fire drills were held at the Shipyard and in our Tsing Yi head office, to allow all related parties to participate. There were also monthly drills on vessels and at piers and quarterly joint drills with Harbour Cruise - Bauhinia associates. Safety materials were also shared internally to allow all staff to participate and reaffirm the importance of safety within the company.



Fire Drill on board

We place great emphasis on the health of our staff members and the Group continues to make every effort to support their well-being, especially in what has been another challenging year, given the ongoing COVID-19 pandemic. We provide medical insurance benefits, including outpatient and hospitalisation coverage for our staff and their families, free flu vaccines and subsidies for regular body check-ups. Additional voluntary insurance plans such as self-subscribed medical top-up insurance and dental care plans are also provided. We further arrange free biennial health check-ups specifically for frontline workers, operational ferry staff, cruise kitchen and Shipyard employees.

In addition to these regular health measures for staff, in 2021 we have also encouraged staff to take COVID-19 vaccines by granting them special injection holidays for every dose. For those staff who were unsure whether they were suitable to get vaccinated, we arranged free check-ups in advance to discuss with medical professionals.

During the reporting year, there were no reported cases of non-compliance with applicable occupational health and safety laws and regulations in Hong Kong that have a significant impact on the Group.

8. OUR GREATEST ASSET – HUMAN CAPITAL (Continued)

d. Anti-corruption

Our Code of Conduct, and the guidelines and policies stipulated within, clearly state the compulsory expectations for professional, appropriate, and ethical behaviour for all employees. The Group has a clear zero-tolerance approach for any fraudulent or unethical conduct, including bribery, money laundering, extortion and fraud. We strictly prohibit the acceptance of money or any other gifts from outside entities, such as customers, suppliers, contractors, authorities or other business partners. Memoranda are regularly issued to all staff to maintain awareness of anti-corruption measures and to ensure understanding of our Code of Conduct.

The Group also arranges bi-annual seminars with speakers from the Independent Commission Against Corruption ("ICAC") for managerial and supervisory staff, especially for those business units that may be exposed to higher corruption risks, such as purchasing and procurement, tendering, sales and marketing. This year, a relevant article and a webinar from The Hong Kong Business Ethics Development Centre were shared to the Board for reference. These more in-depth sessions also serve as a refresher on our ethical behaviour policy and allow employees to learn the most up-to-date information on anti-corruption topics. Relevant training materials from these sessions are also circulated to our Board members.

The Group's whistle-blowing policy facilitates our continued due diligence against unethical and corrupt behaviour and includes provisions for confidential channels to receive reports from concerned employees at all levels. Any employee may report a grievance or concern about suspected misconduct, malpractice, or irregular behaviour regarding all matters within the Group, without fear of reprisal. The Group General Manager or Internal Audit Manager will evaluate every report received to decide if a full investigation is necessary. If an investigation is warranted, the Internal Audit Manager will then be appointed to look into the matter. To ensure its effectiveness, the whistle-blowing policy is regularly reviewed by the Internal Audit Manager. For more information, please refer to the "Risk Management and Internal Controls" subsection in the "Corporate Governance Report" on pages 34 to 37 of our Annual Report 2021.

During the reporting year, there were no confirmed cases of non-compliance with the anti-corruption regulations of Hong Kong.

9. OUR CONTRIBUTION TO THE COMMUNITY

Over our long 99-year history, the Group has been steadfast in delivering shared value to our stakeholders and to the communities in Hong Kong.

a. The Group and the Hong Kong Community

Under the guidance of our Board and senior management team, we continue to pursue long-term value creation for the Hong Kong community. Three key principles are deeply rooted in our corporate culture: love Hong Kong, love Victoria Harbour, and care for the people.

Since our founding in 1923, the Group's core value of "caring for our community" has empowered us to contribute to Hong Kong's sustainable development. For more than 60 years, our cross-harbour vehicular ferry services supported Hong Kong's economic development by providing transportation services to commuters between Hong Kong Island and the Kowloon peninsula until its suspension in 1998.

Today, we continue to hold our signature "Classic Vehicular Ferry Ride" to embrace the historical significance of this commute. During this especially difficult time for Hong Kong, we have proudly supported our city by offering complimentary tickets for local citizens to enjoy these rides. In 2021, they were held in February, July and August as we welcomed a total of 685 participants. For many, this was their first experience of a unique journey previously shared in stories related by their elders. Through this event, we hope to preserve collective memories and experiences of the Hong Kong community, thereby allowing new generations to experience Hong Kong's ferry history. To better promote this special collective memory, our shipmaster accepted a television interview with ViuTV by sharing how day-to-day operations at the vehicular ferry pier were like.

Television interview with ViuTV

b. Caring for the Community

We focus our CSR initiatives in four areas: serving underprivileged families, children and the elderly as well as providing a platform for learning and exchanging knowledge.

Industry Knowledge and Experience Sharing

Fostering a culture that promotes knowledge-sharing with professionals, academia, NGOs, students and more brings positive benefits to the industry and contributes further to Hong Kong's social and economic development. To demonstrate our commitment to knowledge sharing with communities, we regularly offer internship programmes and organise shipyard visits for students from tertiary institutions, Hong Kong Sea School and secondary schools. These learning opportunities also help students to gain operational insights and industry experience and better prepare themselves for the job market in the future.

9. OUR CONTRIBUTION TO THE COMMUNITY (Continued)

b. Caring for the Community (Continued)

From the second quarter of 2021 onwards, as the threat of Covid-19 eased, Hong Kong Ferry Group also organised a wide range of visits for primary students, including to our shipyard, ferries and piers. Activities included 'Pi's adventure in Victoria Harbour', an event with the Maritime Professional Promotion Federation which took place on three occasions. In addition, more than 300 primary students and parents from Wofoo Social Enterprises and The Hong Kong Federation of Youth Groups also made a total of seven visits.

Corporate Volunteer Team

We remain dedicated to serving the environment and underprivileged groups, as caring for our community is an indispensable part of our core values. In 2021, our Corporate Volunteer Team supported and participated in 30 volunteer services and contributed more than 500 volunteer hours to benefit around 2,300 people in our community.

Highlights

8 February 2021
The Group partnered with Wofoo Social Enterprises to give out gift packs to the elderly in Tuen Mun, spreading care and love during the festive days.

19 March 2021
In support of the "Skip Lunch Day" campaign organised by The Community Chest, we encouraged staff members to donate their lunch fees to support services for street sleepers, residents in cage homes and cubicles, with active participation of 25 colleagues.

13 July 2021
To better support the underprivileged in our society, five colleagues from our Corporate Volunteer Team joined a community event led by Wofoo Social Enterprises. They helped prepare food boxes for more than 50 low-income families in Sham Shui Po.

10. OUR RESPONSIBILITY IN VALUE CHAIN MANAGEMENT

The Group remains steadfast in its commitment to the delivery of quality products and services which meet customer expectations at all times. Building on our extensive supply chain networks, we proactively engage our business partners to promote sustainable practices beyond our operations.

a. Supply Chain Management

Our Code of Conduct outlines our requirements on ethical standards, human and labour rights, and environmental practices. During the supplier engagement and tender process, our evaluation criteria include product and service quality, safety performance, operational needs and price to ensure that business partners share our dedication to environmentally and socially responsible practices. Full compliance with this Code of Conduct is expected from our suppliers.

As part of our management approach, a stringent monitoring system is in place to ensure that all our requirements are met. Together with onsite contractors, our property development operations conduct annual safety audits. Furthermore, suppliers are reviewed regularly with findings recorded in our Supplier Evaluation Report and Supplier Performance Review.

Areas of concern with respective suppliers are identified and addressed through corrective actions, subsequently developed by the Group. These also help to ensure future improvement in our monitoring processes. Suppliers who fail to meet our expected standards are subject to a comprehensive inspection.

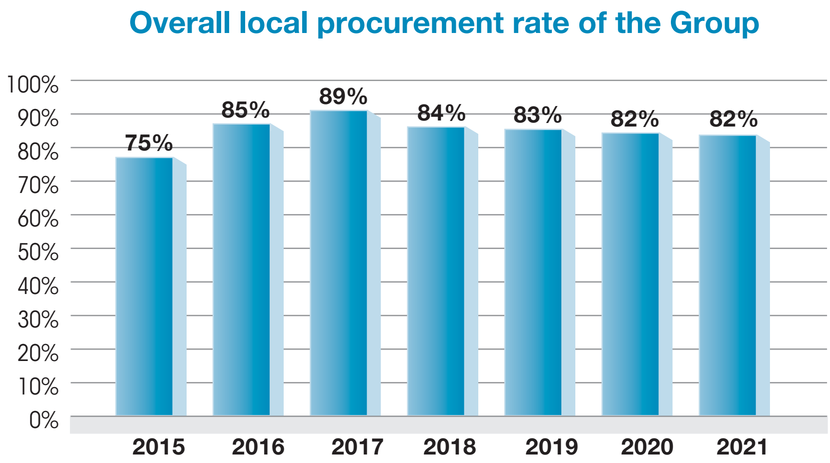
In 2021, we added additional supplier certifications, such as an Energy Audit, Carbon Audit and Global Reporting Initiative (GRI) in order to meet changes in global requirements regarding the review criteria.

- Our independent set of approved supplier lists are to be reviewed if any new supplier evaluation is performed.
- Our Supplier Evaluation Report will be produced according to different acceptance criteria and needs to be approved by senior management.
- Our supplier performance review will be conducted quarterly, including sectors of Civil, Marine Engineering, and Suppliers and General Service Providers.

As we are deeply rooted in Hong Kong for almost a century, we endeavour to prioritise local suppliers where possible, thereby supporting our local economy. Sourcing locally also helps to manage ESG-related risks resulting from disrupted supply chains, while further mitigating environmental impacts associated with our procurement activities. During the reporting year, we achieved an overall local procurement rate of 82%.

10. OUR RESPONSIBILITY IN VALUE CHAIN MANAGEMENT (Continued)

a. Supply Chain Management (Continued)



We also continue to endeavour to promote environmentally preferable products and services when selecting suppliers. In 2021, for example, we purchased FSC certified paper instead of general paper for printing as well as a non-toxic and environmentally friendly disinfectant for daily use, thereby reducing our employees' daily exposure to chemicals.

b. Responsible Products and Services

The delivery of excellent quality, responsible products and services is key to our continued business success. Consequently, a comprehensive set of policies has been developed to provide our employees with relevant guiding principles in relation to quality assurance, intellectual property rights and customer privacy. During the reporting year, there were no reported cases of non-compliance with relevant laws and regulations.

We also place great importance on the confidentiality of all personal data and information collected from our customers. As such, we set out clear data privacy guidelines in our Employee Internet and Email Use Policy, covering the use and management of data and information in accordance with the relevant regulatory requirements. All employees are required to adhere to these internal guidelines to handle customer data in a safe and secure manner. To address potential regulatory risks which may significantly affect our business, Harbour Cruise - Bauhinia has changed the data collection statement on its website from passive consent to active consent according to the General Data Protection Regulation's ("GDPR") user consent requirements[1].

Additionally, we are mindful of the potential concerns regarding intellectual property rights and music copyright laws at our Harbour Cruise - Bauhinia operation. Aside from using licensed computer software, we have subscribed to WiseNews[2] and have paid all necessary music royalties under a Copyright Music Performance Licence Contract. Harbour Cruise - Bauhinia is also registered as a trademark with the Trade Marks Registry, Intellectual Property Department of the Hong Kong Government.

1 According to the consent requirements of GDPR, consent of customer means specific, informed and unambiguous indication of the wishes by the customer, using a statement or a clear affirmative action, which signifies agreement to the processing of personal data relating to the customer.

2 A database which provides lawful access to content from newspapers, magazines, journals and newswires published in Hong Kong, China and some other parts of the world.

10. OUR RESPONSIBILITY IN VALUE CHAIN MANAGEMENT (Continued)

b. Responsible Products and Services (Continued)

Our Shipyard and Harbour Cruise - Bauhinia operations ensure the provision of quality products and services which consistently meet customer expectations and relevant regulatory requirements by following the ISO 9001:2015 Quality Management Systems. Taking customer health and comfort into account, we diligently monitor indoor air quality at our managed properties. In 2021, Metro Harbour Plaza enrolled in the EPD's Indoor Air Quality Certificate on Scheme for Offices and Public Places, and achieved the Good Class objectives.

A deeper understanding of customers' needs and expectations enables us to make informed decisions in pursuit of service excellence. Various engagement channels, including customer satisfaction surveys, are in place to gather customer feedback in a systematic and proactive manner. We also have a comprehensive mechanism for product and service complaints including our quarterly Docking Repair Service Customer Satisfaction Survey and bi-annual On-Time Maintenance Services survey in order to meet our ISO 9001:2015 requirement.

The frequency and overall results of customer satisfaction surveys

Business Units	Frequency	Satisfaction Rate
Harbour Cruise - Bauhinia	Weekly	97%
Shipyard Operation	Quarterly	97%
Dangerous Goods Vehicular Ferry Services	Bi-annually	100%

The collected data will be consolidated in our Service Evaluation Record and reviewed quarterly for non-contractual customers and annually for contractual customers. During the reporting year, there were no significant complaints received regarding our products or services.

11. THE WAY FORWARD

2021 has been another difficult year for the Group as the COVID-19 pandemic has continued to pose unprecedented challenges to Hong Kong and our operations. Despite operating in this ever-changing business environment, we have remained dedicated to capitalising on opportunities through sound corporate governance.

As the Group continues to diversify its business and creates values to our stakeholders, we shall offer respective training and knowledge required to such service offerings to our employees, and the Group shall implement protocols and measures pursuant to the applicable guidance and regulations issued by the regulatory or governmental bodies.

By managing ESG risks, our platform allows the Group to drive the ESG agenda which aligns with the market regulator's standards and expectations from our investors. As we continue our sustainability journey, delivering excellence in sustainability governance, environmental stewardship, employee well-being, community prosperity and social responsibility remains paramount.

12. PERFORMANCE DATA SUMMARY

HKEX KPI	Description	Unit	2021	2020
A. Environmental				
A1.1	**The types of emissions and respective emissions data** (Note 1)			
	NOx	Tonnes	87.01	85.62
	SOx	Tonnes	0.10	0.09 (Note 2)
	PM	Tonnes	2.20	2.23
A1.2	**Greenhouse gas emissions in total and intensity** (Note 3)			
	– in total	Tonnes of CO_2e	3,661.39	5,474.09
	– in intensity	Tonnes of CO_2e per ferry, shipyard and Harbour Cruise - Bauhinia operations total revenue (HK$ million)	25.61	52.66
A1.3	**Total hazardous waste recycled and intensity**			
	Recycled Spent Oil (Note 5) – in total – in intensity	 Litres Litres/FTE (Note 4)	 5,200 26.13	 4,400 21.26
	Used Battery (Note 5) – in total – in intensity	 kg kg/FTE	 250 1.26	 360 1.74
A1.4	**Total non-hazardous waste produced and intensity**			
	General Waste (Note 6) – in total – in intensity	 kg kg/FTE	 324 1.63	 293 1.42
	Food Waste (Note 6) – in total – in intensity	 kg kg/FTE	 657 3.30	 430 2.08
	Paper Waste (Note 6) – in total – in intensity	 kg kg/FTE	 467 2.35	 415 2.01
	Recycled Glass Bottle (Note 6) – in total – in intensity	 kg kg/FTE	 173 0.87	 165 0.80
	Recycled Paper (Note 7) – in total – in intensity	 kg kg/FTE	 6,020 30.25	 1,840 8.89

12. PERFORMANCE DATA SUMMARY (Continued)

HKEX KPI	Description	Unit	2021	2020
A. Environmental (Continued)				
A1.4 (Continued)	**Total non-hazardous waste produced and intensity** (Continued)			
	Recycled Aluminium (Note 5) – in total – in intensity	kg kg/FTE	180 0.90	225 1.09
	Recycled Bronze (Note 5) – in total – in intensity	kg kg/FTE	300 1.51	112 0.54
	Recycled Steel (Note 5) – in total – in intensity	kg kg/FTE	1,900 9.55	2,520 12.17
	Recycled Zinc Alloy (Note 5) – in total – in intensity	kg kg/FTE	860 4.32	315 1.52
	Recycled Used Cooking Oil (Note 5) – in total – in intensity	Litres Litres/FTE	1,200 6.03	1,062 5.13
	Recycled Oily Water (Note 8) – in total – in intensity	Litres Litres/FTE	8,031 40.36	3,949 19.08
A2.1	**Energy consumption by type and intensity** (Note 3)			
	– Fuel oil	kWh	8,868,111	15,062,236
	– Electricity	kWh	1,465,277	1,418,308
	– in total	In 1,000 kWh	10,333	16,481
	– in intensity	1,000 kWh per ferry, shipyard and Harbour Cruise - Bauhinia operations total revenue (HK$ million)	72.27	158.56
A2.2	**Water consumption in total and intensity**			
	– in total	m^3	18,508	13,216
	– in intensity	m^3/FTE	93.01	63.85

12. PERFORMANCE DATA SUMMARY (Continued)

<table>
<tr><th>HKEX KPI</th><th>Description</th><th>Unit</th><th colspan="6">2021</th><th colspan="6">2020</th></tr>
<tr><td colspan="15">B. Social</td></tr>
<tr><td colspan="15">Employment and Labour Practices</td></tr>
<tr><td>B1.1</td><td colspan="2">Total workforce by employment type and gender</td><td colspan="3">Male</td><td colspan="3">Female</td><td colspan="3">Male</td><td colspan="3">Female</td></tr>
<tr><td></td><td>Full-time</td><td>No. of people</td><td colspan="3">158</td><td colspan="3">41</td><td colspan="3">167</td><td colspan="3">40</td></tr>
<tr><td></td><td>Part-time</td><td>No. of people</td><td colspan="3">1</td><td colspan="3">1</td><td colspan="3">1</td><td colspan="3">0</td></tr>
<tr><td></td><td colspan="2">Total workforce by employment type and age group</td><td colspan="2"><30</td><td colspan="2">30-50</td><td colspan="2">>50</td><td colspan="2"><30</td><td colspan="2">30-50</td><td colspan="2">>50</td></tr>
<tr><td></td><td>Full-time</td><td>No. of people</td><td colspan="2">21</td><td colspan="2">50</td><td colspan="2">128</td><td colspan="2">23</td><td colspan="2">51</td><td colspan="2">133</td></tr>
<tr><td></td><td>Part-time</td><td>No. of people</td><td colspan="2">1</td><td colspan="2">0</td><td colspan="2">1</td><td colspan="2">0</td><td colspan="2">0</td><td colspan="2">1</td></tr>
<tr><td>B1.2</td><td colspan="2">Employee turnover rate by gender</td><td colspan="3">Male</td><td colspan="3">Female</td><td colspan="3">Male</td><td colspan="3">Female</td></tr>
<tr><td></td><td></td><td>%</td><td colspan="3">11.9</td><td colspan="3">4.0</td><td colspan="3">3.9</td><td colspan="3">1.4</td></tr>
<tr><td></td><td colspan="2">Employee turnover rate by age group</td><td colspan="2"><30</td><td colspan="2">30-50</td><td colspan="2">>50</td><td colspan="2"><30</td><td colspan="2">30-50</td><td colspan="2">>50</td></tr>
<tr><td></td><td></td><td>%</td><td colspan="2">3.5</td><td colspan="2">4.5</td><td colspan="2">8.0</td><td colspan="2">1.0</td><td colspan="2">1.9</td><td colspan="2">2.4</td></tr>
<tr><td>B2.1</td><td colspan="2">Number and rate of work-related fatalities</td><td colspan="4">2021</td><td colspan="4">2020</td><td colspan="4">2019</td></tr>
<tr><td></td><td>– By number</td><td>No. of people</td><td colspan="4">0</td><td colspan="4">0</td><td colspan="4">0</td></tr>
<tr><td></td><td>– By rate</td><td>%</td><td colspan="4">0</td><td colspan="4">0</td><td colspan="4">0</td></tr>
<tr><td>B2.2</td><td colspan="14">Lost days due to work injury</td></tr>
<tr><td></td><td></td><td>Days</td><td colspan="6">263</td><td colspan="6">186</td></tr>
<tr><td>B3.1</td><td colspan="2">The percentage of employees trained by gender and employee category</td><td colspan="2">Total</td><td colspan="2">Male</td><td colspan="2">Female</td><td colspan="2">Total</td><td colspan="2">Male</td><td colspan="2">Female</td></tr>
<tr><td></td><td>– General</td><td>%</td><td colspan="2">94.77</td><td colspan="2">100</td><td colspan="2">73.53</td><td colspan="2">98.26</td><td colspan="2">98.61</td><td colspan="2">96.43</td></tr>
<tr><td></td><td>– Supervisors to Managers</td><td>%</td><td colspan="2">72.22</td><td colspan="2">66.67</td><td colspan="2">83.33</td><td colspan="2">96.30</td><td colspan="2">93.75</td><td colspan="2">100</td></tr>
<tr><td></td><td>– Management</td><td>%</td><td colspan="2">100</td><td colspan="2">100</td><td colspan="2">100</td><td colspan="2">100</td><td colspan="2">100</td><td colspan="2">100</td></tr>
<tr><td></td><td>– Overall</td><td>%</td><td colspan="2">92.96</td><td colspan="2">97.47</td><td colspan="2">75.61</td><td colspan="2">98.07</td><td colspan="2">98.20</td><td colspan="2">97.50</td></tr>
<tr><td>B3.2</td><td colspan="2">The average training hours completed per employee by gender and employee category</td><td colspan="2">Total</td><td colspan="2">Male</td><td colspan="2">Female</td><td colspan="2">Total</td><td colspan="2">Male</td><td colspan="2">Female</td></tr>
<tr><td></td><td>– General</td><td>Hours</td><td colspan="2">19.98</td><td colspan="2">23.78</td><td colspan="2">4.59</td><td colspan="2">19.65</td><td colspan="2">22.69</td><td colspan="2">3.99</td></tr>
<tr><td></td><td>– Supervisors to Managers</td><td>Hours</td><td colspan="2">20.44</td><td colspan="2">27.08</td><td colspan="2">7.17</td><td colspan="2">9.79</td><td colspan="2">8.69</td><td colspan="2">11.39</td></tr>
<tr><td></td><td>– Management</td><td>Hours</td><td colspan="2">24.00</td><td colspan="2">25.88</td><td colspan="2">9.00</td><td colspan="2">71.88</td><td colspan="2">80.43</td><td colspan="2">12.00</td></tr>
<tr><td></td><td>– Overall</td><td>Hours</td><td colspan="2">20.21</td><td colspan="2">24.13</td><td colspan="2">5.07</td><td colspan="2">20.38</td><td colspan="2">23.77</td><td colspan="2">6.23</td></tr>
</table>

12. PERFORMANCE DATA SUMMARY (Continued)

HKEX KPI	Description	Unit	2021	2020
B. Social (Continued)				
Operating Practices				
B5.1	**Number of suppliers by geographical region** (Note 9)			
	– Hong Kong	No. of organisations	906	884
	– Mainland China	No. of organisations	75	79
	– Others (e.g. Asia and Europe)	No. of organisations	129	113
B6.2	**Number of products and services related complaints received**			
	No. of cases		0	0
B7.1	**Number of concluded legal cases regarding corrupt practices brought against Hong Kong Ferry or its employees during the reporting year**			
	No. of cases		0	0

Notes:

1. Emission data are confined to The Hongkong and Yaumati Ferry Company Limited. Marine air emissions data are calculated based on harbour craft emissions estimation methodology in Port of Los Angeles Inventory of Air Emissions 2005 Technical Report (https://kentico.portoflosangeles.org/getmedia/59baf614-fdfe-4cfa-9d58-3032d32583d7/2005_Air_Emissions_Inventory_Full_Doc).

2. This data has been restated to reflect the actual situation in 2020.

3. GHG emission data and energy consumption data in 2020 and 2021 are confined to The Hong Kong Shipyard Limited, The Hongkong and Yaumati Ferry Company Limited, Harbour Cruise - Bauhinia and the Principal Office. With consideration of the scope, the intensity figures of GHG emissions and energy consumption are calculated using the ferry, shipyard and Harbour Cruise - Bauhinia operations total revenue (HK$ million).

4. FTE: Full-time equivalent employee; excluding part-time employees.

5. The data are confined to The Hong Kong Shipyard Limited.

6. The data are confined to Harbour Cruise - Bauhinia.

7. The data are confined to the Principal Office.

8. The data are confined to The Hong Kong Shipyard Limited and Harbour Cruise - Bauhinia.

9. Supplier data are confined to The Hong Kong Shipyard Limited, The Hongkong and Yaumati Ferry Company Limited and Harbour Cruise - Bauhinia and calculated based on the number of suppliers, contractors, subcontractors, consultants and service providers engaged during the year.

13. HKEX ESG GUIDE CONTENT INDEX

Aspect	HKEX KPI	Description	Page Number/ Remarks
A. Environmental			
A1 Emissions	A1	General Disclosure	50-53
	A1.1	The types of emissions and respective emissions data	66
	A1.2	Greenhouse gas emissions in total and intensity	66
	A1.3	Total hazardous waste produced and intensity	66
	A1.4	Total non-hazardous waste produced and intensity	66-67
	A1.5	Emissions target(s) set and steps taken to achieve them	50-52
	A1.6	How hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	53-54
A2 Use of Resources	A2	General Disclosure	50-53
	A2.1	Direct and/or indirect energy consumption by type in total and intensity	67
	A2.2	Water consumption in total and intensity	67
	A2.3	Energy use efficiency target(s) set and steps taken to achieve them	50-52
	A2.4	Whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	53
	A2.5	Total packaging material used for finished products	Due to the business nature of the Group, this KPI is considered not material.
A3 The Environment and Natural Resources	A3	General Disclosure	50-54
	A3.1	Significant impacts of activities on the environment and natural resources and actions taken to manage them	50-54
A4 Climate Change	A4	General Disclosure	52
	A4.1	Significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	50-52

13. HKEX ESG GUIDE CONTENT INDEX (Continued)

Aspect	HKEX KPI	Description	Page Number/ Remarks
B. Social			
Employment and Labour Practices			
B1 Employment	B1	General Disclosure	55
	B1.1	Total workforce by gender, employment type, age group and geographical region	68
	B1.2	Employee turnover rate by gender, age group and geographical region	68
B2 Health and Safety	B2	General Disclosure	58-59
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	68
	B2.2	Lost days due to work injury	68
	B2.3	Occupational health and safety measures adopted, and how they are implemented and monitored	45, 58-59
B3 Development and Training	B3	General Disclosure	56-58
	B3.1	Percentage of employees trained by gender and employee category	68
	B3.2	Average training hours completed per employee by gender and employee category	68
B4 Labour Standards	B4	General Disclosure	We abide by relevant employment ordinances and statutory requirements of Hong Kong. No relevant cases of non-compliance were recorded.
	B4.1	Measures to review employment practices to avoid child and forced labour	
	B4.2	Steps taken to eliminate such practices when discovered	
Operating Practices			
B5 Supply Chain Management	B5	General Disclosure	63-64
	B5.1	Number of suppliers by geographical region	69
	B5.2	Practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	63-64
	B5.3	Practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	63-64
	B5.4	Practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	64

13. HKEX ESG GUIDE CONTENT INDEX (Continued)

Aspect	HKEX KPI	Description	Page Number/ Remarks
B. Social (Continued)			
Operating Practices (Continued)			
B6 Product Responsibility	B6	General Disclosure	64-65
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Due to the business nature of the Group, this KPI is considered not material.
	B6.2	Number of products and services related complaints received and how they are dealt with	65, 69
	B6.3	Practices relating to observing and protecting intellectual property rights	64
	B6.4	Quality assurance process and recall procedures	64-65
	B6.5	Consumer data protection and privacy policies, and how they are implemented and monitored	64
B7 Anti-corruption	B7	General Disclosure	60
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	69
	B7.2	Preventive measures and whistle-blowing procedures, and how they are implemented and monitored	60
	B7.3	Anti-corruption training provided to directors and staff	60
Community			
B8 Community Investment	B8	General Disclosure	61-62
	B8.1	Focus areas of contribution	61-62
	B8.2	Resources contributed to the focus area	61-62

KPMG

Independent auditor's report to the members of
Hong Kong Ferry (Holdings) Company Limited
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Hong Kong Ferry (Holdings) Company Limited ("the Company") and its subsidiaries ("the Group") set out on pages 79 to 159, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (Continued)

Valuation of investment properties	
Refer to note 1 (accounting policy) and note 11 to the consolidated financial statements	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group's investment properties which comprise retail properties, car parking spaces and godowns are located in Hong Kong. These investment properties were stated at their fair values of HK$2,258 million as at 31 December 2021 which accounted for 76% of the Group's non-current assets as at that date. The fair values of the Group's investment properties as at 31 December 2021 were assessed by the board of directors based on valuations prepared by a firm of qualified external property valuers. The valuation of the Group's investment properties is complex and involves a significant degree of management judgement and estimation in respect of the determination of capitalisation rates and prevailing market rents, particularly given the dissimilar nature of the investment properties held by the Group. We identified valuation of investment properties as a key audit matter because these properties represent the majority of the Group's non-current assets and because the valuations are inherently subjective and involve a significant degree of judgement and estimation by management which increases the risk of error or potential management bias.	Our audit procedures in relation to valuation of investment properties included the following: – obtaining and inspecting the valuation reports prepared by the external property valuers engaged by the Group and on which the directors' assessment of the fair values of investment properties was based; – assessing the external property valuers' qualifications, experience and expertise in the properties being valued and considering their objectivity and independence; – with the assistance of our internal property valuation specialists, discussing with the external property valuers their valuation methodology, without the presence of management, and challenging the key estimates and assumptions adopted in the valuations by comparing capitalisation rates, prevailing market rents and comparable market transactions with the market available data and government produced market statistics; – comparing tenancy information, including committed rents and occupancy rates, provided by the Group to the external property valuers with underlying contracts and related documentation, on a sample basis.

KEY AUDIT MATTERS (Continued)

Assessing the net realisable value of properties under development for sale ("PUD") owned by the Group and its joint venture

Refer to note 1 (accounting policy) and note 17 to the consolidated financial statements

The Key Audit Matter	How the matter was addressed in our audit
The PUD projects of the Group are located in Hong Kong and held either directly or through its joint venture, which are stated at lower of cost and net realisable value. The determination of the net realisable value of the PUD projects are performed by management. It involves significant judgement and estimation in preparing and updating project feasibility studies and estimations of the costs to complete the property development projects as well as in assessing the expected future selling prices for the properties and the expected future selling costs. Changes in government policies in relation to the stamp duty regime, restrictions on residential property mortgage loans and the impact of the global economy on local interest rates could lead to volatility in property prices in Hong Kong. We identified the assessment of net realisable value of the PUD projects owned by the Group and its joint venture as a key audit matter because of the inherent risks involved in estimating the costs to complete each property development project and in estimating the future selling prices for each property development project.	Our audit procedures to assess the net realisable value of the PUD projects included the following: – obtaining management's assessment of the net realisable value of each PUD project and discussing with management the development progress of each project; – conducting site visits to the PUD projects to observe the development progress and comparing the observed development progress with management's records; – discussing with management their valuation methodology and challenging the key estimates and assumptions adopted, including expected future selling prices and costs to completion, by comparison with recently transacted prices for similar properties or the prices of comparable properties located in the nearby vicinity of the PUD projects and by comparison with market statistics for estimated construction costs, signed construction contracts and/or unit construction costs of recently completed projects developed by the Group; – performing sensitivity analyses by making adjustments to the key estimates and assumptions adopted by management in the determination of net realisable value to assess the risk of possible management bias in the net realisable value assessment exercise.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all 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 THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the 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 directors are assisted by the Audit Committee in discharging their responsibilities 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. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and 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 Yau Ngai Lun, Alan.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

18 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Revenue	3(a)	244,197	208,269
Direct costs		(164,622)	(149,051)
		79,575	59,218
Other revenue	3(a) & 4	82,203	70,625
Other net loss	4	(5,336)	(214)
Valuation gains/(losses) on investment properties	3(d) & 11	75,621	(20,674)
Selling and marketing expenses		(5,004)	(142)
Administrative expenses		(52,405)	(50,263)
Other operating expenses		(4,709)	(3,871)
Profit from operations	3(b)	169,945	54,679
Interest on lease liabilities		(122)	(160)
Share of profits less losses of associates		1,184	1,622
Share of losses of joint ventures		(32,404)	(16,491)
Profit before taxation	5	138,603	39,650
Taxation	6(a)	(20,354)	(13,062)
Profit attributable to equity shareholders of the Company		118,249	26,588
Earnings per share	10		
– Basic and diluted		$0.33	$0.07

The notes on pages 86 to 159 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 9.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021	2020
	HK$'000	*HK$'000*
Profit attributable to equity shareholders of the Company	**118,249**	26,588
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that will not be reclassified to profit or loss:		
Remeasurement of employee retirement benefits liabilities	**2,157**	(2,539)
Financial assets at fair value through other comprehensive income – net movement in securities revaluation reserve (non-recycling)	**1,341**	(50,068)
Item that may be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income – net movement in securities revaluation reserve (recycling)	**(458)**	214
Other comprehensive income for the year	**3,040**	(52,393)
Total comprehensive income attributable to equity shareholders of the Company	**121,289**	(25,805)

The notes on pages 86 to 159 form part of these financial statements.

At 31 December 2021

	Note	2021 HK$'000	2021 HK$'000	2020 HK$'000	2020 HK$'000
Non-current assets					
Investment properties	11		2,258,005		2,172,970
Other property, plant and equipment	11		51,994		51,371
Interest in leasehold land	11		34,924		36,293
			2,344,923		2,260,634
Interest in associates	13		7,640		7,423
Interest in joint ventures	14		495,353		1,527,257
Other financial assets	15		135,577		159,654
Deferred tax assets	22(b)		3,526		3,527
			2,987,019		3,958,495
Current assets					
Inventories	17(a)	1,340,088		1,231,195	
Trade and other receivables	18	236,062		269,107	
Tax recoverable	22(a)	23,030		29,322	
Cash and bank balances	19(a)	1,683,031		731,096	
		3,282,211		2,260,720	
Current liabilities					
Trade and other payables	20	163,882		152,551	
Lease liabilities	21	2,121		1,828	
Tax payable	22(a)	18,909		16,243	
		184,912		170,622	
Net current assets			3,097,299		2,090,098
Total assets less current liabilities			6,084,318		6,048,593
Non-current liabilities					
Net employee retirement benefits liabilities	16(a)	2,720		4,123	
Lease liabilities	21	2,053		3,728	
Deferred tax liabilities	22(b)	75,027	79,800	68,445	76,296
NET ASSETS			6,004,518		5,972,297

	Note	**2021**		2020	
		HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
CAPITAL AND RESERVES					
Share capital	*23(b)*		**1,754,801**		1,754,801
Reserves			**4,249,717**		4,217,496
TOTAL EQUITY			**6,004,518**		5,972,297

Approved and authorised for issue by the board of directors on 18 March 2022.

Dr. Lam Ko Yin, Colin
Chairman

Li Ning
Director

The notes on pages 86 to 159 form part of these financial statements.

	Note	Share Capital HK$'000 (Note 23(b))	Securities revaluation reserve (non-recycling) HK$'000 (Note 23(c))	Securities revaluation reserve (recycling) HK$'000 (Note 23(c))	Other capital reserves HK$'000 (Note 23(c))	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2020		1,754,801	(46,560)	244	605	4,424,396	6,133,486
Changes in equity for 2020:							
Profit for the year		–	–	–	–	26,588	26,588
Other comprehensive income		–	(50,068)	214	–	(2,539)	(52,393)
Transfer to retained earnings upon disposal of financial assets		–	66,767	–	–	(66,767)	–
Total comprehensive income		–	16,699	214	–	(42,718)	(25,805)
Dividends approved in respect of the previous year	9	–	–	–	–	(99,757)	(99,757)
Dividends declared in respect of the current year	9	–	–	–	–	(35,627)	(35,627)
Balance at 31 December 2020 and 1 January 2021		**1,754,801**	**(29,861)**	**458**	**605**	**4,246,294**	**5,972,297**
Changes in equity for 2021:							
Profit for the year		**–**	**–**	**–**	**–**	**118,249**	**118,249**
Other comprehensive income		**–**	**1,341**	**(458)**	**–**	**2,157**	**3,040**
Transfer to retained earnings upon disposal of financial assets		**–**	**3,919**	**–**	**–**	**(3,919)**	**–**
Total comprehensive income		**–**	**5,260**	**(458)**	**–**	**116,487**	**121,289**
Dividends approved in respect of the previous year	9	**–**	**–**	**–**	**–**	**(53,441)**	**(53,441)**
Dividends declared in respect of the current year	9	**–**	**–**	**–**	**–**	**(35,627)**	**(35,627)**
Balance at 31 December 2021		**1,754,801**	**(24,601)**	**–**	**605**	**4,273,713**	**6,004,518**

The notes on pages 86 to 159 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2021

	Note	2021 HK$'000	2021 HK$'000	2020 HK$'000	2020 HK$'000
Operating activities					
Profit before taxation			138,603		39,650
Adjustments for:					
Depreciation	5(b)	7,805		7,621	
Amortisation of leasehold land premium	5(b)	1,369		1,369	
Impairment losses on trade and other receivables	5(b)	525		2,747	
Impairment losses on trade receivables reversed	4	(139)		–	
Change in fair value of other financial assets designated at fair value through profit or loss	4	7,632		2,420	
Net loss on disposal of other property, plant and equipment	4	2		2	
Net profit on disposal of other financial assets designated at fair value through other comprehensive income (recycling)	4	(446)		–	
Valuation (gains)/losses on investment properties	11	(75,621)		20,674	
Interest income	5(b)	(18,245)		(22,317)	
Interest expenses		122		160	
Dividend income from listed investments	5(b)	(6,678)		(6,382)	
Share of profits less losses of associates		(1,184)		(1,622)	
Share of losses of joint ventures		32,404		16,491	
			(52,454)		21,163
Operating profit before changes in working capital			86,149		60,813
Increase in net employee retirement benefits liabilities		754		730	
Increase in inventories		(112,679)		(82,300)	
Decrease in trade and other receivables		40,666		40,335	
Increase in trade and other payables		15,117		35,302	
			(56,142)		(5,933)
Cash generated from operations			30,007		54,880
Profits tax paid		(4,813)		(33,930)	
			(4,813)		(33,930)
Net cash generated from operating activities			25,194		20,950

	Note	2021 HK$'000	2021 HK$'000	2020 HK$'000	2020 HK$'000
Investing activities					
Interest received		10,201		24,465	
Payment for purchase of other property, plant and equipment		(7,722)		(6,720)	
Payment for addition to investment properties		(9,414)		(7,674)	
Net repayment from associates		104		490	
Proceeds from disposal of other financial assets designated at fair value through other comprehensive income (non-recycling)		5,978		36,179	
Proceeds from disposal of other financial assets designated at fair value through other comprehensive income (recycling)		11,796		–	
Proceeds from disposal of other property, plant and equipment		–		1	
Loan repaid by a joint venture	*14*	1,300,000		–	
Advances to a joint venture	*14*	(300,000)		(180,000)	
Increase in amount due from joint ventures		(500)		(1,020)	
Dividends received from listed investments		6,678		6,382	
Dividends received from an associate		900		900	
(Increase)/decrease in bank deposits with maturity over three months at acquisition		(273,849)		13,411	
Net cash generated from/(used in) investing activities			744,172		(113,586)
Financing activities					
Capital element of lease rental paid	*19(b)*	(2,090)		(2,059)	
Interest element of lease rental paid	*19(b)*	(122)		(160)	
Dividends paid		(89,068)		(135,384)	
Net cash used in financing activities			(91,280)		(137,603)
Net increase/(decrease) in cash and cash equivalents			678,086		(230,239)
Cash and cash equivalents at 1 January			410,907		641,146
Cash and cash equivalents at 31 December	*19(a)*		1,088,993		410,907

The notes on pages 86 to 159 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investment properties (see note 1(g)); and

– investments in debt and equity securities (see note 1(f)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

– Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

– Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021 (2021 amendment)*

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — phase 2*

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("IBOR reform"). The amendments do not have an impact on the financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021 (2021 amendment)*

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met (see note 1(i)). One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 amendment in this financial year. With the extended time limit, rent concessions beyond 30 June 2021 are accounted for as negative variable lease payments, and are recognised in profit or loss in the period in which the event or condition that triggers those payments occurred.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(j)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates and joint arrangements

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(j)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associates and joint arrangements (Continued)

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture, after applying the expected credit loss ("ECL") model to such other long-term interests where applicable (see note 1(j)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)).

In the Company's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses (see note 1(j)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

A joint operation whereby the Group and other party contractually agree to share control of the arrangement, and have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group recognises its interest in the joint operation by combining the assets, liabilities, revenues and expenses attributable to its interest with similar items on a line-by-line basis.

(f) Investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 24(e). These investments are subsequently accounted for as follows, depending on their classification.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investments in debt and equity securities (Continued)

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(s)(v)).

- fair value through other comprehensive income ("FVOCI") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of ECLs, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

- FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the securities revaluation reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the securities revaluation reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as revenue in accordance with the policy set out in note 1(s)(vi).

(g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(s)(ii).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Other property, plant and equipment

The following property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(j)):

– right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 1(i)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	40 years or over the unexpired terms of the leases, if shorter
Leasehold land	Over the unexpired terms of the leases
Ferry vessels and other crafts	8 to 20 years
Machinery, furniture and other plant and equipment	
– Dry dock and ship lift	30 to 40 years
– Others	4 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(h) and 1(j)(iii)), except for the right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 1(g).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Leased assets (Continued)

As a lessee (Continued)

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost (see notes 1(f), 1(s)(v) and 1(j)(i)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16, *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

The Group presents right-of-use assets that do not meet the definition of investment property in 'Other property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for ECLs on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to associates and joint ventures);
- contract assets as defined in HKFRS 15 (see note 1(k)(iii));
- debt securities measured at FVOCI (recycling); and
- lease receivables.

Financial assets measured at fair value, including units in trust funds and equity securities designated at FVOCI (non-recycling) are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate; and
- lease receivables: discount rate used in the measurement of the lease receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

Measurement of ECLs (Continued)

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

Significant increases in credit risk (Continued)

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the securities revaluation reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with note 1(s)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(j)(i) apply.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(ii) Credit losses from financial guarantees issued (Continued)

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– other property, plant and equipment; and

– investments in subsidiaries in the Company's statement of financial position, associates and joint ventures in the consolidated and Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(iii) Impairment of other non-current assets (Continued)

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Inventories

(i) Trading stocks

Trading stocks are stated at the lower of cost and net realisable value. Cost includes the cost of materials computed using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Spare parts and consumables

Spare parts and consumables are stated at cost, computed using the weighted average method, less provision for obsolescence.

(iii) Contract assets

Contract assets are recognised when the Group recognises revenue (see note 1(s)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 1(j)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(l)).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Inventories (Continued)

(iv) Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– Properties under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, and an appropriate proportion of overheads. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– Completed properties held for sale

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 1(k)(iii)).

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including allowance for credit losses (see note 1(j)(i)).

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(n) Contract liabilities

A contract liability is recognised as forward sales deposits received when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 1(s)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(l)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 1(j)(i).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognised in profit or loss and allocated as part of "administrative expenses". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate is the yield at the end of the reporting period on Government Bonds that have maturity dates approximating the terms of the Group's obligations.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions, contingent liabilities and onerous contracts

(i) Other provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Revenue recognition

Income is classified by the Group as revenue when it arises from the sale of properties, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue recognition policies are as follows:

(i) Sale of properties

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities (see note 1(n)).

When residential properties are marketed by the Group while the property is still under construction, the Group may offer a discount compared to the listed sales price, provided the customer agrees to pay the balance of the consideration early. In such cases, if the advance payments are regarded as providing a significant financing benefit to the Group, interest expense arising from the adjustment of time value of money will be accrued by the Group during the period between the payment date and the completion date of legal assignment. This accrual increases the balance of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, *Borrowing costs*.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Revenue recognition (Continued)

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(iv) Ferry and shipyard operations

Revenue relating to ferry operations is recognised when the relevant ferry services are provided.

Revenue from shipyard operations is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method. Effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(j)(i)).

(vi) Dividends

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

(u) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(A) has control or joint control over the Group;

(B) has significant influence over the Group; or

(C) is a member of the key management personnel of the Group.

(ii) An entity is related to the Group if any of the following conditions applies:

(A) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(B) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(C) Both entities are joint ventures of the same third party.

(D) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(E) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(F) The entity is controlled or jointly controlled by a person identified in note (u)(i).

(G) A person identified in note (u)(i)(A) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(H) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Notes 16 and 24 contain information about the assumptions and their risk factors relating to defined benefit retirement obligation and financial instruments. Other key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are as follows:

(a) Valuation of investment properties

In determining the fair value of the investment properties, the Group has considered information from different sources, including a valuation performed by a firm of professional valuers after taking into consideration the net rental income allowing for reversionary income potential, and other available market survey reports.

The assumptions adopted in the property valuations are based on the market conditions existing at the end of the reporting period, with reference to the appropriate capitalisation rate and occupancy rate.

(b) Recognition of deferred tax assets

At 31 December 2021, the Group had recognised deferred tax assets in relation to the unused tax losses amounting to approximately HK$8,327,000 (2020: HK$8,261,000). The realisability of the deferred tax assets mainly depends on whether it is probable that future taxable profits or taxable temporary differences will be available against which related tax benefits under the deferred tax assets can be utilised. In cases where the actual future taxable profits or taxable temporary differences generated are less than expected, a reversal of deferred tax assets may arise, which will be recognised in profit or loss for the period in which such a reversal takes place.

3 SEGMENT INFORMATION

The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments.

– Property development: development and sale of properties.

– Property investment: rental income from leasing of properties.

– Ferry, shipyard and related operations: income from operation of dangerous goods vehicular ferry service and ship repairs and maintenance services and sales of goods on cruise vessels.

– Securities investment: dividend, interest and other income from listed securities investments.

Segment information is presented only in respect of the Group's business segments. No geographical analysis is shown as substantially all of the Group's revenue and profit from operations were derived from activities in Hong Kong.

Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

3 SEGMENT INFORMATION (Continued)

Segment results (Continued)

The segment information for the years ended 31 December 2021 and 2020 about these reportable segments is presented below:

(a) Segment revenue

	Total revenue		Elimination of inter-segment revenue		Revenue from external customers	
	2021	2020	**2021**	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Property development	**12,232**	94	**–**	–	**12,232**	94
Property investment	**147,200**	145,580	**–**	–	**147,200**	145,580
Ferry, shipyard and related operations	**142,971**	103,945	**1,208**	1,109	**141,763**	102,836
Securities investment	**6,922**	6,928	**–**	–	**6,922**	6,928
Others	**83,249**	89,033	**64,966**	65,577	**18,283**	23,456
	392,574	345,580	**66,174**	66,686	**326,400**	278,894
Analysed by:						
Revenue					**244,197**	208,269
Other revenue					**82,203**	70,625
					326,400	278,894

The principal activities of the Group are property development, property investment, ferry, shipyard and related operations and securities investment.

3 SEGMENT INFORMATION (Continued)

Segment results (Continued)

(a) Segment revenue (Continued)

Disaggregation in revenue

Disaggregation of revenue from contracts with customers by major service lines is as follows:

	2021	2020
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by service lines		
– Property development	**12,000**	–
– Revenue from ferry operations	**44,390**	37,620
– Revenue from shipyard operations	**65,833**	40,173
	122,223	77,793
Revenue from other sources		
– Property investment	**105,898**	103,153
– Securities investment	**6,678**	6,382
– Others	**9,398**	20,941
	121,974	130,476
	244,197	208,269

Apart from revenue from shipyard which are recognised over time, the Group's other revenue streams within the scope of HKFRS 15 are recognised at a point in time.

Revenue represents gross income from the sale of properties, sales value of goods delivered to customers, income from services rendered, rental income, interest income and dividend income.

At 31 December 2021, the aggregate amount of revenue expected to be recognised in profit or loss in the future from construction and repairing contracts entered into in relation to the Group's shipyard operations amounted to HK$14,126,000 (2020: HK$11,707,000), which will be recognised overtime until the work is completed, which is expected to occur over the next 12 months.

3 SEGMENT INFORMATION (Continued)

Segment results (Continued)

(b) Segment result

	Reportable segment profit/(loss) 2021 HK$'000	2020 HK$'000
Property development	**3,657**	(1,903)
Property investment *(note 3(d))*	**148,036**	49,848
Ferry, shipyard and related operations	**8,560**	(17,904)
Securities investment	**(804)**	3,930
	159,449	33,971
Others *(note 3(e))*	**10,496**	20,708
	169,945	54,679

(c) Reconciliation of reportable segment profit

	2021 HK$'000	2020 HK$'000
Reportable segment profit derived from external customers	**159,449**	33,971
Other profit derived from banks and external customers	**10,496**	20,708
Interest on lease liabilities	**(122)**	(160)
Share of losses of associates and joint ventures *(net)*	**(31,220)**	(14,869)
Profit before taxation in the consolidated statement of profit or loss	**138,603**	39,650

(d) The segment result of the "Property investment" included valuation gains on investment properties of HK$75,621,000 (2020: valuation losses of HK$20,674,000).

(e) "Others" mainly comprises interest income, corporate expenses and exchange gains/losses.

3 SEGMENT INFORMATION (Continued)

Segment results (Continued)

(f) Other segment information

	Depreciation and amortisation		Impairment losses		Capital expenditure incurred	
	2021	2020	**2021**	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Property investment	**–**	–	**4**	559	**9,414**	7,674
Ferry, shipyard and related operations	**8,656**	8,522	**382**	2,188	**7,362**	182
Others	**518**	468	**–**	–	**360**	155
	9,174	8,990	**386**	2,747	**17,136**	8,011

4 OTHER REVENUE AND NET LOSS

	2021	2020
	HK$'000	*HK$'000*
Other revenue		
Management fee income	**24,941**	24,069
Air-conditioning charges income	**15,463**	16,532
Government grants *(note 1)*	**–**	9,148
Government grants – others *(note 2)*	**18,730**	6,183
Other income	**14,222**	13,317
Other interest income	**8,847**	1,376
	82,203	70,625
Other net loss		
Income from sale of spare parts	**852**	1,595
Sundry income	**745**	655
Net profit on disposal of other financial assets designated at FVOCI (recycling)	**446**	–
Net exchange gains/(losses)	**116**	(42)
Impairment loss on trade and other receivables reversed	**139**	–
Net loss on disposal of other property, plant and equipment	**(2)**	(2)
Change in fair value of other financial assets designated at FVPL	**(7,632)**	(2,420)
	(5,336)	(214)

4 OTHER REVENUE AND NET LOSS (Continued)

Note 1: In 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

Note 2: In 2021, the Group was qualified for the relief measures offered for the public transport sector and food and environment sector under the Anti-epidemic Fund set up by the Hong Kong Government amounting to HK$16,646,000 and HK$2,084,000 (2020: HK$1,978,000 and HK$4,205,000) respectively. The purpose of the funding is to provide financial support to franchised and licensed ferry operators, and licensed food and entertainment service providers who were adversely impacted by the COVID-19 pandemic.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Staff costs:

	2021 **HK$'000**	2020 HK$'000
Expense recognised in respect of defined benefit retirement plan *(note 16(a)(v))*	**1,158**	1,206
Contributions to defined contribution retirement plan	**2,309**	2,322
Total retirement costs	**3,467**	3,528
Salaries, wages and other benefits	**83,329**	80,379
	86,796	83,907

5 PROFIT BEFORE TAXATION (Continued)

(b) Other items:

	2021 **HK$'000**	2020 *HK$'000*
Amortisation of leasehold land premium	**1,369**	1,369
Depreciation	**7,805**	7,621
Cost of inventories *(note 17(b))*	**5,869**	3,916
Auditor's remuneration		
– audit services	**1,802**	1,811
– other services	**355**	355
Total minimum lease payments on short-term leases exempted from capitalisation under HKFRS 16		
– property rentals	**–**	235
Impairment losses on trade and other receivables	**525**	2,747
Rentals receivable from investment properties less direct outgoings of HK$58,028,000 (2020: HK$56,568,000) *(note)*	**(47,870)**	(46,585)
Rentals receivable from leases, other than those relating to investment properties, less direct outgoings of HK$1,170,000 (2020: HK$1,175,000)	**(6,264)**	(6,938)
Interest income	**(18,245)**	(22,317)
Dividend income from other financial assets designated at FVPL	**(3,388)**	(3,548)
Dividend income from other financial assets designated at FVOCI	**(3,290)**	(2,834)

Note: Included contingent rental income which is determined based on turnover of certain shops and commercial arcades of HK$2,325,000 (2020: HK$2,512,000).

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2021 **HK$'000**	2020 *HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**13,831**	9,224
Over-provision in respect of prior years	**(60)**	(96)
	13,771	9,128
Deferred tax		
Origination and reversal of temporary differences	**6,583**	3,934
	20,354	13,062

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

(a) Taxation in the consolidated statement of profit or loss represents: (Continued)

The provision for Hong Kong Profits Tax for 2021 is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2020.

The provision for Hong Kong Profits Tax for 2021 takes into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2020/21 subject to a maximum reduction of HK$10,000 for each business (2020: a maximum reduction of HK$20,000 was granted for the year of assessment 2019/20 and was taken into account in calculating the provision for 2020).

In prior years, the Inland Revenue Department ("IRD") raised additional profits tax assessments on a subsidiary of the Group covering the years of assessment from 2001/02 to 2009/10 as the IRD disallowed the deduction of certain capital expenditure incurred by the subsidiary. Notices of objection were filed with the IRD by the subsidiary. In February 2017, the IRD further raised additional profits tax assessments covering the years of assessment from 2010/11 to 2014/15 in respect of such disallowance. Management has sought advice from the Group's tax adviser and has filed a notice of objection against such additional tax assessments. No change in the circumstances for the years ended 31 December 2021 and 2020.

(b) Reconciliation between tax expense and accounting profit at an applicable tax rate:

	2021 **HK$'000**	2020 HK$'000
Profit before taxation	**138,603**	39,650
Notional tax on profit before taxation, calculated at the rates applicable profit in tax jurisdictions concerned	**22,701**	6,376
Tax effect of non-deductible expenses	**2,800**	5,220
Tax effect of non-taxable income	**(12,779)**	(2,780)
Tax effect of current year's tax losses not recognised	**5,779**	4,524
Tax effect of prior years' unrecognised tax losses utilised this year	**–**	(2)
Tax effect of temporary differences on investment properties and other property, plant and equipment	**1,913**	(180)
Over-provision in respect of prior years	**(60)**	(96)
Actual tax expense	**20,354**	13,062

7 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and Chief Executive's emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance, Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and Appendix 16 to the Listing Rules are as follows:

	Directors' fees		Retirement scheme contribution	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Executive directors				
Dr. Lam Ko Yin, Colin	**200**	200	**–**	–
Mr. Li Ning	**150**	150	**–**	–
Non-executive directors				
Mr. Au Siu Kee, Alexander	**100**	100	**–**	–
Mr. Lau Yum Chuen, Eddie	**100**	100	**–**	–
Dr. Lee Shau Kee (retired on 29 May 2020)	**–**	42	**–**	–
Independent non-executive directors				
Mr. Ho Hau Chong, Norman	**300**	300	**–**	–
Ms. Wong Yu Pok, Marina	**300**	300	**–**	–
Mr. Wu King Cheong	**300**	300	**–**	–
	1,450	1,492	**–**	–

	Salaries and other emoluments		Retirement schemes contributions	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Group General Manager				
Mr. Lee Gabriel (appointed with effect from 4 October 2021)	**968**	–	**48**	–
Dr. Ho Chi Shing, David (retired on 15 October 2021)	**6,346**	3,499	**–**	–
	7,314	3,499	**48**	–

8 EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT

(a) Five highest paid individuals

Of the five individuals with the highest emoluments, two (2020: one) are the chief executives whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the remaining three (2020: four) individuals are as follows:

	2021	2020
	HK$'000	*HK$'000*
Salaries and other emoluments	**3,638**	4,574
Retirement scheme contributions	**129**	177
	3,767	4,751

The emoluments of the three (2020: four) individuals with the highest emoluments are within the following bands:

HK$	**2021** ***Number of individuals***	2020 *Number of individuals*
1,000,000 or below	**–**	1
1,000,001–1,500,000	**3**	3

(b) Emoluments of senior management

Other than the emoluments of directors, chief executive and five highest paid individuals disclosed in note 7 and 8(a), the emoluments of the remaining senior management whose profiles are provided in Directors' and Senior Management's Profile fell within the following bands:

HK$	**2021** ***Number of individuals***	2020 *Number of individuals*
500,001–1,000,000	**1**	1

9 DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2021	2020
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK10 cents (2020: HK10 cents) per ordinary share	**35,627**	35,627
Final dividend proposed after the end of the reporting period of HK15 cents (2020: HK15 cents) per ordinary share	**53,441**	53,441
	89,068	89,068

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2021	2020
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK15 cents (2020: HK28 cents) per ordinary share	**53,441**	99,757

10 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$118,249,000 (2020: HK$26,588,000) and 356,273,883 (2020: 356,273,883) ordinary shares in issue during the year.

There were no dilutive potential ordinary shares in existence during the years 2021 and 2020, therefore diluted earnings per share are the same as basic earnings per share for both years.

11 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND

	Buildings *HK$'000*	Ferry vessels and other crafts *HK$'000*	Machinery, furniture and others *HK$'000*	Sub-total *HK$'000*	Investment properties *HK$'000*	Interest in leasehold land *HK$'000*	Total *HK$'000*
Cost or valuation:							
At 1 January 2020	76,123	120,112	282,563	478,798	2,185,970	159,407	2,824,175
Additions	6,383	41	296	6,720	7,674	–	14,394
Disposals	–	–	(81)	(81)	–	–	(81)
Valuation losses	–	–	–	–	(20,674)	–	(20,674)
At 31 December 2020	82,506	120,153	282,778	485,437	2,172,970	159,407	2,817,814
Representing:							
Cost	82,506	120,153	282,778	485,437	–	159,407	644,844
Valuation	–	–	–	–	2,172,970	–	2,172,970
	82,506	120,153	282,778	485,437	2,172,970	159,407	2,817,814
Accumulated amortisation and depreciation:							
At 1 January 2020	64,757	117,999	243,767	426,523	–	121,745	548,268
Charge for the year	2,720	373	4,528	7,621	–	1,369	8,990
Written back on disposals	–	–	(78)	(78)	–	–	(78)
At 31 December 2020	67,477	118,372	248,217	434,066	–	123,114	557,180
Net book value:							
At 31 December 2020	15,029	1,781	34,561	51,371	2,172,970	36,293	2,260,634

11 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND (Continued)

	Buildings *HK$'000*	Ferry vessels and other crafts *HK$'000*	Machinery, furniture and others *HK$'000*	Sub-total *HK$'000*	Investment properties *HK$'000*	Interest in leasehold land *HK$'000*	Total *HK$'000*
Cost or valuation:							
At 1 January 2021	82,506	120,153	282,778	485,437	2,172,970	159,407	2,817,814
Additions	708	–	7,722	8,430	9,414	–	17,844
Disposals	(1,923)	–	(24)	(1,947)	–	–	(1,947)
Valuation gains	–	–	–	–	75,621	–	75,621
At 31 December 2021	81,291	120,153	290,476	491,920	2,258,005	159,407	2,909,332
Representing:							
Cost	81,291	120,153	290,476	491,920	–	159,407	651,327
Valuation	–	–	–	–	2,258,005	–	2,258,005
	81,291	120,153	290,476	491,920	2,258,005	159,407	2,909,332
Accumulated amortisation and depreciation:							
At 1 January 2021	67,477	118,372	248,217	434,066	–	123,114	557,180
Charge for the year	2,713	375	4,717	7,805	–	1,369	9,174
Written back on disposals	(1,923)	–	(22)	(1,945)	–	–	(1,945)
At 31 December 2021	68,267	118,747	252,912	439,926	–	124,483	564,409
Net book value:							
At 31 December 2021	13,024	1,406	37,564	51,994	2,258,005	34,924	2,344,923

11 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND (Continued)

(a) Fair value measurement of investment properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

		Fair value measurements as at 31 December 2021 categorised into		
	Fair value at 31 December 2021 *HK$'000*	**Level 1** *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*
Recurring fair value measurement				
Investment properties	**2,258,005**	**–**	**–**	**2,258,005**

		Fair value measurements as at 31 December 2020 categorised into		
	Fair value at 31 December 2020 *HK$'000*	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*
Recurring fair value measurement				
Investment properties	2,172,970	–	–	2,172,970

11 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND (Continued)

(a) Fair value measurement of investment properties (Continued)

(i) Fair value hierarchy (Continued)

During the year ended 31 December 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2020: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation process

All the Group's investment properties were revalued as at 31 December 2021. The valuations were carried out by a firm of surveyors, Cushman & Wakefield Limited, who have among their staff Members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on a market value basis. The management has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

(ii) Information about Level 3 fair value measurements

The fair values of investment properties were determined using income capitalisation approach which capitalised the net income of the properties and taking into account the reversionary potential of properties after expiry of the current leases except for an investment property which was determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis using market data which is publicly available.

Below is a table which presents the significant unobservable inputs:

Income capitalisation approach

	Range of capitalisation rates		**Range of occupancy rates**	
	2021	2020	**2021**	2020
	%	%	**%**	%
Retail	**3.5% – 4.75%**	3.5% – 4.75%	**84% – 100%**	80% – 100%
Car park	**4.125% – 6.5%**	4.5% – 7%	**71% – 100%**	65% – 98%

Market comparison approach

	Market unit sales price	
	2021	2020
	HK$/sq. ft.	*HK$/sq. ft.*
Godown	**409 – 548**	459 – 880

11 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND (Continued)

(a) Fair value measurement of investment properties (Continued)

(ii) Information about Level 3 fair value measurements (Continued)

The fair value measurement of investment properties is positively correlated to the occupancy rate and market unit sales price and negatively correlated to the capitalisation rate.

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2021	2020
	HK$'000	*HK$'000*
Investment properties		
At 1 January	**2,172,970**	2,185,970
Additions	**9,414**	7,674
Valuation gains/(losses)	**75,621**	(20,674)
At 31 December	**2,258,005**	2,172,970

Fair value adjustment of investment properties is recognised in the line item "valuation gains/(losses) on investment properties" on the face of the consolidated statement of profit or loss.

All the gains or losses recognised in profit or loss for the year arise from the properties held at the end of the reporting period.

(b) The analysis of the net book value of all the properties, which are held in Hong Kong, is as follows:

	2021	2020
	HK$'000	*HK$'000*
Medium-term leases	**2,305,953**	2,224,292

11 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND (Continued)

(c) The Group leases out investment properties under operating leases. The leases typically run for an initial period of one month to three years, with an option to renew the lease after that date at which time all terms are renegotiated. Certain of the leases include contingent rentals calculated with reference to the revenue of tenants.

All properties held under operating leases that would otherwise meet the definition of investment properties are classified as investment properties.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2021	2020
	HK$'000	*HK$'000*
Within 1 year	**68,691**	73,445
After 1 year but within 2 years	**39,319**	29,825
After 2 years but within 3 years	**11,643**	10,691
	119,653	113,961

(d) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

		2021	2020
	Note	***HK$'000***	*HK$'000*
Other properties leased for own use, carried at depreciated cost	*(i)*	**3,751**	5,009
Machinery, furniture and others, carried at depreciated cost	*(ii)*	**324**	471
		4,075	5,480

11 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND (Continued)

(d) Right-of-use assets (Continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2021	2020
	HK$'000	*HK$'000*
Depreciation charge of right-of-use assets by class of underlying asset:		
Other properties leased for own use	**1,966**	1,973
Machinery, furniture and others	**147**	147
	2,113	2,120
Interest on lease liabilities	**122**	160
Expenses relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2020	**–**	235
COVID-19-related rent concessions received	**1,259**	973

During the year, additions to right-of-use assets were HK$708,000 (2020: HK$6,383,000). The amount primarily related to the capitalised lease payments payable under new tenancy agreements.

As disclosed in note 1(c), the Group has early adopted the amendment to HKFRS 16, *Leases, Covid-19-related rent concessions beyond 30 June 2021 (2021 amendment)*, and applies the practical expedient to all eligible rent concessions received by the Group.

Note (i): Other properties leased for own use
The Group has obtained the right to use other properties as its office space and ferry piers through tenancy agreements. The leases typically run for an initial period of two to three years.

Note (ii): Other leases
The Group leases office equipment under leases expiring for four years. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes variable lease payments.

12 INTEREST IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

	Particulars of issued and paid up capital	Proportion of ownership interests		Principal activities
		Held by the Company	Held by subsidiaries	
HYFCO Development Company, Limited	1,200,003 shares	100%	–	Investment holding
The Hong Kong Shipyard Limited	170,000 shares	100%	–	Shipbuilding and repairs
HYFCO Trading and Investments Company Limited	2 shares	100%	–	Trading
HYFCO Estate Management & Agency Limited	2,500,000 shares	100%	–	Property management
The Hongkong and Yaumati Ferry Company Limited	1,000,000 shares	100%	–	Ferry operations
Galaxy Hotel Management Company Limited	1,000,000 shares	–	100%	Floating restaurant business
Genius Star Development Limited	2 shares	100%	–	Property investment
Pico International Limited	6,000,000 shares	100%	–	Investment holding
Hong Kong Ferry Finance Company Limited	2 shares	100%	–	Funding for group companies
Thommen Limited	2 shares	100%	–	Investment holding
Lenfield Limited	2 shares	100%	–	Property development, investment and financing
HKF Property Investment Limited	2 shares	100%	–	Property investment
Join Galaxy Limited	2 shares	–	100%	Property financing
Merry World Assets Limited	50,000 shares	100%	–	Investment holding
Jet Legend Limited	1 share	100%	–	Property development, and financing
World Light Limited	1 share	100%	–	Property development, investment and financing
Well Dynamic Limited	1 share	100%	–	Property development, investment and financing
World Fame Shipping Limited	2 shares	100%	–	Property development

All the subsidiaries listed above are incorporated in Hong Kong except for Merry World Assets Limited which is incorporated in the British Virgin Islands.

13 INTEREST IN ASSOCIATES

	2021 HK$'000	2020 HK$'000
Share of net assets	956	1,037
Amounts due from associates	14,077	13,545
Share of net liabilities	(599)	(365)
	13,478	13,180
Less: impairment loss	(6,794)	(6,794)
	7,640	7,423

Except for the amount advanced to 2OK Company Limited ("2OK") which is interest-bearing at Hong Kong dollar prime rate minus 3% (2020: Hong Kong dollar prime rate minus 3%) per annum, as disclosed in note 27(b)(ii), all of the amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. All the amounts due from associates are not expected to be recovered within one year.

The following list contains the particulars of associates, all of which are unlisted corporate entities whose quoted market price is not available:

	Particulars of issued and paid up capital	Proportion of ownership interest held by subsidiaries	Principal activities
2OK	10 ordinary shares	50%	Property financing
Authian Estates Limited	5,000 A shares 5,000 B shares	50%	Property investment
Winwide Limited	100 ordinary shares	30%	Trading

All of the associates are incorporated and operate in Hong Kong.

All of the above associates are accounted for using the equity method in the consolidated financial statements.

13 INTEREST IN ASSOCIATES (Continued)

Aggregate information of associates that are not individually material:

	2021 HK$'000	2020 HK$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**357**	672
Aggregate amounts of the Group's share of those associates'		
Profit for the year	**1,184**	1,622
Total comprehensive income	**1,184**	1,622

14 INTEREST IN JOINT VENTURES

	2021 HK$'000	2020 HK$'000
Share of net assets	**700**	–
Share of net liabilities	**(49,747)**	(17,143)
Loan to a joint venture	**64,400**	1,364,400
Advances to a joint venture	**480,000**	180,000
	495,353	1,527,257

The loan to a joint venture is unsecured, interest-bearing at a rate to be agreed by the Group and the joint venture partner and has no fixed terms of repayment. An amount of HK$1,300,000,000 was recovered from a joint venture during the year ended 31 December 2021. During the years and as at 31 December 2021 and 2020, the balance did not bear any interest.

The advances to a joint venture is unsecured, interest-bearing at Hong Kong dollar prime rate minus 3% per annum and has no fixed terms of repayment. The balance is not expected to be recovered within one year.

14 INTEREST IN JOINT VENTURES (Continued)

Details of the Group's interest in material joint ventures, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of issued capital	Proportion of ownership interest held by subsidiaries	Principal activities
Win Standard Enterprises Limited	Incorporated	Hong Kong	10,000 ordinary shares	50%	Property development and financing
Mega Capital Enterprises Limited	Incorporated	Hong Kong	2 ordinary shares	50%	Property financing

The joint ventures are unlisted corporate entities whose quoted market price are not available.

Summarised financial information of material joint venture, adjusted for any differences in accounting policies and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Win Standard Enterprises Limited	
Gross amounts of the joint venture's	**2021** *HK$'000*	2020 *HK$'000*
Current assets	**6,848,140**	5,167,305
Non-current assets	**85,600**	22,126
Current liabilities	**(6,968,388)**	(2,457,701)
Non-current liabilities	**(64,663)**	(2,765,117)
Total deficit	**(99,311)**	(33,387)
Included in the above assets and liabilities:		
Cash and cash equivalents	**347,798**	2,523
Current financial liabilities (excluding trade and other payables and provisions)	**(52,808)**	(52,808)
Contract liabilities	**(6,475,828)**	(1,988,206)
Non-current financial liabilities	**(64,663)**	(2,765,117)
Revenue	**82**	–
Loss for the year	**(65,924)**	(32,251)
Other comprehensive income	**–**	–
Total comprehensive income	**(65,924)**	(32,251)
Included in the above loss:		
Interest income	**3,781**	586
Interest expenses	**(1,154)**	(755)

No depreciation and amortisation and income tax expenses is included in the above loss.

14 INTEREST IN JOINT VENTURES (Continued)

	Win Standard Enterprises Limited	
	2021	2020
	HK$'000	*HK$'000*
Reconciled to Group's interest in the joint venture		
Gross amounts of the joint venture's net liabilities	**(99,311)**	(33,387)
Group's effective interest	**50%**	50%
Group's share of the joint venture's net liabilities	**(49,656)**	(16,694)

Aggregate information of joint ventures that is not individually material:

	2021	2020
	HK$'000	*HK$'000*
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**609**	(449)
Aggregate amounts of the Group's share of those joint ventures'		
Profit/(loss) for the year	**558**	(365)
Total comprehensive income	**558**	(365)

15 OTHER FINANCIAL ASSETS

	2021 **HK$'000**	2020 *HK$'000*
Financial assets designated at FVOCI (non-recycling) *(note)*		
– Equity securities listed in Hong Kong	**39,627**	44,264
Financial assets designated at FVPL		
– Unit trust listed in Hong Kong	**95,950**	103,582
Financial assets designated at FVOCI (recycling)		
– Listed debt securities outside Hong Kong	**–**	11,808
	135,577	159,654
Market value of listed securities at 31 December	**135,577**	159,654

Note: The Group has designated certain investments as equity securities designated as financial assets at FVOCI (non-recycling) as the investments are held for strategic purposes which are subject to regular strategic review. Details of the investments are as follows:

Name of equity securities	**2021** **HK$'000**	2020 *HK$'000*
Bank of China Ltd	**28,907**	27,260
Agricultural Bank of China Limited	**10,720**	14,200
HSBC Holdings Plc	**–**	2,804
As at 31 December	**39,627**	44,264

Upon disposal of certain securities during the year ended 31 December 2021, the related cumulative loss of HK$3,919,000 (2020: HK$66,767,000) was transferred from securities revaluation reserve (non-recycling) to retained earnings.

16 NET EMPLOYEE RETIREMENT BENEFITS LIABILITIES

(a) Defined benefit retirement plan

The Group makes contributions to a defined benefit retirement plan registered under the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong), which covers 8.3% (2020: 9.3%) of the Group's employees. The plan is administered by independent trustees with their assets held separately from those of the Group.

The plan is funded by contributions from the Group in accordance with an independent actuary's recommendation based on annual actuarial valuations. The latest independent actuarial valuation of the plan was at 31 December 2021 and was prepared by qualified staff of Towers Watson Hong Kong Limited, who are members of recognised actuarial bodies, using the projected unit credit method. The actuarial valuation indicates that 85.7% (2020: 88.9%) of the Group's obligations under the defined benefit retirement plan are covered by the plan assets held by the trustees.

The plan exposes the Group to actuarial risks, such as interest rate risk, investment risk and longevity risk. Information about the plan is disclosed below:

(i) The amounts recognised in the consolidated statement of financial position are as follows:

	2021 ***HK$'000***	2020 *HK$'000*
Present value of wholly or partly funded obligations	**(18,998)**	(37,024)
Fair value of plan assets	**16,278**	32,901
	(2,720)	(4,123)

The plan assets do not include any share issued by the Company or any property occupied by the Group.

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group expects to pay HK$245,000 in contributions to defined benefit retirement plan in 2022.

(ii) Plan assets consist of the following:

	2021	2020
Equity securities	**69.5%**	34.3%
Fixed deposits	**30.5%**	65.7%
Total	**100.0%**	100.0%

All of the equity securities have quoted prices in active markets.

16 NET EMPLOYEE RETIREMENT BENEFITS LIABILITIES (Continued)

(a) Defined benefit retirement plan (Continued)

(iii) Movements in the present value of the defined benefit obligations:

	2021 HK$'000	2020 HK$'000
At 1 January	**37,024**	37,798
Remeasurements:		
– Actuarial (gain)/loss arising from changes in financial assumptions	**(1,658)**	2,482
– Actuarial gain arising from changes in experience	**(881)**	(1,272)
– Actuarial loss/(gain) arising from change in demographic assumptions	**1**	(1)
	(2,538)	1,209
Current service cost	**1,048**	1,109
Interest cost	**110**	678
Benefits paid by the plan	**(16,646)**	(3,770)
At 31 December	**18,998**	37,024

(iv) Movements in plan assets:

	2021 HK$'000	2020 HK$'000
At 1 January	**32,901**	36,944
Interest income	**98**	691
Return less than discount rate	**(381)**	(1,330)
Benefits paid by the plan	**(16,646)**	(3,770)
Administrative expenses paid	**(98)**	(110)
Contributions paid to the plan	**404**	476
At 31 December	**16,278**	32,901

16 NET EMPLOYEE RETIREMENT BENEFITS LIABILITIES (Continued)

(a) Defined benefit retirement plan (Continued)

(v) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2021	2020
	HK$'000	*HK$'000*
Current service cost	**1,048**	1,109
Net interest/(income) on net defined benefit liabilities	**12**	(13)
Administrative expenses paid	**98**	110
Total amounts recognised in profit or loss	**1,158**	1,206
Actuarial (gain)/loss	**(2,538)**	1,209
Return on plan assets, excluding interest income	**381**	1,330
Total amounts recognised in other comprehensive income	**(2,157)**	2,539
Total defined benefit costs	**(999)**	3,745

The current service cost, the net income/interest on defined benefit liabilities and the administrative expenses paid are recognised in the following item in the consolidated statement of profit or loss:

	2021	2020
	HK$'000	*HK$'000*
Administrative expenses	**1,158**	1,206

16 NET EMPLOYEE RETIREMENT BENEFITS LIABILITIES (Continued)

(a) Defined benefit retirement plan (Continued)

(vi) Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows:

	2021	2020
Discount rate	**1.4%**	0.3%
Long-term salary increase rate		
– 2022	**3.0%**	3.0%
– 2023	**3.5%**	3.5%
– Thereafter	**3.5%**	3.5%

The below analysis shows how the net defined benefit liability would have (increased)/decreased as a result of 0.25% change in the significant actuarial assumptions:

	Increase in 0.25%		**Decrease in 0.25%**	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Discount rate	**349**	486	**(359)**	(500)
Future salary	**(334)**	(462)	**326**	452

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

(b) Defined contribution retirement plan

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

17 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2021 HK$'000	2020 HK$'000
Property development		
Properties under development for sale	1,274,445	1,164,844
Completed properties held for sale	63,035	63,497
	1,337,480	1,228,341
Other operations		
Trading stocks	1,596	1,309
Spare parts and consumables	1,012	1,545
	2,608	2,854
	1,340,088	1,231,195

The above properties are situated in Hong Kong and held under medium-term leases.

All of the inventories are expected to be recovered within one year.

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2021 HK$'000	2020 HK$'000
Carrying amount of inventories sold	5,869	3,916

18 TRADE AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	155,826	197,929
Less: allowance for doubtful debts	(2,709)	(2,586)
	153,117	195,343
Other receivables and prepayments	47,172	46,049
Amounts due from joint ventures	35,773	27,715
	236,062	269,107

All of the trade and other receivables except for instalment receivables of HK$104,715,000 (2020: HK$124,318,000) are expected to be recovered or recognised as expense within one year. Included in the trade and other receivables are amounts due from related companies of HK$48,804,000 (2020: HK$61,335,000) which are unsecured, interest-free and are recoverable on demand.

The amounts due from joint ventures include a balance of HK$25,996,000 (2020: HK$26,492,000) which is unsecured, interest-bearing at a rate to be agreed by the Group and the joint venture partner and is recoverable on demand. During the years and as at 31 December 2021 and 2020, the balance did not bear any interest. The remaining balance is unsecured, interest-free and is recoverable on demand.

(a) Ageing analysis

Included in trade and other receivables are trade debtors (net of loss allowance) with the following ageing analysis based on due date at the end of the reporting period:

	2021 HK$'000	2020 HK$'000
Current	132,747	155,879
1 to 3 months overdue	18,220	27,199
More than 3 months but less than 12 months overdue	2,033	12,043
More than 12 months overdue	117	222
	153,117	195,343

Trade debtors are due ranging from 7 to 45 days from the date of billing. Debtors with balances that are more than 60 days overdue are generally required to settle all outstanding balances before any further credit is granted. Further details on the Group's credit policy are set out in note 24(a).

18 TRADE AND OTHER RECEIVABLES (Continued)

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 1(j)(i)).

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which include a specific element based on individual receivables and a collective element calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The movement in the loss allowance accounts during the year is as follows:

	2021	2020
	HK$'000	*HK$'000*
At 1 January	**2,586**	122
Impairment losses recognised	**525**	2,747
Impairment loss reversed	**(139)**	–
Uncollectible amount written off	**(263)**	(283)
At 31 December	**2,709**	2,586

The Group has recognised an ECL on trade debtors amounting to HK$2,709,000 (2020: HK$2,586,000) as at 31 December 2021, calculated on 100% of certain individual trade debtors with significantly increased in credit risk. The identified impairment loss on the remaining trade debtors was immaterial as at 31 December 2021 and 31 December 2020.

19 CASH AND BANK BALANCES

(a)

	2021 **HK$'000**	2020 HK$'000
Deposits with banks and other financial institutions	**1,224,478**	708,346
Cash at bank and in hand	**458,553**	22,750
Cash and bank balances in the consolidated statement of financial position	**1,683,031**	731,096
Less: Bank deposits with maturity over three months at acquisition	**(594,038)**	(320,189)
Cash and cash equivalents in the consolidated cash flow statement	**1,088,993**	410,907

Included in cash and bank balances are the following amounts denominated in a currency other than Hong Kong dollars:

	2021 **'000**	2020 '000
United States dollars	**13**	13
Renminbi	**45**	46

19 CASH AND BANK BALANCES (Continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Lease liabilities	
	2021	2020
	HK$'000	*HK$'000*
	(Note 21)	
At 1 January	**5,556**	1,232
Changes from financing cash flows:		
Capital element of lease rentals paid	**(2,090)**	(2,059)
Interest element of lease rentals paid	**(122)**	(160)
Total changes from financing cash flows	**(2,212)**	(2,219)
Other changes:		
Increase in lease liabilities from entering into new leases during the year	**708**	6,383
Interest expenses	**122**	160
Total other changes	**830**	6,543
At 31 December	**4,174**	5,556

19 CASH AND BANK BALANCES (Continued)

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2021 **HK$'000**	2020 HK$'000
Within operating cash flows	**–**	235
Within financing cash flows	**2,212**	2,219
	2,212	2,454

This amount relate to the following:

	2021 **HK$'000**	2020 HK$'000
Lease rentals paid	**2,212**	2,454

20 TRADE AND OTHER PAYABLES

All of the trade and other payables except for an amount of HK$16,527,000 (2020: HK$12,632,000) are expected to be settled within one year. Included in the trade and other payables are amounts due to related companies of HK$34,965,000 (2020: HK$44,327,000) which are unsecured, interest-free and repayable within 30 – 45 days or repayable on demand.

Included in trade and other payables are trade payables with the following ageing analysis based on due date at the end of the reporting period:

	2021 **HK$'000**	2020 HK$'000
Due within 1 month or on demand	**96,381**	97,201
Due after 1 month but within 3 months	**585**	65
Due after 3 months but within 12 months	**–**	–
More than 12 months	**1**	1
	96,967	97,267

21 LEASE LIABILITIES

At 31 December 2021, the lease liabilities were repayable as follows:

	2021 HK$'000	2020 HK$'000
Within 1 year	2,121	1,828
After 1 year but within 2 years	1,899	1,765
After 2 years but within 5 years	154	1,963
	2,053	3,728
	4,174	5,556

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Tax (recoverable)/payable in the consolidated statement of financial position represents:

	2021 HK$'000	2020 HK$'000
Provision for Hong Kong Profits Tax for the year	13,831	9,224
Provisional Profits Tax paid	(7,708)	(11,690)
	6,123	(2,466)
Balance of Hong Kong Profits Tax recoverable relating to prior years	(10,244)	(10,613)
	(4,121)	(13,079)

Represented by:

	2021 HK$'000	2020 HK$'000
Tax recoverable	(23,030)	(29,322)
Tax payable	18,909	16,243
	(4,121)	(13,079)

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax assets and liabilities recognised:

Movement of each component of deferred tax assets and liabilities

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Temporary differences from investment properties and other property, plant and equipment	Future benefit of tax losses	Intra-group interest capitalised in properties under development	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2020	65,059	(1,380)	(2,695)	60,984
Charged to profit or loss *(note 6(a))*	3,917	17	–	3,934
At 31 December 2020 and 1 January 2021	**68,976**	**(1,363)**	**(2,695)**	**64,918**
Charged/(credited) to profit or loss *(note 6(a))*	**6,594**	**(11)**	**–**	**6,583**
At 31 December 2021	**75,570**	**(1,374)**	**(2,695)**	**71,501**

	2021	2020
	HK$'000	*HK$'000*
Represented by:		
Net deferred tax asset recognised in the consolidated statement of financial position	**(3,526)**	(3,527)
Net deferred tax liability recognised in the consolidated statement of financial position	**75,027**	68,445
	71,501	64,918

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 1(q), the Group has not recognised the following deferred tax assets in respect of deductible temporary differences and cumulative tax losses as it is not probable that future taxable profits against which the deductible temporary differences and tax losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

	2021		2020	
	Deductible temporary differences/ tax losses	**Deferred tax assets**	Deductible temporary differences/ tax losses	Deferred tax assets
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
(i) Excess of tax written down values over accounting carrying values of other property, plant and equipment	**49**	**8**	55	9
(ii) Tax losses	**198,845**	**32,809**	163,823	27,030
	198,894	**32,817**	163,878	27,039

23 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	**Share capital** *HK$'000* *(note 23(b))*	**Retained profits** *HK$'000*	**Total** *HK$'000*
Balance at 1 January 2020		1,754,801	706,259	2,461,060
Changes in equity for 2020:				
Loss for the year		–	(10,797)	(10,797)
Other comprehensive income		–	(2,539)	(2,539)
Total comprehensive income		–	(13,336)	(13,336)
Dividends approved in respect of the previous year	*9*	–	(99,757)	(99,757)
Dividends declared in respect of the current year	*9*	–	(35,627)	(35,627)
Balance at 31 December 2020 and 1 January 2021		**1,754,801**	**557,539**	**2,312,340**
Changes in equity for 2021:				
Loss for the year		**–**	**(7,767)**	**(7,767)**
Other comprehensive income		**–**	**2,157**	**2,157**
Total comprehensive income		**–**	**(5,610)**	**(5,610)**
Dividends approved in respect of the previous year	*9*	**–**	**(53,441)**	**(53,441)**
Dividends declared in respect of the current year	*9*	**–**	**(35,627)**	**(35,627)**
Balance at 31 December 2021		**1,754,801**	**462,861**	**2,217,662**

23 CAPITAL AND RESERVES (Continued)

(b) Share capital

	2021		2020	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Ordinary shares, issued and fully paid:				
At 1 January/31 December	**356,273,883**	**1,754,801**	356,273,883	1,754,801

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(c) Nature and purpose of reserves

(i) Securities revaluation reserve (recycling)

The securities revaluation reserve (recycling) comprises the cumulative net change in the fair value of debt securities measured at FVOCI under HKFRS 9 held at the end of the reporting period (see note 1(f)).

(ii) Securities revaluation reserve (non-recycling)

The securities revaluation reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 1(f)).

(iii) Other capital reserves

The other capital reserves comprise the unrealised profit on inter-company interest capitalised under investment properties.

(d) Distributability of reserves

At 31 December 2021, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance, was HK$426,840,000 (2020: HK$521,241,000). After the end of the reporting period the directors proposed a final dividend of HK15 cents (2020: HK15 cents) per ordinary share, amounting to HK$53,441,000 (2020: HK$53,441,000) (note 9). This dividend has not been recognised as a liability at the end of the reporting period.

23 CAPITAL AND RESERVES (Continued)

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern and ensure that it maintains a healthy capital ratio in order to support its business and provide returns for shareholders.

The Group actively and regularly reviews and manages its capital structure under the policy of prudent financial management. The Group maintains a financially sound capital position and, where appropriate, makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2021 and 2020.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, currency and equity price risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in a financial loss to the Group.

The Group's credit risk is primarily attributable to bank deposits and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

Regular review and follow-up actions are carried out on overdue amounts of instalments receivable from sale of properties which enable management to assess their recoverability and to minimise the exposure to credit risk. In respect of other trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due ranging from 7 to 45 days from the date of billing. Debtors with balances that are more than 60 days overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

The Group's exposure to credit risk is not influenced by the individual characteristics of each customer as the Group does not have a certain concentration of credit risk of the total trade and other receivables.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial positions. Except for the financial guarantees given by the Group as set out in note 26, the Group does not provide any other guarantees to third parties which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 18.

(b) Liquidity risk

The treasury functions of the Group is centralised at the head office. Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements, to ensure that it maintains sufficient reserves of cash from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates at the end of the reporting period) and the earliest date the Group can be required to pay:

	2021 Contractual undiscounted cash outflow					
	Within 1 year or on demand *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*	More than 5 years *HK$'000*	Total *HK$'000*	Carrying amount at 31 December *HK$'000*
Trade and other payables	147,355	10,526	6,001	–	163,882	163,882
Lease liabilities	2,195	1,923	155	–	4,273	4,174

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

	2020 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	139,919	7,049	5,583	–	152,551	152,551
Lease liabilities	1,940	1,833	1,988	–	5,761	5,556

(c) Currency risk

The Group has no significant exposure to foreign currency risk given its large asset base and operational cash flow are primarily denominated in Hong Kong dollars.

(d) Equity price risk

The Group is exposed to equity price change arising from other financial assets designated through FVOCI and FVPL held for non-trading purposes (see note 15).

Listed investments held by the Group have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

Sensitivity analysis

At 31 December 2021, it is estimated that an increase/decrease of 10% (2020: 10%) in the market prices of equity and debt investments in other financial assets, with all other variables held constant would have increased/decreased the securities revaluation reserve by approximately HK$13,558,000 (2020: HK$15,965,000).

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that none of the Group's other financial assets would be considered impaired as a result of the decrease in the relevant stock market index or other relevant risk variables, and that all other variables remain constant.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement

(i) Financial assets measured at fair value

Fair value hierarchy

The fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*.

The fair value measurements of the Group's financial assets as at 31 December 2021 and 31 December 2020 are categorised into Level 1. During the year ended 31 December 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2020: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2021 and 2020.

25 CAPITAL COMMITMENTS

(a) Capital commitments outstanding at 31 December 2021 not provided for in the financial statements were as follows:

	2021	2020
	HK$'000	*HK$'000*
Contracted for	**443,134**	550,236
Authorised but not contracted for	**63,102**	63,657
	506,236	613,893

(b) In relation to the capital commitments undertaken by a joint venture attributable to the Group:

	2021	2020
	HK$'000	*HK$'000*
Contracted for	**21,869**	689,812

26 CONTINGENT LIABILITIES

Financial guarantees issued

At 31 December 2021, the Company has issued the guarantees to certain suppliers in respect of granting or giving credit facilities to its wholly-owned subsidiaries.

Under the guarantees, the Company is liable to the amount due from the subsidiaries to these respective parties in the event of any default and its liability shall at no time exceed the sum stated on the letters of guarantee.

At the end of the reporting period, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the guarantees issued above is the outstanding amount due to the relevant parties by its wholly-owned subsidiaries, being HK$37,000 (2020: by its wholly-owned subsidiaries and the joint venture, being HK$25,077,000).

The Company has not recognised any deferred income in respect of the guarantees issued as its fair value cannot be reliably measured using observable market data and its transaction price was HK$Nil.

27 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to certain of the Company's directors, chief executive and the highest paid employees as disclosed in notes 7 and 8 respectively, is as follows:

	2021 ***HK$'000***	2020 *HK$'000*
Short-term employee benefits	**10,258**	6,421
Post-employment benefits	**177**	128
	10,435	6,549

Total remuneration is included in "staff costs" (see note 5(a)).

27 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

(b) Other material related party and connected transactions

(i) In 1999, the Group entered into a development agreement (the "Agreement") with Henderson Land Development Company Limited ("HLD") and two wholly-owned subsidiaries of HLD ("HLD Sub 1" and "HLD Sub 2"), whereby HLD Sub 1 and HLD Sub 2 acquired the right to 50% of any proceeds from the future sale of the residential portion of the redevelopment of Metro Harbour View, Kowloon Inland Lot No. 11127 (the "MHV Property") for a consideration of HK$1,500,000,000.

As part of the Agreement, HLD Sub 1 and HLD Sub 2 agreed to reimburse the Group 50% of its development expenditures relating to the residential portion of the MHV Property. At 31 December 2021, an amount of HK$274,000 (2020: HK$209,000) remained unpaid and was included in trade and other receivables.

In February 2017, the Group entered into a deed of novation (the "Deed of Novation") with HLD, HLD Sub 1 and HLD Sub 2 pursuant to which HLD Sub 1 transferred and assigned unto HLD Sub 2, and HLD Sub 2 took and assumed all of the rights and obligations of the HLD Sub 1 under the Agreement subject to the terms and conditions as stated in the Deed of Novation. The Deed of Novation was supplemental to the Agreement.

(ii) In December 2001, a wholly-owned subsidiary of the Company acquired 50% equity interest in 2OK Company Limited ("2OK") which was set up to provide mortgage loans to the residential unit buyers of the MHV Property. HLD through its subsidiary beneficially owned the remaining 50% equity interest in 2OK at 31 December 2021. During the year, the Group received management and administrative fees in the total of HK$40,000 (2020: HK$40,000) from 2OK. The Group and HLD Sub have made advances to 2OK to finance the latter's mortgage operation and interest was charged on amounts advanced. During the year, the Group received interest amounting to HK$37,000 (2020: HK$47,000) from 2OK. At 31 December 2021, the amount advanced by the Group totalling HK$1,735,000 (2020: HK$2,038,000) is in proportion to the Group's equity interest in 2OK and is unsecured and has no fixed repayment terms.

(iii) In December 2002, the Group appointed a wholly-owned subsidiary of HLD ("HLD Sub A") as the leasing and promotion agent of the commercial arcade of the MHV Property, Metro Harbour Plaza ("MHP"), for an initial term of two years at the remuneration of 5% of the monthly rental income from MHP and such agreement shall thereafter be renewable on the same terms from year to year until terminated by either party by giving three months' prior notice in writing. An amount of HK$2,410,000 (2020: HK$2,401,000) was charged to the Group for the year. At 31 December 2021, an amount of HK$1,265,000 (2020: HK$1,216,000) remained unpaid and was included in trade and other payables.

As the aforementioned agreement was renewable on the yearly basis until terminated by either party, the Group had monitored the receipt of the funds during the year.

27 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

(b) Other material related party and connected transactions (Continued)

(iv) In May 2006, the Group appointed a wholly-owned subsidiary of HLD ("HLD Sub C") as the main contractor for a fee of 5% on all works relating to the development of Shining Heights, Nos. 220-222 Tai Kok Tsui Road, Kowloon, Hong Kong. The aggregate of the cost of works carried out by the main contractor or any connected persons (as defined in the Listing Rules) of the Group together with the 5% fee were subject to each annual ceiling of HK$16,000,000 up to the period end of 31 March 2009. In September 2009, the prime cost contract extension letter was signed which all the terms and conditions remain unchanged except to extend the period of payment for the respective ceiling of HK$5,500,000 and HK$6,500,000 for the nine months ended 31 December 2009 and for the year ended 31 December 2010 respectively.

During the years ended 31 December 2021 and 2020, there were no change in cost estimates. At 31 December 2020, an amount of HK$2,294,000, which included amounts payable to other subcontractors through this main contractor, remained unpaid and was included in trade and other payables. At 31 December 2021, the balance has been repaid.

(v) In March 2011, the Group appointed a wholly-owned subsidiary of HLD ("HLD Sub D") as the main contractor for a fee of 5% on all works relating to the development of Green Code at No. 1 Ma Sik Road, Fanling, New Territories, Hong Kong (formerly known as Fanling Sheung Shui Town Lot No. 177). The aggregate of the cost of works carried out by the main contractor or any connected persons (as defined in the Listing Rules) of the Company together with the 5% fee were subject to the total ceilings of the respective years.

In October 2014, the Group entered into a Fanling Prime Cost Contract Extension Letter with HLD Sub D to extend the period of payment of fees for the respective ceilings of HK$6,800,000 and HK$19,000,000 for the period from 1 June 2014 to 31 December 2014 and for the year ended 31 December 2015 respectively. During the years ended 31 December 2021 and 2020, there were no change in cost estimates. At 31 December 2021, an amount of HK$14,725,000 (2020: HK$14,725,000), which included amounts payable to other subcontractors through this main contractor, remained unpaid and was included in trade and other payables.

Under the term of Fanling Prime Cost Contract Extension Letter, the contract expired in December 2015.

27 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

(b) Other material related party and connected transactions (Continued)

(vi) In June 2017, the indirectly non-wholly owned subsidiary of HLD as tenant and HLD Sub A (as agent of the Group) as landlord entered into a renewal offer letter A (the "Renewal Offer Letter A") in respect of the leasing of Shop Nos. G01, Portion of G31, G35-G50, Portion of G51, Portion of G52, G63-G74 and corridors and atrium on Ground Floor, MHP ("Previous Premises 1") and Bridge area on Level 1, MHP ("Premises 2") for a term of one year commencing from 1 July 2017 to 30 June 2018 at a monthly rental of HK$244,000 for Previous Premises 1 and HK$6,000 for Premises 2 together with other ancillary expenses and a turnover rent of 7% of the excess (if any) of such annual gross turnover of the tenant's business conducted at Previous Premises 1 and Premises 2 over HK$50,000,000, which shall be payable monthly in arrears. The term of the Renewal Offer Letter A expired in June 2018.

In June 2017, the indirectly non-wholly owned subsidiary of HLD as tenant and HLD Sub A (as agent of the Group) as landlord entered into a renewal offer letter B (the "Renewal Offer Letter B") in respect of the leasing of Shop Nos. 127-161 and corridors and toilets on Level 1, MHP ("Premises 3") for a term of three years commencing from 1 July 2017 to 30 June 2020 at a monthly rental of HK$238,000 for Premises 3 together with other ancillary expenses and a turnover rent of 7% of the excess (if any) of such annual gross turnover of the tenant's business conducted at Premises 3 over HK$70,000,000, which shall be payable monthly in arrears. The term of the Renewal Offer Letter B expired in June 2020.

In June 2018, the indirectly non-wholly owned subsidiary of HLD as tenant and HLD Sub A (as agent of the Group) as landlord entered into a 2018 renewal offer letter A (the "2018 Renewal Offer Letter A") in respect of the leasing of Shop Nos. G01, Portion of G31, G37-G50, Portion of G51, Portion of G52, G63-G74 and corridors and atrium on Ground Floor, MHP ("Premises 1") and Premises 2 for a term of two years commencing from 1 July 2018 to 30 June 2020 at a monthly rental of HK$243,000 for Premises 1 and HK$7,000 for Premises 2 together with other ancillary expenses and a turnover rent of 7% of the excess (if any) of such annual gross turnover of the tenant's business conducted at Premises 1 and Premises 2 over HK$50,000,000, which shall be payable monthly in arrears. The 2018 Renewal Offer Letter A was terminated on 1 April 2019.

In June 2020, the indirectly non-wholly owned subsidiary of HLD as tenant and HLD Sub A (as agent of the Group) as landlord entered into a 2020 renewal offer letter (the "2020 Renewal Offer Letter") in respect of the leasing of Premises 3 for a term of one year commencing from 1 July 2020 to 30 June 2021 at a monthly rental of HK$318,000 for Premises 3 together with other ancillary expenses and a turnover rent of 7% of the excess (if any) of such annual gross turnover of the tenant's business conducted at Premises 3 over HK$70,000,000, which shall be payable monthly in arrears. The term of the 2020 Renewal Offer Letter expired in June 2021.

27 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

(b) Other material related party and connected transactions (Continued)

(vi) (Continued)

The aggregate amounts of rentals and other ancillary expenses receivable under the Renewal Offer Letter A and the Renewal Offer Letter B are subject to the annual ceilings for the period from 1 July 2017 to 31 December 2017 of HK$7,500,000. In December 2021, the aggregate amounts of rentals and other ancillary expenses receivable under the 2018 Renewal Offer Letter A and the Renewal Offer Letter B are subject to the revised annual ceilings for the years ended 31 December 2018 and 31 December 2019 of HK$15,000,000 (inclusive of the relevant cap applicable to the Renewal Offer Letter A) and HK$15,000,000, and for the period from 1 January 2020 to 30 June 2020 of HK$7,500,000 respectively. The aggregate amounts of rentals and other ancillary expenses receivable under the 2020 Renewal Offer Letter are subject to the annual ceilings for the period from 1 July 2020 to 31 December 2020 of HK$5,408,000, and for the period from 1 January 2021 to 30 June 2021 of HK$5,408,000.

During the year, an amount of HK$3,516,000 (2020: HK$6,543,000), being aggregate rental and fees receivable under the aforementioned lease and licences agreements in June 2017, June 2018 and June 2020, was credited to the Group.

(vii) In October 2015, the Group appointed HLD Sub C as the main contractor of the comprehensively planned development consisting of residential component together with ancillary supporting facilities at 208 Tung Chau Street, Sham Shui Po, Kowloon, Hong Kong (the “TCS Property” or the “Proposed TCS Development”) for a fee of 5% on all works of the Proposed TCS Development. The aggregate of the cost of works carried out by the main contractor or any connected persons (as defined in the Listing Rules) of the Company together with the 5% fee subject to the annual ceilings for the years ended 31 December 2015, 31 December 2016, 31 December 2017 and 31 December 2018 of HK$1,260,000, HK$19,990,000, HK$16,740,000 and HK$970,000 respectively. During the year ended 31 December 2020, there was no change in cost estimate. During the year, as a result of change in the latest cost estimates, an amount of HK$190,000 and HK$10,000, represented a corresponding adjustment in fees, were credited to the Group in relation to the superstructure work of the development and the 5% fee on all works relating to the development of the proposed TCS Development. At 31 December 2020, an amount of HK$4,620,000 remained unpaid and was included in trade and other payables. At 31 December 2021, the balance has been repaid.

(viii) In October 2015, the Group entered into a letter agreement with a wholly-owned subsidiary of HLD (“HLD Sub B”) and appointed HLD Sub B as the agent of the Group to lease certain shops and spaces of Mira Place One (formerly known as Miramar Shopping Centre) (“Premises 4”) for the marketing services of the TCS Property for the period from 5 November 2015 to the earlier of 4 January 2017 and the date on which the last residential unit in the TCS Property is sold, subject to the respective ceilings of HK$2,000,000 for the period from 5 November 2015 to 31 December 2015 and HK$3,600,000 for the period from 1 January 2016 to 4 January 2017. The letter agreement expired in January 2017.

27 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

(b) Other material related party and connected transactions (Continued)

(viii) (Continued)

In January 2017, the Group entered into a second letter agreement with HLD Sub B and HLD Sub B continued to act as the agent of the Group to lease the Premises 4 for use as show flats and sales office for the sale of the residential units of the TCS Property for the period from 5 January 2017 to the earlier of 4 May 2017 and the date on which the last residential unit in the TCS Property is sold, subject to the ceiling of HK$1,700,000. The second letter agreement expired in May 2017.

No fee has been charged to the Group during the years ended 31 December 2021 and 2020. At 31 December 2021, an amount of HK$997,000 (2020: HK$997,000) remained unpaid and was included in trade and other payables.

(ix) In May 2017, a loan facility agreement was entered into among, among others, a joint venture company (the “Joint Venture Company”) (as borrower), held indirectly by the Company as to 50% and the joint venture partner as to 50%, the Company (as guarantor), a subsidiary of the joint venture partner (as guarantor and obligor), and the financial institutions named therein (as lenders) in relation to a term loan facility in the aggregate principal amount of HK$3,000,000,000 for the purpose of financing and refinancing the demolition cost, construction cost and professional fees in relation to the development on Tuen Mun Town Lot No. 547 located at Castle Peak Road-Castle Peak Bay, Area 48, Tuen Mun, New Territories, Hong Kong and the selling and marketing expenses in relation thereto (the “Loan Facility”). The Loan Facility is secured by, among others, a corporate guarantee in respect of 50% of the Loan Facility and a funding undertaking for project cost overrun (with completion guarantee) given by the Group (on a several basis and pro rata to the Group’s 50% equity interest in the Joint Venture Company), as well as a share charge in respect of the issued share capital of the Joint Venture Company and a deed of subordination and assignment in respect of all indebtedness currently owing and which may in future become owing by the Joint Venture Company to its shareholders.

In December 2021, the Loan Facility has been fully repaid.

(x) At 31 December 2021, HLD, a substantial shareholder (as defined in the Listing Rules) of the Company is interested in approximately 33.41% (2020: 33.41%) of the total number of issued shares of the Company.

To the extent the above transactions (except note 27(b)(ix)) constituted connected transactions (as defined in the Listing Rules), the Group had complied with the relevant requirements under Chapter 14A of the Listing Rules.

(c) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of notes 27(b)(v), (vi), (vii) and (viii) above constitute connected transactions and/or continuing connected transactions (as defined in Chapter 14A of the Listing Rules). The disclosures required by Chapter 14A of the Listing Rules are provided in the paragraph headed “Connected Transactions” in the Report of the Directors as set out in the Company’s annual report for the year ended 31 December 2021.

28 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

		2021		2020	
	Note	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
Non-current assets					
Interest in subsidiaries	*12*		**4,100,229**		4,138,614
Interest in associate			**3,268**		3,108
			4,103,497		4,141,722
Current assets					
Trade and other receivables		**26,934**		33,366	
Cash and bank balances		**4,408**		852	
		31,342		34,218	
Current liabilities					
Amounts due to subsidiaries		**1,907,756**		1,851,146	
Trade and other payables		**6,701**		8,331	
		1,914,457		1,859,477	
Net current liabilities			**(1,883,115)**		(1,825,259)
Total assets less current liabilities			**2,220,382**		2,316,463
Non-current liability					
Net employee retirement benefits liabilities			**2,720**		4,123
NET ASSETS			**2,217,662**		2,312,340
CAPITAL AND RESERVES	*23(a)*				
Share capital			**1,754,801**		1,754,801
Reserves			**462,861**		557,539
TOTAL EQUITY			**2,217,662**		2,312,340

Approved and authorised for issue by the board of directors on 18 March 2022.

Dr. Lam Ko Yin, Colin
Chairman

Li Ning
Director

29 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 9.

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Reference to the conceptual framework*	1 January 2022
Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*	1 January 2022
Amendments to HKAS 1, *Classification of liabilities as current or non-current*	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FIVE YEARS' FINANCIAL SUMMARY

	2017 HK$ Million	2018 HK$ Million	2019 HK$ Million	2020 HK$ Million	**2021 HK$ Million**
Results					
Revenue	448	1,089	299	208	**244**
Profit attributable to shareholders	311	345	136	27	**118**
Dividends	135	135	135	89	**89**
Assets and liabilities					
Investment properties, other property, plant and equipment and leasehold land	2,204	2,243	2,276	2,261	**2,345**
Interest in associates	9	8	7	8	**8**
Interest in joint ventures	1,364	1,364	1,364	1,527	**495**
Properties under development for sale	443	1,034	1,093	1,165	**1,274**
Other financial assets	176	337	248	160	**136**
Deferred tax assets	5	4	3	3	**3**
Other assets	2,591	1,384	1,388	1,095	**2,008**
Total assets	6,792	6,374	6,379	6,219	**6,269**
Total liabilities	825	244	246	247	**264**
Net assets employed	5,967	6,130	6,133	5,972	**6,005**
	HK$	*HK$*	*HK$*	*HK$*	***HK$***
Earnings per share	0.87	0.97	0.38	0.07	**0.33**
Dividend per share	0.38	0.38	0.38	0.25	**0.25**
Net assets per share	16.76	17.22	17.23	16.76	**16.85**
	Times	*Times*	*Times*	*Times*	***Times***
Dividend cover	2.3	2.5	1.0	0.3	**1.3**

Notes to the five years' financial summary:

(i) As a result of the adoption of HKFRS 16, *Leases*, with effect from 1 January 2019, the Group has changed its accounting policies in respect of the lessee accounting model. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to recognise right-of-use assets and lease liabilities as at 1 January 2019. After initial recognition of these assets and liabilities, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Figures in years earlier than 2019 are stated in accordance with the policies applicable in those years.

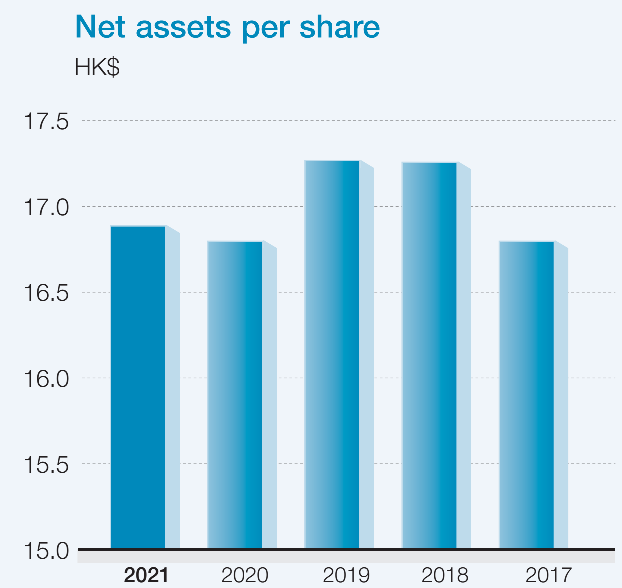
(ii) As a result of the adoption of HKFRS 15, *Revenue from contracts with customers*, with effect from 1 January 2018, the Group changed its accounting policies in respect of revenue recognition. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted retrospectively to contracts that existed as at 1 January 2018. Figures in 2018 are stated in accordance with the policies applicable in those year.

(iii) The Group adopted HKFRS 9, *Financial instruments*, from 1 January 2018. As a result, the Group changed its accounting policies in relation to financial instruments. As allowed by HKFRS 9, the Group did not restate information relating to prior years. Differences in the carrying amounts of the financial assets resulting from the adoption of HKFRS 9 were recognised in retained earnings and reserves at 1 January 2018. There was no difference in the carrying amounts of the financial liabilities. Prior to 1 January 2018, figures were stated in accordance with the policies applicable in those years.


Earnings per share
HK$
1.0
0.8
0.6
0.4
0.2
0
2021
2020
2019
2018
2017


Dividends per share
HK$
0.4
0.3
0.2
0.1
2021
2020
2019
2018
2017


Shareholders' funds
HK$ Million
6,200
6,100
6,000
5,900
5,800
2021
2020
2019
2018
2017


Net assets per share
HK$
17.5
17.0
16.5
16.0
15.5
15.0
2021
2020
2019
2018
2017

1. PROPERTY UNDER DEVELOPMENT

Location	Lot No.	Site area *(sq.m.)*	Gross floor area *(sq.m.)*	Group's interest *(%)*	Intended use
Castle Peak Road – Castle Peak Bay, Area 48, Tuen Mun, New Territories	Tuen Mun Town Lot No 547	15,400	61,600	50	Residential
Tung Chau Street/ Kweilin Street, Sham Shui Po, Kowloon	New Kowloon Inland Lot No. 6559	1,490	9,090	100	Residential

2. PROPERTIES HELD FOR INVESTMENT

Location	Lot No.	Gross floor area *(sq.m.)*	Lease expiry *(year)*	Existing use
Metro Harbour Plaza 8 Fuk Lee Street Tai Kok Tsui	KIL 11127 RP	23,549	2047	Commercial arcade
METRO6 121 Bulkeley Street	Hung Hom I.L. No. 555	932	2061	Commercial arcade
Green Code 1 Ma Sik Road Fanling	F.S.S.T.L. 177 (S.T.T. 1364(N))	8,610	2060	Commercial arcade
Shining Heights 83 Sycamore Street	KIL 11159	2,469	2054	Commercial arcade
The Spectacle 8 Cho Yuen Street Yau Tong	Yau Tong Inland Lot No. 38	2,300	2047	Commercial arcade
20 Tin Dai Yan Road Chung Uk Tsuen Hung Shui Kiu	Lot Nos. 3039A, 3039RP & 3042 in DD 124 Hung Shui Kiu	1,912	2047	Godown

3. OTHER PROPERTIES

Location	Lot No.	Site area *(sq.m.)*	Lease expiry *(year)*	Group's interest *(%)*	Description
98 Tam Kon Shan Road Ngau Kok Wan North Tsing Yi	Tsing Yi Town Lot No. 102	19,740	2047	100	Shipyard and office
Mui Wo	DD 2 Lot Nos. 614 RP, 619 Sec. B, C and RP	4,233	2047	100	Agricultural land
Mui Wo	DD 2 Lot Nos. 431-487, 569 and 635-637	28,606	2047	50	Agricultural land
Mui Wo	DD 2 Lot Nos 498-499, and 588-591	849	2047	100	Agricultural land

HKF

http://www.hkf.com

90 HKF (since 1923)