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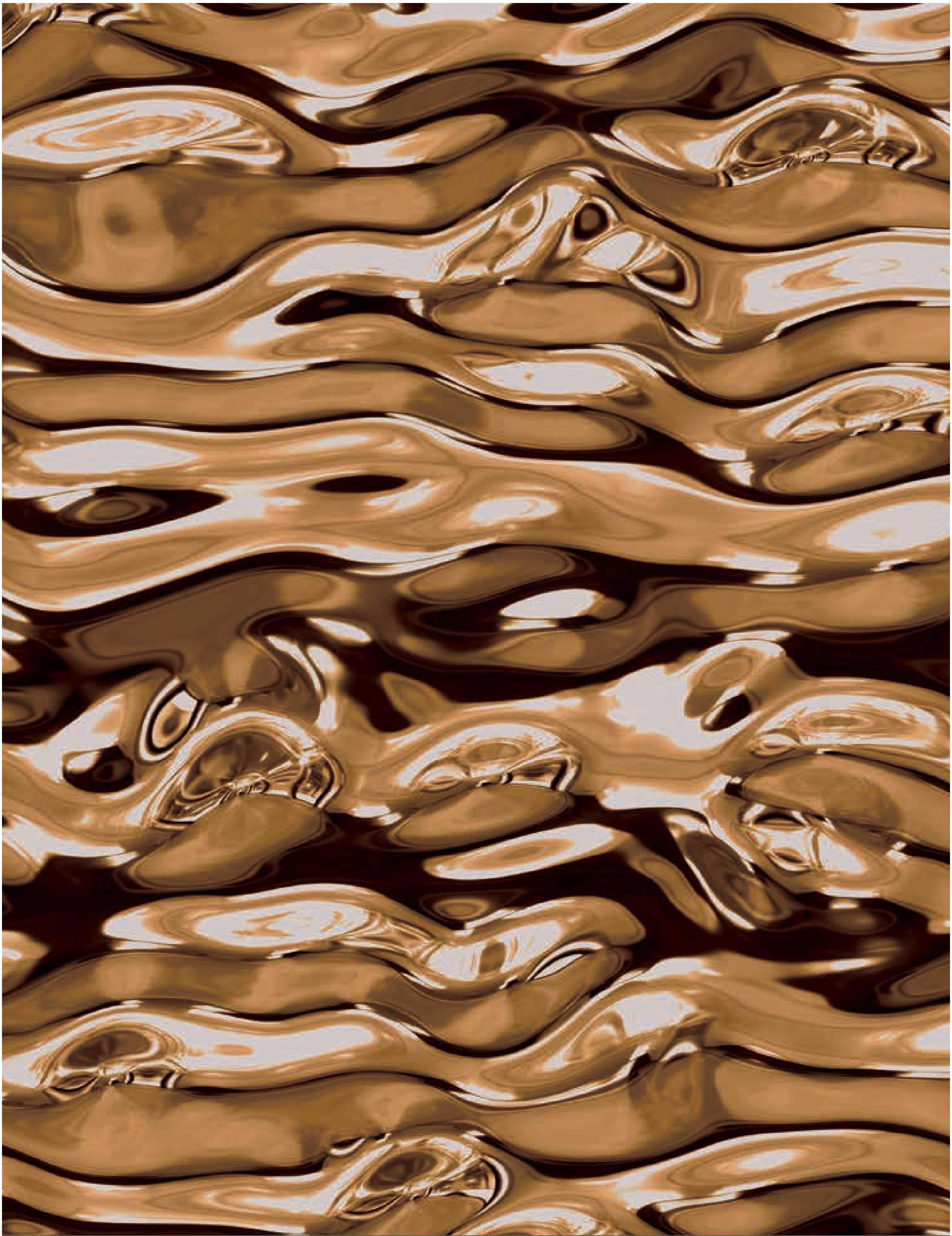
2020 ANNUAL REPORT | 50TH ANNIVERSARY

New World Development Company Limited

(Stock Code: 0017)



The Artisanal Movement

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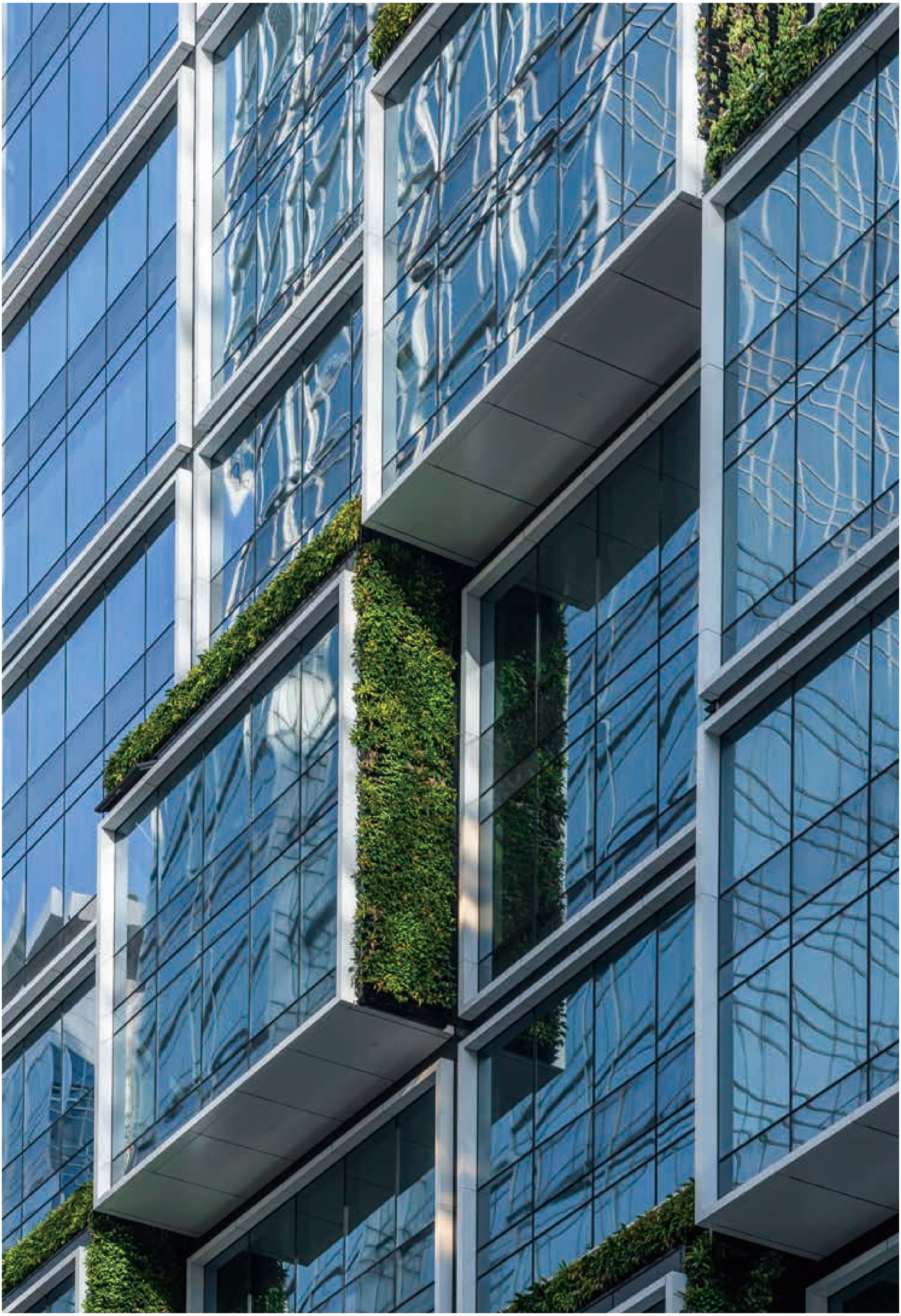

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MUSEA

Victoria Dockside

# 50th anniversary

When Tsim Sha Tsui waterfront was still known as Holt's Wharf in the early 20th century, it already played a pivotal role in the city's rise to the busiest port in the world, establishing Hong Kong's reputation as the Gateway to the East. In 1971, New World Development bought the site of Holt's Wharf from Swire Group and Blue Funnel Line. Following the opening of New World Centre in 1978, this area became a stronghold for international brands in the city and hosted some of the most innovative "happenings" Hong Kong ever witnessed. Forty years on, now as Victoria Dockside created by the cultural enterprise New World Group, it is set to trigger a new wave of disruptions in design, the arts, culture and sustainability. It will be the game-changer that will once again, break through traditions to create a new paradigm for the world.

1970


1978

# Victoria Dockside

## A GAME-CHANGING GLOBAL ART AND DESIGN DISTRICT

Victoria Dockside is a 3 million-square-foot art and design district, and a US$2.6 billion redevelopment project on Hong Kong's iconic Tsim Sha Tsui waterfront by New World Development. Fully opened in August 2019 after a 10-year redevelopment, Victoria Dockside is now anchored by cultural-retail destination K11 MUSEA, and is home to luxury residences and artisanal home K11 ARTUS, next-generation workspace K11 ATELIER, and ultra-luxury hotel Rosewood Hong Kong. The district is fringed by two redesigned public spaces Avenue of Stars and Salisbury Garden to form a full waterfront community.

The history of this site dates back to 1910 when it was Hong Kong's most important freight and logistics hub Holt's Wharf. In 1978, it was redeveloped into New World Centre, Hong Kong's first multiplex and a landmark that turned Tsim Sha Tsui into a tourism and cultural hotspot. Victoria Dockside has been described by media outlets as "Hong Kong's most anticipated opening".

# Corporate Structure

## New World Group

### New World Development Company Limited

( HK Stock Code: 0017 )

Property Development and Investment in Hong Kong

### NWS Holdings Limited

( HK Stock Code: 0659 )

61%*

Roads Construction

Aviation Insurance

### New World China Land Limited

100%

Property Development and Investment in Mainland China

* The percentage of interest held by the Group as at 30 June 2020

# Financial Highlights

| | FY2020<br>HK$ m | FY2019<br>HK$ m |
|---|---|---|
| Revenues | **59,007.8** | 76,763.6 |
| Segment results[1] | **13,918.7** | 19,977.8 |
| Changes in fair value of and gain on transfer to investment properties | **1,653.2** | 10,305.7 |
| Underlying profit | **6,588.9** | 8,814.1 |
| Dividend per share (HK$)[2] | | |
| Interim | **0.56** | 0.56 |
| Final | **1.48** | 1.48 |
| Full-year | **2.04** | 2.04 |

| | As at<br>30 June<br>2020<br>HK$ m | As at<br>30 June<br>2019<br>HK$ m |
|---|---|---|
| Total assets | **600,195.9** | 503,284.9 |
| Cash and bank balances (including restricted bank balances) | **67,435.6** | 63,731.6 |
| Undrawn facilities from banks | **39,303.3** | 31,435.5 |
| Net debt[3] | **116,458.6** | 88,288.0 |
| Net gearing ratio[4] (%) | **41.6** | 32.1 |

## RESULTS HIGHLIGHTS

- Underlying profit amounted to HK$6,588.9 million notwithstanding a very challenging operating environment due to social incidents in 1H FY2020 and COVID-19 in 2H FY2020
- Maintain prevailing sustainable and progressive dividend policy
- Robust 19% year-on-year growth in revenues of property investment segment of the Group following the opening of K11 MUSEA and K11 ATELIER King's Road in FY2020 despite rental concessions granted to tenants
- High property development gross margin of 57% achieved in both Hong Kong and Mainland China, reflecting the strong brand equity of the Group
- Stringent cost control efforts evidenced by the 8% year-on-year decrease in recurring administrative and other operating expenses
- Non-core asset disposals amounted to approximately HK$10.6 billion in FY2020, exceeded target for the year, will continue non-core assets disposal to unlock value and enhance asset portfolio

**Remarks:**

(1) Include share of results of joint ventures and associated companies, but exclude changes in fair value of and gain on transfer to investment properties

(2) On 23 June 2020, every four issued shares of the Company were consolidated into one share of the Company (each a "Consolidated Share") and the number of Consolidated Shares was rounded down to the nearest whole number by disregarding each and every fractional Consolidated Share which would otherwise arise (the "Share Consolidation"). The impact of share consolidation is reflected on the interim, final and full-year dividend per share in FY2019 and the interim dividend per share in FY2020

(3) The aggregate of bank loans, other loans, fixed rate bonds and other borrowings less cash and bank balances

(4) Net debt divided by total equity

# Chairman's Statement

The Group is fully confident in the development of the Nation and has a strategic focus on the Greater Bay Area.

By completing its unique ecosystem through its old city redevelopment projects in Mainland China and major projects and premium residences in Hong Kong, it promotes society development and enhances quality of life, creating more shared value for shareholders and the society.

## TO OUR SHAREHOLDERS

Xunzi, a thinker in the Warring States Period in China, once mentioned the importance of learning. In "Xunzi, An Exhortation to Learning", the gentleman says, "In learning there can be no respite." Blue derives from indigo plant yet it is bluer than the plant. Ice comes from water yet it is colder than water. Through steaming and bending, you can make wood as straight as an ink-line into a wheel. And after its curve conforms to the compass, even when parched under the sun it will never become straight again as the steaming and bending have made it a certain way. Hence wood becomes straight when it comes under the ink-line, and metal becomes sharp when it is brought to the whetstone. Likewise, the gentleman will become keen minded and his conduct will be without fault when he learns extensively and examines himself thrice a day.

To gain a firm foothold in today's fickle world, apart from a solid foundation, one must also have a humble attitude and the courage to challenge, and keep learning and making progress.

2020 marks the 50th anniversary of the founding of New World Group. Since its founding in 1970, the Group has been rooted in Hong Kong with the backing of the Nation, and has been through thick and thin during which it has established milestones one after another through laying a solid foundation of core property business and constantly pursing innovations and changes with a human-centric corporate philosophy and a dedicated team.

In the 1970s, the Group developed the New World Centre, the then new landmark in Hong Kong at the former site of the Holt's Wharf on the waterfront of Tsim Sha Tsui. It received wide popularity and brought fresh vibe to Tsim Sha Tsui and became a cultural melting pot. Despite the passing of time and changes taken place in society and culture, New World has always upheld its humility and remained focus, learnt trends through the tiniest details and embraced innovation boldly on the foundation of its success in the property development market.

Half a century later, while preserving and inheriting the culture, we recreated the New World Centre. With a new look and orientation towards the cultural tastes of the new generation, the brand-new and groundbreaking Victoria Dockside has once again become a landmark of culture and arts in Hong Kong, reimagining different aspects of life such as shopping, commerce, housing.

2020 is also the final year of the National 13th Five-Year Plan and the year designated to attain the well-rounded goal of building a society of moderate prosperity. At the same time, the plan also demanded acceleration in the development of the Guangdong-Hong Kong-Macao Greater Bay Area. Despite the threat posed by the epidemic, the Group is fully confident in the development of the Nation. In recent years, it has increased its investments in the Greater Bay Area. While strengthening the growth momentum of its business, the Group has been completing its unique ecosystem by injecting art and cultural elements into its old city redevelopment projects in Mainland China and major projects and premium residences in Hong Kong, in order to promote society development and enhance quality of life, creating more shared value for shareholders and the society.

**Dr. Cheng Kar-Shun, Henry**
*Chairman*
Hong Kong, 30 September 2020

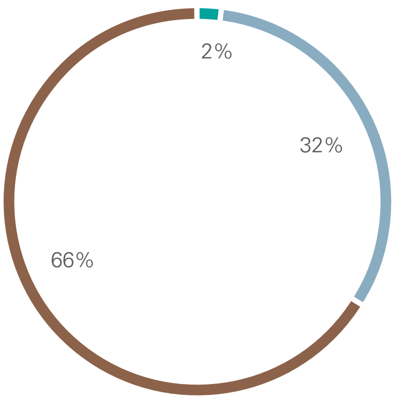
# CEO's Report

## BUSINESS REVIEW

### Hong Kong Property Development

Last year, the COVID-19 outbreak overshadowed Hong Kong's economy which was already challenged on multiple fronts. Nevertheless, under such tough circumstances, the Hong Kong property development market benefited from the strong pent-up demand for local housing, the raise of mortgage cap under the mortgage insurance, quantitative easing in the U.S. and U.S. interest rate cut to near zero. Such factors, together with tight land supply in Hong Kong, expedited home buyers' pace of home purchase and facilitated the stable development of property market.

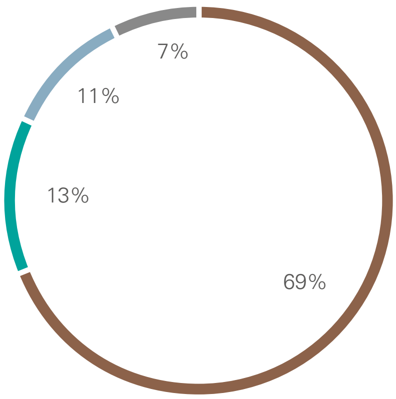
In FY2020, the Group's revenues and segment results of property development in Hong Kong, including joint development projects, amounted to HK$4,541.9 million and HK$2,592.1 million, respectively. The contributions were attributable to residential projects including MOUNT PAVILIA, The Masterpiece, FLEUR PAVILIA and the Double Cove series.




**Hong Kong Landbank Total Attributable GFA**
As at 30 June 2020

**Approximately 9,081,000 sq ft**

- Hong Kong Island
- Kowloon
- New Territories




**Hong Kong Agricultural Landbank Total Attributable Land Area**
As at 30 June 2020

**Approximately 16,509,000 sq ft**

- Yuen Long District and Tuen Mun District
- North District
- Sha Tin District and Tai Po District
- Sai Kung District

During the year under review, the Group's attributable contracted sales in Hong Kong amounted to HK$13,162.6 million. The attributable contracted sales were contributed by residential projects including MOUNT PAVILIA, FLEUR PAVILIA, ATRIUM HOUSE and The Masterpiece.

The Group owns rare and superior saleable resources in the market. Its key major residential project involving more than 3,000 units at Tai Wai Station in Sha Tin, Hong Kong will be launched in phases in 2020 and 2021. Its first two phases, comprising a total of approximately 2,200 units, will be launched after the issue of pre-sale consent, of which the pre-sale consent for the 783 units of the project's first phase has been obtained, garnering extensive interests from the market. Furthermore, two Grade A office projects in West Kowloon with a total GFA of approximately 900,000 sq ft are also planned to be launched in 2020 and 2021. In addition, as at 30 June 2020, the Group had a total of 144 residential units available for sale in Hong Kong.

The Group has been actively reviewing its business and asset portfolios, and works to identify opportunities of non-core asset disposal to unlock values. During the year under review, the Group completed the disposal of non-core assets with total considerations over HK$10 billion, including two shopping malls located in Kowloon Bay and Tseung Kwan O respectively, 45% interest in a company that holds certain properties at Shun Tak Centre in Sheung Wan, and the Group's interest in serviced apartment EIGHT KWAI FONG in Happy Valley which was completed in 2015. Going forward, the Group will remain focused on developing its core business and optimise its businesses and assets through non-core disposal which can provide more resources for its core business continuously.

## Major Non-core Asset Projects Disposed of in FY2020

| | Total Considerations (HK$ billion) |
|---|---|
| Economic interests in Telford Plaza II, Kowloon Bay and PopCorn 2, Tseung Kwan O | 3.0 |
| Changsha La Ville New World | 2.4 |
| A number of non-core assets and businesses, including the shares of Beijing Capital International Airport Company Limited and 60% interest in New World First Ferry Services Limited | 1.1 |
| EIGHT KWAI FONG, a serviced apartment in Happy Valley | 1.2 |
| 45% interest in a company that holds certain properties in Shun Tak Centre, Sheung Wan | 2.4 |

As at 30 June 2020, unrecognised attributable income from contracted sales of properties in Hong Kong amounted to HK$12,295.2 million, of which HK$7,029.2 million, HK$1,173.0 million and HK$4,093.0 million were to be booked in FY2021, FY2022 and FY2024, respectively. Key projects expected to be booked in FY2021 include ATRIUM HOUSE in Yuen Long, ARTISAN GARDEN in Ma Tau Kok and Reach Summit in Yuen Long, and key project expected to be booked in FY2022 includes TIMBER HOUSE in Ho Man Tin. Among the projects mentioned, ARTISAN GARDEN and TIMBER HOUSE were sold out and over 90% of the units at ATRIUM HOUSE and Reach Summit were sold already. Key projects expected to be booked in FY2024 include MOUNT PAVILIA and FLEUR PAVILIA.

## Hong Kong Property Investment and Others

Tension in international geopolitical relations prompted enterprises to revisit their development plans. Meanwhile, the epidemic outbreak since early 2020 dealt a heavy blow to economy, forcing countries to impose different levels of social distancing measures to suppress the virus spread and leaving quite a few businesses to suspend operations.

Affected by the epidemic, various sectors responded to worsening market conditions with stricter cost management, redundancies and office space downsizing, which led to the shrinking demand for office space. The significant rental climb over the years in traditional business districts such as Central bore the brunt of economic headwinds. Tenants reduced their rented area or relocated to fringe areas, driving the vacancy rate higher in Central. Nonetheless, owing to this trend of decentralisation, West Kowloon and Island East have enticed many tenants for the advantages of newly completed commercial buildings with reasonable rentals.

Meanwhile, the retail industry was hit hard by social distancing measures, rising unemployment rate due to corporate redundancy, as well as plummeting tourist arrivals under travel restrictions. The impact was even greater for shopping malls and brands targeting tourists. In response, many landlords offered rental concessions to support their tenants. Recently, Hong Kong has witnessed an easing epidemic situation, as local consumer sentiment gradually recovers with rebounding footfall in shopping malls catering to local customers. This has propped up the performance of retail and rental properties.


During the year under review, the Group's revenues of property investment in Hong Kong amounted to HK$2,590.5 million, representing an increase of 33%, mainly due to a broader rental income base after the full commencement of operation of its large-scale integrated project Victoria Dockside in Tsim Sha Tsui, Kowloon and the Grade A office building K11 ATELIER King's Road in Quarry Bay during the year under review.

Victoria Dockside, a new global landmark located in the core area of Tsim Sha Tsui Waterfront in Kowloon, was fully opened during the year under review. Created by 100 local and international creative powers, K11 MUSEA formally commenced its operation as a new cultural retail landmark in late August 2019, presenting brand new museum-retail experience adored by the local younger generation. Over 90% has been leased. Despite the social events and epidemic situation in Hong Kong, K11 MUSEA still recorded an average monthly footfall of 1.4 million, with a strong quarter-on-quarter rebound of 12% in footfall in the second quarter of 2020, marking its success. As for Grade A office K11 ATELIER, about 80% has been rented out.

Adjacent to Quarry Bay MTR Station on Island East, K11 ATELIER King's Road is one of the first buildings in the world to be awarded three platinum level green and healthy building certifications, including the WELL Certified™ Platinum, the LEED Platinum® and the BEAM Plus New Buildings V1.2 Provisional Platinum. The Grade A office building, with a total GFA of approximately 490,000 sq ft, commenced operation during the year under review, currently around 50% has been leased.

The operation commencement of K11 MUSEA and K11 ATELIER King's Road has brought about a total area of more than 1.5 million sq ft to the Group's property investment flagships portfolio in Hong Kong. Both property projects will provide full year contribution in FY2021, with the remaining leasable area to generate more growth momentum to the rental income which has entered an acceleration stage.

## Hong Kong Landbank

Land supply is dwindling in Hong Kong. According to the Land Sale Programme announced by the Hong Kong Government, only 15 residential sites can be launched in 2020, of which five are rolled over land parcels, to provide only 7,530 flats, together with only six commercial sites amounting to a total GFA of approximately 830,000 sq ft. The Government works to promote a multifaceted land policy, such as Land Sharing Pilot Scheme and New Development Areas. The Group is carefully studying relevant policies to pursue suitable land and continuously provide quality resources for the long-term development of its core business.

On the other hand, the Group made use of diversified channels to replenish its landbank, by participating in public tenders, actively undertaking old building acquisitions and farmland conversions in order to provide sustainable development resources for its core business.

In August 2020, State Theatre Building, a residential and commercial property located at 277–291 King's Road, North Point, which the Group's non-wholly owned subsidiary holds over 90% ownership, was approved for a compulsory sale by the Lands Tribunal. The project covers a site area of approximately 36,000 sq ft.

As at 30 June 2020, the Group had a landbank with a total attributable GFA of approximately 9.08 million sq ft in Hong Kong available for immediate development, of which approximately 4.21 million sq ft was for property development use. Meanwhile, the Group had an agricultural landbank with a total attributable land area of approximately 16.51 million sq ft pending land use conversion.

Eight projects with a total GFA of approximately 1.8 million sq ft located in Yuen Long and Fanling are under active negotiation with the authority on land use conversion, of which a total GFA of approximately 0.5 million sq ft has entered the final stages.

Rooted in Hong Kong, the Group takes driving social advancement and contributing to Hong Kong's long-term development as an important part of its vision of creating shared value. Hence, the Group is actively partnering with social enterprises to develop transitional social housing, to provide appropriate assistance to families in need of housing in Hong Kong.

| Landbank by District<br>As at 30 June 2020 | Property Development Total Attributable GFA (sq ft '000) | Property Investment and Others Total Attributable GFA (sq ft '000) | Total Attributable GFA (sq ft '000) |
|---|---|---|---|
| Hong Kong Island | 165.3 | – | 165.3 |
| Kowloon | 1,842.1 | 1,099.0 | 2,941.1 |
| New Territories | 2,207.4 | 3,767.4 | 5,974.8 |
| **Total** | **4,214.8** | **4,866.4** | **9,081.2** |

| Agricultural Landbank by District<br>As at 30 June 2020 | Total Land Area (sq ft '000) | Total Attributable Land Area (sq ft '000) |
|---|---|---|
| Yuen Long District and Tuen Mun District | 12,419.7 | 11,420.9 |
| North District | 2,488.8 | 2,184.1 |
| Sha Tin District and Tai Po District | 1,938.0 | 1,884.1 |
| Sai Kung District | 1,180.0 | 1,019.8 |
| **Total** | **18,026.5** | **16,508.9** |

## Mainland China Property Development

Under the COVID-19 outbreak in early 2020, many projects were ground to a halt and sales offices suspended operation in a lot of locations. Instead, quite a few property developers have moved their sales and marketing activities online. Against the backdrop that the epidemic is under control in a short period of time, various property developers have resumed work and reopened sales offices, unleashing the pent-up demand for housing purchase. Data released by the National Bureau of Statistics suggested the gradual recovery of sales. Cities at various tiers invariably recorded higher housing prices in June 2020, as the year-on-year decline of commercial housing sales and area continued to narrow nationwide, with residential properties experiencing the smallest decline. On the other hand, the Central Government has repeatedly reaffirmed its stance that housing was for living in rather than speculation, that city-specific policies shall be implemented to promote steady and healthy development of the property market, and that financing shall be tightened for property developers. Some cities with surging house prices have recalibrated their regulatory policies. Hence, the market generally expects house prices to remain stable.

In FY2020, the Group's revenues and segment results of property development in Mainland China, including joint development projects, amounted to HK$14,665.6 million and HK$8,409.7 million, respectively. The contributions were mainly attributable to the residential projects in Guangzhou, Foshan and Shenyang.

Despite the epidemic-induced slowdown of property sales in Mainland China in early 2020, the Group maintained strong sales performance. During the year under review, the total contracted sales area of properties in Mainland China was approximately 800,000 sq m, with total sales proceeds amounting to RMB18.18 billion. The average selling price of overall residential contracted sales exceeded RMB38,000 per sq m. As for the geographical distribution of contracted sales proceeds, Southern region led by the Greater Bay Area was the largest contributor, accounting for over 60%, followed by North-eastern and Central regions which accounted for 16% and 14%, respectively. Contribution was mainly delivered by sales of residential projects in the Greater Bay Area, including Shenzhen Prince Bay BAYHOUSE, Guangzhou Park Paradise and Guangzhou Covent Garden. For the Shenzhen Prince Bay BAYHOUSE project, the Group staged an innovative move by launching online sales services during the epidemic period, delivering desirable sales results.

| **FY2020** | **Residential Contracted Sales** | | **Non-residential Contracted Sales** | |
|---|---|---|---|---|
| **Region** | **Area (sq m '000)** | **Proceeds (RMB m)** | **Area (sq m '000)** | **Proceeds (RMB m)** |
| Southern Region (i.e. the Greater Bay Area) | 120.3 | 6,089.2 | 110.6 | 5,270.3 |
| Central Region | 370.1 | 2,530.7 | 4.9 | 19.2 |
| Eastern Region | 11.1 | 534.2 | – | – |
| Northern Region | 17.2 | 225.4 | 16.4 | 590.9 |
| North-eastern Region | 74.2 | 2,008.1 | 78.4 | 912.2 |
| **Total** | **592.9** | **11,387.6** | **210.3** | **6,792.6** |

On the other hand, the Group continued with its strategy to dispose of non-core assets. In September 2019, the Group entered into an agreement to dispose of the entire interest in Hunan Success New Century Investment Company Limited at the consideration of RMB2,185 million subject to the terms and conditions contained therein. The asset of this company is Changsha La Ville New World. The disposal enables the Group to realise cash resources and unlock asset value at fair market value.

As of 30 June 2020, the Group's unrecognised gross income from contracted sales of properties in Mainland China amounted to RMB9,129.1 million, of which RMB4,985.9 million was to be booked in FY2021 and RMB4,143.2 million to be booked in FY2022.

During the year under review, the total area of projects completed in Mainland China (excluding carpark) amounted to approximately 400,000 sq m, which was mainly located in the Greater Bay Area and Shenyang. The area of completion is expected to reach 1.37 million sq m in FY2021.

## FY2020 Project Completion in Mainland China – Property Development

| Region | Project/Total GFA (sq m) | Residential | Commercial | Total (excluding carpark) | Total (including carpark) |
|---|---|---|---|---|---|
| Guangzhou | Guangzhou Park Paradise District 5 Land No. 2 | – | 2,920 | 2,920 | 2,920 |
| Foshan | Guangzhou Foshan Canton First Estate CF30 | 21,325 | – | 21,325 | 21,325 |
| | Guangzhou Foshan Canton First Estate CF31 | 44,020 | – | 44,020 | 44,020 |
| Wuhan | Wuhan New World • Times Site B | 55,073 | – | 55,073 | 114,229 |
| Shenyang | Shenyang New World Garden Phase 2E Building 14 | 55,235 | – | 55,235 | 55,235 |
| Anshan | Anshan New World Garden Phase 1B2 | 60,438 | 7,573 | 68,011 | 68,011 |
| | **Total** | **236,091** | **10,493** | **246,584** | **305,740** |

## FY2020 Project Completion in Mainland China – Property Investment, Hotel and Others

| Region | Project/Total GFA (sq m) | Commercial | Hotel | Total (excluding carpark) | Total (including carpark) |
|---|---|---|---|---|---|
| Guangzhou | Guangzhou Park Paradise District 5 Land No. 1 | 22,763 | – | 22,763 | 35,365 |
| | KHOS Guangzhou | 6,787 | 53,594 | 60,381 | 80,672 |
| Shenyang | Shenyang New World Garden Phase 2E | – | – | – | 40,878 |
| | KHOS Shenyang | – | 69,751 | 69,751 | 69,751 |
| Anshan | Anshan New World Garden Phase 1B2 | – | – | – | 18,316 |
| | **Total** | **29,550** | **123,345** | **152,895** | **244,982** |

## FY2021 Project Completion Plan in Mainland China – Property Development

| Region | Project/Total GFA (sq m) | Residential | Apartment | Commercial | Office | Total (excluding carpark) | Total (including carpark) |
|---|---|---|---|---|---|---|---|
| Guangzhou | Guangzhou Park Paradise District 3 Batch B | 42,586 | – | – | – | 42,586 | 48,388 |
| Foshan | Guangzhou Foshan Canton First Estate CF27B | 30,210 | – | – | – | 30,210 | 30,210 |
| | Guangzhou Foshan Canton First Estate CF07 | 4,328 | – | – | – | 4,328 | 4,328 |
| | Guangzhou Foshan Canton First Estate CF19C | 59,860 | – | – | – | 59,860 | 63,560 |
| Shenzhen | Prince Bay Land DY02-02 | – | – | – | 54,789 | 54,789 | 54,789 |
| | Prince Bay Land DY02-04 | – | 55,000 | – | – | 55,000 | 55,000 |
| Ningbo | Ningbo New World Plaza Land No. 7-10 | 137,652 | – | 25,973 | – | 163,625 | 269,790 |
| | Ningbo New World Plaza Land No. 11 | – | – | 9,702 | 57,055 | 66,757 | 90,010 |
| | Ningbo New World Plaza Land No. 12 | – | – | 8,085 | 12,331 | 20,416 | 52,900 |
| | Ningbo New World Plaza Land No. 5 | – | – | 1,400 | 85,306 | 86,706 | 128,198 |
| Beijing | Beijing New View Commercial Centre | – | – | 9,063 | 12,231 | 21,294 | 25,367 |
| Shenyang | Shenyang New World Centre – SA1 | – | 107,589 | – | – | 107,589 | 107,589 |
| | Shenyang New World Centre – SA2 | – | 104,142 | – | – | 104,142 | 104,142 |
| | Shenyang New World Centre – SA3 | – | 75,354 | – | – | 75,354 | 75,354 |
| | Shenyang New World Garden Phase 2C – 1 | 108,954 | – | – | – | 108,954 | 108,954 |
| Anshan | Anshan New World Garden Phase 1B3 | 91,830 | – | 14,358 | – | 106,188 | 133,636 |
| | Anshan New World • The Grandiose Phase 1B1 | 9,297 | – | – | – | 9,297 | 9,297 |
| | Anshan New World • The Grandiose Phase 1B2 | 19,367 | – | – | – | 19,367 | 19,367 |
| | **Total** | **504,084** | **342,085** | **68,581** | **221,712** | **1,136,462** | **1,380,879** |

## FY2021 Project Completion Plan in Mainland China – Property Investment, Hotel and Others

| Region | Project/Total GFA (sq m) | Commercial | Office | Hotel | Total (excluding carpark) | Total (including carpark) |
|---|---|---|---|---|---|---|
| Shenzhen | Prince Bay Land DY02-02 | 25,000 | – | – | 25,000 | 58,857 |
| | Prince Bay Land DY02-04 | 24,840 | – | – | 24,840 | 64,642 |
| Ningbo | Ningbo New World Plaza Land No. 5 | – | – | 41,269 | 41,269 | 41,269 |
| Wuhan | Wuhan New World Centre Phase 3 – Wuhan K11 | 32,294 | 59,434 | – | 91,728 | 140,969 |
| Shenyang | Shenyang New World Garden Phase 2C – 1 | 21,160 | – | – | 21,160 | 21,160 |
| | pentahotel Shenyang | – | – | 29,924 | 29,924 | 29,924 |
| | **Total** | **103,294** | **59,434** | **71,193** | **233,921** | **356,821** |

## Mainland China Property Investment and Others

For the purpose of containing the spread of the epidemic, the Central Government promptly adopted prevention and control measures to various degrees, including closure of some venues and suspension of work and classes to avoid crowding. The resulting decline in footfall and even suspension of operation in shopping malls led commercial property owners to shift parts of their business online, where marketing took place in the form of live broadcast to stimulate consumption desire and maintain customer loyalty. Shopping malls saw a gradual uptick in footfall after reopened in various places.

The Group's unique brand K11 has also taken the initiative to develop a new digital operation model by launching the online membership WeChat mini programme "K11 GO". The programme engages over 100 tenant brands under K11 nationwide, which collaborated with the K11 operations team to host a number of live broadcast events to diversify sales channels. In the meantime, the Group fully capitalised on its unique ecosystem and presence in both Mainland China and Hong Kong, to provide mainland consumers with one-stop cross-border shopping experience of Hong Kong products via the WeChat mini programme "Hong Kong K11 × Shop Express".

In FY2020, the Group's revenues of property investment in Mainland China amounted to HK$1,759.0 million, representing a 2% increase mainly due to full-year contribution from Guangzhou New World • NEW PARK, which opened at the end of December in 2018 and the increase in average rent of Shenyang K11, whereas major projects in the Group's investment properties portfolio recorded solid performance in overall occupancy rate.

Wuhan K11, the Group's second shopping mall project in Wuhan, is scheduled to commence operation in phases starting from the end of 2020. The project covers a total area of approximately 240,000 sq m, including an 83,000 sq m art mall, a 56,000 sq m K11 ATELIER office building and 11th Avenue, K11's first outdoor block for leisure and downshifting, which renews its leadership in the retail consumer market of Central China.

Being an active investor on the Mainland and a creator of new consumption and office models, the Group will have a series of K11 and D • PARK commercial projects complete construction and commence operation successively. Among them are a number of key projects in the Greater Bay Area, such as Prince Bay and Qianhai in Shenzhen as well as Panyu in Guangzhou, which will broaden the Group's recurring rental income base and consolidate its development in the Greater Bay Area.

## Mainland China Landbank

In the Report on the Work of the Government, the Central Government mentioned development initiatives such as promoting new urbanisation and urban renewal, and fast-tracking regional development strategies such as the Guangdong-Hong Kong-Macao Greater Bay Area, integration of the Yangtze River Delta and coordinated development of the Beijing-Tianjin-Hebei Region. Following the acceleration of new urbanisation and regional development, population movement has further gravitated towards core cities in metropolitan areas, such as Guangzhou and Shenzhen in the Greater Bay Area. This has ramped up local housing demand, albeit in tandem with sluggish land supply in these core areas. Hence, urban renewal plays an important role by offering mainly residential land at reasonable cost in prime locations.

With strategic coverage in key cities of the Greater Bay Area and other metropolitan areas in Mainland China, the Group relied on its superior brand and seasoned professional team to obtain or jointly develop premium land parcels and projects in Guangzhou and Shenzhen, the hearts of the Greater Bay Area, celebrating fruitful results. Currently, landbank in the Greater Bay Area accounts for half of the Group's core landbank in Mainland China.

The Group stands out as the most active Hong Kong developer in the market of old city redevelopment in Mainland China which was traditionally dominated by Mainland property giants. In June 2020, the Group renewed its presence in Zengcheng District of Guangzhou as it became the intended cooperative enterprise for Xiajie Village in Licheng Street, following the remodelling project of Economic Belt at Man Kam To

Crossing in Lo Wu District of Shenzhen, the Xili Project in Nanshan District of Shenzhen, the Shancun Project in Liwan District of Guangzhou, the Nanji Village Project in Haizhu District of Guangzhou, and the Tagang Village Project in Zengcheng District of Guangzhou. Located in downtown Zengcheng, the new project is designated as the future district public service centre with a total area of over one million sq m after redevelopment. The project will develop into an integrated residential and industrial zone that accommodates quality living, business office, distinctive commerce and top class hotel. The above old city redevelopment projects are expected to be included in the Group's landbank successively starting in 2022, which will significantly boost its sustainable development resources.

The Group has a wide range of channels to expand its landbank. In addition to old city redevelopment, land is also acquired through public auction and tender and cooperation with different enterprises. In September 2019, the Group obtained the Tagang Village Project on Yongning Street in Zengcheng District of Guangzhou with the reserve price of RMB3.4 billion. The project covers a total GFA of over 320,000 sq m in Zengcheng Economic and Technological Development Zone, an important node of the Guangzhou-Shenzhen Science and Technology Innovation Corridor. The Zone features a cluster of new infrastructure industries such as new energy vehicles, IT and fintech, presenting tremendous development potential for the future.

Other than the Greater Bay Area, the Group has also extended its coverage to Ningbo and Hangzhou in the Yangtze River Delta as well as its central city Shanghai, in an effort to complete the Group's strategic layout in Eastern China and make it another growth driver besides the Guangdong-Hong Kong-Macao Greater Bay Area. In July 2019, the Group acquired the remaining 51% interest in the commercial and residential complex project Ningbo New World. Meanwhile, the Group also successfully acquired a land parcel for commercial and residential purpose in Wangjiang New Town, Shangcheng District, Hangzhou with a total GFA of more than 450,000 sq m through public tender. The land parcel is planned to develop into a large-scale urban complex integrating commerce, office and residential buildings and hotels, where K11 Art Mall and Rosewood Hotel will be introduced for the first time in Hangzhou.

In August 2020, the Group successfully acquired a land parcel in Huaihai Middle Road of Huangpu District, Shanghai with approximately RMB4.1 billion. Covering a total GFA of approximately 130,000 sq m, the project sits at the heart of the Huaihai Middle Road Business District and constitutes the first land parcel launched in Huaihai Road in more than two decades. The project is designed to be a high-end commercial complex that embodies both artistry and modernity.

As at 30 June 2020, the Group had a landbank (excluding carpark) with a total GFA of approximately 6.48 million sq m available for immediate development in Mainland China, of which approximately 3.39 million sq m was for residential use. In particular, core property development projects were primarily located in Guangzhou, Shenzhen, Foshan, Wuhan, Ningbo, Hangzhou, Beijing and Shenyang, constituting a landbank (excluding carpark) with a total GFA of approximately 5.71 million sq m, of which 50% was located in the Greater Bay Area and approximately 1.84 million sq m was for residential use.

| As at 30 June 2020<br>Region | Total GFA (excluding carpark) (sq m '000) | Residential Total GFA (sq m '000) |
|---|---|---|
| Southern Region (i.e. the Greater Bay Area) | 2,857.5 | 1,840.1 |
| Central Region | 710.2 | 281.1 |
| Eastern Region | 955.5 | 287.6 |
| Northern Region | 610.2 | 254.5 |
| North-eastern Region | 1,345.9 | 723.5 |
| **Total** | **6,479.3** | **3,386.8** |
| **Of which, Core Projects** | **5,714.4** | **2,762.2** |

## Hotel Operations

In FY2020, the Group recorded a loss in its hotel operations mainly due to the COVID-19 outbreak prompting various regions to impose travel restrictions. The ensuing plunge in tourist arrivals battered the hotel industry in both Hong Kong and Mainland China. This also affected the average occupancy and room rates of the Group's hotels in Hong Kong which were oriented towards high-end business travellers. However, as the local epidemic situation is gradually under control, the Hong Kong Government has begun to gradually relax social distancing measures, while actively discussing the feasibility of travel bubbles with neighbouring countries and regions, which is expected to bring some support to the hotel industry. In response to the epidemic, the hotel industry has rolled out different staycation programmes and discounts to attract local customers who cannot spend their holidays abroad due to travel restrictions, and offer them leisure and recreational experience. The Group's hotels have also launched relevant accommodation and catering packages, and integrated the ecosystem and brand resources to create synergy, improve customer loyalty and cross-selling. The hotel industry in Mainland China also saw gradual recovery driven by domestic inter-provincial travel.

As at 30 June 2020, the Group owned a total of 17 hotel properties in Hong Kong, Mainland China and Southeast Asia, providing more than 7,400 rooms.

## Four Core Businesses under NWSH

After the completion of FTLife Insurance on 1 November 2019, the core businesses of NWSH became Roads, Aviation, Construction and Insurance, which were also inevitably affected by the COVID-19 epidemic during the year under review.

## Roads

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

The four anchor expressways, including Hangzhou Ring Road, Tangjin Expressway (Tianjin North Section), Guangzhou City Northern Ring Road and Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) collectively contributed over 80% for the Roads segment. While the traffic flow during FY2020 was hit by the outbreak of COVID-19, Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) was further impacted by the traffic diversion of Nansha Bridge and prohibition of certain types of large size vehicles using Humen Bridge. In June 2020, excluding Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section), the overall traffic volume for the other three expressways resumed to a growth of close to 1% year-on-year. As for the three expressways in Central China acquired in recent years, namely Suiyuenan Expressway (acquired in January 2018), Sui-Yue Expressway (acquired in December 2018) and Changliu Expressway (acquired in July 2019), aggregately contributed approximately HK$100 million in FY2020.

### Aviation

Aviation segment principally engages in commercial aircraft leasing business through NWSH's full service leasing platform Goshawk Aviation Limited ("Goshawk") after the divestment of the remaining interest in Beijing Capital International Airport Co., Ltd. ("BCIA").

In FY2020, Aviation segment results declined. In addition to the absence of dividend income from BCIA, less gain was recorded from aircraft trading in FY2020 given the current market condition.

As at 30 June 2020, together with the direct orders of 40 narrow-body aircraft delivering in 2023-2025 from the two major aircraft manufacturers, the number of aircraft owned, managed and committed by Goshawk increased from 223 as at 30 June 2019 to 233, with combined appraised value amounted to approximately US$11.7 billion. Goshawk continues to be a global leading commercial aircraft lessor in terms of fleet value with one of the youngest fleet and one of the longest average remaining lease term in the industry. The 162 aircraft on book, which increased from 154 as at 30 June 2019, has an average age of 4.4 years and an average remaining lease term of 6.3 years.

Given the diversified portfolio that comprises of 62 airlines in 35 countries, as well as stringent measures on risk management, including but not limited to maintaining an appropriate mix of aircraft assets, monitoring lessees' operational and financial performance for prompt risk identification, and engaging lessees proactively on collection issues/lease restructuring with necessary and adequate actions taken, risks arising from COVID-19 outbreak have been well-managed. The collection rate from airline customers during the first half of year 2020 was 78%.

### Construction

Construction segment results decreased, mainly due to challenging business environment and rising competition. As at 30 June 2020, gross value of contracts on hand of the Construction segment edged down 5% to approximately HK$52.6 billion, while the remaining works to be completed decreased HK$5.5 billion to HK$36.1 billion. About 62% of the remaining works to be completed are from private sector that includes both commercial and residential projects, and the remaining 38% are government and institutional related projects. New projects contracted in FY2020 amounted to approximately HK$8.8 billion, which included but not limited to, the commercial development in Kai Tak Area, the office development at Murray Road and foundation works for public housing development at Long Bin Phase 1, Yuen Long and at Ko Chiu Road, Yau Tong.

### Insurance

The acquisition of FTLife Insurance by NWSH was completed on 1 November 2019, marking NWSH's important step in entering the insurance industry. Eight-month segment results amounted to HK$819.2 million was recorded subsequent to the completion of acquisition. During the year under review, while business from Mainland Chinese Visitors was severely impacted by the border closure and epidemic containment measures, sales targeting the Hong Kong market remained resilient and well-supported by new products, such as Voluntary Health Insurance Scheme, Qualifying Deferred Annuity Policy, Reward Pro, Fortune Saver, Regent Prime and Regent Elite insurance products. With the early signs of positive contribution from the synergies and support from the Group, Annual Premium Equivalent ("APE") dropped 12% year-on-year in the first half of year 2020, outperforming Hong Kong overall industry's drop of 44%. Agency business and partnership contributed 51% and 49% of FTLife Insurance's total APE respectively. Total gross written premium grew 19% and Value of New Business ("VONB") margin, representing VONB as a percentage of APE, was 22% in the first half of year 2020.

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

## OUTLOOK

Last year, the global economy was battered by a host of factors such as U.S.– China tensions, geopolitics and the COVID-19 epidemic. Countries plunged into economic recession and many businesses resorted to downsizing to cut costs. Some even closed down or went bankrupt. Soaring unemployment rates and shrinking consumption forced governments to launch different economic relief initiatives to support corporate operation and safeguard people's livelihood.

Even as countries devoted massive amounts of manpower and material in a race against time to develop vaccines, the pandemic sustained its sprawling spread, prompting governments of various localities to adopt stringent social distancing measures and travel restrictions. This exerted varying degrees of impact on different sectors, with those centred on tourists, including retail, hospitality and aviation, mired in predicament. Such impact also extended to the relevant operations of the Group. Nevertheless, as a constant advocate of creating shared value, the Group took the initiative to shoulder its social responsibility by offering tenants rental concessions to weather the difficult times together.

Looking ahead, the uncertainties and negative factors are expected to linger, as market sentiments remain dominated by the ebb and flow of U.S.– China relations and the evolving pandemic. Given the unpredictability of when these factors will subside, New World Group will actively examine its development directions and market conditions, leverage its edge and extensive resources under the prevailing development strategy, and proactively identify areas of breakthrough to turn crises into opportunities and create growth opportunities in adverse conditions.

Owning a portfolio of premium saleable resources in Hong Kong and Mainland China, the Group plans to launch its key residential project by phase at Tai Wai MTR Station in Sha Tin, Hong Kong that involves over 3,000 residential units, as well as its Grade A office projects in Cheung Shun Street and Wing Hong Street in West Kowloon. Phases 1 and 2 of the Tai Wai Station project are well poised to be launched and will make its debut upon the issue of pre-sale consent. Shenzhen Prince Bay BAYHOUSE, a commercial apartment project located at Prince Bay of Shenzhen in the heart of the Greater Bay Area, attained stellar sales results through online sales services during the epidemic, showcasing the Group's product quality, sales execution and innovation capabilities. In FY2021, the Group will successively launch its Zengcheng Comprehensive Development Project in the eastern transport hub of Zengcheng District of Guangzhou which will extend the exceptional results of the Prince Bay Project.

Through active disposal of non-core assets and businesses, the Group concentrates on developing its core business, continuously optimising its asset portfolio and returns, enhancing corporate efficiency and creating more value for shareholders. Following its disposal of non-core assets worth over HK$10 billion in FY2020, the Group has an excess of HK$13 to HK$15 billion of assets available for disposal in FY2021, which will generate extra cash flow to support its core business development.

The new cultural retail landmark K11 MUSEA in Victoria Dockside of Tsim Sha Tsui Waterfront and K11 ATELIER King's Road, a Grade A office project adjacent to Quarry Bay MTR Station in Island East Business District commenced operation in FY2020, which enhanced the Group's investment property portfolio and brought about an additional area of more than 1.5 million sq ft. Both projects will make full year contribution in FY2021, marking the harvest period of growth in recurring rental income that the Group is entering. In the future, the Group will see the successive completion of investment property projects such as Hong Kong SKYCITY, as well as a pipeline of K11 projects in the Greater Bay Area and in key cities of Mainland China. Such completion will add about five million sq ft to the area of investment property portfolio in Hong Kong, and offer an impressive boost of more than 10 million sq ft to the area of investment property portfolio in Mainland China, thereby elevating the Group's recurring income and providing more stable growth momentum to its business performance.

Dedicated to its development in key cities of the Greater Bay Area and other metropolitan areas, the Group has been an early mover with strategic presence in cities such as Guangzhou and Shenzhen. Through old city redevelopment, the Group can secure land at prime locations at more reasonable costs, whilst improving the experience of life for local citizens. Leveraging an outstanding team with extensive experience, the Group managed to become the most active Hong Kong developer in the old city redevelopment market with a proven track record. As of this fiscal year, the Group became the intended cooperative enterprise of six old city redevelopment projects across the Greater Bay Area, the land of which will be successively included in the landbank from 2022 onwards, to offer a continuous stream of saleable resources to propel the Group's development in the Greater Bay Area.

Having completed the acquisition of FTLife Insurance during this fiscal year, NWSH has been providing steady cash flow to the Group with their four core businesses including Roads, Aviation, Construction and Insurance. NWSH, boasting ample resource and adequate financing capability, has been executing the Group's strategy of non-core assets disposal to inject momentum into its core business. Stepping into FY2021, NWSH already successfully disposed of its entire interest in New World First Bus Services Limited and Citybus Limited, at the consideration of HK$3.2 billion, as an extension of the Group's strategy to sell non-core assets.

Financially strong and healthy, the Group had total capital resources of approximately HK$106.7 billion as at 30 June 2020, including approximately HK$67.4 billion of cash and bank balances (including restricted bank balances) and approximately HK$39.3 billion of undrawn facilities from banks. The Group manages cash flow in an active and prudent manner, and works to attain higher cost efficiency, diversify financing channels, balance risks and lower operating costs. As a result, its recurring administrative and other operating expenses declined by approximately 8% during the year under review. All refinancing of borrowings due in FY2021 has been taken care of. In the foreseeable future, equity raising is not necessary for the Company.

Rooted in Hong Kong and Greater China for five decades, the Group has surmounted numerous challenges and difficulties with well-established foundation and innovative thinking. Confronted with prevailing adversity, the Group shares the weal and woe with society and stakeholders via a number of social projects, including partnering with social enterprises to develop transitional homes for citizens in need of housing. The Group also tapped into its talents and technology to produce medical masks and distribute them to the public via "Mask To Go" dispensers, with a view to giving back to society through its strengths and technology. Confident that Hong Kong is bound to pull through and regain its former glory, the Group will remain committed to Hong Kong, engage in the Greater Bay Area and employ innovative and sustainable means to drive its growth, creating more shared value to shareholders and society at large.

**Dr. Cheng Chi-Kong, Adrian**
*Executive Vice-chairman and Chief Executive Officer*
Hong Kong, 30 September 2020

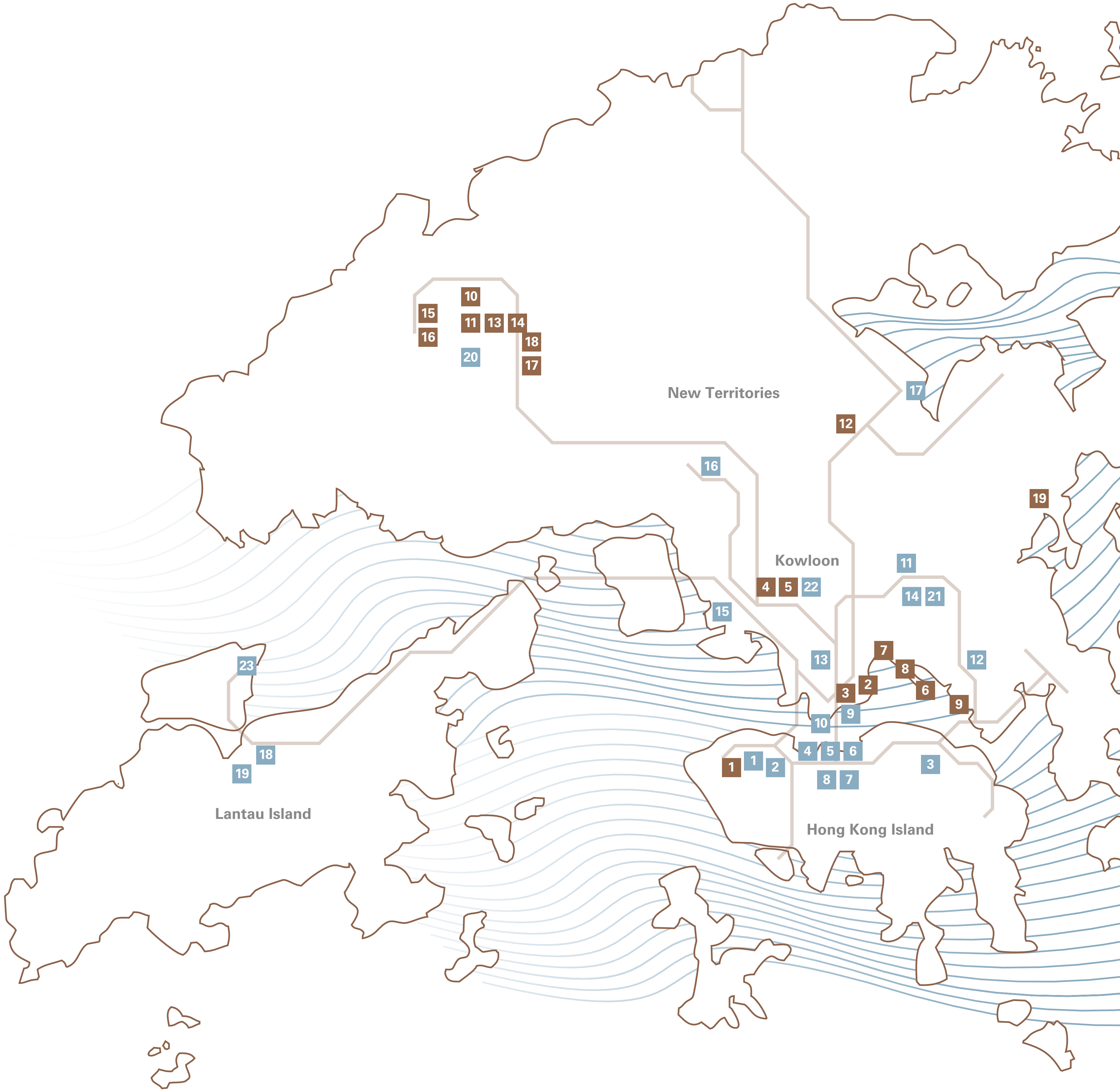
# Major Property Projects in Hong Kong

## Major Property Development Projects

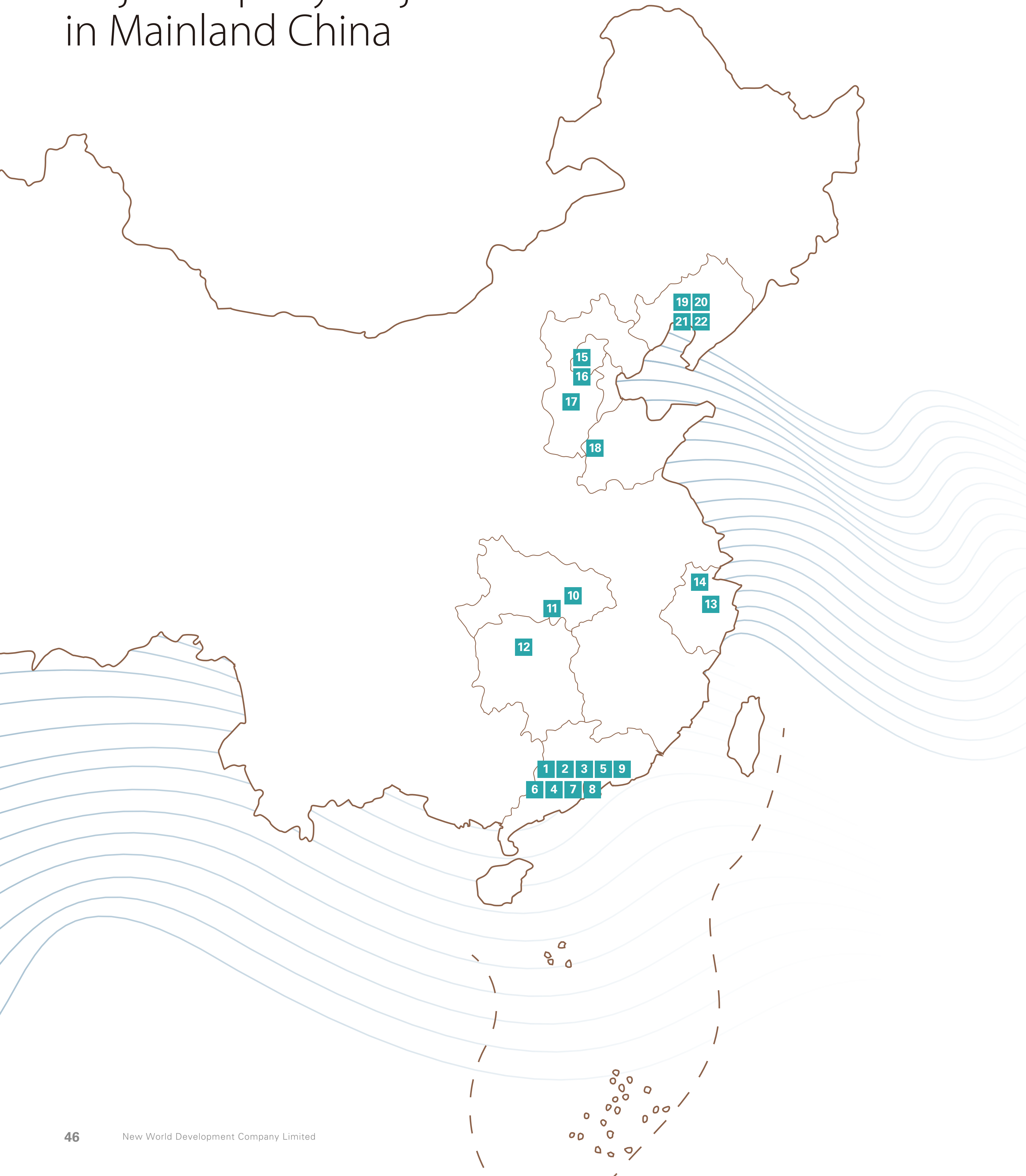
1 4A-4P Seymour Road, Mid-levels
2 ARTISAN GARDEN, 68 Kowloon City Road, Ma Tau Kok
3 TIMBER HOUSE, 74 Waterloo Road, Ho Man Tin
4 New Kowloon Inland Lot No. 6582, Cheung Shun Street, Cheung Sha Wan
5 New Kowloon Inland Lot No. 6572, Wing Hong Street, Cheung Sha Wan
6 New Kowloon Inland Lot No. 6574, 4B3, Kai Tak
7 New Kowloon Inland Lot No. 6552, 4C2, Kai Tak
8 New Kowloon Inland Lot No. 6576, 4B1, Kai Tak
9 Yau Tong Redevelopment Project, Kowloon East
10 Reach Summit, Sereno Verde Phase 5, 99A Tai Tong Road, Yuen Long
11 ATRIUM HOUSE, 99 Shap Pat Heung Road, Yuen Long
12 Tai Wai Station Property Development, STTL No. 520, Sha Tin
13 Lung Tin Tsuen (Phase 2), Yuen Long
14 Lung Tin Tsuen (Phase 4), Yuen Long
15 Tong Yan San Tsuen (Phase 3), Yuen Long
16 Tong Yan San Tsuen (Phase 4), Yuen Long
17 Sha Po North (Phase 2), Yuen Long
18 DD110, Kam Tin, Yuen Long
19 DD221, Sha Ha, Sai Kung

## Major Property Investment and Other Projects

1 Manning House, Central
2 New World Tower, Central
3 K11 ATELIER King's Road, North Point
4 Hong Kong Convention and Exhibition Centre, Shopping Arcade, Wan Chai
5 Grand Hyatt Hong Kong
6 Renaissance Harbour View Hotel
7 Pearl City, Causeway Bay
8 Methodist House, Wan Chai
9 K11 ATELIER of Victoria Dockside, Tsim Sha Tsui
Rosewood Hong Kong & Residences of Victoria Dockside, Tsim Sha Tsui
K11 ARTUS of Victoria Dockside, Tsim Sha Tsui
K11 MUSEA of Victoria Dockside, Tsim Sha Tsui
10 K11, Tsim Sha Tsui
Hyatt Regency Hong Kong, Tsim Sha Tsui
11 pentahotel Hong Kong, Kowloon
12 KOHO, Kwun Tong
13 THE FOREST, Mong Kok
14 ARTISAN HUB, San Po Kong
15 ATL Logistic Centre, Kwai Chung
16 D•PARK, Tsuen Wan
17 Hyatt Regency Hong Kong, Sha Tin
18 Citygate, Tung Chung
Novotel Citygate Hong Kong
19 Tung Chung Town Lot No. 11, Tung Chung
20 PARK SIGNATURE, Yuen Long
21 21 Luk Hop Street, San Po Kong
22 New Kowloon Inland Lot No. 6505, King Lam Street, Cheung Sha Wan
23 SKYCITY Project



# Major Property Projects in Mainland China








## Major Property Development Projects

1 Guangzhou Covent Garden Phase 3 Remaining Portion
Guangzhou Covent Garden Remaining Phases

2 Guangzhou Park Paradise Phase 5B
Guangzhou Park Paradise Remaining Phases

3 Guangzhou Zengcheng Comprehensive Development Project

4 Guangzhou Panyu Hanxi Comprehensive Development Project

5 Guangzhou Zengcheng International Community Project

6 Canton First Estate CF27B
Canton First Estate CF07
Canton First Estate CF19C
Canton First Estate CF03
Canton First Estate CF21
Canton First Estate CF32
Canton First Estate CF35
Canton First Estate Remaining Phases

7 Shenzhen Qianhai Project

8 Shenzhen Prince Bay Project DY04-01
Shenzhen Prince Bay Project DY04-02
Shenzhen Prince Bay Project DY04-04
Shenzhen Prince Bay Project DY02-02
Shenzhen Prince Bay Project DY02-04

9 Huizhou Changhuyuan Phase 4

10 Wuhan New World Centre Phase 3

11 Wuhan New World • Times Phase 2

12 Yiyang New World Scenic Heights Phase 1G
Yiyang New World Scenic Heights Phase 1F
Yiyang New World Scenic Heights Phase 2B
Yiyang New World Scenic Heights Phase 2C
Yiyang New World Scenic Heights Phase 2A
Yiyang New World Scenic Heights Remaining Phases

13 Ningbo New World Plaza Land No.7-10
Ningbo New World Plaza Land No.11
Ningbo New World Plaza Land No.12
Ningbo New World Plaza Land No.5
Ningbo New World Plaza Land No.4
Ningbo New World Plaza Land No.6
Ningbo New World Plaza Land No.1
Ningbo New World Plaza Land No.2
Ningbo New World Plaza Land No.3

14 Hangzhou Wangjiang New Town Project

15 Beijing New View Commercial Centre
Beijing New View Commercial Centre Remaining Phases

16 Beijing Xin Yu Commercial Centre
Beijing Xin Yu Commercial Centre Remaining Phases

17 Langfang New World Garden District 2

18 Jinan New World Sunshine Garden District BC

19 Shenyang New World Garden Phase 2C1
Shenyang New World Garden Phase 2C2
Shenyang New World Garden Phase 2FG

20 Shenyang New World Centre

21 Anshan New World Garden Phase 1B3

22 New World • The Grandiose Phase 1B1
New World • The Grandiose Phase 1B2 and 1B3
New World • The Grandiose Phase 2C

# Directors' Profile

## Dr. Cheng Kar-Shun, Henry

GBM, GBS (Aged 73)

Appointed as Director in October 1972, Executive Director in 1973, became Managing Director from 1989 and Chairman from March 2012. Dr. Cheng is the chairman of the Executive Committee and Nomination Committee and a member of the Remuneration Committee of the Board of Directors of the Company. Dr. Cheng is the chairman and executive director of NWS Holdings Limited and Chow Tai Fook Jewellery Group Limited, the chairman and non-executive director of New World Department Store China Limited and FSE Services Group Limited, the vice-chairman and non-executive director of i-CABLE Communications Limited, and a non-executive director of DTXS Silk Road Investment Holdings Company Limited, all of them are listed public companies in Hong Kong. He was an independent non-executive director of HKR International Limited and Hang Seng Bank Limited up to his resignation on 31 March 2018 and retirement on 10 May 2018 respectively, the chairman and non-executive director of Newton Resources Ltd up to his resignation on 9 April 2018 and a non-executive director of SJM Holdings Limited up to his retirement on 11 June 2019, all of them are listed pubic companies in Hong Kong. Dr. Cheng is a director and honorary chairman of New World China Land Limited and a director of certain subsidiaries of the Group. He is a director of Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited, Chow Tai Fook Capital Limited, Chow Tai Fook (Holding) Limited and Chow Tai Fook Enterprises Limited, all of them are substantial shareholders of the Company. Dr. Cheng is the chairman of the Advisory Council for The Better Hong Kong Foundation. He was a Standing Committee Member of the Twelfth Chinese People's Political Consultative Conference of The People's Republic of China. Dr. Cheng was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal in 2001 and 2017 respectively by the Government of the Hong Kong Special Administrative Region. Dr. Cheng is the father of Dr. Cheng Chi-Kong, Adrian and Ms. Cheng Chi-Man, Sonia, the brother-in-law of Mr. Doo Wai-Hoi, William, the brother of Mr. Cheng Kar-Shing, Peter and the uncle of Mr. Cheng Chi-Heng.

## Mr. Doo Wai-Hoi, William

JP (Aged 76)

Appointed as the Vice-chairman and Non-executive Director in July 2013. Mr. Doo is a non-executive director of Lifestyle International Holdings Limited and an independent non-executive director of Shanghai Industrial Urban Development Group Limited, both being listed public companies in Hong Kong. Mr. Doo is also a director of certain subsidiaries of the Group. He is the chairman and director of Fungseng Prosperity Holdings Limited. Mr. Doo is a Justice of the Peace appointed by the Government of the Hong Kong Special Administrative Region. He is also the Honorary Consul General of the Kingdom of Morocco in Hong Kong and Macau, and a Governor of the Canadian Chamber of Commerce in Hong Kong. He was promoted to the Officier de l'Ordre National de la Légion d'Honneur by the Republic of France in 2019. Mr. Doo is the brother-in-law of Dr. Cheng Kar-Shun, Henry and Mr. Cheng Kar-Shing, Peter, and the uncle of Dr. Cheng Chi-Kong, Adrian, Ms. Cheng Chi-Man, Sonia and Mr. Cheng Chi-Heng.

## Dr. Cheng Chi-Kong, Adrian

JP (Aged 40)

Appointed as an Executive Director in March 2007, became Executive Director and Joint General Manager from March 2012, re-designated as Executive Vice-chairman and Joint General Manager from April 2015, re-designated as Executive Vice-chairman and General Manager from March 2017 and re-designated as Executive Vice-chairman and Chief Executive Officer from May 2020. Dr. Adrian Cheng is a member of the Executive Committee and the chairman of the Sustainability Committee of the Board of Directors of the Company. Dr. Cheng is an executive director of NWS Holdings Limited, New World Department Store China Limited and Chow Tai Fook Jewellery Group Limited, and a non-executive director of Giordano International Limited and New Century Healthcare Holding Co. Limited, all being listed public companies in Hong Kong. Dr. Cheng is also a director and executive chairman of New World China Land Limited, the chairman of New World Group Charity Foundation Limited and a director of certain subsidiaries of the Group. In addition, he is a director of Chow Tai Fook (Holding) Limited and Chow Tai Fook Enterprises Limited, both are substantial shareholders of the Company. He was a non-executive director of i-CABLE Communications Limited, a listed public company in Hong Kong, up to his resignation on 2 July 2019.

Dr. Cheng oversees the strategic direction for the Company's property development and investment activities. He has launched New World's The Artisanal Movement since January 2015, and is currently overseeing the Company's large-scale developments including Victoria Dockside and Skycity. In 2008, Dr. Cheng launched the K11 brand, a museum-retail complex that is at the nexus of art and commerce and has since extended K11's reach across retail, hospitality, offices and non-profit art education through K11 Art Foundation and K11 Craft & Guild Foundation. He also directs early-stage funding to start-ups and technology-driven platforms.

Dr. Cheng is a member of the Tianjin Municipal Committee of The Chinese People's Political Consultative Conference of The People's Republic of China, the chairman of China Young Leaders Foundation and the honorary chairman of K11 Art Foundation. He was the vice-chairman of the 11th and 12th committee of the All-China Youth Federation. He was acknowledged by Fortune as one of "40 Under 40" global business stars and a "Young Global Leader" by the World Economic Forum in 2012. Dr. Cheng is a Justice of Peace appointed by the Government of the Hong Kong Special Administrative Region since 2016 and was made an Officier in the Ordre des Arts et des Lettres by the French Government in 2017. Dr. Cheng holds a Bachelor of Arts Degree *(cum laude)* from Harvard University, and was conferred the Honorary Doctorate of Humanities by the Savannah College of Art and Design in 2014. Dr. Cheng worked in a major international bank prior to joining the Group in September 2006 and has substantial experience in corporate finance. He is the son of Dr. Cheng Kar-Shun, Henry, the brother of Ms. Cheng Chi-Man, Sonia, the nephew of Mr. Doo Wai-Hoi, William and Mr. Cheng Kar-Shing, Peter, and the cousin of Mr. Cheng Chi-Heng.

Appointed as a Director in November 1985 and became an Independent Non-executive Director in 1999. Mr. Yeung is a member of the Audit Committee and the Remuneration Committee of the Board of Directors of the Company. He is also an independent non-executive director of Miramar Hotel and Investment Company, Limited, a listed public company in Hong Kong.

## Mr. Yeung Ping-Leung, Howard

(Aged 63)

Appointed as a Director in April 1989 and became an Independent Non-executive Director in 1999. Mr. Cha is a member of the Audit Committee, the Remuneration Committee and the Sustainability Committee of the Board of Directors of the Company. Mr. Cha is the chairman of HKR International Limited, the non-executive chairman of Hanison Construction Holdings Limited and Million Hope Industries Holdings Limited, all of them are listed public companies in Hong Kong. He is also an independent non-executive director of Eagle Asset Management (CP) Limited – Manager of Champion Real Estate Investment Trust which is listed on The Stock Exchange of Hong Kong Limited, the chairman of Mingly Corporation and an independent non-executive director of Hong Kong International Theme Parks Limited. Mr. Cha is a Justice of Peace in Hong Kong.

## Mr. Cha Mou-Sing, Payson

JP (Aged 78)

## Mr. Cheng Kar-Shing, Peter

(Aged 67)

Appointed as a Director in October 1994. Mr. Cheng is also an independent non-executive director of King Fook Holdings Limited, a listed public company in Hong Kong. He is a director of Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited, Chow Tai Fook Capital Limited, Chow Tai Fook (Holding) Limited and Chow Tai Fook Enterprises Limited, all of them are substantial shareholders of the Company. Mr. Cheng is a director of New World China Land Limited, New World Hotels (Holdings) Limited, NWS Service Management Limited and certain subsidiaries of the Group. Mr. Cheng is committed to community services and is serving as the chairman of Chow Tai Fook Charity Foundation, the chairman of Chow Tai Fook Medical Foundation Limited, the chairman of Antonia Welfare Fund Limited, the vice-chairman of Hong Kong Economic Exchange and a director of Green Council. He is the University Assembly member of University of Macau. He is a Fellow of The Hong Kong Institution of Engineers, Hong Kong Institute of Arbitrators, Hong Kong Construction Arbitration Centre and The Chartered Institute of Arbitrators. He is a CEDR Accredited Mediator and on the lists of the Mediators of Hong Kong Mediation Accreditation Association Limited, Hong Kong International Arbitration Centre, Hong Kong Mediation Centre and Financial Dispute Resolution Centre. He is on the Panel of Arbitrators of South China International Economic and Trade Arbitration Commission/Shenzhen Court of International Arbitration, an Arbitrator of Huizhou Arbitration Commission, a member of Society of Construction Law Hong Kong and a member of Hong Kong Institute of Mediation. Mr. Cheng is the brother of Dr. Cheng Kar-Shun, Henry, the brother-in-law of Mr. Doo Wai-Hoi, William, the father of Mr. Cheng Chi-Heng, and the uncle of Dr. Cheng Chi-Kong, Adrian and Ms. Cheng Chi-Man, Sonia.

## Mr. Cha Mou-Zing, Victor

(Alternate Director to
Mr. Cha Mou-Sing, Payson)
(Aged 71)

Appointed as an Alternate Director to Mr. Cha Mou-Sing, Payson in September 2000. Mr. Cha is the deputy chairman and managing director of HKR International Limited, a listed public company in Hong Kong. He was an independent non-executive director of SOHO China Limited, a listed public company in Hong Kong, up to his resignation on 17 August 2018. He has extensive experience in the textile manufacturing and real estate businesses.

## Mr. Ho Hau-Hay, Hamilton

(Aged 69)

Appointed as a Non-executive Director in August 2004 and was re-designated as Independent Non-executive Director in November 2007. Mr. Ho was an Alternate Director of the Company from 7 January 2004 to 29 August 2004. Mr. Ho is the chairman of the Remuneration Committee and a member of the Audit Committee of the Board of Directors of the Company. He is also an independent non-executive director of King Fook Holdings Limited (a listed public company in Hong Kong), and an executive director of Honorway Investments Limited and Tak Hung (Holding) Company Limited.

## Mr. Lee Luen-Wai, John

BBS, JP (Aged 71)

Appointed as an Independent Non-executive Director in August 2004. Mr. Lee is the chairman of the Audit Committee, and a member of the Remuneration Committee and the Nomination Committee of the Board of Directors of the Company. Mr. Lee is the managing director and chief executive officer of Lippo Limited, an executive director and the chief executive officer of Lippo China Resources Limited and Hongkong Chinese Limited, as well as an independent non-executive director of UMP Healthcare Holdings Limited, all being listed public companies in Hong Kong. Mr. Lee was a non-executive non-independent chairman of Healthway Medical Corporation Limited, a company listed on the sponsor-supervised listing platform of the Singapore Exchange Securities Trading Limited, up until his retirement on 26 April 2019. Mr. Lee 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. He was a partner of Price Waterhouse (now PricewaterhouseCoopers) in Hong Kong and has extensive experience in corporate finance and capital markets. Mr. Lee is an Honorary Fellow of the City University of Hong Kong, a Justice of Peace in Hong Kong and was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region. He serves as a member on a number of Public Boards and Committees including the Chairman of the Investment Committee of the Hospital Authority Provident Fund Scheme, a member of the Public Service Commission and the Chairman of the Hospital Governing Committee of Hong Kong Children's Hospital.

## Mr. Liang Cheung-Biu, Thomas

(Aged 73)

Appointed as a Non-executive Director in August 2004 and was re-designated as Independent Non-executive Director in March 2012. Mr. Liang is a member of the Audit Committee and the Nomination Committee of the Board of Directors of the Company. Mr. Liang is an independent non-executive director of Miramar Hotel and Investment Company, Limited (a listed public company in Hong Kong), a director and the group chief executive of Wideland Investors Limited and a member of the Board of Trustees of Wei Lun Foundation Limited. Mr. Liang is a member of the Council of The Chinese University of Hong Kong, a member of the Court of the Hong Kong Baptist University and a member of the Board of Governors, The Hang Seng University of Hong Kong. He has extensive experience in financial management, corporate finance, banking, real estate development and equity investment.

## Ms. Ki Man-Fung, Leonie

GBS, SBS, JP (Aged 73)

Appointed as a Non-executive Director in December 2008 and was re-designated as Executive Director in March 2012 and re-designated as Non-executive Director in June 2018. Ms. Ki has been the managing director of New World China Enterprises Projects Limited (a subsidiary of the Company) since 1997 and is also a director of certain subsidiaries of the Group. Ms. Ki is an independent non-executive director of Sa Sa International Holdings Limited, a listed public company in Hong Kong. She was an independent non-executive director of Clear Media Limited, a listed public company in Hong Kong, up to her retirement on 7 September 2019. Ms. Ki is also a director of Chow Tai Fook Charity Foundation. Ms. Ki has more than 30 years' experience in integrated communication and marketing services. She was the founder, partner and chairman/chief executive officer of Grey Hong Kong Advertising Limited and Grey China Advertising Limited. Ms. Ki is committed to the community and public services. She was the first chief executive of The Better Hong Kong Foundation. She is currently a director of PMQ Management Company Limited, founder and honorable president of Wu Zhi Qiao Charitable Foundation, a member of the Asian Advisory Board of Cheng Yu Tung Management Institute, Richard Ivey School of Business (University of Western Ontario, Canada), a member of the Advisory Board of the EMBA Programme of The Chinese University of Hong Kong, the honorary consultant for the School of Hip Hop of Youth Outreach and a member of Hong Kong Institute of Construction Management Board. Ms. Ki is a recipient of Honorary University Fellowship from The Open University of Hong Kong and The University of Hong Kong. She has been awarded the honour of Beta Gamma Sigma by the Faculty of Business Administration of The Chinese University of Hong Kong, and Justice of the Peace, the Silver Bauhinia Star and the Gold Bauhinia Star by the Government of the Hong Kong Special Administrative Region. She was a National Committee Member of the 12th Chinese People's Political Consultative Conference of The People's Republic of China and a member of the 10th, 11th and 12th CPPCC of Yunnan Provincial Committee. She will retire as Non-executive Director on 1 October 2020.

Appointed as an Executive Director in June 2010. Mr. Cheng is a member of the Executive Committee of the Board of Directors of the Company. He also acts as director of certain subsidiaries of the Group. Mr. Cheng is an executive director of Chow Tai Fook Jewellery Group Limited, a listed public company in Hong Kong. Mr. Cheng is a director of Chow Tai Fook (Holding) Limited and Chow Tai Fook Enterprises Limited, both are substantial shareholders of the Company. Mr. Cheng worked in Yu Ming Investment Management Limited from 1999 to 2000 as a corporate finance executive. He obtained his Bachelor of Arts Degree majoring in Economics from the University of Western Ontario, Canada in 1999. He is the son of Mr. Cheng Kar-Shing, Peter, the nephew of Dr. Cheng Kar-Shun, Henry and Mr. Doo Wai-Hoi, William, and the cousin of Dr. Cheng Chi-Kong, Adrian and Ms. Cheng Chi-Man, Sonia.

## Mr. Cheng Chi-Heng

(Aged 42)

## Ms. Cheng Chi-Man, Sonia

(Aged 39)

Appointed as an Executive Director in March 2012. Ms. Cheng is a member of the Executive Committee of the Board of Directors of the Company. She currently oversees the hotel division and the project management division of the Group. She is a director of New World China Land Limited and certain subsidiaries of the Group. Ms. Cheng is a non-executive director of Chow Tai Fook Jewellery Group Limited, a listed public company in Hong Kong. Before joining the Group in 2008, Ms. Cheng worked in a major international investment bank and a global US private equity firm specialising in real estate investments. Ms. Cheng holds a Bachelor of Arts Degree with a concentration in Applied Mathematics from Harvard University in the U.S.A.. Ms. Cheng is the chief executive officer of Rosewood Hotel Group and chairman of the advisory committee of the School of Hotel and Tourism Management at The Chinese University of Hong Kong. She is a member of the Y. Elites Association, the Young Presidents' Organization, the Hong Kong United Youth Association and a non-official member of the Family Council and the Advisory Committee on Gifted Education. She is also a member of the Thirteenth Guangzhou Municipal Committee of The Chinese People's Political Consultative Conference of The People's Republic of China. Ms. Cheng is the daughter of Dr. Cheng Kar-Shun, Henry, the sister of Dr. Cheng Chi-Kong, Adrian, the niece of Mr. Doo Wai-Hoi, William and Mr. Cheng Kar-Shing, Peter, and the cousin of Mr. Cheng Chi-Heng.

## Mr. Sitt Nam-Hoi

(Aged 66)

Appointed as an Executive Director in June 2018. Mr. Sitt is a member of the Executive Committee and the Sustainability Committee of the Board of Directors of the Company. Mr. Sitt joined the Group and was appointed as Head of Projects (Hong Kong) of the Company in February 2011. He is currently the senior director of the Project Management Department of the Company, director and chief design officer of New World China Land Limited and director of certain subsidiaries of the Group. Before joining the Company, he was the project director of a listed public company in Hong Kong which he worked for over 25 years. Before that, Mr. Sitt had been working in Buildings Department of the Government of the Hong Kong Special Administrative Region. Mr. Sitt obtained his Bachelor of Architecture and Bachelor of Arts in Architectural Studies from the University of Hong Kong. He is a Registered Architect, an Authorised Person and is responsible for overseeing all project management matters for all property development projects of the Group in Hong Kong. He has extensive project management experience and participated in various significant projects in Hong Kong and mainland China.

## Mr. Ip Yuk-Keung, Albert

(Aged 68)

Appointed as an Independent Non-executive Director in June 2018. Mr. Ip is a member of the Audit Committee, the Nomination Committee and the Sustainability Committee of the Board of Directors of the Company. Mr. Ip is an independent non-executive director of Power Assets Holdings Limited, Lifestyle International Holdings Limited and Hutchison Telecommunications Hong Kong Holdings Limited, all being listed public companies in Hong Kong. He is also a non-executive director of Eagle Asset Management (CP) Limited, as manager of Champion Real Estate Investment Trust (a listed real estate investment trust). He was the executive director and chief executive officer of LHIL Manager Limited which is the trustee-manager of Langham Hospitality Investments (a listed fixed single investment trust) and Langham Hospitality Investments Limited until his resignation on 1 April 2019. In addition, he was an independent non-executive director of Shenzhen Investment Holdings Bay Area Development Company Limited (a listed public company in Hong Kong), Hopewell Holdings Limited (a listed public company in Hong Kong until its delisting on 3 May 2019) and TOM Group Limited (a listed public company in Hong Kong) up to his resignation in May 2018, May 2019 and August 2020 respectively. Mr. Ip is an international banking and real estate executive with 33 years of experience at Citigroup, First National Bank of Chicago, Wells Fargo and Merrill Lynch in Hong Kong, Asia and the United States. His areas of expertise are in real estate, corporate banking, risk management, transaction banking and wealth management. Mr. Ip is an Adjunct Professor of City University of Hong Kong, The Hong Kong University of Science and Technology, The Hang Seng University of Hong Kong and the School of Hotel and Tourism Management at The Chinese University of Hong Kong, an Adjunct Distinguished Professor in Practice of University of Macau, a Council Member of The Hong Kong University of Science and Technology, Honorary Advisor of School of Humanities and Social Science at The Hong Kong University of Science and Technology, a trustee of the Board of Trustees at Washington University in St. Louis, and a Vice Chairman of the Board of Governors of World Green Organisation. Mr. Ip holds a Bachelor of Science degree at Washington University in St. Louis *(summa cum laude)* and Master of Science degrees at Cornell University and Carnegie-Mellon University. He is an Honorary Fellow of Vocational Training Council.

Ms. Huang Shaomei, Echo

(Aged 51)

Appointed as an Executive Director in May 2020. Ms. Huang is a member of the Executive Committee of the Board of Directors of the Company. She joined the Group as the deputy chief executive officer of New World China Land Limited in October 2015 and promoted to Director & Chief Executive Officer of New World China Land Limited in February 2020. Ms. Huang is also a director of certain subsidiaries of the Group. She has over 20 years of experience in the real estate sector, having served in a consulting capacity for large-scale urban infrastructures, urban planning and urban renewal in mainland China for extensive periods, providing the Government of The People's Republic of China with professional recommendations on property development and urban planning. Prior to joining the Group, Ms. Huang held senior position with an international consulting firm. She was appointed as managing director (Southern China) of a Hong Kong-listed property developer, overseeing its property development throughout the southern China region. She has proven experience in China's real estate sector. Ms. Huang is a member of Guangdong Province Committee of the Chinese People's Political Consultative Conference of The People's Republic of China, and a Deputy Secretary-General of Silk Road Chamber of International Commerce.

Ms. Chiu Wai-Han, Jenny

(Aged 49)

Appointed as an Executive Director in May 2020. Ms. Chiu is a member of the Executive Committee of the Board of Directors of the Company. She joined the Group in 2004 and is currently the Senior Director – Human Resources of the Company. Ms. Chiu is responsible for planning and driving full spectrum of strategic human resources direction, including talent acquisition, talent development and management, reward management and human resources partnering services. Prior to joining the Group, she had taken up managerial role in renowned corporations in information and communications technology services and property development industries. Ms. Chiu was graduated from The Chinese University of Hong Kong. She is an Associate Member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute. Ms. Chiu possesses over 20 years of experience in human resources and corporate management.

# Senior Management Profile

## Mr. Wong Man-Hoi

BSc(Eng)(Hon), LLB(Hon)

(Aged 61)

Appointed as the Company Secretary of the Company in January 2011. Mr. Wong joined the Company in November 2000 and has headed the Legal Department (now Legal and Company Secretarial Department) since November 2001. He is currently the Senior Director – Legal of the Company. Mr. Wong is a member of the Law Society of Hong Kong and has been a qualified solicitor in Hong Kong since 1994. Before joining the Company, Mr. Wong worked as a solicitor specialising in real estate practice. Mr. Wong obtained his Bachelor of Science (Engineering) Degree from the University of Hong Kong in 1981 and Bachelor of Laws Degree from the University of London in 1990.

## Ms. Lo Pui-Ying

(Aged 70)

Ms. Lo is currently the Owners' Representative-Hotel Division of the Company. Ms. Lo has been in the hotel industry since 1969 and held various positions in the Hyatt Regency and Excelsior hotels before joining the Group in 1978. Ms. Lo acted as the financial controller of the New World Hotel in Kowloon for three years before joining New World Harbour View Hotel (later renamed Renaissance Harbour View Hotel) in 1988 as Director of Finance. She also held a group controller position for New World Hotels International Limited (a former hotel management company of the Company) until 1997 when the position ceased to exist. Ms. Lo joined Foreign Holiday Philippines, Inc. and Marina Square Properties, Inc. in 2003 and 2005, respectively, as group financial controller, treasurer and co-leader of the pre-opening and operation team for a hotel and casino property investment in the Philippines. She rejoined the Company in 2007. Ms. Lo has previously been certified as a Certified Hotel Administrator (CHA) in the American Hotel and Motel Association (AHMA) from November 1990 to October 2000. She has also previously acted as a Fellow and Founder Member of the Hotel Controllers & Accountants Association (Hong Kong) founded in 1991. She has served respectively a member of Management Committee and Executive Committee of The Federation of Hong Kong Hotel Owners in 2012 and 2014 till now.

Note: The above members of the senior management are senior functional directors of the Company. Various businesses and corporate functions of the Group are under the responsibility of other heads of business units and functional departments.

# Corporate Sustainability

## About This Section

### REPORTING PERIOD

This section provides an overview of the Group's Environmental, Social and Governance ("ESG") performance during the reporting period of 1 July 2019 to 30 June 2020 and, where specified, the latest initiatives after FY2020 as well.

### REPORTING SCOPE

Our "Sustainability Reporting Scope" includes NWD's businesses over which the Group has majority financial ownership and operational control. This coverage includes our businesses under NWD, NWCL and K11 Group Limited, as well as individually listed subsidiaries NWSH[1] and NWDS[1], which have more comprehensive sustainability disclosures in their respective reports. FTLife Insurance is newly added to the Sustainability Reporting Scope during the reporting period.

New World Sustainability Vision 2030 ("SV2030") targets cover the majority of the "Sustainability Reporting Scope". "SV2030 Green Targets Scope" focuses primarily on the major businesses with mature performance data and over which we can exert operational influence for developing environmental impact reduction roadmaps. Wellness and caring targets have a broader group focus to ensure our businesses create shared value for all stakeholders.

### SUSTAINABILITY WEBSITE

In the past, NWD published a standalone sustainability report on the Company's website annually. Starting from FY2020, we will no longer issue an online sustainability report in order to focus on impact reporting in this annual report section. Supplementary information is available on the Company's website under the sustainability section (https://sustainability.nwd.com.hk/).

[1] Please refer to these companies' sustainability reports for their scoping definition.

### ESG REPORTING STANDARDS

This section references the following ESG standards and frameworks:

- Environmental, Social and Governance Reporting Guide (ESG Reporting Guide) set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("HKEx")
- Global Reporting Initiative Sustainability Reporting Standards ("GRI Standards") – Core Option
- Recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD")
- The Ten Principles of the United Nations Global Compact ("UNGC")

### REPORT ASSURANCE

Data and information contained in this section as well as the environmental and social performance data on our website have been independently assured by the Hong Kong Quality Assurance Agency ("HKQAA") in accordance with the ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and the ISAE 3410, Assurance Engagements on Greenhouse Gas Statements issued by the International Auditing and Assurance Standards Board to ensure accuracy and credibility. Additionally, HKQAA has conducted an independent verification of the Greenhouse Gas emissions inventory for our commercial and retail properties with reference to ISO 14064-1:2006. Please refer to p.96–97 for the independent assurance statement.

### CONTACT US

We welcome your feedback on this Corporate Sustainability section and other sustainability related matters. Please contact us at sustainability@nwd.com.hk.

# Message From Management

In FY2020, the global community saw unprecedented challenges from the COVID-19, signs of an economic downturn, and a climate emergency. While their full impact is yet to be captured, corporates must naturally evolve from "business as usual" and adapt to the new normal.

It has always been New World Group's goal to contribute to society through the power of business. Today, more than ever, we are committed to building sustainable communities through our business ecosystem, for all stakeholders. These communities and, in fact, our businesses are built for the people, by the people. Integrating ESG into our businesses via SV2030 in the past few years has enabled us to stay aligned to our Group and the world's priorities and be accountable to all stakeholders. At our Group's 50th anniversary this year, our commitment to Creating Shared Value ("CSV") for all stakeholders is particularly relevant as we define our way forward.

Climate emergency is a business risk. To better position ourselves, we are taking systematic actions to eventually decarbonise our portfolio towards required level of science-based targets ("SBT"), as well as managing and disclosing our climate risks according to the TCFD's recommendations. As a responsible business, we are also inviting tenants and business partners to take part in this decarbonisation journey to reduce our environmental impact together. Key performance indicators ("KPIs") under the SV2030 pillars of Green, Wellness and Caring have also been established for our leadership team and employees to ensure the Group is acting towards these common goals. As Hong Kong's first real estate developer to have joined the World Business Council for Sustainable Development ("WBCSD") and a new signatory of the UNGC, we will leverage global insights and partnerships to realise sustainable cities and communities and improve the overall well-being of our stakeholders.

It is also our hope to foster a diverse and inclusive community culture. Last year, we announced that we would donate farmland for developing an innovative social project that would alleviate housing problems in Hong Kong. More recently, we have appointed two female executives as board members and are introducing workplace initiatives to encourage a more gender-diverse and fair environment.

During the COVID-19 outbreak, our Group demonstrated resilience, unity and love for the world, and the will to innovate, through swift responses such as becoming the first blue-chip in Hong Kong to set up a relief fund, procuring protective masks and sanitising supplies for our employees, partners and tenants, as well as donating funds and emergency supplies to the epicentres around the world. To create shared value with stakeholders in need, we also repurposed our Hong Kong facilities and began to manufacture masks for different communities. These Made-in-Hong Kong masks were then distributed through smart-technology dispensers to those in need via Non-Governmental Organisations ("NGO") partners. To minimise business disruptions, digitalisation of our internal work processes and sales channels has become the new norm. These initiatives were made possible by our dedicated teams and growing network of ecosystem partners. The global pandemic offers us a window to learn, innovate, collaborate and grow together. I would like to take this opportunity, to thank my team for their dedication to excellence, innovation and unity during these challenging times.

Stepping into a new year with unknown challenges, our team remains hopeful – when others see crisis, we see opportunity. By adopting a growth mindset, connecting with all stakeholders and aligning to our long-term sustainability vision and other Group priorities, we are confident that our commitment to CSV, together with striving for best practice in ESG, will allow our Group to stay ahead and thrive for many more decades.

**Dr. Cheng Chi-Kong, Adrian**

Executive Vice-chairman and Chief Executive Officer
Chairperson, Sustainability Committee and
Group Sustainability Steering Committee

# Overview of SV2030

NEW WORLD SUSTAINABILITY VISION 2030

## GREEN - Moving us towards a greener future

SDG 11.6 Reduce adverse environmental impact of cities

**New World Group** - Halve our environmental impact in energy and carbon emissions intensity (against baseline year FY2015[1])

**FY2020:**

**↓ 17%** **Energy intensity** (MWh/million HK$ revenue)[1] SDG 11.6 (FY2030 target: ↓ 50%)

**↓ 22%** **Carbon emissions intensity** ($tCO_2e$/million HK$ revenue)[1] SDG 11.6 (FY2030 target: ↓ 50%)

**New World Construction** (against baseline year FY2015[2])

**FY2020:**

**↓ 46%** **Waste-to-landfill intensity** (tonnes/million HK$ revenue)[2] SDG 11.6 (FY2030 target: ↓ 15%)

**↓ 9%** **Water intensity** ($m^3$/million HK$ revenue)[2] SDG 11.6 (FY2030 target: ↓ 25%)

**Green Buildings** SDG 11.6
- **27** BEAM Plus building certificates[3], with **20** of those achieving Very Good/Gold or above[4]
- **17** LEED building certificates[5] achieved Gold or above
- **3** China Green Building Evaluation Labels ("Two-Star" or above)[6]
- **2** SITES certificates at Gold level

## WELLNESS - Promoting health in body and mind

SDG 3.4 Promote physical / mental health and well-being
SDG 3.9 Promote healthy built environments which reduce hazardous chemicals and pollution

Improved the well-being of **10 million** stakeholders[7] SDG 3.4 (FY2030 target: 20 million)

Lost-time injury rate (LTIR)[8] **1.7** per 100 employees SDG 3.4 (FY2030 target: maintain at/below 3.0)

Occupational Health & Safety training **37,309** hours SDG 3.4

WELL Buildings: **8** building certificates[9], with **7** of those achieving Gold or above SDG 3.4, 3.9

## CARING - Creating shared value for our communities and culture

SDG 4.4 Upskill individuals for employment, decent jobs and entrepreneurship
SDG 4.7 Promote education on sustainable development, sustainable lifestyles and global citizenship
SDG 11.3 Enhance inclusive and sustainable urbanisation
SDG 11.4 Protect cultural and natural heritage

Enhanced the quality of life of **107 million** stakeholders[7] SDG 11.3, 11.4 (FY2030 target: 300 million)

Provided **>190,000** volunteering hours[7] SDG 4.4 (FY2030 target: >340,000 hours)

Average **18.9** training hours per employee SDG 4.4

Sustainability-related training **12,399** hours SDG 4.7

## SMART - Using innovation to unlock potential

SDG 17.16 Enhance global and multi-stakeholder partnerships to support the SDGs through knowledge, technology and resource sharing

**138** active patents[10]

1 Covers the SV2030 Green Targets Scope. NWSH and NWDS also disclose their environmental targets in their annual sustainability report. Using revenue as the intensity metrics was due to the diverse business nature of the Group's portfolio and that revenue is the common thread that can be adopted across sectors.
2 Covers New World Construction Company Limited only.
3 Counting the number of Provisional Assessment and Final Assessment certificates for both New Buildings and Existing Buildings as at 30 June 2020.
4 This number was adjusted due to inadvertent clerical errors in our Sustainability Report 2019 regarding the BEAM Plus certification levels of Victoria Dockside properties namely, K11 ATELIER, K11 MUSEA and K11 ARTUS – all should be Provisional Silver rating under BEAM Plus New Buildings V1.1 as at 30 June 2019. A clarification announcement has been posted on HKEx website.
5 Counting both pre-certified and certified projects as at 30 June 2020. This number excludes expired pre-certificates.
6 This number excludes expired labels as at 30 June 2020.
7 Cumulative number from baseline year FY2015 to FY2020 covering the Sustainability Reporting Scope.
8 Lost-time injury rate represents the number of injuries per 100 employees per year.
9 Counting both pre-certified and certified projects as at 30 June 2020.
10 Counting the number of active patents granted since FY2015 and held by New World Group under the Sustainability Reporting Scope as at 30 June 2020, excluding design registrations/patents.

# FY2020 Major Achievements & ESG Highlights

**NWD Became a Signatory of:**

WE SUPPORT UN GLOBAL COMPACT

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

WOMEN'S EMPOWERMENT PRINCIPLES

**NWD is the First Real Estate Company in Hong Kong to join** wbcsd

**Major Recognitions from Sustainability Benchmarks and Indices**

MEMBER OF Dow Jones Sustainability Indices In collaboration with SAM

1st listed on Dow Jones Sustainability Asia Pacific Index in 2019

GRESB ★★★★★ 2019

Ranked 1st among 12 diversified listed businesses in Eastern Asia in 2019

Hang Seng Corporate Sustainability Index Series Member 2020-2021

Member since 2014-2015

Sustainalytics

Rated as an ESG "Outperformer" in 2018 and 2019

2020 MSCI ESG Leaders Indexes Constituent

A constituent of MSCI HK-Listed Southbound Country ESG Leaders Index[1]

FTSE4Good

A constituent of the FTSE4Good Index Series

## ESG HIGHLIGHTS

**NWD**

- Established sustainability KPIs for senior executives and employees in 2020
- Appointed two new female executive directors to join the Board and empower women leadership and gender diversity in May 2020
- First Hong Kong blue-chip to set up a pandemic relief fund of HK$10 million to support local communities and offer over 11 million masks donations as of FY2020 through #LoveWithoutBorders
- Impact Kommons, Hong Kong's 1st startup accelerator focused on the United Nations Sustainable Development Goals ("UN SDGs") admitted five startups out of over 50 international applicants and secured seven ongoing/successful integrations within the New World Ecosystem
- Raised a five-year HK$1 billion sustainability-linked loan, 1st in Asia to link with GRESB performance in November 2019

**NWSH**

- Announced its 1st sustainability-linked loan of HK$1 billion in June 2020

**K11**

- Launched Nature Discovery Park – Hong Kong's 1st urban biodiversity museum and sustainability-themed education park at K11 MUSEA, with over 26,000 visitors since its opening in late 2019
- Launched nation-wide community caring effort, Love Power, to provide customers with telehealth support, mental well-being activities, as well as access to healthcare supplies, resulting in over RMB5 million and 200,000 masks donated and over 200,000 customers engaged

**NWCL**

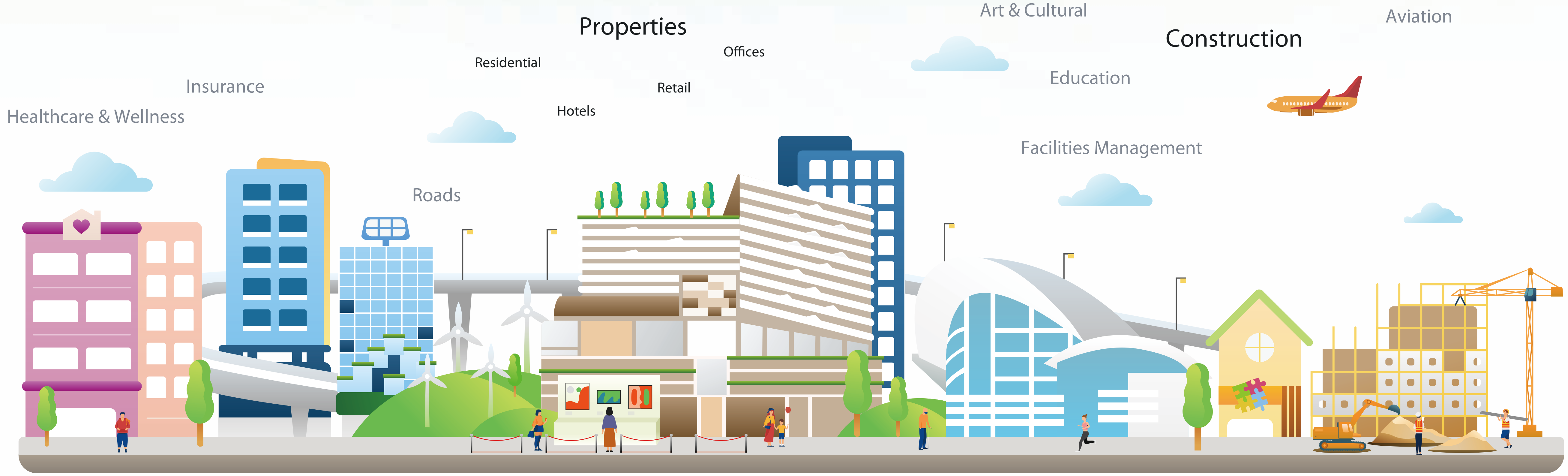
- Published its 1st green property management guide for residential properties to enhance environmental management
- Held a series of climate change workshops for about 200 employees across different regions in Mainland China from July to October 2019

[1] THE INCLUSION OF NEW WORLD DEVELOPMENT COMPANY LIMITED IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF NEW WORLD DEVELOPMENT COMPANY LIMITED BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

Corporate Sustainability

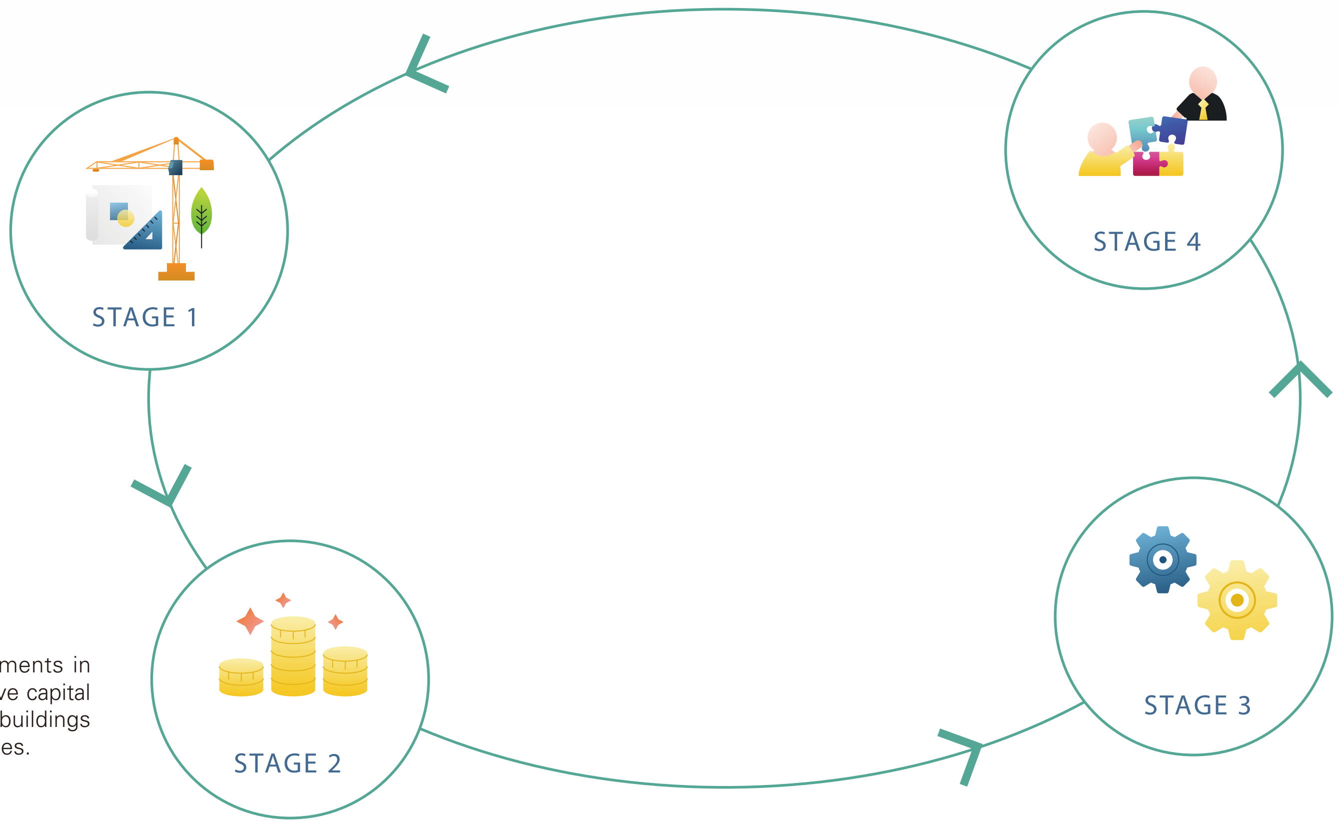
# New World Ecosystem & Sustainable Property Lifecycle

New World Group elevates the modern living culture through building a holistic ecosystem of sustainable communities, infrastructure, services and lifestyle-related businesses that enrich the lives of our stakeholders.




## Sustainable Property Lifecycle

The Group is taking steps to standardise sustainable practices during different stages of property development, with an aim to deliver impact and customer experience based on the SV2030 pillars of Green, Wellness, Smart and Caring.




### DESIGN & BUILD

The Group's policies outline its sustainable building certification commitments (e.g. BEAM Plus, LEED, WELL, etc.) for new and existing projects, as well as approaches to manage climate risks and other environmental and social impacts along the supply chain.

### SUSTAINABLE FINANCING

Through different kinds of sustainable financing instruments in line with international frameworks and standards, we drive capital towards impactful projects such as green and healthy buildings and other sustainable projects in our ecosystem businesses.

### OPERATE

We strive to reduce our adverse environmental and social impacts during the operation stage of our managed properties through continuous resource efficiency enhancements and measures to improve health and well-being of our building users.

### ENGAGE

To create shared value with all shareholders and enrich our businesses, we actively engage tenants, customers and other stakeholders to promote and support the adoption of sustainable practices within the communities we serve.

# Sustainable Finance

Sustainable finance is a core part of our approach to integrating sustainability considerations into our business and property lifecycle. Through a broad application of sustainable finance including sustainability-linked instruments, we support projects that deliver both environmental and social impacts. These impacts are monitored and reported regularly with the help of integrating ESG and standardising sustainability into corporate policies and procedures. Further details and updates are available on the Sustainable Finance section on our sustainability website.

## Sustainability-linked Loan

NWD raised a five-year sustainability-linked loan of HK$1 billion in November 2019, with interest rate discount linked to the annual achievement of environmental impact reduction targets (refer to the table below) and GRESB performance indicators.

### NWD'S ENVIRONMENTAL IMPACT REDUCTION PERFORMANCE

| | Baseline Performance (FY2018) | FY2020 Performance | % change against the baseline |
|---|---|---|---|
| Greenhouse gas (GHG) emissions[1] (tonnes $CO_2e$/sq m) | 0.09 | 0.06 | -33% |
| Energy consumption[1] (MWh/sq m) | 0.14 | 0.10 | -29% |
| Water consumption[1] ($m^3$/sq m) | 0.90 | 0.83 | -8% |
| Waste from New World Construction Company Limited ("NWCON") in Hong Kong (tonnes/million HK$ revenue) | 2.56 | 1.09 | -57% |

NWSH also announced its first sustainability-linked loan[2] of HK$1 billion in June 2020 to support its ongoing ESG integration.

## Green Bond

Under the New World Development Green Finance Framework (September 2018), NWCL issued a US$310 million green bond in December 2018 at a coupon rate of 4.75% due 2023. In FY2020, the bond received the Green Finance Certificate (Post-issuance Stage) from the HKQAA.

### ALLOCATION OF GREEN BOND PROCEEDS

| Category | Projects | Proceeds Allocated |
|---|---|---|
| **Green Buildings** | NEW WORLD ZENGCHENG COMPREHENSIVE DEVELOPMENT PROJECT[3] | US$206.4 million (67%) |
| **Green Buildings** | QIANHAI CTF FINANCE TOWER[3] | US$101.7 million (33%) |
| **Total Allocated Proceeds** | | US$308.1 million (100%) |
| **Total Net Proceeds[4]** | | US$308.1 million (100%) |

| | |
|---|---|
| **Project** | NEW WORLD ZENGCHENG COMPREHENSIVE DEVELOPMENT PROJECT[3] |
| **Location** | Guangzhou, China |
| **GFA** | 284,328 sq m |
| **Nature** | Office, retail, serviced apartments and hotel |
| **Funding Transaction** | Aggregated amount of proceeds earmarked: US$194.2 million<br>Remaining balance: US$12.2 million |
| **Certifications** | • China Green Building Evaluation Standard — Certificate of Green Building Design Label "Two-Star" obtained for the whole project in December 2019<br>• LEED® for Building Design and Construction: Core and Shell Development precertification Gold – Commercial portion (two office towers including retail, hotel and serviced apartments) obtained in November 2018 |
| **Energy Performance** | Estimated annual energy savings exceeding LEED baseline performance[5] by 12% or more |
| **Water Efficiency and Savings** | Estimated annual potable water savings exceeding LEED baseline performance by over 40% |

1 GHG emissions, energy and water consumption cover NWD's existing buildings. New buildings will be counted within the target scope after two years of operation.
2 For further information, visit https://sr.nws.com.hk/pdf/en/NWS%20sustainability%20linked%20loan.Eng.pdf
3 The project names are subject to finalisation before official opening.
4 Total net proceeds received are US$308.1 million out of the US$310 million green bond.
5 Using ASHRAE 90.1-2010 as baseline (LEED v4 Building Design and Construction: Core and Shell Development).

| | |
|---|---|
| **Project** | QIANHAI CTF FINANCE TOWER[1] |
| **Location** | Shenzhen, China |
| **GFA** | 176,300 sq m |
| **Nature** | Office and retail |
| **Funding Transaction** | Aggregated amount of proceeds earmarked: US$96.0 million<br>Remaining balance: US$5.7 million |
| **Certifications** | • China Green Building Evaluation Standard — Certificate of Green Building Design Label "Three-Star" obtained for the whole project in June 2020<br>• LEED® for Building Design and Construction: Core and Shell Development precertification Gold — South Tower and North Tower plus Retail Podium obtained in October 2018<br>• WELL Precertified™ Gold — North Tower plus Retail Podium obtained in November 2018 |
| **Energy Performance** | Estimated annual energy savings exceeding LEED baseline performance[2] by 18% or more |
| **Water Efficiency and Savings** | Estimated annual potable water savings exceeding LEED baseline performance by over 45% |

## Green Loan

Terms for NWD's first green loan for K11 ATELIER King's Road dated March 2018 were renegotiated in December 2019, resulting in an increased loan size from HK$3.6 billion to HK$5.0 billion due 2024. Under the New World Development Green Finance Framework (September 2018), a second three-year green loan was also obtained in May 2020 to support new green building projects.

### ALLOCATION OF NWD'S GREEN LOAN (2018)

| Category | Projects | Amount |
|---|---|---|
| **Green Buildings** | K11 ATELIER KING'S ROAD | HK$2.5 billion[3] |
| **Total Drawdown Amount** | | HK$2.5 billion |
| **Loan Facility** | | HK$5.0 billion |

| | |
|---|---|
| **Project** | K11 ATELIER KING'S ROAD |
| **Location** | Hong Kong |
| **GFA** | 487,504 sq ft |
| **Nature** | Office |
| **Certifications** | • BEAM Plus New Buildings V1.2 Provisional Platinum obtained in September 2016<br>• LEED Platinum® obtained in August 2019<br>• WELL Certified™ Platinum obtained in December 2019 |

### ALLOCATION OF NWD'S GREEN LOAN (2020)

| Category | Projects | Amount |
|---|---|---|
| **Green Buildings** | CHEUNG SHUN STREET, CHEUNG SHA WAN[1] | HK$500 million[3] |
| **Total Drawdown Amount** | | HK$500 million |
| **Loan Facility** | | HK$500 million |

| | |
|---|---|
| **Project** | CHEUNG SHUN STREET, CHEUNG SHA WAN[1] |
| **Location** | Hong Kong |
| **GFA** | 529,185 sq ft |
| **Nature** | Office |
| **Certification** | • BEAM Plus New Buildings V1.2 Provisional Gold obtained in February 2019<br>• LEED® for Building Design and Construction: Core and Shell Development precertification Gold obtained in January 2019<br>• WELL Precertified™ Platinum obtained in April 2019 |

1 The project names are subject to finalisation before official opening.
2 Using ASHRAE 90.1-2007 as baseline (LEED v2009 Building Design and Construction: Core and Shell Development).
3 Figure represents amount utilised in specified project.

# Response to COVID-19

While long-term business strategy is the backbone of the sustainable growth of every corporation, so much of the ESG advancement also depends on its commitment to responding quickly to new challenges and pivoting for the good of the society.

At the end of January 2020, when the COVID-19 outbreak triggered a severe shortage of medical supplies, NWD – understanding the importance of CSV, and committed to giving back – set up a HK$10 million anti-epidemic fund to support our overseas partners, the underprivileged in Hong Kong, and our employees across the Group. Since the outbreak, a total of RMB50 million has been donated to those in need in Hong Kong and to the healthcare sector in Mainland China.


A task force, led by Executive Vice-chairman and CEO Adrian Cheng, was also formed overnight to devise creative business solutions to battle the pandemic. Its first initiative was the launch of the #LoveWithoutBorders campaign, a shared support platform that aims to bring love to the needy and share resources with local communities amidst the pandemic.

Through #LoveWithoutBorders, NWD adapted quickly and set up multiple local face mask production lines to produce over 200,000 Made-in-Hong Kong adult and kid face masks per day. In May 2020, the first batches were distributed in Hong Kong for free via our innovative "Mask To Go" dispensers. Debuting these automated dispensers meant that low-income families could for the first time gain easy, safe and stable access to the much-needed face masks through a simple scan-and-collect design over a period of 20 weeks. With the help of our NGO partners such as Society for Community Organisation, St. James' Settlement, and The Salvation Army, our face masks have reached over 40,000 beneficiaries across 18 districts, adding colours and positive energy to the lives of those in need.


At the height of Hong Kong's second wave of COVID-19, NWD through #LoveWithoutBorders also made available its Pentahotel Hong Kong, Kowloon to medical staff in public hospitals. Free accommodation for professionals, including doctors, nurses and other health-care workers, was opened up as a salute to the unsung heroes.

Another important milestone of #LoveWithoutBorders was a worldwide donation of our face masks. As the pandemic continued to affect people's livelihood globally, our steady supply of self-made face masks was proved a timely innovation to help alleviate the chronic shortage of medical supplies. An expedited shipment of over two million face masks to UNICEF and countries including France, Italy, South Korea and the United Kingdom was quickly made. By June 2020, through #LoveWithoutBorders and together with over 100 NGOs in Hong Kong and abroad, we have distributed over 11 million masks to our employees and those in need. We plan to continue with our benevolent efforts until we have seen this through together.

Having made these face masks available to the general public in Hong Kong, we also initiated a "You Buy a Box, We Donate a Box" campaign in August 2020 to make positive social progress with every purchase.

It is our long-term vision to use the power of business to give back to the society. In these unprecedented times, this vision has become all the more important and is the guiding star of our work. We must support each other and share resources whenever and in whichever way we are able to, because acts of benevolence not only benefit businesses, but the overall well-being of our community. It is therefore of utmost importance to give every stakeholder the same degree of attention as our shareholders, which we believe is at the core of CSV. In CSV and eliminating boundaries to resources, we at NWD look forward to creating a better community for the society and the long-term growth of our business for many more generations to come.


***#LoveWithoutBorders embodies our vision of using the power of business to give back to society. It has led us to set up our own mask production lines, to invent the first "Mask To Go" dispensers and smart redemption card system in Hong Kong, and to collaborate with non-profit organisations in finding an easy and convenient way of distributing face masks to low-income families for free.***

***– Dr. Adrian Cheng, Executive Vice-chairman and Chief Executive Officer***

# Sustainability Governance

We believe the integration of sustainability principles and considerations into our governance framework is critical to our long-term success. ESG risks and their impact to the Group and its stakeholders are managed by policies and procedures, with regular performance monitoring, training and disclosures to ensure a high level of accountability.

**MATERIAL TOPICS**
- Bribery and Corruption
- Corporate Governance

## Strengthening Governance of Sustainability Issues

While the organisational structure of sustainability management from board to operational levels remains unchanged compared to last year's (see the chart below and details on our sustainability website), we have reinforced SV2030 as a Group-wide exercise and strengthened our accountability by establishing relevant KPIs for our CEO, business units ("BUs") and NWD departments and their teams. We believe this will motivate our employees to take concerted efforts towards our SV2030 targets and also bring our Group closer to linking the remuneration of top management to sustainability performance. Empowered by our Sustainability Committee and Group Sustainability Steering Committee, regular training and support in action plan development and budgeting are provided to all parts of the Group.

Given the climate emergency and our Group's responsibilities to mitigate climate impacts in our operations, the Board of Directors has endorsed our ongoing assessment and disclosure of climate risks as per TCFD recommendations. The Board will also be updated regularly on the latest climate risks and opportunities, so as to provide guidance and support to our teams.

## Multiple Channels for Flagging Different ESG Risks

While our Group Risk Management Framework, which requires NWD departments and other major BUs to assess risk levels for a final review by the Audit Committee still applies, there are short and medium term ESG risks that demand more prompt flagging and responses. As such, we have launched a mobile-friendly "Issue Alert System", which categorises an incident's risk level based on user's input and immediately alerts relevant departments and management by real-time notification and email to take actions. Risk-flagging training sessions are held regularly to increase all employees' awareness and sensitivity to risk management. These measures have allowed us to address and mitigate reputational risks, health and safety impacts and provide better customer service. Issues logged by the alert system are compiled and assessed for management and board reporting.

To help employees better understand ESG risks, new and existing employees are assigned to take mandatory e-learning modules on the Group's ESG policies including those related to bribery and corruption, health and safety, whistleblowing and sustainable procurement. All employees are required to pass the corresponding policy quizzes to ensure effective implementation.

For further information on our risk management framework, please refer to p.110–115.

## Proactive Engagement For Deeper Stakeholder Relationships

Understanding our stakeholders' needs and concerns improves our business resilience and helps us stay relevant. We proactively seek stakeholders' feedback on how well we integrate SV2030 into our sustainability initiatives with the objective of CSV.

| Stakeholder Groups | Ways We Engage |
|---|---|
| Employees | • Surveys, interviews and focus groups<br>• Intranet, employees' mobile apps and e-newsletters<br>• Training activities and talent development programmes<br>• Employees' competitions and team-building activities<br>• Town hall meetings and forums<br>• Task forces and committees<br>• SV2030 action plan development and implementation facilitation<br>• Volunteering in the community<br>• Early risk flagging mechanism and semi-annually key risk reporting mechanism<br>• Whistleblowing system |
| Tenants | • Sustainable Tenancy Pledge (guidance on fitting-out, energy-saving, waste reduction and employee/customer engagement)<br>• Surveys and interviews<br>• Meetings, seminars and visits<br>• Tenant mobile apps such as WorkPro (NWCL), K11 ATELIER (within K11 app) and Nework (within Artisanal Living app) |
| Customers | • Surveys and customer service hotlines<br>• Company events and visits<br>• Club memberships such as New World CLUB, NWCL Club, KLUB 11 and Donut Kids Club<br>• Customer mobile apps such as Artisanal Living and K11 app<br>• Social media<br>• Corporate websites |
| Local Communities | • Corporate websites<br>• Public/community events<br>• Community initiatives such as New World Springboard Programme<br>• Volunteering |
| Supply Chain Partners | • Tendering and procurement processes<br>• Training and briefings<br>• Audits and performance review<br>• Surveys and meetings |
| Shareholders and Investors | • Annual General Meetings and results announcements<br>• Annual and interim reports<br>• Corporate websites<br>• Roadshows and investor meetings<br>• Regular newsletters<br>• ESG awards and ratings |
| Media | • Surveys<br>• Media interviews and releases<br>• Company events and visits<br>• Feedback and responses to media enquiries |
| Academic and Professional Institutions | • Technical site visits<br>• Membership<br>• Regular meetings and dialogues<br>• Conference presentations and participation |
| Non-governmental Organisations | • Joint projects<br>• Surveys<br>• Regular meetings and dialogues<br>• Company events and visits |
| Government and Regulators | • Responses to public consultations via professional institutions<br>• Regular meetings and dialogues |
| Peer Companies | • Surveys<br>• Company events and visits<br>• Exchange in professional institutions |

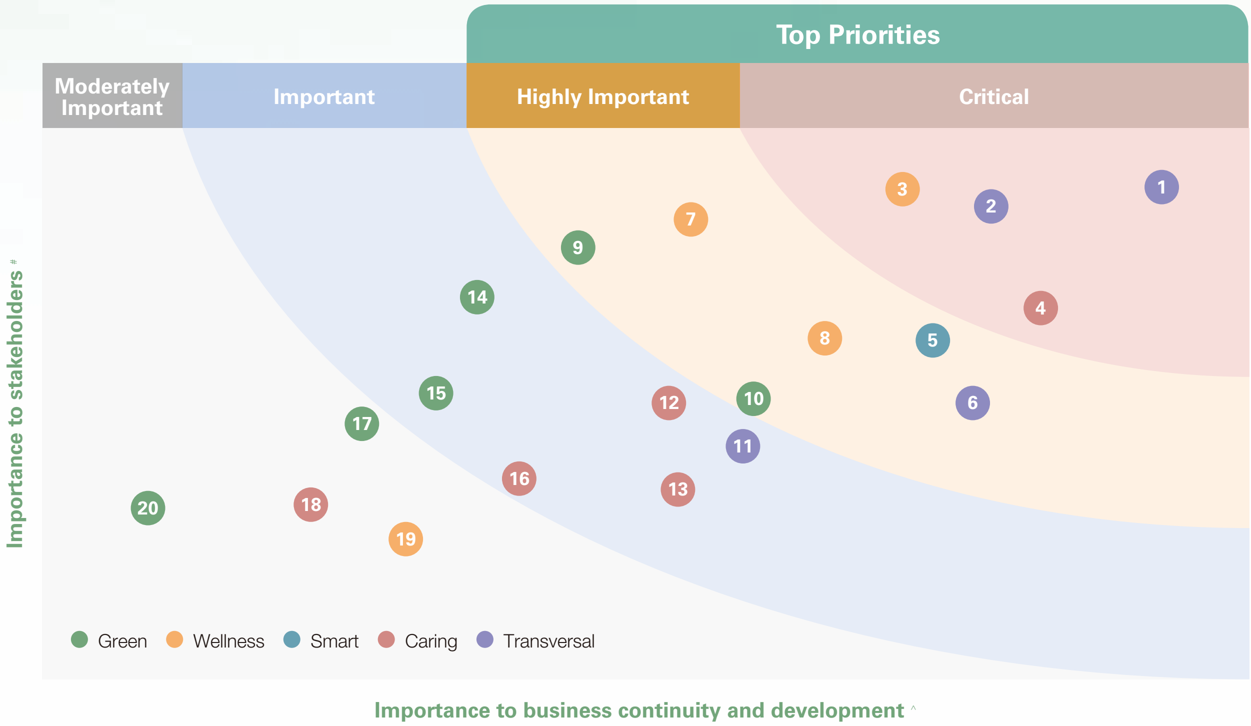
## Finding Strategic Focus Among Priority ESG Issues

We conducted a stakeholder engagement and materiality assessment in FY2020 to identify our latest ESG priorities among 20 broad issues which are also addressed by our industry peers. Approximately 540 responses to our online surveys from both internal and external stakeholders in Hong Kong and Mainland China were assessed by our third-party consultant. Ten in-depth interviews were also conducted by the consultant with our global partner organisations and contractors and suppliers to gain further insights into their expectations for our performance, as well as our potential opportunities and barriers to drive ESG from their perspectives.

The findings of the assessment are communicated internally with the Sustainability Committee, senior management and Group Sustainability Steering Committee to inform our regular strategy review. The top three material issues to internal and external stakeholders, namely bribery and corruption, corporate governance and occupational health and safety, are consistent with FY2019 results. The rankings are outlined in the table below.

| **Material Topics** (1 being the most important) | **How We Address** | **Boundary** | |
|---|---|---|---|
| | | Inside the Group | Outside the Group |
| 1. Bribery and Corruption | Sustainability Governance p.68–71<br>Influencing the Supply Chain p.85 | ✓ | ✓ |
| 2. Corporate Governance | Sustainability Governance p.68–71<br>Empowering Our People p.84 | ✓ | ✓ |
| 3. Occupational Health and Safety | Empowering our People p.83<br>Influencing the Supply Chain p.85 | ✓ | ✓ |
| 4. Talent Management | Empowering our People p.81 | ✓ | |
| 5. Innovation | Safeguarding the Environment p.75–77, 79<br>Empowering our People p.81<br>Caring for the Customers p.86<br>Fostering Sustainable Communities p.88–89 | ✓ | ✓ |
| 6. Financial Performance | Financial Highlights p.25 | ✓ | ✓ |
| 7. Customer Wellness, Health and Safety | Caring for the Customers p.86–87 | ✓ | ✓ |
| 8. Employee Wellness and Engagement | Empowering our People p.82–83 | ✓ | |
| 9. Energy and Carbon Management | Safeguarding the Environment p.75–77<br>Influencing the Supply Chain p.85<br>Caring for the Customers p.87 | ✓ | ✓ |
| 10. Responsible Supply Chain Management | Influencing the Supply Chain p.85 | ✓ | ✓ |
| 11. Human Rights and Grievance Mechanisms | Empowering our People p.84 | ✓ | ✓ |
| 12. Community Development and Engagement | Fostering Sustainable Communities p.88–89 | ✓ | ✓ |
| 13. Customer and Tenant Engagement | Caring for the Customers p.86–87 | ✓ | ✓ |
| 14. Waste Disposal and Recycling | Safeguarding the Environment p.79<br>Caring for the Customers p.87 | ✓ | ✓ |
| 15. Use of Materials and Biodiversity | Safeguarding the Environment p.80 | ✓ | ✓ |
| 16. Diversity and Equal Opportunities | Empowering our People p.84 | ✓ | ✓ |
| 17. Adaptability to Climate Change Impacts (Emerging Topic) | Safeguarding the Environment p.75–78 | ✓ | ✓ |
| 18. Community Wellness (Emerging Topic) | Fostering Sustainable Communities p.88 | ✓ | ✓ |
| 19. Ageing Population | Caring for the Customers p.86 | ✓ | ✓ |
| 20. Water Consumption (Emerging Topic) | Safeguarding the Environment p.78 | ✓ | ✓ |

## MATERIALITY MATRIX




# Importance to stakeholders is determined by external stakeholders' rating of the material issues in terms of their importance to the society/environment and their relevance to NWD.

^ Importance to business continuity and development is determined by internal stakeholders' rating of the likelihood and level of potential impact of the issues affecting NWD's business continuity and development.

## NEW AND UPDATED ESG-RELATED POLICIES

Implementation progress of our ESG-related policies is checked yearly with a major review to be conducted by our Group Audit and Management Services Department every three years. Review findings will be shared with the Group Sustainability Steering Committee and board-level Sustainability Committee and Audit Committee. A review was initiated in FY2020 which resulted in updates on existing policies and drafting of new ones based on the latest industry standards and operational needs. Approved policies are available on our sustainability website. Ongoing training is provided to all employees on these policies and processes.

New policies have also been published to ensure that we keep up with the latest requirements:

- Biodiversity Policy states our commitment to safeguarding the health of our ecosystem and measures to minimise adverse environment impacts in our operation.
- Climate Change Policy states our commitment to combating climate change, improving resilience, our alignment to the recommendations of TCFD and our ambition to set SBT.
- Waste Management Policy illustrates the areas of focus in waste management and promotes a circular economy.
- Water Policy acknowledges that water is an essential but a constrained resource to our business and society and therefore we will introduce water efficiency measures and standardise water management.

Significant changes to existing policies include:

- Human Rights Policy now recognises human rights as defined by international standards and local regulation and aligns with the UNGC's principles.
- Sustainable Building Policy reflects our elaborated lifecycle approach to manage environmental impacts in new and existing buildings, climate change actions, tenant engagement efforts, as well as smart, caring and wellness initiatives concerning the built environment.

# Project Highlights - Taking Sustainable Building and Craftsmanship to New Heights

11 SUSTAINABLE CITIES AND COMMUNITIES

## Promoting Sustainable Cities and Communities by Preserving Cultural Heritage

Our properties provide a platform for promoting sustainable cities and communities, in support of SDG 11. Our aim is not only to strategically reduce our operational environmental impact but also to preserve the cultural and natural heritage of our business locations. This approach is reflected in NWCL's brand positioning — "Soul of the City". Under the guidance of the Central Government and Greater Bay Area policies, and through community partnerships, NWCL balances sustainability, innovation and cultural preservation in urban renewal.

Zengcheng Project, Guangzhou

## BUILDING A NEW LANDMARK FOR OLD CITY ZENGCHENG, GUANGZHOU

The Group has been engaged in Greater Bay Area redevelopment projects including Xili in Nanshan, Shenzhen; Shancun in Liwan, Guangzhou; Nanji Village in Haizhu, Guangzhou and Tagang Village in Zengcheng, Guangzhou. On 8 June 2020, NWCL announced that it will invest RMB20 billion as the intended cooperative enterprise for the redevelopment project of Xiajie Village on Licheng Street of Zengcheng, Guangzhou.

Xiajie Village is one of the oldest in Zengcheng to have maintained classic architectural elements such as ancient brick residences and large ancestral hall. The Xiajie Village project actively preserves these elements and historical passageways of the neighbourhood while injecting modern elements to engage new residents and visitors, including hotel, residence, office, retail and other leisure amenities. The Group also dedicates efforts to revitalise olive kernel carving — a national intangible heritage craftsmanship originated in Zengcheng.

Olive Kernal Carving[1]

[1] Guangzhou Olive Kernel Carving Heritage Base listed in Licheng, Gucunzhiyou, 30th August 2017, <http://gucunzhiyou.com/gczy/2960.html>

Cao Xueqin Residence in Beijing

## REBUILDING A HISTORICAL RESIDENCE IN BEIJING

A city's future development is anchored in its cultural heritage. Qing Dynasty official records revealed the historical residence of the famous Chinese writer Cao Xueqin in Beijing. In 2019, NWCL confirmed to launch this unique rebuilding project.

Given the historical value of the site, NWCL introduced Building Information Modeling ("BIM") technology to simulate design scenarios for visualisation before actual works began, and to preserve comprehensive project data for future learning. Offsite pre-installation processes also took place to ensure the accuracy of on-site installation, improve project quality and reduce resource wastage.

The project embodies the Group's cultural aspirations by bringing traditional culture to life and promoting sustainable development building on our heritage.

# Safeguarding the Environment

## Reinforcing our Support for the TCFD

Having adopted TCFD's recommendations since FY2019, NWD pledged its support to the TCFD officially in FY2020. We will continue to follow closely any status reports and relevant materials published by the TCFD and align our disclosures with market best practices. Below is a summary of our climate-related risks disclosure.

| Focus Area | Our Approach |
|---|---|
| **Governance** | **Board oversight:** The Sustainability Committee meets at least twice a year to oversee climate-related strategies, policies, actions and disclosure.<br><br>**Management's role:** The Group Sustainability Steering Committee supports climate action planning and internal policy setting, as well as coordinates responses to climate-related risks and opportunities across BUs for disclosure.<br><br>**Group Sustainability Department:** Coordinates Group-wide efforts to assess physical and transition climate risks and opportunities for strategic planning by the Management and the Board.<br><br>Please refer to p.68 for our sustainability governance structure. |
| **Strategy** | **Policies and guidelines:** The Group's latest Climate Change Policy and updated Sustainable Building Policy outline our commitments to addressing climate-related risks and opportunities in our businesses, raising climate change awareness among our internal and external stakeholders and incorporating protection measures and resilient designs against local climate risks over building lifespan. We are currently forming more partnerships through industry groups and developing climate resilient building design guidelines to capture these opportunities.<br><br>Generally, NWD addresses sustainability issues throughout the property lifecycle from design and build, financing, operation to building user engagement stages. With reference to TCFD's recommendations, we are actively identifying viable pathways to decarbonise under the 1.5°C scenario and fulfil SBT requirements by increasing renewable energy adoption and reducing Scope 3 emissions[1]. Please refer to p.77 for details.<br><br>**Physical risks:** In FY2019, we assessed the impact of climate-related risks (flooding, extreme wind, water stress and heat stress) on 14 major properties in the Greater Bay Area under two Intergovernmental Panel on Climate Change ("IPCC") Representative Concentration Pathway ("RCP") scenarios: a medium-risk scenario where global average temperature increases by no less than 2.5°C (RCP 6.0) and an extreme scenario where temperature increases by over 4.0°C (RCP 8.5). Based on our project locations, no severe climate risks were identified. We have implemented quick wins related to regular inspections, maintenance and audits, and have developed a hardware enhancement plan for flood risk prevention. Please refer to p.77 for details.<br><br>**Transition risks:** We developed an internal climate change policy to better manage our risk responses. The policy states our approach to climate change as well as our adaptation and resilience measures. We will actively monitor and respond to regulatory changes and industry standards related to our business locations.<br><br>**Opportunities:** Based on the insights from our risk assessments, we will capture the opportunities to incorporate climate-friendly building and service designs, engage our tenants, customers and suppliers to take climate actions, promote innovative technologies to reduce our environmental impact and utilise sustainable finance to accelerate our efforts to combat climate change. |
| **Risk Management** | Climate-related risks are incorporated into the Group's risk management framework and ESG materiality assessment by different stakeholders. The Group Sustainability Department initiates the monitoring and follow-up of both transition and physical climate-related risks and suggests strategic responses with relevant sites to BUs' management. At the end of FY2020, an assessment was conducted to quantify the financial impacts of climate risks. Findings and updates are reported regularly to the management and the Board. For details, please refer to p.68. |
| **Metrics and Targets** | In FY2019, we established 2030 reduction targets based on FY2015 levels for carbon, energy, water and waste on an intensity basis (denominated per million HK$ revenue) and started to disclose our progress annually. For details, please refer to p.75, 78–79.<br><br>Departmental contributions towards reduction targets are linked to yearly performance evaluations and employee remuneration. We will explore the possibility of linking the management's remuneration with these targets.<br><br>We have completed a feasibility assessment in order to set SBT for NWD's property and construction businesses within the next three years. Please refer to p.77 for details of our roadmap. |

[1] Scope 3 emissions: indirect emissions (not in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions (Corporate Value Chain (Scope 3) Accounting and Reporting Standard).

# Towards a Decarbonised Future

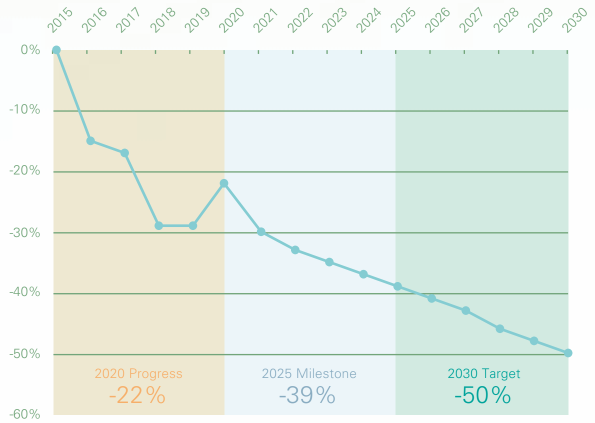
## MATERIAL TOPICS

- Energy and Carbon Management
- Adaptability to Climate Change Impacts
- Innovation

Climate change poses unprecedented challenges for business operations and human survival. Our core property business has opportunities as well as responsibilities to reduce its carbon footprint and therefore operating costs through energy efficiency improvements. While we are working towards our SV2030 energy and carbon emissions intensity reduction targets, we are also exploring viable ways to further decarbonise under the Paris Agreement's 1.5°C scenario.

### Carbon Emissions Intensity Reduction %

**Baseline year**




(Unit: $tCO_2e$/million HK$ revenue)

## FY2020 Performance Compared to FY2015[1]

**↓ 17%**
**Energy intensity** (MWh/million HK$ revenue)
(FY2030 target: ↓ 50%)

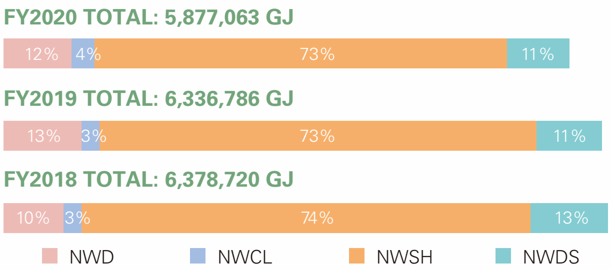
**↓ 22%**
**Carbon emissions intensity**
($tCO_2e$/million HK$ revenue)
(FY2030 target: ↓ 50%)

For the Sustainability Reporting Scope, the Group's total energy consumption and carbon emissions in FY2020 reduced by 7% and 4%, respectively, compared to FY2019. We believe this is a combined result of our sustainability initiatives and COVID-19 impacts.

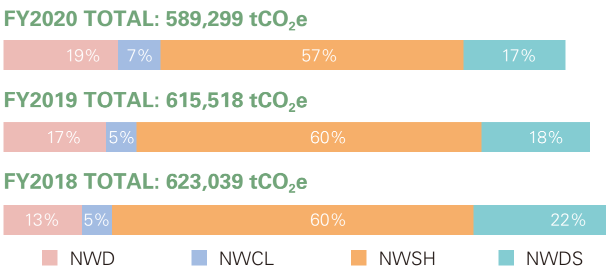
By FY2020, energy intensity and carbon emissions intensity of the SV2030 Green Targets Scope reduced by 17% (MWh/million HK$ revenue) and 22% ($tCO_2e$/million HK$ revenue), respectively, compared to the FY2015 baseline. The reduction percentage as at FY2020 is lower than that of FY2019. Given SV2030 Green Targets were projected based on a business-as-usual scenario, we will continue to monitor our business operations under the new normal and update the carbon reduction trajectory as needed.

### Sustainability Reporting Scope - Total Energy and Carbon Emissions

#### ENERGY




#### CARBON EMISSIONS




[1] Covers the SV2030 Green Targets Scope. NWSH and NWDS also disclose their environmental targets in their annual sustainability reports. Revenue was selected as the intensity metric due to the diverse business nature of the Group's portfolio and that revenue is the common thread across sectors.

## Key Initiatives in FY2020

- **PROPERTY & CONSTRUCTION**

**SV2030 Green Targets Scope Properties' Performance**

| | FY2020 | FY2019 |
|---|---|---|
| Energy intensity (kWh/sq m) | 99 | 136 |
| Carbon emissions intensity ($kgCO_2e$/sq m) | 57 | 76 |

Significant reductions in the energy intensity (kWh/sq m) and carbon emissions intensity ($kgCO_2e$/sq m) of our properties in SV2030 Green Targets Scope were recorded in FY2020 due to lower usage during COVID-19. This scope has saved over HK$11.3 million in utilities, compared to FY2019. Various measures have been implemented to improve our building energy efficiency, including chiller system enhancement, building management system ("BMS") upgrade, installation of our patented real-time building energy monitoring system – Eco-World at new sites, sensors and energy valves installation, etc.

Our Group supports the transition towards a low carbon future. We will explore further adoption of Renewable Energy ("RE") in our premises and relevant investments offsite. During FY2020, two of our signature projects within the Sustainability Reporting Scope have installed rooftop solar systems and joined the Feed-in Tariff (FiT) schemes of the power companies:

*Hong Kong Golf & Tennis Academy ("HKGTA"):*

- Generation capacity of 110 kWp
- Joined FiT scheme of CLP Power Hong Kong Limited
- Generated over 22,000 kWh of RE since installation in April 2020

*Hong Kong Convention and Exhibition Centre ("HKCEC"):*

- Generation capacity of 10 kWp
- Joined FiT scheme of HK Electric
- Generated over 4,000 kWh RE since installation in February 2020

Hong Kong Golf & Tennis Academy

For our construction businesses, Hip Hing Construction Co., Ltd. ("Hip Hing") has replaced traditional diesel generators with the Enertainer, a connected battery system, to power construction activities at various project sites. This innovative system can avoid direct air pollutants, improve energy efficiency and significantly reduce carbon emissions, noise level and fire hazards during construction. For example, at one of the project sites, the Enertainer achieved about 80% reduction of net carbon footprint and up to 85% energy savings.

Climate risk resilience is being considered throughout the property lifecycle. Please refer to the TCFD section for more details on p.74.

To accelerate our alignment to the Paris Agreement, we have completed a feasibility study of developing SBT and identified downstream leased assets and embodied carbon[1] in building materials as the sources of our material scope 3 emissions.

In light of the global industry's ambition of "Advancing Net Zero", we pledged our support for Hong Kong Green Building Council's relevant initiative and will monitor recommended best practices to achieve the goal for all buildings to operate at net zero by 2050.

- **TRANSPORTATION**

  The transportation sector remains a major contributor to our Group's overall energy consumption and carbon emissions. Our bus companies in Hong Kong introduced the first double-decker equipped with 20 pieces of solar panels generating 1,500 watts power, to supply electricity for lighting system and passenger information facilities for as long as 7.5 hours a day. Additionally, we are taking steps to install chargers at bus terminals to facilitate mid-day charging for electric buses.

## Future Plans and Ongoing Measures

- Set SBT for NWD's construction and property portfolio within the next three years:
  - We will continue to drive down Scope 1 and 2 emissions according to the energy efficiency initiatives planned under SV2030.
  - For Scope 3 emissions, we will install sub-meters to further understand tenant energy consumption and work with our supply chain partners to track embodied carbon in construction materials in both Hong Kong and Mainland China, using local tools and relevant methodologies. Please refer to Influencing the Supply Chain on p.85 for more details.
  - To reduce our unavoidable emissions, we are looking to increase investment in renewables, such as enhancing onsite renewable generation capacity by installing more solar panels or wind turbines onsite as well as procuring offsite renewable energy.
- Enhance our properties' climate resilience and adaptability in the next two years:
  - Flood risk protection hardware such as flood gates will be installed for selected properties covered in our climate risk scenario analysis according to consultant's recommendations.
  - Climate resilience design guidelines for new buildings will be established.
- Provide training and engagement in energy and carbon management and climate issues:
  - Different internal stakeholders ranging from board executives to individual employees have been engaged in various trainings on climate change, SV2030 progress, energy and carbon reduction initiatives, etc. Please refer to Empowering our People section for more details on p.81.

[1] Embodied carbon: carbon emissions associated with materials and construction processes throughout the whole lifecycle of a building or infrastructure (World Green Building Council).

# Managing Water Resources and Climate-related Risks

Water is recognised to be a constrained but essential resource, both for business sustainability and more broadly, for society and the environment – especially within the Greater Bay Area which faces a triple threat of water shortage, climate change and population growth. A recent study[1] has shown that eight of 11 Greater China cities, including Guangzhou and Hong Kong, are dry and face extremely high levels of water pollution in the Dongjiang River. Given that the Dongjiang supplies water to five Greater Bay Area cities including Hong Kong, its ongoing pollution will have a devastating impact on our freshwater availability.

As early as 2030, these rising risks could threaten key sectors that drive the region's GDP, including real estate. To prepare and align ourselves with global standards and best practices, careful water management, planning and cohesive resilience strategies will need to be implemented. We aim to set a group-level water target in the near future.

Compared to FY2019, the Group's water consumption increased by almost 1,000,000 $m^3$. The increase was mainly due to the inclusion of new construction sites that were undergoing water-intensive foundation works as well as new properties in operation. Additionally, NWDS' decrease in water consumption from FY2019 was mainly due to temporary closure of some of the department stores, shortening of business hours and restricted business for Food and Beverage ("F&B") tenants during COVID-19.

## Key Initiatives in FY2020

- **RISK ASSESSMENT AND RESPONSES**

  As part of the climate risk scenario analysis of our building portfolio in the Greater Bay Area, climate-related water risks, namely flooding and water stress, are evaluated.

  - **Flooding:** Only minor impacts related to flood risk are observed in the long-run for properties in Hong Kong that are located close to the coastline (i.e. susceptible to sea-level rise). This is predominantly due to Hong Kong's robust drainage network and sufficiently high seawalls. To become more flood-resilient, we have implemented quick-win measures for each site, such as regular inspections, audits and maintenance and have identified hardware enhancement plan for flood risk prevention.

  - **Water stress:** No immediate and significant risks were identified relating to the location of our assessed properties.

- **"SPONGE CITY" DESIGN STRATEGY**

  We implement sponge city features in our properties to redistribute water and tackle flooding. Ningbo New World is one of the latest examples in Mainland China with features include a bio-retention pond, a rain-water garden, permeable pavements and ecological rooftop, making this a green landmark in the city. Collectively, these sponge city design features contribute a water retention capacity of approximately 1,800 $m^3$ and ease the burden of the municipal water drainage. More importantly, they help delay the peak discharge during flooding by 10-15 minutes.

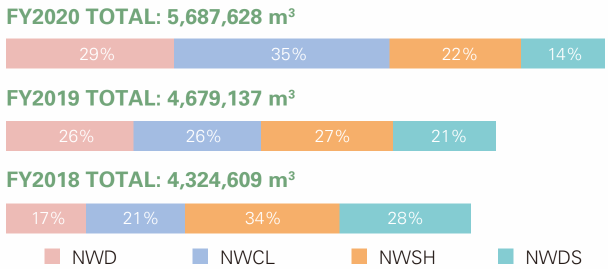
**MATERIAL TOPICS**

- Water Consumption
- Adaptability to Climate Change Impacts

## FY2020 Performance Compared to FY2015[2]

↓ **9%**
**Water intensity** ($m^3$/million HK$ revenue)
(FY2030 target: ↓ 25%)

### Sustainability Reporting Scope – Total Water Consumption





Ningbo New World

## Future Plans and Ongoing Measures

- Install flood risk protection hardware such as flood gates for selected properties covered in the climate risk scenario analysis according to consultant's recommendations.
- Install water-efficient fixtures to reduce our consumption.
- Install sub-meters at new projects and major refurbishments to collect more comprehensive water data for preparation of setting a Group-wide water target in the future.

[1] China Water Risk, 2019, Thirsty And Underwater: Rising Risks in Greater Bay Area <http://www.chinawaterrisk.org/resources/analysis-reviews/thirsty-and-underwater-rising-risks-in-greater-bay-area/>

[2] The water intensity target covers NWCON only.

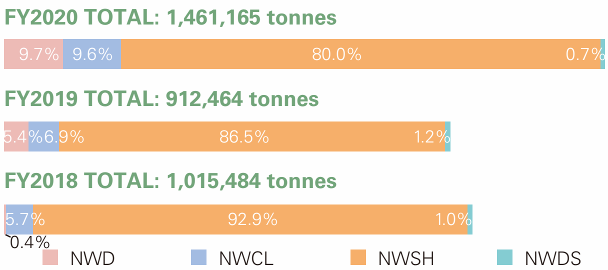
# Avoiding Waste at Source

Waste management is an unavoidable challenge across the globe, in particular for the areas with high-density development and experiencing rapid urbanisation. Our Group is making increasing efforts to avoid and reduce waste across our business activities. Initiatives are taken to align with global standards especially in reducing construction waste. Given the emerging trend in mandating waste separation and recycling, our property managers and operators are proactively engaging with key stakeholders to raise general awareness and strengthen internal guidelines to prepare for these changes.

## FY2020 Performance Compared to FY2015[1]

**↓ 46%**
**Waste-to-landfill intensity**
(tonnes/million HK$ revenue)
(FY2030 target: ↓ 15%)

### Sustainability Reporting Scope – Total Waste




Waste generated from our construction activities in Hong Kong and Mainland China constitutes approximately 84% of the Group's total. The significant increase in waste volume compared to FY2019 attributes to the commencement of new projects which produced a high volume of construction and demolition waste. Due to the nature of construction, the waste-to-landfill volume varies significantly across different stages. In FY2020, NWCON's waste-to-landfill intensity decreased by 46% compared to the FY2015 baseline, as a high proportion of waste was sent to government public fills from multiple project sites at the foundation stage.

## Key Initiatives in FY2020

- **DIGITALISATION OF CONSTRUCTION BUSINESS WORKFLOW**

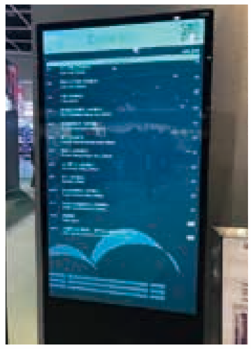
  Using BIM as the core technology, Construction Information Anywhere ("CIA") is a web-based platform designed for project management with three major modules – Project Management, Cost Management and Programme Management. NWCON has adopted CIA for all projects to improve collaboration among multi-disciplinary project stakeholders. Further to BIM's benefit of reducing abortive works from design simulation, CIA allows non-technical project stakeholders to gain access to the latest project information. Additionally, NWCON has adopted Novade system to digitalise project management processes which resulted in 2.1 million pieces of paper reduction during FY2020.

[1] Waste-to-landfill intensity target covers NWCON only.

**MATERIAL TOPICS**
- Waste Disposal and Recycling
- Innovation

- **HKCEC THINK BEFORE PLASTIC**

  After the success of our Think Before Plastic campaign to tackle the problem of disposable plastics, HKCEC extended its efforts to reduce paper use by introducing digital food menus, QR codes with information on restaurants and order forms to replace paper ones for exhibitors.



- **PARTNERSHIP ON WASTE SOLUTIONS**
  - Through the Sustainable Tenancy Pledge launched by K11 Hong Kong in FY2019, we have been working together with our tenants to improve waste management. The latest edition of these services is our complimentary food waste recycling bins and onsite food waste composting for F&B tenants at K11 ATELIER King's Road.
  - In January 2020, NWD joined WBCSD and selected to participate in their dedicated circular economy workstream. This is to support change in the industry and across our supply chain through innovation.

## Future Plans and Ongoing Measures

- Adopt circular economy as the theme for an upcoming Shenzhen project.
- Reduce construction wastes through the continuous application of BIM to minimise abortive works.
- Recycle/reuse materials in construction activities, e.g. through the use of metal formwork.
- Improve our waste data collection granularity and quality to establish a Group-wide waste target in the near future.
- Continue to work with all relevant stakeholders, including employees, suppliers, customers and tenants, to reduce waste through targeted campaigns and incentives across our businesses.

# Protecting Biodiversity

The World Economic Forum 2020 listed major biodiversity loss and ecosystem collapse as one of the top five global risks for the next ten years[1]. Extraction of natural resources and pollution are among the key drivers of biodiversity loss, with severe implications for the economy and public health and well-being, as well as for our supply chain. Hong Kong, despite its urban density, is one of the most biodiverse cities in the world. Starting with our Group's headquarters, we hope to protect biodiversity by enhancing our operations and raising public awareness.

## SUSTAINABLE LANDSCAPE FOR THE COMMUNITY

With this in mind, a Group-level Biodiversity Policy is introduced to illustrate our commitment to protecting the natural environment throughout the design and operation of our products and services. We strive for Sustainable SITES Initiative ("SITES™") certification by the U.S. Green Building Council where possible – a framework for sustainable landscape development projects with a focus on landscape, ecosystems and biodiversity. Salisbury Garden and Avenue of Stars of the Tsim Sha Tsui Waterfront Revitalisation have achieved SITES™ v2 Gold certification.

## PROMOTING BIODIVERSITY TO FUTURE GENERATIONS

Nature Discovery Park's vision is recognised by the HKSAR Government which held a public exhibition there in October 2019 during the annual Hong Kong Biodiversity Festival and attracted more than 5,000 visitors.

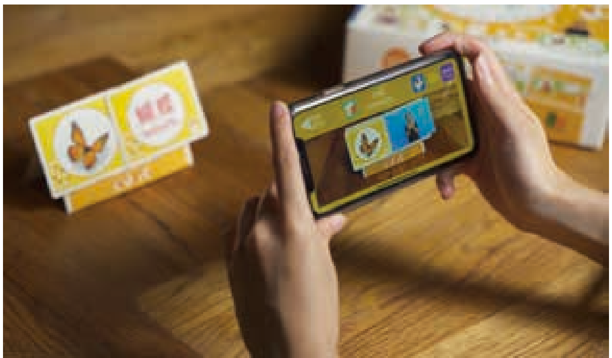
## MATERIAL TOPICS

- Use of Materials* and Biodiversity

* Refer to p.85 Influencing the Supply Chain

Nature Discovery Park, Hong Kong's first urban biodiversity museum and sustainability-themed education park at K11 MUSEA, has engaged over 26,000 visitors since opening last year. The Park offers guided green tours, urban farming workshops and farm-to-table experiences. The Park hosts over 180 plants with a majority of local species and butterfly food plants to maintain the integrity of urban butterfly habitats. The farm at the Park supports the local and organic food movement by sharing agricultural knowledge with the community and tenants. To educate future generations on the importance of local biodiversity in Hong Kong, the Park launched the Little Nature Ambassador Programme in partnership with The Jane Goodall Institute (Hong Kong) and local social enterprises – a programme suited for children aged 2-6 with four online modules covering various aspects of biodiversity in August 2020. The Park is also supporting the University of Hong Kong's School of Biological Sciences in their local species research and development of education tools and leadership programmes to educate the public about the abundance of local insect species and the ecosystem of Hong Kong.

We will continue to consider biodiversity protection in our operational practices through setting in-house guidelines and promoting public awareness in Greater China with reference to international standards.



Learning about nature with a multi-sensory learning kit in the Little Nature Ambassador Programme.

[1] World Economic Forum, 2020, Burning Planet: Climate Fires and Political Flame Wars Rage <https://www.weforum.org/press/2020/01/burning-planet-climate-fires-and-political-flame-wars-rage>.

Corporate Sustainability

# Empowering Our People

We are motivated to create a working context where people thrive and talents are well-developed. Ultimately, we aim to foster a culture that empowers employees to create shared value for different stakeholders and prepares our team for the future of work.

## Grooming an Innovative and Resilient Workforce

We are committed to supporting our people to realise their career ambitions. We welcome talents that are entrepreneurial and demonstrate a growth mindset. Aspiring to become the employer of choice, we invest in training and development to build a productive and future-ready workforce.

**Key talent attraction initiatives in FY2020:**

- A. Entrepreneur Park held in Guangzhou engaged about 90 entrepreneurs on the topics of wellness, sustainability and shared value and drove potential synergies and collaborations between these entrepreneurs and the Group.
- New World Group's first-ever Virtual Internship Programme 2020 during COVID-19 welcomed around 100 interns to join our virtual tours and e-learning during their onboarding journey.

**Key training initiatives in FY2020:**

- All employees are encouraged to join design thinking workshops, to promote a human-centric approach to understanding customers' unarticulated needs and generating new ideas beyond customers' expectation.
- E-learning platform is launched to cover all BUs of the Group. A total of 134 modules on themes such as corporate policies and guidelines (including ESG policy quizzes), business focus and productivity are offered. In the first year, around 88,000 courses were completed.
- Senior executives from major BUs joined our first Sustainability Forum in January 2020, Activating Change in A New World Order, to connect with experts on climate change.
- Over 10,000 employees in Hong Kong and Mainland China participated in a series of CSV and ESG training with additional strategy development sessions for senior executives.
- Briefings on SV2030 progress and climate resilience for the Sustainability Committee, as well as for relevant operation teams.
- NWCL organised its first workshop for some 200 department representatives across different regions in China to deepen their understanding of climate issues.

Employee appraisal is an essential part of sustainable employee development. Our key approaches include:

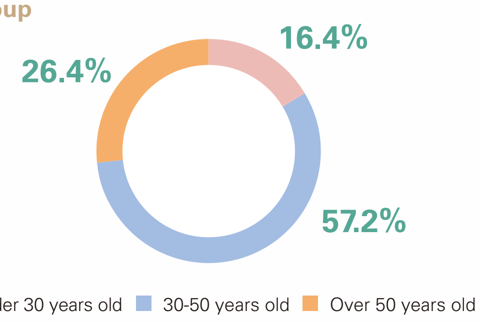
- Conducting a 360-degree evaluation of employees' core competencies.
- Evaluating line managers on their abilities to manage and lead team performance, to uphold our priority on talent grooming.
- Establishing SV2030 KPIs for the Group, departments and individual managerial employees. These KPIs include green targets, the number of sustainability events organised or attended, and other measurable goals and performance will be considered in year-end appraisal and bonus calculation.
- Establishing Objectives and Key Results ("OKR") for the Group and BUs to encourage employees to be ambitious and think about their long-term impact.

**MATERIAL TOPICS**

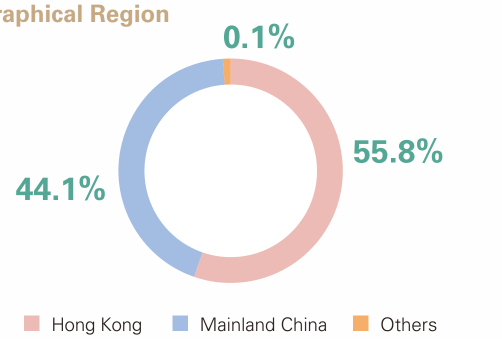
- Talent Management
- Innovation

### GROUP EMPLOYEE PROFILE

**Age Group**




**Geographical Region**




### AVERAGE TRAINING HOURS

18.9 hrs per employee (26% ↑ from last year)

| Male | Female |
|---|---|
| 17.8 hrs | 20.9 hrs |

| Management | Non-management |
|---|---|
| 19.4 hrs | 18.8 hrs |

**Sustainability-related training hours** 12,399 hrs

Moving forward, e-learning will be a key mode of training. To equip our employees with the mentality to overcome new challenges, we will launch a new initiative, "From Question to Innovation", which empowers employees to adopt a growth mindset, develop an inquisitive mind and find new solutions in a volatile business environment.

# Listing to the Needs of Employees

After a few years of promoting SV2030, our employees at different levels of responsibility, demonstrate an awareness of the Group's priority in sustainability and understand their input contributes to the greater good. Our success depends on them, and so we keep an open dialogue and try out new forms of engagement to nurture a sense of belonging and address their ever-changing needs.

**MATERIAL TOPICS**

- Employee Wellness* and Engagement

* Refer to the next page (p.83)

## KEY EMPLOYEE ENGAGEMENT INITIATIVES IN FY2020:

| | |
|---|---|
| Group Strategic Workshop – "New World Ecosystem Co-Creation @ GBA" | Over 300 senior executives exchanged ideas on the business strategy in the Greater Bay Area – the Group's core development location, on 12 September 2019. |
| CSV Cultivation Journeys | Across the Group, 200 ambassadors were recruited to propagate CSV as our corporate strategy. Up to 30 business visits have been organised since late 2019 to help employees understand this concept. Together with online activities, around 10,000 participants were engaged in FY2020. |
| New World Group Town Hall – "New World. New Growth" | Over 5,500 employees in Hong Kong and Mainland China joined and had an interactive dialogue with our CEO on 18 June 2020, to understand the latest strategic priorities in response to the challenging business environment due to COVID-19. Major BUs such as NWSH and K11 also held their town hall meetings to cascade the key messages after. |


Adrian Cheng shared the Group's strategic priorities during the New World Group Town Hall.

Employees participated in New World Group Town Hall from different office locations.

A culture of alertness is fostered across the Group through online and offline learning to encourage all corporate and frontline employees to communicate proactively on any potential issues, from operational risks to unsatisfactory customer service, or ways to improve the working environment.

We will conduct an employee satisfaction survey by the end of 2020 to understand the needs and expectations of employees to help the Group improve, for example, in the areas of company strategy, corporate culture and employee compensation and benefit. We will also continue to keep employees abreast of the Group's sustainability initiatives through e-newsletter, website and social media and support our employees to translate awareness into actions as we move forward with SV2030.

Empowering our people and developing their leadership skills will strengthen the resilience of our workforce. We believe in pursuing excellent performance by staying focused, aligned and ambitious.

# Putting Our Employees' Health First

Our employees are our greatest assets: their safety and well-being are our priority. We are committed to providing our employees with the safest working environment possible. Our Health and Safety Policy[1] outlines our approaches towards managing and monitoring health and safety risks. For the long-term, investing in initiatives that improve employees' health and well-being makes good business sense.

We closely monitor the impact of COVID-19 on our workforce to ensure business continuity and prioritise our people's health and well-being. A cornerstone of our approach to employees' health and well-being in these challenging times is to rely on innovation and knowledge-sharing to take people out of fear and uncertainty through different initiatives and measures.

**Lost-Time Injury Rate**[2] 1.7 (FY2020) VS 2.5 (FY2019)

## MATERIAL TOPICS

- Employee Wellness and Engagement
- Occupational Health and Safety

### COVID-19 Responses:

NWCON was the **1st Company** in Hong Kong to halt construction work for two weeks to protect employees and their families

**20,000 Protective Kits** distributed to employees in February 2020 as pandemic relief

### Key activities during COVID-19:

- Ongoing communication and information are given to employees regarding the Prevention of Pneumonia and Respiratory Infections since late December 2019.
- One of the first corporates in Hong Kong to implement flexible work arrangement in January 2020, install automated hand disinfectant at the workplaces, and distribute masks to all employees weekly since the first months of the outbreak.
- A mandatory health declaration form to monitor the health status of all employees daily was made available via our internal smart office app, and we extended its coverage to our visitors in April 2020.
- Online web conferencing tools are used to minimise the risk for our employees for meetings and visitors arrangements.
- Frequent disinfecting is conducted in high footfall areas such as public corridors, pantries and reception areas, whereas carpets and air filters were cleaned every two weeks to foster a healthy workplace.
- FTLife Insurance offers free medical insurance coverage to the Group's employees in Hong Kong and Macau offices until 31 December 2020.
- In places where food hygiene is a concern, such as NWDS' four branches of "New World Supermarket", enhanced precautionary measures have been taken, with all our employees required to wear masks and rubber gloves, as well as check their temperatures every four hours.

### Key employee wellness programmes in FY2020:

- Organised two well-being campaigns – Mindful New World and New World Group Well-being Challenge, which promote the mental and physical health of our colleagues through online meditation and fitness programme during social distancing.
- Hiking trips led by professional hiking coach and social worker to Kamikochi in Japan, Lau Shui Heung, Sai Kung and outlying islands in Hong Kong were organised by Humansa for the Group's colleagues to promote physical and mental health.
- NWSH offered "Workout within Limits" – a collaboration with OnBoard For Good. Professional fitness trainers were engaged to provide a series of eight office workouts (15 minutes each), via Zoom during office hours in April and May 2020 to promote employee wellness and health.
- Since 1 July 2019, medical benefits under an outpatient plan have been enhanced by increasing our medical insurance and dental scheme coverage.


A one-month online programme to encourage employees to keep up their fitness routines by exercising anywhere.

[1] Details are available on our Corporate Website – Sustainability > Sustainability Governance & Policies.
[2] Lost-time injury rate represents the number of injuries per 100 employees per year.

# Embracing a Diversified and Inclusive Workforce

Sustainable communities consider the needs of different stakeholders. For us to better address these needs, our workforce must understand different perspectives and bring unique values to our stakeholders. We also want our employees to feel respected and encouraged to grow in the workplace. This is why our Group strives to improve our workplace diversity and inclusion.

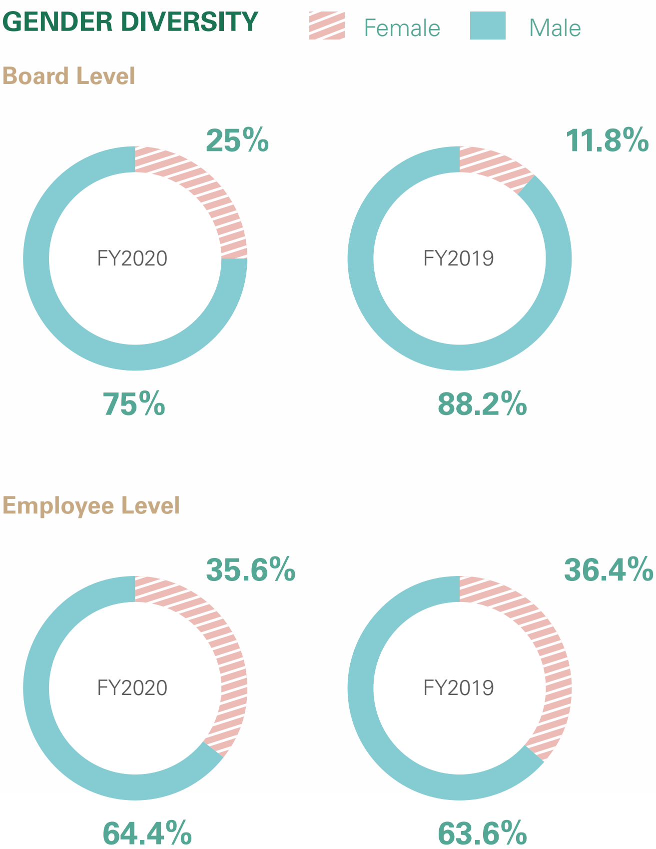
We are dedicated to recruiting talents from all races, backgrounds and experiences, irrespective of individual differences, such as gender, ethnicity, age, physical abilities, sexual preferences, family status, religion, or gender expression. Employees are also informed about our Human Rights Policy[1] and Whistleblowing Policy[1] for reporting relevant violation. We are one of the 12 diversified companies in Greater China to have signed the UNGC and the first real estate holding and development company in Hong Kong to endorse the UN-backed Women's Empowerment Principles and are committed to respecting and implementing the principles at all levels of our business. As at 30 June 2020, 35.6% of our workforce is female. With our ongoing commitment to empowering women's leadership, two new female executives joined the NWD board in May 2020, occupying 25% of the seats.

As a caring employer, we echoed the Employment (Amendment) Bill 2019 from the HKSAR Government, which highlights that mothers deserve extra time to recover and that fathers should look after their wives and new-borns. While we have introduced five-day full paid paternity leave in 2018 ahead of the statutory requirement, fully paid maternity leave has also been increased from ten to 14 weeks from FY2020 onwards.

## MATERIAL TOPICS

- Diversity and Equal Opportunities
- Human Rights and Grievance Mechanisms
- Corporate Governance

## GENDER DIVERSITY




[1] Details are available on our Corporate Website – Sustainability > Sustainability Governance & Policies.

# Influencing the Supply Chain

**MATERIAL TOPICS**
- Responsible Supply Chain Management
- Energy and Carbon Management
- Occupational Health and Safety
- Bribery and Corruption

Through a proactive and standardised supply chain management approach, we ensure ESG considerations are applied fairly and consistently at different stages. As construction remains a core business to our ecosystem, we manage its related risks with a higher level of attention through policies, training and management frameworks. The Group's Sustainability Policy, Sustainable Procurement Policy and Supplier Code of Conduct ("SCoC") are the overarching policies to standardise our practices. During FY2020, we focused on responsible sourcing and established the data infrastructure required for SBT setting by communicating with construction suppliers closely. In addition, we implemented responsible sourcing and green procurement.

## Key Initiatives in FY2020

### BUILDING CAPACITY FOR SUSTAINABLE CONSTRUCTION PROJECT MANAGEMENT

Throughout FY2020, NWCON and Hip Hing continued to successfully implement the internationally recognised systems for quality, environmental, energy and occupational health and safety, certified in accordance with ISO 9001, ISO 14001, ISO 50001 and OHSAS 18001. We encourage more suppliers and contractors to seek these certification to safeguard the health and well-being of all our stakeholders, as well as the environment.

NWCON and Hip Hing conducted annual assessments of all their critical suppliers and contractors on health, safety, environmental and other governance aspects. Assessment parameters include environmental impact reduction, fatalities, working conditions of factories, anti-bribery and corruption, and prohibition of child labour and other types of illegal labour. In case of non-compliance, corrective actions are required to be duly implemented. Recurring cases of non-compliance are subject to further actions including suspension from work and tender invitations and re-evaluation of supplier status.

To strengthen ESG awareness and integration throughout the Group's supply chain, a series of training has been rolled out in June 2020 across all seven active construction sites under NWCON. Approximately 1,000 subcontractor workers attended the training to learn about key ESG issues and policies including anti-corruption, human rights, whistleblowing and other topics within the SCoC.

### MINIMISING ENVIRONMENTAL IMPACTS THROUGH SUSTAINABLE PROCUREMENT

Starting in FY2020, we imposed explicit requirements to source printing and copying paper certified by the Forest Stewardship Council ("FSC"). All of the temporary wood used by NWCON and all wood used by Hip Hing is either certified by FSC or Program for the Endorsement of Forest Certification Schemes ("PEFC"). All of thermal insulation and fire retardant materials sourced by NWCON have zero ozone-depleting potential, and are free of CFC and HCFC, which minimises climate change impacts. Currently, Hip Hing uses 93.3% biodiesel onsite to reduce their emissions. Additionally, both NWCON and Hip Hing have adopted the Novade system to digitalise construction project management processes, from Environment, Health and Safety ("EHS") management, progress reporting, quality control to documentation maintenance, which results in paper reduction. NWD's central procurement obtained a Level 2 certification from the Hong Kong Green Council's Sustainable Procurement Charter – with reference to ISO 20400 for their practices applied to office supplies purchases.

### TRACKING EMBODIED CARBON AND COMMITTING TO SBT

We will continue to deepen our efforts to decarbonise construction activities. Embodied carbon from construction materials is one of the major sources of our Group's Scope 3 emissions. Moving towards SBT, we will track and reduce embodied carbon. During FY2020, six construction projects under NWCON have joined a pilot project using the Construction Industry Council ("CIC") Carbon Assessment Tool to track their embodied carbon. Through this exercise, we have liaised with our supply chain partners and other industry peers, contributing to the local construction industry benchmarking data pool and carbon emissions reduction from building lifecycle with collaborative efforts.

## Future Plans and Ongoing Measures

- Further standardise our supply chain management practices across Hong Kong and Mainland China and especially those related to construction activities.
- Start to track Scope 3 embodied carbon data from our construction projects in Hong Kong (through CIC Carbon Assessment Tool) and Mainland China (follow the Chinese Construction Industry Carbon Emission Calculation Standard (GBT 51366-2019)) in preparation for setting SBT.
- Roll out ESG training for Mainland China construction activities to help colleagues and suppliers better understand their professional responsibilities and rights as outlined in the Group's SCoC and ESG policies.

# Caring for the Customers

Voices of customers are our core drivers of innovation and product development under fast-changing market conditions. In particular, we focus on a few customer-related areas – their well-being, how we engage and educate them, their data privacy and our product responsibility.

## Promoting Customer Well-being with a Healthy Environment

**MATERIAL TOPICS**

- Customer Wellness, Health and Safety
- Ageing Population

SV2030 prioritises wellness as one of its four pillars given the connection between the holistic well-being of individuals, a healthy environment and a healthy community. In FY2020, we launched our first WELL Certified™ Platinum building, K11 ATELIER King's Road. The project has utilised a multi-stage air filtration system (including MERV[1] 14) to maintain top indoor air quality for the health of building occupants. K11 ATELIER King's Road also has a sky garden with a jogging trail to promote an active lifestyle. Each office floor of the project has a nursing room to provide for the needs and protect the privacy of working mothers. Through K11 ATELIER ACADEMY, the project offers group fitness and mindfulness activities to all tenants. Similarly, K11 KULTURE ACADEMY engages retail customers in shopping malls through group activities that promote their overall well-being and foster a sustainable community.

**COVID-19 Responses:**

- K11 MUSEA – implemented hourly disinfection of high-touch surfaces and public facilities; customers receiving hand sanitisers and employees wearing masks during operating hours.
- Humansa – introduced an exclusive Japan-patented Nano Titanium Photocatalytic Coating service for indoor service areas, which is proven to be harmless to humans and can kill 99.99% of viruses and bacteria, remove odour and stay effective for over one year. It has been widely adopted by the Group's properties in Hong Kong. Humansa also activated emergency response level at the early stage of COVID-19 in all of its elderly homes and substituted physical visits by family members with video calls.
- NWDS – carried out frequent disinfection at every corner, entry and shopping trolley to ensure customers are protected.

## Online-to-Offline ("O2O") Customer Engagement and Education

**MATERIAL TOPICS**

- Customer and Tenant Engagement
- Innovation

While public transit was restricted in Mainland China during the early 2020 pandemic, K11 developed a digital platform, K11 Go, to adapt to the new normal within a month. K11 Go offers a seamless digital shopping experience for more than one million KLUB 11 Mainland members and creates additional revenue channels through multimedia content and membership privileges to support our tenants, all consolidated within a WeChat mini-application. The platform will continue to be upgraded to deliver an "online to offline to online" user experience. For both Hong Kong and Mainland China, virtual reality was introduced to support K11 office and mall leasing, shopping and exhibitions. In these ways, innovation has enabled us to stay connected with our customers.

Through the following initiatives, we continue to expand our educational and sustainable lifestyle offerings for different generations:

**Education business**
**>500,000**
stakeholders[2]

| | |
|---|---|
| K11 KULTURE ACADEMY | Offers courses and workshops to the general public to cultivate lifelong learning in culture and art. During the year, 70,354 participants were recorded, including online viewership. |
| K11 ATELIER ACADEMY | Offered to K11 ATELIER office tenants, programmes that promote work-life integration, wellness and cultural activities. During the year, 18,117 participants were recorded, including online viewership. |
| Nature Discovery Park, K11 MUSEA | Offers guided green tours, workshops and urban farming experiences to raise awareness among the general public of Hong Kong's ecological importance, rich urban biodiversity and to promote a sustainable lifestyle. During the year, 26,000 visitors were recorded. |
| D Mind Education | Launched "D Mind & the Prince" – an English learning programme for children aged 0 to 6 which helps parents to build an immersive learning environment for their children to acquire the language. |
| Donut and Ah Meow | Aims to promote fun learning through storytelling, it introduced an animation series on the English language and science exploration to help children learn from home during the pandemic. |

1 MERV: Minimum Efficiency Reporting Values is derived from a test method developed by the ASHRAE.
2 Cumulative number from baseline year FY2015 to FY2020 covering the Sustainability Reporting Scope.

## A Mechanism to Uphold Product Responsibility and Data Privacy

Upholding product responsibility, quality delivery of our services and products, and respecting the privacy of our customers helps us build trusting relationships. We protect the rights and well-being of our customers with our quality assurance and recall processes. We regularly gauge our customer satisfaction across our operations through, for example, surveys and mystery shoppers. Our operation teams have established policies and mechanisms to ensure accurate and complete information on our products and services. Employees concerned from, for example, sales and marketing, retail and digital marketing functions, have attended training about responsible marketing and advertising practices as well. Additionally, internal audit would be performed on businesses related to responsible marketing. Hong Kong K11 Art Mall and New World Tower have adopted the ISO 10002 certified procedures to handle customer complaints. We have designated personnel, policies and procedures as well as regular training to uphold data privacy. We have set the procedures to protect and handle proprietary information and intellectual property rights. Cybersecurity measures are introduced gradually to raise employee awareness and strengthen our digital infrastructure. We comply with data privacy laws and regulations and have zero complaints relating to customer data privacy.

### Engaging Tenants on Sustainable Practices and Lifestyle

With a fast-growing portfolio of investment properties in Greater China, sharing sustainable practices with tenants is becoming a higher priority.

Since K11 launched the Sustainable Tenancy Pledge (the "Pledge") in Hong Kong in FY2019 to help tenants track their energy usage, save costs and reduce wastage from fitting-out to operation, a mix of office and retail tenants including F&B tenants have joined the Pledge. At K11 MUSEA, the Pledge supported two retail tenants with planning sustainable operations, and commended their sustainability achievements by facilitating their LEED® certifications. While at K11 ATELIER Victoria Dockside, our anchor tenant was the first onboard to install smart energy meters to further analyse the usage of electricity in different areas of their offices. Within six months after installation, they are on track to save HK$6,000 per year in electricity bills and have engaged 10% of their employees to participate in energy-saving actions. These positive outcomes will prepare us for green lease discussion with our tenants.

**MATERIAL TOPICS**

- Customer and Tenant Engagement
- Energy and Carbon Management
- Waste Disposal and Recycling
- Customer Wellness, Health and Safety

**K11 Sustainable Tenancy Pledge**

**25** pledged tenants

**96%** satisfied tenants

100% surveyed and responded at K11 ATELIER Victoria Dockside

A new initiative, Nework, was launched in New World Tower in Hong Kong as a platform to enhance the experience of tenants. Through an app, tenants can book or access a series of value-added facilities such as exclusive common space, nursing rooms and lunch box vending machines. More than 1,000 uses of nursing rooms were recorded since their launch in late 2019, and 14 tenant events were held during the year.

Market uncertainties, as well as the global pandemic, are expected to burden our business as well as our tenants. By prioritising innovative solutions, we hope to stay engaged with our tenants and customers, raise their awareness of driving sustainable business models and improve their well-being. With the initial success of various tenant engagement initiatives, we plan to extend these offerings to more tenants and customers in Greater China.

# Fostering Sustainable Communities

We actively discover, empower and connect with untapped talents and resources in the community through partnerships to build a better society.

**MATERIAL TOPICS**
- Community Development and Engagement
- Community Wellness
- Innovation

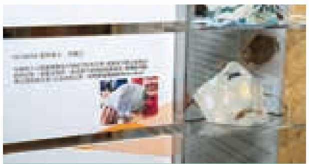
## Unveiling Potential to Nurture Communities

The Group leverages partnerships with different community organisations to serve the diverse needs of stakeholders.

**Community/Employee Programmes & Events**

>800,000 stakeholders[1]

### KEY COMMUNITY ADVANCEMENT AND ENGAGEMENT INITIATIVES IN FY2020:

| Initiative | Theme | Impact |
|---|---|---|
| #LoveWithoutBorders | A shared support platform that brings love to those in need and shares resources with local communities amidst the COVID-19 pandemic | • Over two million face masks donated to partners and local communities in South Korea, France, Italy and the United Kingdom<br>• First pandemic relief fund by a Hong Kong blue-chip company of HK$10 million to support local communities<br>• Producing 400,000 face masks a week in Hong Kong<br>• Set up the first "Mask To Go" dispensers aiming to benefit over 40,000 beneficiaries across 18 districts in Hong Kong<br>• Over 10,000 preventative kits containing face masks, hand sanitiser gels and disinfecting wipes distributed to low-income families in Hong Kong<br>Please read p.66–67 for details. |
| K11 Love Power Campaign | A nation-wide campaign in Mainland China to provide customers health consultation by phone, activities to improve their mental well-being, as well as access to healthcare supplies during COVID-19 | • Over RMB5 million and 200,000 face masks were donated and over 200,000 customers engaged |
| THE FOREST x Sew On Studio Mask Exhibition | THE FOREST, a shopping mall in Hong Kong, partnered with Sew on Studio, a social enterprise which supports young designers and women to find second employment, to host a reusable cloth mask exhibition | • 54 designers engaged<br>• 22 unemployed women deployed for sewing works<br>• 927 reusable cloth masks redeemed<br><br>THE FOREST reusable cloth mask exhibition. |
| OnBoard For Good | Empowers Hong Kong retired athletes to develop their second careers in the business field | • 4 athletes' startups incubated<br>• 80 job matches (14 full-time and 66 part-time)<br>• 38 internships and job shadowing opportunities<br>• Over 3,300 attendance |
| New World Spring-board Programme | Continues to improve the social mobility of students from under-resourced families while helping teenage beneficiaries plan their future careers in addition to providing sports training | Cumulative impact since the programme launched in 2012:<br>• 2,600 student beneficiaries<br>• 359,000 training hours |
| NWSH Catch Your 5** Programme | Collaborated with The Salvation Army and Dustykid to arouse public awareness to the Special Education Needs ("SEN") children | • 329 beneficiaries<br>• Provided non-academic training to SEN children<br>• Parents supporting groups formed in Chai Wan and Lung Hang areas of Hong Kong |

[1] Cumulative number from baseline year FY2015 to FY2020 covering the Sustainability Reporting Scope.

The Group continues to expand our volunteering services across Mainland China. New chapters of NWS Volunteer Alliance were set up in Guangzhou, Hangzhou and Changsha in December 2019. In FY2020, more than 28,000 volunteering hours were recorded across the Group.

## Activating Change in Society

Recognising the increasing expectations for the private sector to lead change, we forge partnerships with local and international organisations across sectors to help them scale and identify innovative solutions to drive sustainable development via our daily operations.

Eureka Nova, our Group's startup incubator, launched two accelerator programmes last year. First, by working with our tenant Mizuho Bank, Mizuho Crowd Brain Accelerator was launched to groom 25 startups in fintech, insurance, wellness and other innovative sectors, and offer opportunities to integrate with Mizuho Bank's clients and our Group.

Eureka Nova and the Group Sustainability Department also co-founded Impact Kommons, Hong Kong's first UN SDG-focused accelerator, to help high potential startups align their business models to the four UN SDGs endorsed by our Group, as well as gain access to Business-to-Business ("B2B") partnerships with our BUs and exclusive introductions to investors. The programme selected five startups (listed below) from over 50 global applications and offered eight weeks of intensive workshops, mentorship and consultation.

| | |
|---|---|
| AESIR | Supports the learning of children with SEN through mixed reality technologies |
| Catalyser | Provides software for employers to manage their community activities and report on their social impact |
| En-trak | Develops Internet of Things ("IoT") solutions for commercial buildings to improve energy efficiency |
| Lify Wellness | Offers the Smart Wellness Beverage Ecosystem – a personalised recommendation supported by IoT and Artificial Intelligence technology |
| Urban Spring | Reduces the consumption of single-use plastic bottle by installing its Well (井), a smart water station |

Impact Kommons fostered initiatives in contribution to the UN SDGs and realised business integrations across our ecosystem with each of the startups, resulting in seven successful projects, including a pilot of En-trak's building efficiency technology for engaging tenants, wellness workshops and product consignment by Lify Wellness and education programme co-development between AESIR and Nature Discovery Park at K11 MUSEA.

In January 2020, Culture for Tomorrow, our Group's non-profit organisation which actualises design and architectural innovation, presented the Sustainability Forum, which convened 30 business leaders to inspire and build knowledge capital on sustainable impact through cross-sector and cross-generational dialogues. As a new member to WBCSD, the event featured her President & CEO Peter Bakker as keynote speaker and different panel discussions aiming to rethink cities, redefine cultures and communities, and realign finance and technology for the purpose. Following the forum, young changemakers in Hong Kong have partnered with Nature Discovery Park and K11 MUSEA to promote sustainable living in the community. We also joined WBCSD projects to exchange industry experience in decarbonising the built environment and gain insights into circular economy standard development.

We see ourselves as part of the global movement to drive systemic change and do so by forming partnerships aligned to SV2030 and our business priorities. Please visit our sustainability website for all of our public commitments and membership.


Sustainability Forum held at HACC – a multipurpose art and cultural space at K11 ATELIER King's Road.

## Embracing Art and Culture

It is equally important to preserve fast-disappearing cultural heritage as it is to incubate young artists and popularise art to the community.

Through its pioneering blend of three core values of Art • People • Nature, K11's products and services are rooted in showcasing local and international emerging artists and allowing the public to appreciate art and culture during their customer journey through, for example, connecting artworks with mall merchandise or decoration. These are facilitated by the organisations below:

| Organisation | Highlights | Impact |
|---|---|---|
| **K11 Art Foundation** | Incubates young contemporary artists and promotes public art education in Greater China. Several exhibitions have been hosted.<br>Co-organised "Carbon's Casualties" – a climate-themed photography exhibition with The New York Times and launched "Disruptive Matter" (a circular economy themed art exhibition) in Hong Kong | • 641 cumulative number of artists/curators supported since 2013<br>• 1,170 exhibition visitors<br>• About 1,000 visits in the virtual tour online |
| **K11 Craft & Guild Foundation** | Asia's first and unique creative platform to conserve and rejuvenate fast-disappearing Chinese craftsmanship.<br>An exhibition was hosted to display two types of antique crafts: *baibaoqian* (semi-precious stone inlays) and *guangcai* (Canton enamel porcelains). | • 10 craftsmen supported since 2018<br>• HK$1.1 million of donation received<br>• HK$2.6 million of craftwork sales through K11 platforms |

# Content Index for Reporting Guidelines

This Report has been prepared in accordance with the GRI Standards: Core option and complies with all "Comply or Explain" provisions on General Disclosures ("GD") and environmental KPIs of HKEx ESG Reporting Guide.

During the reporting period, there were no confirmed non-compliance incidents or grievances about environmental protection or anti-corruption that would have a significant impact on the Group.

| GRI Indicator | HKEx ESG Guide | Description | References and Remarks |
|---|---|---|---|
| **GRI 102: General Disclosures 2016** | | | |
| **Organisational Profile** | | | |
| 102-1 | | Name of the organisation | • Sections "Corporate Information" and "Management Discussion and Analysis" (p.124, 150–160)<br>• "Principal Subsidiaries", "Principal Joint Ventures" and "Principal Associated Companies" under section "Notes to the Financial Statements" contain information about our principal activities (p.282–298)<br>• Section "Principal Projects Summary" provides information on quantity of products and services provided including major property development and investment projects in Hong Kong and Mainland China, hotels and infrastructure projects (p.301–315). |
| 102-2 | | Activities, brands, products and services | |
| 102-3 | | Location of headquarters | |
| 102-4 | | Location of operations | |
| 102-5 | | Ownership and legal form | |
| 102-6 | | Markets served | |
| 102-7 | | Scale of the organisation | • Sections "Financial Highlights", "CEO's Report" and "Management Discussion and Analysis" contain information on segment revenues, group capitalisation and vacancy rates (p.25, 28–43, 150–160)<br>• Section "Principal Projects Summary" provides information on major property development and investment projects in Hong Kong and Mainland China, hotels and infrastructure projects (p.301–315). |
| 102-8 | KPI B1.1 | Information on employees and other workers | • Empowering Our People (p.81)<br>• Corporate Website – Sustainability > Performance & Reporting |
| 102-9 | | Supply chain | • Influencing the Supply Chain (p.85) |
| 102-10 | | Significant changes to the organisation and its supply chain | • Influencing the Supply Chain (p.85)<br>• Sections "CEO's Report", "Report of the Directors" and "Management Discussion and Analysis" contain information about changes in operations and share capital in the. Data on significant changes in the supply chain is not available (p.28–43, 125–160). |
| 102-11 | | Precautionary Principle or approach | • Sustainability Governance (p.68–71) |
| 102-12 | | External initiatives | • Major Achievements and ESG Highlights (p.61) |
| 102-13 | | Membership of associations | • Corporate Website – Sustainability > Performance & Reporting |
| **Strategy** | | | |
| 102-14 | | Statement from senior decision-maker | • Message from Management (p.59) |
| 102-15 | | Key impacts, risks, and opportunities | • Sustainability Governance (p.68–71)<br>• Section "Corporate Governance Report" (p.110–119) |
| **Ethics and Integrity** | | | |
| 102-16 | | Values, principles, standards, and norms of behaviour | • Message from Management (p.59) |
| **Governance** | | | |
| 102-18 | | Governance structure | • Sustainability Governance (p.68) |

| GRI Indicator | HKEx ESG Guide | Description | References and Remarks |
|---|---|---|---|
| **Stakeholder Engagement** | | | |
| 102-40 | | List of stakeholder groups | • Sustainability Governance (p.69) |
| 102-41 | | Collective bargaining agreements | • Within the scope of the Report, none of our employees are covered by collective bargaining agreements. |
| 102-42 | | Identifying and selecting stakeholders | • Sustainability Governance (p.68–71) |
| 102-43 | | Approach to stakeholder engagement | |
| 102-44 | | Key topics and concerns raised | • Message from Management (p.59)<br>• Sustainability Governance (p.70–71) |
| **Reporting Practice** | | | |
| 102-45 | | Entities included in the consolidated financial statements | • "Principal Subsidiaries", "Principal Joint Ventures", "Principal Associated Companies" under section "Notes to the Financial Statements" (p.282-298) |
| 102-46 | | Defining report content and topic Boundaries | • About This Section (p.58) |
| 102-47 | | List of material topics | • Sustainability Governance (p.70–71) |
| 102-48 | | Restatements of information | • Corporate Website – Sustainability > Performance & Reporting |
| 102-49 | | Changes in reporting | • About This Section (p.58)<br>• Corporate Website – Sustainability > Performance & Reporting |
| 102-50 | | Reporting period | • About This Section (p.58) |
| 102-51 | | Date of most recent report | • Sustainability Report 2019 was published in December 2019. |
| 102-52 | | Reporting cycle | • The report is published on an annual basis. |
| 102-53 | | Contact point for questions regarding the report | • About This Section (p.58) |
| 102-54 | | Claims of reporting in accordance with the GRI Standards | |
| 102-55 | | GRI content index | • Content Index for Reporting Guidelines (p.90–95) |
| 102-56 | | External assurance | • About This Section (p.58)<br>• Verification Statement (p.96–97) |

## Material Topics

| | | | |
|---|---|---|---|
| **Economic Performance** | | | |
| **GRI 103: Management Approach 2016** | | | |
| 103-1 | | Explanation of the material topic and its boundary | • Message from Management (p.59)<br>• Sustainability Governance (p.69–71) |
| 103-2 | | The management approach and its components | |
| 103-3 | | Evaluation of the management approach | |
| **GRI 201: Economic Performance 2016** | | | |
| 201-1 | | Direct economic value generated and distributed | • Section "Consolidated Income Statement" (p.170) |
| **Indirect Economic Impacts** | | | |
| **GRI 103: Management Approach 2016** | | | |
| 103-1 | | Explanation of the material topic and its boundary | • Sustainability Governance (p.69–71) |
| 103-2 | | The management approach and its components | |
| 103-3 | | Evaluation of the management approach | |
| **GRI 203: Indirect Economic Impacts 2016** | | | |
| 203-1 | | Infrastructure investments and services supported | • New World Ecosystem & Sustainable Property Lifecycle (p.62–63) |

| GRI Indicator | HKEx ESG Guide | Description | References and Remarks |
|---|---|---|---|
| **Anti-corruption** | | | |
| **GRI 103: Management Approach 2016** | | | |
| 103-1 | | Explanation of the material topic and its Boundary | • Sustainability Governance (p.69–71)<br>The Group had zero concluded legal cases regarding corrupt practices brought against the Group or its employees during the reporting period. |
| 103-2 | GD-B7 | The management approach and its components | |
| 103-3 | KPI B7.1 | Evaluation of the management approach | |
| **GRI 205: Anti-corruption 2016** | | | |
| 205-1 | KPI B7.2 | Operations assessed for risks related to corruption | • Sustainability Governance (p.69–71)<br>• Empowering Our People (p.81) |
| | KPI B7.3 | Description of anti-corruption training | |

## Environmental Performance

| GRI Indicator | HKEx ESG Guide | Description | References and Remarks |
|---|---|---|---|
| **Materials Use** | | | |
| **GRI 103: Management Approach 2016** | | | |
| 103-1 | | Explanation of the material topic and its boundary | • Sustainability Governance (p.69–71)<br>• Safeguarding the Environment (p.79) |
| 103-2 | GD-A2 | The management approach and its components | |
| 103-3 | | Evaluation of the management approach | |
| **GRI 301: Materials 2016** | | | |
| 301-1 | KPI A2.5 | Materials used by weight or volume | • Corporate Website – Sustainability > Performance & Reporting<br>• Packaging materials were not considered material for the Group's businesses hence such data are not disclosed. |
| **Energy** | | | |
| **GRI 103: Management Approach 2016** | | | |
| 103-1 | | Explanation of the material topic and its boundary | • Sustainability Governance (p.69–71)<br>• Safeguarding the Environment (p.75) |
| 103-2 | GD-A2 | The management approach and its components | |
| 103-3 | KPI A2.3 | Evaluation of the management approach | |
| **GRI 302: Energy 2016** | | | |
| 302-1 | KPI A2.1 | Energy consumption within the organisation | • Safeguarding the Environment (p.75)<br>• Corporate Website – Sustainability > Performance & Reporting |
| **Water and Effluents** | | | |
| **GRI 103: Management Approach 2016** | | | |
| 103-1 | | Explanation of the material topic and its boundary | • Sustainability Governance (p.69–71)<br>• Safeguarding the Environment (p.78) |
| 103-2 | GD-A2 | The management approach and its components | |
| 103-3 | | Evaluation of the management approach | |
| **GRI 303: Water and Effluents 2018** | | | |
| 303-1 | KPI A2.2 | Water consumption | • Safeguarding the Environment (p.78)<br>• Corporate Website – Sustainability > Performance & Reporting |
| | KPI A2.4 | Issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved | |

| GRI Indicator | HKEx ESG Guide | Description | References and Remarks |
|---|---|---|---|
| **Emissions** | | | |
| **GRI 103: Management Approach 2016** | | | |
| 103-1 | | Explanation of the material topic and its boundary | • Sustainability Governance (p.69–71)<br>• Safeguarding the Environment (p.75–77)<br>There were no confirmed instances of non-compliances or grievances during the reporting period. |
| 103-2 | GD-A1 | The management approach and its components | |
| 103-3 | | Evaluation of the management approach | |
| **GRI 305: Emissions 2016** | | | |
| 305-1 | KPI A1.2 | Direct (Scope 1) GHG emissions | • Safeguarding the Environment (p.75–76)<br>• Corporate Website – Sustainability > Performance & Reporting |
| 305-2 | KPI A1.2 | Indirect (Scope 2) GHG emissions | |
| 305-5 | KPI A1.5 | Reduction of GHG emissions | |
| 305-7 | KPI A1.1 | Nitrogen oxides ($NO_X$), Sulphur oxides ($SO_X$), and other significant air emissions | |
| **Waste** | | | |
| **GRI 103: Management Approach 2016** | | | |
| 103-1 | | Explanation of the material topic and its boundary | • Sustainability Governance (p.69–71)<br>• Safeguarding the Environment (p.79)<br>There were no confirmed instances of non-compliances or grievances during the reporting period. |
| 103-2 | GD-A1 | The management approach and its components | |
| 103-3 | | Evaluation of the management approach | |
| **GRI 306: Effluents and Waste 2016** | | | |
| 306-2 | KPI A1.3 & A1.4 | Waste by type and disposal method | • Safeguarding the Environment (p.79)<br>• Corporate Website – Sustainability > Performance & Reporting |
| | KPI A1.6 | Reduction of waste | |
| **Environmental Compliance** | | | |
| **GRI 103: Management Approach 2016** | | | |
| 103-1 | | Explanation of the material topic and its boundary | • Sustainability Governance (p.69–71)<br>• Safeguarding the Environment (p.74–80) |
| 103-2 | GD-A3 & KPI A3.1 | The management approach and its components | |
| 103-3 | | Evaluation of the management approach | |
| **GRI 307: Environmental Compliance 2016** | | | |
| 307-1 | GD-A1 | Non-compliance with environmental laws and regulations | There were no significant fines or sanctions for non-compliance with laws and regulations during the reporting period. |
| **Supplier Environmental Assessment** | | | |
| **GRI 103: Management Approach 2016** | | | |
| 103-1 | | Explanation of the material topic and its boundary | • Sustainability Governance (p.69–71)<br>• Influencing the Supply Chain (p.85) |
| 103-2 | GD-B5 | The management approach and its components | |
| 103-3 | | Evaluation of the management approach | |
| **GRI 308: Supplier Environmental Assessment 2016** | | | |
| 308-1 | KPI B5.2, B5.3 & B5.4 | New suppliers that were screened using environmental criteria | • Influencing the Supply Chain (p.85) |
| **Climate Change** | | | |
| | GD-A4 | Identification and mitigation of significant climate-related issues | • Sustainability Governance (p.71)<br>• Safeguarding the Environment (p.74–78) |
| | KPI A4.1 | Significant climate-related issues | |

## Social Performance

| | | | |
|---|---|---|---|
| **Employment** | | | |
| **GRI 103: Management Approach 2016** | | | |
| 103-1 | | Explanation of the material topic and its boundary | • Sustainability Governance (p.69–71)<br>• Empowering Our People (p.82)<br>There were eight non-compliance and 14 grievance cases during the reporting period. |
| 103-2 | GD-B1 | The management approach and its components | |
| 103-3 | | Evaluation of the management approach | |
| **GRI 401: Employment 2016** | | | |
| 401-1 | KPI B1.2 | New employee hires and employee turnover | • Corporate Website – Sustainability > Performance & Reporting |
| **Occupational Health and Safety** | | | |
| **GRI 103: Management Approach 2016** | | | |
| 103-1 | | Explanation of the material topic and its boundary | • Sustainability Governance (p.69–71)<br>• Empowering Our People (p.83) |
| 103-2 | GD-B2 | The management approach and its components | |
| 103-3 | | Evaluation of the management approach | |
| **GRI 403: Occupational Health and Safety 2018** | | | |
| 403-1 | KPI B2.3 | Occupational health and safety management system | • Empowering Our People (p.83)<br>• Influencing the Supply Chain (p.85) |
| 403-3 | | Occupational health services | |
| 403-4 | | Worker participation, consultation, and communication on occupational health and safety | |
| 403-5 | | Worker training on occupational health and safety | |
| 403-6 | | Promotion of worker health | |
| 403-7 | | Prevention and mitigation of occupational health and safety impacts | • Influencing the Supply Chain (p.85) |
| 403-9 | KPI B2.1, B2.2 & B2.3 | Work-related injuries | • Empowering Our People (p.83)<br>• Influencing the Supply Chain (p.85)<br>• Corporate Website – Sustainability > Performance & Reporting |
| **Training and Education** | | | |
| **GRI 103: Management Approach 2016** | | | |
| 103-1 | | Explanation of the material topic and its boundary | • Sustainability Governance (p.69–71)<br>• Empowering Our People (p.81) |
| 103-2 | GD-B3 | The management approach and its components | |
| 103-3 | | Evaluation of the management approach | |
| **GRI 404: Training and Education 2016** | | | |
| 404-1 | KPI B3.2 | Average hours of training per year per employee | • Empowering Our People (p.81)<br>• Corporate Website – Sustainability > Performance & Reporting |
| 404-3 | | Percentage of employees receiving regular performance and career development reviews | |
| **Non-discrimination** | | | |
| **GRI 103: Management Approach 2016** | | | |
| 103-1 | | Explanation of the material topic and its boundary | • Sustainability Governance (p.69–71) |
| 103-2 | GD-B1 | The management approach and its components | |
| 103-3 | | Evaluation of the management approach | |

| GRI Indicator | HKEx ESG Guide | Description | References and Remarks |
|---|---|---|---|
| **GRI 406: Non-discrimination 2016** | | | |
| 406-1 | GD-B1 | Incidents of discrimination and corrective actions taken | There were no confirmed instances of non-compliances or grievances during the reporting period. |
| **Labour Standards** | | | |
| | GD-B4 | Policies and compliance on child and forced labour | • Sustainability Governance (p.69–71)<br>• Influencing the Supply Chain (p.85)<br>There were no confirmed instances of non-compliances or grievances during the reporting period. |
| | KPI B4.1 | Measures to review employment practices to avoid child and forced labour | • Influencing the Supply Chain (p.85) |
| | KPI B4.2 | Steps taken to eliminate such practices when discovered | |
| **Community Investment** | | | |
| | GD-B8, KPI B8.1 & B8.2 | Focus areas of contribution and resources contributed | • Fostering Sustainable Communities (p.88–89) |
| **Supplier Social Assessment** | | | |
| **GRI 103: Management Approach 2016** | | | |
| 103-1 | | Explanation of the material topic and its boundary | • Sustainability Governance (p.69–71)<br>• Influencing the Supply Chain (p.85) |
| 103-2 | GD-B5 | The management approach and its components | |
| 103-3 | | Evaluation of the management approach | |
| **GRI 414: Supplier Social Assessment 2016** | | | |
| 414-1 | KPI B5.2 & B5.3 | New suppliers that were screened using social criteria | • Influencing the Supply Chain (p.85) |
| **Customer Health and Safety** | | | |
| **GRI 103: Management Approach 2016** | | | |
| 103-1 | | Explanation of the material topic and its boundary | • Sustainability Governance (p.69–71)<br>• Caring for the Customers (p.86–87)<br>There were two non-compliance cases during the reporting period. |
| 103-2 | GD-B6 | The management approach and its components | |
| 103-3 | | Evaluation of the management approach | |
| **GRI 416: Customer Health & Safety 2016** | | | |
| 416-1 | | Assessment of the health and safety impacts of products and service categories | • Caring for the Customers (p.86–87) |
| **Customer Privacy** | | | |
| **GRI 103: Management Approach 2016** | | | |
| 103-1 | | Explanation of the material topic and its boundary | • Sustainability Governance (p.69–71) |
| 103-2 | KPI B6.5 | The management approach and its components | |
| 103-3 | | Evaluation of the management approach | |
| **GRI 418: Customer Privacy** | | | |
| 418-1 | KPI B6.2 | Substantiated complaints concerning breaches of customer privacy and loss of customer data | There were no confirmed substantiated complaints or losses of customer data during the reporting period. |
| **Product Responsibility** | | | |
| | KPI B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons | • Caring for the Customers (p.87)<br>We were not made aware of any recall of products for health and safety reasons that have a significant impact on the Group during the reporting period. |
| | KPI B6.3 | Practices relating to observing and protecting intellectual property rights | |
| | KPI B6.4 | Quality assurance process and recall procedures | |

# Verification Statement – Corporate Sustainability Report

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

## Scope and Objectives

Hong Kong Quality Assurance Agency ("HKQAA") performed a limited assurance engagement on the sustainability disclosures stated in the Corporate Sustainability section of Annual Report 2020 of New World Development Company Limited ("NWD") and the supplementary information on NWD's website under the sustainability section (collectively "The Report") for the period from 1st July 2019 to 30th June 2020.

The Report has been prepared in accordance with the Global Reporting Initiative Sustainability Reporting Standards ("GRI Standards") – Core option and the requirements stipulated in the latest Environmental, Social and Governance Reporting Guide ("ESG Reporting Guide") set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("HKEx") as well as making reference to the Task Force on Climate-related Financial Disclosures ("TCFD") requirements for disclosing climate change actions.

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

- assess whether the scope of the Report covers all significant aspects;
- verify whether the Report addresses the Core option of the GRI Standards, the ESG Reporting Guide and the TCFD's recommendations;
- evaluate accuracy of the selected data and information presented in the Report including Environmental Performance Data, Social Performance Data, numbers on Overview of SV2030, sustainability-linked loan environmental impact reduction performance, etc.; and
- review whether the data and information management mechanism for preparing the Report is reliable.

## Level of Assurance and Methodology

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

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

- reviewing internal systems and processes for collecting, analysing, aggregating and reporting of the performance data,
- verifying performance data including Environmental Performance Data, Social Performance Data, numbers on Overview of SV2030, sustainability-linked loan environmental impact reduction performance, etc.,
- interviewing responsible personnel with accountability for preparing the Report, and
- examining raw data and supporting evidence of the selected samples according to the risk-based sampling plan.

## Independence

NWD is responsible for the collection and presentation of the information. HKQAA did not involve in the collection and calculation of data or the compilation of the reporting contents where HKQAA's verification activities are entirely independent from NWD.

## Conclusion

Based on the verification procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the information and data stated in the Report has not been prepared, in all material aspects, in accordance with the GRI Standards: Core Option, the ESG Reporting Guide and TCFD's recommendations. The data and information verified are regarded as accurate, consistent, reliable and complete.

Signed on behalf of Hong Kong Quality Assurance Agency

**Connie Sham**
Head of Audit
Hong Kong Quality Assurance Agency
September 2020

# Verification Statement – Carbon Audit

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

## Scope and Objectives

Hong Kong Quality Assurance Agency ("HKQAA") conducted an independent verification of the Greenhouse Gas ("GHG") emissions inventory ("Emissions Inventory") of New World Development Company Limited ("NWD"). The GHG Emissions Inventory comprised of 20 Assets and covered the period from 1st July 2019 to 30th June 2020. The aim of this verification was to provide a limited assurance on the completeness and accuracy of the data consolidated in the GHG Emissions Inventory by NWD. The quantification approach is reference to ISO 14064-1:2006 *'Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals'*.

The 20 commercial and retail assets included in the GHG Emissions Inventory are 1) Guangzhou K11 Art Mall, 2) Guangzhou K11 ATELIER, 3) Shanghai K11 ATELIER and Art Mall, 4) Wuhan K11 Select, 5) D•PARK, 6) Hong Kong K11 Art Mall, 7) K11 ATELIER Victoria Dockside, 8) Beijing Boading Building Shopping Arcade, 9) Langfang New World Centre, 10) Tangshan New World Centre, 11) Guangzhou Park Paradise, 12) Wuhan New World Centre, 13) Wuhan New World International Trade Tower 1 & 2, 14) Artisan Hub, 15) Hong Kong Golf and Tennis Academy (HKGTA), 16) KOHO, 17) Manning House, 18) New World Tower 1 & 2, 19) The Forest and 20) Youth Square.

## Methodology

Within the verification scope, HKQAA reviewed the activity data and supporting evidence of the selected samples out of the 20 assets. The verification was conducted in accordance with ISO 14064-3:2006 *'Specification with guidance for the validation and verification of greenhouse gas assertions'*. The process included an assessment of:

- The reporting boundaries;
- The quantification methodology and emission factors;
- The integrity of the activity data and supporting evidence; and
- The accuracy and completeness of the GHG calculations.

Integrity and accuracy of the aggregated data was tested by tracing the selected sample data back to its source. The underlying processes for data collection, aggregation, estimation, calculation and internal checking were reviewed and undergone reliability test. Materiality threshold of 10% was adopted for this verification. HKQAA verification team did not partake in the GHG data preparation process.

## Conclusion

Based on the verification results, the verification team concluded that no material error or omission was identified in the GHG Emissions Inventory. There is no evidence that the GHG Emissions Inventory is not materially correct and is not a fair representation GHG data and information.

Total GHG emissions of the 20 Assets of NWD from 1 July 2019 to 30 June 2020:

| FY2020 GHG Emissions | Tonnes of $CO_2$ equivalent |
|---|---|
| **Scope 1** | 1,368 |
| **Scope 2** | 83,172 |
| **Total (Scope 1 + Scope 2)** | 84,540 |
| **Scope 3** | Not Reported |
| **Total (Scope 1 + Scope 2 + Scope 3)** | 84,540 |

Signed on behalf of Hong Kong Quality Assurance Agency:

**Ms. Connie Sham**
**Lead Verifier**
**Date of issuance: 9 September 2020**
Hong Kong Quality Assurance Agency
19/F., K. Wah Centre, 191 Java Road, North Point, Hong Kong
Contact detail www.hkqaa.org

# Corporate Governance Report

All along, the Company is committed to maintain a high standard of corporate governance practices to safeguard the interests of its shareholders and enhance the performance of the Group. From time to time, the board of Directors (the "Board") reviews and improves its corporate governance practices in order to ensure that the Group is under the leadership of an effective board so as to optimise return for its shareholders.

## CORPORATE GOVERNANCE CODE

Throughout the year ended 30 June 2020, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules, with the exception of code provisions A.6.4 and E.1.2.

Code provision A.6.4 is in relation to guidelines for securities dealings by relevant employees. Under code provision A.6.4, the Board should establish written guidelines on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules for its relevant employees in respect of their dealings in the securities of the Company. Instead of following the Model Code strictly, the Board has established its own guidelines which are not on no less exacting terms than the Model Code. Such deviation from the CG Code is considered necessary because of the huge size of employees of the Group which is around 44,000 and the Group's diversified businesses. For these reasons, to follow the exact guidelines of the Model Code will cause immense administrative burden to the Company in processing written notifications from the relevant employees who deal in the securities of the Company, which can be avoided under the Company's own guidelines.

Code provision E.1.2 provides that the chairman of the board should attend the annual general meeting. Dr. Cheng Kar-Shun, Henry, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 19 November 2019 (the "AGM") due to his other engagement. Dr. Cheng Chi-Kong, Adrian, Executive Vice-chairman & General Manager (the Executive Vice-chairman & Chief Executive Officer effective from 1 May 2020) of the Company who took the chair of the AGM, together with other members of the Board who attended the AGM, were of sufficient calibre for answering questions at the AGM and had answered questions at the AGM competently.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct for securities transactions by its Directors.

Specific enquiries have been made with all Directors who confirmed that they had complied with the required standard set out in the Model Code during the year ended 30 June 2020.

## BOARD GOVERNANCE

**Board of Directors**
to provide leadership and oversee the management, businesses, strategic directions and financial performance of the Group

**Executive Committee**
to oversee the management function and day-to-day operations with the Board's delegated authority; and to monitor the execution of strategic plans and operations of all business units

**Audit Committee**
to review and supervise the Group's financial reporting process and risk management and internal control systems; to monitor external auditor's independence and objectivity and effectiveness of the audit process; and to ensure effectiveness of internal audit programme and internal audit function

**Remuneration Committee**
to review and recommend to the Board on remuneration policy and structure of all Directors and senior management, and on the remuneration packages of individual Executive Director and senior management

**Nomination Committee**
to review the structure, size and composition of the Board; to assess the independence of Independent Non-executive Directors; and to make recommendations to the Board on appointment and re-appointment of Directors

**Sustainability Committee**
to oversee sustainability and environmental, social and governance ("ESG") issues and risks; and to monitor the integrity and compliance of the disclosure on sustainability and ESG information in the Company's annual sustainability reporting

**Risk Management Committee**
to assist the Audit Committee in deciding the Group's risk level and risk appetite; and to ensure soundness and effectiveness of the Group's risk management and internal control systems

**Group Sustainability Steering Committee**
to support the Sustainability Committee on identification, evaluation and management of material ESG related issues and to guide group companies to attain ESG related goals

**Executive Vice-chairman & Chief Executive Officer**

**Corporate Functions**
Finance & Accounts, Legal & Company Secretarial, Human Resources, Information Technology, Investor Relations, Corporate Communication, Training and Administration

**Core Businesses**
Property development, property investment, roads, aviation, construction and insurance

**Strategic Development**
Creation of a more sustainable and diversified ecosystem of the New World Group by tapping on synergy among various cross-sector interaction such as education, culture, innovative technologies, medical care and health care, adding value to core businesses as well as enhancement of the unique experience of the consumers

## BOARD OF DIRECTORS

### Composition

Mr. So Chung-Keung, Alfred and Mr. Au Tak-Cheong resigned as Executive Directors with effect from 1 January 2020 and 1 April 2020 respectively. With effect from 1 May 2020, Dr. Cheng Chi-Kong, Adrian was re-designated from the Executive Vice-chairman & General Manager to Executive Vice-chairman & Chief Executive Officer. Further, Ms. Huang Shaomei, Echo and Ms. Chiu Wai-Han, Jenny were appointed as Executive Directors (the "Board Changes"), both with effect from 1 May 2020.

As at 30 September 2020, the Board comprises a total of 16 Directors, being seven Executive Directors, three Non-executive Directors and six Independent Non-executive Directors. The number of Independent Non-executive Directors represents more than one-third of the Board as required by Rule 3.10A of the Listing Rules. The biographies of the Directors are set out from pages 48 to 56 of this annual report.

As disclosed in the announcement of the Company issued on 25 September 2020, Ms. Ki Man-Fung, Leonie ("Ms. Ki") had tendered her resignation as Non-executive Director with effect from 1 October 2020. Subsequent to Ms. Ki's resignation, the Board will comprise a total of 15 Directors, being seven Executive Directors, two Non-executive Directors and six Independent Non-executive Directors.

All Directors have entered into formal letters of appointment with the Company, each for a term of three years, subject to retirement by rotation in accordance with the articles of association of the Company (the "Articles of Association").

Article 103(A) of the Articles of Association provides that at each annual general meeting, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Also, pursuant to Article 94 of the Articles of Association, any Director appointed to fill a casual vacancy or as an addition to the Board is subject to re-election at the next following general meeting or next following annual general meeting of the Company respectively.

To ensure that Directors have spent sufficient time on the affairs of the Company, all Directors have annually disclosed to the Company the level of time involved in performing the duties of his/her position held in the Company and other public companies or organisations or other major appointments.

### Chairman, Executive Vice-chairman & Chief Executive Officer and Other Executive Directors

Dr. Cheng Kar-Shun, Henry, the Chairman, has led the Board and ensured that the Board works effectively and that all important issues are discussed in a timely manner. Dr. Cheng Chi-Kong, Adrian, the Executive Vice-chairman & General Manager (re-designated as the Executive Vice-chairman & Chief Executive Officer from 1 May 2020), oversees the Company's day-to-day businesses and the implementation of major strategies and policies of the Company. Each of the other Executive Directors takes up different responsibilities according to their own expertise. The responsibilities of the Chairman, the Executive Vice-chairman & General Manager / the Executive Vice-chairman & Chief Executive Officer, and the other Executive Directors are clearly set out in their respective letters of appointment. The positions of the Chairman and the Executive Vice-chairman & General Manager / the Executive Vice-chairman & Chief Executive Officer, are held by separate individuals so as to maintain an effective segregation of duties.

## Non-executive Directors

Non-executive Directors (including the Independent Non-executive Directors) serve the relevant function of bringing independent judgement on the development, performance and risk management of the Company. They have the same duties of care and skill and fiduciary duties as the Executive Directors.

## Independence of Independent Non-executive Directors

The Company has received annual confirmation of independence from all Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all Independent Non-executive Directors are independent in accordance with the Listing Rules.

During the year, Independent Non-executive Directors met quarterly with members of senior management and representatives from major business units, which provided a good opportunity for Independent Non-executive Directors to better understand the businesses of the Group and to discuss a wide range of issues concerning the business of the Group.

## Role of the Board

The Board oversees the management, businesses, strategic directions and financial performance of the Group. It is collectively responsible for the management and operation of the Company. The Board is the ultimate decision making body of the Company except for matters requiring the approval of the shareholders in accordance with the Articles of Association, the Listing Rules or other applicable laws and regulations.

Day-to-day businesses of the Company are delegated to the management team which works under the leadership and supervision of the Executive Vice-chairman & General Manager / the Executive Vice-chairman & Chief Executive Officer and the Executive Committee of the Board as discussed in sections below.

## Corporate Governance Functions

The Board is responsible for performing the corporate governance duties of the Company including:

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

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

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

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

(e) to review the Company's compliance with Appendix 14 of the Listing Rules (Corporate Governance Code and Corporate Governance Report).

The Group complied with all major aspects of laws and regulations that are significant to its business operations. There were no threatened or concluded cases of material nature in connection with legal compliance during the year.

## Board Meetings

Regular Board meetings are held at least four times a year with at least 14 days' notices and additional meetings with reasonable notices are held as and when the Board considers appropriate. The Company Secretary assists the Chairman in preparing agenda for each meeting. Draft agenda for each Board meeting is circulated to all Directors to enable them to include other matters into the agenda. Agenda accompanying board papers are sent to all Directors at least three days before each regular Board meeting. Board decisions are voted upon at the Board meetings. The Company Secretary records all matters considered by the Board, decisions reached and any concerns raised or dissenting views expressed by the Directors. Minutes of meetings are kept by the Company Secretary with copies circulated to all Directors for information and records.

## Directors' Training

Each newly appointed Director is provided with the necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statues, laws, rules and regulations. From time to time, the Company Secretary also provides the Directors with updates on the latest development and changes in the Listing Rules and other relevant legal and regulatory requirements.

The Executive Vice-chairman and General Manager / the Executive Vice-chairman & Chief Executive Officer reports Group business activities including operations review, segment performance, strategies and new initiatives at regular Board meetings. In addition, all Directors are provided with monthly updates on major business segments performance and year-to-date financials. All these give the Board a balanced and understandable assessment of the Group's performance, position and prospects and enable the Board as a whole and each Director to discharge their duties.

All Directors are encouraged to participate in continuous professional development activities to develop and refresh their knowledge and skills. From time to time, the Company has arranged in-house trainings for the Directors in the form of seminars and reading materials. A summary of training received by the Directors for the year ended 30 June 2020 according to the records provided by the Directors is as follows:

| | **Type of Continuous Professional Development** | |
|---|---|---|
| **Name of Directors** | **Training on corporate governance, regulatory development and other relevant topics** | **Attending corporate events or visits** |
| *Executive Directors* | | |
| Dr. Cheng Kar-Shun, Henry | ✓ | – |
| Dr. Cheng Chi-Kong, Adrian | ✓ | ✓ |
| Mr. Cheng Chi-Heng | ✓ | – |
| Ms. Cheng Chi-Man, Sonia | ✓ | – |
| Mr. Au Tak-Cheong* | ✓ | ✓ |
| Mr. Sitt Nam-Hoi | ✓ | ✓ |
| Mr. So Chung-Keung, Alfred* | ✓ | – |
| Ms. Huang Shaomei, Echo# | ✓ | – |
| Ms. Chiu Wai-Han, Jenny# | ✓ | ✓ |
| *Non-executive Directors* | | |
| Mr. Doo Wai-Hoi, William | ✓ | – |
| Mr. Cheng Kar-Shing, Peter | ✓ | – |
| Ms. Ki Man-Fung, Leonie | ✓ | – |
| *Independent Non-executive Directors* | | |
| Mr. Yeung Ping-Leung, Howard | ✓ | ✓ |
| Mr. Cha Mou-Sing, Payson | ✓ | – |
| Mr. Cha Mou-Zing, Victor *(Alternate Director to Mr. Cha Mou-Sing, Payson)* | ✓ | – |
| Mr. Ho Hau-Hay, Hamilton | ✓ | ✓ |
| Mr. Lee Luen-Wai, John | ✓ | ✓ |
| Mr. Liang Cheung-Biu, Thomas | ✓ | ✓ |
| Mr. Ip Yuk-Keung, Albert | ✓ | ✓ |

* Mr. Au Tak-Cheong and Mr. So Chung-Keung, Alfred resigned as Directors with effect from 1 April 2020 and 1 January 2020 respectively

\# appointed as Director with effect from 1 May 2020

## BOARD COMMITTEES

The Board discharges some of its responsibilities through delegation to respective Board-level committees, namely the Executive Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Sustainability Committee. All the Board committees are empowered by the Board under their own terms of reference which have been posted on HKEx's website and/or the Company's website.

### Executive Committee

Members:

| | |
|---|---|
| Executive Directors | Dr. Cheng Kar-Shun, Henry *(Chairman)* |
| | Dr. Cheng Chi-Kong, Adrian |
| | Mr. Cheng Chi-Heng |
| | Ms. Cheng Chi-Man, Sonia |
| | Mr. Au Tak-Cheong* |
| | Mr. Sitt Nam-Hoi |
| | Mr. So Chung-Keung, Alfred* |
| | Ms. Huang Shaomei, Echo# |
| | Ms. Chiu Wai-Han, Jenny# |

* Mr. Au Tak-Cheong and Mr. So Chung-Keung, Alfred resigned as Directors with effect from 1 April 2020 and 1 January 2020 respectively

\# appointed as Director with effect from 1 May 2020

The Board has delegated to the Executive Committee comprising all Executive Directors with authority and responsibility for handling the management functions and day-to-day operations of the Company, while reserving certain key matters such as the declaration of interim dividend, making recommendation of final dividend or other distributions for the approval by the Board. The Executive Committee monitors the execution of the Company's strategic plans and the operations of all business units of the Company, and manages and develops generally the businesses of the Company. The Executive Committee meets regularly as and when necessary.

### Audit Committee

Members:

| | |
|---|---|
| Independent Non-executive Directors | Mr. Lee Luen-Wai, John *(Chairman)* |
| | Mr. Yeung Ping-Leung, Howard |
| | Mr. Cha Mou-Sing, Payson |
| | Mr. Ho Hau-Hay, Hamilton |
| | Mr. Liang Cheung-Biu, Thomas |
| | Mr. Ip Yuk-Keung, Albert |

The Audit Committee, which comprises of all Independent Non-executive Directors, is responsible for reviewing the Group's financial controls and its risk management and internal control systems. The Audit Committee is empowered to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. It also reviews the internal audit programme and ensures the internal audit function is adequately resourced and effective.

During the year, the Audit Committee met twice and reviewed the audited financial statements of the Company for the year ended 30 June 2019 and the unaudited interim financial statements of the Company for the six months ended 31 December 2019 with recommendations to the Board for approval, reviewed reports on risk management and internal control systems of the Group, and discussed with the management and the external auditors on the accounting policies and practices which may affect the Group and the financial reporting matters. Furthermore, the Audit Committee reviewed the framework and policy of risk management, the system of internal control and the financial statements for the year ended 30 June 2020 of the Company with recommendation to the Board for approval.

## Remuneration Committee

Members:

| | |
|---|---|
| Independent Non-executive Directors | Mr. Ho Hau-Hay, Hamilton *(Chairman)*<br>Mr. Yeung Ping-Leung, Howard<br>Mr. Cha Mou-Sing, Payson<br>Mr. Lee Luen-Wai, John |
| Executive Director | Dr. Cheng Kar-Shun, Henry |

The Remuneration Committee is responsible for making recommendations to the Board on the Company's policy and structure on the remuneration of all Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy for the Company for approval by the Board. It shall also make recommendations to the Board on the remuneration packages of individual Executive Director and senior management.

The remuneration of individual Executive Director and senior management is determined with reference to his/her duties and responsibilities with the Company, the Company's performance as well as remuneration benchmarks in the industry and the prevailing market condition. The Company's Human Resources Department provides materials on relevant remuneration data, remuneration benchmarks, market analysis and proposals to the Remuneration Committee for consideration. The remuneration package is performance-based and linked to the Company's profitability, aimed to be competitive to attract and retain talented employees.

During the year, the Remuneration Committee met once and reviewed the remuneration policy of the Company, including that for the Directors and senior management of the Company. The remuneration for the Executive Directors comprises basic salary, pensions and discretionary bonus. Share options have been granted to all Directors and senior management to subscribe for shares in the Company under the Company's share option scheme. In addition, a Director was granted options under share option scheme of a listed subsidiary of the Group to subscribe for shares in that listed subsidiary. Details of the remuneration paid to the Directors and members of senior management for the financial year ended 30 June 2020 are disclosed in the notes to the financial statements.

## Nomination Committee

Members:

| | |
|---|---|
| Executive Director | Dr. Cheng Kar-Shun, Henry *(Chairman)* |
| Independent Non-executive Directors | Mr. Lee Luen-Wai, John<br>Mr. Liang Cheung-Biu, Thomas<br>Mr. Ip Yuk-Keung, Albert |

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, assessing the independence of Independent Non-executive Directors taking into account the independence requirements set out in Rule 3.13 of the Listing Rules, and making recommendations to the Board on appointment and re-appointment of Directors.

The Nomination Committee met once during the year and recommended to the Board on the Board Changes. It also reviewed the structure, size and composition of the Board and considered that the Board consists of a diverse mix of members and has provided a good balance of skills and experience appropriate to the business needs of the Group.

For the retiring Directors standing for re-election at 2020 annual general meeting of the Company, the Nomination Committee also met in August 2020 and reviewed their biographical details against relevant requirements under the Listing Rules and the nomination criteria set out in the Company's Nomination Policy and considered they have the required character, integrity and professional knowledge and experience to continue fulfilling their role and contributing to the Company.

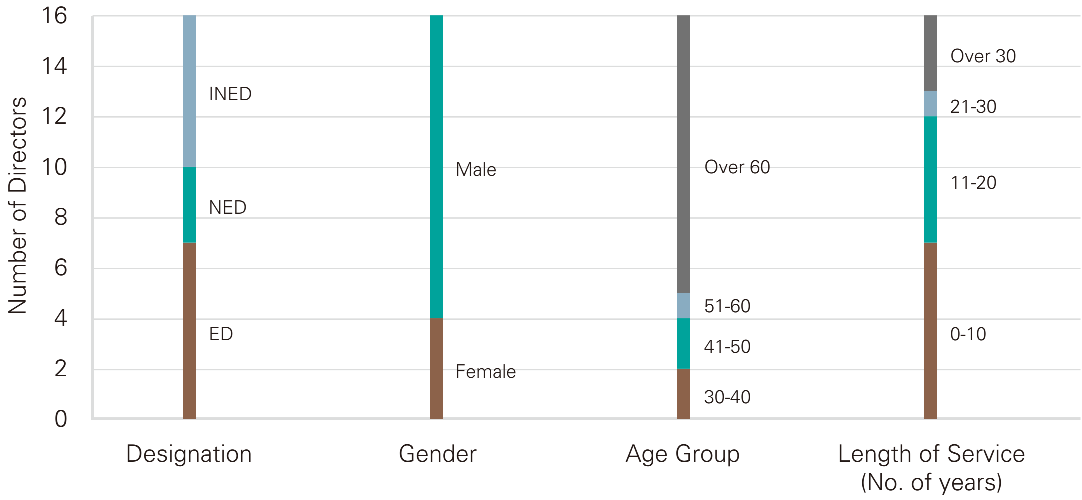
The Board has adopted a Nomination Policy since November 2018 which sets out the criteria and procedures to be adopted when considering candidates to be appointed as Directors and re-appointment of existing Directors. In the case of identifying candidate(s) to be appointed as Director, the Nomination Committee shall hold a meeting to consider the candidate(s) identified or selected pursuant to the nomination criteria and make recommendation to the Board if appropriate. The Board shall deliberate and decide on the appointment based upon the recommendation of the Nomination Committee. In the case of re-appointment of existing Director, the Nomination Committee shall review the overall contribution and service of the retiring Director to the Company and determine whether the retiring Director continues to meet the nomination criteria set out in the Nomination Policy, and if appropriate, recommend the retiring Director to the Board for consideration and recommendation to shareholders for the proposed re-election of Director at a general meeting. The factors considered in assessing the suitability of a proposed candidate for appointment as Director or re-appointment of existing Director are as follows:

- Contribution to the Board with due regard to the Board's diversity policy;
- Reputation for integrity;
- Commitment to devote sufficient time to discharge duties as a Board member;
- Potential conflicts of interest with the Company; and
- Satisfaction of independence requirements of the Listing Rules in the case of a candidate for Independent Non-executive Director.

The Board has adopted a Board Diversity Policy (the "Policy") since August 2013 which sets out the approach by the Company to achieve diversity on the Board. Under the Policy, the Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in maintaining its competitive advantage and supporting its sustainable development. In determining an optimum composition of the Board, the Company will consider all aspects of diversity and will also take into account factors based on its own business model and specific needs from time to time. Board members' appointment will be based on meritocracy and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, skills, regional and industry experience and expertise, cultural and educational background, and professional experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

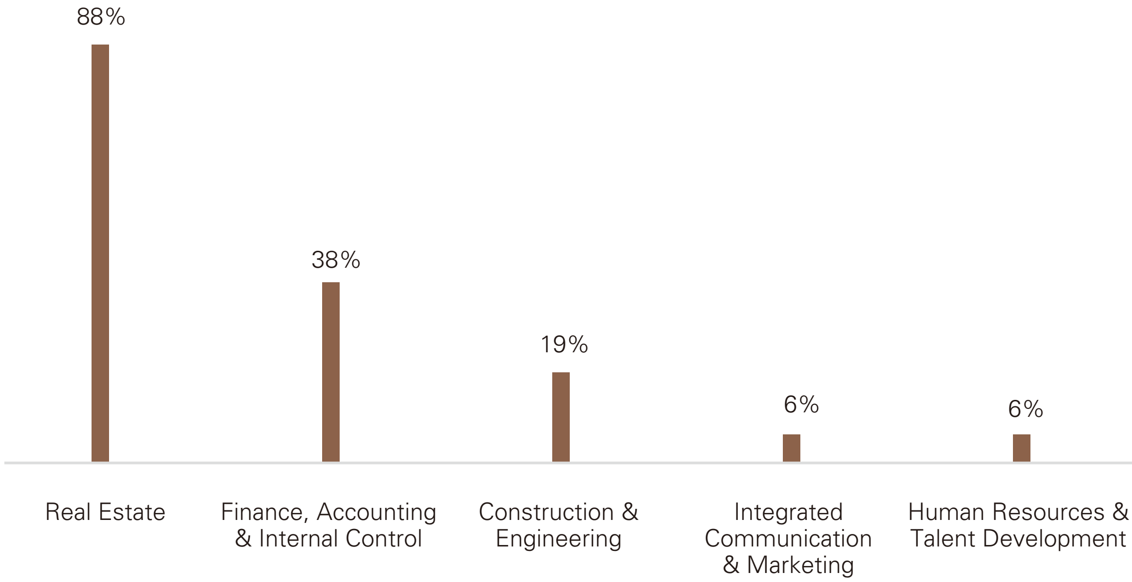
The current Board composition reflects diverse mix of educational background, professional knowledge, industry experience and length of service. The diversity mix of the Board as at 30 September 2020 is summarised in the following charts:

## Diversity Mix




Remarks:
ED – Executive Director
NED – Non-executive Director
INED – Independent NED

## Areas of Experience




## Sustainability Committee

Members:

| | |
|---|---|
| Executive Directors | Dr. Cheng Chi-Kong, Adrian *(Chairman)*<br>Mr. Sitt Nam-Hoi |
| Independent Non-executive Directors | Mr. Cha Mou-Sing, Payson<br>Mr. Ip Yuk-Keung, Albert |

The Sustainability Committee is responsible for the oversight of the Company's sustainability and environmental, social and governance ("ESG") issues and risks. Supported by the Group Sustainability Steering Committee which comprises heads of business units, the Board-level Committee oversees the ESG management approach and policies, the processes of identifying and evaluating material ESG-related issues to internal and external stakeholders (including risks to the issuer's businesses) and setting Green, Wellness and Caring targets under "New World Sustainability Vision 2030" to manage ongoing performance. The Sustainability Committee monitors integrity of the Company's sustainability and ESG information in annual sustainability reporting and advises the Board on the matters in the applicable code provision(s) of the Environmental, Social and Governance Reporting Guide (Appendix 27) of the Listing Rules.

The Sustainability Committee met twice during the year. It discussed and endorsed the Group's sustainability strategy, policies and targets set under the "New World Sustainability Vision 2030". It also reviewed the process of sustainability reporting and ESG disclosures and monitored the progress of targets achievement and sustainability performance. In addition, the Sustainability Committee discussed relevant global trends including sustainable finance, climate risks and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

## ATTENDANCE AT BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND GENERAL MEETINGS

| Name of Directors | Board Meeting | Audit Committee Meeting | Remuneration Committee Meeting | Nomination Committee Meeting | Sustainability Committee Meeting | Annual General Meeting | Extra-ordinary General Meeting |
|---|---|---|---|---|---|---|---|
| | Number of Meetings Attended/ Eligible to attend for the year ended 30 June 2020 | | | | | | |
| *Executive Directors* | | | | | | | |
| Dr. Cheng Kar-Shun, Henry | 2/5 | – | 1/1 | 1/1 | – | 0/1 | 0/2 |
| Dr. Cheng Chi-Kong, Adrian | 5/5 | – | – | – | 2/2 | 1/1 | 2/2 |
| Mr. Cheng Chi-Heng | 4/5 | – | – | – | – | 0/1 | 2/2 |
| Ms. Cheng Chi-Man, Sonia | 4/5 | – | – | – | – | 1/1 | 2/2 |
| Mr. Au Tak-Cheong* | 4/4 | – | – | – | – | 1/1 | 2/2 |
| Mr. Sitt Nam-Hoi | 5/5 | – | – | – | 2/2 | 1/1 | 2/2 |
| Mr. So Chung-Keung, Alfred* | 2/2 | – | – | – | – | 1/1 | 0/0 |
| Ms. Huang Shaomei, Echo# | 0/0 | – | – | – | – | 0/0 | 0/2 |
| Ms. Chiu Wai-Han, Jenny# | 0/0 | – | – | – | – | 0/0 | 2/2 |
| *Non-executive Directors* | | | | | | | |
| Mr. Doo Wai-Hoi, William | 5/5 | – | – | – | – | 1/1 | 2/2 |
| Mr. Cheng Kar-Shing, Peter | 4/5 | – | – | – | – | 0/1 | 2/2 |
| Ms. Ki Man-Fung, Leonie | 5/5 | – | – | – | – | 1/1 | 2/2 |
| *Independent Non-executive Directors* | | | | | | | |
| Mr. Yeung Ping-Leung, Howard | 5/5 | 2/2 | 1/1 | – | – | 1/1 | 2/2 |
| Mr. Cha Mou-Sing, Payson | 5/5 | 2/2 | 1/1 | – | 1/2 | 0/1 | 0/2 |
| Mr. Ho Hau-Hay, Hamilton | 4/5 | 1/2 | 1/1 | – | – | 1/1 | 2/2 |
| Mr. Lee Luen-Wai, John | 5/5 | 2/2 | 1/1 | 1/1 | – | 1/1 | 2/2 |
| Mr. Liang Cheung-Biu, Thomas | 5/5 | 2/2 | – | 1/1 | – | 1/1 | 2/2 |
| Mr. Ip Yuk-Keung, Albert | 5/5 | 2/2 | – | 1/1 | 2/2 | 1/1 | 2/2 |

* Mr. Au Tak-Cheong and Mr. So Chung-Keung, Alfred resigned as Directors with effect from 1 April 2020 and 1 January 2020 respectively

\# appointed as Director with effect from 1 May 2020

## AUDITORS' REMUNERATION

During the year ended 30 June 2020, the total fee paid/payable in respect of audit and non-audit services provided by the Group's external auditors is set out below:

| Type of services | Fee paid/payable for the year ended 30 June 2020 HK$m | 2019 HK$m |
|---|---|---|
| Audit services | **62.8** | 63.8 |
| Non-audit services | **19.6** | 32.0 |
| Total | **82.4** | 95.8 |

Non-audit services comprise primarily accounting, tax advisory, circular works related to capital market transactions, as well as other related services.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board, supported by the finance and accounts department, is responsible for the preparation of the financial statements of the Company and the Group. The Board has prepared the financial statements in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies have also been used and applied consistently except the adoption of revised standards, amendments to standards and interpretation. The Directors have not been aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditor of the Company and the Group regarding its reporting responsibilities on the financial statements of the Company and the Group is set out in the Independent Auditor's Report in this annual report.

## RISK MANAGEMENT AND INTERNAL CONTROL

### Governance, Risk and Control

Robust and effective management of risks is an essential and integral part of corporate governance. The management of the Group proactively manages the risks by establishing an Enterprise Risk Management ("ERM") framework to assist the Audit Committee and the Board in discharging its risk management responsibilities and individual business units in managing their key risks. With reference to the "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), the main features of the ERM system are illustrated below:

**Objectives**

**Operation**

Effectiveness and efficiency

**Reporting**

Reliability, timeliness and transparency

**Compliance**

Adherence to laws and regulations

**Control Environment**

- Demonstrate a commitment to integrity and ethical values.
- A set of standards, processes and structures that lays the foundation of internal controls.
- Cover organisational structure, reporting lines, and appropriate authorities and responsibilities.

**Risk Assessment**

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

**Control Activities**

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

**Information and Communication**

- Obtain or generate and use relevant, quality information to support the functioning of risk management and internal control systems.
- The Group is provided with the required information for carrying out day-to-day controls through effective communication channels.

**Monitoring**

- Select, develop, and perform periodic and/or timely evaluations to ascertain whether the components of internal control are present and functioning.
- Identify and communicate internal control deficiencies in an effective and timely manner to those parties responsible for taking corrective action.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems. The Audit Committee is delegated with the authority from the Board to oversee the Group's management in the design, implementation and monitoring of the risk management and internal control systems. It also advises the Board on the Group's risk-related matters.

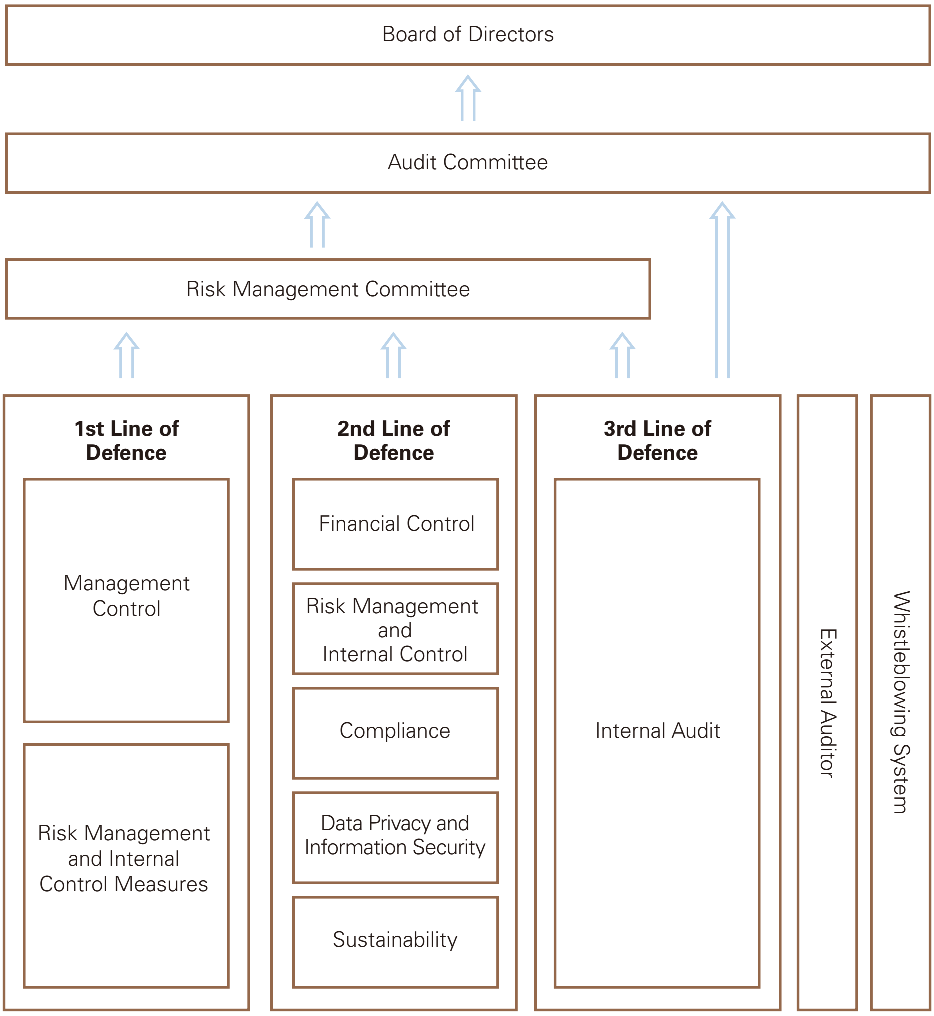
Sound and effective risk management and internal control systems have been established and maintained for safeguarding assets against unauthorised use or disposition, ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance of applicable laws, rules and regulations. It should be acknowledged that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Risk Management Committee assists the Audit Committee in discharging its corporate governance responsibilities for risk management. It is responsible for ensuring that the risk management system is adequate and effective and that the ERM framework is implemented consistently throughout the Group. It also monitors the Group's overall risk profiles by reviewing the key risks relating to individual business units and the key risks that are enterprise-wide, and ensures alignment with the approved risk appetite.

An internal audit department has been established to conduct internal audit of the Company and its subsidiaries, joint ventures and associated companies. The internal audit department performs risk-based audits to review the effectiveness of the Group's material internal controls so as to provide assurance that all key risks are identified and managed, and to ensure that the risk management and internal control measures are carried out appropriately and functioning as intended. Major audit findings and recommendations are reported to the Audit Committee, which in turn reports to the Board. The implementation of the agreed actions in response to the identified audit issues are tracked and followed up regularly, and the status is reported to the Audit Committee.

The Audit Committee receives the report from the internal audit department and takes such report into consideration when it makes recommendation to the Board for approval of the half-yearly or annual results of the Group.

## Risk Governance Structure



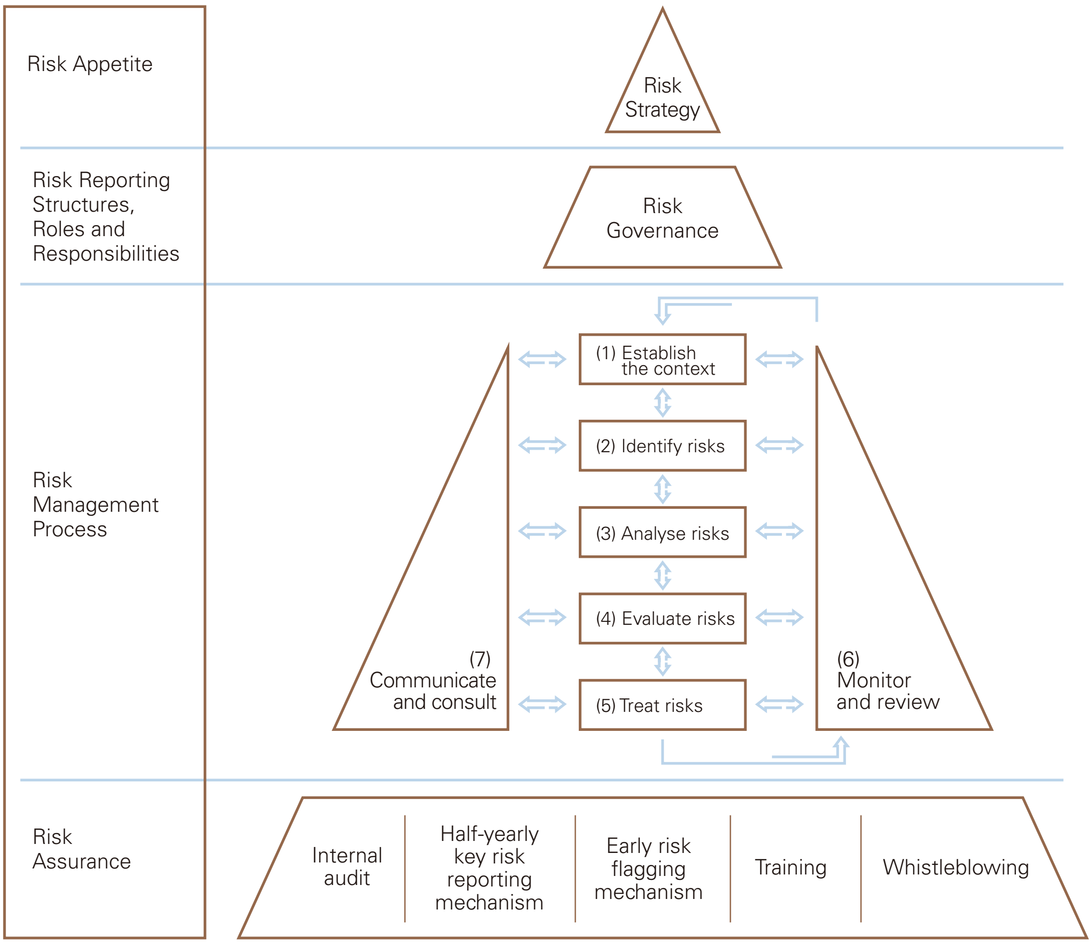

The Group's risk governance structure is guided by the "Three Lines of Defence" model. As the first line of defence, risk owners of all corporate departments and business units of the Group identify and evaluate the risks which may potentially impact the achievement of their business objectives, mitigate and monitor the risks (including but not limited to business, operation as well as environmental, social and governance ("ESG") risks) by designing and executing control procedures in their day-to-day operations. They conduct risk assessment and control self-assessment on a regular basis to evaluate the adequacy and effectiveness of controls that are in place to mitigate the identified risks.

As the second line of defence, the Group establishes specific functions to effectuate risk management and ensure the first line of defence is properly in place and operating as intended. The responsibilities of these functions include but not limited to financial control, risk management and internal control, compliance, data protection and information security, sustainability, and so forth. The Risk Management Committee also oversees and monitors the overall operation of the risk management and internal control systems.

As the third line of defence, the internal audit department acts as an independent assessor. It is responsible for reviewing the major operational, financial, compliance and risk management controls of the Group on a continuous basis. It schedules its work in an annual audit plan which is reviewed by the Audit Committee every year. The audit plan is derived from risk assessment basis and is aimed at covering each significant corporate department and business unit in which the Group involves in day-to-day management within a reasonable period. The internal audit department also carries out independent and timely review or investigation works, where and when necessary, on risks and control related incidents identified from time to time.

On top of the "Three Lines of Defence", through independent audit and review, the external auditor provides reasonable assurance on the effectiveness of the risk management and internal control systems. Whistleblowing System is established for staff and other relevant parties to report misconduct cases. Every reported case will be handled in confidentiality and followed through in accordance with the Whistleblowing Policy and its related procedures.

## Risk Management Approach



The Group adopts both top-down and bottom-up approaches in relation to risk management. It involves collating and appraising bottom-up inputs from risk owners of all corporate departments and business units of the Group, with refinements and adjustments through top-down inputs from the Board in an iterative manner.

The risk management process is integrated into our daily operations and is an ongoing process involving all parts of the Group from the Board down to each individual staff. The risk owners and risk oversight parties are clearly defined across the Group. They are required to identify, analyse and evaluate the risks (including but not limited to business, operation as well as ESG risks) facing their businesses with proper management execution to avoid, reduce or transfer those risks accordingly.

Risk Management Policy is established for enhancing the effective implementation of the risk management and internal control exercises within the Group. To ensure that all major risks are properly identified, evaluated and monitored for achieving a sound and effective risk management system, risk owners across the Group are required to report the risk review exercises to the internal audit department by submitting the "Risk Management and Internal Control Assessment Checklist" half-yearly. They need to report the effectiveness of the risk management and internal control systems and set out details of the key risks including the risk description, change of risk level, current risk level and the corresponding key risk control or mitigation action in the "Key Risks Reporting Table".

Besides, an early risk flagging mechanism is established which enables the Group to proactively identify and assess emerging risks and broad areas of changes, emanating from both internal and external factors (including but not limited to business, operation as well as ESG risks), and act on them in a timely manner. Risk owners have to flag and report immediately to the corresponding risk oversight parties when a potential risk is perceived and significant impact is expected in any business areas.

After consolidation with a holistic review of the Group, the internal audit department submits a written report on the effectiveness of the Group's risk management and internal control systems to the Risk Management Committee and the Audit Committee for review on a half-yearly basis. The Board, through the Risk Management Committee and the Audit Committee, has put in place effective risk management and internal control systems which will enable the Group to respond appropriately to significant business, operational, financial, compliance, ESG related and other risks in achieving its objectives. The Group strives to continually improve its ERM framework in order to keep pace with the dynamic business environment. The Board, therefore, considers that the risk management and internal control systems of the Group are effective and adequate.

## Key Risks of the Group

Through our combined top-down and bottom-up risk review processes, the Group has identified the following key risks of various business segments for the year:

| Risk Description | Risk Trends* | Key Mitigation Measures |
|---|---|---|
| **Economic Risk** | | |
| 1 Adverse changes in macroeconomic environment due to the uncertainties associated with the US-China trade war and global financial conditions. | ↑ | • Closely monitor economic conditions and respond with suitable strategies in a timely manner.<br>• Perform stress test and sensitivity analysis for different scenarios.<br>• Conduct regular performance review of business units and projects.<br>• Maintain healthy financial position. |
| **Social and Environmental Risk** | | |
| 2 Threats to public health and disruptions in operations due to outbreak of coronavirus pandemic or other pandemic diseases, as well as instability resulted from social unrest. | ↑ | • Heighten employees' vigilance and take comprehensive precautionary measures.<br>• Employee work flexibility empowerment and arrangements for better manpower management.<br>• Continuous improvement on overall health and safety matters and review the safety working procedures regularly.<br>• Formulate and execute contingency / business continuity plans developed for critical business processes and functions to mitigate the risk of business disruptions.<br>• Proper insurance coverage for the Group's properties and business operations. |
| **Political and Regulatory Risk** | | |
| 3 Unfavourable changes of government policies and regulatory requirements. | ↔ | • Continuously monitor the change of government policies, laws and regulatory requirements.<br>• Regularly review the compliance of regulations.<br>• Provide regulatory compliance training to employees.<br>• Maintain timely communication with the community and key stakeholders to enhance transparency. |

| Risk Description | Risk Trends* | Key Mitigation Measures |
|---|---|---|
| **Operational Risk** | | |
| 4 Increase in development costs, including construction costs, and delay in project completion. | ↔ | • Closely monitor and manage construction progress and performance of contractors in order to avoid delays in project development.<br>• Implement cost management strategies including central procurement, stringent review on capital expenditure, etc.<br>• Cost monitoring through budgetary control mechanism.<br>• Tender procedures in place to ensure best prices are achieved through competitive bidding.<br>• Negotiate with project owner to adjust project timetable.<br>• Implement stringent pre-qualification assessments of contractors and approval mechanisms for design changes. |
| 5 Critical incidents (e.g. health and safety issues, business disruptions and natural disasters) affecting business operation and damaging reputation. | ↔ | • Conduct regular monitoring to keep track of issues related to the Group's different businesses.<br>• Deliver quick and effective responses according to crisis management procedures, communication and escalation protocols.<br>• Recognise the impact of climate change and promote sustainability within the Group.<br>• Raise awareness through periodic safety training and drills.<br>• Ensure sufficient insurance coverage. |
| **Strategic Risk** | | |
| 6 Keen industry competition and adverse changes in the property market in Hong Kong and China such as new competitors, increasing land cost, property cooling measures, etc. | ↔ | • Constantly enhance quality of products and services to strengthen our brand and market position.<br>• Regularly review existing service and products and their pricing strategies, and formulate appropriate strategies in response to market change.<br>• Closely monitor the changes of property market trends and other factors which may pose an adverse impact on the Group's property development business.<br>• Selective land bank replenishment to maximise earning potential. |

| Risk Description | Risk Trends* | Key Mitigation Measures |
|---|---|---|
| 7 Business investment risk due to long-term commitment to unprofitable projects and deviation from desired return of investment. | ↔ | • Adopt careful and pragmatic investment strategies and maintain a balanced and diversified portfolio.<br>• Perform risk assessment and due diligence by internal professionals and external consultants prior to project bidding.<br>• Monitor the operation and financial performance of project companies to ensure that the projects are carried out as planned.<br>• Regularly review the investment and explore divestment opportunities if needed. |
| 8 Business partnership risk due to limited controls in minority interest investment. | ↔ | • Perform detailed due diligence before establishment of long term partnership.<br>• Carefully select business partners with good reputation, industrial background and operational experience.<br>• Set up minority protection mechanism.<br>• Build our own expertise in the industry to reduce reliance on business partners. |
| **Technology Risk** | | |
| 9 Cyber-attacks on networks and systems which may cause business interruption, leakage of confidential information, etc. | ↑ | • Regular review and update of information technology infrastructure and systems.<br>• Establish policies and procedures for the uses of information technology.<br>• Implementation of security measures such as firewall, antispam and anti-virus protection.<br>• Provide training on information security awareness. |

| Risk Description | Risk Trends* | Key Mitigation Measures |
|---|---|---|
| **Financial Risk** | | |
| 10 Unfavourable fluctuation of foreign currencies and interest rates. | | • Closely monitor the movement of foreign currency and interest rate and quantify their impact.<br>• Maintain an appropriate mix of fixed rate and floating rate borrowings to mitigate the Group's interest rate risk.<br>• To finance part of the business operations in Mainland China by Renminbi borrowings to mitigate the Group's exchange rate risk.<br>• Enter into interest rate swaps, forward exchange contracts, etc. for hedging purpose, if needed.<br>• Review the financing strategy and debt structure of the Group regularly. |

* Risk Trend

Risk level increased during FY2020

Risk level remained similar as FY2019

## COMPANY SECRETARY

The Company Secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Chairman and is responsible for advising the Board on governance matters. For the year under review, the Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training. The biography of the Company Secretary is set out on page 57 of this annual report.

## CONSTITUTIONAL DOCUMENTS

No change has been made to the Company's Articles of Association during the year.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The "Corporate Sustainability" section from pages 58 to 97 in this annual report was prepared in accordance with the Core option of the Global Reporting Initiative ("GRI") Sustainability Reporting Standards, as well as the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange, which provides an overview of the Group's efforts and performance in pursuing corporate sustainability. Supplementary information is available on the Company's website under Sustainability section.

## SHAREHOLDERS' RIGHTS

### Convening Extraordinary General Meeting ("EGM") and Putting Forward Proposals at General Meetings

Shareholders representing at least 5% of the total voting rights of all the shareholders of the Company having a right to vote at general meetings can deposit a written request to convene an EGM at the registered office of the Company for the attention of the Company Secretary. Such requisition, signed by the shareholders concerned, must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. If the Directors do not within 21 days from the date of the deposit of a request (after being verified to be valid) proceed to convene an EGM on a day not more than 28 days after the date on which the notice convening the EGM is given, the shareholders concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, but any EGM so convened shall not be held after the expiration of three months after the date on which the Directors become subject to the requirement to call a meeting.

To put forward proposals at general meeting, a request in writing must be made by:

(i) shareholders representing at least 2.5% of the total voting rights of all shareholders of the Company having the right to vote at general meeting; or

(ii) at least 50 shareholders of the Company having the right to vote at the meeting,

to the Company to give to shareholders notice of any resolution which may properly be moved and is intended to be moved at an annual general meeting, or to circulate to shareholders any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at any general meeting.

The written request must be signed by all the shareholders concerned in one or more documents in like form and deposited at the registered office of the Company for the attention of the Company Secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution at annual general meeting, and not less than seven days before the meeting in the case of requiring circulation of statement. Upon the request verified to be valid, the Company will give notice of the resolution or circulate the statement.

If a shareholder of the Company intends to propose a person other than a Director of the Company for election as a Director of the Company at any general meeting, the shareholder concerned shall lodge with the registered office of the Company for the attention of the Company Secretary (i) a written notice of his intention to propose that person for election as a Director; and (ii) a written notice by that person of his/her willingness to be elected as a Director together with the necessary information within the period commencing no earlier than the day after the dispatch of the notice of the general meeting and ending no later than seven days prior to the date of such general meeting.

Detailed procedures can be found in the following documents which are available on the Company's website:

- "Procedures for Shareholders to convene Extraordinary General Meetings and putting forward proposals at General Meetings"; and

- "Procedures for Shareholders to propose a person for election as a Director".

### Enquiries to the Board

Enquiries may be put to the Board through the Company's investor relations department at 30/F., New World Tower, 16-18 Queen's Road Central, Hong Kong (email: ir@nwd.com.hk).

## DIVIDEND POLICY

The Board adopted a Dividend Policy in November 2018 which sets out the guidelines for the Board to determine the frequency of dividend payment and target dividend payout ratio for a financial year. The Company would distribute to its shareholders funds surplus to the operating needs of the Company and its subsidiaries twice for each financial year as determined by the Board, subject to its shareholders' approval, where applicable. In general, it is the policy of the Company to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend policy. The following factors will be taken into account for determining the Company's target dividend payout ratio:

- Any restrictions under the Hong Kong Companies Ordinance;
- Any banking or other funding covenants by which the Company is bound from time to time;
- The capital expenditure and operating requirements of the Group; and
- The external economic and market situation.

## COMMUNICATION WITH SHAREHOLDERS

The Board and management maintain a continuing dialogue with the Group's shareholders and investors through various channels including the Company's annual general meeting. The Chairman, Chief Executive Officer, other members of the Board and the external auditor attend the annual general meeting to meet the shareholders. The Directors will answer questions raised by the shareholders on the performance of the Group. The Group holds press conferences and analyst briefings at least twice a year following the release of interim and full year results announcements at which the executive directors and management of the Group are available to answer questions and listen feedbacks regarding the performance of the Group. Our corporate websites which contains corporate information, interim and annual reports, announcements and circulars issued by the Group as well as the recent developments of the Group enables the Group's shareholders to have timely and updated information of the Group. Shareholders can refer to the "Shareholders' Communication Policy" posted on the Group's websites for more details.

## INVESTOR RELATIONS

To ensure that the investors have a comprehensive and thorough understanding of the Group, with the establishment of timely and effective two-way communications, the management and investor relations team of the Group participate in different international investment conferences and arranges local and overseas non-deal roadshows on a regular basis to elaborate the Group's business development and market movement to investors in different locations. For details, please refer to the "Investor Relations" section from pages 122 and 123 of this annual report.

# Investor Relations


The year of 2020 is the 50th anniversary of the Group. Since its listing on the main board of Hong Kong Stock Exchange in 1972, the Group has maintained close communication with its shareholders and the capital market. In compliance with pertinent laws and regulatory requirements, the Group has provided swift, impartial and timely disclosure of information for various stakeholders to ensure investors can make effective assessments and informed investment decisions.

## HIGH PRIORITY FOR THE BOARD

The Board has approved and adopted the Shareholders' Communication Policy, which will be reviewed in due course to ensure its appropriateness and effectiveness, highly recognising the Board's strong emphasis on accountability to and right to information of shareholders and stakeholders.

Information disclosed on the HKEXnews platform of The Stock Exchange of Hong Kong Limited or the Group's website include the Group's financial reports, announcements, corporate governance policies, terms of reference of the Board committees, press releases and newsletters (ARTISANAL CONNECT). Other than shareholders' services provided by the share registrar and transfer office, the Group also addresses general enquiries from shareholders and stakeholders via email and online forms available on the corporate website.

The annual general meeting is an important annual event for members of the Board to engage and communicate with shareholders in person. Members of the Board, together with the representatives of the independent auditor, attend the meeting and answer questions raised by shareholders on the spot. On the day of the results announcement, the Group typically holds press conference and analyst briefing, at which the Executive Directors and senior management elaborate on the Group's operating conditions, development prospects and strategic layout. In this fiscal year, due to the COVID-19 pandemic, the results presentations were held via live streaming and feedback and queries of stakeholders were heard and answered directly online. Three languages were provided so that investors with different language backgrounds could participate.

## DIVERSIFIED COMMUNICATION AND INTERACTION

The Group's senior management and investor relations team maintain regular communication with shareholders, institutional investors and analysts, as well as active participation in international investors' activities and investment forums hosted by various organisations, so that the Group's business and investment value would gain exposure to a larger number of investors through expanding the scope of engagement in various forms.

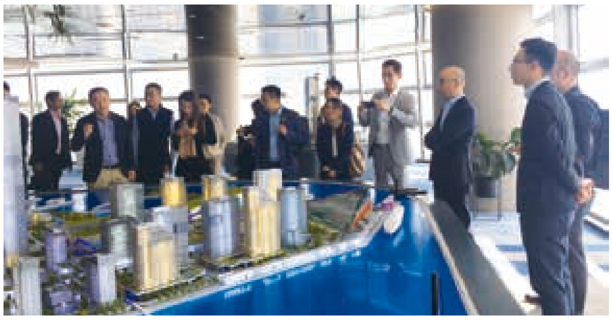
In response to the implementation of EU MiFID II in early 2018 and its impact on the asset management sector, the Group has adopted further vigorous measures, such as the hosting of non-deal roadshows, site visits and investors' days, among others, to ensure sound connection with investors and different stakeholders.

As the Group prospectively establishes the development strategy of "well-positioned in Greater China, expanding extensively in the Greater Bay Area", the investor relations team arranged a number of reverse roadshows for investors in Hong Kong, Guangzhou and Shenzhen to immerse investors in the Group's unique products through a variety of business formats.

In response to the impact of the COVID-19 pandemic on social distancing, the Group's investor relations team has sought changes swiftly and adopted online meetings and conference calls to maintain communication with stakeholders. Meanwhile, adhering to the corporate vision of creating shared value, the investor relations team posted Made-in-HK masks self-manufactured by the Group that meet the ASTM Level II standard to stakeholders.

## IMPROVEMENT IN INNOVATIVE COLLABORATION

In further reiteration of our emphasis on sustainable development, beginning from 2018, investor relations team has been working vigorously with sustainability team to connect with the corporate governance teams, green funds and environmental, social and governance (ESG) funds of institutional investors, in a proactive move to explore new markets.



Meanwhile, as a conglomerate, the Group's investor relations team has collaborated with the NWSH's investor relations team to host investors reverse roadshows and conference calls, in a bid to encourage investors to gain in-depth understanding of the Group's business, as well as the Group's efforts to build a New World ecosystem, connecting different aspects including living, commerce, consumption, lifestyle and such.

## RECOGNITION FOR OUTSTANDING PERFORMANCE

The Group has been enjoying longstanding market recognition for its outstanding performance in investor relations. During the year under review, the Group reaped over 30 domestic and international awards for investor relations, corporate governance and annual report in recognition of the Group's effort and dedication in investor relations and corporate governance, providing a fine testimony to the Group's principle of maintaining high standards in investor relations.

**Garnered over**
30 investor relations awards

**Hosted over**
20 non-deal roadshows and investors activities

**Joined over**
10 international investment forums

**Engaged in over**
350 online meetings and conference calls

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Dr. Cheng Kar-Shun, Henry GBM GBS *(Chairman)*
Dr. Cheng Chi-Kong, Adrian JP
*(Executive Vice-chairman and Chief Executive Officer)*
Mr. Cheng Chi-Heng
Ms. Cheng Chi-Man, Sonia
Mr. Sitt Nam-Hoi
Ms. Huang Shaomei, Echo
Ms. Chiu Wai-Han, Jenny

### Non-executive Directors

Mr. Doo Wai-Hoi, William JP
*(Non-executive Vice-chairman)*
Mr. Cheng Kar-Shing, Peter
Ms. Ki Man-Fung, Leonie GBS SBS JP*

### Independent Non-executive Directors

Mr. Yeung Ping-Leung, Howard
Mr. Cha Mou-Sing, Payson JP
Mr. Cha Mou-Zing, Victor
*(Alternate Director to Mr. Cha Mou-Sing, Payson)*
Mr. Ho Hau-Hay, Hamilton
Mr. Lee Luen-Wai, John BBS JP
Mr. Liang Cheung-Biu, Thomas
Mr. Ip Yuk-Keung, Albert

## COMPANY SECRETARY

Mr. Wong Man-Hoi

## INDEPENDENT AUDITOR

PricewaterhouseCoopers
*Certified Public Accountants and*
*Registered Public Interest Entity Auditor*

## SOLICITORS

Woo, Kwan, Lee & Lo
Kao, Lee & Yip
Eversheds Sutherland
Simmons & Simmons

## SHARE REGISTRAR AND TRANSFER OFFICE

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

## REGISTERED OFFICE

30/F., New World Tower,
16-18 Queen's Road Central, Hong Kong
Tel: (852) 2523 1056
Fax: (852) 2810 4673

## PRINCIPAL BANKERS

Agricultural Bank of China
Bank of China (Hong Kong)
Bank of Communications
Bank of East Asia
China Construction Bank (Asia)
China Development Bank
China Merchants Bank
Credit Agricole Corporate & Investment Bank
DBS Bank
Hang Seng Bank
Industrial and Commercial Bank of China (Asia)
Mizuho Bank
MUFG Bank, Ltd.
Nanyang Commercial Bank
OCBC Bank
Shanghai Pudong Development Bank
Sumitomo Mitsui Banking Corporation
Standard Chartered Bank
The Hongkong and Shanghai Banking Corporation

## STOCK CODE

Hong Kong Stock Exchange 0017
Reuters 0017.HK
Bloomberg 17 HK

## INFORMATION FOR INVESTORS

For more information about the Group,
please contact the Investor Relations Department of
the Company at:
30/F., New World Tower,
16-18 Queen's Road Central, Hong Kong
Tel: (852) 2523 1056
Fax: (852) 2810 4673
e-mail: ir@nwd.com.hk

## WEBSITE

www.nwd.com.hk

* *will retire on 1 October 2020*

# Report of the Directors

The Directors have pleasure in presenting their annual report and financial statements for the year ended 30 June 2020.

## GROUP ACTIVITIES

The principal activities of the Company remain investment holding and property development and investment. The principal activities of the principal subsidiaries, joint ventures and associated companies are shown in notes 54, 55 and 56 to the financial statements.

## SHARE CONSOLIDATION

On 23 June 2020, (i) every four issued shares of the Company were consolidated into one share of the Company (each a "Consolidated Share") and the number of Consolidated Shares was rounded down to the nearest whole number by disregarding each and every fractional Consolidated Share which would otherwise arise (the "Share Consolidation"); and (ii) no shareholders of the Company were allocated with any fractional Consolidated Shares which they would otherwise be entitled to receive and were disregarded as aforesaid, but instead each registered shareholder of the Company concerned was paid a sum equivalent to the closing price per Consolidated Share on the Stock Exchange on 23 June 2020, being the effective date of the Share Consolidation, multiplied by a fraction same as the fraction of the Consolidated Share to which such shareholder of the Company would otherwise be entitled; and (iii) all of the Consolidated Shares shall rank pari passu in all respects with each other.

As at 30 June 2020, the total number of shares of the Company in issue was 2,549,116,921.

## RESULTS AND APPROPRIATION

The results of the Group for the year ended 30 June 2020 are set out in the consolidated income statement on page 170 of this annual report.

The Directors have resolved to recommend a final cash dividend for the year ended 30 June 2020 of HK$1.48 per share (2019: HK$0.37 (before Share Consolidation)/HK$1.48 (after Share Consolidation) per share) to shareholders whose names appear on the register of members of the Company on 1 December 2020. Together with the interim dividend of HK$0.14 (before Share Consolidation)/HK$0.56 (after Share Consolidation) per share (2019: HK$0.14 (before Share Consolidation)/HK$0.56 (after Share Consolidation) per share), the total dividend for the financial year ended 30 June 2020 is HK$2.04 per share (2019: HK$0.51 (before Share Consolidation)/HK$2.04 (after Share Consolidation) per share).

Subject to the passing of the relevant resolutions at the annual general meeting of the Company to be held on 26 November 2020, it is expected that the proposed final dividend will be distributed to shareholders on or about 21 December 2020.

## BUSINESS REVIEW

A fair review of the business of the Group, a discussion and analysis of the Group's performance during the year including analysis using financial key performance indicators, particulars of important events affecting the Group that have occurred since the end of the financial year, description of the principal risks and uncertainties facing the Group, and a discussion on the Group's environmental policies and performance and the Group's compliance with relevant laws and regulations that have a significant impact on the Group, and an account of the Group's key relationships with its stakeholders are provided throughout this annual report, particularly in the sections headed "Financial Highlights", "CEO's Report", "Corporate Sustainability", "Corporate Governance Report" and "Management Discussion and Analysis" of this annual report. These discussions form part of this Directors' Report.

## SHARES ISSUED

During the year, as a result of the exercise of share options under the share option scheme of the Company, a total of 45,752,065 shares (before Share Consolidation) of the Company, fully paid, were issued for a total consideration of HK$350,397,213.06.

Details of the shares issued during the year are set out in note 38 to the financial statements.

## DEBENTURES ISSUED

Certain subsidiaries of the Company had issued notes for the purpose of financing the general working capital requirement of the Group during the year as follows:

1. On 3 July 2019, US$300.0 million (equivalent to approximately HK$2,340.0 million) 5.750% guaranteed senior perpetual capital securities were issued by Celestial Miles Limited and listed on the Stock Exchange at a price of 104.000% of the principal amount with net proceeds (excluding accrued interest) of US$309.2 million (equivalent to approximately HK$2,411.7 million);

2. On 18 July 2019, US$950.0 million (equivalent to approximately HK7,410.0 million) 4.125% guaranteed notes due 2029 were issued by NWD (MTN) Limited and listed on the Stock Exchange at a price of 98.718% of the principal amount with net proceeds of US$928.3 million (equivalent to approximately HK$7,240.7 million);

3. On 24 July 2019, US$400.0 million (equivalent to approximately HK$3,120.0 million) 6.250% guaranteed senior perpetual capital securities were issued by NWD Finance (BVI) Limited and listed on the Stock Exchange at a price of 101.389% of the principal amount with net proceeds (excluding accrued interest) of US$401.6 million (equivalent to approximately HK$3,132.5 million);

4. On 1 November 2019, US$400.0 million (equivalent to approximately HK$3,120.0 million) 6.250% guaranteed senior perpetual capital securities were issued by NWD Finance (BVI) Limited and listed on the Stock Exchange at a price of 101.412% of the principal amount with net proceeds (excluding accrued interest) of US$402.4 million (equivalent to approximately HK$3,138.7 million);

5. On 17 March 2020, HK$150.0 million 1.500% guaranteed notes due 2022 were issued by NWD (MTN) Limited at a price of 99.319% of the principal amount with net proceeds of HK$149.0 million;

6. On 17 April 2020, HK$300.0 million 3.830% guaranteed notes due 2030 were issued by NWD (MTN) Limited at a price of 100.000% of the principal amount with net proceeds of HK$296.3 million;

7. On 19 May 2020, US$600.0 million (equivalent to approximately HK$4,680.0 million) 4.500% guaranteed notes due 2030 were issued by NWD (MTN) Limited and listed on the Stock Exchange at a price of 99.920% of the principal amount with net proceeds of US$595.6 million (equivalent to approximately HK$4,645.7 million);

8. On 22 June 2020, US$650.0 million (equivalent to approximately HK$5,070.0 million) guaranteed senior perpetual capital securities at an initial distribution rate of 5.250% per annum were issued by NWD Finance (BVI) Limited and listed on the Stock Exchange at a price of 100.000% of the principal amount with net proceeds of US$645.8 million (equivalent to approximately HK$5,037.2 million); and

9. On 30 June 2020, US$200.0 million (equivalent to approximately HK$1,560.0 million) guaranteed senior perpetual capital securities at an initial distribution rate of 5.250% per annum were issued by NWD Finance (BVI) Limited and listed on the Stock Exchange at a price of 100.200% of the principal amount with net proceeds (excluding accrued interest) of US$200.0 million (equivalent to approximately HK$1,560.0 million).

In addition, on 31 December 2019, HK$1,500.0 million 4.890% guaranteed notes due 2049 were issued by NWD (MTN) Limited to FTLife Insurance Company Limited ("FTLife Insurance", a subsidiary of the Company). Such notes were listed on the Stock Exchange at a price of 100.000% of the principal amount with net proceeds of HK$1,500.0 million.

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

## EQUITY-LINKED AGREEMENTS

Save for the share option schemes of the Group as set out on pages 139 to 146, no equity-linked agreements were entered into by the Group, or existed during the year.

## DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 30 June 2020, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap. 622), amounted to HK$23,440.0 million (2019: HK$23,004.5 million).

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on pages 299 and 300.

## EMPLOYEES AND REMUNERATION POLICIES

At 30 June 2020, around 44,000 staff was employed by entities under the Group's management. Remuneration policies are reviewed annually. Remuneration and bonuses are awarded to employees based on individual performances and are in line with market practices. Education subsidies are granted to employees who are taking job-related courses. Periodic in-house training programs are also offered. Under the share options schemes of the Company and all the listed subsidiaries of the Group, options may be granted to certain Directors of the Company and certain employees of the Group to subscribe for shares in the Company and/or the respective subsidiaries.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, the Company bought back a total of 72,089,000 shares (before Share Consolidation) of the Company on the Hong Kong Stock Exchange at an aggregate consideration of HK$612,671,700 (before expenses). All such bought back shares were subsequently cancelled during the year.

Details of the shares bought back during the year are as follows:

| Month | Number of shares bought back (before Share Consolidation) | Price paid per share | | Aggregate consideration (before expenses) |
|---|---|---|---|---|
| | | Highest HK$ | Lowest HK$ | HK$ |
| December 2019 | 4,000,000 | 10.42 | 10.16 | 41,125,380 |
| March 2020 | 42,767,000 | 9.50 | 7.46 | 354,893,490 |
| April 2020 | 25,322,000 | 9.10 | 8.22 | 216,652,830 |
| | 72,089,000 | | | 612,671,700 |

The above share buy-backs were made with a view to enhancing the earnings per share of the Company and thus benefit the shareholders as a whole.

New World China Land Limited ("NWCL") redeemed the USD575,359,000 (equivalent to approximately HK$4,487,800,200) 5.375% notes due 2019 (stock code: 5824) at principal amount upon maturity on 6 November 2019.

Fita International Limited redeemed the USD750,000,000 (equivalent to approximately HK$5,850,000,000) 7.000% notes due 2020 (stock code: 4315) at principal amount upon maturity on 10 February 2020.

During the year, the Company has not redeemed any of its listed securities. Save as disclosed above, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

## DONATIONS

The Group made charitable and other donations during the year of HK$86.7 million (2019: HK$93.8 million).

## MAJOR ACQUISITIONS AND DISPOSALS

1. On 27 December 2018, Earning Star Limited, an indirect wholly owned subsidiary of NWS Holdings Limited ("NWSH"), entered into a share purchase agreement to acquire the entire issued share capital of FTLife Insurance at a total consideration of HK$21.812 billion (after adjustments). FTLife Insurance is a life insurance company operating in Hong Kong, providing a broad range of protection and savings-related life and medical insurance products. This acquisition was completed on 1 November 2019 and FTLife Insurance became an indirect wholly owned subsidiary of NWSH since then.

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

3. On 26 July 2019, Esteemed Sino Limited ("Esteemed Sino"), an indirect wholly owned subsidiary of NWCL, entered into a sale and purchase agreement with Praiseworth International Limited and Property Giant Investments Limited (collectively the "Vendors", which are wholly owned by Chow Tai Fook Enterprises Limited ("CTFE")), and CTFE as guarantor of the Vendors, whereby the Vendors agreed to sell and assign, and Esteemed Sino agreed to acquire 51% interest of the entire issued share capital of Silvery Yield Development Limited ("Silvery Yield") and accept the assignment of shareholders' loans owing from Silvery Yield to the Vendors, for a total consideration of RMB4,010.0 million (equivalent to approximately HK$4,556.8 million) (the "Acquisition"). Silvery Yield and its subsidiaries are principally engaged in the business of property development of Ningbo New World Plaza in Ningbo City, Zhejiang Province, the PRC. The Acquisition was completed on 26 July 2019.

4. On 30 July 2019, Honour Team International Limited, an indirect wholly owned subsidiary of NWCL, acquired through listing-for-sale the state-owned construction land use right of a parcel of land located at Wangjiang New Town, Shangcheng District, Hangzhou, Zhejiang Province, the PRC, for the development of a residential and commercial complex at a consideration of approximately RMB9,791.9 million (equivalent to approximately HK$11,127.1 million).

5. In September 2019, Guangzhou Zengpei Properties Development Co., Ltd., an indirect wholly owned subsidiary of NWCL, won the bidding in respect of the state-owned construction land use right of a parcel of land located at Tagang Village, Yongning Street, Zengcheng District, Guangzhou, the PRC, through listing-for-sale at a consideration of RMB3,400.0 million (equivalent to approximately HK$3,863.6 million) for residential and carparking development.

6. On 5 September 2019, NWSH disposed of 120 million issued H shares of Beijing Capital International Airport Co., Ltd. ("BCIA") at the price of HK$6.50 per H share of BCIA and thereafter, NWSH no longer holds any interest in BCIA.

## CONNECTED TRANSACTIONS

Connected transactions of the Company during the year and up to the date of this report are set out on pages 134 to 137.

## RULES 13.20 AND 13.22 OF THE LISTING RULES

The disclosure pursuant to Rules 13.20 and 13.22 of the Listing Rules is set out on page 149.

## DIRECTORS

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

**Executive Directors**

| | |
|---|---|
| Dr. Cheng Kar-Shun, Henry *GBM GBS (Chairman)* | |
| Dr. Cheng Chi-Kong, Adrian *JP (Executive Vice-chairman & Chief Executive Officer)* | (re-designated from Executive Vice-chairman & General Manager on 1 May 2020) |
| Mr. Cheng Chi-Heng | |
| Ms. Cheng Chi-Man, Sonia | |
| Mr. Au Tak-Cheong | (resigned on 1 April 2020) |
| Mr. Sitt Nam-Hoi | |
| Mr. So Chung-Keung, Alfred | (resigned on 1 January 2020) |
| Ms. Huang Shaomei, Echo | (appointed on 1 May 2020) |
| Ms. Chiu Wai-Han, Jenny | (appointed on 1 May 2020) |

**Non-executive Directors**
Mr. Doo Wai-Hoi, William *JP (Non-executive Vice-chairman)*
Mr. Cheng Kar-Shing, Peter
Ms. Ki Man-Fung, Leonie *GBS SBS JP*

**Independent Non-executive Directors**
Mr. Yeung Ping-Leung, Howard
Mr. Cha Mou-Sing, Payson *JP*
Mr. Cha Mou-Zing, Victor *(Alternate Director to Mr. Cha Mou-Sing, Payson)*
Mr. Ho Hau-Hay, Hamilton
Mr. Lee Luen-Wai, John *BBS JP*
Mr. Liang Cheung-Biu, Thomas
Mr. Ip Yuk-Keung, Albert

Mr. So Chung-Keung, Alfred and Mr. Au Tak-Cheong resigned as Directors on 1 January 2020 and 1 April 2020 respectively. Each of them had confirmed that he has no disagreement with the Board and there are no matters in respect of his resignation that needs to be brought to the attention of the shareholders of the Company.

In accordance with Article 94 of the Company's Articles of Association, Ms. Huang Shaomei, Echo and Ms. Chiu Wai-Han, Jenny retire and, being eligible, offer themselves for re-election.

In accordance with Article 103(A) of the Company's Articles of Association, Dr. Cheng Kar-Shun, Henry, Mr. Doo Wai-Hoi, William, Mr. Cheng Kar-Shing, Peter, Mr. Liang Cheung-Biu, Thomas and Ms. Cheng Chi-Man, Sonia shall retire by rotation and, being eligible, offer themselves for re-election.

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

A list of names of all the directors who have served on the boards of the Company's subsidiaries during the year is available on the Company's website at www.nwd.com.hk.

## AUDIT COMMITTEE

An Audit Committee has been established and the members of the Committee as at the date of this report are Mr. Lee Luen-Wai, John, Mr. Yeung Ping-Leung, Howard, Mr. Cha Mou-Sing, Payson, Mr. Ho Hau-Hay, Hamilton, Mr. Liang Cheung-Biu, Thomas and Mr. Ip Yuk-Keung, Albert. The principal responsibilities of the Audit Committee include the review and supervision of the Group's financial reporting process and risk management (including but not limited to business, operation as well as environmental, social and governance related risks) and internal control systems.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Connected Transactions" on pages 134 to 137 of this annual report and contracts amongst group companies, no other transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company and the Director's connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, interests of the Directors in shares, underlying shares and debentures of the Company and its associated corporations which were recorded in the register to be kept by the Company under Section 352 of the Securities and Futures Ordinance ("SFO") are set out on pages 138 to 148.

## PERMITTED INDEMNITY PROVISION

The Company's Articles of Association provides that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

The Company and its listed subsidiaries have taken out and maintained directors' liability insurance throughout the year, which provides appropriate cover for the Directors and directors of the subsidiaries of the Group.

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year, according to the Listing Rules, the following Directors have interests in the following businesses which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors of the Company were appointed as directors to represent the interests of the Company and/or the Group:

| | **Businesses which are considered to compete or likely to compete with the businesses of the Group** | | |
|---|---|---|---|
| **Name of Director** | **Name of entity** | **Description of businesses** | **Nature of interest of the Director in the entity** |
| Dr. Cheng Kar-Shun, Henry | Chow Tai Fook Enterprises Limited ("CTF") group of companies | Property investment and development, hotel operations, commercial aircraft leasing and healthcare investment | Director |
| | FSE Holdings Limited group of companies | Property and carpark management and landscaping | Shareholder |
| | Supreme Harvest Development Limited group of companies | Property investment and development | Director |
| | Shanghai New World Shangxian Lane Development Limited | Property investment and development | Director |
| | Silver City International Limited group of companies | Property investment | Director |
| | Sunshine Dragon Group Limited group of companies | Property investment | Director |

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES (CONTINUED)

| | Businesses which are considered to compete or likely to compete with the businesses of the Group | | |
|---|---|---|---|
| **Name of Director** | **Name of entity** | **Description of businesses** | **Nature of interest of the Director in the entity** |
| Mr. Doo Wai-Hoi, William | Ace Action Ltd. group of companies | Property investment | Director and shareholder |
| | Amelia Gold Limited group of companies | Property investment | Director and shareholder |
| | Fortune Success Limited group of companies | Property investment | Director and shareholder |
| | FSE Holdings Limited group of companies | Property and carpark management and landscaping | Shareholder |
| | Fung Seng Enterprises Investment Company Limited group of companies | Property investment | Director and shareholder |
| | Fung Seng Enterprises Limited group of companies | Property investment and management | Director and shareholder |
| | Golden Wealth Investment Limited group of companies | Property investment and development | Director and shareholder |
| | Lifestyle International Holdings Limited group of companies | Department stores operations and property investment | Director |
| | Oriental Triumph Inc. group of companies | Property and hotel investment | Director and shareholder |
| | Silver City International Limited group of companies | Property investment | Director and shareholder |
| | Silver Success Company Limited group of companies | Hotel operations | Director and shareholder |
| | Sunshine Dragon Group Limited group of companies | Property investment | Director and shareholder |
| Dr. Cheng Chi-Kong, Adrian | Cheung Hung Development (Holdings) Limited | Property investment and development | Director |
| | CTF group of companies | Property investment and development, hotel operations, commercial aircraft leasing and healthcare investment | Director |
| | New Century Healthcare Holding Co. Limited group of companies | Healthcare investment | Director |

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES (CONTINUED)

| | Businesses which are considered to compete or likely to compete with the businesses of the Group | | |
|---|---|---|---|
| Name of Director | Name of entity | Description of businesses | Nature of interest of the Director in the entity |
| Mr. Cheng Kar-Shing, Peter | CTF group of companies | Property investment and development, hotel operations, commercial aircraft leasing and healthcare investment | Director |
| | Long Vocation Investments Limited group of companies | Property investment | Director and shareholder |
| Mr. Cheng Chi-Heng | CTF group of companies | Property investment and development, hotel operations, commercial aircraft leasing and healthcare investment | Director |

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

## MANAGEMENT CONTRACTS

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

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share Option Schemes" below, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company or chief executives or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## SHARE OPTION SCHEMES

Share option schemes of the Group are set out on pages 139 to 146.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2020, the interests or short positions of substantial shareholders (as defined in the Listing Rules) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

### Long positions in shares

| Name | Number of shares held: Beneficial interests | Number of shares held: Corporate interests | Number of shares held: Total | Approximate % of shareholding |
|---|---|---|---|---|
| Cheng Yu Tung Family (Holdings) Limited ("CYTFH")(1) | – | **1,133,908,609** | **1,133,908,609** | **44.48** |
| Cheng Yu Tung Family (Holdings II) Limited ("CYTFH-II")(2) | – | **1,133,908,609** | **1,133,908,609** | **44.48** |
| Chow Tai Fook Capital Limited ("CTFC")(3) | – | **1,133,908,609** | **1,133,908,609** | **44.48** |
| Chow Tai Fook (Holding) Limited ("CTFHL")(4) | – | **1,133,908,609** | **1,133,908,609** | **44.48** |
| Chow Tai Fook Enterprises Limited ("CTF")(5) | **1,030,872,823** | **103,035,786** | **1,133,908,609** | **44.48** |

Notes:

(1) CYTFH holds 48.98% direct interest in CTFC and is accordingly deemed to have an interest in the shares deemed to be interested by CTFC.

(2) CYTFH-II holds 46.65% direct interest in CTFC and is accordingly deemed to have an interest in the shares deemed to be interested by CTFC.

(3) CTFC holds 81.03% direct interest in CTFHL and is accordingly deemed to have an interest in the shares deemed to be interested by CTFHL.

(4) CTFHL holds 100% direct interest in CTF and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF.

(5) CTF together with its subsidiaries.

Save as disclosed above, there is no other interest recorded in the register that is required to be kept under Section 336 of the SFO as at 30 June 2020.

## SUFFICIENCY OF PUBLIC FLOAT

According to information that is available to the Company, the percentage of the Company's shares which are in the hands of the public exceeds 25.0% of the Company's total number of issued shares.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, less than 30.0% of the Group's turnover and less than 30.0% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers respectively.

## AUDITOR

The financial statements have been audited by Messrs. PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment.

On Behalf of the Board

**Dr. Cheng Kar-Shun, Henry**
*Chairman*
Hong Kong, 30 September 2020

## CONNECTED TRANSACTIONS

(1) The Company and Chow Tai Fook Enterprises Limited ("CTF"), severally in the proportions of 64.0% and 36.0%, have on 29 August 1995 issued an indemnity (the "Indemnity") to Renaissance Hotel Group N.V. ("RHG"), a former subsidiary of New World Hotels (Holdings) Limited ("NWHH"), which is now an independent third party, in respect of any obligations of RHG or its subsidiaries may have in respect of certain lease payment obligations under originally 25 leases or guarantees of leases (now one lease remaining) held by Hotel Property Investments (B.V.I.) Ltd. ("HPI") and its subsidiaries.

On 25 July 1997, NWHH sold its entire interests in HPI to CTF Holdings Ltd.("CTFH"), a company then controlled by Dr. Cheng Kar-Shun, Henry and Mr. Doo Wai-Hoi, William ("Mr. Doo"), and currently wholly owned by CTF. Under the sale, the Indemnity will continue. Arrangements have therefore been entered into whereby CTF will counter-indemnify the Company fully against any liability arising under the Indemnity in respect of the said lease obligations and guarantees of leases. The final lease expired at the end of August 2019 and all obligations have been satisfied and the guarantee has been returned. Up to the date of this report, no payment has ever been made by the Company or CTF under the Indemnity.

(2) On 22 March 2012, New World Department Store China Limited ("NWDS") and Chow Tai Fook Jewellery Group Limited ("CTFJ") entered into a master concessionaire counter agreement (the "Master Concessionaire Counter Agreement") commencing from 24 April 2012 up to and including 30 June 2014, pursuant to which members of the NWDS Group (i.e. NWDS and its subsidiaries) and the CTFJ Group (i.e. CTFJ and its subsidiaries) may from time to time enter into definitive concessionaire agreements in relation to any transactions arising from the concessionaire arrangements or rental agreements in respect of retailing counters for the sale of jewellery products and watches by the CTFJ Group at properties in the PRC owned by, or leased to the NWDS Group or at which the NWDS Group operates its business.

The Master Concessionaire Counter Agreement will be automatically renewed for a successive period of three years after the initial term or subsequent renewal term subject to compliance with relevant requirements of the Listing Rules. Upon expiry of its initial term, the Master Concessionaire Counter Agreement was automatically renewed twice for two successive periods of three years commencing from 1 July 2014. Details of the second renewal of the Master Concessionaire Counter Agreement and the annual caps set for each of the three financial years ending 30 June 2020 were set out in the announcement of the Company dated 10 April 2017.

For the year ended 30 June 2020, the aggregate amount of the transactions under the Master Concessionaire Counter Agreement amounted to approximately RMB42.0 million (equivalent to approximately HK$46.7 million), which is within the annual cap of RMB159.902 million (equivalent to approximately HK$177.669 million).

In anticipation of the expiry of the second renewal term on 30 June 2020, NWDS and CTFJ agreed to further renew the Master Concessionaire Counter Agreement for further three years commencing from 1 July 2020 up to and including 30 June 2023. Details of the third renewal of the Master Concessionaire Counter Agreement and the annual caps set for each of the three financial years ending 30 June 2023 were set out in the announcement of the Company dated 4 May 2020.

As CTFJ is a fellow subsidiary of CTF which is a substantial shareholder of the Company, CTFJ is therefore a connected person of the Company under the Listing Rules. Accordingly, the renewal of the Master Concessionaire Counter Agreement and all the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Listing Rules.

## CONNECTED TRANSACTIONS (CONTINUED)

(3) On 10 April 2017, the Company and Mr. Doo entered into a master services agreement (the "Mr. Doo MSA") for a term of three years commencing from 1 July 2017 up to and including 30 June 2020 in respect of the provision of certain operational and rental services which include contracting services, cleaning and landscaping services, facilities management services, property management services, security and guarding services and rental services between members of the Group and members of the Services Group (being Mr. Doo and any company in the equity capital of which Mr. Doo is or will be directly or indirectly interested so as to exercise or control the exercise of 30.0% (or such other amount as may from time to time be specified in the Code on Takeovers and Mergers (the "Takeovers Code") as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary). Subject to compliance with the relevant requirements under the Listing Rules, upon expiration of the initial term or subsequent renewal term, the Mr. Doo MSA will be automatically renewed for a successive period of three years thereafter (or such other period permitted under the Listing Rules). The Mr. Doo MSA and the annual caps set for each of the three financial years ending 30 June 2020 were disclosed in the announcement of the Company dated 10 April 2017 and were approved by the independent shareholders of the Company on 26 May 2017.

For the year ended 30 June 2020, the aggregate amount of the transactions under the Mr. Doo MSA amounted to approximately HK$1,567.8 million, which is within the annual cap of HK$5,837.1 million.

On 24 April 2020, the Company and Mr. Doo entered into a new master services agreement (the "New Mr. Doo MSA") for a term of three years commencing from 1 July 2020 up to and including 30 June 2023 in respect of the provision of the aforesaid operational and rental services, as well as insurance, medical and health care services and procurement services, and agreed to terminate the Mr. Doo MSA on the commencement date of the New Mr. Doo MSA. Subject to compliance with the relevant requirements under the Listing Rules, upon expiration of the initial term or subsequent renewal term, the New Mr. Doo MSA will be automatically renewed for a successive period of three years thereafter (or such other period permitted under the Listing Rules). The New Mr. Doo MSA and the annual caps set for each of the three financial years ending 30 June 2023 were disclosed in the announcement of the Company dated 24 April 2020 and were approved by the independent shareholders of the Company on 19 June 2020.

Mr. Doo is the Non-executive Vice-chairman of the Company and a director of certain subsidiaries of the Company, and hence a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Mr. Doo MSA and the New Mr. Doo MSA and all the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Listing Rules.

(4) On 10 April 2017, the Company and CTF entered into a master services agreement (the "CTF MSA") for a term of three years commencing from 1 July 2017 up to and including 30 June 2020 in respect of the provision of services including administrative services, contracting services, general and rental services, and project management and consultancy services between members of the Group and members of the CTF Services Group (being CTF, (a) any other company which is its subsidiary or holding company or is a fellow subsidiary of any such holding company, and/or (b) any other company in the equity capital of which CTF and such other companies referred to in (a) above taken together are directly or indirectly interested so as to exercise or control the exercise of 30.0% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings or to control the composition of a majority of the board of directors, and any other company which is its subsidiary, but excluding members of the Group).

Subject to compliance with the relevant requirements under the Listing Rules, upon expiration of the initial term or subsequent renewal term, the CTF MSA will be automatically renewed for a successive period of three years thereafter (or such other period permitted under the Listing Rules). Details of the CTF MSA and the annual caps set for each of the three financial years ending 30 June 2020 were set out in the announcement of the Company dated 10 April 2017.

For the year ended 30 June 2020, the aggregate amount of the transactions under the CTF MSA amounted to approximately HK$536.7 million, which is within the annual cap of HK$1,920.4 million.

On 24 April 2020, the Company and CTF entered into a new master services agreement (the "New CTF MSA") for a term of three years commencing from 1 July 2020 up to and including 30 June 2023 in respect of the provision of services including the aforesaid services, as well as insurance, medical and health care services, and agreed to terminate the CTF MSA on the commencement date of the New CTF MSA. Subject to compliance with the relevant requirements under the Listing Rules, upon expiration of the initial term or subsequent renewal term, the New CTF MSA will be automatically renewed for a successive period of three years thereafter (or such other period permitted under the Listing Rules). Details of the New CTF MSA and the annual caps set for each of the three financial years ending 30 June 2023 were set out in the announcement of the Company dated 24 April 2020.

As CTF is a connected person of the Company, the entering into of the CTF MSA and the New CTF MSA and all the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Listing Rules.

## CONNECTED TRANSACTIONS (CONTINUED)

(5) On 11 April 2014, the Company and CTFJ entered into a master leasing agreement (the "Master Leasing Agreement") regarding the leasing of premises between members of the Group and members of the CTFJ Group for an initial term of three years commencing from 1 July 2014. Subject to compliance with the relevant requirements under the Listing Rules, upon expiration of the initial term or subsequent renewal term, the Master Leasing Agreement will be automatically renewed for a successive period of three years thereafter.

Upon expiry of its initial term, the Master Leasing Agreement was automatically renewed in accordance with its terms and conditions for three years commencing from 1 July 2017 up to and including 30 June 2020. Details of the renewal of the Master Leasing Agreement and the annual caps set for each of the three financial years ending 30 June 2020 were set out in the announcement of the Company dated 13 April 2017.

For the year ended 30 June 2020, the aggregate amount of the transactions under the Master Leasing Agreement amounted to approximately HK$97.3 million, which is within the annual cap of HK$261.2 million.

On 28 April 2020, the Company and CTFJ entered into the master leasing and licensing agreement (the "Master Leasing and Licensing Agreement") for a term of three years commencing from 1 July 2020 up to and including 30 June 2023 in relation to transactions arising from the leases or tenancy agreements, licensing agreements, concession agreements, other similar collaboration agreements or any other agreements in relation to any real properties (including without limitation retail shops, shops-in-shops and counters) between members of the Group and members of the CTFJ Group, and agreed to terminate the Master Leasing Agreement on the date of commencement of the Master Leasing and Licensing Agreement. Subject to compliance with the relevant requirements under the Listing Rules, upon expiration of the initial term or subsequent renewal term, the Master Leasing and Licensing Agreement will be automatically renewed for a successive period of three years thereafter (or such other period permitted under the Listing Rules). Details of the Master Leasing and Licensing Agreement and the annual caps set for each of the three financial years ending 30 June 2023 were set out in the announcement of the Company dated 28 April 2020.

As CTFJ is a fellow subsidiary of CTF which is a substantial shareholder of the Company, CTFJ is therefore a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Master Leasing Agreement and the Master Leasing and Licensing Agreement, and all the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Listing Rules.

(6) On 10 April 2017, the Company and CTF entered into a master hotel management services agreement (the "Master Hotel Management Services Agreement") regarding the provision of hotel management and consultancy services by members of the CTF Group (i.e. CTF and its subsidiaries) to members of the Group. The Master Hotel Management Services Agreement is for a term of 10 years commencing from 1 July 2017 up to and including 30 June 2027 and will be automatically renewed for a further term of 10 years upon expiration of the initial term subject to compliance with the relevant requirements under the Listing Rules. Details of the Master Hotel Management Services Agreement and the annual caps set for each of the three financial years ending 30 June 2020 were set out in the announcement of the Company dated 10 April 2017.

For the year ended 30 June 2020, the aggregate amount of the transactions under the Master Hotel Management Services Agreement amounted to approximately HK$95.0 million, which is within the annual cap of HK$249.3 million.

In anticipation of the expiry of the existing annual caps for the transactions under the Master Hotel Management Services Agreement on 30 June 2020, the Board has determined new annual caps for the three financial years ending 30 June 2023 as set out in the announcement of the Company dated 8 May 2020.

As CTF is a connected person of the Company, the entering into of the Master Hotel Management Services Agreement and all the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Listing Rules.

## CONNECTED TRANSACTIONS (CONTINUED)

(7) On 10 April 2017, the Company and CTF entered into a master hotel leasing agreement (the "Master Hotel Leasing Agreement") regarding the leasing of hotels and licensing of related licences to members of the CTF Group from members of the Group for a term of 10 years commencing from 1 July 2017 up to and including 30 June 2027. The Master Hotel Leasing Agreement will be automatically renewed for a further term of 10 years upon expiration of the initial term subject to compliance with the relevant requirements under the Listing Rules.

As the annual cap amount for the transactions under the Master Hotel Leasing Agreement for each of the three financial years ending 30 June 2020 is de minimis, the entering into of the Master Hotel Leasing Agreement is fully exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

In anticipation of the expiry of the existing annual caps for the transactions under the Master Hotel Leasing Agreement on 30 June 2020, the Board has determined new annual caps for the three financial years ending 30 June 2023. Details of the Master Hotel Leasing Agreement and the said new annual caps were set out in the announcement of the Company dated 8 May 2020.

As CTF is a connected person of the Company, the entering into of the Master Hotel Leasing Agreement and all the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Listing Rules.

(8) On 26 July 2019, Esteemed Sino Limtied ("Esteemed Sino", an indirect wholly owned subsidiary of the Company), Praiseworth International Limited ("First Vendor"), Property Giant Investments Limited ("Second Vendor") and CTF as guarantor entered into a sale and purchase agreement (the "SP Agreement") pursuant to which Esteemed Sino agreed to acquire 51.0% interest of the entire issued share capital of Silvery Yield Development Limited ("Silvery Yield") and the related shareholders' loans from the First Vendor and the Second Vendor (collectively the "Vendors", which are wholly owned by CTF beneficially) at the total consideration ("Consideration") of RMB4,010.0 million (equivalent to approximately HK$4,556.8 million) (the "Acquisition"). Silvery Yield and its subsidiaries are principally engaged in the business of property development of Ningbo New World Plaza in Ningbo City, Zhejiang Province, the PRC.

Completion of the Acquisition ("Completion") took place immediately after the signing of the SP Agreement and Silvery Yield became an indirect wholly owned subsidiary of the Company.

In accordance with the SP Agreement, 20.0% of the Consideration was paid by Silvery Yield to the Vendors upon Completion, and 80.0% of the Consideration was paid in November 2019.

As CTF is a connected person of the Company, each of the Vendors is a connected person of the Company by virtue of being wholly owned by CTF beneficially and the Acquisition constitutes a connected transaction for the Company under the Listing Rules. Details of the Acquisition were set out in the announcement of the Company dated 26 July 2019.

The price and terms of the continuing connected transactions mentioned in paragraphs (2) to (6) above were determined in accordance with the pricing policies and guidelines as set out in the relevant announcements of the Company. These continuing connected transactions have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the transactions have been entered into:

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

(b) on normal commercial terms or better; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions stated in paragraphs (2) to (6) above 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 his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with paragraph 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the HKEx.

Save as disclosed above, a summary of significant related party transactions that did not constitute connected transactions made during the year was disclosed in note 52 to the financial statements.

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, the interests of the Directors in shares, underlying shares and debentures of the Company or any of its associated corporations which were recorded in the register required to be kept by the Company under Section 352 of the SFO were as follows:

### (A) Long position in shares

| | Number of shares | | | | Approximate % of shareholding |
|---|---|---|---|---|---|
| | Personal interests | Spouse interests | Corporate interests | Total | |
| **New World Development Company Limited** (Ordinary shares) | | | | | |
| Dr. Cheng Kar-Shun, Henry | 2,668,909 | – | – | 2,668,909 | 0.10 |
| Mr. Doo Wai-Hoi, William | – | 1,300,000 | 7,279,271[(1)] | 8,579,271 | 0.34 |
| Dr. Cheng Chi-Kong, Adrian | 2,059,118 | – | – | 2,059,118 | 0.08 |
| Mr. Yeung Ping-Leung, Howard | 133,444 | – | – | 133,444 | 0.01 |
| Mr. Cheng Kar-Shing, Peter | 133,444 | 141,641 | – | 275,085 | 0.01 |
| Mr. Ho Hau-Hay, Hamilton | – | – | 219,588[(2)] | 219,588 | 0.01 |
| Mr. Liang Cheung-Biu, Thomas | 2,607 | – | – | 2,607 | 0.00 |
| Ms. Ki Man-Fung, Leonie | 22,500 | – | – | 22,500 | 0.00 |
| Mr. Cheng Chi-Heng | 133,444 | – | – | 133,444 | 0.01 |
| Ms. Cheng Chi-Man, Sonia | 800,672 | – | – | 800,672 | 0.03 |
| Ms. Chiu Wai-Han, Jenny | 29,899 | – | – | 29,899 | 0.00 |
| **New World Department Store China Limited** (Ordinary shares of HK$0.10 each) | | | | | |
| Ms. Ki Man-Fung, Leonie | 20,000 | – | – | 20,000 | 0.00 |
| Ms. Cheng Chi-Man, Sonia | 92,000 | – | – | 92,000 | 0.01 |
| **NWS Holdings Limited** (Ordinary shares of HK$1.00 each) | | | | | |
| Dr. Cheng Kar-Shun, Henry | 18,349,571 | – | 12,000,000[(3)] | 30,349,571 | 0.78 |
| Mr. Cheng Kar-Shing, Peter | 320,097 | – | 6,463,227[(4)] | 6,783,324 | 0.17 |
| Ms. Ki Man-Fung, Leonie | 15,000 | – | – | 15,000 | 0.00 |
| **Sun Legend Investments Limited** (Ordinary shares) | | | | | |
| Mr. Cheng Kar-Shing, Peter | – | – | 7,500,500[(5)] | 7,500,500 | 50.00 |

Notes:

(1) These shares are beneficially owned by companies which are wholly owned by Mr. Doo Wai-Hoi, William.

(2) These shares are beneficially owned by a company in which Mr. Ho Hau-Hay, Hamilton owns 40.0% of its issued share capital.

(3) These shares are beneficially owned by a company which is wholly owned by Dr. Cheng Kar-Shun, Henry.

(4) These shares are beneficially owned by a company which is wholly owned by Mr. Cheng Kar-Shing, Peter.

(5) These shares are beneficially owned by a controlled corporation of Mr. Cheng Kar-Shing, Peter.

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

### (B) Long position in underlying shares – share options

During the year ended 30 June 2020, certain Directors of the Company have interest in share options to subscribe for shares in the Company and certain of its subsidiaries. Details of such interests and summaries of share option schemes of the Company and its subsidiaries are shown below.

#### Share Option Schemes of the Company

On 24 November 2006, the Company adopted a share option scheme (the "2006 Scheme") and certain rules of such scheme were amended on 13 March 2012. Under the 2006 Scheme, the Directors of the Company may at their discretion grant options to any eligible participant (as explained hereinafter) to subscribe for shares in the Company. In anticipation of the expiry of the 2006 Scheme on 24 November 2016, the Company adopted a new share option scheme (the "2016 Scheme") at the annual general meeting of the Company held on 22 November 2016. Share options granted under the 2006 Scheme prior to its expiry on 24 November 2016 shall continue to be valid and exercisable in accordance with the terms of the 2006 Scheme.

Summary of the 2006 Scheme and the 2016 Scheme disclosed in accordance with the Listing Rules is as follows:

| | **2006 Scheme and 2016 Scheme** |
|---|---|
| Purpose of the schemes | To reward directors and employees of the Group for past service or performance, to provide incentive, motivation or reward to eligible participants for increasing performance or making contribution to the Group, to attract and retain persons of right caliber with the necessary experience to work for or make contribution to the Group, to foster a sense of corporate identity and to allow the eligible participants to enjoy the results of the Company attained through their relationship, efforts and/or contribution. |
| Participants of the schemes | Eligible participant may be a person or an entity belonging to any of the following classes:<br>(i) any eligible employee (including directors) of the Group or any invested entity of the Group (the "Invested Entity");<br>(ii) any person seconded or nominated by the Group to represent the Group's interest in any of the Invested Entity or any other company or organisation;<br>(iii) any supplier of goods or services to any member of the Group or any Invested Entity;<br>(iv) any customer of any member of the Group or any Invested Entity;<br>(v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;<br>(vi) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and<br>(vii) any joint venture partner or business alliance that co-operates with any member of the Group or any Invested Entity in any area of business operation or development. |

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

### (B) Long position in underlying shares – share options (continued)

**Share Option Schemes of the Company** (continued)

| | 2006 Scheme and 2016 Scheme |
|---|---|
| Total number of shares available for issue under the schemes and percentage of issued shares as at the date of this annual report | The Company had granted share options to subscribe for 425,987,928 shares (before Share Consolidation)/106,496,982 shares (after Share Consolidation) of the Company under the 2006 Scheme up to the date of this report. No further share option was granted under the 2006 Scheme since the adoption of the 2016 Scheme on 22 November 2016. Share options were granted to subscribe for 139,250,000 shares (before Share Consolidation)/34,812,500 shares (after Share Consolidation) of the Company under the 2016 Scheme up to the date of this report.<br><br>The total number of shares (after Share Consolidation) available for issue under the 2016 Scheme is 205,358,161 representing approximately 8.06% of the Company's total number of issued shares as at the date of this report. |
| Maximum entitlement of each participant under the schemes | Unless approved by shareholders of the Company, the total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1.0% of the total number of shares of the Company in issue. |
| The period within which the shares must be taken up under an option | A period to be specified by the Directors and not to exceed 10 years from the date of grant of options. |
| The minimum period for which an option must be held before it can be exercised | Any period as determined by the Directors. |
| The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid | HK$10.0 is to be paid as consideration for the grant of option within 14 days from the date of offer. |
| The basis of determining the exercise price | The exercise price is determined by the Directors which must be at least the higher of (i) the closing price of the shares on the HKEx as stated in the HKEx's daily quotations sheets on the date of grant, which must be a dealing day; and (ii) the average closing price of the shares as stated in the HKEx's daily quotation sheets for the five dealing days immediately preceding the date of grant. |
| The remaining life of the schemes | The schemes shall be valid and effective for a period of 10 years from the date of adoption. The 2006 Scheme which was adopted on 24 November 2006 expired on 24 November 2016. The 2016 Scheme which was adopted on 22 November 2016 will expire on 22 November 2026. |

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

### (B) Long position in underlying shares – share options (continued)

**Share Option Schemes of the Company** (continued)

*Share options granted to Directors*

| Name | Date of grant | Exercisable period (Note) | Number of share options: Balance as at 1 July 2019 | Transferred from other category[9] | Transferred to other category[10] | Exercised during the year | Lapsed during the year | Adjusted during the year[25] | Balance as at 30 June 2020 | Exercise price per share[25] HK$ |
|---|---|---|---|---|---|---|---|---|---|---|
| Dr. Cheng Kar-Shun, Henry | 10 June 2016 | (1) | **10,675,637** | **–** | **–** | **(10,675,637)[11]** | **–** | **–** | **–** | **7.540** |
| | 3 July 2017 | (2) | **2,000,000** | **–** | **–** | **–** | **–** | **(1,500,000)** | **500,000** | **40.144** |
| Mr. Doo Wai-Hoi, William | 3 July 2017 | (2) | **100,000** | **–** | **–** | **–** | **–** | **(75,000)** | **25,000** | **40.144** |
| Dr. Cheng Chi-Kong, Adrian | 9 March 2016 | (3) | **3,800,000** | **–** | **–** | **(3,800,000)[12]** | **–** | **–** | **–** | **7.200** |
| | 10 June 2016 | (1) | **3,736,471** | **–** | **–** | **(3,736,471)[13]** | **–** | **–** | **–** | **7.540** |
| | 3 July 2017 | (2) | **2,000,000** | **–** | **–** | **–** | **–** | **(1,500,000)** | **500,000** | **40.144** |
| Mr. Yeung Ping-Leung, Howard | 10 June 2016 | (1) | **533,779** | **–** | **–** | **(533,779)[14]** | **–** | **–** | **–** | **7.540** |
| | 3 July 2017 | (2) | **100,000** | **–** | **–** | **–** | **–** | **(75,000)** | **25,000** | **40.144** |
| Mr. Cha Mou-Sing, Payson | 10 June 2016 | (1) | **533,779** | **–** | **–** | **(533,000)[15]** | **(779)** | **–** | **–** | **7.540** |
| | 3 July 2017 | (2) | **100,000** | **–** | **–** | **–** | **–** | **(75,000)** | **25,000** | **40.144** |
| Mr. Cheng Kar-Shing, Peter | 10 June 2016 | (1) | **533,779** | **–** | **–** | **(533,779)[16]** | **–** | **–** | **–** | **7.540** |
| | 3 July 2017 | (2) | **100,000** | **–** | **–** | **–** | **–** | **(75,000)** | **25,000** | **40.144** |
| Mr. Ho Hau-Hay, Hamilton | 10 June 2016 | (4) | **333,779** | **–** | **–** | **(333,779)[17]** | **–** | **–** | **–** | **7.540** |
| | 3 July 2017 | (2) | **100,000** | **–** | **–** | **–** | **–** | **(75,000)** | **25,000** | **40.144** |
| Mr. Lee Luen-Wai, John | 10 June 2016 | (1) | **533,779** | **–** | **–** | **(533,779)[18]** | **–** | **–** | **–** | **7.540** |
| | 3 July 2017 | (2) | **100,000** | **–** | **–** | **–** | **–** | **(75,000)** | **25,000** | **40.144** |
| Mr. Liang Cheung-Biu, Thomas | 10 June 2016 | (1) | **533,779** | **–** | **–** | **(533,779)[19]** | **–** | **–** | **–** | **7.540** |
| | 3 July 2017 | (2) | **100,000** | **–** | **–** | **–** | **–** | **(75,000)** | **25,000** | **40.144** |
| Ms. Ki Man-Fung, Leonie | 10 June 2016 | (5) | **1,202,016** | **–** | **–** | **(1,202,016)[20]** | **–** | **–** | **–** | **7.540** |
| | 3 July 2017 | (2) | **100,000** | **–** | **–** | **–** | **–** | **(75,000)** | **25,000** | **40.144** |
| Mr. Cheng Chi-Heng | 10 June 2016 | (1) | **533,779** | **–** | **–** | **(533,779)[17]** | **–** | **–** | **–** | **7.540** |
| | 3 July 2017 | (2) | **100,000** | **–** | **–** | **–** | **–** | **(75,000)** | **25,000** | **40.144** |
| Ms. Cheng Chi-Man, Sonia | 10 June 2016 | (1) | **3,202,688** | **–** | **–** | **(3,202,688)[21]** | **–** | **–** | **–** | **7.540** |
| | 3 July 2017 | (2) | **100,000** | **–** | **–** | **–** | **–** | **(75,000)** | **25,000** | **40.144** |
| Mr. Sitt Nam-Hoi | 10 June 2016 | (5) | **574,827** | **–** | **–** | **(574,000)[22]** | **(827)** | **–** | **–** | **7.540** |
| | 3 July 2017 | (2) | **300,000** | **–** | **–** | **–** | **–** | **(225,000)** | **75,000** | **40.144** |
| | 6 July 2018 | (6) | **600,000** | **–** | **–** | **–** | **–** | **(450,000)** | **150,000** | **44.160** |
| Mr. Ip Yuk-Keung, Albert | 6 July 2018 | (6) | **600,000** | **–** | **–** | **–** | **–** | **(450,000)** | **150,000** | **44.160** |
| Ms. Huang Shaomei, Echo[9] | 3 July 2017 | (7) | **–** | **1,150,000** | **–** | **–** | **–** | **(862,500)** | **287,500** | **40.144** |
| | 6 July 2018 | (8) | **–** | **150,000** | **–** | **–** | **–** | **(112,500)** | **37,500** | **44.160** |
| Ms. Chiu Wai-Han, Jenny[9] | 10 June 2016 | (5) | **–** | **119,597** | **–** | **(119,597)[23]** | **–** | **–** | **–** | **7.540** |
| | 6 July 2018 | (6) | **–** | **300,000** | **–** | **–** | **–** | **(225,000)** | **75,000** | **44.160** |
| Mr. Au Tak-Cheong[10] | 10 June 2016 | (5) | **336,693** | **–** | **(136,693)** | **(200,000)[24]** | **–** | **–** | **–** | **7.540[10]** |
| | 3 July 2017 | (7) | **200,000** | **–** | **(100,000)** | **(100,000)[24]** | **–** | **–** | **–** | **10.036[10]** |
| Mr. So Chung-Keung, Alfred[10] | 3 July 2017 | (2) | **2,300,000** | **–** | **(2,300,000)** | **–** | **–** | **–** | **–** | **10.036[10]** |
| | 6 July 2018 | (6) | **600,000** | **–** | **(600,000)** | **–** | **–** | **–** | **–** | **11.040[10]** |
| | | | **36,664,785** | **1,719,597** | **(3,136,693)** | **(27,146,083)** | **(1,606)** | **(6,075,000)** | **2,025,000** | |

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

### (B) Long position in underlying shares – share options (continued)

**Share Option Schemes of the Company** (continued)

*Share options granted to Directors (continued)*

Notes:

(1) Divided into 4 tranches exercisable from 10 June 2016, 10 June 2017, 10 June 2018 and 10 June 2019 respectively to 9 June 2020.

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

(3) Divided into 4 tranches exercisable from 9 March 2016, 9 March 2017, 9 March 2018 and 9 March 2019 respectively to 8 March 2020.

(4) Divided into 3 tranches exercisable from 10 June 2017, 10 June 2018 and 10 June 2019 respectively to 9 June 2020.

(5) Divided into 2 tranches exercisable from 10 June 2018 and 10 June 2019 respectively to 9 June 2020.

(6) Divided into 4 tranches exercisable from 6 July 2018, 6 July 2019, 6 July 2020 and 6 July 2021 respectively to 5 July 2022.

(7) Divided into 2 tranches exercisable from 3 July 2019 and 3 July 2020 respectively to 2 July 2021.

(8) Divided into 2 tranches exercisable from 6 July 2020 and 6 July 2021 respectively to 5 July 2022.

(9) Ms.Huang Shaomei, Echo and Ms. Chiu Wai-Han, Jenny were appointed as Directors of the Company on 1 May 2020, and such share options were transferred from the category of "eligible employees" to "Directors".

(10) Mr. Au Tak-Cheong and Mr. So Chung-Keung, Alfred resigned as Directors of the Company with effect from 1 April 2020 and 1 January 2020 respectively, and such share options were transferred from the category of "Directors" to "eligible employees".

(11) The exercise date was 4 May 2020. On the trading date immediately before the exercise date, the closing price per share was HK$9.15.

(12) The exercise date was 2 March 2020. On the trading date immediately before the exercise date, the closing price per share was HK$10.02.

(13) The exercise date was 1 June 2020. On the trading date immediately before the exercise date, the closing price per share was HK$7.81.

(14) The exercise date was 20 May 2020. On the trading date immediately before the exercise date, the closing price per share was HK$9.06.

(15) The exercise dates were 27 May 2020 and 1 June 2020. On the trading dates immediately before the exercise dates, the closing prices per share were HK$8.18 and HK$7.81 respectively.

(16) The exercise date was 21 May 2020. On the trading date immediately before the exercise date, the closing price per share was HK$8.98.

(17) The exercise date was 7 May 2020. On the trading date immediately before the exercise date, the closing price per share was HK$9.06.

(18) The exercise date was 14 May 2020. On the trading date immediately before the exercise date, the closing price per share was HK$9.06.

(19) The exercise date was 18 May 2020. On the trading date immediately before the exercise date, the closing price per share was HK$8.84.

(20) The exercise dates were 12 July 2019, 29 April 2020 and 8 May 2020. On the trading dates immediately before the exercise dates, the closing prices per share were HK$12.40, HK$9.15 and HK$9.04 respectively.

(21) The exercise date was 15 May 2020. On the trading date immediately before the exercise date, the closing price per share was HK$8.91.

(22) The exercise dates were 6 May 2020 and 8 May 2020. On the trading dates immediately before the exercise dates, the closing prices per share were HK$8.97 and HK$9.04 respectively.

(23) The exercise date was 3 June 2020. On the trading date immediately before the exercise date, the closing price per share was HK$8.38.

(24) The exercise date was 18 October 2019. On the trading date immediately before the exercise date, the closing price per share was HK$11.18.

(25) Due to Share Consolidation, adjustments were made to the number of outstanding share options and the exercise price on 23 June 2020. The exercise price per share of the share options granted on 3 July 2017 was adjusted from HK$10.036 to HK$40.144 and the exercise price per share of the share options granted on 6 July 2018 was adjusted from HK$11.040 to HK$44.160. No adjustment was made to the share options granted on 9 March 2016 and 10 June 2016 as all such options have either been exercised or lapsed before Share Consolidation.

(26) The cash consideration paid by each Director for the grant of share options is HK$10.0.

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

### (B) Long position in underlying shares – share options (continued)

**Share Option Schemes of the Company** (continued)

*Share options granted to eligible employees*

| Date of grant | Exercisable period (Note) | Number of share options: Balance as at 1 July 2019 | Transferred from other category[7] | Transferred to other category[8] | Exercised during the year | Lapsed during the year | Adjusted during the year[14] | Balance as at 30 June 2020 | Exercise price per share[14] HK$ |
|---|---|---|---|---|---|---|---|---|---|
| 7 July 2015 | (1) | 1,968,857 | – | – | (360,406)[9] | (1,608,451) | – | – | 9.966 |
| 9 March 2016 | (2) | 3,665,000 | – | – | (3,015,000)[10] | (650,000) | – | – | 7.200 |
| 10 June 2016 | (3) | 12,720,081 | 136,693 | (119,597) | (12,733,076)[11] | (4,101) | – | – | 7.540 |
| 3 July 2017 | (4) | 29,940,000 | 2,400,000 | (1,150,000) | (2,113,000)[12] | (2,065,750) | (20,279,250) | 6,732,000 | 40.144 |
| 6 July 2018 | (5) | 33,386,500 | 600,000 | (450,000) | (384,500)[13] | (2,891,000) | (22,695,750) | 7,565,250 | 44.160 |
| 22 May 2019 | (6) | 46,550,000 | – | – | – | (3,650,000) | (32,175,000) | 10,725,000 | 49.376 |
| | | 128,230,438 | 3,136,693 | (1,719,597) | (18,605,982) | (10,869,302) | (75,150,000) | 25,022,250 | |

Notes:

(1) Divided into 4 tranches exercisable from 7 July 2015, 7 July 2016, 7 July 2017 and 7 July 2018 respectively to 6 July 2019.

(2) Divided into 4 tranches exercisable from 9 March 2016, 9 March 2017, 9 March 2018 and 9 March 2019 respectively to 8 March 2020.

(3) Divided into 4 tranches exercisable from 10 June 2016, 10 June 2017, 10 June 2018 and 10 June 2019 respectively to 9 June 2020.

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

(5) Divided into 4 tranches exercisable from 6 July 2018, 6 July 2019, 6 July 2020 and 6 July 2021 respectively to 5 July 2022.

(6) Divided into 4 tranches exercisable from 22 May 2019, 22 May 2020, 22 May 2021 and 22 May 2022 respectively to 21 May 2023.

(7) Mr. Au Tak-Cheong and Mr. So Chung-Keung, Alfred resigned as Directors of the Company with effect from 1 April 2020 and 1 January 2020 respectively, and such share options were transferred from the category of "Directors" to "eligible employees".

(8) Ms.Huang Shaomei, Echo and Ms. Chiu Wai-Han, Jenny were appointed as Directors of the Company on 1 May 2020, and such share options were transferred from the category of "eligible employees" to "Directors".

(9) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK$12.530.

(10) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK$10.587.

(11) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK$9.276.

(12) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK$11.481.

(13) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK$11.873.

(14) Due to Share Consolidation, adjustments were made to the number of outstanding share options and the exercise price on 23 June 2020. The exercise price per share of the share options granted on 3 July 2017 was adjusted from HK$10.036 to HK$40.144, the exercise price per share of the share options granted on 6 July 2018 was adjusted from HK$11.040 to HK$44.160, and the exercise price per share of the share options granted on 22 May 2019 was adjusted from HK$12.344 to HK$49.376. No adjustment was made to the share options granted on 7 July 2015, 9 March 2016 and 10 June 2016 as all such options have either been exercised or lapsed before Share Consolidation.

(15) The cash consideration paid by each eligible employee for the grant of share options is HK$10.0.

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

### (B) Long position in underlying shares – share options (continued)

#### Share Option Scheme of NWS Holdings Limited ("NWSH")

The existing share option scheme of NWSH ("NWSH Share Option Scheme") was adopted at the annual general meeting of NWSH held on 21 November 2011. A summary of the share option scheme of NWSH disclosed in accordance with the Listing Rules is as follows:

| | **NWSH Share Option Scheme** |
|---|---|
| Purpose of the scheme | To reward directors and employees of NWSH and its subsidiaries ("NWSH Group") for their past service or performance; providing incentive and motivation or reward to eligible participants for optimising their performance or making contribution to NWSH Group; attracting and retaining persons of right caliber with the necessary experience to work for or make contribution to NWSH Group; and fostering a sense of corporate identity. |
| Participants of the scheme | Eligible participant may be a person or an entity belonging to any of the following classes:<br>(i) any eligible employee (including executive directors but excluding non-executive directors) of NWSH Group or any invested entity of NWSH Group (the "Invested Entity");<br>(ii) any non-executive director (including independent non-executive director) of NWSH Group or any Invested Entity;<br>(iii) any supplier of goods or services to any member of NWSH Group or any Invested Entity;<br>(iv) any customer of any member of NWSH Group or any Invested Entity;<br>(v) any person or entity that provides research, development or other technological support to NWSH Group or any Invested Entity;<br>(vi) any shareholder of any member of NWSH Group or any Invested Entity or any holder of any securities issued by any member of NWSH Group or any Invested Entity;<br>(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of NWSH Group or any Invested Entity; and<br>(viii) any joint venture partner or business alliance that co-operates with any member of NWSH Group or any Invested Entity in any area of business operation or development. |

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

### (B) Long position in underlying shares – share options (continued)

**Share Option Scheme of NWS Holdings Limited ("NWSH")** (continued)

| | NWSH Share Option Scheme |
|---|---|
| Total number of shares available for issue under the scheme and percentage of issued shares of NWSH as at the date of this annual report | NWSH had granted share options to subscribe for a total of 55,623,705 shares of NWSH under the NWSH Share Option Scheme, which include certain adjustments made pursuant to the rules of the NWSH Share Option Scheme, up to the date of this report.<br><br>The total number of shares of NWSH available for issue under the NWSH Share Option Scheme is 310,957,666 representing approximately 7.95% of the total number of shares of NWSH as at the date of this report. |
| Maximum entitlement of each participant under the scheme | Unless approved by shareholders of NWSH, the total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1.0% of the share capital of NWSH in issue. |
| The period within which the shares must be taken up under an option | At any time during a period as specified by NWSH's directors, however in any event the share options must be exercised within 10 years from the date of grant. |
| The minimum period for which an option must be held before it can be exercised | Any period as determined by NWSH's directors. |
| The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid | HK$10.0 is to be paid as consideration for the grant of option within 14 days from the date of offer. |
| The basis of determining the exercise price | The exercise price is determined by NWSH's directors which must be at least the highest of: (i) the closing price of the shares as stated in the HKEx's daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated in the HKEx's daily quotations sheets for the five dealing days immediately preceding the date of grant; and (iii) the nominal value of the shares. |
| The remaining life of the scheme | The NWSH Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption, i.e. 21 November 2011. |

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

### (B) Long position in underlying shares – share options (continued)

**Share Option Scheme of NWS Holdings Limited ("NWSH")** (continued)

*Share options granted to Director*

| | | | Number of share options | | | | |
|---|---|---|---|---|---|---|---|
| Name | Date of grant | Exercisable period (Note) | Balance as at 1 July 2019 | Exercised during the year | Lapsed during the year | Balance as at 30 June 2020 | Exercise price per share HK$ |
| Dr. Cheng Kar-Shun, Henry | 9 March 2015 | (1) | **7,420,739** | **–** | **(7,420,739)** | **–** | **14.120** |

Notes:

(1) 60.0% of the share options are exercisable from 9 May 2015 to 8 March 2020 while the remaining 40.0% of the share options are divided into 2 tranches exercisable from 9 March 2016 and 9 March 2017 respectively to 8 March 2020.

(2) The cash consideration paid by the above Director for the grant of share options is HK$10.0.

*Share options granted to eligible participants*

| | | Number of share options | | | | | |
|---|---|---|---|---|---|---|---|
| Date of grant | Exercisable period (Note) | Balance as at 1 July 2019 | Adjusted during the year | Exercised during the year | Lapsed during the year | Balance as at 30 June 2020 | Exercise price per share HK$ |
| 9 March 2015 | (1) | **18,626,863**[(2)] | **–** | **–** | **(18,626,863)** | **–** | **14.120** |

Notes:

(1) 60.0% of the share options are exercisable from 9 May 2015 to 8 March 2020 while the remaining 40.0% of the share options are divided into 2 tranches exercisable from 9 March 2016 and 9 March 2017 respectively to 8 March 2020.

(2) Such balance includes 17,222,941 share options of eligible employees and 1,403,922 share options of a retired independent non-executive director of NWSH.

(3) The cash consideration paid by each eligible participant for each grant of share options is HK$10.0.

### (C) Long position in debentures

**(1) Celestial Dynasty Limited ("CDL")**

| | Amount of debentures in US$ issued by CDL | | | | Approximate % to the total amount of debentures in issue as at 30 June 2020 |
|---|---|---|---|---|---|
| Name | Personal interests US$ | Family interests US$ | Corporate interests US$ | Total US$ | |
| Mr. Doo Wai-Hoi, William | **–** | **–** | **2,800,000**[(1)] | **2,800,000** | **0.43** |

Note:

(1) These debentures are beneficially owned by companies which are wholly owned by Mr. Doo Wai-Hoi, William.

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

### (C) Long position in debentures (continued)

#### (2) Celestial Miles Limited ("CML")

| Name | Amount of debentures in US$ issued by CML | | | | Approximate % to the total amount of debentures in issue as at 30 June 2020 |
|---|---|---|---|---|---|
| | Personal interests US$ | Family interests US$ | Corporate interests US$ | Total US$ | |
| Mr. Doo Wai-Hoi, William | – | – | **34,600,000**[(1)] | **34,600,000** | **2.66** |
| Mr. Cheng Kar-Shing, Peter | **2,000,000** | – | – | **2,000,000** | **0.15** |
| Mr. Lee Luen-Wai, John | – | **61,000** | – | **61,000** | **0.00** |
| | **2,000,000** | **61,000** | **34,600,000** | **36,661,000** | |

Note:

(1) These debentures are beneficially owned by companies which are wholly owned by Mr. Doo Wai-Hoi, William.

#### (3) NWCL

| Name | Amount of debentures issued by NWCL | | | | Approximate % to the total amount of debentures in issue as at 30 June 2020 |
|---|---|---|---|---|---|
| | Personal interests HK$ | Family interests HK$ | Corporate interests HK$ | Total HK$ | |
| Mr. Doo Wai-Hoi, William | – | – | **538,500,000**[(1)] | **538,500,000** | **6.59** |

Note:

(1) These debentures are held by companies which are wholly owned by Mr. Doo Wai-Hoi, William, of which HK$390,000,000 debentures were issued in US$ and had been translated into HK$ using the rate of US$1.0=HK$7.8.

#### (4) NWD Finance (BVI) Limited ("NWD Finance")

| Name | Amount of debentures issued in US$ by NWD Finance | | | | Approximate % to the total amount of debentures in issue as at 30 June 2020 |
|---|---|---|---|---|---|
| | Personal interests US$ | Family interests US$ | Corporate interests US$ | Total US$ | |
| Mr. Doo Wai-Hoi, William | – | **3,075,000** | **56,150,000**[(1)] | **59,225,000** | **1.77** |
| Ms. Ki Man-Fung, Leonie | **1,000,000** | – | – | **1,000,000** | **0.03** |
| | **1,000,000** | **3,075,000** | **56,150,000** | **60,225,000** | |

Note:

(1) These debentures are beneficially owned by companies which are wholly owned by Mr. Doo Wai-Hoi, William.

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

### (C) Long position in debentures (continued)

#### (5) NWD (MTN) Limited ("NWD (MTN)")

| Name | Amount of debentures issued by NWD (MTN) Personal interests HK$ | Family interests HK$ | Corporate interests HK$ | Total HK$ | Approximate % to the total amount of debentures in issue as at 30 June 2020 |
|---|---|---|---|---|---|
| Mr. Doo Wai-Hoi, William | – | **23,400,000**(1) | **234,000,000**(2) | **257,400,000** | **0.69** |
| Ms. Ki Man-Fung, Leonie | **11,800,000**(3) | – | – | **11,800,000** | **0.03** |
| | **11,800,000** | **23,400,000** | **234,000,000** | **269,200,000** | |

Notes:

(1) These debentures were issued in US$ and had been translated into HK$ using the rate of US$1.0=HK$7.8.

(2) These debentures are beneficially owned by companies which were wholly owned by Mr. Doo Wai-Hoi, William and were issued in US$ and had been translated into HK$ using the rate of US$1.0=HK$7.8.

(3) This amount includes HK$7,800,000 debentures which were issued in US$ and had been translated into HK$ using the rate of US$1.0=HK$7.8.

Save as disclosed above, as at 30 June 2020, none of the Directors or chief executive had or deemed to have any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as defined in the SFO that were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

## DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES

At 30 June 2020, the Group had given financial assistance and guarantees to its joint ventures and associated companies (collectively "affiliated companies") as set out below:

| | **2020 HK$m** | 2019 HK$m |
|---|---|---|
| Amounts due by affiliated companies (note) | **35,302.3** | 42,714.4 |
| Guarantees given for affiliated companies in respect of banking and other credit facilities | **6,937.3** | 6,908.5 |
| Commitments to capital injections and loan contributions | **1,065.6** | 958.1 |
| | **43,305.2** | 50,581.0 |

Note:

The advances were unsecured and were interest free except for an aggregate amount of HK$13,045.7 million (2019: HK$13,105.4 million) which carried interest ranging from 1.5% below Hong Kong Prime rate to 12.2% above LIBOR per annum (2019: from 2.0% below Hong Kong Prime rate to 12.2% above LIBOR per annum). The advances had no fixed repayment terms.

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

| | **Combined statement of financial position HK$m** | **Group's attributable interests HK$m** |
|---|---|---|
| Non-current assets | 183,780.7 | 81,290.5 |
| Current assets | 77,840.4 | 28,489.4 |
| Current liabilities | (71,474.6) | (29,923.7) |
| Total assets less current liabilities | 190,146.5 | 79,856.2 |
| Non-current liabilities | (139,060.1) | (66,283.6) |
| Net assets | 51,086.4 | 13,572.6 |

The combined statement of financial position of the 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 30 June 2020.

# Management Discussion and Analysis

In FY2020, the Group recorded consolidated revenues of HK$59,007.8 million, decreased by 23%. It was mainly attributable to the decline in contribution from the Hong Kong property development segment.

During the year under review, after excluding mainly changes in the fair value of investment properties net of taxation, the Group's underlying profit amounted to HK$6,588.9 million, a decrease of 25%. This was mainly due to the decline in contribution from NWSH and greater losses from the hotel operation segment under the impact of COVID-19 epidemic and the decrease in contribution from Hong Kong property development due to no new project completion in FY2020. The underlying profit of the Group in FY2019 was HK$8,814.1 million.

The core earnings per share of the Group's underlying profit was HK$2.58, dropped by 25%. As at 30 June 2020, the net gearing ratio was 41.6%, representing a decrease of 0.6 percentage point from 31 December 2019.

In FY2020, the Group's EBITDA amounted to HK$15,730.7 million, of which EBITDA from Hong Kong and property-related segments accounted for 25% and 94% respectively. In FY2019, EBITDA from Hong Kong and property-related segments accounted for 62% and 93% respectively.

In order to make a fair statement of its current core businesses, the Group has adopted new business segment classification (i.e. Property Development, Property Investment, Roads, Aviation, Construction, Insurance, Hotel Operations and Others) in FY2020. The following provides analysis on performance of each segment under the new classification.

## REVENUES – ANALYSED BY BUSINESS SEGMENTS

| | **FY2020**<br>**HK$ m** | FY2019<br>HK$ m |
|---|---|---|
| Property Development | **19,207.5** | 38,511.5 |
| Property Investment | **4,349.5** | 3,669.4 |
| Roads | **2,070.5** | 2,529.0 |
| Aviation | **–** | 161.6 |
| Construction | **16,691.0** | 17,368.0 |
| Insurance | **6,180.0** | – |
| Hotel Operations | **1,212.2** | 1,490.9 |
| Others | **9,297.1** | 13,033.2 |
| **Total** | **59,007.8** | 76,763.6 |

## REVENUES – GEOGRAPHIC CONTRIBUTION (PROPERTY RELATED SEGMENTS)

| | FY2020 HK$ m | FY2019 HK$ m |
|---|---|---|
| **Property Development** | | |
| Hong Kong | **4,541.9** | 23,189.1 |
| Mainland China | **14,665.6** | 15,322.4 |
| **Total** | **19,207.5** | 38,511.5 |

| | FY2020 HK$ m | FY2019 HK$ m |
|---|---|---|
| **Property Investment** | | |
| Hong Kong | **2,590.5** | 1,942.3 |
| Mainland China | **1,759.0** | 1,727.1 |
| **Total** | **4,349.5** | 3,669.4 |

| | FY2020 HK$ m | FY2019 HK$ m |
|---|---|---|
| **Hotel Operations** | | |
| Hong Kong | **708.0** | 781.8 |
| Mainland China | **278.9** | 414.0 |
| Southeast Asia | **225.3** | 295.1 |
| **Total** | **1,212.2** | 1,490.9 |

Revenues from the property development segment fell by 50%, mainly due to no new project completion and handover in Hong Kong during this fiscal year.

Compared to the FY2019, the completion and handover of multiple projects such as The PAVILIA BAY, MOUNT PAVILIA and ARTISAN HOUSE drove the performance of the Hong Kong property development segment.

The revenues of the property investment segment increased by 19%, mainly due to the operation commencement of the K11 MUSEA at Victoria Dockside in Tsim Sha Tsui, Hong Kong, and K11 ATELIER King's Road, a Grade A office building in Quarry Bay, Hong Kong, which started to provide contributions.

The Group's revenues of property investment in Hong Kong during the year under review was HK$2,590.5 million, representing an increase of 33%. Revenues of property investment in Mainland China reached HK$1,759.0 million, representing an increase of 2%.

Revenues from the roads segment fell by 18%, mainly due to the implementation of toll fee exemption policy for vehicles on all toll roads in Mainland China for a period of 79 days from 17 February 2020 to 5 May 2020 under the notice issued by the Ministry of Transport of the People's Republic of China owing to the impact of the COVID-19 epidemic.

No revenue from the aviation segment was recorded in FY2020 as there was no revenue from aircraft trading during the year under review.

The revenues of the construction segment decreased by 4%, mainly due to the decrease in contracts on hand impacted by COVID-19 epidemic and social incidents during the year under review and slowdown of projects from the Hong Kong Government due to the an earlier start of summer recess of the Legislative Council in the first half of FY2020.

Revenues from the insurance segment was HK$6,180.0 million. The acquisition of FTLife Insurance was completed on 1 November 2019 and eight-month contributions were recorded during the year under review.

Revenues from the hotel operation segment fell by 19%. The COVID-19 epidemic and social incidents in Hong Kong caused a plunge in the number of tourist arrivals, exerting pressure on hotel occupancy and room rates hence affected hotel operating performance.

Revenues from the others segment decreased by 29%, mainly due to the squeeze on free duty business due to closure of borders in response to the epidemic, and the significant cancellation and postponement of events at the Hong Kong Convention and Exhibition Centre due to the COVID-19 epidemic.

## SEGMENT RESULTS – ANALYSED BY BUSINESS SEGMENTS

| | **FY2020<br>HK$ m** | FY2019<br>HK$ m |
|---|---|---|
| Property Development | **11,001.8** | 15,037.1 |
| Property Investment | **2,382.7** | 1,888.5 |
| Roads | **1,184.7** | 2,086.7 |
| Aviation | **399.3** | 480.6 |
| Construction | **983.6** | 1,086.4 |
| Insurance | **819.2** | – |
| Hotel Operations | **(1,292.0)** | (249.4) |
| Others | **(1,560.6)** | (352.1) |
| **Total** | **13,918.7** | 19,977.8 |

## SEGMENT RESULTS – GEOGRAPHIC CONTRIBUTION (PROPERTY RELATED SEGMENTS)

| | FY2020 HK$ m | FY2019 HK$ m |
|---|---|---|
| **Property Development** | | |
| Hong Kong & Singapore | **2,592.1** | 7,969.6 |
| Mainland China | **8,409.7** | 7,067.5 |
| **Total** | **11,001.8** | 15,037.1 |

| | FY2020 HK$ m | FY2019 HK$ m |
|---|---|---|
| **Property Investment** | | |
| Hong Kong | **1,524.1** | 1,016.4 |
| Mainland China | **858.6** | 872.1 |
| **Total** | **2,382.7** | 1,888.5 |

| | FY2020 HK$ m | FY2019 HK$ m |
|---|---|---|
| **Hotel Operations** | | |
| Hong Kong | **(951.0)** | (110.9) |
| Mainland China | **(303.3)** | (171.6) |
| Southeast Asia | **(37.7)** | 33.1 |
| **Total** | **(1,292.0)** | (249.4) |

The Group's consolidated segment results in FY2020 amounted to HK$13,918.7 million, a decrease of 30%, mainly due to decrease in segment results of property development and the severe impact of the epidemic on businesses that rely on tourism and travel, including hotel operations, roads, facility management, and free duty business.

### Property Development

The segment results of the Hong Kong property development segment fell by 67%, mainly due to no project completion in FY2020 and the sales recognition portfolio comprised mainly of inventory sales being different from that in FY2019, which mainly comprised of large-scale projects such as THE PAVILIA BAY. The overall gross profit margin of the Hong Kong property development segment was 57%, an increase of 23 percentage points, due to higher average selling price.

In FY2020, the contribution from Hong Kong segment mainly derived from residential projects such as MOUNT PAVILIA, The Masterpiece and FLEUR PAVILIA.

In FY2019, THE PAVILIA BAY, FLEUR PAVILIA, MOUNT PAVILIA, ARTISAN HOUSE, PARK HILLCREST, the Double Cove series, The Masterpiece and THE PAVILIA HILL drove the performance of the Hong Kong property development segment.

As at 30 June 2020, the unrecognised attributable income from contracted sales of properties in Hong Kong amounted to HK$12,295.2 million, of which HK$7,029.2 million is expected to be recognised in FY2021, HK$1,173.0 million in FY2022, and HK$4,093.0 million in FY2024.

| Contracted Sales of Property Development in Hong Kong Expected to be Recognised in FY2021 As at 30 June 2020 | Total Number of Units | Attributable Income HK$m |
|---|---|---|
| PARK VILLA | 38 | 1,583.0 |
| ARTISAN GARDEN | 294 | 1,772.0 |
| ATRIUM HOUSE | 295 | 1,623.0 |
| Reach Summit | 487 | 486.0 |
| Double Cove series | 32 | 318.0 |
| MOUNT PAVILIA | 9 | 399.0 |
| FLEUR PAVILIA | 30 | 308.0 |
| The Masterpiece | 1 | 220.0 |
| THE PAVILIA HILL | 1 | 127.0 |
| Others and Carparks | | 193.2 |
| **Total** | | **7,029.2** |

| Contracted Sales of Property Development in Hong Kong Expected to be Recognised in FY2022 As at 30 June 2020 | Total Number of Units | Attributable Income HK$m |
|---|---|---|
| TIMBER HOUSE | 240 | 957.0 |
| THE PAVILIA HILL | 1 | 157.0 |
| FLEUR PAVILIA | 8 | 59.0 |
| **Total** | **249** | **1,173.0** |

Despite the 4% drop in segment revenues of Mainland China property development, its segment results increased by 19%, mainly due to the difference in sales mix. Contribution in FY2020 mainly derived from projects in the Greater Bay Area with higher gross margins while the overall gross margin of the Mainland China property development segment also rose 11 percentage points to 57%.

In FY2020, the contribution from the Mainland China segment mainly derived from Guangzhou Park Paradise, Guangzhou Covent Garden, Shenyang New World Garden, Guangzhou Dong Yi Garden and Guangzhou Foshan Canton First Estate.

In FY2019, projects such as Guangzhou Covent Garden, Shenyang New World Garden, Guangzhou Park Paradise, Wuhan New World • Times, Guangzhou Foshan Canton First Estate and Beijing New World • Li Zun contributed to the performance of the Mainland China property development segment.

As at 30 June 2020, the Group's unrecognised gross income from contracted sales of properties in Mainland China was RMB9,129.1 million, of which RMB4,985.9 million is expected to be recognised in FY2021 and RMB4,143.2 million is expected to be recognised in FY2022.

| **Contracted Sales of Property Development in Mainland China Expected to be Recognised As at 30 June 2020** | **FY2021 Gross Income RMB m** | **FY2022 Gross Income RMB m** |
|---|---|---|
| Southern Region (i.e. the Greater Bay Area) | 1,719.8 | 4,143.2 |
| Central Region | 599.9 | – |
| Eastern Region | 1,745.3 | – |
| North-eastern Region | 920.9 | – |
| **Total** | **4,985.9** | **4,143.2** |

## Property Investment

In FY2020, the property investment segment recorded a contribution of HK$2,382.7 million, increased by 26%. It was mainly attributable to the operation commencement of K11 MUSEA and at Victoria Dockside in Tsim Sha Tsui and K11 ATELIER King's Road in Quarry Bay during this fiscal year which started to bring in contribution, as well as the decrease in pre-opening and marketing expenses of K11 MUSEA and K11 ARTUS following their respective opening. However, the increased contributions were partially offset by decline in rental income resulted from the disposal of non-core rental properties (such as Telford Plaza II, Kowloon Bay and PopCorn II, Tseung Kwan O, and EIGHT KWAI FONG, a serviced apartment in Happy Valley) during the year under review.

The overall performance of Hong Kong's investment properties was stable, with contributions mainly attributable to Victoria Dockside, Hong Kong K11 Art Mall, D • PARK, New World Tower and Manning House. Among them, performance of Victoria Dockside was particularly outstanding. K11 MUSEA at Victoria Dockside, which was completed and opened during the year under review, had an occupancy rate above 90%, and about 80% of the Grade A office building K11 ATELIER has been leased.

The performance of the investment property segment in Mainland China fell slightly by 2%, mainly due to the full-year contribution from Guangzhou New World • NEW PARK, which opened at the end of December in 2018 and the increase in average rent of Shenyang K11 during the year under review being offset by the impact of the epidemic.

## Roads

The roads segment's contribution decreased by 43% to HK$1,184.7 million, mainly due to absence of toll fee income from toll roads and expressways during a period of 79 days between 17 February 2020 and 5 May 2020 in which the Ministry of Transport of the People's Republic of China imposed toll fee exemption policy in view of the COVID-19 epidemic, resulting in a significant decrease in the contribution of the roads segment. However the impact has been mitigated by the contribution from the Hunan Changliu Expressway acquired by NWSH in August 2019.

## Aviation

The aviation segment's contribution was HK$399.3 million, decreased by 17%, mainly due to the absence of dividend income from Beijing Capital International Airport Company Limited and no revenue from aircraft trading during the year under review. However, Sky Aviation Leasing International Limited's full-year contribution and expansion of Goshawk Aviation's fleet size provided some support for the segment contribution.

## Construction

The contribution from construction segment amounted to HK$983.6 million, decreased by 9%, mainly due to COVID-19 epidemic and social incidents during the year under review, resulting in the reduction in contracts on hand and the slowdown of projects from the Hong Kong Government due to the earlier start of summer recess of the Legislative Council in the first half of FY2020.

## Insurance

The acquisition of FTLife Insurance was completed on 1 November 2019, and the newly added insurance segment recorded eight-month segment results of HK$819.2 million. Despite the closure of borders leading to a decline in business from Mainland Chinese Visitors, Hong Kong market remained resilient given the support from new products such as Voluntary Health Insurance Scheme and Qualifying Deferred Annuity Policy.

## Hotel Operations

During the year under review, the hotel operations segment's loss rose to HK$1,292.0 million. In FY2019, the loss from hotel operations segment was HK$249.4 million. This was mainly attributable to plunge in number of tourist arrivals due to COVID-19 epidemic, as well as the pre-opening expenses of individual newly completed hotel projects such as KHOS Langfang and KHOS Shenyang.

## Others

Others segment recorded a loss of HK$1,560.6 million. According to the new business segment classification, the loss of others segment in FY2019 would be HK$352.1 million. The increase in loss was mainly due to the impact of the COVID-19 epidemic on various businesses. Among them, contribution from free duty business declined as most of the free duty shops have been closed since late January or early February 2020 due to closure of borders. In terms of facility management business, nearly all events at the Hong Kong Convention and Exhibition Centre were cancelled or postponed due to the COVID-19 outbreak. The transportation business saw a drop in patronage due to the COVID-19 outbreak and social incidents. The Group has disposed of 60% of its equity interest in New World First Ferry Services Limited, which operates the inner harbour and outlying island ferry routes, in May 2020 for a total consideration of HK$232.8 million.

## Other (Losses)/Gains, Net

The Group recorded a net loss of HK$92.5 million in FY2020, compared to a net gain of HK$571.8 million in FY2019. The recognised gain on remeasuring previously held assets of a joint venture at fair value arising from the acquisition of the remaining 51% interest in Ningbo New World in July 2019 contributed to most of the Group's gain in FY2020. The losses incurred were mainly from the impairment loss on goodwill, property, plant and equipment of approximately HK$700 million recognised during the year under review in NWS Transport Services Limited which was subsequently disposed of in August 2020, and the impairment loss on assets, including goodwill for the department store business.

## Changes in Fair Value of Investment Properties

The Group's changes in the fair value of investment properties (including share of associated companies and joint ventures) in FY2020 were HK$998.9 million, a decrease of 91%, mainly due to third-party valuers' estimation of market rents being affected by corrections in the current Hong Kong property market.

## Taxation

Taxation in FY2020 increased slightly by 0.5%, mainly due to the increase in property sales in prime locations in Mainland China resulting in an increase in land appreciation tax. While taxation from Hong Kong's property development segment reduced due to no new project completion.

## LIQUIDITY AND CAPITAL RESOURCES

### Net Debt

| | **As at 30 June 2020 HK$m** | As at 30 June 2019 HK$m |
|---|---|---|
| Consolidated net debt | **116,458.6** | 88,288.0 |
| NWS Holdings Limited ("NWSH") (stock code: 0659) | **15,787.0** | 10.5 |
| New World Department Store China Limited ("NWDS") – net cash and bank balances (stock code: 0825) | **(740.9)** | (741.2) |
| Net debt (exclude listed subsidiaries) | **101,412.5** | 89,018.7 |

The Group's funding and treasury policy is designed to maintain a diversified and balanced debt profile and financing structure. The Group's debts were primarily denominated in Hong Kong Dollar, United States Dollar and Renminbi. In respect of the Group's operations in Mainland China, the Group maintains an appropriate level of external borrowings in Renminbi for natural hedging. The Renminbi currency exposure of the Group is mainly derived from the translation of non-current assets and liabilities of the subsidiaries, associated companies and joint ventures in Mainland China with functional currency of Renminbi and the Renminbi deposits held for future development costs to Hong Kong Dollar. As at 30 June 2020, the translation of non-current assets and liabilities of subsidiaries, associated companies and joint ventures with functional currency other than Hong Kong Dollar to Hong Kong Dollar by using exchange rates at that day resulted a loss of HK$4,997.3 million is recognised in equity. Apart from this, the Group does not have any material foreign exchange exposure.

The Group's borrowings were arranged on both floating rate and fixed rate basis. The net debt had increased and the financing costs had increased to HK$4,837.9 million. The Group used interest rate swaps, cross currency swaps and foreign exchange forward contracts to hedge part of the Group's underlying interest rate and foreign exchange exposure. Fuel price swap contracts are also used to hedge against the fuel price rises of the Group's transport business in the Others segment. The Group's Insurance segment enters into cross currency swaps and forward starting swaps to hedge against its foreign currency risk from bond investments and its interest rate risk for bonds to be purchased respectively. As at 30 June 2020, the Group had outstanding cross currency swaps and foreign exchange forward contracts in the amounts of HK$10,016.6 million, and had other outstanding derivative instruments in the amounts of HK$7,100.0 million (including interest rate swap for hedging of HK$6,600.0 million) and US$800.0 million (equivalent to approximately HK$6,240.0 million).

As at 30 June 2020, other than two green loans with total facility amount of HK$5,500.0 million (of which HK$3,000.0 million has been drawdown), for reinforcing the Group's commitment to improve sustainability performance in our businesses, the Group has entered into two sustainability-linked loans of total HK$2,000.0 million, of which interest rates will be reduced according to improvement targets on the Group's annual sustainability performance.

For the year ended 30 June 2020, the Group redeemed the following notes:

| Month | Principal (equivalent to HK$) | Stock Code | Interest Rate |
|---|---|---|---|
| November 2019 | US$575.3 million (HK$4,487.8 million) | 5824 | 5.375% |
| February 2020 | US$750.0 million (HK$5,850.0 million) | 4315 | 7.000% |

For the year ended 30 June 2020, the Group issued the following notes and perpetual capital securities:

| Month | Category | Principal (equivalent to HK$) | Interest Rate | Due Date | Price | Net Proceed (equivalent to HK$) |
|---|---|---|---|---|---|---|
| July 2019 | P | US$300.0 million (HK$2,340.0 million) | 5.750% | N/A | 104.000% | US$309.2 million * (HK$2,411.7 million) |
| July 2019 | NL | US$950.0 million (HK$7,410.0 million) | 4.125% | 2029 | 98.718% | US$928.3 million (HK$7,240.7 million) |
| July 2019 | P | US$400.0 million (HK$3,120.0 million) | 6.250% | N/A | 101.389% | US$401.6 million * (HK$3,132.5 million) |
| November 2019 | P | US$400.0 million (HK$3,120.0 million) | 6.250% | N/A | 101.412% | US$402.4 million * (HK$3,138.7 million) |
| March 2020 | N | HK$150.0 million | 1.500% | 2022 | 99.319% | HK$149.0 million |
| April 2020 | N | HK$300.0 million | 3.830% | 2030 | 100.000% | HK$296.3 million |
| May 2020 | NL | US$600.0 million (HK$4,680.0 million) | 4.500% | 2030 | 99.920% | US$595.6 million (HK$4,645.7 million) |
| June 2020 | P | US$650.0 million (HK$5,070.0 million) | 5.250% | N/A | 100.000% | US$645.8 million (HK$5,037.2 million) |
| June 2020 | P | US$200.0 million (HK$1,560.0 million) | 5.250% | N/A | 100.200% | US$200.0 million * (HK$1,560.0 million) |

P: Guaranteed senior perpetual capital securities listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange")
N: Guaranteed notes
NL: Guaranteed notes listed on the Stock Exchange
N/A: Not applicable
* excluding accrued interest

The proceeds from the issuance of the bonds were for general working capital purpose including the acquisition and development of property projects in Hong Kong and Mainland China and the acquisition of FTLife Insurance Company Limited ("FTLife Insurance") and the concession rights of Changliu Expressway.

As at 30 June 2020, the Group's cash and bank balances (including restricted bank balances) stood at HK$67,435.6 million (2019: HK$63,731.6 million) and the consolidated net debt amounted to HK$116,458.6 million (2019: HK$88,288.0 million). Following the acquisition of FTLife Insurance and various property projects in the Mainland China, including the Ningbo New World Plaza project and the Wangjiang New Town project in Hangzhou, the net debt to equity ratio was 41.6%; an increase of 9.5 percentage points as compared to 30 June 2019.

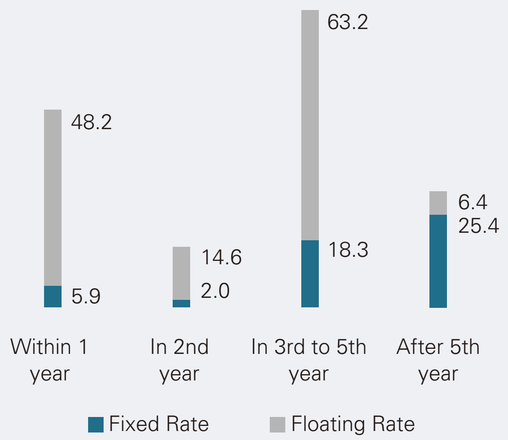
As at 30 June 2020, the Group's long-term bank loans, other loans and fixed rate bonds and notes payable amounted to HK$166,260.6 million (2019: HK$137,042.8 million). Short-term bank loans and other loans as at 30 June 2020 were HK$17,633.6 million (2019: HK$14,976.8 million). The maturity of bank loans, other loans and fixed rate bonds and notes payable as at 30 June 2020 and 30 June 2019 was as follows:

| | **As at 30 June 2020 HK$m** | As at 30 June 2019 HK$m |
|---|---|---|
| Within one year | **54,068.1** | 40,898.0 |
| In the second year | **16,575.5** | 43,006.5 |
| In the third to fifth year | **81,485.2** | 51,816.8 |
| After the fifth year | **31,765.4** | 16,298.3 |
| | **183,894.2** | 152,019.6 |

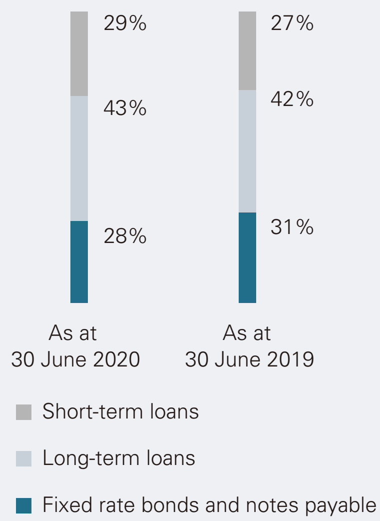
Equity of the Group as at 30 June 2020 increased to HK$279,745.1 million against HK$275,364.5 million as at 30 June 2019.

It is expected that equity raising is not necessary for the Company in the foreseeable future.

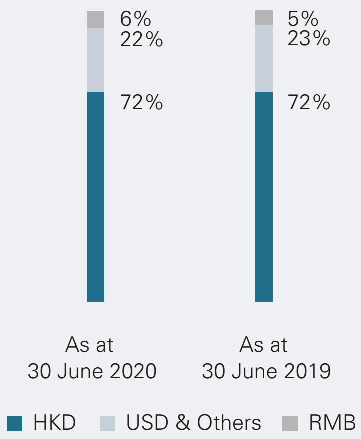
### Floating/Fixed Rate and Maturity Profile of Borrowings as at 30 June 2020 (HK$ billion)



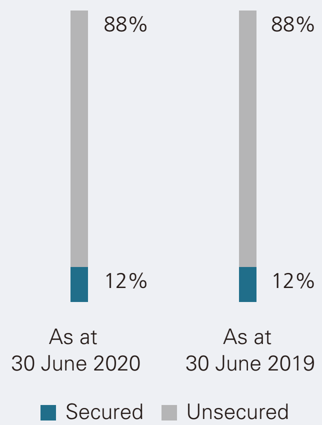

### Source of Borrowings




### Currency Profile of Borrowings




### Nature of Debts



羅兵咸永道

**INDEPENDENT AUDITOR'S REPORT**
**TO THE MEMBERS OF NEW WORLD DEVELOPMENT COMPANY LIMITED**
*(incorporated in Hong Kong with limited liability)*

## OPINION

### What we have audited

The consolidated financial statements of New World Development Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 170 to 298, which comprise:

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

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

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

### Independence

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

## KEY AUDIT MATTERS

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

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

- Valuation of investment properties held by the Group and its joint ventures and associated companies;
- Recoverability of properties for/under development and properties held for sale held by the Group and its joint ventures;
- Impairment of the Group's interests in joint ventures and associated companies;
- Business combination of FTLife Insurance Company Limited and its subsidiaries; and
- Assessment on (a) valuation of insurance contract liabilities and (b) amortisation of value of business acquired and deferred acquisition costs.

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## KEY AUDIT MATTERS (CONTINUED)

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Valuation of investment properties held by the Group and its joint ventures and associated companies** | |
| *Refer to notes 6(b), 7 and 17 to the consolidated financial statements.*<br><br>As at 30 June 2020, the investment properties held by the Group were stated at fair value of HK$169,717.5 million with fair value gain of HK$1,653.2 million recognised in the consolidated income statement. The Group also has significant investment properties held by its joint ventures and associated companies.<br><br>Independent external valuers were engaged to determine the fair value of the investment properties held by the Group and its joint ventures and associated companies as at 30 June 2020.<br><br>For completed investment properties, fair value was generally derived by the income capitalisation method and where appropriate, by direct comparison method. Income capitalisation method was based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates and prevailing market rents. Direct comparison method was based on comparable market transactions, as adjusted by the property-specific qualitative factors.<br><br>For investment properties under development, fair value was derived using the residual method by deducting development costs together with developer's profit and risk margins from the estimated capital value of the proposed development assuming completed as at the date of valuation.<br><br>We focused on this area due to the fact that there are significant judgements and estimates involved in the valuation of investment properties. | Our procedures in relation to the valuation of investment properties included:<br><br>• We assessed the competence, capability and objectivity of the independent external valuers;<br><br>• We obtained the valuation reports and met the independent external valuers to discuss the valuation methodologies and key assumptions;<br><br>• We involved our in-house valuation experts and assessed the valuation methodologies and the reasonableness of the key assumptions used in the valuation of investment properties, based on our knowledge of the property industry, research evidence of capitalisation rates, prevailing market rents and comparable market transactions for similar properties, where applicable; and<br><br>• We tested, on a sample basis, the data used in the valuation of investment properties, including rental rates from existing tenancies and estimated cost to complete, by agreeing them to the underlying agreements with the tenants and approved budgets, respectively. We also compared the estimated developer's profit and risk margins to properties with comparable stage of development, where appropriate.<br><br>Based on the procedures performed, we found the methodologies used in preparing the valuations were appropriate and the key assumptions were supportable in light of available evidence. |

## KEY AUDIT MATTERS (CONTINUED)

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Recoverability of properties for/under development and properties held for sale held by the Group and its joint ventures** | |
| *Refer to notes 6(c) and 30 to the consolidated financial statements.*<br><br>As at 30 June 2020, the carrying values of the Group's properties for development, properties under development and properties held for sale amounted to HK$35,424.0 million, HK$48,657.7 million and HK$17,724.1 million respectively. The Group also has significant property development projects for sale held by its joint ventures.<br><br>Management assessed the recoverability of the property portfolios held for sale by the Group and its joint ventures based on estimates of the net realisable values of the underlying properties. These involved the estimation of selling prices of the properties based on current market prices of properties of comparable locations and conditions. For properties for/under development, management estimated the construction costs to complete based on the existing development plans. Management concluded that the current level of provision for the properties for/under development and properties held for sale as at 30 June 2020 was appropriate.<br><br>If the estimated net realisable values of the underlying properties were significantly different from their carrying values as a result of changes of market conditions and/or significant variation in the budgeted development costs, material reversal or impairment provision for properties for/under development and properties held for sale may result. Accordingly, the existence of significant estimates warrants specific audit focus and attention on this area. | Our procedures in relation to management's assessment of recoverability of properties for/under development and properties held for sale included:<br><br>• We evaluated and tested the operating effectiveness of key controls around the property development cycle with particular focus on, but not limited to, controls over cost budgeting for estimated costs to completion, where applicable;<br><br>• We evaluated management's assessment on the recoverability of property portfolios, with particular focus on properties with relatively low gross profit margins or those with cost exceeding the net realisable value; and<br><br>• We assessed the reasonableness of key assumptions and estimates in management's assessment including:<br><br>(i) For the estimated selling prices, we compared, on a sample basis, to the contracted selling prices of the underlying properties or current market prices of properties of comparable locations and conditions, where applicable; and<br><br>(ii) For the estimated costs to completion, we assessed the reasonableness of the latest budgets of total construction costs and tested, on a sample basis, the construction costs to committed contracts and other supporting documentation.<br><br>Based on the procedures performed, we found the key assumptions in the recoverability assessment were supportable in light of available evidence. |

## KEY AUDIT MATTERS (CONTINUED)

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Impairment of the Group's interests in joint ventures and associated companies** | |
| *Refer to notes 6(d), 25 and 26 to the consolidated financial statements.* | Our procedures in assessing the management's judgement for the impairment assessments of the Group's interests in joint ventures and associated companies included: |
| As at 30 June 2020, the carrying values of the Group's interests in joint ventures and associated companies amounted to HK$43,013.3 million and HK$21,143.7 million respectively. Management reviewed regularly whether there are any indicators of impairment of the investments by reference to the requirements under HKAS 28 (2011) "Investments in Associates and Joint Ventures" and HKAS 36 "Impairment of Assets".<br><br>For investments where relevant impairment indicators exist, management estimated the recoverable amounts of those investments, being higher of value in use or fair value less costs of disposal. The value in use is determined based on the discounted cash flow projections. Significant judgements are required to determine the key assumptions used in the discounted cash flow models, such as revenue growth, unit price and discount rates. Independent external valuers were also involved in certain value in use assessments, where management considered necessary. Based on the results of these impairment assessments, management concluded that the current level of impairment provision for the Group's interests in joint ventures and associated companies as at 30 June 2020 was appropriate.<br><br>As the impairment assessment involves significant judgements and estimates, we regard this as a key audit matter. | • We evaluated the competence, capabilities and objectivity of the independent external valuers, where applicable;<br><br>• We involved our in-house valuation experts, where applicable, and assessed the appropriateness of the valuation methodology and the reasonableness of the key assumptions adopted in the cash flow projections;<br><br>• We assessed the reasonableness of the discount rates applied by the management in the discounted cash flow models by comparing to external market data and publicly available information;<br><br>• We checked the key assumptions to external market data or other supporting evidence, where available; and<br><br>• We performed sensitivity analysis on the key assumptions adopted in the impairment assessments to understand the impact of reasonable changes in assumptions on the estimated recoverable amounts.<br><br>Based on the procedures performed, we found management's impairment assessments relating to the Group's interests in joint ventures and associated companies were supported by available evidence. |

## KEY AUDIT MATTERS (CONTINUED)

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Business combination of FTLife Insurance Company Limited and its subsidiaries** | |
| *Refer to notes 6(n) and 50(a) to the consolidated financial statements.* | Our procedures to assess management's identification and valuation of assets acquired and liabilities assumed of FTLife Insurance included the following: |
| In November 2019, the Group completed the acquisition of 100% equity interest of FTLife Insurance Company Limited and its subsidiaries (collectively "FTLife Insurance") at a consideration of approximately HK$21,812.2 million.<br><br>The Group accounted for the acquisition as a business combination in accordance with HKFRS 3 (Revised) "Business Combinations" which requires identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations measured initially at their fair values at the acquisition date.<br><br>The Group has made a provisional assessment of the fair value of the assets and liabilities as at the acquisition date with assistance from independent external experts. The fair value of identifiable net assets amounted to HK$16,235.9 million. A provisional goodwill of HK$5,576.3 million has been recognised by the Group as a result of this transaction.<br><br>We focused on this area due to significant management judgements and estimates required for identification and valuation of assets acquired and liabilities assumed of FTLife Insurance. | • We inspected the share purchase agreement and agreed related terms to assets and liabilities identified;<br><br>• We evaluated the competence, capabilities and objectivity of the independent external experts; and<br><br>• We involved our in-house actuarial and valuation experts and reviewed the purchase price allocation report prepared by independent external experts and applied our industry and business knowledge in:<br><br>(i) assessing the appropriateness of the valuation methodology and key parameters used in relation to the assets acquired and liabilities assumed at the acquisition date;<br><br>(ii) assessing the reasonableness of key assumptions used in the valuation and checked to external market data or other supporting evidence where available.<br><br>Based on the procedures performed, we found management's assessments relating to identification and valuation of assets acquired and liabilities assumed of FTLife Insurance to be reasonable. |

## KEY AUDIT MATTERS (CONTINUED)

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Assessment on (a) valuation of insurance contract liabilities and (b) amortisation of value of business acquired and deferred acquisition costs** | |
| **(a) Valuation of insurance contract liabilities** | **(a) Valuation of insurance contract liabilities** |
| *Refer to notes 4(b), 5(g), 6(l), 35 and 44 to the consolidated financial statements.*<br><br>The Group had insurance contract liabilities (including those classified as liabilities related to unit-linked contracts) of HK$32,227.3 million as at 30 June 2020.<br><br>The valuation of insurance contract liabilities requires the use of appropriate actuarial methodologies and various economic and operational assumptions that are subject to a high degree of management's judgements. The key assumptions used in measuring the insurance contract liabilities include discount rates, mortality rates, lapse rates, and expenses.<br><br>We focused on this area due to significant management judgements and estimates required in the valuation of insurance contract liabilities at the end of reporting period. | We involved our in-house actuarial experts in performing the following audit procedures:<br><br>• We evaluated whether the methodologies are consistent with recognised actuarial practices in the insurance industry. We built independent models to test, on a sampling basis, the algorithm within the actuarial models applied;<br><br>• We assessed the reasonableness of the key assumptions made by management including discount rates, mortality rates, lapse rates, and expenses based on the Group's own historical data and experience study, market-observable data, and our industry knowledge and experience;<br><br>• We performed analysis of the movements in insurance contract liabilities to assess whether the changes are in line with our understanding of the assumptions and any developments and changes during the period; and<br><br>• We reviewed the calculation of the liability adequacy test to assess the adequacy of insurance contract liabilities.<br><br>Based on the procedures performed above, we found the methodologies and assumptions used by management in the valuation of insurance contract liabilities to be reasonable. |

## KEY AUDIT MATTERS (CONTINUED)

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Assessment on (a) valuation of insurance contract liabilities and (b) amortisation of value of business acquired and deferred acquisition costs (continued)** | |
| **(b) Amortisation of value of business acquired and deferred acquisition costs**<br><br>*Refer to notes 4(b), 6(m), 23 and 24 to the consolidated financial statements.*<br><br>As at 30 June 2020, the carrying value of value of business acquired ("VOBA") and deferred acquisition costs ("DAC") amounting to HK$5,651.5 million and HK$688.2 million respectively. Amortisation of VOBA and DAC amounting to HK$173.5 million and HK$136.1 million, respectively, was recognised in the consolidated income statement for the year ended 30 June 2020.<br><br>VOBA is amortised over the estimated life of the contracts in the acquired portfolio on a systematic basis primarily based on expected future profits which involved significant management judgements and estimates.<br><br>DAC of new business is amortised according to the expected future premiums or expected future profits, which are projected based on the Group's best estimate assumptions and actual persistency.<br><br>We focused on this area due to the high degree of management judgements and estimates required. | **(b) Amortisation of value of business acquired and deferred acquisition costs**<br><br>With the assistance of our in-house actuarial experts, we evaluated the basis of amortisation of VOBA and DAC determined by management and assessed the reasonableness of key assumptions used by management, including discount rates, mortality rates, lapse rates and expenses in determining the expected future profits.<br><br>Based on the procedures performed above, we found the assumptions used in the amortisation of VOBA and DAC to be appropriate. |

## OTHER INFORMATION

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

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

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

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

## RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 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.

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Ho Chiu Ping, Dennis.

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 30 September 2020

# Consolidated Income Statement

For the year ended 30 June 2020

| | Note | 2020<br>HK$m | 2019<br>HK$m |
|---|---|---|---|
| Revenues | 7 | **59,007.8** | 76,763.6 |
| Cost of sales | | **(39,076.6)** | (51,742.1) |
| **Gross profit** | | **19,931.2** | 25,021.5 |
| Other income | 8 | **243.8** | 121.4 |
| Other gains, net | 9 | **344.5** | 338.8 |
| Selling and marketing expenses | | **(1,937.2)** | (2,161.0) |
| Expenses of department store's operation | | **(1,286.8)** | (2,125.6) |
| Administrative and other operating expenses | | **(7,121.5)** | (6,298.7) |
| Overlay approach adjustments on financial assets | 4(b)(xiii) | **208.2** | — |
| Changes in fair value of and gain on transfer to investment properties | 17 | **1,653.2** | 10,305.7 |
| **Operating profit** | 10 | **12,035.4** | 25,202.1 |
| Financing income | | **2,827.0** | 1,716.2 |
| Financing costs | 11 | **(4,837.9)** | (2,472.5) |
| | | **10,024.5** | 24,445.8 |
| Share of results of | | | |
| Joint ventures | | **1,007.3** | 3,670.3 |
| Associated companies | | **(237.4)** | 1,012.8 |
| **Profit before taxation** | | **10,794.4** | 29,128.9 |
| Taxation | 12 | **(7,528.0)** | (7,489.8) |
| **Profit for the year** | | **3,266.4** | 21,639.1 |
| Attributable to: | | | |
| Shareholders of the Company | 41 | **1,096.2** | 18,160.1 |
| Holders of perpetual capital securities | | **1,688.3** | 803.0 |
| Non-controlling interests | | **481.9** | 2,676.0 |
| | | **3,266.4** | 21,639.1 |
| **Earnings per share** | 13 | | (Adjusted) |
| Basic | | **HK$0.43** | HK$7.11 |
| Diluted | | **HK$0.43** | HK$7.11 |

# Consolidated Statement of Comprehensive Income

For the year ended 30 June 2020

| | Note | 2020 HK$m | 2019 HK$m |
|---|---|---|---|
| **Profit for the year** | | **3,266.4** | 21,639.1 |
| **Other comprehensive income** | | | |
| Items that will not be reclassified to profit or loss | | | |
| Fair value changes of equity instruments as financial assets at fair value through other comprehensive income | | **(1,011.1)** | (192.7) |
| Revaluation of investment properties upon reclassification from property, plant and equipment and right-of-use assets (2019: property, plant and equipment and land use rights) | | **11.4** | 54.4 |
| — deferred tax arising from revaluation thereof | | **(1.9)** | (12.4) |
| Remeasurement of post-employment benefit obligation | | **32.0** | (8.3) |
| Items that had been reclassified/may be reclassified subsequently to profit or loss | | | |
| Net fair value changes and other net movements of debt instruments as financial assets at fair value through other comprehensive income | | **1,768.6** | — |
| Release of reserve upon disposal of debt instruments as financial assets through other comprehensive income | | **(306.6)** | — |
| Release of reserves upon disposal of subsidiaries | | **(68.4)** | 0.1 |
| Release of reserves upon disposal of interests in joint ventures and associated companies | | **(13.9)** | (56.7) |
| Release of reserves upon deregistration of subsidiaries | | **—** | 11.8 |
| Share of other comprehensive income of joint ventures and associated companies | | **(1,499.0)** | (997.9) |
| Cash flow/fair value hedges | | **147.3** | (919.2) |
| Amount reported in other comprehensive income applying overlay approach adjustments on financial assets | 4(b)(xiii) | **(208.2)** | — |
| Translation differences | | **(3,837.3)** | (5,030.3) |
| **Other comprehensive income for the year** | | **(4,987.1)** | (7,151.2) |
| **Total comprehensive income for the year** | | **(1,720.7)** | 14,487.9 |
| Attributable to: | | | |
| Shareholders of the Company | | **(3,490.6)** | 12,394.6 |
| Holders of perpetual capital securities | | **1,688.3** | 803.0 |
| Non-controlling interests | | **81.6** | 1,290.3 |
| | | **(1,720.7)** | 14,487.9 |

# Consolidated Statement of Financial Position

As at 30 June 2020

| | Note | 2020 HK$m | 2019 HK$m |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Investment properties | 17 | **169,717.5** | 173,326.7 |
| Property, plant and equipment | 18 | **30,099.9** | 31,024.1 |
| Right-of-use assets | 19 | **8,514.7** | — |
| Land use rights | 20 | **—** | 1,213.9 |
| Intangible concession rights | 21 | **14,005.1** | 9,973.0 |
| Intangible assets | 22 | **8,427.6** | 3,464.5 |
| Value of business acquired | 23 | **5,651.5** | — |
| Deferred acquisition costs | 24 | **688.2** | — |
| Interests in joint ventures | 25 | **43,013.3** | 50,865.5 |
| Interests in associated companies | 26 | **21,143.7** | 25,331.9 |
| Financial assets at fair value through profit or loss | 33 | **13,488.4** | 8,420.9 |
| Financial assets at fair value through other comprehensive income | 34 | **39,131.2** | 5,038.8 |
| Derivative financial instruments | 27 | **2,154.2** | 130.8 |
| Properties for development | | **35,424.0** | 28,922.3 |
| Deferred tax assets | 28 | **1,120.0** | 763.5 |
| Other non-current assets | 29 | **25,344.7** | 14,644.3 |
| | | **417,924.0** | 353,120.2 |
| **Current assets** | | | |
| Properties under development | 30 | **48,657.7** | 34,145.5 |
| Properties held for sale | | **17,724.1** | 23,130.0 |
| Inventories | 31 | **685.1** | 805.7 |
| Debtors, prepayments, premium receivables and contract assets | 32 | **35,188.9** | 25,722.0 |
| Investments related to unit-linked contracts | 35 | **9,053.6** | — |
| Financial assets at fair value through profit or loss | 33 | **1,140.5** | 818.5 |
| Financial assets at fair value through other comprehensive income | 34 | **528.1** | — |
| Derivative financial instruments | 27 | **0.7** | 6.5 |
| Restricted bank balances | 36 | **144.4** | 2.5 |
| Cash and bank balances | 36 | **67,291.2** | 63,729.1 |
| | | **180,414.3** | 148,359.8 |
| Non-current assets classified as assets held for sale | 37 | **1,857.6** | 1,804.9 |
| | | **182,271.9** | 150,164.7 |
| **Total assets** | | **600,195.9** | 503,284.9 |

## Consolidated Statement of Financial Position

As at 30 June 2020

| | Note | **2020 HK$m** | 2019 HK$m |
|---|---|---|---|
| **Equity** | | | |
| Share capital | 38 | **78,225.7** | 77,875.3 |
| Reserves | 41 | **134,797.6** | 145,989.2 |
| Shareholders' funds | | **213,023.3** | 223,864.5 |
| Perpetual capital securities | 39 | **37,092.0** | 21,505.5 |
| Non-controlling interests | 40 | **29,629.8** | 29,994.5 |
| **Total equity** | | **279,745.1** | 275,364.5 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Long-term borrowings and other interest-bearing liabilities | 42 | **134,787.9** | 114,558.6 |
| Lease liabilities | 43 | **5,759.4** | — |
| Insurance and investment contract liabilities | 44 | **14,454.8** | — |
| Liabilities related to unit-linked contracts | 35 | **168.2** | — |
| Deferred tax liabilities | 28 | **11,545.6** | 10,371.1 |
| Derivative financial instruments | 27 | **943.4** | 542.4 |
| Other non-current liabilities | 45 | **182.1** | 1,191.7 |
| | | **167,841.4** | 126,663.8 |
| **Current liabilities** | | | |
| Creditors, accrued charges, payables to policyholders and contract liabilities | 46 | **54,101.2** | 48,753.0 |
| Current portion of long-term borrowings and other interest-bearing liabilities | 42 | **36,434.5** | 25,921.2 |
| Short-term borrowings and other interest-bearing liabilities | 42 | **20,166.6** | 15,854.8 |
| Lease liabilities | 43 | **1,227.9** | — |
| Insurance and investment contract liabilities | 44 | **20,445.3** | — |
| Liabilities related to unit-linked contracts | 35 | **9,053.6** | — |
| Derivative financial instruments | 27 | **104.8** | 78.3 |
| Current tax payable | | **11,067.4** | 10,640.9 |
| | | **152,601.3** | 101,248.2 |
| Liabilities directly associated with non-current assets classified as assets held for sale | 37 | **8.1** | 8.4 |
| | | **152,609.4** | 101,256.6 |
| **Total liabilities** | | **320,450.8** | 227,920.4 |
| **Total equity and liabilities** | | **600,195.9** | 503,284.9 |

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

**Dr. Cheng Chi-Kong, Adrian**
*Director*

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

| | Share capital HK$m | Retained profits HK$m | Other reserves HK$m | Shareholders' funds HK$m | Perpetual capital securities HK$m | Non-controlling interests HK$m | Total HK$m |
|---|---|---|---|---|---|---|---|
| At 30 June 2019 | **77,875.3** | **136,730.0** | **9,259.2** | **223,864.5** | **21,505.5** | **29,994.5** | **275,364.5** |
| Adjustment on changes in accounting policies (note 4(a)) | – | (1,832.3) | – | (1,832.3) | – | (278.8) | (2,111.1) |
| Restated balance as at 1 July 2019 | **77,875.3** | **134,897.7** | **9,259.2** | **222,032.2** | **21,505.5** | **29,715.7** | **273,253.4** |
| **Profit for the year** | – | 1,096.2 | – | 1,096.2 | 1,688.3 | 481.9 | 3,266.4 |
| **Other comprehensive income** | | | | | | | |
| Fair value changes of equity instruments as financial assets at fair value through other comprehensive income | – | – | (713.0) | (713.0) | – | (298.1) | (1,011.1) |
| Net fair value changes and other net movements of debt instruments as financial assets at fair value through other comprehensive income | – | – | 1,032.3 | 1,032.3 | – | 736.3 | 1,768.6 |
| Release of reserve upon disposal of debt instruments as financial assets at fair value through other comprehensive income | – | – | (185.4) | (185.4) | – | (121.2) | (306.6) |
| Release of reserves upon disposal of subsidiaries | – | – | 8.2 | 8.2 | – | (76.6) | (68.4) |
| Release of reserves upon disposal of interests in joint ventures and associated companies | – | – | (8.2) | (8.2) | – | (5.7) | (13.9) |
| Revaluation of investment properties upon reclassification from property, plant and equipment and right-of-use assets, net of taxation | – | – | 8.1 | 8.1 | – | 1.4 | 9.5 |
| Release of reserve upon disposal of equity instruments as financial assets at fair value through other comprehensive income | – | (666.1) | 666.1 | – | – | – | – |
| Share of other comprehensive income of joint ventures and associated companies | – | (13.1) | (1,037.6) | (1,050.7) | – | (448.3) | (1,499.0) |
| Remeasurement of post-employment benefit obligation | – | 19.5 | – | 19.5 | – | 12.5 | 32.0 |
| Cash flow/fair value hedges | – | – | (24.3) | (24.3) | – | 171.6 | 147.3 |
| Amount reported in other comprehensive income applying overlay approach adjustments on financial assets | – | – | (126.7) | (126.7) | – | (81.5) | (208.2) |
| Translation differences | – | – | (3,546.6) | (3,546.6) | – | (290.7) | (3,837.3) |
| **Other comprehensive income for the year** | – | (659.7) | (3,927.1) | (4,586.8) | – | (400.3) | (4,987.1) |
| **Total comprehensive income for the year** | – | 436.5 | (3,927.1) | (3,490.6) | 1,688.3 | 81.6 | (1,720.7) |

## Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

| | Share capital HK$m | Retained profits HK$m | Other reserves HK$m | Shareholders' funds HK$m | Perpetual capital securities HK$m | Non-controlling interests HK$m | Total HK$m |
|---|---|---|---|---|---|---|---|
| **Transactions with owners** | | | | | | | |
| Contributions by/(distributions to) owners | | | | | | | |
| Dividends | – | (5,216.5) | – | (5,216.5) | – | (1,153.9) | (6,370.4) |
| Contributions from non-controlling interests | – | – | – | – | – | 706.2 | 706.2 |
| Issue of new shares upon exercise of share options | 350.4 | – | – | 350.4 | – | – | 350.4 |
| Employees' share-based payments | – | – | 29.8 | 29.8 | – | – | 29.8 |
| Share options lapsed | – | 177.9 | (177.9) | – | – | – | – |
| Issuance of perpetual capital securities | – | – | – | – | 15,449.3 | – | 15,449.3 |
| Transaction costs in relation to the issuance of perpetual capital securities | – | (110.8) | – | (110.8) | – | (8.7) | (119.5) |
| Distribution to perpetual capital securities holders | – | – | – | – | (1,551.1) | – | (1,551.1) |
| Repayment of capital to non-controlling interests | – | – | – | – | – | (103.3) | (103.3) |
| Buyback of shares | – | (614.8) | – | (614.8) | – | – | (614.8) |
| Transfer of reserves | – | (94.7) | 94.7 | – | – | – | – |
| | 350.4 | (5,858.9) | (53.4) | (5,561.9) | 13,898.2 | (559.7) | 7,776.6 |
| Changes in ownership interests in subsidiaries | | | | | | | |
| Acquisition of subsidiaries | – | – | – | – | – | 340.4 | 340.4 |
| Acquisition of additional interest in a subsidiary | – | – | (0.9) | (0.9) | – | 0.9 | – |
| Disposal of a subsidiary | – | 43.4 | – | 43.4 | – | 50.2 | 93.6 |
| Deemed disposal of interest in a subsidiary | – | 1.1 | – | 1.1 | – | 0.7 | 1.8 |
| | – | 44.5 | (0.9) | 43.6 | – | 392.2 | 435.8 |
| **Total transactions with owners** | 350.4 | (5,814.4) | (54.3) | (5,518.3) | 13,898.2 | (167.5) | 8,212.4 |
| **At 30 June 2020** | 78,225.7 | 129,519.8 | 5,277.8 | 213,023.3 | 37,092.0 | 29,629.8 | 279,745.1 |

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

| | Share capital HK$m | Retained profits HK$m | Other reserves HK$m | Shareholders' funds HK$m | Perpetual capital securities HK$m | Non-controlling interests HK$m | Total HK$m |
|---|---|---|---|---|---|---|---|
| As at 30 June 2018 | 77,525.9 | 123,585.9 | 15,138.1 | 216,249.9 | 9,451.8 | 29,480.2 | 255,181.9 |
| Adjustment on adoption of HKFRS 9 | — | 678.7 | (545.6) | 133.1 | — | 120.6 | 253.7 |
| Restated balance as at 1 July 2018 | 77,525.9 | 124,264.6 | 14,592.5 | 216,383.0 | 9,451.8 | 29,600.8 | 255,435.6 |
| **Profit for the year** | — | 18,160.1 | — | 18,160.1 | 803.0 | 2,676.0 | 21,639.1 |
| **Other comprehensive income** | | | | | | | |
| Fair value changes of equity instruments as financial assets at fair value through other comprehensive income | — | — | (26.7) | (26.7) | — | (166.0) | (192.7) |
| Release of reserve upon disposal of subsidiaries | — | — | 0.1 | 0.1 | — | — | 0.1 |
| Release of reserve upon deregistration of subsidiaries | — | — | (8.9) | (8.9) | — | 20.7 | 11.8 |
| Release of reserves upon disposal of interests in associated companies | — | — | (34.4) | (34.4) | — | (22.3) | (56.7) |
| Revaluation of investment properties upon reclassification from property, plant and equipment and land use rights, net of taxation | — | — | 31.7 | 31.7 | — | 10.3 | 42.0 |
| Release of reserve upon disposal of equity instruments as financial assets at fair value through other comprehensive income | — | (405.3) | 405.3 | — | — | — | — |
| Share of other comprehensive income of joint ventures and associated companies | — | (2.9) | (660.6) | (663.5) | — | (334.4) | (997.9) |
| Remeasurement of post-employment benefit obligation | — | (5.1) | — | (5.1) | — | (3.2) | (8.3) |
| Cash flow hedges | — | — | (705.4) | (705.4) | — | (213.8) | (919.2) |
| Translation differences | — | — | (4,353.3) | (4,353.3) | — | (677.0) | (5,030.3) |
| **Other comprehensive income for the year** | — | (413.3) | (5,352.2) | (5,765.5) | — | (1,385.7) | (7,151.2) |
| **Total comprehensive income for the year** | — | 17,746.8 | (5,352.2) | 12,394.6 | 803.0 | 1,290.3 | 14,487.9 |

## Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

| | Share capital HK$m | Retained profits HK$m | Other reserves HK$m | Shareholders' funds HK$m | Perpetual capital securities HK$m | Non-controlling interests HK$m | Total HK$m |
|---|---|---|---|---|---|---|---|
| **Transactions with owners** | | | | | | | |
| Contributions by/(distributions to) owners | | | | | | | |
| Dividends | — | (4,898.7) | — | (4,898.7) | — | (1,515.1) | (6,413.8) |
| Contributions from non-controlling interests | — | — | — | — | — | 427.4 | 427.4 |
| Issue of new shares upon exercise of share options | 349.4 | — | — | 349.4 | — | — | 349.4 |
| Employees' share-based payments | — | — | 67.0 | 67.0 | — | — | 67.0 |
| Share options lapsed | — | 55.7 | (55.7) | — | — | — | — |
| Issuance of perpetual capital securities | — | — | — | — | 11,789.0 | — | 11,789.0 |
| Transaction costs in relation to the issuance of perpetual capital securities | — | (118.5) | — | (118.5) | — | — | (118.5) |
| Distribution to perpetual capital securities holders | — | — | — | — | (538.3) | — | (538.3) |
| Repayment of capital to non-controlling interests | — | — | — | — | — | (4.0) | (4.0) |
| Buyback of shares | — | (322.1) | — | (322.1) | — | — | (322.1) |
| Transfer of reserves | — | (7.8) | 7.8 | — | — | — | — |
| | 349.4 | (5,291.4) | 19.1 | (4,922.9) | 11,250.7 | (1,091.7) | 5,236.1 |
| Changes in ownership interests in subsidiaries | | | | | | | |
| Acquisition of additional interests in subsidiaries | — | (2.6) | — | (2.6) | — | 0.7 | (1.9) |
| Deemed disposal of interests in subsidiaries | — | 12.6 | (0.2) | 12.4 | — | 194.4 | 206.8 |
| | — | 10.0 | (0.2) | 9.8 | — | 195.1 | 204.9 |
| **Total transactions with owners** | 349.4 | (5,281.4) | 18.9 | (4,913.1) | 11,250.7 | (896.6) | 5,441.0 |
| **At 30 June 2019** | 77,875.3 | 136,730.0 | 9,259.2 | 223,864.5 | 21,505.5 | 29,994.5 | 275,364.5 |

# Consolidated Statement of Cash Flows

For the year ended 30 June 2020

| | Notes | 2020 HK$m | 2019 HK$m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net cash generated from operations | 51(a) | **1,339.3** | 12,192.5 |
| Hong Kong profits tax paid | | **(1,222.5)** | (657.9) |
| Mainland China and overseas taxation paid | | **(7,576.1)** | (4,523.8) |
| Net cash (used in)/from operating activities before net purchases of financial assets in relation to insurance business | | **(7,459.3)** | 7,010.8 |
| Purchases of financial assets in relation to insurance business | | **(12,632.9)** | — |
| Disposal of financial assets in relation to insurance business | | **9,802.5** | — |
| Net purchase of financial assets in relation to insurance business | | **(2,830.4)** | — |
| **Net cash (used in)/from operating activities** | | **(10,289.7)** | 7,010.8 |
| **Cash flows from investing activities** | | | |
| Interest received | | **2,784.3** | 1,614.5 |
| Dividends received from | | | |
| Joint ventures | | **2,256.7** | 2,332.1 |
| Associated companies | | **348.8** | 490.0 |
| Financial assets at fair value through other comprehensive income ("FVOCI") and financial assets at fair value through profit or loss ("FVPL") | | **243.8** | 121.4 |
| Additions of investment properties, property, plant and equipment, intangible assets and intangible concession rights | | **(16,795.9)** | (10,144.9) |
| Decrease/(increase) in interests in joint ventures and advances to joint ventures | | **1,178.8** | (2,503.7) |
| Increase in interests in associated companies and advances to associated companies | | **(396.4)** | (614.0) |
| Increase in short-term bank deposits maturing after more than three months | | **(2,749.9)** | (545.8) |
| Deposit paid for acquisition of a subsidiary | | **—** | (3,120.0) |
| Acquisition of subsidiaries (net of cash and cash equivalents) | 51(d) | **(10,611.7)** | (7,702.6) |
| Purchase of financial assets at FVOCI and financial assets at FVPL | | **(3,251.4)** | (3,723.4) |
| Proceeds from disposal/partial disposal of | | | |
| Associated companies | | **1,103.2** | 134.4 |
| Financial assets at FVOCI and financial assets at FVPL | | **2,711.1** | 2,469.6 |
| Investment properties, property, plant and equipment and intangible concession rights | | **4,338.7** | 382.6 |
| Non-current assets classified as assets held for sale | | **—** | 54.8 |
| Subsidiaries (net of cash and cash equivalents) | 51(f) | **1,822.2** | 1,599.3 |
| Increase in other non-current assets | | **(56.7)** | — |
| **Net cash used in investing activities** | | **(17,074.4)** | (19,155.7) |

## Consolidated Statement of Cash Flows

For the year ended 30 June 2020

| | Notes | 2020 HK$m | 2019 HK$m |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Issue of fixed rate bonds, net of transaction costs | | **14,361.2** | 8,974.2 |
| Redemption of fixed rate bonds and notes payable | | **(10,337.8)** | — |
| Drawdown of bank and other loans | | **69,826.3** | 31,644.4 |
| Repayment of bank and other loans and financing received under a financial reinsurance arrangement | | **(45,541.3)** | (27,033.7) |
| Decrease in loans from non-controlling shareholders | | **(281.3)** | (983.8) |
| Principal elements of lease liabilities payments | | **(874.7)** | — |
| Increase in cash collateral received from counterparties | | **423.9** | — |
| (Increase)/decrease in restricted bank balances | | **(141.9)** | 65.2 |
| Increase in interests in subsidiaries | | **—** | (4.0) |
| Issue of shares | | **350.4** | 349.4 |
| Contributions from non-controlling interests | | **706.2** | 427.4 |
| Interest paid | | **(6,647.9)** | (5,348.4) |
| Dividends paid to shareholders of the Company | | **(5,216.5)** | (4,898.7) |
| Dividends paid to non-controlling shareholders | | **(1,153.9)** | (1,308.5) |
| Repayment of capital to non-controlling interests | | **(103.3)** | — |
| Proceeds from issuance of perpetual capital securities, net of transaction costs | | **15,329.8** | 11,670.5 |
| Distribution to holders of perpetual capital securities | | **(1,551.1)** | (538.3) |
| Buyback of shares | | **(614.8)** | (322.1) |
| **Net cash from financing activities** | | **28,533.3** | 12,693.6 |
| **Net increase in cash and cash equivalents** | | **1,169.2** | 548.7 |
| Cash and cash equivalents at beginning of the year | | **62,389.6** | 62,597.3 |
| Translation differences | | **(241.5)** | (756.4) |
| **Cash and cash equivalents at end of the year** | | **63,317.3** | 62,389.6 |
| **Analysis of cash and cash equivalents** | | | |
| Cash at banks and on hand | 36 | **36,628.4** | 36,759.8 |
| Cash and bank balances attributable to investments related to unit-linked contracts | 35 | **169.4** | — |
| Short-term bank deposits maturing within three months | 36 | **26,519.5** | 25,575.9 |
| Cash and bank balances of a subsidiary reclassified as non-current assets classified as assets held for sale | | **—** | 53.9 |
| | | **63,317.3** | 62,389.6 |

# Notes to the Financial Statements

## 1 GENERAL INFORMATION

New World Development Company Limited (the "Company") is a limited liability company incorporated in Hong Kong. The address of its registered office is 30/F, New World Tower, 16-18 Queen's Road Central, Hong Kong. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company and its subsidiaries (together the "Group") are principally engaged in property development and investment, development of, investment in and/or operation of roads, commercial aircraft leasing, construction and insurance, and other businesses (including facilities management, transport, environment, logistic, department store, media and technology and other strategic businesses).

These consolidated financial statements have been approved by the Board of Directors on 30 September 2020.

## 2 BASIS OF PREPARATION

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

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 6 below.

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

The Group has adopted the following new standard, amendments to standards and interpretation which are relevant to the Group's operations and are mandatory for the financial year ended 30 June 2020:

| | |
|---|---|
| HKFRS 16 | Leases |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures |
| HK (IFRIC) — Interpretation 23 | Uncertainty over Income Tax Treatments |
| HKFRS Amendments | Annual Improvements to HKFRSs 2015-2017 Cycle |

Except for the impact of adoption of HKFRS 16 "Leases" ("HKFRS 16") and amendments to Hong Kong Accounting Standard 28 "Long term interests in associates and joint venture" ("Amendments to HKAS 28"), the adoption of other amendments to standards and interpretation above does not have significant effect on the results and financial position of the Group.

### (b) Adoption of HKFRS 16 and amendments to HKAS 28

HKFRS 16 and amendments to HKAS 28 as issued by the HKICPA is effective for the financial year beginning on or after 1 January 2019.

The Group has adopted HKFRS 16 and amendments to HKAS 28 retrospectively from 1 July 2019, but has not restated comparatives for the year ended 30 June 2019 as permitted under the specific transition provisions in the standards. The effects of the adoption are set out in note 4 below.

## 2 BASIS OF PREPARATION (CONTINUED)

### (c) Early adoption of amendments to standards

The Group has early adopted Amendment to HKFRS 16 "COVID-19 Related Rent Concessions" from 1 July 2019. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

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

The Group has applied this practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions have been accounted for as negative variable lease payments and recognised in the consolidated income statement for the year ended 30 June 2020, with a corresponding adjustment to the lease liabilities. There is no impact on the opening balance of equity at 1 July 2019.

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

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

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

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

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

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

## 2 BASIS OF PREPARATION (CONTINUED)

### (e) Hong Kong Companies Ordinance (Cap.622)

The consolidated financial statements comply with the applicable requirements of Hong Kong Companies Ordinance (Cap. 622), with the exception of section 381 which requires a company to include all its subsidiary undertakings (within the meaning of Schedule 1 to Cap. 622) in the company's annual consolidated financial statements. Section 381 is inconsistent with the requirements of HKFRS 10 "Consolidated Financial Statements" ("HKFRS 10") so far as Section 381 applies to subsidiary undertakings which are not controlled by the Group in accordance with HKFRS 10. For this reason, under the provisions of section 380(6), the Company has departed from section 381 and has not treated such companies as subsidiaries but they are accounted for in accordance with the accounting policies in notes 3(a)(ii) and 3(a)(iii). Those excluded subsidiary undertakings of the Group are disclosed in notes 55 and 56.

## 3 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted for the preparation of these consolidated financial statements, which have been consistently applied to all the years presented, unless otherwise stated, are set out in this note.

The Group has adopted new accounting policy upon the acquisition of insurance business during the year ended 30 June 2020. Details of the accounting policies are summarised in note 4(b).

### (a) Consolidation

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

#### (i) Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement at the acquisition date. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. There is a choice, on the basis of each acquisition to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amount of acquiree's identifiable net assets. If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated income statement.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree at the date of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this consideration is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

## 3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### (a) Consolidation (continued)

#### (i) Subsidiaries (continued)

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated income statement. The fair value is the carrying amount for the purposes of subsequently accounting for the retained interest as associated companies, joint ventures or financial assets. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement or transferred to another category of equity as specified/permitted by applicable HKFRSs.

The Company's investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

#### (ii) Joint arrangements

Under HKFRS 11, investments in joint arrangements are classified as either joint ventures or joint operations depending on the contractual rights and obligations each investor.

*(1) Joint ventures*

The Group recognises its interests in joint ventures using equity method of accounting. Interests in joint ventures are stated in the consolidated financial statements at cost (including goodwill on acquisition) plus the share of post-acquisition results and movements in other comprehensive income less provision for impairment losses. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired joint ventures at the date of acquisition.

The Group's interests in joint ventures include the loans and advances to the joint ventures which, in substance, form part of the Group's net investments in the joint ventures. The loans and advances to the joint ventures are a form of commercial arrangement between the parties to the joint ventures to finance the development of projects and viewed as a mean by which the Group invests in the relevant projects. These loans and advances have no fixed repayment terms and will be repaid when the relevant joint venture has surplus cash flow. Please refer to note 3(i) for the impairment of loans and advances to joint ventures.

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

(a) Equity joint ventures/joint ventures in wholly foreign owned enterprises

Equity joint ventures/joint ventures in wholly foreign owned enterprises are joint ventures in respect of which the capital contribution ratios of the venturers are defined in the joint venture contracts and the profit sharing ratios and share of net assets of the venturers are in proportion to the capital contribution ratios.

(b) Co-operative joint ventures

Co-operative joint ventures are joint ventures in respect of which the profit sharing ratios of the venturers and share of net assets upon the expiration of the joint venture periods are not in proportion to their capital contribution ratios but are as defined in the joint venture contracts.

# 3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

## (a) Consolidation (continued)

### (ii) Joint arrangements (continued)

*(1) Joint ventures (continued)*

(c) Companies limited by shares

Companies limited by shares are limited liability companies in respect of which each shareholder's beneficial interests therein is in accordance with the amount of the voting share capital held thereby.

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

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

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

The Company's interests in joint ventures are stated at cost less provision for impairment losses. The results of joint ventures are accounted for by the Company on the basis of dividend received and receivable.

*(2) Joint operations*

The assets that the Group has the rights and the liabilities that the Group has the obligations in relation to the joint operations are recognised in the consolidated statement of financial position on an accrual basis and classified according to the nature of the item. The share of expenses that the Group incurs and its share of income that it earns from the joint operations are included in the consolidated income statement.

### (iii) Associated companies

An associated company is a company other than a subsidiary and a joint venture, in which the Group has significant influence, but not control, exercised through representatives on the board of directors.

Interests in associated companies are accounted for by the equity method of accounting and are initially recognised at cost. The Group's interests in associated companies include goodwill (net of any accumulated impairment loss) identified on acquisition. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired associated companies at the date of acquisition. The interests in associated companies also include long-term receivables that, in substance, form part of the Group's net investments in the associated companies. Please refer to note 3(i) for the impairment of long-term receivables.

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

## 3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### (a) Consolidation (continued)

#### (iii) Associated companies (continued)

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interests in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. For equity accounting purpose, accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Company's interests in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividend income received and receivable.

Gains or losses on deemed disposal on dilution arising from interests in associated companies are recognised in the consolidated income statement.

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

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

#### (iv) Transactions with non-controlling interests

Non-controlling interests is the equity in a subsidiary which is not attributable, directly or indirectly, to a parent. The Group treats transactions with non-controlling interests (namely, acquisitions of additional interests and disposals of partial interests in subsidiaries that do not result in a loss of control) as transactions with equity owners of the Group. For purchases of additional interests in subsidiaries from non-controlling shareholders, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of partial interests to non-controlling shareholders are also recorded in equity.

### (b) Intangible assets

#### (i) Goodwill

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

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

#### (ii) Trademarks

Separately acquired trademarks are initially recognised at initial cost. Trademarks acquired in a business combination are recognised at fair value at the date of acquisition. Trademarks have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives.

## 3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### (b) Intangible assets (continued)

#### (iii) Operating right

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

#### (iv) Intangible concession rights

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

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

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

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

#### (v) Other intangible assets

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

Amortisation of intangible assets with finite useful lives is charged to consolidated income statement on a straight-line basis over the assets' estimated useful lives or 3 to 5 years, whichever is shorter.

### (c) Non-current assets classified as assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. Investment properties classified as assets held for sale are stated at fair value at the end of reporting period.

## 3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### (d) Investment properties

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

Property held by the lessee as a right-of-use asset for long-term rental yields or for capital appreciation or both is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value. Fair value is determined by professional qualified valuers on an open market value basis at the end of each reporting period. Changes in fair value are recognised in the consolidated income statement.

Subsequent expenditure is included in the carrying amount of the asset only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to properties for/under development. The property's deemed cost for subsequent accounting as properties for/under development is its fair value at the date of change in use.

If an owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognised in equity as a revaluation of property, plant and equipment. However, if the fair value of the property at the date of transfer which results in a reversal of the previous impairment loss, the write-back is recognised in the consolidated income statement.

For a transfer from properties for/under development or property held for sale to investment properties that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in the consolidated income statement. Transfers to investment properties shall be made when, and only when, there is a change in use. The inception of a lease to another party is generally an evidence of a change in use. A change in use has occurred is based on an assessment of all relevant facts and circumstances. The relevant facts include but not limited to the Group's business plan, financial resources and legal requirements.

### (e) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of assets. Subsequent costs are included in the carrying amount of the assets or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged in the consolidated income statement during the financial period in which they are incurred. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying value of an asset is greater than its estimated recoverable amount.

## 3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### (e) Property, plant and equipment (continued)

#### (i) Assets under construction

All direct costs relating to the construction of property, plant and equipment, including borrowing costs during the construction period are capitalised as the costs of the assets.

#### (ii) Depreciation

No depreciation is provided on assets under construction until such time when the relevant assets are completed and available for intended use. No depreciation is provided on land.

Until 30 June 2019, leasehold land classified as finance lease commenced amortisation from the time when the land interest became available for its intended use. Amortisation on leasehold land classified as finance lease was calculated using the straight-line method to allocate their cost to their residual values over the shorter of remaining lease term of 10 to over 50 years or their estimated useful lives.

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

| | |
|---|---|
| Buildings | 20 to 40 years |
| Other assets | 2 to 25 years |

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

#### (iii) Gain or loss on disposal

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

### (f) Impairment of investments in subsidiaries, joint ventures, associated companies and non-financial assets

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

Impairment testing of the interests in subsidiaries, joint ventures or associated companies is required upon receiving dividends from these interests if the dividend exceeds the total comprehensive income of the subsidiaries, joint ventures or associated companies in the period the dividend is declared or if the carrying amount of the interest in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee’s net assets including goodwill.

## 3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### (g) Investments and other financial assets

#### (i) Classification

The Group classifies its financial assets in the following measurement categories:

(a) those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss); and

(b) those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in the consolidated income statement or OCI. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity instrument at fair value through OCI.

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

#### (ii) Recognition and derecognition

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

#### (iii) Measurement

Except for trade debtors that do not have a significant financing component, at initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

*Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

(a) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated income statement when the asset is derecognised or impaired. Interest income from these financial assets is recognised in the consolidated income statement using the effective interest method.

(b) Financial assets at FVOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in the consolidated income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated income statement. Interest income from these financial assets is recognised in the consolidated income statement using the effective interest method.

## 3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### (g) Investments and other financial assets (continued)

**(iii) Measurement** (continued)

(c) Financial assets at FVPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in the consolidated income statement and presented in the period in which it arises.

*Equity instruments*

The Group subsequently measures all equity instruments at fair value. Where the Group's management has elected to present fair value gains and losses on equity instruments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the consolidated income statement following the derecognition of the investments. Dividends from such investments continue to be recognised in the consolidated income statement as other income when the Group's right to receive payments is established.

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

### (h) Derivative financial instruments and hedging activities

A derivative is initially recognised at fair value on the date a derivative contract is entered into and is subsequently remeasured at its fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges) or the changes in fair value of recognised assets or liabilities (fair value hedges).

At the inception of the hedging, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedges items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 27. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

**Cash flow hedge that quantity for hedge accounting**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the other reserves within equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

Amounts accumulated in equity are transferred to the consolidated income statement in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of the hedging instrument is recognised in the consolidated income statement at the same time as the expense on the hedged items.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss that were reported in equity are immediately reclassified to the consolidated income statement.

## 3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### (h) Derivative financial instruments and hedging activities (continued)

**Cash flow hedge that quantity for hedge accounting** (continued)

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

Hedge ineffectiveness may occur due to:

- the credit/debit value adjustment on the hedging instrument which is not matched by the hedged item; and
- differences in critical terms between the hedged item and hedging instrument.

**Fair value hedges**

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

**Derivatives that do not qualify for hedge accounting**

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

### (i) Impairment/loss allowance of financial assets

The Group has the following types of financial assets subject to expected credit loss ("ECL") model:

- trade debtors and contract assets;
- amounts due from associated companies, amounts due from joint ventures and amounts due from non-controlling shareholders; and
- other debt instruments carried at amortised cost and at FVOCI.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 5(b) details how the Group determines whether there has been a significant increase in credit risk.

**(i) Trade debtors and contract assets**

The Group applies the simplified approach to providing for ECLs, which requires the use of the lifetime expected loss provision.

**(ii) Amounts due from associated companies, amounts due from joint ventures and amounts due from non-controlling shareholders**

Impairment on financial assistance provided to associated companies, joint ventures and non-controlling shareholders is measured as either 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then loss allowance is measured as lifetime ECLs.

**(iii) Other debt instruments carried at amortised cost and at FVOCI**

Debt instruments at amortised cost and at FVOCI are considered to be low risk, and thus the impairment provision is determined as 12 months ECLs using general ECL model.

### (j) Properties for/under development

Properties for/under development comprise leasehold land and land use rights, development expenditure and borrowing costs capitalised, and are carried at the lower of cost and net realisable value. Net realisable value takes into account the proceeds ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to complete. Upon completion, the properties are transferred to properties held for sale. Properties under development included in the current assets are expected to be realised in, or is intended for sale in the Group's normal operating cycle.

## 3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### (k) Properties held for sale

Properties held for sale are initially measured at the carrying amount of the property at the date of reclassification from properties under development. Subsequently, properties held for sale are carried at the lower of cost and net realisable value. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

### (l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

### (m) Trade and other debtors

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

Trade and other debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Details of impairment of trade debtors is disclosed in note 3(i).

### (n) Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer.

The combination of those rights and performance obligations gives rise to a net contract asset or a net contract liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the cumulative revenue recognised in the consolidated income statement exceeds cumulative payments made by customers. Conversely, the contract is a liability and recognised as contract liabilities if the cumulative payments made by customers exceeds the revenue recognised in the consolidated income statement.

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

The incremental costs of obtaining a contract with a customer are capitalised and presented as contract related assets, if the Group expects to recover those costs, and are subsequently amortised on a systematic basis that is consistent with the transfer to the customers of the goods or services to which the assets relate. The Group recognises an impairment loss in the consolidated income statement to the extent that the carrying amount of the contract related assets recognised exceeds the remaining amounts of consideration that the Group expects to receive less the costs that directly relate to those goods or services and have not been recognised as expenses. Details of impairment of contract assets are disclosed in note 3(i).

### (o) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings under current liabilities in the consolidated statement of financial position.

### (p) Share capital

Ordinary shares are classified as equity.

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

### (q) Perpetual capital securities

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

## 3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### (r) Trade and other payables

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

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### (s) Provisions

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

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

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

### (t) Contingent liabilities and contingent assets

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

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

### (u) Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period’s taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group, joint ventures and associated companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

## 3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### (v) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement or capitalised on the basis set out in note 3(y) over the period of the borrowings using the effective interest method where appropriate.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

### (w) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services rendered in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts, allowances for credit and other revenue reducing factors after eliminating sales within the Group.

Revenue is recognised when it is probable that future economic benefits will flow to the Group and specific criteria for each of the activities have been met. Estimates are based on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

#### (i) Rental income

Rental income is recognised in the consolidated income statement on a straight-line basis over the lease term.

#### (ii) Property sales

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. If properties have no alternative use to the Group contractually and the Group has an enforceable right to payment from the customers for performance completed to date, the Group satisfies the performance obligation over time and therefore, recognises revenue over time in accordance with the input method for measuring progress. Otherwise, revenue is recognised at a point in time when the customer obtains control of the completed property.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

## 3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### (w) Revenue recognition (continued)

#### (iii) Construction revenue

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

#### (iv) Toll revenue

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

#### (v) Service fee income

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

#### (vi) Sales of goods

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

#### (vii) Fare revenue

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

#### (viii) Advertising income

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

#### (ix) Hotel operations

Revenue from hotel and restaurant operations is recognised upon provision of the services.

#### (x) Department store operations

Revenue from sale of goods to retail customers is recognised when the Group sells the product to the customers and the revenue from sale of goods to wholesalers is recognised when control of the products has transferred, being when the products are delivered to the wholesaler. The Group recognises commission income from concessionaire sales upon sale of goods or provision of services by counter suppliers. Payments received in advance that are related to sales of goods or provision of services not yet delivered to customers are deferred and recognised as contract liabilities. Revenue is recognised when goods or services are delivered to customers.

Marketing or promotional offer made to customers at the time of the sale of goods is a separate performance obligation, and the likelihood of settlement of the outstanding performance obligation must be estimated and allocated to the consideration received.

#### (xi) Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

#### (xii) Dividend income

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

#### (xiii) Revenue related to insurance business

Accounting policies of revenue recognition in relation to insurance business are set out in note 4(b)(viii) and 4(b)(ix).

## 3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### (x) Leases

**Accounting policies applied from 1 July 2019**

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the lessee's incremental borrowing rate.

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

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

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

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessors.

**Accounting policies applied before 1 July 2019**

*(i) Finance leases*

Leases that transfer to the Group, as lessee, substantially all the risks and rewards of ownership of assets were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased assets or, if lower, the present value of minimum lease payments. Each lease payment was allocated between the liability and finance cost so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, were included in liabilities, as creditors, accrued charges and contract liabilities. The finance charges were charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets held under finance leases were depreciated on the basis described in note 3(e)(ii) above.

*(ii) Operating leases*

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the consolidated income statement on a straight-line basis over the period of the lease.

## 3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### (y) Borrowing cost

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed as incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined on a cumulative basis based on the cumulative amounts of interest expenses that would have been incurred had the entity borrowed in its functional currency. The total amount of foreign exchange differences capitalised cannot exceed the amount of total net foreign exchange differences incurred on a cumulative basis at the end of the reporting period.

### (z) Employee benefits

#### (i) Employee leave entitlements

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

#### (ii) Bonus plans

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

#### (iii) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions to defined contribution plans, including the Mandatory Provident Fund Scheme and employee pension schemes established by municipal government in The People's Republic of China ("PRC") are expensed as incurred. Contributions are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions, where applicable.

#### (iv) Defined benefit plans

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

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in the consolidated income statement.

## 3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### (z) Employee benefits (continued)

#### (v) Share-based compensation

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

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

On lapse of share options according to the plan, corresponding amount recognised in employees' share-based compensation reserve is transferred to retained profits.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

### (aa) Foreign currencies

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollar, which is the Company's functional and presentation currency.

#### (ii) Transactions and balances

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in the consolidated income statement as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in the consolidated statement of comprehensive income.

## 3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### (aa) Foreign currencies (continued)

#### (iii) Group companies

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each consolidated statement of financial position presented are translated at the exchange rate ruling at the date of that consolidated statement of the financial position;

(2) income and expenses for each consolidated income statement are translated at the average exchange rate during the period covered by the consolidated income statement;

(3) all resulting translation differences are recognised as a separate component of equity; and

(4) on the disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the translation differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to the consolidated income statement.

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

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate ruling at the end of the reporting period.

### (ab) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Board of Directors of the Company has appointed an Executive Committee which assess the financial performance and position of the Group, and makes strategic decisions. The Executive Committee, which has been identified as being the chief operating decision-maker, consists of executive directors of the Company.

Segment assets consist primarily of property, plant and equipment, right-of-use assets, land use rights, investment properties, intangible concession rights, intangible assets, VOBA, DAC, financial assets at FVOCI, financial assets at FVPL, properties for development, other non-current assets, properties under development, properties held for sale, inventories, receivables and non-current assets classified as assets held for sale and exclude interests in joint ventures and associated companies, derivative financial instruments, deferred tax assets, restricted bank balances and cash and bank balances. Segment liabilities comprise operating liabilities and exclude items such as current tax payable, deferred tax liabilities, liabilities related to unit-linked contracts and borrowings.

### (ac) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the financial period when the dividends are approved by the Company's shareholders/directors, where appropriate.

### (ad) Insurance contracts

The Group assesses at the end of each reporting period the liabilities under its insurance contracts using current estimates of future cash flows. If the carrying amount of the relevant insurance liabilities is less than the best estimate of the expenditure required to settle the relevant insurance liabilities at the end of the reporting period, the Group recognises the entire difference in the consolidated income statement. These estimates are recognised only when the outflow is probable and the estimates can be reliably measured.

The Group regards its financial guarantee contracts in respect of mortgage facilities provided to certain property purchasers and guarantees provided to its related parties as insurance contracts.

## 3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### (ae) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

### (af) Land use rights

**Accounting policies applied before 1 July 2019**

The upfront prepayments made for the land use rights held under operating leases were expensed in the consolidated income statement on a straight-line basis over the period of the lease or when there was impairment, the impairment was expensed in the consolidated income statement.

## 4 CHANGES IN AND ADOPTION OF ACCOUNTING POLICIES

### (a) Changes in accounting policies

As explained in note 2 above, the Group has adopted HKFRS 16 and amendments to HKAS 28 from 1 July 2019, which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. As allowed in the specific transition provision in the standards, comparative figures is not restated.

**Effects of adoption of HKFRS 16**

On adoption of HKFRS 16 using modified retrospective approach on lease-by-lease basis, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The cumulative effect of initial application has been recognised as an adjustment to the opening balance of equity at 1 July 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Right-of-use assets at initial recognition is measured at either:

- the carrying amount of lease as if HKFRS 16 had been applied since the lease commencement date, discounted using the lessee's incremental borrowing rate as at 1 July 2019; or
- an amount equal to lease liability, adjusted by the prepaid or accrued lease payments relating to the lease immediately before 1 July 2019.

As a result of adoption of HKFRS 16, the obligations under finance leases recognised and the operating lease commitments as disclosed at 30 June 2019, adjusted by the effect of discounting and changes in index or rates affecting variable payments, exclusion of short-term leases and low-value asset leases and assessment of extension and termination options and contracts being reassessed as service agreements are combined as lease liabilities of HK$6,452.6 million and recognised as at 1 July 2019. The amount of lease liabilities was split into current portion and non-current portion of HK$988.5 million and HK$5,464.1 million respectively. The weighted average lessee's incremental borrowing rates applied to the lease liabilities on 1 July 2019 were 3.79% for leases in Hong Kong and 5.06% for leases in Mainland China.

## 4 CHANGES IN AND ADOPTION OF ACCOUNTING POLICIES (CONTINUED)

### (a) Changes in accounting policies (continued)

**Effects of adoption of HKFRS 16** (continued)

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

As permitted by the amendments to HKFRS 16, which has been early adopted during the year, the Group has also used the practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees accounts for qualifying rent concessions in the same way as they would if they were not lease modifications. The application of this practical expedient has no impact on the opening balance of consolidated statement of financial position as at 1 July 2019.

**Effects of adoption of amendments to HKAS 28**

The amendments clarify the accounting for long-term interests in an associated company or joint venture, which in substance form part of the net investment in the associated company or joint venture, but to which equity accounting is not applied. The Group is required to account for such interests under HKFRS 9 before applying the loss allocation and impairment requirements in HKAS 28.

On the adoption of amendments to HKAS 28, the Group has recognised a loss allowance of HK$1,075.7 million as at 1 July 2019 against the non-current receivables from the joint ventures. The loss allowance is measured as either 12-month expected credit loss or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

## 4 CHANGES IN AND ADOPTION OF ACCOUNTING POLICIES (CONTINUED)

### (a) Changes in accounting policies (continued)

**Effects of changes in accounting policies**

The effects of the adoption of HKFRS 16 and amendments to HKAS 28 are as follows:

| | As at 30 June 2019 HK$m | Effects of adoption of HKFRS 16 HK$m | Effects of adoption of amendments to HKAS 28 HK$m | As at 1 July 2019 HK$m |
|---|---|---|---|---|
| **Consolidated statement of financial position (extract)** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 31,024.1 | (1,862.4) | — | 29,161.7 |
| Right-of-use assets | — | 7,813.1 | — | 7,813.1 |
| Land use rights | 1,213.9 | (1,213.9) | — | — |
| Interests in joint ventures | 50,865.5 | (10.8) | (1,075.7) | 49,779.0 |
| Interests in associated companies | 25,331.9 | (0.7) | — | 25,331.2 |
| Deferred tax assets | 763.5 | 34.3 | — | 797.8 |
| Other non-current assets | 14,644.3 | 59.1 | — | 14,703.4 |
| **Current assets** | | | | |
| Debtors, prepayments, premium receivables and contract assets | 25,722.0 | 116.6 | — | 25,838.6 |
| **Equity** | | | | |
| Reserves — Retained profits | 136,730.0 | (756.6) | (1,075.7) | 134,897.7 |
| Non-controlling interests | 29,994.5 | (278.8) | — | 29,715.7 |
| **Non-current liabilities** | | | | |
| Lease liabilities | — | 5,464.1 | — | 5,464.1 |
| Deferred tax liabilities | 10,371.1 | 13.9 | — | 10,385.0 |
| Other non-current liabilities | 1,191.7 | (439.1) | — | 752.6 |
| **Current liabilities** | | | | |
| Creditors, accrued charges, payables to policyholders and contract liabilities | 48,753.0 | (56.7) | — | 48,696.3 |
| Lease liabilities | — | 988.5 | — | 988.5 |

## 4 CHANGES IN AND ADOPTION OF ACCOUNTING POLICIES (CONTINUED)

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

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

#### (i) Product classification

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

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

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

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

#### (ii) Insurance contract liabilities

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

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

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

#### (iii) Investment contract liabilities

Liabilities for investment contracts are carried at fair values.

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

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

## 4 CHANGES IN AND ADOPTION OF ACCOUNTING POLICIES (CONTINUED)

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

#### (iv) Reinsurance

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

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

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

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

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

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

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

#### (vii) Liability adequacy test

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

#### (viii) Premiums

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

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

## 4 CHANGES IN AND ADOPTION OF ACCOUNTING POLICIES (CONTINUED)

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

#### (ix) Fees and commission income

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

#### (x) Benefits and insurance claims

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

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

#### (xi) Commissions and bonuses

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

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

#### (xii) Premium receivables

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

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

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

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

## 5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group has centralised treasury function for all of its subsidiaries except for listed subsidiaries which arrange their financial and treasury affairs on a stand-alone basis and in a manner consistent with the overall policies of the Group.

### (a) Market risk

#### (i) Foreign exchange risk

The Group's operations are mainly in Hong Kong and Mainland China. Entities within the Group are exposed to foreign exchange risk from future commercial transactions and monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency.

The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and will consider to enter into foreign exchange forward contracts and foreign exchange swaps to reduce the exposure should the need arises.

At 30 June 2020, the Group's entities with functional currency of Hong Kong dollar had aggregate United States dollar net monetary assets of HK$7,070.2 million (2019: HK$5,586.7 million). Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to the United States dollar, management therefore considers that there are no significant foreign exchange risk with respect to the United States dollar.

At 30 June 2020, the Group's entities with functional currency of Hong Kong dollar had aggregate Renminbi net monetary assets of HK$2,402.0 million (2019: HK$3,328.9 million). If Hong Kong dollar had strengthened/weakened by 5% (2019: 5%) against Renminbi with all other variables unchanged, the Group's profit before taxation would have been HK$120.1 million (2019: HK$166.4 million) lower/higher.

At 30 June 2020, the Group's entities with functional currency of Renminbi had aggregate United States dollar net monetary assets of HK$299.3 million (2019: HK$237.8 million). If Renminbi had strengthened/weakened by 5% (2019: 5%) against United States dollar with all other variables unchanged, the Group's profit before taxation would have been HK$15.0 million (2019: HK$11.9 million) lower/higher.

At 30 June 2020, the Group's entities with functional currency of Renminbi had aggregate Hong Kong dollar net monetary liabilities of HK$575.1 million (2019: net monetary assets of HK$571.9 million). If Renminbi had strengthened/weakened by 5% (2019: 5%) against Hong Kong dollar with all other variables unchanged, the Group's profit before taxation would have been HK$28.8 million higher/lower (2019: HK$28.6 million lower/higher).

This sensitivity analysis ignores any offsetting foreign exchange factors and has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period. The stated change represents management's assessment of reasonably possible changes in foreign exchange rates over the period from the end of the reporting period until the end of next reporting period. There are no other significant monetary balances held by group companies at 30 June 2020 and 2019 that are denominated in a non-functional currency. Currency risks as defined by HKFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency, differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

## 5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

### (a) Market risk (continued)

#### (ii) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. The Group's interest bearing assets on a floating rate basis mainly include deposits at bank and amounts due from joint ventures and associated companies. The Group's floating rate borrowings will be affected by fluctuation of prevailing market interest rates and will expose the Group to cash flow interest rate risk. The Group's borrowings issued at fixed rates exposed the Group to fair value interest rate risk.

The Group is also exposed to fair value interest risk mainly in relation to the financial assets at FVOCI (debt instruments) and derivative financial instruments. Fair value interest rate risk is the risk that the fair value of the future cash flows of the financial instruments will fluctuate because of changes in market interest rates.

To mitigate the risk, the Group has maintained an appropriate mix of fixed and floating rate interests. To match with underlying risk faced by the Group, the level of fixed rate instrument for the Group is decided after taking into consideration the potential impact of higher interest rates on the consolidated income statement, interest cover and the cash flow cycles of the Group's businesses and investments. Variance interest bearing financial assets and liabilities are mainly subject to an interest repricing risk of one year or below.

If interest rates had been 100 basis points (2019: 100 basis points) higher/lower with all other variables held constant, the Group's profit before taxation would have been HK$129.7 million higher or lower (2019: HK$211.1 million higher or lower) respectively and the Group's FVOCI reserve would have been HK$5.5 billion lower/higher (2019: nil) respectively. The sensitivity analysis has been determined assuming that the change in rates had occurred throughout the year and had been applied to the exposure to interest rate risk for financial instruments in existence at the end of the reporting period. The 100 basis points (2019: 100 basis points) increase or decrease represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group over the period until the end of next reporting period. Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments. As a consequence, they are included in the calculation of profit before taxation sensitivities.

#### (iii) Price risk

The Group is exposed to securities price risk arising from the listed and unlisted investments held by the Group. Gains or losses arising from changes in the fair value of financial assets at FVOCI and financial assets at FVPL are dealt with in equity and the consolidated income statement respectively. The performance of the Group's listed and unlisted investments are monitored regularly, together with an assessment of their relevance to the Group's strategic plans. The Group is also exposed to other price risk arising from fair value of certain interest rate swaps which is determined based on the in-house indexes of banks. Changes in fair value of these interest rate swaps are dealt with in the consolidated income statement. The Group is not exposed to commodity price risk.

At 30 June 2020, if the price of listed and unlisted investments in financial assets at FVOCI, excluding the investments in bonds had been 25% (2019: 25%) higher/lower with all other variables held constant, the Group's financial assets at FVOCI reserve would have been HK$9,914.8 million (2019: HK$1,259.7 million) higher/lower. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

At 30 June 2020, if the price of listed and unlisted investments in financial assets at FVPL had been 25% (2019: 25%) higher/lower with all other variables held constant, the Group's profit before taxation would have been HK$3,657.2 million (2019: HK$2,309.9 million) higher/lower. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months and assumed no impact from overlay approach adjustments.

## 5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

### (b) Credit risk

The credit risk of the Group mainly arises from trade and other receivables, debt securities, other non-current assets, balances receivable from investee companies, joint ventures and associated companies, and deposits with banks.

The Group considers the probability of default from initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis by close monitoring against established credit policies in each of its core business. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the assets, generally on individual basis, as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. The following indicators are generally incorporated:

- external credit rating (if any);
- average default rate by independent external parties;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparties' ability to meet their obligations; and
- significant actual and expected changes in the performance and behaviour of the counterparties, including changes in the payment status of counterparties in the Group and changes in the operating results of the counterparties.

A default on a financial asset is when the counterparty fails to make contractual payments when they fall due. Financial assets are considered to be credit-impaired and written off when there is no reasonable expectation of recovery.

For trade debtors and contract assets in relation to provision of services and infrastructure operations, no significant impairment allowance had been provided under lifetime expected credit loss assessment with reference to the historical credit loss experience with counterparties and ageing analysis, adjusted for forward-looking factors specific to the counterparties and the economic environment.

For trade debtors in relation to property sales, the Group normally receives deposits or progress payments from individual customers and possesses the control of the property unit prior to the completion of sales transaction. Taking into account the historical settlement of contractual payment and forward-looking factors, management considered the lifetime expected credit loss surrounding property sales receivables is immaterial.

For trade debtors in relation to rental income, the Group carries out regular review on these balances and follow-up action on any overdue amounts to minimise exposures to credit risk. The Group measures the lifetime expected credit losses based on the outstanding balances with debtors, offset with the deposit placed to the Group by the counterparties or the assets held by the counterparties expected to be frozen by the court for confiscation, and historical credit loss experience adjusted by the current and forecast economic conditions that may affect the ability of the counterparties to settle receivables.

For mortgage loans receivables, similar to other financial institutions, credit assessments are part of the normal process before approving loans to applicants. Regular review is carried out and stringent monitoring procedures are in place to deal with overdue debts. At the end of each reporting period, the Group reviews the recoverable amount of each individual receivable, taking into account the historical settlement of contractual payments and forward-looking factors under general approval, to ensure that adequate provisions for impairment are made for irrecoverable amounts, if any.

In relation to premium receivables from insurance business, the credit risk in respect of policyholder balances, incurred on the non-payment of premiums or contributions, will only persist during the grace period specified in the policy documents or trust deed on the expiry of which either the premium is paid or the policy will be terminated or changed to reduced paid-up or term cover according to the provision of the policy.

## 5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

### (b) Credit risk (continued)

In addition, the Group monitors the exposure to credit risk in respect of the financial assistance provided to investee companies, associated companies and joint ventures through exercising joint control or influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis.

Impairment on financial assistance provided to investee companies, joint ventures and associated companies, other debtors and other non-current assets such as loans receivables, is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition, through the management's critical assessment on the recoverable amounts based on underlying assets, historical repayment pattern, the actual and expected changes in business performance and general market default rate. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

For deposits with banks mainly placed with high-credit-quality financial institutions, such balances are considered to be of low credit risk as they have an investment credit rating with at least one major agency. No impairment had been provided under general expected credit loss assessment.

Debt securities are limited to financial institutions or investment counterparties with high quality. Aaa and AAA are the highest credit ratings in the Moody's and Standard & Poor's credit rating systems, respectively. The Group classifies its investment in bonds below ratings of Baa3 and BBB- in the Moody's and Standard & Poor's credit rating systems respectively as non-investment grade bonds. As at 30 June 2020, the amount of the non-investment grade bonds held by the Group was approximately 1.5% of its invested assets.

There is no concentration of credit risk with respect to trade debtors and contract assets from third party customers as the customer bases are widely dispersed in different sectors and industries.

The Group provides guarantees to banks in connection with certain property purchasers' borrowing of mortgage loans to finance their purchase of the properties until the issuance of the official property title transfer certificates by the relevant authority in the Mainland China. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the purchaser's deposit and sell the property to recover any amounts paid by the Group to the bank. Therefore the Group's credit risk is significantly reduced. Nevertheless, the net realisable values of the relevant properties are subject to the fluctuation of the property market in general, the Group assesses at the end of each reporting period the liabilities based on the current estimates of future cash flows. As at 30 June 2020 and 2019, no provision on the above guarantees to banks had been made in the consolidated financial statements.

As at 30 June 2020 and 2019, the carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to the financial assets.

### (c) Liquidity risk

Prudent liquidity risk management includes managing the profile of debt maturities and funding sources, maintaining sufficient cash and marketable securities, and ensuring the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. It is the policy of the Group to regularly monitor current and expected liquidity requirements and to ensure that adequate funding is available for operating, investing and financing activities. The Group also maintains adequate undrawn committed credit facilities to further reduce liquidity risk in meeting funding requirements (including financing for the Group's capital commitments as detailed in note 48(b)(i). The Directors of the Company are of the view that the Group has sufficient resources to meet the Group's commitments and liabilities as and when they fall due.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. Except for the liabilities related to unit-linked contracts where these unit-linked contracts typically include options for policyholders to surrender early, often subject to surrender or other penalties. The Group's investment related to unit-linked contracts are held to back the liabilities to the policyholders. The amounts disclosed in the table are the contractual undiscounted cash flows.

## 5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

### (c) Liquidity risk (continued)

Non-derivative financial liabilities:

| | Carrying amount HK$m | Total contractual undiscounted cash flow HK$m | Within 1 year or on demand HK$m | Over 1 year but within 5 years HK$m | After 5 years HK$m | Unit-linked HK$m |
|---|---|---|---|---|---|---|
| At 30 June 2020 | | | | | | |
| Creditors, accrued charges and payables to policyholders | **39,862.2** | **39,862.2** | **36,429.8** | **3,380.7** | **51.7** | **–** |
| Short-term borrowings and other interest-bearing liabilities | **20,166.6** | **20,871.6** | **20,727.8** | **143.8** | **–** | **–** |
| Long-term borrowings and other interest-bearing liabilities | **171,222.4** | **191,597.6** | **41,377.1** | **113,729.5** | **36,491.0** | **–** |
| Liabilities related to unit-linked contracts (note 35) | **8,554.9** | **8,554.9** | **–** | **–** | **–** | **8,554.9** |
| Lease liabilities | **6,987.3** | **8,050.9** | **1,341.8** | **4,032.5** | **2,676.6** | **–** |
| At 30 June 2019 | | | | | | |
| Creditors and accrued charges | 37,565.0 | 37,565.0 | 33,518.7 | 3,982.2 | 64.1 | — |
| Short-term borrowings | 15,854.8 | 16,544.8 | 16,544.8 | — | — | — |
| Long-term borrowings | 140,479.8 | 156,778.3 | 32,299.8 | 105,549.4 | 18,929.1 | — |

Derivative financial liabilities:

| | Total contractual undiscounted cash flow HK$m | Within 1 year or on demand HK$m | Over 1 year but within 5 years HK$m | After 5 years HK$m |
|---|---|---|---|---|
| At 30 June 2020 | | | | |
| Derivative financial instruments (net settled) | **911.1** | **206.7** | **543.3** | **161.1** |
| Derivative financial instruments (gross settled) | | | | |
| cash inflow | **(1,127.9)** | **(249.4)** | **(647.8)** | **(230.7)** |
| cash outflow | **1,141,4** | **250.5** | **657.4** | **233.5** |
| | **13.5** | **1.1** | **9.6** | **2.8** |
| At 30 June 2019 | | | | |
| Derivative financial instruments (net settled) | 523.5 | 83.5 | 214.7 | 225.3 |

The major liquidity risks the Group's insurance business confronts are the daily calls on its available cash resources in respect of claims arising from insurance and investment contracts and the maturity of debt securities.

The Group's insurance business manages liquidity through its liquidity risk policy which includes determining what constitutes liquidity risk and the minimum proportion of funds to meet emergency calls, the setting up of contingency funding plans, specifying the sources of funding and the events that would trigger the plan, specifying the concentration of funding sources, the reporting of liquidity risk exposures and breaches to the monitoring authority, monitoring the compliance with liquidity risk policy and the reviewing of liquidity risk policy for pertinence and changing environment.

## 5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

### (c) Liquidity risk (continued)

The table below presents the estimated amounts (on a discounted basis) and timing of cash outflow/(inflow) arising from liabilities under insurance contracts, projected based on the Group's best estimate assumptions. The Group's insurance business has to meet daily calls on its cash resources, notably from claims arising on its insurance contracts and early surrender of policies for surrender value. There is therefore a risk that cash will not be available to settle liabilities when due at a reasonable cost. The Group's insurance business manages this risk by monitoring and setting an appropriate level of cash position to settle these liabilities.

| | Total discounted cash flow HK$m | Within 1 year HK$m | Over 1 year but within 5 years HK$m | After 5 years HK$m |
|---|---|---|---|---|
| At 30 June 2020 | | | | |
| Insurance contract liabilities (note 44) | **34,894.7** | **3,200.5** | **(2,332.1)** | **34,026.3** |

No comparative figure as at 30 June 2019 for the above table was showed as the acquisition of insurance business by the Group was completed in November 2019.

### (d) Asset liability management framework

Upon completion of acquisition of insurance business, financial risks also arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risks that the Group's insurance business faces due to the nature of its investments and liabilities are interest rate risk and duration risk. The Group's insurance business manages these positions within an asset liability management ("ALM") framework that has been developed to achieve long term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of ALM is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders.

ALM also forms an integral part of the insurance risk management policy in order to ensure in each period sufficient cash flows are available to meet liabilities arising from insurance and investment contracts.

### (e) Regulatory framework of the Group's insurance business

The operations of the Group's insurance business are subject to local regulatory requirements in Hong Kong. The Group's insurance business is required to maintain an appropriate solvency position to meet unforeseen liabilities arising from economic shocks and/or natural disasters.

## 5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

### (f) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group generally obtains long-term financing to on-lend or contribute as equity to its subsidiaries, joint ventures and associated companies to meet their funding needs in order to provide more cost efficient financing. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue or repurchase shares, raise new debt financing or sell assets to reduce debt.

The Group monitors capital on the basis of the Group's gearing ratio and makes adjustments to it in light of changes in economic conditions and business strategies. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total long-term and short-term borrowings and other interest-bearing liabilities (excluding loans from non-controlling shareholders) less cash and bank balances and restricted bank balances.

The Group's insurance business has an internal risk management framework for identifying risks to its business it exposed to. The internal framework estimates and indicates how much capital is needed to mitigate the risk of insolvency.

The Group's insurance business always maintains a solvency position higher than 150% of the solvency margin required by the Insurance Authority ("IA") to ensure an adequate surplus position. Further objectives are set by the Group's insurance business to maintain a strong credit rating and healthy capital ratios in order to support its business.

The Group's insurance business manages its capital requirements by assessing probable shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Group's insurance business activities.

The Group's insurance business fully complied with capital requirements imposed by the IA throughout the period since acquisition to the reporting date.

The gearing ratios were as follows:

| | **2020**<br>**HK$m** | 2019<br>HK$m |
|---|---|---|
| Consolidated total borrowings* | **183,894.2** | 152,019.6 |
| Less: cash and bank balances and restricted bank balances | **(67,435.6)** | (63,731.6) |
| Consolidated net debt | **116,458.6** | 88,288.0 |
| Total equity | **279,745.1** | 275,364.5 |
| Gearing ratio | **41.6%** | 32.1% |

* Excluding loans from non-controlling shareholders, financing received under a financial reinsurance arrangement and cash collateral received for cross currency swap and forward starting interest rate swap contracts.

## 5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

### (g) Insurance risk

The Group's insurance business is in the business of insuring against the risk of mortality, morbidity, disability, critical illness, accidents and related risks. The Group's insurance business retains a maximum of US$150,000 for each risk it insures, with the excess being reinsured through surplus treaties, coinsurance treaties, facultative reinsurance, catastrophe treaties and quota share arrangements with reputable international reinsurers. Consequently, total claims payable in any given year can be predicted with a higher degree of precision. As part of the quality control process, the Group's insurance business regularly invites reinsurers to audit its underwriting and claim practices and procedures, to ensure that it meets the highest industry standards.

**As at 30 June 2020**

| | Gross insurance contract liabilities (note 44(b)) HK$m | Reinsurer's share of insurance contract liabilities HK$m | Insurance contract liabilities, net of reinsurer's share HK$m |
|---|---|---|---|
| **Type of products** | | | |
| Whole life | 29,069.6 | (23.8) | 29,045.8 |
| Term | 97.0 | (0.3) | 96.7 |
| Dread disease | 1,890.3 | (0.1) | 1,890.2 |
| Medical | 226.1 | — | 226.1 |
| Disability | 11.1 | (0.1) | 11.0 |
| Accident | 21.6 | (0.1) | 21.5 |
| | 31,315.7 | (24.4) | 31,291.3 |
| Coinsurance liabilities | 244.7 | — | 244.7 |
| | 31,560.4 | (24.4) | 31,536.0 |

No comparative figure as at 30 June 2019 for the above table was showed as the acquisition of insurance business by the Group was completed in November 2019.

#### (i) Key assumptions

Liabilities on insurance contracts offered by the Group are predominantly conventional whole life insurance for which premiums are paid for a limited period of time or the whole life, with fixed benefits paid upon death and surrender benefits increasing with the duration of policy.

Some plans provide for guaranteed periodic payments. Most of the whole life insurance products are entitled to annual dividends and some with terminal dividend upon policy termination.

The key assumptions used for the determination of future liabilities for most products is detailed below:

**As at 30 June 2020**

| | |
|---|---|
| Mortality rates | For products with full underwriting, 62% of 2001 Hong Kong Assured Life Mortality tables for males and females, with selection factor 50% at year 1 and 75% at year 2.<br><br>For products without full underwriting, 62% of 2001 Hong Kong Assured Life Mortality tables for males and females. |
| Discount rates | Range between 2.00% to 4.10%, depending on the insurance plan policies |
| Lapse rates | Based on Group's experience. |
| Expenses | Based on Group's experience. |

The method of calculating the liabilities is the net level premium reserve, with an adjustment to remove premium deficiency.

The Group's actual claims compared to the mortality experience assumed in the calculation of future insurance contract liabilities, for the current year, is 114%.

## 5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

### (g) Insurance risk (continued)

#### (ii) Sensitivities

The sensitivity analyses below have been determined based on reasonably possible changes in the respective key assumptions occurring at the end of the reporting period, while holding all the other assumptions constant.

**As at 30 June 2020**

| | Assumption change | (Decrease)/ increase in profit for the year and equity HK$m |
|---|---|---|
| Mortality rates | +10% | (217.7) |
| Discount rates | –50 basis points | (2,378.5) |
| Lapse rates | +20% | 221.1 |
| Expenses | +10% | (56.4) |

### (h) Fair value estimation

The Group's financial instruments that are measured at fair value are disclosed by levels of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Management determined the fair value of these financial assets within level 2 and level 3 as follows:

- The fair value of forward starting swap contracts and forward exchange agreements is determined by discounting the contractual future cash flows, The discount rate used is derived from the relevant swap curve as at the reporting date with potential adjustment made for various collateralization agreement;
- The fair value of cross currency swap contracts is determined by discounting the contractual future cash flows. The exchange rate and discount rate used are derived from the relevant foreign exchange forward rates and swap curve as at the reporting date, with potential adjustment made for various collateralization agreement;
- For investments in investment funds, management discussed with the respective fund managers to understand the performance of the underlying investments and fair value measurement basis conducted by the respective fund managers in order to evaluate whether the fair values as stated in the fund statements at the end of reporting period is appropriate;
- For investments in unlisted equity and debt securities with recent transactions, management determined the fair value at the end of reporting period with reference to latest transaction prices of these financial assets;
- Financial assets at FVOCI (debt instruments) are classified as level 2 if there was no active market for such investments;
- For investments in unlisted equity and debt securities without recent transactions, management has established fair values of these investments by using appropriate valuation techniques such as discounted cash flow with the credit risk of the issuer taken into consideration for financial assets at FVOCI (debt instruments). Independent external valuer has been involved in determining the fair value, when appropriate;

## 5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

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

- For the remaining financial instruments, management determined the fair value based on other techniques, such as discounted cash flows analysis; and
- The fair values of the investment contract liabilities and liabilities related to unit-linked contracts are determined with reference to the accumulation value.

The carrying amounts of the financial instruments of the Group are as follows. See note 17 for disclosure relating to the investment properties which are measured at fair value.

Listed investments are stated at market prices. The quoted market price used for financial assets held by the Group is the bid price at the end of the reporting period. They are included in level 1.

Unlisted investments are stated at fair values which are estimated using other prices observed in recent transactions or valuation techniques when the market price is not readily available. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. If all significant inputs required to estimate the fair value of an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The fair value of long-term financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The carrying amounts of mortgage loans receivables, which carry interest rates with reference to bank's lending rates, approximate their fair values that are determined based on the discounted cash flow projections with reference to the unobservable inputs, including lending rates from financial institutions, ranging from Hong Kong Prime rate minus 2.85% to Hong Kong Prime rate (2019: Hong Kong Prime rate minus 2.85% to Hong Kong Prime rate) per annum, and loan repayment pattern and dates over the terms not more than 30 years (2019: 30 years).

The following table presents the Group's financial assets at FVOCI, financial assets at FVPL, derivative financial instruments, investments related to unit-linked contracts, investment contract liabilities and liabilities related to unit-linked contracts that are measured at fair value at 30 June 2020:

| | Level 1<br>HK$m | Level 2<br>HK$m | Level 3<br>HK$m | Total<br>HK$m |
|---|---|---|---|---|
| Financial assets at FVOCI | **23,253.9** | **14,462.4** | **1,943.0** | **39,659.3** |
| Financial assets at FVPL | **5,433.4** | **1,517.0** | **7,678.5** | **14,628.9** |
| Investments related to unit-linked contracts | | | | |
| Investment funds | **8,884.2** | **—** | **—** | **8,884.2** |
| Derivative financial instruments | | | | |
| Derivative financial assets | **—** | **1,676.0** | **478.9** | **2,154.9** |
| | **37,571.5** | **17,655.4** | **10,100.4** | **65,327.3** |
| Investment contract liabilities | **—** | **(5.4)** | **—** | **(5.4)** |
| Liabilities related to unit-linked contracts | | | | |
| Investment contract liabilities | **—** | **(8,554.9)** | **—** | **(8,554.9)** |
| Derivative financial instruments | | | | |
| Derivative financial liabilities | **—** | **(1,046.8)** | **(1.4)** | **(1,048.2)** |
| | **—** | **(9,607.1)** | **(1.4)** | **(9,608.5)** |

## 5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

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

The following table presents the Group's financial assets at FVOCI, financial assets at FVPL and derivative financial instruments that are measured at fair value at 30 June 2019:

| | Level 1 HK$m | Level 2 HK$m | Level 3 HK$m | Total HK$m |
|---|---|---|---|---|
| Financial assets at FVOCI | 2,766.3 | 321.6 | 1,950.9 | 5,038.8 |
| Financial assets at FVPL | 1,002.7 | 1,576.2 | 6,660.5 | 9,239.4 |
| Derivative financial instruments | | | | |
| Derivative financial assets | — | 124.8 | 12.5 | 137.3 |
| | 3,769.0 | 2,022.6 | 8,623.9 | 14,415.5 |
| Derivative financial instruments | | | | |
| Derivative financial liabilities | — | (613.4) | (7.3) | (620.7) |

During the year, there were transfer of financial assets at FVOCI (debt instruments) relating to the Group's insurance business with fair value of HK$1,650.5 million (2019: nil) from Level 1 to Level 2 fair value hierarchy classifications. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market.

The following table presents the changes in financial assets at FVOCI, financial assets at FVPL and derivative financial instruments in Level 3 financial instruments for the year ended 30 June 2020:

| | **Financial assets at FVOCI HK$m** | **Financial assets at FVPL HK$m** | **Derivative financial assets HK$m** | **Derivative financial liabilities HK$m** |
|---|---|---|---|---|
| At 1 July 2019 | **1,950.9** | **6,660.5** | **12.5** | **(7.3)** |
| Additions | **—** | **1,303.6** | **—** | **—** |
| Acquisition of a subsidiary | **—** | **471.2** | **283.0** | **—** |
| Transfer to level 1 investments | **—** | **(39.0)** | **—** | **—** |
| Transfer to level 2 instruments | **—** | **(169.6)** | **(12.5)** | **—** |
| Net gain recognised in the consolidated statement of comprehensive income/ income statement | **(7.9)** | **49.6** | **195.9** | **5.9** |
| Disposals | **—** | **(597.8)** | **—** | **—** |
| At 30 June 2020 | **1,943.0** | **7,678.5** | **478.9** | **(1.4)** |

## 5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

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

The following table presents the changes in financial assets at FVOCI, available-for-sale financial assets, financial assets at FVPL and derivative financial instruments in Level 3 financial instruments for the year ended 30 June 2019:

| | Financial assets at FVOCI HK$m | Available-for-sale financial assets HK$m | Financial assets at FVPL HK$m | Derivative financial assets HK$m | Derivative financial liabilities HK$m |
|---|---|---|---|---|---|
| At 30 June 2018 | — | 5,712.6 | 684.3 | — | (13.1) |
| Adjustment on adoption of HKFRS 9 | 2,132.0 | (5,712.6) | 3,890.6 | — | — |
| Restated balance as at 1 July 2018 | 2,132.0 | — | 4,574.9 | — | (13.1) |
| Additions | 1.6 | — | 2,570.0 | — | — |
| Transfer to level 1 investments | — | — | (200.8) | — | — |
| Transfer (to)/from level 2 instruments | (317.3) | — | 459.8 | — | — |
| Net gain recognised in the consolidated statement of comprehensive income/income statement | 134.6 | — | 289.6 | 12.5 | 5.8 |
| Disposals | — | — | (1,033.0) | — | — |
| At 30 June 2019 | 1,950.9 | — | 6,660.5 | 12.5 | (7.3) |

In determining the fair values of financial assets at FVOCI and financial assets at FVPL included in level 3:

- The fair value of financial assets relating to property investment industry of HK$928.5 million (2019: HK$952.7 million) will be determined with reference to the reported net asset value at the end of the reporting period;
- Majority of other Level 3 instruments is comprised of investment funds, unlisted debt and equity securities. The fair value of the investment funds are mainly determined based on the net asset value, representing the fair value of the funds reported by respective fund managers and relevant factors if deemed necessary. Fair value of unlisted debt and equity securities is determined primarily based on the purchase price paid by the Group and taking into account of the analysis of the investees' financial position and results, risk profile, prospects, industry trend and other factors. Recent transaction prices, if any, are referenced or independent external valuer is involved, where appropriate, to determine the fair value.

Fair value of Level 3 derivative financial assets/liabilities is estimated by independent external valuers. Valuation techniques used involve the use of current market based or independently sourced market parameters such as interest rates, currency rates and option volatilities. Amount represents a put option to sell or dispose of an entity investment held by the Group (classified as financial assets at FVOCI) at a specific price within a specific price within a specific transaction period. Fair value measurement of the underlying investments is negatively correlated with the derivative valuation.

## 6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Group and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstance.

The Group has considered the existing and potential impacts arising from the COVID-19 when preparing the consolidated financial statements. Assumptions and estimates are based on circumstances and conditions available when the consolidated financial statements were prepared and in particular, assumed that the current market condition as a result of the COVID-19 is not a long-term norm. Given the severity, duration and economic consequences of the COVID-19 are uncertain, actual results may differ significantly from those assumptions and estimates. The Group will remain alert and cautious on the ongoing development of COVID-19 that may cause further volatility and uncertainty in the global financial market, economy and business environment, and will take necessary measures to address the impact arising therefrom.

New critical accounting estimates and judgements adopted by the Group after the acquisition of insurance business are detailed in note 6(k) to 6(n) below.

## 6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

The estimates and assumptions that have a significant effect on carrying amounts of assets and liabilities are as follows:

### (a) Revenue recognition

Revenue from property development activities is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The properties contracted for pre-sale to customers have generally no alternative use for the Group due to contractual restrictions. However, whether there is an enforceable right to payment and hence the related contract revenue should be recognised over time, depends on the terms of each contract and the relevant laws that apply to that contract. To assess the enforceability of right to payment, the Group has reviewed the terms of its contracts and the relevant local laws, considered the local regulators' views and obtained legal advice, where necessary.

For property development revenue that is recognised over time, the Group recognises such property development revenue by reference to the progress of satisfying the performance obligation at the reporting date. This is measured based on the Group's costs incurred up to the reporting date and budgeted costs which depict the Group's performance towards satisfying the performance obligation. Significant estimates and judgements are required in determining the accuracy of the budgets, the extent of the costs incurred and the allocation of costs to each property unit. In making the above estimation, the Group conducts periodic review on the budgets and make reference to past experience and work of contractors and surveyors.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the underlying completed property unit is legally and/or physically transferred to the customer.

### (b) Valuation of investment properties

The fair value of each completed investment property is individually determined at the end of each reporting period by independent valuers based on a market value assessment. The valuers have relied on the capitalisation of income approach as their primary methods, supported by the direct comparison method. Management also determines fair value based on active market prices and adjusted if necessary for any difference in nature, location or conditions of the specific asset, and uses alternative valuation methods such as recent prices on less active markets. These methodologies are based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cash flow profile. The fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

The fair values of investment properties under development are determined by reference to independent valuations. For majority of the Group's investment properties under development, their fair value reflects the expectations of market participants of the value of the properties when they are completed, less deductions for the costs required to complete the projects and appropriate adjustments for profit and risk. The valuation and all key assumptions used in the valuation should reflect market conditions at the end of each reporting period. The key assumptions include value of completed properties, period of development, outstanding construction costs, finance costs, other professional costs, risk associated with completing the projects and generating income after completion and investors' return as a percentage of value or cost.

At 30 June 2020, if the market value of investment properties had been 5% (2019: 5%) higher/lower with all other variables held constant, the carrying value of the Group's investment properties would have been HK$8,485.9 million (2019: HK$8,666.3 million) higher/lower.

### (c) Recoverability of properties for/under development and properties held for sale

The Group assesses the carrying amounts of properties for/under development and properties held for sale according to their estimated net realisable value based on the realisability of these properties, taking into account construction costs to completion based on the existing development plans and the estimation of selling prices of the properties of comparable locations and conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of significant estimates.

## 6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (d) Impairment of interests in joint ventures and associated companies

The Group determines whether interests in joint ventures and associated companies are impaired by regularly review whether there are any indicators of impairment of the investments by reference to the requirements under HKAS 28 (2011) "Investments in Associates and Joint Ventures" and HKAS 36 "Impairment of Assets".

For investments where impairment indicators exist, management estimated the recoverable amounts of the investments, being higher of fair value less costs of disposal and value in use. The value in use of the underlying businesses is determined based on the discounted cash flow projections. Significant judgements are required to determine the key assumptions used in the discounted cash flow models, such as revenue growth, unit price and discount rates. Independent external valuers were also involved in the fair value and value in use assessments, where appropriate. Based on the results of these impairment assessments, management concluded that the current level of impairment provision for the Group's interests in joint ventures and associated companies as at 30 June 2020 was appropriate.

For the measurement of expected credit losses of the amounts receivable from joint ventures and associated companies, please refer to Note 5(b).

### (e) Impairment of assets

The Group tests annually whether goodwill has suffered any impairment according to their recoverable amounts determined by the cash-generating units based on value in use calculations. These calculations require the use of estimates which are subject to change of economic environment in future. Details are set out in note 22.

Property, plant and equipment and right-of-use assets are regularly reviewed for impairment whenever there are any indications of impairment and will recognise an impairment loss if the carrying amount of an asset is higher than its estimated recoverable amount. The recoverable amounts of property, plant and equipment have been determined based on the higher of their fair values less costs of disposal and value in use, taking into account the latest market information and past experience.

In determining the value in use, management assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate. Management estimates the future cash flows based on certain assumptions, such as market competition and development and the expected growth in business.

The Group assesses whether there is objective evidence as stated in note 3(i) that trade debtors, contract assets, amounts due from associated companies, amounts due from joint venture, amounts due from non-controlling shareholders and debt instruments at amortised cost are impaired.

### (f) Fair value of financial assets at FVPL and financial assets at FVOCI

The fair value of financial assets at FVPL and financial assets at FVOCI that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and determine the fair values primarily based on the purchase price paid by the Group, net asset value and taking into account of the analysis of the investees' financial trends and results, risk profile, prospects, industry trends and other factors. Recent transaction prices, if any, are referenced and independent external valuer has been involved in determining fair value of certain unlisted investments. The key assumptions adopted on projected cash flow are based on management's best estimates.

### (g) Estimate of revenue for construction contracts

For revenue from construction work that is recognised over time, the Group recognised such revenue by reference to the progress of satisfying the performance obligation at the reporting date. This is measured based on the Group's costs incurred up to the reporting date and budgeted costs which depict the Group's performance towards satisfying the performance obligation. Significant estimates and judgements are required in determining the accuracy of the budgets. In making the above estimation, the Group conducts periodic review on the budgets and makes reference to past experience and work of internal quantity surveyors.

## 6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (h) Estimated volume of infrastructures of public services

The amortisation for intangible concession rights and impairment assessment of infrastructures for public services using discounted cash flow model are affected by the estimated volume for public services, such as toll roads. Management performs annual reviews to assess the appropriateness of estimated volume by making reference to independent professional studies, if necessary.

The traffic volume is directly and indirectly affected by a number of factors, including the availability, quality, proximity and toll rate differentials of alternative roads and the existence of other means of transportation. The growth of the traffic flow is also highly tied to the future economic and transportation network development of the area in which the infrastructures serve. The growth in future traffic flow projected by the management is highly dependent on the realisation of the aforementioned factors.

### (i) Distinction between property development projects, investment properties and owner-occupied properties

When the Group determines whether a property qualifies as an investment property, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process. Properties for/under development and properties held for sale are assets under development and held for sale in the ordinary course of business. The Group shall reclassify a property when, and only when, there is evidence of a change in use.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold or leased out separately, the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgement.

### (j) Judgement in determining the lease term for lease contracts with renewal option

The Group applies judgement to determine the lease term for lease contracts in which it is a lessee that include renewal option. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

### (k) Product classification

Contracts are classified as insurance contracts where they transfer significant insurance risk from the holder of the contract to the Group. The Group's accounting policy for the classification of insurance and investment contracts is discussed in more detail in note 4(b)(i).

There are a number of contracts sold where the Group exercises judgement about the level of insurance risk transferred. Typically, these are contracts which contain a significant savings component. The level of insurance risk is assessed by considering whether there are any scenarios with commercial substance in which the Group is required to pay significant additional benefits. These benefits are those which exceed the amounts payable if no insured event were to occur. These additional amounts include claims liability and assessment costs, but exclude the loss of the ability to charge the holder of the contract for future services.

## 6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (l) Estimate of life insurance contract liabilities

The estimation of the ultimate liabilities arising from claims made under life insurance contracts is one of the most critical accounting estimate for the Group's insurance business. There are sources of uncertainty that need to be considered in the estimation of the liabilities that the Group will ultimately pay for those claims.

The valuation of insurance contract liabilities requires the use of appropriate actuarial methodologies and also various economic and operational assumptions. The assumptions used in measuring the insurance contract liabilities include discount rates, mortality and morbidity rates, lapse and partial lapse rates, persistency, expenses, inflation, policy dividend and fund growth rate. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard industry and national mortality tables that reflect historical mortality experience, adjusted, where appropriate, to reflect the Group's unique risk exposure. The estimated number of deaths determines the value of possible future benefits to be paid out which will be factored into ensuring sufficient cover by reserves, which in return is monitored against the current and future premiums. Lapse rates are based on the historical experience of the Group. Expenses are based on the renewal compensation cost structure and the maintenance expenses level of the Group. Discount rates are based on the investment strategy of the Group, with due regard to the expected recurring return on assets backing the insurance contracts.

Estimates for discount rates, mortality rates, lapse rates and expenses are determined at the date of acquisition, where applicable, and at the inception of the contract and are used to calculate the liability over the term of the contract. At each reporting date, these estimates are reassessed for adequacy with margin and changes will be reflected in adjustments to the liability.

### (m) Amortisation of DAC and VOBA

The Group adopted an approach by which DAC of new business is amortised according to the expected future premiums or expected future profits, which are projected based on the Group's best estimate assumptions and actual persistency. Assumptions as to projected future premiums or expected future profits are made at the date of policy issue and are applied during the lives of the contracts consistently.

VOBA is amortised over the estimated life of the contracts in the acquired portfolio on a systematic basis primarily based on expected future profits. Judgements are exercised in making appropriate estimate of future premiums or expected future profits.

### (n) Business combination of FTLife Insurance

In November 2019, the Group completed the acquisition of the entire equity interest of FTLife Insurance at a consideration of HK$21,812.2 million.

The Group accounted for the acquisition as a business combination in accordance with HKFRS 3 (Revised) "Business Combinations" which requires significant judgement and estimates for identification and valuation of assets acquired and liabilities and contingent liabilities assumed at the acquisition date.

The Group has made an assessment of the fair value of the assets and liabilities as at the acquisition date with assistance from an independent external expert. The fair value of identifiable net assets amounted to HK$16,235.9 million. A provisional goodwill of HK$5,576.3 million has been recognised by the Group as a result of this transaction. Further details of the acquisition are set out in note 50(a).

# 7 REVENUES AND SEGMENT INFORMATION

Revenues recognised during the year are as follows:

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| **Revenues** | | |
| Property development | **19,207.5** | 38,511.5 |
| Property investment | **4,349.5** | 3,669.4 |
| Roads | **2,070.5** | 2,529.0 |
| Aviation | **—** | 161.6 |
| Construction | **16,691.0** | 17,368.0 |
| Insurance (note (a)) | **6,180.0** | — |
| Hotel operations | **1,212.2** | 1,490.9 |
| Others | **9,297.1** | 13,033.2 |
| Total | **59,007.8** | 76,763.6 |

Note a:

Revenues from insurance business are further analysed as follows:

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Gross premiums on life insurance contracts | **5,991.9** | – |
| Less: premiums ceded to reinsurers | **(224.7)** | – |
| Premiums, net of reinsurance | **5,767.2** | – |
| Fee income on insurance and investment contracts | **411.2** | – |
| Reinsurance commission income and refund | **(2.0)** | – |
| General insurance commission under agency agreements | **3.6** | – |
| Fee and commission income | **412.8** | – |
| | **6,180.0** | – |

The Executive Committee of the Company, being the chief operating decision-maker, determines and reviews the Group's internal reporting in order to assess performance and allocate resources. The operating segments are determined based on the afore-mentioned internal reporting and are reviewed regularly.

During the financial year ended 30 June 2020, following the completion of acquisition of FTLife Insurance and to better reflect the nature of the income streams and group strategies, the Group reclassified its reporting segments. The Executive Committee considers the business from products and services perspectives, which comprises property development, property investment, roads, aviation, construction, insurance, hotel operations and others (including facilities management, transport, environment, logistic, department store, media and technology and other strategic businesses) segments. The comparative segment information for the year ended 30 June 2019 has been restated to conform with the current period presentation accordingly.

The Executive Committee assesses the performance of the operating segments based on each segment's operating profit. The measurement of segment operating profit excludes the effect of unallocated items (including corporate expenses, corporate financing income and corporate financing costs). In addition, taxation is not allocated to segments.

Sales between segments are carried out in accordance with terms agreed by the parties involved.

## 7 REVENUES AND SEGMENT INFORMATION (CONTINUED)

| | Property development HK$m | Property investment HK$m | Roads HK$m | Aviation HK$m | Construction HK$m | Insurance HK$m | Hotel operations HK$m | Others HK$m | Consolidated HK$m |
|---|---|---|---|---|---|---|---|---|---|
| **2020** | | | | | | | | | |
| Total revenues | 19,208.7 | 4,521.9 | 2,070.5 | – | 24,832.2 | 6,180.0 | 1,212.2 | 9,453.4 | 67,478.9 |
| Inter-segment | (1.2) | (172.4) | – | – | (8,141.2) | – | – | (156.3) | (8,471.1) |
| **Revenues – external** | 19,207.5 | 4,349.5 | 2,070.5 | – | 16,691.0 | 6,180.0 | 1,212.2 | 9,297.1 | 59,007.8 |
| Revenues from contracts with customers: | | | | | | | | | |
| — Recognised at a point in time | 18,089.4 | – | 2,070.5 | – | – | – | 565.7 | 6,615.7 | 27,341.3 |
| — Recognised over time | 1,118.1 | – | – | – | 16,691.0 | 412.8 | 646.5 | 2,681.4 | 21,549.8 |
| | 19,207.5 | – | 2,070.5 | – | 16,691.0 | 412.8 | 1,212.2 | 9,297.1 | 48,891.1 |
| Revenues from other source: | | | | | | | | | |
| — Rental income | – | 4,349.5 | – | – | – | – | – | – | 4,349.5 |
| — Insurance income | – | – | – | – | – | 5,767.2 | – | – | 5,767.2 |
| | – | 4,349.5 | – | – | – | 5,767.2 | – | – | 10,116.7 |
| | 19,207.5 | 4,349.5 | 2,070.5 | – | 16,691.0 | 6,180.0 | 1,212.2 | 9,297.1 | 59,007.8 |
| Segment results (note (a)) | 10,504.2 | 2,175.1 | 811.1 | (24.2) | 674.7 | 819.2 | (907.6) | (1,995.0) | 12,057.5 |
| Other gains/(losses), net (notes (b),(c)) | 1,218.1 | (111.1) | (27.2) | – | (8.8) | 48.0 | – | (774.5) | 344.5 |
| Changes in fair value of investment properties | – | 1,676.1 | – | – | – | – | – | (22.9) | 1,653.2 |
| Unallocated items | | | | | | | | | |
| Corporate expenses | | | | | | | | | (1,222.4) |
| Financing income (note (a)) | | | | | | | | | 1,949.7 |
| Financing costs (note (a)) | | | | | | | | | (4,758.0) |
| | | | | | | | | | 10,024.5 |
| Share of results | | | | | | | | | |
| Joint ventures (note (d)) | 482.8 | (117.7) | 276.1 | 316.5 | – | – | (384.4) | 434.0 | 1,007.3 |
| Associated companies (note (e)) | 14.8 | (329.0) | 97.5 | – | 308.9 | – | – | (329.6) | (237.4) |
| **Profit before taxation** | | | | | | | | | 10,794.4 |
| Taxation | | | | | | | | | (7,528.0) |
| **Profit for the year** | | | | | | | | | 3,266.4 |
| Segment assets | 131,858.2 | 178,379.4 | 14,991.4 | 6,332.7 | 14,283.0 | 54,973.2 | 19,289.0 | 36,167.9 | 456,274.8 |
| Interests in joint ventures | 14,038.3 | 10,201.4 | 3,984.3 | 978.1 | – | – | 4,789.7 | 9,021.5 | 43,013.3 |
| Interests in associated companies | 5,471.3 | 1,791.1 | 2,530.9 | – | 2,009.4 | – | – | 9,341.0 | 21,143.7 |
| Unallocated assets | | | | | | | | | 79,764.1 |
| **Total assets** | | | | | | | | | 600,195.9 |
| Segment liabilities | 31,389.9 | 3,150.5 | 765.4 | – | 10,755.6 | 37,948.4 | 728.0 | 11,441.0 | 96,178.8 |
| Unallocated liabilities | | | | | | | | | 224,272.0 |
| **Total liabilities** | | | | | | | | | 320,450.8 |
| Additions to non-current assets (note (g)) | 19,763.9 | 4,511.6 | 5,387.6 | – | 2,264.3 | 3,446.4 | 1,586.0 | 783.6 | 37,743.4 |
| Depreciation and amortisation | 104.4 | 45.2 | 756.4 | – | 94.1 | 316.5 | 519.7 | 1,859.0 | 3,695.3 |
| Impairment charge and provision | 16.8 | 26.0 | – | – | 7.0 | 42.9 | – | 1,627.8 | 1,720.5 |

## 7 REVENUES AND SEGMENT INFORMATION (CONTINUED)

| | Property development HK$m | Property investment HK$m | Roads HK$m | Aviation HK$m | Construction HK$m | Insurance HK$m | Hotel operations HK$m | Others HK$m | Consolidated HK$m |
|---|---|---|---|---|---|---|---|---|---|
| **2019** | | | | | | | | | |
| Total revenues | 38,511.5 | 3,851.0 | 2,529.0 | 161.6 | 25,774.4 | — | 1,490.9 | 13,256.3 | 85,574.7 |
| Inter-segment | — | (181.6) | — | — | (8,406.4) | — | — | (223.1) | (8,811.1) |
| **Revenues – external** | 38,511.5 | 3,669.4 | 2,529.0 | 161.6 | 17,368.0 | — | 1,490.9 | 13,033.2 | 76,763.6 |
| Revenues from contracts with customers: | | | | | | | | | |
| — Recognised at a point in time | 38,252.1 | — | 2,529.0 | 161.6 | — | — | 576.5 | 10,497.0 | 52,016.2 |
| — Recognised over time | 259.4 | — | — | — | 17,368.0 | — | 914.4 | 2,536.2 | 21,078.0 |
| | 38,511.5 | — | 2,529.0 | 161.6 | 17,368.0 | — | 1,490.9 | 13,033.2 | 73,094.2 |
| Revenues from other source: | | | | | | | | | |
| — Rental income | — | 3,669.4 | — | — | — | — | — | — | 3,669.4 |
| — Insurance income | — | — | — | — | — | — | — | — | — |
| | — | 3,669.4 | — | — | — | — | — | — | 3,669.4 |
| | 38,511.5 | 3,669.4 | 2,529.0 | 161.6 | 17,368.0 | — | 1,490.9 | 13,033.2 | 76,763.6 |
| Segment results | 13,438.2 | 1,617.6 | 1,199.5 | 47.4 | 736.2 | — | (261.3) | (995.5) | 15,782.1 |
| Other gains/(losses), net | 156.2 | 43.9 | 27.6 | 2.6 | (0.7) | — | (9.9) | 119.1 | 338.8 |
| Changes in fair value and gain on transfer to investment properties (note (f)) | — | 10,272.0 | — | — | 0.8 | — | — | 32.9 | 10,305.7 |
| Unallocated items | | | | | | | | | |
| Corporate expenses | | | | | | | | | (1,224.5) |
| Financing income | | | | | | | | | 1,716.2 |
| Financing costs | | | | | | | | | (2,472.5) |
| | | | | | | | | | 24,445.8 |
| Share of results | | | | | | | | | |
| Joint ventures | 1,603.0 | 326.2 | 700.3 | 433.2 | 1.7 | — | 11.8 | 594.1 | 3,670.3 |
| Associated companies | (4.1) | 199.1 | 186.9 | — | 348.5 | — | — | 282.4 | 1,012.8 |
| **Profit before taxation** | | | | | | | | | 29,128.9 |
| Taxation | | | | | | | | | (7,489.8) |
| **Profit for the year** | | | | | | | | | 21,639.1 |
| Segment assets | 104,877.6 | 178,943.2 | 10,204.8 | 6,592.0 | 7,926.7 | 3,120.0 | 18,225.0 | 32,565.8 | 362,455.1 |
| Interests in joint ventures | 18,456.5 | 10,465.0 | 4,829.4 | 1,612.9 | 0.1 | — | 5,200.9 | 10,300.7 | 50,865.5 |
| Interests in associated companies | 6,200.5 | 4,581.6 | 2,573.1 | — | 2,029.0 | — | — | 9,947.7 | 25,331.9 |
| Unallocated assets | | | | | | | | | 64,632.4 |
| **Total assets** | | | | | | | | | 503,284.9 |
| Segment liabilities | 29,567.2 | 2,411.4 | 475.1 | — | 8,877.8 | — | 438.4 | 8,183.2 | 49,953.1 |
| Unallocated liabilities | | | | | | | | | 177,967.3 |
| **Total liabilities** | | | | | | | | | 227,920.4 |
| Additions to non-current assets (note (g)) | 11,490.6 | 10,859.1 | 34.0 | — | 31.9 | 3,120.0 | 848.5 | 769.3 | 27,153.4 |
| Depreciation and amortisation | 53.6 | 55.3 | 888.0 | — | 49.7 | — | 347.3 | 1,060.2 | 2,454.1 |
| Impairment charge and provision | 293.3 | 2.9 | — | — | — | — | 8.8 | 457.7 | 762.7 |

## 7 REVENUES AND SEGMENT INFORMATION (CONTINUED)

| | Hong Kong HK$m | Mainland China HK$m | Others HK$m | Total HK$m |
|---|---|---|---|---|
| **2020** | | | | |
| **Revenues** | | | | |
| Property development | **4,541.9** | **14,665.6** | **—** | **19,207.5** |
| Property investment | **2,590.5** | **1,759.0** | **—** | **4,349.5** |
| Roads | **—** | **2,070.5** | **—** | **2,070.5** |
| Aviation | **—** | **—** | **—** | **—** |
| Construction | **16,416.1** | **271.8** | **3.1** | **16,691.0** |
| Insurance | **6,180.0** | **—** | **—** | **6,180.0** |
| Hotel operations | **708.0** | **278.9** | **225.3** | **1,212.2** |
| Others | **6,139.3** | **2,934.4** | **223.4** | **9,297.1** |
| | **36,575.8** | **21,980.2** | **451.8** | **59,007.8** |
| **Non-current assets** (note (g)) | **169,232.5** | **110,854.9** | **1,355.7** | **281,443.1** |

| | Hong Kong HK$m | Mainland China HK$m | Others HK$m | Total HK$m |
|---|---|---|---|---|
| **2019** | | | | |
| **Revenues** | | | | |
| Property development | 23,189.1 | 15,322.4 | — | 38,511.5 |
| Property investment | 1,942.3 | 1,727.1 | — | 3,669.4 |
| Roads | — | 2,529.0 | — | 2,529.0 |
| Aviation | — | — | 161.6 | 161.6 |
| Construction | 16,910.9 | 457.1 | — | 17,368.0 |
| Insurance | — | — | — | — |
| Hotel operations | 781.8 | 414.0 | 295.1 | 1,490.9 |
| Others | 7,884.8 | 4,458.7 | 689.7 | 13,033.2 |
| | 50,708.9 | 24,908.3 | 1,146.4 | 76,763.6 |
| **Non-current assets** (note (g)) | 159,669.2 | 89,955.5 | 1,419.8 | 251,044.5 |

Notes:

(a) For the year ended 30 June 2020, segment results of insurance segment included overlay approach adjustments on financial assets of HK$208.2 million, insurance related financing income of HK$877.3 million and financing costs of HK$79.9 million.

(b) For the year ended 30 June 2020, property development segment included one-off gain on remeasuring previously held equity interest of a joint venture at fair value upon further acquisition as a subsidiary of HK$925.8 million.

(c) For the year ended 30 June 2020, others segment included impairment loss on property, plant and equipment and goodwill in relation to transport business of HK$375.0 million and HK$386.9 million respectively.

(d) For the year ended 30 June 2020, the share of results of joint ventures within aviation segment included the Group's share of impairment loss/loss allowance of HK$107.7 million in relation to Goshawk Aviation Limited's assets impairment and provision for expected credit loss on receivables.

(e) For the year ended 30 June 2020, the share of results of associated companies within others segment included an impairment loss of HK$330.0 million in relation to the Group's interest in Tharisa plc, a listed associated company.

(f) For the year ended 30 June 2019, properties held for sale had been transferred to investment properties at fair value and the related changes have been included in the changes in fair value of and gain on transfer to investment properties amounted to HK$1,916.3 million.

(g) Non-current assets represent non-current assets other than financial instruments, interests in joint ventures, interests in associated companies, deferred tax assets, value of business acquired, deferred acquisition costs and long-term loans and receivables, long-term prepayments and deposits and policy loans within other non-current assets.

## 8 OTHER INCOME

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Dividend income from financial assets at FVOCI and financial assets at FVPL | **243.8** | 121.4 |

## 9 OTHER GAINS, NET

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Gain on remeasuring of previously held interest of a joint venture at fair value upon further acquisition to become a subsidiary | **925.8** | — |
| Gain associated with investments related to unit-linked contracts | **122.2** | — |
| Charges related to unit-linked contracts | **(133.9)** | — |
| Net (loss)/gain on fair value of financial assets at FVPL | **(139.1)** | 219.7 |
| Net gain on fair value of derivative financial instruments | **444.5** | 20.0 |
| Write back the loss allowance on loans and other receivables | **57.5** | 240.0 |
| Net gain/(loss) on disposal of | | |
| Debt instruments as financial assets at FVOCI | **306.6** | — |
| Financial assets at FVPL | **78.8** | 103.5 |
| Investment properties, property, plant and equipment, right-of-use assets and intangible concession rights | **82.0** | 35.6 |
| Subsidiaries | **357.4** | 549.2 |
| Joint ventures | **(35.2)** | 0.6 |
| Associated companies | **(110.0)** | 49.0 |
| Impairment loss/loss allowance on | | |
| Loans, debtors, premium receivables and other receivables | **(131.3)** | (344.1) |
| Debt instruments as financial assets at FVOCI | **(32.2)** | — |
| Interests in associated companies | **(334.8)** | — |
| Goodwill | **(775.9)** | (165.0) |
| Inventories | **(47.1)** | — |
| Properties under development | **—** | (237.6) |
| Property, plant and equipment | **(386.9)** | (16.0) |
| Right-of-use assets | **(12.3)** | — |
| Provision for onerous contract | **(230.0)** | — |
| Rent concession, government grants and subsidies | **368.7** | — |
| Loss on lease modification of lease receivables | **(34.1)** | — |
| Net exchange gains/(losses) | **3.8** | (116.1) |
| | **344.5** | 338.8 |

## 10 OPERATING PROFIT

Operating profit of the Group is arrived at after crediting/(charging) the following:

| | **2020 HK$m** | 2019 HK$m |
|---|---|---|
| Gross rental income from investment properties | **4,349.5** | 3,565.5 |
| Outgoings | **(1,209.6)** | (1,131.6) |
| | **3,139.9** | 2,433.9 |
| Cost of inventories sold | **(10,458.1)** | (25,914.4) |
| Cost of services rendered | **(22,151.2)** | (24,094.1) |
| Claims and benefits, net of reinsurance (note (a)) | **(5,084.1)** | — |
| Insurance agency commission and allowances, net of change in deferred acquisition costs | **(640.0)** | — |
| Depreciation | | |
| Property, plant and equipment | **(1,681.5)** | (1,502.9) |
| Right-of-use assets | **(1,055.4)** | — |
| Amortisation | | |
| Land use rights | **—** | (43.1) |
| Intangible concession rights | **(710.7)** | (853.0) |
| Intangible assets | **(74.2)** | (55.1) |
| VOBA | **(173.5)** | — |
| Operating lease rental expense – Land and buildings | **—** | (1,386.7) |
| Other lease expense | | |
| Short-term lease expense | **(182.2)** | — |
| Variable lease expenses not included in lease liabilities | **(192.9)** | — |
| Staff costs (note 15(a)) | **(9,212.4)** | (9,640.3) |
| Auditors' remuneration | | |
| Audit services | **(62.8)** | (63.8) |
| Non-audit services | **(19.6)** | (32.0) |

Note:

(a) Details of claims and benefits, net of reinsurance is shown below:

| | **2020 HK$m** | 2019 HK$m |
|---|---|---|
| Claims | **519.9** | – |
| Reinsurers' and coinsurers' share of claims | **(236.1)** | – |
| Claims, net of reinsurers' and coinsurers' share | **283.8** | – |
| Surrenders, annuities and maturities | **886.0** | – |
| Reinsurers' and coinsurers' share | **(28.7)** | – |
| | **857.3** | – |
| Policyholders' dividends and interests | **239.3** | – |
| Incentives to policyholders | **103.1** | – |
| Increase in insurance contract liabilities | **3,600.6** | – |
| Total claims and benefits, net of reinsurance | **5,084.1** | – |

## 11 FINANCING COSTS

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Interest on bank loans and overdrafts | **4,238.9** | 3,754.0 |
| Interest on fixed rate bonds and notes payable | **2,563.3** | 2,179.4 |
| Interest on loans from non-controlling shareholders | **171.5** | 119.3 |
| Interest on lease liabilities (note 51(b)) | **298.7** | — |
| | **7,272.4** | 6,052.7 |
| Capitalised as (note): | | |
| Cost of properties for/under development | **(1,813.4)** | (1,903.3) |
| Cost of assets under construction and investment properties under development | **(621.1)** | (1,676.9) |
| | **4,837.9** | 2,472.5 |

Note:

To the extent funds are borrowed generally and used for the purpose of financing certain properties for/under development, assets under construction and investment properties under development, the capitalisation rate used to determine the amounts of borrowing costs eligible for the capitalisation is 3.7% (2019: 4.1%) per annum.

## 12 TAXATION

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Current taxation | | |
| Hong Kong profits tax | **1,307.8** | 1,798.5 |
| Mainland China and overseas taxation | **3,120.8** | 2,057.7 |
| Mainland China land appreciation tax | **4,800.6** | 3,703.4 |
| Deferred taxation (note 28) | | |
| Valuation of investment properties | **120.6** | 175.0 |
| Other temporary differences | **(1,821.8)** | (244.8) |
| | **7,528.0** | 7,489.8 |

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the year.

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

Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 12% to 28% (2019: 12% to 25%).

Withholding tax on dividends is mainly provided at the rate of 5% or 10% (2019: 5% or 10%).

Mainland China land appreciation tax is provided at progressive rates ranging from 30% to 60% (2019: 30% to 60%) on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including costs of land use rights and property development expenditures.

Share of results of joint ventures and associated companies is stated after deducting the share of taxation of joint ventures and associated companies of HK$422.1 million and HK$156.1 million (2019: HK$954.8 million and HK$178.3 million) respectively.

## 12 TAXATION (CONTINUED)

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

| | **2020 HK$m** | 2019 HK$m |
|---|---|---|
| Profit before taxation and share of results of joint ventures and associated companies | **10,024.5** | 24,445.8 |
| Calculated at a taxation rate of 16.5% (2019: 16.5%) | **1,654.0** | 4,033.6 |
| Effect of different taxation rates in other countries | **960.8** | 992.6 |
| Tax on 5% of net premium of life insurance business | **51.2** | — |
| Results of life insurance business not taxable at the statutory rate | **(143.3)** | — |
| Income not subject to taxation | **(1,419.6)** | (1,779.0) |
| Expenses not deductible for taxation purposes | **2,158.3** | 870.2 |
| Tax losses not recognised | **580.7** | 527.2 |
| Temporary differences not recognised | **39.1** | 144.0 |
| Utilisation of previously unrecognised tax losses | **(168.7)** | (94.6) |
| Deferred taxation on undistributed profits | **36.2** | 164.5 |
| Recognition of previously unrecognised temporary differences | **(32.8)** | (10.4) |
| Recognition of previously unrecognised tax losses | **(13.3)** | (14.9) |
| Under/(over) provision in prior years | **211.2** | (121.0) |
| Land appreciation tax deductible for calculation of income tax purpose | **(1,186.4)** | (925.8) |
| | **2,727.4** | 3,786.4 |
| Mainland China land appreciation tax | **4,800.6** | 3,703.4 |
| Taxation charge | **7,528.0** | 7,489.8 |

## 13 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the year is based on the following:

| | **2020 HK$m** | 2019 HK$m |
|---|---|---|
| Profit attributable to shareholders of the Company for calculating basic earnings per share | **1,096.2** | 18,160.1 |
| Adjustment on the effect of dilution in the results of subsidiaries (note (b)) | **—** | (5.7) |
| Profit attributable to shareholders of the Company for calculating diluted earnings per share | **1,096.2** | 18,154.4 |

| | **Number of shares (million)** | |
|---|---|---|
| | **2020** | 2019 Adjusted |
| Weighted average number of shares for calculating basic earnings per share | **2,554.9** | 2,553.0 |
| Effect of dilutive potential ordinary shares upon the exercise of share options (note (b)) | **—** | 2.1 |
| Weighted average number of shares for calculating diluted earnings per share | **2,554.9** | 2,555.1 |

Notes:

(a) For the year ended 30 June 2019, diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

(b) On 23 June 2020, every four issued shares of the Company were consolidated into one share of the Company (each a "Consolidated Share") and the number of Consolidated Shares was rounded down to the nearest whole number by disregarding each and every fractional Consolidated Share which would otherwise arise (the "Share Consolidation").

Comparative figures of the weighted average number of shares for calculating basic earnings per share and diluted earnings per share have been adjusted on the assumption that the Share Consolidation have been effective in the prior year.

## 14 DIVIDENDS

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Interim dividend of HK$0.14 per share (before Share Consolidation)/HK$0.56 per share (after Share Consolidation) (2019: HK$0.14 (before Share Consolidation)/ HK$0.56 (after Share Consolidation) per share) | **1,431.3** | 1,430.1 |
| Final dividend proposed of HK$1.48 per share (2019: HK$0.37 (before Share Consolidation)/HK$1.48 (after Share Consolidation) per share) | **3,772.7** | 3,783.6 |
| | **5,204.0** | 5,213.7 |

At a meeting held on 30 September 2020, the Directors recommended a final dividend of HK$1.48 per share. This proposed dividend was not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 30 June 2021.

Subject to the passing of the relevant resolutions at the annual general meeting of the Company to be held on 26 November 2020, it is expected that the proposed final dividend will be distributed to shareholders on or about 21 December 2020.

## 15 STAFF COSTS

### (a) Staff costs

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Wages, salaries and other benefits | **9,879.0** | 10,442.5 |
| Pension costs – defined benefit plans | **6.4** | 46.1 |
| Pension costs – defined contribution plans | **384.1** | 353.1 |
| Share options (note (b)) | **29.8** | 67.0 |
| | **10,299.3** | 10,908.7 |
| Less: Amounts capitalised in investment properties under development and properties for/under development | **(1,086.9)** | (1,268.4) |
| | **9,212.4** | 9,640.3 |

Staff costs include directors' remuneration.

### (b) Share options

During the year, the Company and its subsidiary, NWS Holdings Limited ("NWSH"), operate share option schemes whereby options may be granted to eligible employees and directors, to subscribe for shares of the Company and NWSH respectively.

Details of share options are as follows:

| Grantor | Date of grant | Exercise price HK$ | At 1 July 2019 | Exercised | Lapsed/ cancelled | Adjusted | At 30 June 2020 | Number of share options exercisable as at 30 June 2020 | Note |
|---|---|---|---|---|---|---|---|---|---|
| The Company | 27 October 2014 to 22 May 2019 | Note (i) | 164,895,223 | (45,752,065) | (10,870,908) | (81,225,000) | 27,047,250 | 14,719,121 | (i) |
| | Weighted average exercise price of each category (HK$) | | | | | | | | |
| | – Before Share Consolidation | — | 10.228 | 7.659 | 10.897 | — | — | — | |
| | – After Share Consolidation | — | — | — | — | — | 44.988 | 44.516 | |
| NWSH | 9 March 2015 | 14.120 | 26,047,602 | — | (26,047,602) | — | — | — | (ii) |
| | Weighted average exercise price of each category (HK$) | — | 14.120 | — | 14.120 | — | — | — | |

# 15 STAFF COSTS (CONTINUED)

## (b) Share options (continued)

Notes:

(i) A share option scheme was adopted by the Company on 24 November 2006 ("2006 Scheme") and amended on 13 March 2012 which will be valid and effective for a period of ten years from the date of adoption. On 27 October 2014, 7 July 2015, 9 March 2016, 10 June 2016, 34,400,000, 20,100,000, 20,200,000, and 68,037,928 share options were granted to Directors and certain eligible participants at the exercise price of HK$9.510, HK$9.976, HK$7.200, HK$7.540 per share respectively.

A share option scheme was adopted by the Company on 22 November 2016 ("2016 Scheme") which will be valid and effective for a period of ten years from the date of adoption. On 3 July 2017, 6 July 2018 and 22 May 2019, 53,450,000, 39,250,000 and 46,550,000 share options were granted to Directors and certain eligible participants at the exercise price of HK$10.036, HK$11.040 and HK$12.344 per share before Share Consolidation respectively.

As a result of the Share Consolidation, adjustments were made to the number of shares subject to, and exercise price of, the outstanding share options under the 2016 Scheme (the "Share Options Adjustments"). The Share Option Adjustments took effect on 23 June 2020.

The exercise price of the outstanding share option granted on 3 July 2017, 6 July 2018 and 22 May 2019 have been adjusted to HK$40.144, HK$44.160 and HK$49.376 per share respectively as a result of Share Consolidation.

All share options under the 2006 Scheme were either exercised or lapsed before the Share Consolidation took effect. Therefore, no Share Options Adjustments are made to these figures.

The share options granted on 7 July 2015 were divided into 4 tranches exercisable from 7 July 2015, 7 July 2016, 7 July 2017 and 7 July 2018 respectively to 6 July 2019.

The share options granted on 9 March 2016 were divided into 4 tranches exercisable from 9 March 2016, 9 March 2017, 9 March 2018 and 9 March 2019 respectively to 8 March 2020.

The share options granted on 10 June 2016 were divided into 4 tranches exercisable from 10 June 2016, 10 June 2017, 10 June 2018 and 10 June 2019 respectively to 9 June 2020.

The share options granted on 3 July 2017 were divided into 4 tranches exercisable from 3 July 2017, 3 July 2018, 3 July 2019 and 3 July 2020 respectively to 2 July 2021.

The share options granted on 6 July 2018 were divided into 4 tranches exercisable from 6 July 2018, 6 July 2019, 6 July 2020 and 6 July 2021 respectively to 5 July 2022.

The share options granted on 22 May 2019 were divided into 4 tranches exercisable from 22 May 2019, 22 May 2020, 22 May 2021 and 22 May 2022 respectively to 21 May 2023.

For the year ended 30 June 2020, the weighted average share price at the time of exercise was HK$9.397 per share before Share Consolidation (2019: HK$11.861 per share), no share option was exercised after Share Consolidation.

(ii) The share option scheme of NWSH ("NWSH Share Option Scheme"), which was adopted on 21 November 2011, is valid and effective for a period of ten years from the date of adoption. The Board may, at their discretion, grant options to any eligible participant as defined under the share option scheme to subscribe for the shares of NWSH. The total number of shares which may be issued upon exercise of all options to be granted under the share option scheme must not in aggregate exceed 10% of the share capital of NWSH in issue as at 21 November 2011, i.e. 3,388,900,598 shares.

On 9 March 2015, 55,470,000 share options were granted to directors and certain eligible participants at the exercise price of HK$14.160 per share, which represents the average closing price of NWSH's shares in the daily quotations sheets of the Hong Kong Stock Exchange for the five trading days immediately preceding 9 March 2015. All unexercised share options were lapsed on 8 March 2020.

Pursuant to the NWSH Share Option Scheme, the number of unexercised share options and the exercise price may be subject to adjustment in case of alteration in the capital structure of NWSH. Due to the distribution of dividends of NWSH in scrip form, several adjustments had been made to the number and the exercise price of outstanding share options in accordance with the Share Option Scheme in prior years. With effect from 15 May 2017, the exercise price per share for the share options granted was adjusted to HK$14.120.

The share options were vested according to the NWSH Share Option Scheme and the terms of grant provided that for the vesting to occur the grantee has to remain as an eligible participant on such vesting date.

All share options outstanding as at 30 June 2019 are fully vested.

(iii) The Binomial pricing model requires input of subjective assumptions such as the expected stock price volatility. Change in the subjective input may materially affect the fair value estimates.

## 15 STAFF COSTS (CONTINUED)

### (c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 3 directors (2019: 4 directors) whose emoluments are reflected in the analysis shown in note 16(a). The emoluments to the remaining 2 (2019: 1) individuals during the year are as follows:

| | **2020 HK$m** | 2019 HK$m |
|---|---|---|
| Wages, salaries and other benefits | **35.8** | 10.4 |
| Discretionary bonuses | **28.2** | 6.7 |
| Employer's contributions to retirement benefit schemes | **0.7** | 0.4 |
| Share options | **0.1** | 0.7 |
| | **64.8** | 18.2 |

The emoluments of the individuals fell within the following bands:

| | **Number of individuals** | |
|---|---|---|
| | **2020** | 2019 |
| Emolument band (HK$) | | |
| 18,000,001-18,500,000 | **—** | 1 |
| 25,000,001-25,500,000 | **1** | — |
| 39,000,001-39,500,000 | **1** | — |
| | **2** | 1 |

### (d) Emoluments of senior management

Other than the emoluments of directors and five highest paid individuals disclosed in note 16(a) and note 15(c) respectively, the emoluments of the senior management whose profiles are included in Directors' Profile/Senior Management Profile sections of this report fell within the following bands:

| | **Number of individuals** | |
|---|---|---|
| | **2020** | 2019 |
| Emolument band (HK$) | | |
| 5,500,001-6,000,000 | **1** | — |
| 6,000,001-6,500,000 | **1** | 1 |
| 6,500,001-7,000,000 | **—** | 1 |
| | **2** | 2 |

## 16 BENEFITS AND INTERESTS OF DIRECTORS

### (a) Directors' emoluments

| Name of Directors | As director (note(i)) Fees HK$m | Salaries HK$m | Discretionary bonuses HK$m | Estimated money value of other benefits (note (iii)) HK$m | Employer's contribution to a retirement benefit scheme HK$m | As management (note (ii)) HK$m | Total HK$m |
|---|---|---|---|---|---|---|---|
| **Year ended 30 June 2020** | | | | | | | |
| Dr. Cheng Kar-Shun, Henry | 1.8 | – | – | 0.5 | – | 54.3 | 56.6 |
| Paid by the Company and its unlisted subsidiaries | 0.9 | – | – | 0.5 | – | 38.3 | 39.7 |
| Paid by NWSH | 0.8 | – | – | – | – | 16.0 | 16.8 |
| Paid by NWDS | 0.1 | – | – | – | – | – | 0.1 |
| Mr. Doo Wai-Hoi, William | 0.4 | – | – | – | – | – | 0.4 |
| Dr. Cheng Chi-Kong, Adrian | 1.0 | – | – | 0.5 | – | 47.5 | 49.0 |
| Paid by the Company and its unlisted subsidiaries | 0.4 | – | – | 0.5 | – | 42.5 | 43.4 |
| Paid by NWSH | 0.4 | – | – | – | – | 5.0 | 5.4 |
| Paid by NWDS | 0.2 | – | – | – | – | – | 0.2 |
| Mr. Yeung Ping-Leung, Howard | 0.7 | – | – | – | – | – | 0.7 |
| Mr. Cha Mou-Sing, Payson | 0.8 | – | – | – | – | – | 0.8 |
| Paid by the Company and its unlisted subsidiaries | 0.7 | – | – | – | – | – | 0.7 |
| Paid by a subsidiary of NWSH | 0.1 | – | – | – | – | – | 0.1 |
| Mr. Cheng Kar-Shing, Peter | 0.4 | 8.0 | 0.7 | – | 0.8 | – | 9.9 |
| Paid by the Company and its unlisted subsidiaries | 0.3 | 8.0 | 0.7 | – | 0.8 | – | 9.8 |
| Paid by a subsidiary of NWSH | 0.1 | – | – | – | – | – | 0.1 |
| Mr. Ho Hau-Hay, Hamilton | 0.8 | – | – | – | – | – | 0.8 |
| Mr. Lee Luen-Wai, John | 0.9 | – | – | – | – | – | 0.9 |
| Mr. Liang Cheung-Biu, Thomas | 0.7 | – | – | – | – | – | 0.7 |
| Mr. Ip Yuk-Keung, Albert | 0.7 | – | – | 0.2 | – | – | 0.9 |
| Ms. Ki Man-Fung, Leonie | 0.4 | 6.2 | 0.5 | – | 0.6 | – | 7.7 |
| Mr. Cheng Chi-Heng | 0.4 | – | – | – | – | 2.1 | 2.5 |
| Ms. Cheng Chi-Man, Sonia | 0.4 | – | – | – | – | 17.8 | 18.2 |
| Mr. Au Tak-Cheong* | 0.4 | – | – | 0.1 | – | 8.5 | 9.0 |
| Paid by the Company and its unlisted subsidiaries | 0.3 | – | – | 0.1 | – | 8.5 | 8.9 |
| Paid by NWDS | 0.1 | – | – | – | – | – | 0.1 |
| Mr. Sitt Nam-Hoi | 0.5 | – | – | 0.3 | – | 18.7 | 19.5 |
| Mr. So Chung-Keung, Alfred* | 0.2 | – | – | 0.8 | – | 16.0 | 17.0 |
| Ms. Huang Shaomei, Echo | 0.1 | – | – | 0.7 | – | 20.8 | 21.6 |
| Ms. Chiu Wai-Han, Jenny | 0.1 | – | – | 0.1 | – | 4.7 | 4.9 |
| Total | 10.7 | 14.2 | 1.2 | 3.2 | 1.4 | 190.4 | 221.1 |

* resigned during the year

## 16 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

### (a) Directors' emoluments (continued)

| Name of Directors | As director (note(i)) Fees HK$m | Salaries HK$m | Discretionary bonuses HK$m | Estimated money value of other benefits (note (iii)) HK$m | Employer's contribution to a retirement benefit scheme HK$m | As management (note (ii)) HK$m | Total HK$m |
|---|---|---|---|---|---|---|---|
| **Year ended 30 June 2019** | | | | | | | |
| Dr. Cheng Kar-Shun, Henry | 1.9 | — | — | 3.1 | — | 63.0 | 68.0 |
| Paid by the Company and its unlisted subsidiaries | 1.0 | — | — | 3.1 | — | 43.1 | 47.2 |
| Paid by NWSH | 0.8 | — | — | — | — | 19.9 | 20.7 |
| Paid by NWDS | 0.1 | — | — | — | — | — | 0.1 |
| Mr. Doo Wai-Hoi, William | 0.3 | — | — | — | — | — | 0.3 |
| Dr. Cheng Chi-Kong, Adrian | 0.6 | — | — | 2.6 | — | 41.0 | 44.2 |
| Paid by the Company and its unlisted subsidiaries | 0.4 | — | — | 2.6 | — | 41.0 | 44.0 |
| Paid by NWSH | — | — | — | — | — | — | — |
| Paid by NWDS | 0.2 | — | — | — | — | — | 0.2 |
| Mr. Yeung Ping-Leung, Howard | 0.6 | — | — | 0.2 | — | — | 0.8 |
| Mr. Cha Mou-Sing, Payson | 0.8 | — | — | 0.2 | — | — | 1.0 |
| Paid by the Company and its unlisted subsidiaries | 0.7 | — | — | 0.2 | — | — | 0.9 |
| Paid by a subsidiary of NWSH | 0.1 | — | — | — | — | — | 0.1 |
| Mr. Cheng Kar-Shing, Peter | 0.4 | 7.6 | 1.7 | 0.2 | 0.8 | — | 10.7 |
| Paid by the Company and its unlisted subsidiaries | 0.3 | 7.6 | 1.7 | 0.2 | 0.8 | — | 10.6 |
| Paid by a subsidiary of NWSH | 0.1 | — | — | — | — | — | 0.1 |
| Mr. Ho Hau-Hay, Hamilton | 0.7 | — | — | 0.2 | — | — | 0.9 |
| Mr. Lee Luen-Wai, John | 0.8 | — | — | 0.2 | — | — | 1.0 |
| Mr. Liang Cheung-Biu, Thomas | 0.7 | — | — | 0.2 | — | — | 0.9 |
| Mr. Ip Yuk-Keung, Albert | 0.7 | — | — | 0.2 | — | — | 0.9 |
| Ms. Ki Man-Fung, Leonie | 0.3 | 6.0 | 1.5 | 0.8 | 0.6 | — | 9.2 |
| Mr. Cheng Chi-Heng | 0.4 | — | — | 0.2 | — | 2.3 | 2.9 |
| Ms. Cheng Chi-Man, Sonia | 0.4 | — | — | 0.7 | — | 18.0 | 19.1 |
| Mr. Au Tak-Cheong | 0.6 | — | — | 0.4 | — | 9.2 | 10.2 |
| Paid by the Company and its unlisted subsidiaries | 0.5 | — | — | 0.4 | — | 9.2 | 10.1 |
| Paid by NWDS | 0.1 | — | — | — | — | — | 0.1 |
| Mr. Sitt Nam-Hoi | 0.4 | — | — | 0.6 | — | 14.9 | 15.9 |
| Mr. So Chung-Keung, Alfred | 0.5 | — | — | 0.7 | — | 18.5 | 19.7 |
| Total | 10.1 | 13.6 | 3.2 | 10.5 | 1.4 | 166.9 | 205.7 |

## 16 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

### (a) Directors' emoluments (continued)

Notes:

(i) The amounts represented emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings.

(ii) The amounts represented emoluments paid or receivable in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings and included salaries, discretionary bonuses, employer's contributions to retirement benefit schemes and housing allowance.

(iii) Other benefits represented share options. The value of the share options granted to the directors of the Company under the share option schemes of the Company and its subsidiaries represents the fair value of these options charged to the consolidated income statement for the year in accordance with HKFRS 2.

(iv) No director waived or agreed to waive any emoluments during the year.

### (b) Directors' material interests in transactions, arrangements or contracts

On 10 April 2017, a master services agreement (the "Mr. Doo MSA") was entered into between the Company and Mr. Doo Wai-Hoi, William, Non-executive Vice-chairman ("Mr. Doo") for a term of three years commencing from 1 July 2017 up to and including 30 June 2020 in respect of the provision of the operational and rental services by companies owned by Mr. Doo to the Group, and vice versa. Subject to compliance with the relevant requirements under the Listing Rules, upon expiration of the initial term or subsequent renewal term, the Mr. Doo MSA will be automatically renewed for a successive period of three years thereafter (or such other period permitted under the Listing Rules). The Mr. Doo MSA and the annual caps set for each of the three financial years ending 30 June 2020 were approved by the independent shareholders of the Company on 26 May 2017. For the year ended 30 June 2020, the aggregate amount of the transactions amounted to approximately HK$1,567.8 million (2019: HK$1,711.8 million).

Same as mentioned above, no other significant transactions, arrangements or contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## 17 INVESTMENT PROPERTIES

| | **2020 HK$m** | 2019 HK$m |
|---|---|---|
| Completed investment properties | **148,072.6** | 110,474.5 |
| Investment properties under development | **21,644.9** | 62,852.2 |
| | **169,717.5** | 173,326.7 |

| | **Completed investment properties HK$m** | **Investment properties under development HK$m** | **Total HK$m** |
|---|---|---|---|
| At 1 July 2019 | **110,474.5** | **62,852.2** | **173,326.7** |
| Translation differences | **(1,546.5)** | **(313.2)** | **(1,859.7)** |
| Acquisition of a subsidiary | **—** | **320.5** | **320.5** |
| Disposal of subsidiaries | **(1,506.4)** | **—** | **(1,506.4)** |
| Additions | **2,653.9** | **1,213.3** | **3,867.2** |
| Transfer between investment properties, property, plant and equipment and right-of-use assets | **(40.3)** | **—** | **(40.3)** |
| Transfer between investment properties and properties under development | **21.9** | **(1,900.7)** | **(1,878.8)** |
| Disposals | **(4,164.9)** | **—** | **(4,164.9)** |
| Changes in fair value | **1,305.6** | **347.6** | **1,653.2** |
| Transfer upon completion | **40,874.8** | **(40,874.8)** | **—** |
| At 30 June 2020 | **148,072.6** | **21,644.9** | **169,717.5** |

| | Completed investment properties HK$m | Investment properties under development HK$m | Total HK$m |
|---|---|---|---|
| At 1 July 2018 | 86,254.8 | 63,472.9 | 149,727.7 |
| Translation differences | (2,275.3) | (356.1) | (2,631.4) |
| Acquisition of a subsidiary | — | 2,672.0 | 2,672.0 |
| Disposal of a subsidiary | (59.2) | — | (59.2) |
| Additions | 132.0 | 8,904.9 | 9,036.9 |
| Transfer between investment properties, property, plant and equipment and land use rights | (321.8) | — | (321.8) |
| Transfer between investment properties, properties under development and properties held for sale | 3,482.9 | 1,361.3 | 4,844.2 |
| Disposals | (247.4) | — | (247.4) |
| Changes in fair value and gain on transfer (note) | 7,972.8 | 2,332.9 | 10,305.7 |
| Transfer upon completion | 15,535.7 | (15,535.7) | — |
| At 30 June 2019 | 110,474.5 | 62,852.2 | 173,326.7 |

Note: The amount included HK$1,916.3 million in respect of the gain on transfer of properties held for sale to investment properties during the year ended 30 June 2019.

## 17 INVESTMENT PROPERTIES (CONTINUED)

### Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were revalued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, Savills Valuation and Professional Services Limited and Knight Frank Petty Limited, independent qualified valuers, who hold recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued, at 30 June 2020 on an open market value basis. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuation performed by the independent valuers for financial reporting purposes. This team reports directly to the senior management and the Audit Committee. Discussions of valuation processes and results are held between the management and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial period end, the finance department verifies all major inputs to the independent valuation reports; assesses property valuation movements when compared to the prior year valuation reports; and holds discussions with the independent valuers.

### Valuation techniques

Fair value of completed investment properties for commercial, residential and carparks in Hong Kong and Mainland China is generally derived using the income capitalisation method and wherever appropriate, by direct comparison method. Income capitalisation method is based on capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

Fair value of commercial properties and carpark under development is generally derived using the residual method and wherever appropriate, by direct comparison method. Residual method is essentially a means of valuing the completed properties by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

At 30 June 2020 and 2019, all investment properties are included in level 3 in the fair value hierarchy.

There were no changes to the valuation techniques during the year and there were no transfers among the fair value hierarchy during the year.

## 17 INVESTMENT PROPERTIES (CONTINUED)

### Valuation techniques (continued)

Information about fair value measurements using significant unobservable inputs:

| | 2020 Fair value HK$m | Valuation techniques | Range of significant unobservable inputs: Prevailing market rent per month | Unit price | Capitalisation rate |
|---|---|---|---|---|---|
| **Completed investment properties** | | | | | |
| Hong Kong | | | | | |
| Commercial | **86,233.6** | Income capitalisation | HK$23-HK$450 per square feet | N/A | 1.5%-5.2% |
| | **16,362.7** | Direct comparison | N/A | HK$9,500– HK$23,200 per square feet | N/A |
| Carparks | **3,277.0** | Income capitalisation | HK$2,700- HK$7,180 per carpark space | N/A | 3.25%-4.0% |
| Mainland China and others | | | | | |
| Commercial | **32,178.5** | Income capitalisation | HK$11-HK$619 per square metre | N/A | 2.0%– 9.0% |
| | **175.6** | Direct comparison | N/A | HK$10,400– HK$17,000 per square metre | N/A |
| Serviced apartment | **2,229.1** | Income capitalisation | HK$107–HK$203 per square metre | N/A | 3.0%–6.25% |
| Carparks | **7,616.1** | Direct comparison | N/A | HK$143,000– HK$659,000 per carpark space | N/A |
| Total | **148,072.6** | | | | |

| | 2020 Fair value HK$m | Valuation techniques | Range of significant unobservable inputs: Prevailing market rent per month | Unit price | Estimated developer's profit and risk margins |
|---|---|---|---|---|---|
| **Investment properties under development** | | | | | |
| Commercial | **21,591.2** | Residual | N/A | HK$1,300– HK$58,500 per square feet | 4.2%–15.0% |
| Carparks | **53.7** | Residual | N/A | HK$242,000 per carpark space | 4.2% |
| Total | **21,644.9** | | | | |

## 17 INVESTMENT PROPERTIES (CONTINUED)

### Valuation techniques (continued)

Information about fair value measurements using significant unobservable inputs: (continued)

| | 2019 Fair value HK$m | Valuation techniques | Range of significant unobservable inputs: Prevailing market rent per month | Unit price | Capitalisation rate |
|---|---|---|---|---|---|
| **Completed investment properties** | | | | | |
| Hong Kong | | | | | |
| Commercial | 53,112.7 | Income capitalisation | HK$24–HK$478 per square feet | N/A | 1.5%-5.2% |
| Serviced apartment | 1,489.7 | Income capitalisation | HK$59 per square feet | N/A | 2.3% |
| | 8,170.0 | Direct comparison | N/A | HK$23,500 per square feet | N/A |
| Carparks | 3,319.4 | Income capitalisation | HK$2,880–HK$7,300 per carpark space | N/A | 3.25%-4.0% |
| Mainland China and others | | | | | |
| Commercial | 33,824.8 | Income capitalisation | HK$11–HK$347 per square metre | N/A | 2.0%-12.0% |
| | 215.7 | Direct comparison | N/A | HK$9,000–HK$18,000 per square metre | N/A |
| Serviced apartment | 1,757.6 | Income capitalisation | HK$118–HK$208 per square metre | N/A | 4.25%–6.5% |
| Carparks | 8,584.6 | Direct comparison | N/A | HK$93,000–HK$682,000 per carpark space | N/A |
| Total | 110,474.5 | | | | |

| | 2019 Fair value HK$m | Valuation techniques | Range of significant unobservable inputs: Prevailing market rent per month | Unit price | Estimated developer's profit and risk margins |
|---|---|---|---|---|---|
| **Investment properties under development** | | | | | |
| Commercial | 32,228.1 | Residual | N/A | HK$2,000–HK$63,500 per square feet | 5.0%–15.0% |
| | 21,700.0 | Income capitalisation (note) | HK$87 per square feet | N/A | 0% |
| Serviced apartment | 8,799.0 | Direct comparison | N/A | HK$22,700 per square feet | N/A |
| Carparks | 125.1 | Residual | N/A | HK$250,000 per carpark space | 3.8% |
| Total | 62,852.2 | | | | |

Note: The capitalisation rate adopted for the valuation of investment properties under development was 3.25% in 2019.

## 17 INVESTMENT PROPERTIES (CONTINUED)

### Valuation techniques (continued)

Prevailing market rents are estimated based on independent valuers' view of recent lettings, within the subject properties and other comparable properties. The higher the rents, the higher the fair value.

Capitalisation rates and developer's profit and risk margins are estimated by independent valuers based on the risk profile of the properties being valued and the market conditions. The lower the rates and the margins, the higher the fair value.

The valuations of investment properties were based on the economic, market and other conditions as they exist on, and with information available to management as of 30 June 2020. Given the outbreak of COVID-19 which has caused high volatility to the global economy and uncertainties to the property market, this disruption has increased the uncertainty of the assumptions adopted in the valuation process. Consequently, the on-going development of COVID-19 may cause unexpected volatility in the future fair value of the investment properties subsequent to 30 June 2020.

At 30 June 2020, the aggregate fair value of completed investment properties and investment properties under development pledged as securities for the Group's borrowings amounted to HK$41,419.0 million (2019: HK$35,154.7 million) and HK$1,145.0 million (2019: HK$10,200.0 million) respectively.

## 18 PROPERTY, PLANT AND EQUIPMENT

| | Land HK$m | Buildings HK$m | Others (note (a)) HK$m | Assets under construction HK$m | Total HK$m |
|---|---|---|---|---|---|
| Cost | | | | | |
| At 30 June 2019 | **2,251.8** | **19,658.6** | **14,145.6** | **4,157.9** | **40,213.9** |
| Adjustment on changes in accounting policies (note 4(a)) | **(1,986.1)** | **(32.6)** | **—** | **—** | **(2,018.7)** |
| Restated balance as at 1 July 2019 | **265.7** | **19,626.0** | **14,145.6** | **4,157.9** | **38,195.2** |
| Translation differences | **—** | **(207.6)** | **(115.0)** | **(146.9)** | **(469.5)** |
| Acquisition of subsidiaries | **—** | **—** | **111.3** | **—** | **111.3** |
| Additions | **—** | **309.6** | **1,326.4** | **1,189.2** | **2,825.2** |
| Transfer between property, plant and equipment, right-of-use assets and investment properties | **—** | **57.7** | **(2.7)** | **(143.6)** | **(88.6)** |
| Transfer between property, plant and equipment and property for/under development | **—** | **67.8** | **—** | **656.6** | **724.4** |
| Transfer upon completion | **—** | **—** | **89.3** | **(89.3)** | **—** |
| Disposal of subsidiaries | **—** | **(25.8)** | **(262.6)** | **—** | **(288.4)** |
| Disposals | **—** | **—** | **(445.7)** | **—** | **(445.7)** |
| At 30 June 2020 | **265.7** | **19,827.7** | **14,846.6** | **5,623.9** | **40,563.9** |
| Accumulated depreciation and impairment | | | | | |
| At 30 June 2019 | **148.9** | **2,563.3** | **6,477.6** | **—** | **9,189.8** |
| Adjustment on changes in accounting policies (note 4(a)) | **(148.9)** | **(7.4)** | **—** | **—** | **(156.3)** |
| Restated balance as at 1 July 2019 | **—** | **2,555.9** | **6,477.6** | **—** | **9,033.5** |
| Translation differences | **—** | **(63.8)** | **(97.4)** | **—** | **(161.2)** |
| Transfer between property, plant and equipment, right-of-use assets and investment properties | **—** | **(4.3)** | **(1.0)** | **—** | **(5.3)** |
| Depreciation | **—** | **569.9** | **1,111.6** | **—** | **1,681.5** |
| Impairment | **—** | **84.5** | **302.4** | **—** | **386.9** |
| Disposal of subsidiaries | **—** | **(7.5)** | **(101.0)** | **—** | **(108.5)** |
| Disposals | **—** | **—** | **(362.9)** | **—** | **(362.9)** |
| At 30 June 2020 | **—** | **3,134.7** | **7,329.3** | **—** | **10,464.0** |
| Net book value (note (b)) | | | | | |
| At 30 June 2020 | **265.7** | **16,693.0** | **7,517.3** | **5,623.9** | **30,099.9** |

## 18 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Land HK$m | Buildings HK$m | Others (note (a)) HK$m | Assets under construction HK$m | Total HK$m |
|---|---|---|---|---|---|
| Cost | | | | | |
| At 1 July 2018 | 2,251.8 | 13,959.5 | 11,952.8 | 10,091.5 | 38,255.6 |
| Translation differences | — | (179.8) | (151.7) | (159.8) | (491.3) |
| Additions | — | 106.7 | 932.6 | 877.4 | 1,916.7 |
| Transfer between property, plant and equipment, land use rights and investment properties | — | 424.8 | (19.6) | — | 405.2 |
| Transfer between property, plant and equipment and property for/under development | — | 591.6 | — | 30.9 | 622.5 |
| Transfer upon completion | — | 4,761.4 | 1,920.7 | (6,682.1) | — |
| Disposal of subsidiaries | — | — | (8.7) | — | (8.7) |
| Disposals | — | (5.6) | (480.5) | — | (486.1) |
| At 30 June 2019 | 2,251.8 | 19,658.6 | 14,145.6 | 4,157.9 | 40,213.9 |
| Accumulated depreciation and impairment | | | | | |
| At 1 July 2018 | 114.4 | 2,149.2 | 6,051.8 | — | 8,315.4 |
| Translation differences | — | (37.2) | (113.6) | — | (150.8) |
| Transfer between property, plant and equipment, land use rights and investment properties | — | (30.5) | (6.2) | — | (36.7) |
| Depreciation | 34.5 | 485.2 | 983.2 | — | 1,502.9 |
| Impairment | — | 0.1 | 15.9 | — | 16.0 |
| Disposal of subsidiaries | — | — | (4.0) | — | (4.0) |
| Disposals | — | (3.5) | (449.5) | — | (453.0) |
| At 30 June 2019 | 148.9 | 2,563.3 | 6,477.6 | — | 9,189.8 |
| Net book value (note (b)) | | | | | |
| At 30 June 2019 | 2,102.9 | 17,095.3 | 7,668.0 | 4,157.9 | 31,024.1 |

Notes:

(a) Others mainly represented leasehold improvements for department stores, plant and machinery, buses, vessels, motor vehicles, furniture and fixtures, office equipment and computer.

(b) At 30 June 2020, the aggregate net book value of property, plant and equipment pledged as securities for the Group's borrowings amounted to HK$6,004.8 million (2019: HK$3,681.6 million).

## 19 RIGHT-OF-USE ASSETS

| | **At 30 June 2020 HK$m** | At 1 July 2019 HK$m |
|---|---|---|
| Leasehold land (note (a)) | **2,329.7** | 2,470.6 |
| Land use rights (note (a)) | **1,431.6** | 1,213.9 |
| Buildings, plant and equipment | **4,045.1** | 3,337.6 |
| Others | **708.3** | 791.0 |
| | **8,514.7** | 7,813.1 |

Notes:

(a) As at 30 June 2020, the aggregate net book value of leasehold land and land use rights pledged as securities for the Group's borrowings amounted to HK$151.4 million and HK$668.8 million (as at 1 July 2019: HK$151.6 million and HK$209.3 million) respectively.

(b) For the year ended 30 June 2020, additions to the right-of-use assets were HK$1,162.1 million and total cash outflows for leases was HK$1,574.6 million.

(c) Depreciation of right-of-use assets

| | **2020 HK$m** | 2019 HK$m |
|---|---|---|
| Leasehold land | **(172.1)** | — |
| Land use rights | **(29.3)** | — |
| Buildings, plant and equipment | **(768.2)** | — |
| Others | **(85.8)** | — |
| | **(1,055.4)** | — |

Rental contracts are typically made for fixed periods range from 21 months to 19 years for buildings, plant and equipment and others, but may have extension options which majority of these options are exercisable only by the Group and not by the respective lessors. Lease term for leasehold land ranges from 3 years to 982 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Some property leases contain variable payment terms that are linked to revenue generated from leased assets, or the higher of a guaranteed rent or revenue rent throughout the lease terms. Revenue rent represents a percentage of gross revenue derived from the leased properties ranging from 3% to 34%.

## 20 LAND USE RIGHTS

| | **2020 HK$m** | 2019 HK$m |
|---|---|---|
| At beginning of the year | **1,213.9** | 1,064.0 |
| Adjustment on changes in accounting policies (note 4(a)) | **(1,213.9)** | — |
| Restated balance at beginning of the year | **—** | 1,064.0 |
| Translation differences | **—** | (40.6) |
| Transfer between land use rights and properties under development | **—** | 299.3 |
| Transfer between land use rights, property, plant and equipment and investment properties | **—** | (65.7) |
| Amortisation | **—** | (43.1) |
| At end of the year | **—** | 1,213.9 |

Interests in land use rights represented prepaid operating lease payments.

As at 30 June 2019, the aggregate net book value of land use rights pledged as securities for the Group's borrowings amounted to HK$209.3 million.

## 21 INTANGIBLE CONCESSION RIGHTS

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Cost | | |
| At beginning of the year | **16,193.6** | 17,190.1 |
| Translation differences | **(669.3)** | (865.1) |
| Additions | **5,167.4** | — |
| Disposals | **(233.2)** | (131.4) |
| At end of the year | **20,458.5** | 16,193.6 |
| Accumulated amortisation and impairment | | |
| At beginning of the year | **6,220.6** | 5,786.6 |
| Translation differences | **(269.9)** | (354.1) |
| Amortisation | **710.7** | 853.0 |
| Disposals | **(208.0)** | (64.9) |
| At end of the year | **6,453.4** | 6,220.6 |
| Net book value | | |
| At end of the year | **14,005.1** | 9,973.0 |

## 22 INTANGIBLE ASSETS

| | Goodwill HK$m | Trademarks HK$m | Operating right and others HK$m | Total HK$m |
|---|---|---|---|---|
| Cost | | | | |
| At 1 July 2019 | **3,635.6** | **73.6** | **760.2** | **4,469.4** |
| Translation differences | **(13.1)** | **—** | **—** | **(13.1)** |
| Additions | **—** | **—** | **45.5** | **45.5** |
| Acquisition of subsidiaries | **5,814.9** | **—** | **90.5** | **5,905.4** |
| Disposal of subsidiaries | **(38.8)** | **—** | **(122.9)** | **(161.7)** |
| Disposals | **(8.9)** | **—** | **—** | **(8.9)** |
| At 30 June 2020 | **9,389.7** | **73.6** | **773.3** | **10,236.6** |
| Accumulated amortisation and impairment | | | | |
| At 1 July 2019 | **607.1** | **14.5** | **383.3** | **1,004.9** |
| Translation differences | **(10.2)** | **—** | **—** | **(10.2)** |
| Amortisation | **—** | **5.2** | **69.0** | **74.2** |
| Impairment | **775.9** | **—** | **—** | **775.9** |
| Disposal of subsidiaries | **(29.0)** | **—** | **(6.8)** | **(35.8)** |
| At 30 June 2020 | **1,343.8** | **19.7** | **445.5** | **1,809.0** |
| Net book value | | | | |
| At 30 June 2020 | **8,045.9** | **53.9** | **327.8** | **8,427.6** |

## 22 INTANGIBLE ASSETS (CONTINUED)

| | Goodwill HK$m | Trademarks HK$m | Operating right and others HK$m | Total HK$m |
|---|---|---|---|---|
| Cost | | | | |
| At 1 July 2018 | 3,739.1 | 73.6 | 759.6 | 4,572.3 |
| Translation differences | (101.5) | — | — | (101.5) |
| Additions | — | — | 0.6 | 0.6 |
| Disposal of subsidiaries | (2.0) | — | — | (2.0) |
| At 30 June 2019 | 3,635.6 | 73.6 | 760.2 | 4,469.4 |
| Accumulated amortisation and impairment | | | | |
| At 1 July 2018 | 447.6 | 9.2 | 333.5 | 790.3 |
| Translation differences | (5.5) | — | — | (5.5) |
| Amortisation | — | 5.3 | 49.8 | 55.1 |
| Impairment | 165.0 | — | — | 165.0 |
| At 30 June 2019 | 607.1 | 14.5 | 383.3 | 1,004.9 |
| Net book value | | | | |
| At 30 June 2019 | 3,028.5 | 59.1 | 376.9 | 3,464.5 |

### Impairment test for goodwill

A summary of the goodwill allocation is presented below:

| | **Hong Kong HK$m** | **Mainland China HK$m** | **Total HK$m** |
|---|---|---|---|
| **2020** | | | |
| Property development | **2.5** | **238.6** | **241.1** |
| Property investment | **—** | **248.4** | **248.4** |
| Insurance | **5,576.3** | **—** | **5,576.3** |
| Others | **994.5** | **985.6** | **1,980.1** |
| | **6,573.3** | **1,472.6** | **8,045.9** |

| | Hong Kong HK$m | Mainland China HK$m | Total HK$m |
|---|---|---|---|
| **2019** | | | |
| Property development | 2.5 | — | 2.5 |
| Property investment | — | 257.0 | 257.0 |
| Others | 1,430.3 | 1,338.7 | 2,769.0 |
| | 1,432.8 | 1,595.7 | 3,028.5 |

During the year ended 30 June 2020, goodwill impairment of HK$775.9 million has been recognised in the consolidated income statement, based on the recoverable amount of the respective cash-generating units under department store operation and transport business within others segment.

Goodwill is allocated to the Group's cash generating units identified according to country of operation and business segment.

For the purpose of impairment test for goodwill, the recoverable amount of the business unit is determined based on either fair value less costs of disposal or value in use calculations whichever is higher. The key assumptions adopted on growth rates and discount rates used in the value in use calculations are based on management best estimates and past experience.

For the segment of property development, the recoverable amount of the business unit is determined based on value-in-use calculations, which use cash flow projections based on financial budgets and a pre-tax discount rate.

## 22 INTANGIBLE ASSETS (CONTINUED)

### Impairment test for goodwill (continued)

For the segment of property investment, growth rates are determined by considering both internal and external factors relating to the relevant segments. Discount rate used also reflect specific risks relating to the relevant segment, which was 12.4% (2019: 12.4%).

For the segment of insurance, annual growth rates for premium of new business being 15%–25% for the first five projection years and steady growth rate of 5% for the next five projection years are determined by considering both internal and external factors. Discount rate of 7.75% was used to reflect specific risk relating to such business. The assessment indicated no impairment is required on the carrying value of goodwill of Insurance segment as at 30 June 2020.

Included in others segment is an amount of HK$982.3 million (2019: HK$1,338.7 million) relating to department stores operation. The key assumptions used in the cash flow projections (where applicable), namely average annual gross revenue growth rate being not more than 19% for the year ended 30 June 2020 (2019: not more than 10%); average gross margin ratios ranging from 9% to 19% (2019: from 11% to 19%), are determined by considering both internal and external factors relating to department stores operation of each CGU; the long term growth rate of 3% (2019: 3%) is consistent with the forecast of the businesses and the discount rate of 12.4% (2019: 12.4%) is post-tax and reflects specific risks relating to the relevant businesses. If the annual gross revenue had been 10% (2019: 5%) or gross margin ratios had been 1% (2019: 1%) lower than management's current estimates, the profit before taxation for the year would have been approximately HK$158.7 million and HK$70.6 million (2019: HK$98.5 million and HK$67.2 million) respectively. If the discount rate had been 0.5% (2019: 0.5%) higher than management's current estimates, the profit before taxation for the year would have been approximate HK$36.7 million lower (2019: HK$8.1 million). The estimated recoverable amount of the CGUs being impaired in current year was approximately HK$400.3 million.

For the remaining goodwill balance of HK$994.5 million (2019: HK$1,430.3 million), the key assumptions adopted on growth rates and discount rates used in the value in use calculations were based on management's best estimates and past experience.

## 23 VALUE OF BUSINESS ACQUIRED

| | **2020 HK$m** | 2019 HK$m |
|---|---|---|
| At beginning of the year | **—** | — |
| Acquisition of a subsidiary (note 50(a)) | **5,825.0** | — |
| Amortisation | **(173.5)** | — |
| At end of the year | **5,651.5** | — |

The nature and measurement of VOBA are detailed in note 4(b)(v).

## 24 DEFERRED ACQUISITION COSTS

| | **2020 HK$m** | 2019 HK$m |
|---|---|---|
| At beginning of the year | **—** | — |
| Additions of new business | **824.3** | — |
| Amortisation | **(136.1)** | — |
| At end of the year | **688.2** | — |

The nature and measurement of DAC are detailed in note 4(b)(vi).

## 25 INTERESTS IN JOINT VENTURES

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Equity joint ventures/joint ventures in wholly foreign owned enterprises | | |
| Group's share of net assets | **3,444.6** | 4,204.9 |
| Goodwill on acquisition | **89.4** | 2.2 |
| Amounts receivable less provision (note (a)) | **425.6** | 3,707.8 |
| | **3,959.6** | 7,914.9 |
| Co-operative joint ventures | | |
| Cost of investments less provision | **4,649.9** | 5,291.6 |
| Share of undistributed post-acquisition results | **1,476.4** | 1,721.3 |
| Amounts receivable less provision (note (a)) | **7,541.0** | 7,062.8 |
| | **13,667.3** | 14,075.7 |
| Companies limited by shares | | |
| Group's share of net assets | **8,378.9** | 8,155.7 |
| Goodwill on acquisition | **441.0** | 518.0 |
| Amounts receivable less provision (note (a)) | **16,566.5** | 20,201.2 |
| | **25,386.4** | 28,874.9 |
| | **43,013.3** | 50,865.5 |

Notes:

(a) Amounts receivable less provisions are analysed as follows:

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Interest bearing | | |
| Fixed rates (note (i)) | **4,905.5** | 373.3 |
| Floating rates (note (ii)) | **5,291.1** | 9,842.4 |
| Non-interest bearing | **14,336.5** | 20,756.1 |
| | **24,533.1** | 30,971.8 |

note (i) Carry interest rates ranging from 4.0% to 10.0% (2019: 4.0% to 10.0%) per annum.

note (ii) Carry interest rates ranging from 1.5% below Hong Kong Prime rate to 2.0% over HIBOR (2019: 2.0% below Hong Kong Prime rate to 1.0% over Hong Kong Prime rate) per annum.

As at 1 July 2019, a provision of HK$1,075.7 million has been recognised as a result of the adoption of amendments to HKAS 28. Please refer to note 4(a) for details.

As at 30 June 2020, the net carrying value of amounts receivable included provision of HK$2,946.2 million.

The amounts were unsecured. Their carrying amounts are not materially different from their fair values.

The amounts receivable form part of the Group's net interests in joint ventures.

(b) There is no joint venture that is individually material to the Group. The Group's share of results of the joint ventures are as follows:

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| For the year ended 30 June | | |
| Profit for the year | **1,007.3** | 3,670.3 |
| Other comprehensive income for the year | **(853.9)** | (1,022.9) |
| Total comprehensive income for the year | **153.4** | 2,647.4 |

(c) Management regularly reviews whether there are any indications of impairments of the Group's interests in joint ventures based on value in use calculations, as detailed in note 6(d).

(d) Details of principal joint ventures are stated in note 55.

## 26 INTERESTS IN ASSOCIATED COMPANIES

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Group's share of net assets | | |
| Hong Kong listed shares | **3,149.9** | 2,627.4 |
| Overseas listed shares | **633.6** | 1,025.0 |
| Unlisted shares | **13,187.3** | 15,967.0 |
| | **16,970.8** | 19,619.4 |
| Goodwill | **703.3** | 378.5 |
| Amounts receivable less provision (note (a)) | **3,469.6** | 5,334.0 |
| | **21,143.7** | 25,331.9 |
| Market value of listed shares (note (b)) | **2,938.7** | 2,214.5 |

Notes:

(a) Amounts receivable less provision are analysed as follows:

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Interest bearing | | |
| Fixed rate (note (i)) | **109.7** | 104.7 |
| Floating rate (note (ii)) | **2,458.6** | 2,504.2 |
| Non-interest bearing | **901.3** | 2,725.1 |
| | **3,469.6** | 5,334.0 |

note (i) Carry interest rate of 8.0% (2019: 8.0%) per annum.

note (ii) An aggregate amount of HK$2,351.8 million (2019: HK$2,393.8 million) which carries interest at HIBOR plus a margin of 1.025% to 1.3% (2019: HIBOR plus a margin of 1.025% to 1.3%) per annum, and an amount of HK$106.8 million (2019: HK$110.4 million) which carries interest of 1-5 year Renminbi benchmark lending rate published by People's Bank of China.

As at 30 June 2020, the net carrying value of amounts receivable included provision of HK$1,288.5 million.

The amounts were unsecured and not repayable within 12 months. Their carrying amounts were not materially different from their fair values.

The amounts receivable form part of the Group's net interests in associated companies.

(b) The market value of the Group's listed associated companies in Hong Kong and overseas amounted to HK$2,938.7 million (2019: HK$2,214.5 million).

(c) Management regularly reviews whether there are any relevant indications of impairments of the Group's interests in associated companies based on value in use calculations, as detailed in note 6(d).

(d) There is no associated company that is individually material to the Group. The Group's share of results of the associated companies are as follows:

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| For the year ended 30 June | | |
| (Loss)/profit for the year | **(237.4)** | 1,012.8 |
| Other comprehensive income for the year | **(645.1)** | (487.2) |
| Total comprehensive income for the year | **(882.5)** | 525.6 |

The share of results for the year ended 30 June 2020 included an impairment loss of HK$330.0 million in relation to the Group's interest in Tharisa plc, a listed associated company.

The share of results for the year ended 30 June 2019 included a share of a one-off fair value gain from SUEZ NWS Limited ("SUEZ NWS"), an associated company of the Group, amounted to approximately HK$232.5 million arising from remeasurement of its previously held in a joint venture of SUEZ NWS. Such joint venture has been accounted by SUEZ NWS as a subsidiary with effect from July 2018.

(e) Details of principal associated companies are stated in note 56.

## 27 DERIVATIVE FINANCIAL INSTRUMENTS

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Non-current assets | | |
| Foreign currency forward contracts, foreign currency and interest rate swaps | | |
| – cash flow hedges (notes (a) and (b)) | **1,526.5** | 12.5 |
| – others | **148.8** | 118.3 |
| Put option (note (c)) | **478.9** | — |
| | **2,154.2** | 130.8 |
| Current assets | | |
| Foreign currency forward contracts and fuel price swaps | | |
| – cash flow hedges (note (a)) | **0.7** | 5.6 |
| – others | **—** | 0.9 |
| | **0.7** | 6.5 |
| | **2,154.9** | 137.3 |
| Non-current liabilities | | |
| Foreign currency, fuel price and interest rate swaps | | |
| – cash flow hedges (note (a)) | **(813.7)** | (352.3) |
| – others | **(129.7)** | (190.1) |
| | **(943.4)** | (542.4) |
| Current liabilities | | |
| Interest rate swaps | **(8.5)** | (58.9) |
| Foreign currency forward contracts, foreign currency and fuel price swaps | | |
| – cash flow hedges (note (a)) | **(96.3)** | (19.4) |
| | **(104.8)** | (78.3) |
| | **(1,048.2)** | (620.7) |

The total notional principal amounts of the outstanding derivative financial instruments as at 30 June 2020 was HK$27,229.3 million (2019: HK$33,705.5 million).

Notes:

(a) The total notional principal amount of the outstanding financial instruments designated as cash flow hedges as at 30 June 2020 was US$122.9 million (2019: nil) and HK$14,819.3 million (2019: HK$8,341.1 million).

The Group enters into the hedging instruments that have similar critical terms as the hedged item.

The Group does not hedge all of its loans, therefore the hedged item is identified as a proportion of the outstanding hedged items up to the notional amount of the hedging instruments with one-to-one hedge ratio. As all critical terms matched substantially, the economic relationship was highly effective during the year.

During the years ended 30 June 2020 and 2019, there were insignificant ineffectiveness in relation to these hedging instruments.

## 27 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Notes: (Continued)

(b) As at 30 June 2020, the Group's insurance business has certain forward starting swap contracts designated as cash flow hedges against its interest rate risk in respect of bonds to be purchased in the future. Under the contracts, the Group's insurance business will be entitled to receive fixed rate of around 4% to 5% per annum, and required to pay floating rate of 3-month LIBOR, in USD published by the British Banker's Association. The total notional amount was US$450.0 million (2019: nil). The cash flow hedge was assessed to be highly effective and the related cumulative gains in reserve amounted to HK$477.9 million (2019: nil).

The Group's insurance business seeks to hedge the interest rate risk by the exchange of payments benchmarked against the targeted fixed interest rate. The Group's insurance business applies an approximate hedge ratio of 1:1 and determines the existence of an economic relationship between the forward starting swap contracts and the debt security investments by matching their critical terms, including the reference interest rates and interest payments.

As at 30 June 2020, the Group's insurance business received HK$1,582.0 million (2019: nil) cash and bank balance from counterparties (note 42) as collateral which are repayable on demand. Interest is calculated on overnight federal fund rate and payable to counterparties.

(c) As at 30 June 2020, the Group's insurance business holds a put option to sell or dispose of an equity investment held by the Group, which is classified as financial assets at FVOCI, at a specified price within a specified transaction period. As at 30 June 2020, the fair value of the underlying equity investment amounted to HK$252.3 million (2019: nil).

## 28 DEFERRED TAXATION

Deferred income tax assets and liabilities are offset when taxes relate to the same taxation authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated statement of financial position.

| | **2020**<br>**HK$m** | 2019<br>HK$m |
|---|---|---|
| Deferred tax assets | **1,120.0** | 763.5 |
| Deferred tax liabilities | **(11,545.6)** | (10,371.1) |
| | **(10,425.6)** | (9,607.6) |
| At beginning of the year | **(9,607.6)** | (9,538.6) |
| Adjustment on changes in accounting policies (note 4(a)) | **20.4** | — |
| Restated balance at beginning of the year | **(9,587.2)** | (9,538.6) |
| Translation differences | **211.2** | 354.2 |
| Acquisition of subsidiaries | **(2,800.7)** | — |
| Written off upon disposal of intangible concession rights | **4.6** | 6.5 |
| Disposal of subsidiaries | **47.2** | (3.6) |
| Transferred from current tax payable | **—** | (483.5) |
| Credited to consolidated income statement | **1,701.2** | 69.8 |
| Charged to reserves | **(1.9)** | (12.4) |
| At end of the year | **(10,425.6)** | (9,607.6) |

## 28 DEFERRED TAXATION (CONTINUED)

The movement in deferred tax assets and liabilities (prior to offsetting balances within the same taxation jurisdiction) during the year was as follows:

### Deferred tax assets

| | Provisions | | Accelerated accounting depreciation | | Tax losses | | Unrealised intra – group profit | | Other items | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| | **HK$m** | HK$m | **HK$m** | HK$m | **HK$m** | HK$m | **HK$m** | HK$m | **HK$m** | HK$m | **HK$m** | HK$m |
| At beginning of the year | **13.2** | 13.9 | **25.2** | 24.7 | **760.5** | 394.4 | **4.6** | 83.9 | **118.3** | 191.3 | **921.8** | 708.2 |
| Adjustment on changes in accounting policies (note 4(a)) | **–** | — | **–** | — | **–** | — | **–** | — | **34.3** | — | **34.3** | — |
| Restated balance at beginning of the year | **13.2** | 13.9 | **25.2** | 24.7 | **760.5** | 394.4 | **4.6** | 83.9 | **152.6** | 191.3 | **956.1** | 708.2 |
| Translation differences | **(26.2)** | (0.7) | **(0.6)** | 1.0 | **(1.9)** | (5.2) | **–** | — | **(7.8)** | (5.7) | **(36.5)** | (10.6) |
| Acquisition of subsidiaries | **342.6** | — | **–** | — | **–** | — | **–** | — | **–** | — | **342.6** | — |
| Disposal of subsidiaries | **–** | — | **–** | — | **–** | (4.2) | **–** | — | **–** | — | **–** | (4.2) |
| Credited/(charged) to consolidated income statement | **1,000.4** | — | **4.1** | (0.5) | **338.8** | 375.5 | **35.0** | (79.3) | **4.2** | (67.3) | **1,382.5** | 228.4 |
| At end of the year | **1,330.0** | 13.2 | **28.7** | 25.2 | **1,097.4** | 760.5 | **39.6** | 4.6 | **149.0** | 118.3 | **2,644.7** | 921.8 |

### Deferred tax liabilities

| | Accelerated tax depreciation | | Valuation of properties | | Fair value adjustments of properties on acquisitions | | Amortisation of intangible concession rights | | Undistributed profits of subsidiaries, joint ventures and associated companies | | Other items | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| | **HK$m** | HK$m | **HK$m** | HK$m | **HK$m** | HK$m | **HK$m** | HK$m | **HK$m** | HK$m | **HK$m** | HK$m | **HK$m** | HK$m |
| At beginning of the year | **(3,322.1)** | (3,216.2) | **(3,401.4)** | (2,850.6) | **(1,134.8)** | (1,236.3) | **(1,492.6)** | (1,689.9) | **(1,133.3)** | (1,090.3) | **(45.2)** | (163.5) | **(10,529.4)** | (10,246.8) |
| Adjustment on changes in accounting policies (note 4(a)) | **–** | — | **–** | — | **–** | — | **–** | — | **–** | — | **(13.9)** | — | **(13.9)** | — |
| Restated balance at beginning of the year | **(3,322.1)** | (3,216.2) | **(3,401.4)** | (2,850.6) | **(1,134.8)** | (1,236.3) | **(1,492.6)** | (1,689.9) | **(1,133.3)** | (1,090.3) | **(59.1)** | (163.5) | **(10,543.3)** | (10,246.8) |
| Translation differences | **12.6** | 84.0 | **103.4** | 120.1 | **41.1** | 54.8 | **49.0** | 78.1 | **34.4** | 29.3 | **7.2** | (1.5) | **247.7** | 364.8 |
| Acquisition of subsidiaries | **–** | — | **–** | — | **(2,844.3)** | — | **–** | — | **–** | — | **(299.0)** | — | **(3,143.3)** | — |
| Disposal of subsidiaries | **47.2** | 0.6 | **–** | — | **–** | — | **–** | — | **–** | — | **–** | — | **47.2** | 0.6 |
| Written back upon disposal of intangible concession rights | **–** | — | **–** | — | **–** | — | **4.6** | 6.5 | **–** | — | **–** | — | **4.6** | 6.5 |
| Transfer from current tax payable | **–** | — | **–** | (483.5) | **–** | — | **–** | — | **–** | — | **–** | — | **–** | (483.5) |
| Credited/(charged) to consolidated income statement | **204.1** | (190.5) | **(120.6)** | (175.0) | **294.9** | 46.7 | **61.3** | 112.7 | **(75.9)** | (72.3) | **(45.1)** | 119.8 | **318.7** | (158.6) |
| Charged to reserves | **–** | — | **(1.9)** | (12.4) | **–** | — | **–** | — | **–** | — | **–** | — | **(1.9)** | (12.4) |
| At end of the year | **(3,058.2)** | (3,322.1) | **(3,420.5)** | (3,401.4) | **(3,643.1)** | (1,134.8) | **(1,377.7)** | (1,492.6) | **(1,174.8)** | (1,133.3) | **(396.0)** | (45.2) | **(13,070.3)** | (10,529.4) |

## 28 DEFERRED TAXATION (CONTINUED)

Deferred tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK$16,938.5 million (2019: HK$16,298.4 million) to carry forward for offsetting against future taxable income. These tax losses have no expiry dates except for the tax losses of HK$4,845.8 million (2019: HK$4,706.6 million) which will expire at various dates up to and including 2025 (2019: 2024).

For the investment properties that are located outside Hong Kong, they are held by certain subsidiaries with a business model to consume substantially all the economic benefits embodied in the investment properties over time, rather than through sale, the presumption is rebutted and related deferred tax continues to be determined based on recovery of use. For the remaining investment properties, the tax consequence is on the presumption that they are recovered entirely by sale.

As at 30 June 2020, the aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures for which deferred tax liabilities have not been recognised totalled approximately HK$13.2 billion (2019: HK$11.8 billion), as the directors consider that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not be reversed in the foreseeable future.

## 29 OTHER NON-CURRENT ASSETS

| | **2020 HK$m** | 2019 HK$m |
|---|---|---|
| Long-term loans and receivables (note) | **8,370.5** | 9,462.1 |
| Long-term prepayments and deposits | **1,241.5** | 2,062.2 |
| Deposits and other prepayments for development projects | **12,969.5** | — |
| Deposits paid for acquisition of a subsidiary (note 50(a)) | **—** | 3,120.0 |
| Policy loans | **478.4** | — |
| Contract assets related to construction services (note 32(d)) | **2,284.8** | — |
| | **25,344.7** | 14,644.3 |

Note:

| | **2020 HK$m** | 2019 HK$m |
|---|---|---|
| Mortgage loans receivables (note (i)) | **8,220.3** | 8,551.4 |
| Mortgage loans receivables within one year included in debtors, prepayments, premium receivables and contract assets | **(210.0)** | (230.2) |
| Other receivables | **360.2** | 1,140.9 |
| | **8,370.5** | 9,462.1 |

(i) Mortgage loans receivables are advances to purchasers of development projects of the Group in Hong Kong and are secured by first or second mortgages on the related properties. The balance included first mortgage loans of HK$7,736.8 million (2019: HK$7,913.1 million).

The mortgage loans receivables are repayable by monthly with various tenors not more than 30 years (2019: not more than 30 years) at the year end date and carrying interest at floating rates.

During the year ended 30 June 2020, the cash inflow in relation to the repayment of mortgage loans receivables by the property purchasers amounted to HK$1,710.2 million (2019: HK$1,010.6 million) and additions to the mortgage loans receivables amounted to HK$1,379.1 million (2019: HK$5,099.8 million).

Management assessed the expected credit loss allowance of mortgage loans receivables, with reference to both historical loss experience and forward-looking information. The Group has not provided any loss allowance for its mortgage loans receivables during the year (2019: nil).

## 30 PROPERTIES UNDER DEVELOPMENT

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Properties under development | | |
| Expected to be completed after 12 months | **22,272.9** | 21,623.5 |
| Expected to be completed within 12 months | **26,384.8** | 12,522.0 |
| | **48,657.7** | 34,145.5 |

At 30 June 2020, the aggregate carrying value of properties under development pledged as securities for the Group's borrowings amounted to HK$6,930.4 million (2019: HK$2,366.8 million).

## 31 INVENTORIES

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Raw materials | **110.2** | 118.1 |
| Finished goods | **574.9** | 687.6 |
| | **685.1** | 805.7 |

## 32 DEBTORS, PREPAYMENTS, PREMIUM RECEIVABLES AND CONTRACT ASSETS

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Trade debtors (note (a)) | **3,102.1** | 2,949.8 |
| Premium receivables | **344.4** | — |
| Retention receivables for contract works | **1,646.5** | 1,624.3 |
| Contract assets (note (d)) | **3,505.6** | 2,095.7 |
| Prepayment for purchase of land and land preparatory costs | **251.3** | 1,054.3 |
| Deposits, prepayments and other debtors (note (f)) | **18,588.7** | 11,078.0 |
| Amounts due from associated companies (note (g)) | **215.1** | 37.7 |
| Amounts due from joint ventures (note (h)) | **7,084.5** | 6,370.9 |
| Amounts due from non-controlling shareholders (note (i)) | **450.7** | 511.3 |
| | **35,188.9** | 25,722.0 |

Notes:

(a) The Group has different credit policies for different business operations depending on the requirements of the markets and businesses in which the subsidiaries operate. They are settled in accordance with the terms of respective contracts.

Aging analysis of trade debtors based on invoice date is as follows:

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Less than 30 days | **2,229.7** | 2,293.5 |
| 31 to 60 days | **252.9** | 103.9 |
| Over 60 days | **619.5** | 552.4 |
| | **3,102.1** | 2,949.8 |

There is no concentration of credit risk with respect to trade debtors as the customer bases are widely dispersed in different sectors and industries.

## 32 DEBTORS, PREPAYMENTS, PREMIUM RECEIVABLES AND CONTRACT ASSETS (CONTINUED)

Notes: (Continued)

(b) Movements on the provision for impairment of trade debtors are as follows:

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| At beginning of the year | **119.3** | 85.1 |
| Translation differences | **(3.7)** | (2.7) |
| Increase in provision recognised in consolidated income statement | **106.3** | 56.9 |
| Amounts recovered | **(6.8)** | (2.4) |
| Amount written off | **(65.6)** | (17.6) |
| Disposal of a subsidiary | **(4.4)** | — |
| At end of the year | **145.1** | 119.3 |

(c) The carrying amounts of the debtors, prepayments, premium receivables and contract assets, which approximate their fair values, are denominated in the following currencies:

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Hong Kong dollar | **16,507.5** | 11,616.1 |
| Renminbi | **9,997.2** | 7,526.9 |
| United States dollar | **8,585.6** | 6,525.3 |
| Others | **98.6** | 53.7 |
| | **35,188.9** | 25,722.0 |

(d) The Group has recognised the following revenue-related contract assets:

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Current: | | |
| Contract acquisition cost related to property sales (note (i)) | **871.9** | 476.6 |
| Contract assets related to construction services (note (ii)) | **2,633.7** | 1,619.1 |
| | **3,505.6** | 2,095.7 |
| Non-current: | | |
| Contract assets related to construction services (note (ii)) | **2,284.8** | — |
| | **5,790.4** | 2,095.7 |

note (i) Contract acquisition cost related to property sales consists of sales commissions incurred directly attributable to obtaining contract.

note (ii) Contract assets related to construction services consist of unbilled amount resulting from construction when the cost-to-cost method of revenue recognised exceeds the amount billed to the customer.

There is no concentration of credit risk with respect to contract assets as the customer bases are widely dispersed in different sectors and industries.

(e) Except for certain collaterals held as securities for other debtors, the Group does not hold other collateral as securities for the debtors and prepayments. The maximum exposure to credit risk at the end of the reporting period is the carrying value mentioned above.

(f) As at 30 June 2020, the balances included construction-related receivables amounted to HK$2,789.2 million (2019: HK$2,901.1 million) which have not yet been billed at year end.

As at 30 June 2020, the balances included an amount of HK$1,136.4 million (2019: nil), which carried interest at 4.75% per annum, is unsecured and due in June 2021.

(g) As at 30 June 2020, the amounts due from associated companies of the Group are interest free, unsecured and repayable on demand.

(h) As at 30 June 2020, the amounts due from joint ventures of the Group are interest free, unsecured and repayable on demand except for an aggregate amount of HK$280.8 million (2019: HK$280.8 million) due from joint ventures which carries interest at London Interbank Offered Rate ("LIBOR") plus a margin of 12.2% (2019: LIBOR plus a margin of 12.2%) per annum.

(i) The balances are interest-free, unsecured and repayable on demand.

## 33 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Non-current | | |
| Equity securities | | |
| Unlisted (note (a)) | **1,131.7** | 1,680.4 |
| Listed | | |
| Hong Kong | **203.7** | 117.1 |
| Overseas | **82.1** | 67.1 |
| Debt securities | | |
| Unlisted (note (a)) | **2,814.6** | 2,900.8 |
| Listed | | |
| Hong Kong | **254.6** | — |
| Overseas | **568.1** | — |
| Investment funds (notes (b) and (c)) | | |
| Unlisted (note (a)) | **4,943.7** | 3,655.5 |
| Listed | | |
| Hong Kong | **261.6** | — |
| Overseas | **3,228.3** | — |
| | **13,488.4** | 8,420.9 |
| Current | | |
| Debt securities | | |
| Unlisted (note (a)) | **833.3** | 818.5 |
| Listed | | |
| Hong Kong | **15.9** | — |
| Overseas | **258.1** | — |
| Investment funds (notes (b) and (c)) | | |
| Unlisted (note (a)) | **29.2** | — |
| Listed | | |
| Hong Kong | **0.4** | — |
| Overseas | **3.6** | — |
| | **1,140.5** | 818.5 |
| | **14,628.9** | 9,239.4 |

Notes:

(a) Unlisted investments are stated at fair values which are estimated using a variety of valuation methods or assessed the reasonableness with reference to market comparables, with the assistance of independent external valuers, when necessary.

(b) As at 30 June 2020, the Group holds certain investment funds with fair value of HK$3,976.5 million (2019: HK$2,856.6 million) which are managed by the general partner while the Group participated in the funds as a limited partner. Management considered that the Group has neither significant influence nor joint control over the fund and therefore it is classified as financial assets at FVPL.

(c) As at 30 June 2020, the Group holds participating shares of an investment fund with fair value of HK$776.7 million (2019: HK$658.4 million). Given all relevant investment decision making power is rested with the management shareholder and investment manager. There is no mechanism in place that allow participating shareholder to participate in investment related decision making. Management considered that the Group has neither significant influence nor joint control over this investment and therefore accounted for this investment as financial assets at FVPL.

## 33 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Notes: (Continued)

(d) As mentioned in note 4(b)(xiii), the Group elected to apply the overlay approach for certain designated eligible financial assets according to HKFRS 4 (Amendment), the financial assets elected by the Group applying the overlay approach are equity securities and investment funds that are managed as underlying assets supporting the insurance contracts issued and those fair values are generally expected to be volatile. The designated eligible financial assets applying the overlay approach, which are included in the financial assets at FVPL, as at 30 June 2020 are analysed below:

| | **2020** **HK$m** | 2019 HK$m |
|---|---|---|
| Equity securities | **97.6** | — |
| Investment funds | **3,922.0** | — |
| | **4,019.6** | — |

During the year, the total amount of overlay approach adjustments reclassified between profit or loss and other comprehensive income was derived from:

| | **2020** **HK$m** | 2019 HK$m |
|---|---|---|
| The amount of losses reported in profit or loss and presented in consolidated income statement within other gains, net under HKFRS 9 for the designated financial assets | **(202.3)** | — |
| Overlay approach adjustments on financial assets in profit or loss | **208.2** | — |
| The amount of gains that would have been reported in profit or loss for the designated financial assets as if HKAS 39 had been applied | **5.9** | — |

(e) Financial assets at FVPL related to unit-linked contracts is detailed in Note 35.

(f) Financial assets at FVPL are denominated in the following currencies:

| | **2020** **HK$m** | 2019 HK$m |
|---|---|---|
| United States dollar | **12,317.4** | 7,415.6 |
| Hong Kong dollar | **1,135.9** | 389.1 |
| Renminbi | **819.9** | 1,370.2 |
| Others | **355.7** | 64.5 |
| | **14,628.9** | 9,239.4 |

## 34 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | **2020 HK$m** | 2019 HK$m |
|---|---|---|
| Non-current | | |
| Equity securities | | |
| Unlisted (note) | **2,302.7** | 2,272.5 |
| Listed | | |
| Hong Kong | **3,188.8** | 2,766.1 |
| Overseas | **49.1** | 0.2 |
| Debt securities | | |
| Unlisted (note) | **3,338.5** | — |
| Listed | | |
| Hong Kong | **5,736.6** | — |
| Overseas | **24,515.5** | — |
| | **39,131.2** | 5,038.8 |
| Current | | |
| Debt securities | | |
| Unlisted (note) | **80.6** | — |
| Listed | | |
| Hong Kong | **262.5** | — |
| Overseas | **185.0** | — |
| | **528.1** | — |
| | **39,659.3** | 5,038.8 |

Note: Unlisted investments are stated at fair values which are estimated using a variety of valuation methods or with reference to market comparables, with the assistance of independent external valuers, when necessary.

Maturity profile of the debt securities is as follows:

| | **2020 HK$m** | 2019 HK$m |
|---|---|---|
| Within one year | **528.1** | — |
| In the second to fifth year | **1,439.4** | — |
| After the fifth year | **32,151.2** | — |
| | **34,118.7** | — |

The financial assets at FVOCI are denominated in the following currencies:

| | **2020 HK$m** | 2019 HK$m |
|---|---|---|
| United States dollar | **32,853.9** | 7.8 |
| Hong Kong dollar | **6,805.3** | 5,030.8 |
| Others | **0.1** | 0.2 |
| | **39,659.3** | 5,038.8 |

## 35 INVESTMENTS/LIABILITIES RELATED TO UNIT-LINKED CONTRACTS

Investments related to unit-linked contracts as analysed as follows:

| | 2020<br>HK$m | 2019<br>HK$m |
|---|---|---|
| Financial assets at FVPL – Investment funds, at fair value | **8,884.2** | — |
| Cash and bank balances | **169.4** | — |
| | **9,053.6** | — |

The classification and measurement of financial assets at FVPL related to unit-linked contracts are in accordance with HKFRS 9.

Liabilities related to unit-linked contracts as analysed as follows:

| | 2020<br>HK$m | 2019<br>HK$m |
|---|---|---|
| Insurance contract liabilities | **666.9** | — |
| Investment contract liabilities | **8,554.9** | — |
| | **9,221.8** | — |
| Represented by | | |
| Non-current liabilities | **168.2** | — |
| Current liabilities | **9,053.6** | — |
| | **9,221.8** | — |

The classification and measurement of insurance contract liabilities and investment contract liabilities related to unit-linked contracts are detailed in notes 4(b)(ii) and 4(b)(iii), respectively.

## 36 CASH AND BANK BALANCES

| | 2020<br>HK$m | 2019<br>HK$m |
|---|---|---|
| Cash at banks and on hand | **36,628.4** | 36,759.8 |
| Bank deposits – unrestricted and maturing within three months | **26,519.5** | 25,575.9 |
| | **63,147.9** | 62,335.7 |
| Bank deposits – unrestricted and maturing after more than three months | **4,143.3** | 1,393.4 |
| Cash and bank balances | **67,291.2** | 63,729.1 |
| Bank deposits – restricted | **144.4** | 2.5 |
| | **67,435.6** | 63,731.6 |

The effective interest rates on bank deposits range from 0.01% to 4.45% (2019: 0.02% to 4.40%) per annum and these deposits have maturities ranging from 1 to 366 days (2019: 1 to 360 days).

## 36 CASH AND BANK BALANCES (CONTINUED)

The carrying amounts of the cash and bank balances and restricted bank balances are denominated in the following currencies:

| | **2020 HK$m** | 2019 HK$m |
|---|---|---|
| Renminbi | **30,754.3** | 28,215.8 |
| United States dollar | **20,834.6** | 24,475.7 |
| Hong Kong dollar | **15,448.2** | 10,699.6 |
| Others | **398.5** | 340.5 |
| | **67,435.6** | 63,731.6 |

The conversion of Renminbi denominated balances into foreign currencies and the remittance of foreign currencies denominated bank balances and cash out of the Mainland China are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

## 37 NON-CURRENT ASSETS CLASSIFIED AS ASSETS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS CLASSIFIED AS ASSETS HELD FOR SALE

### Non-current assets classified as assets held for sale

| | **2020 HK$m** | 2019 HK$m |
|---|---|---|
| Properties for/under development and other assets classified as held for sale | **1,745.4** | 1,804.9 |
| Interests in associated companies | **112.2** | — |
| | **1,857.6** | 1,804.9 |

### Liabilities directly associated with non-current assets classified as assets held for sale

| | **2020 HK$m** | 2019 HK$m |
|---|---|---|
| Liabilities classified as held for sale | **(8.1)** | (8.4) |

## 38 SHARE CAPITAL

| | 2020 Number of shares (million) | 2020 HK$m | 2019 Number of shares (million) | 2019 HK$m |
|---|---|---|---|---|
| **Issued and fully paid (note (c)):** | | | | |
| At beginning of the year | **10,222.8** | **77,875.3** | 10,214.1 | 77,525.9 |
| Buyback of shares (note (a)) | **(72.1)** | **—** | (29.7) | — |
| Issue of new shares upon exercise of share options | **45.8** | **350.4** | 38.4 | 349.4 |
| Share Consolidation (note (b)) | **(7,647.4)** | **—** | — | — |
| At end of the year | **2,549.1** | **78,225.7** | 10,222.8 | 77,875.3 |

Notes:

(a) Buyback of shares

During the year ended 30 June 2020, the Company bought back and cancelled a total of 72,089,000 (before Share Consolidation) (2019: 29,758,000) shares at an aggregate consideration of HK$612,671,700 (2019: HK$321,014,880) (before expenses) on the Stock Exchange at share price ranging from HK$7.46 to HK$10.42 (2019: from HK$9.82 to HK$12.00).

During the year ended 30 June 2020, the Company bought back its shares through the Hong Kong Stock Exchange as follows:

| Month | Number of shares bought back (before Share Consolidation) | Price paid per share Highest HK$ | Price paid per share Lowest HK$ | Aggregate consideration (excluding expenses) HK$m |
|---|---|---|---|---|
| December 2019 | 4,000,000 | 10.42 | 10.16 | 41.1 |
| March 2020 | 42,767,000 | 9.50 | 7.46 | 354.9 |
| April 2020 | 25,322,000 | 9.10 | 8.22 | 216.7 |
| | 72,089,000 | | | 612.7 |

(b) On 23 June 2020, every four issued shares of the Company were consolidated into one Consolidated Share and the number of Consolidated Shares was rounded down to the nearest whole number by disregarding each and every fractional Consolidated Share which would otherwise arise.

(c) The shares have no par value.

## 39 PERPETUAL CAPITAL SECURITIES

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Issued by a wholly owned subsidiary of the Company (the "NWD Issuer") | | |
| US$1,200.0 million 5.75% guaranteed senior perpetual securities issued in 2016 | **9,490.1** | 9,488.2 |
| US$1,300.0 million 6.25% guaranteed senior perpetual securities issued in 2019 (As of 30 June 2019: US$500.0 million) | **10,431.6** | 3,977.5 |
| US$850.0 million 5.25% guaranteed senior perpetual securities issued in 2020 | **6,641.8** | — |
| | **26,563.5** | 13,465.7 |
| Issued by a wholly owned subsidiary of NWSH (the "NWSH Issuer") | | |
| US$1,300.0 million 5.75% guaranteed senior perpetual securities issued in 2019 (As of 30 June 2019: US$1,000.0 million) | **10,528.5** | 8,039.8 |
| | **37,092.0** | 21,505.5 |

In March 2019, the NWD Issuer issued US$500.0 million 6.25% guaranteed senior perpetual capital securities with the aggregate net proceeds after transaction cost of HK$3,857.5 million. In July and November 2019, the NWD Issuer further issued US$400.0 million and US$400.0 million 6.25% guaranteed senior perpetual capital securities respectively, with the aggregate net proceeds after transaction cost of HK$6,271.2 million, which were consolidated and formed a single series with the original issue in March 2019.

In June 2020, the NWD Issuer issued US$850.0 million 5.25% guaranteed senior perpetual capital securities with the aggregate net proceeds after transaction cost of HK$6,597.2 million.

In January 2019, the NWSH Issuer issued US$1.0 billion 5.75% guaranteed senior perpetual capital securities of which US$800.0 million was issued at 100% and US$200.0 million were issued at 100.4%, with the aggregate net proceeds after transaction cost of HK$7,776.9 million. In July 2019, the NWSH Issuer further issued US$300.0 million 5.75% guaranteed senior perpetual capital securities at 104% with the aggregate net proceeds after transaction cost of HK$2,411.7 million, which was consolidated and formed a single series with the original issue in January 2019.

The perpetual capital securities issued by the NWD Issuer and the NWSH Issuer (together the "Issuers") are listed on the Stock Exchange and guaranteed by the Company and NWSH respectively. There is no maturity of the securities and the payments of distribution can be deferred at the discretion of the Issuers, and there is no limit as to the number of times of deferral of distribution. The perpetual capital securities are callable. When the Company or NWSH elects to declare dividends to their respective ordinary shareholders, the Issuers shall make distribution to the holders of perpetual capital securities at the distribution rate as defined in the subscription agreements.

## 40 NON-CONTROLLING INTERESTS

The total non-controlling interests as at 30 June 2020 is HK$29,629.8 million (2019: HK$29,994.5 million), of which HK$18,662.6 million (2019: HK$19,229.4 million) is attributable to NWSH. The total comprehensive income attributable to non-controlling interests for the year ended 30 June 2020 is HK$81.6 million (2019: HK$1,290.3 million), of which HK$127.3 million (2019: HK$704.1 million) is attributable to NWSH. The non-controlling interests in respect of other subsidiaries are not material to the Group.

Set out below is the summarised financial information for NWSH which is a subsidiary with material non-controlling interest to the Group.

## 40 NON-CONTROLLING INTERESTS (CONTINUED)

Summarised consolidated statement of financial position of NWSH as at 30 June 2020 and 2019 are as follows:

| | **2020 HK$m** | 2019 HK$m |
|---|---|---|
| Non-current assets | **110,226.3** | 56,579.8 |
| Current assets | **39,713.5** | 29,485.2 |
| Assets held for sale | **112.2** | — |
| Total assets | **150,052.0** | 86,065.0 |
| Current liabilities | **(46,888.6)** | (13,729.1) |
| Non-current liabilities | **(45,705.7)** | (15,089.3) |
| Net assets | **57,457.7** | 57,246.6 |
| Perpetual capital securities | **(10,528.5)** | (8,039.8) |
| Non-controlling interests | **(562.2)** | (160.8) |
| Net assets after perpetual capital securities and non-controlling interests | **46,367.0** | 49,046.0 |

Summarised consolidated statement of comprehensive income of NWSH for the year ended 30 June 2020 and 2019 are as follows:

| | **2020 HK$m** | 2019 HK$m |
|---|---|---|
| Revenues | **25,920.5** | 26,833.5 |
| Profit before taxation | **1,285.1** | 4,910.5 |
| Taxation | **(457.6)** | (651.8) |
| Profit for the year | **827.5** | 4,258.7 |
| Other comprehensive loss for the year | **(543.4)** | (2,465.7) |
| | **284.1** | 1,793.0 |
| Total comprehensive income attributable to: | | |
| — Holders of perpetual capital securities | **(581.9)** | (186.9) |
| — Non-controlling interests | **16.1** | (23.4) |
| Total comprehensive (loss)/income after holders of perpetual capital securities and non-controlling interests | **(281.7)** | 1,582.7 |
| Dividends paid to non-controlling interests | **35.2** | 36.4 |

Summarised consolidated statement of cash flows of NWSH for the year ended 30 June 2020 and 2019 are as follows:

| | **2020 HK$m** | 2019 HK$m |
|---|---|---|
| Net cash (used in)/from operation activities | **(228.7)** | 2,116.7 |
| Net cash used in investing activities | **(13,388.7)** | (3,515.6) |
| Net cash from financing activities | **12,059.2** | 9,871.4 |
| Net (decrease)/increase in cash and cash equivalents | **(1,558.2)** | 8,472.5 |
| Translation differences | **(119.6)** | (70.3) |
| Cash and cash equivalents at beginning of the year | **15,045.4** | 6,643.2 |
| Cash and cash equivalents at end of the year | **13,367.6** | 15,045.4 |

The information above represents balances before inter-company eliminations, reclassification of assets and remeasurement of assets on group level.

## 41 RESERVES

| | Property revaluation reserve HK$m | Financial assets at FVOCI reserve (non-recycling) HK$m | Financial assets at FVOCI reserve (recycling) HK$m | General reserve HK$m | Employees' share-based compensation reserve HK$m | Exchange reserve HK$m | Retained profits HK$m | Total HK$m |
|---|---|---|---|---|---|---|---|---|
| At 30 June 2019 | 7,588.5 | 1,320.7 | – | 417.0 | 281.6 | (348.6) | 136,730.0 | 145,989.2 |
| Adjustment on changes in accounting policies (note 4(a)) | – | – | – | – | – | – | (1,832.3) | (1,832.3) |
| Restated balance as at 1 July 2019 | 7,588.5 | 1,320.7 | – | 417.0 | 281.6 | (348.6) | 134,897.7 | 144,156.9 |
| Fair value changes of equity instruments as financial assets at FVOCI | – | (713.0) | – | – | – | – | – | (713.0) |
| Net fair value changes and other net movements of debt instruments as financial assets at FVOCI | – | – | 1,032.3 | – | – | – | – | 1,032.3 |
| Employees' share-based payments | – | – | – | – | 29.8 | – | – | 29.8 |
| Share options lapsed | – | – | – | – | (177.9) | – | 177.9 | – |
| Acquisition of additional interest in a subsidiary | – | – | – | (0.9) | – | – | – | (0.9) |
| Disposal of a subsidiary | – | – | – | – | – | – | 43.4 | 43.4 |
| Deemed disposal of interest in a subsidiary | – | – | – | – | – | – | 1.1 | 1.1 |
| Release of reserves upon disposal of subsidiaries | – | (1.1) | – | 16.2 | – | (6.9) | – | 8.2 |
| Release of reserves upon disposal of interests in joint ventures and associated companies | – | – | – | (5.2) | – | (3.0) | – | (8.2) |
| Profit attributable to shareholders | – | – | – | – | – | – | 1,096.2 | 1,096.2 |
| Share of other comprehensive income of joint ventures and associated companies | – | (7.6) | – | (187.9) | – | (842.1) | (13.1) | (1,050.7) |
| Cash flow/fair value hedges | – | – | – | (24.3) | – | – | – | (24.3) |
| Remeasurement of post-employment benefit obligation | – | – | – | – | – | – | 19.5 | 19.5 |
| Transfer of reserves | – | – | – | 94.7 | – | – | (94.7) | – |
| Revaluation of investment properties upon reclassification from property, plant and equipment and right-of-use assets, net of taxation | 8.1 | – | – | – | – | – | – | 8.1 |
| Amount reported in other comprehensive income applying overlay approach adjustments on financial assets | – | – | (126.7) | – | – | – | – | (126.7) |
| Release of reserve upon disposal of equity instruments as financial assets at FVOCI | – | 666.1 | – | – | – | – | (666.1) | – |
| Release of reserve upon disposal of debt instruments as financial assets at FVOCI | – | – | (185.4) | – | – | – | – | (185.4) |
| Transaction costs in relation to the issuance of perpetual capital securities | – | – | – | – | – | – | (110.8) | (110.8) |
| Translation differences | – | – | – | – | – | (3,546.6) | – | (3,546.6) |
| 2019 final dividend paid | – | – | – | – | – | – | (3,785.2) | (3,785.2) |
| 2020 interim dividend paid | – | – | – | – | – | – | (1,431.3) | (1,431.3) |
| Buyback of shares | – | – | – | – | – | – | (614.8) | (614.8) |
| At 30 June 2020 | 7,596.6 | 1,265.1 | 720.2 | 309.6 | 133.5 | (4,747.2) | 129,519.8 | 134,797.6 |

## 41 RESERVES (CONTINUED)

| | Property revaluation reserve HK$m | Investment revaluation reserve HK$m | Financial assets at FVOCI reserve (non-recycling) HK$m | General reserve HK$m | Employees' share-based compensation reserve HK$m | Exchange reserve HK$m | Retained profits HK$m | Total HK$m |
|---|---|---|---|---|---|---|---|---|
| As at 30 June 2018 | 7,556.8 | 1,468.1 | — | 1,068.6 | 270.3 | 4,774.3 | 123,585.9 | 138,724.0 |
| Adjustment on adoption of HKFRS 9 | — | (1,468.1) | 922.5 | — | — | — | 678.7 | 133.1 |
| Restated balance as at 1 July 2018 | 7,556.8 | — | 922.5 | 1,068.6 | 270.3 | 4,774.3 | 124,264.6 | 138,857.1 |
| Fair value changes of equity instruments as financial assets at FVOCI | — | — | (26.7) | — | — | — | — | (26.7) |
| Employees' share-based payments | — | — | — | — | 67.0 | — | — | 67.0 |
| Share options lapsed | — | — | — | — | (55.7) | — | 55.7 | — |
| Deemed disposal of interests in subsidiaries | — | — | — | (0.2) | — | — | 12.6 | 12.4 |
| Acquisition of additional interests in subsidiaries | — | — | — | — | — | — | (2.6) | (2.6) |
| Release of reserves upon disposal of interests in associated companies | — | — | — | (25.5) | — | (8.9) | — | (34.4) |
| Release of reserve upon disposal of subsidiaries | — | — | — | — | — | 0.1 | — | 0.1 |
| Reversal of reserve upon deregistration of subsidiaries | — | — | — | — | — | (8.9) | — | (8.9) |
| Profit attributable to shareholders | — | — | — | — | — | — | 18,160.1 | 18,160.1 |
| Share of other comprehensive income of joint ventures and associated companies | — | — | 19.6 | 71.7 | — | (751.9) | (2.9) | (663.5) |
| Cash flow hedges | — | — | — | (705.4) | — | — | — | (705.4) |
| Remeasurement of post-employment benefit obligation | — | — | — | — | — | — | (5.1) | (5.1) |
| Transfer of reserves | — | — | — | 7.8 | — | — | (7.8) | — |
| Revaluation of investment properties upon reclassification from property, plant and equipment and land use rights, net of taxation | 31.7 | — | — | — | — | — | — | 31.7 |
| Release of reserve upon disposal of equity instruments as financial assets at FVOCI | — | — | 405.3 | — | — | — | (405.3) | — |
| Transaction costs in relation to the issuance of perpetual capital securities | — | — | — | — | — | — | (118.5) | (118.5) |
| Translation differences | — | — | — | — | — | (4,353.3) | — | (4,353.3) |
| 2018 final dividend paid | — | — | — | — | — | — | (3,468.6) | (3,468.6) |
| 2019 interim dividend paid | — | — | — | — | — | — | (1,430.1) | (1,430.1) |
| Buyback of shares | — | — | — | — | — | — | (322.1) | (322.1) |
| At 30 June 2019 | 7,588.5 | — | 1,320.7 | 417.0 | 281.6 | (348.6) | 136,730.0 | 145,989.2 |

Note:

Effect on net transfer to the non-controlling interests of the Group:

| | **2020 HK$m** | 2019 HK$m |
|---|---|---|
| Total comprehensive income for the year attributable to the shareholders of the Company | **(3,490.6)** | 12,394.6 |
| Transfer between shareholders' funds and non-controlling interests | | |
| Acquisition of additional interests in subsidiaries | **(0.9)** | (2.6) |
| Deemed disposal of interests in subsidiaries | **1.1** | 12.4 |
| Net transfer to the non-controlling interests | **0.2** | 9.8 |
| Total comprehensive income for the year attributable to the shareholders of the Company and net transfer to the non-controlling interests | **(3,490.4)** | 12,404.4 |

## 42 BORROWINGS AND OTHER INTEREST-BEARING LIABILITIES

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Long-term borrowings and other interest-bearing liabilities | | |
| Secured bank loans | **20,646.3** | 16,782.9 |
| Unsecured bank loans | **94,141.0** | 71,573.4 |
| Other unsecured loans | **0.2** | 1,250.4 |
| Fixed rate bonds and notes payable | **51,473.1** | 47,436.1 |
| Loans from non-controlling shareholders (note (b)) | **4,712.2** | 3,437.0 |
| Financing received under a financial reinsurance arrangement (note (c)) | **249.6** | — |
| | **171,222.4** | 140,479.8 |
| Current portion of long-term borrowings and other interest-bearing liabilities | **(36,434.5)** | (25,921.2) |
| | **134,787.9** | 114,558.6 |
| Short-term borrowings and other interest-bearing liabilities | | |
| Secured bank loans | **998.1** | 1,157.6 |
| Unsecured bank loans | **16,630.5** | 13,814.2 |
| Other unsecured loans | **5.0** | 5.0 |
| Loans from non-controlling shareholders (note (b)) | **835.8** | 878.0 |
| Financing received under a financial reinsurance arrangement (note (c)) | **115.2** | — |
| Cash collateral received for cross currency swap and forward starting interest rate swap contracts (note 27(b)) | **1,582.0** | — |
| | **20,166.6** | 15,854.8 |
| Current portion of long-term borrowings and other interest-bearing liabilities | **36,434.5** | 25,921.2 |
| | **56,601.1** | 41,776.0 |
| Total borrowings and other interest-bearing liabilities | **191,389.0** | 156,334.6 |

Notes:

(a) Bank loans, other loans and fixed rate bonds and notes payable are repayable as follows:

| | Bank loans | | Other loans | | Fixed rate bonds and notes payable | |
|---|---|---|---|---|---|---|
| | **2020 HK$m** | 2019 HK$m | **2020 HK$m** | 2019 HK$m | **2020 HK$m** | 2019 HK$m |
| Within one year | **48,272.1** | 29,349.4 | **5.1** | 1,255.1 | **5,790.9** | 10,293.5 |
| In the second year | **14,566.8** | 37,197.3 | **0.1** | 0.1 | **2,008.6** | 5,809.1 |
| In the third to fifth year | **63,211.3** | 33,573.2 | **—** | 0.2 | **18,273.9** | 18,243.4 |
| After the fifth year | **6,365.7** | 3,208.2 | **—** | — | **25,399.7** | 13,090.1 |
| | **132,415.9** | 103,328.1 | **5.2** | 1,255.4 | **51,473.1** | 47,436.1 |

## 42 BORROWINGS AND OTHER INTEREST-BEARING LIABILITIES (CONTINUED)

Notes: (Continued)

(b) Loans from non-controlling shareholders

Except for the loans of HK$2,985.5 million (2019: HK$3,009.7 million), that are interest bearing at 2.9% to 6.5% (2019: 2.0% to 6.5%) per annum, the remaining loans are interest free. All the loans from non-controlling shareholders are unsecured. An amount of HK$4,712.2 million (2019: HK$3,437.0 million) is not repayable within the next 12 months and the remaining balances have no specific repayment term.

(c) The Group had a financial reinsurance arrangement with a reinsurer. Under the financial reinsurance arrangement, the Group had received an up-front fee of US$103 million at a finance cost of 90-day HIBOR plus 2.975%. The fair value of the financing approximately equals to the corresponding carrying value.

(d) Effective interest rates

| | **2020** | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Hong Kong dollar** | **Renminbi** | **United States dollar** | **Others** | Hong Kong dollar | Renminbi | United States dollar | Others |
| Bank loans | **2.5%** | **4.5%** | **3.1%** | **2.3%** | 2.7% | 4.9% | 3.8% | 2.2% |
| Fixed rate bonds and notes payable | **5.0%** | **—** | **4.6%** | **—** | 5.0% | — | 5.2% | — |
| Loans from non-controlling shareholders | **2.9%** | **6.5%** | **—** | **—** | 2.0% | 6.5% | — | — |
| Other unsecured loans | **3.0%** | **—** | **—** | **—** | 2.8% | 6.0% | — | — |

(e) Carrying amounts and fair values of the borrowings and other interest-bearing liabilities

The fair value of the fixed rate bonds and notes payable at the end of the reporting period is HK$53,208.5 million (2019: HK$49,504.9 million). The carrying amounts of other borrowings approximate their fair values.

(f) Currencies

The carrying amounts of the borrowings and other interest-bearing liabilities are denominated in the following currencies:

| | **2020 HK$m** | 2019 HK$m |
|---|---|---|
| Hong Kong dollar | **134,978.4** | 109,854.4 |
| United States dollar | **41,297.9** | 35,914.8 |
| Renminbi | **14,943.6** | 10,449.1 |
| Others | **169.1** | 116.3 |
| | **191,389.0** | 156,334.6 |

(g) The contractual repricing dates or maturity dates (whichever is earlier) of the interest-bearing borrowings are as follows:

| | **Bank loans HK$m** | **Other loans HK$m** | **Fixed rate bonds and notes payable HK$m** | **Loans from non-controlling shareholders HK$m** | **Total HK$m** |
|---|---|---|---|---|---|
| **2020** | | | | | |
| Within five years | **126,050.2** | **5.2** | **26,073.4** | **2,985.5** | **155,114.3** |
| After the fifth year | **6,365.7** | **—** | **25,399.7** | **—** | **31,765.4** |
| | **132,415.9** | **5.2** | **51,473.1** | **2,985.5** | **186,879.7** |
| **2019** | | | | | |
| Within five years | 100,119.9 | 1,255.4 | 34,346.0 | 3,009.7 | 138,731.0 |
| After the fifth year | 3,208.2 | — | 13,090.1 | — | 16,298.3 |
| | 103,328.1 | 1,255.4 | 47,436.1 | 3,009.7 | 155,029.3 |

(h) As at 30 June 2020, save as disclosed in notes 17, 18, 19, 20 and 30, the Group has aggregate net book value of properties for development pledged as securities for borrowings amounted to HK$204.6 million (2019: nil).

## 43 LEASE LIABILITIES

The maturity of lease liabilities is as follows:

| | 2020 HK$m |
|---|---|
| Current | |
| Within 1 year | **1,227.9** |
| Non-current | |
| In the second to fifth year | **3,614.6** |
| After the fifth year | **2,144.8** |
| | **5,759.4** |
| | **6,987.3** |

As at 30 June 2020, the weighted average lessee's incremental borrowing rates applied was 4.49%.

As at 30 June 2020, the balance included the lease liabilities payable to joint ventures and related companies of HK$288.5 million.

## 44 INSURANCE AND INVESTMENT CONTRACT LIABILITIES

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Insurance contract liabilities (notes (a) and (b)) | **34,894.7** | — |
| Investment contract liabilities | **5.4** | — |
| | **34,900.1** | — |
| Represented by: | | |
| Non-current liabilities | **14,454.8** | — |
| Current liabilities | **20,445.3** | — |
| | **34,900.1** | — |

Insurance and investment contract liabilities related to unit-linked contracts are detailed in Note 35.

Notes:

(a) The maturity profile of insurance contract liabilities based on estimated amounts on a discounted basis and the timing of cash flows is stated as below:

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Payable within one year | **3,200.5** | — |
| Payable after one year | **31,694.2** | — |
| | **34,894.7** | — |

(b) Insurance contract liabilities comprised:

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Liabilities for guaranteed benefits | **31,246.0** | — |
| Liabilities for coinsurance payments | **244.7** | — |
| Provision for annual dividends | **69.7** | — |
| Insurance contract liabilities excluding policyholders' dividends and bonuses (note 5(g)) | **31,560.4** | — |
| Policyholders' dividends and bonuses | **3,334.3** | — |
| Total insurance contract liabilities | **34,894.7** | — |

## 44 INSURANCE AND INVESTMENT CONTRACT LIABILITIES (CONTINUED)

Notes: (Continued)

(b) Insurance contract liabilities (Continued)

Movements in the relevant insurance contract liabilities/reinsurers' share of liabilities are as follows:

| | Insurance contract liabilities HK$m | Coinsurnace liabilities HK$m | Insurance contract liabilities excluding policyholders' dividends and bonuses HK$m | Reinsurers' share of liabilities HK$m | Net liabilities excluding policyholders' dividends and bonuses HK$m |
|---|---|---|---|---|---|
| At 1 July 2019 | — | — | — | — | — |
| Acquisition of a subsidiary | 28,099.3 | 245.6 | 28,344.9 | (107.0) | 28,237.9 |
| Premiums received | 4,119.9 | (33.8) | 4,086.1 | (168.9) | 3,917.2 |
| Liabilities incurred for death, surrender and maturity | (1,507.5) | 19.8 | (1,487.7) | 153.1 | (1,334.6) |
| Benefit and claim experience variations | 188.1 | 0.2 | 188.3 | 98.7 | 287.0 |
| Investment income variations | (334.4) | 5.2 | (329.2) | — | (329.2) |
| Investment income | 880.2 | — | 880.2 | (1.0) | 879.2 |
| Financing cost for coinsurance | — | 7.7 | 7.7 | — | 7.7 |
| Adjustment due to change in reserve assumptions | 112.3 | — | 112.3 | — | 112.3 |
| Translation differences | (242.2) | — | (242.2) | 0.7 | (241.5) |
| At 30 June 2020 | 31,315.7 | 244.7 | 31,560.4 | (24.4) | 31,536.0 |

Investment income and investment income variations mainly correspond to the investment income on the assets backing the insurance contract liabilities and variations of such investment income against the interest accretion on the insurance contract liabilities, respectively.

## 45 OTHER NON-CURRENT LIABILITIES

| | **2020 HK$m** | 2019 HK$m |
|---|---|---|
| Deferred income | **70.3** | 117.5 |
| Provision for long service payments | **50.4** | 54.2 |
| Long-term accounts payable | **61.4** | 1,020.0 |
| | **182.1** | 1,191.7 |

## 46 CREDITORS, ACCRUED CHARGES, PAYABLES TO POLICYHOLDERS AND CONTRACT LIABILITIES

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Trade creditors (note (a)) | **10,597.8** | 11,127.4 |
| Payables to policyholders (note (b)) | **1,468.8** | — |
| Contract liabilities (note (c)) | **13,532.7** | 10,553.3 |
| Amounts due to joint ventures (note (f)) | **570.1** | 1,670.0 |
| Amounts due to associated companies (note (f)) | **3,620.8** | 2,181.7 |
| Other creditors and accrued charges | **24,311.0** | 23,220.6 |
| | **54,101.2** | 48,753.0 |

Notes:

(a) Aging analysis of trade creditors based on invoice date is as follows:

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Less than 30 days | **6,079.1** | 6,331.8 |
| 31 to 60 days | **201.1** | 403.5 |
| Over 60 days | **4,317.6** | 4,392.1 |
| | **10,597.8** | 11,127.4 |

(b) Payables to policyholders are as follows:

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Claims payable | **254.1** | — |
| Premium deposits | **1,094.1** | — |
| Other payables | **120.6** | — |
| | **1,468.8** | — |

The carrying amounts disclosed above reasonably approximate their fair values as at 30 June 2020.

Claims payable represents provision for claims reported by policyholders and claims incurred but not reported, while premium deposits represent amounts left in deposits with the Group for the payment of future premiums. Both balances are expected to be settled or utilised within the next 12 months from the end of the reporting period.

(c) The Group has recognised the following revenue-related contract liabilities:

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Contract liabilities related to property sales (note) | **11,636.8** | 8,823.1 |
| Contract liabilities related to construction services (note) | **1,390.4** | 1,380.6 |
| Contract liabilities related to other operations | **505.5** | 349.6 |
| | **13,532.7** | 10,553.3 |

Note:

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties and construction services.

## 46 CREDITORS, ACCRUED CHARGES, PAYABLES TO POLICYHOLDERS AND CONTRACT LIABILITIES (CONTINUED)

Notes: (continued)

(d) The following table shows the amount of the revenue recognised in the current reporting period relates to contract liabilities at the beginning of the year and the amount relates to performance obligations that were satisfied in prior year.

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| *Revenue recognised that was included in contract liabilities at the beginning of the year* | | |
| — Property sales | **8,762.4** | 22,326.3 |
| — Construction services | **1,064.5** | 2,791.6 |
| — Other operations | **182.9** | 204.1 |
| | **10,009.8** | 25,322.0 |
| Revenue recognised from performance obligations satisfied/partially satisfied in previous periods | | |
| — Construction services | **272.2** | 900.0 |

(e) The following table shows the amount of unsatisfied performance obligations resulting from property sales, construction services and other operations for contracts with an original expected duration of one year or more:

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Expected to be recognised within one year | **38,302.2** | 32,223.8 |
| Expected to be recognised after one year | **20,560.3** | 25,366.8 |
| | **58,862.5** | 57,590.6 |

For all other contracts with an original expected duration of one year or less or are billed based on time incurred, as permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(f) The amounts payable are interest free, unsecured and have no fixed terms of repayment.

(g) The carrying amounts of creditors, accrued charges, payable to policyholders and contract liabilities, which approximate their fair values, are denominated in the following currencies:

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Renminbi | **28,059.6** | 26,905.3 |
| Hong Kong dollar | **24,161.4** | 21,225.9 |
| United States dollars | **1,640.2** | 328.1 |
| Others | **240.0** | 293.7 |
| | **54,101.2** | 48,753.0 |

## 47 FINANCIAL INSTRUMENTS BY CATEGORY

In accordance with HKFRS 7, the financial assets and financial liabilities of the Group as shown in the consolidated statements of financial position are classified as follows:

(a) Financial assets measured at fair value are disclosed in Note 5(h);

(b) Amounts receivable included in interests in joint ventures and interests in associated companies, other receivables, long-term deposits, policy loans and contract assets included in other non-current assets, trade and other debtors, contracted assets, deposits and amounts due from associated companies, joint ventures and non-controlling shareholders included in debtors, prepayments, premium receivable and contract assets, restricted bank balances and cash and bank balances are categorised as financial assets at amortised cost and carried at amortised cost using the effective interest method; and

(c) Borrowings and other interest-bearing liabilities, lease liabilities, trade and other creditors and contract liabilities are categorised as financial liabilities and carried at amortised cost using the effective interest method.

## 48 COMMITMENTS

### (a) Operating lease receivable

The future minimum rental receivable under non-cancellable operating leases are as follows:

| | **2020 HK$m** | 2019 HK$m |
|---|---|---|
| In the first year | **3,247.5** | 3,011.8 |
| In the second to fifth year | **4,723.4** | 4,889.1 |
| After the fifth year | **1,485.0** | 1,455.2 |
| | **9,455.9** | 9,356.1 |

The Group's operating leases are for terms ranging from 1 to 12 years (2019: 1 to 20 years).

### (b) Other commitments

(i) Capital expenditure contracted for at the end of the year but not yet provided for is as follows:

| | **2020 HK$m** | 2019 HK$m |
|---|---|---|
| Contracted but not provided for | | |
| Property, plant and equipment | **428.3** | 977.3 |
| Acquisition of a subsidiary (note 50(a)) | **—** | 18,380.0 |
| Investment properties | **934.9** | 2,803.5 |
| Intangible concession rights | **3.3** | 62.4 |
| Joint ventures and associated companies | **1,065.6** | 958.1 |
| Other investments | **1,405.1** | 1,207.0 |
| | **3,837.2** | 24,388.3 |

The Group's share of capital commitments of the joint ventures not included above are as follows:

| | **2020 HK$m** | 2019 HK$m |
|---|---|---|
| Contracted but not provided for | **11,676.2** | 11,127.6 |

(ii) Future aggregate lease payments under non-cancellable operating leases are as follows:

| | **2020 HK$m** | 2019 HK$m |
|---|---|---|
| Land and buildings | | |
| In the first year | **10.4** | 1,087.0 |
| In the second to fifth year | **—** | 2,789.3 |
| After the fifth year | **—** | 1,879.0 |
| | **10.4** | 5,755.3 |

As at 30 June 2019, the Group leased various retail outlets under non-cancellable operating lease agreements. The leases had varying terms ranging from 1 to 30 years. Certain of these leases had escalation clauses and renewal rights.

From 1 July 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases. The commitments as at 30 June 2020 represented the future aggregate lease payments under short-term leases or committed but not commenced leases. Please refer to note 4(a) for the changes in accounting policies.

## 49 FINANCIAL GUARANTEE AND CONTINGENT LIABILITIES

| | **2020**<br>**HK$m** | 2019<br>HK$m |
|---|---|---|
| Financial guarantee contracts: | | |
| Mortgage facilities for certain purchasers of properties | **4,518.9** | 5,475.3 |
| Guarantees for credit facilities granted to | | |
| Joint ventures | **5,274.4** | 5,340.9 |
| Associated companies | **1,662.9** | 1,567.6 |
| | **11,456.2** | 12,383.8 |

## 50 BUSINESS COMBINATION

During the year, the Group completed two major business combination activities with details below.

### (a) Acquisition of FTLife Insurance

In December 2018, Earning Star Limited, an indirect wholly owned subsidiary of NWSH, entered into a share purchase agreement to acquire the entire issued share capital of FTLife Insurance at a total consideration of HK$21,812.2 million (after adjustments) of which deposits in an aggregate amount of HK$3,120.0 million were paid during the financial year ended 30 June 2019. FTLife Insurance is a life insurance company operating in Hong Kong providing a broad range of protection and savings-related life and medical insurance products. This acquisition was completed on 1 November 2019 and FTLife Insurance became an indirect wholly owned subsidiary of NWSH since then.

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

| | HK$m |
|---|---|
| Consideration (after adjustment) | |
| Cash | 18,692.2 |
| Deposits paid in last year | 3,120.0 |
| | 21,812.2 |

## 50 BUSINESS COMBINATION (CONTINUED)

### (a) Acquisition of FTLife Insurance (continued)

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

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

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

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

For the purpose of disclosing the revenue and results of the combined entity for the current reporting period if the acquisition occurred at the beginning of the current reporting period, it is considered impracticable to quantify the impact as the valuation of certain balances including insurance contract liabilities and VOBA is based on assumptions made on the acquisition date which are not applicable to that of the beginning of the current reporting period. As a result, the information is considered not being a fair indicator to illustrate the full period financial impact of FTLife Insurance could have been contributed to the Group.

Up to 30 June 2020, acquisition-related costs of HK$194.1 million was incurred, in which HK$45.3 million are recognised as administrative and other operating expenses in the consolidated income statement for the current year and the remaining HK$148.8 million was recognised in the year ended 30 June 2019.

## 50 BUSINESS COMBINATION (CONTINUED)

### (b) Acquisition of additional interests in Silvery Yield Development Limited

In July 2019, the Group completed the acquisition of remaining 51% equity interest of Silvery Yield Development Limited ("Silvery Yield"), for a consideration of RMB4,010.0 million (equivalent to approximately HK$4,556.8 million). As a result, Silvery Yield became an indirect wholly owned subsidiary of the Group. Details of consideration paid and the fair value of the assets acquired and liabilities assumed at the acquisition date are as follows:

| | HK$m |
|---|---|
| Cash consideration paid | 4,556.8 |
| Fair value of equity interest held in Silvery Yield before the business combination | 4,148.9 |
| | 8,705.7 |

#### Recognised amounts of identifiable assets acquired and liabilities assumed

| | HK$m |
|---|---|
| Property, plant and equipment | 0.5 |
| Properties for development | 1,087.1 |
| Deferred tax assets | 342.6 |
| Properties under development | 11,867.4 |
| Debtors, prepayments, premium receivables and contract assets | 1,248.3 |
| Cash and bank balances | 4,304.1 |
| Creditors, accrued charges, payables to policyholders and contract liabilities | (5,874.2) |
| Borrowings and other interest-bearing liabilities | (1,664.1) |
| Current tax payable | (0.3) |
| Deferred tax liabilities | (2,844.3) |
| Identifiable assets acquired and liabilities assumed | 8,467.1 |
| Goodwill on acquisition | 238.6 |
| | 8,705.7 |

| | |
|---|---|
| Purchase consideration settled in cash during the year | 4,556.8 |
| Less: cash and cash equivalents of the subsidiaries acquired | (4,304.1) |
| Net cash outflow on acquisition during the year | 252.7 |

Since the date of acquisition, Silvery Yield Development Limited had contributed revenue and net profit of approximately HK$275.6 million and HK$109.5 million respectively. If the acquisition had occurred on 1 July 2019, the Group's revenue and profit for the year would have increased by approximately HK$58.7 million and HK$7.4 million respectively.

A goodwill of HK$238.6 million arising from the acquisition is attributable to the expected synergies, revenue growth and future market development in property development. For the purpose of the business combination, the Group recognised a gain of HK$925.8 million as a result of remeasuring at fair value of its equity interest held in Silvery Yield before the business combination.

No acquisition-related costs have been charged to administrative and other operating expenses in the consolidated income statement for the year ended 30 June 2020.

## 51 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Reconciliation of operating profit to net cash generated from operations

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Operating profit | **12,035.4** | 25,202.1 |
| Depreciation | **2,736.9** | 1,502.9 |
| Amortisation | **958.4** | 951.2 |
| Changes in fair value of and gain on transfer to investment properties | **(1,653.2)** | (10,305.7) |
| Write back the loss allowance on loans and other receivables | **(57.5)** | (240.0) |
| Gain on remeasuring of previously held interest of a joint venture at fair value upon further acquisition to become a subsidiary | **(925.8)** | — |
| Gain associated with investments related to unit-linked contracts | **(122.2)** | — |
| Net gain on fair value of financial assets at FVPL and derivative financial instruments | **(305.4)** | (239.7) |
| Net gain on disposal of | | |
| Debt instruments as financial assets at FVOCI | **(306.6)** | — |
| Financial assets at FVPL | **(78.8)** | (103.5) |
| Investment properties, property, plant and equipment, right-of-use assets and intangible concession rights | **(82.0)** | (35.6) |
| Subsidiaries, joint ventures and associated companies | **(212.2)** | (598.8) |
| Impairment loss/loss allowance on | | |
| Loans, debtors, premium receivables and other receivables | **131.3** | 344.1 |
| Financial assets at FVOCI | **32.2** | — |
| Interests in associated companies | **334.8** | — |
| Goodwill | **775.9** | 165.0 |
| Inventories | **47.1** | — |
| Properties under development | **—** | 237.6 |
| Property, plant and equipment | **386.9** | 16.0 |
| Right-of-use assets | **12.3** | — |
| Dividend income from financial assets at FVOCI and financial assets at FVPL | **(243.8)** | (121.4) |
| Share option expenses | **29.8** | 67.0 |
| Provision for onerous contract | **230.0** | — |
| Loss on lease modification of lease receivables | **34.1** | — |
| Net exchange (gains)/losses | **(3.8)** | 116.1 |
| Overlay approach adjustments on financial assets | **(208.2)** | — |
| Operating profit before working capital changes | **13,545.6** | 16,957.3 |
| Decrease in inventories | **42.9** | 25.8 |
| (Increase)/decrease in properties for/under development and properties held for sale | **(1,170.0)** | 12,195.8 |
| Increase in debtors, prepayments, premium receivables and contract assets and other non-current assets | **(12,234.1)** | (693.7) |
| Decrease in creditors, accrued charges, payables to policyholders and contract liabilities | **(2,052.6)** | (16,292.7) |
| Increase in deferred acquisition costs | **(688.2)** | — |
| Increase in insurance and investment contract liabilities | **3,618.4** | — |
| Decrease in liabilities related to unit-linked contracts | **(18.1)** | — |
| Additions of financial assets at FVPL associated with investments related to unit-linked contracts | **(4,600.1)** | — |
| Disposal of financial assets at FVPL associated with investments related to unit-linked contracts | **4,895.5** | — |
| Net cash generated from operations | **1,339.3** | 12,192.5 |

## 51 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities:

| | Borrowings and other interest-bearing liabilities | | | |
|---|---|---|---|---|
| | **Long-term HK$m** | **Short-term HK$m** | **Lease liabilities HK$m** | **Total HK$m** |
| At 30 June 2019 | 140,479.8 | 15,854.8 | — | 156,334.6 |
| Adjustment on changes in accounting policies (note 4(a)) | — | — | 6,452.6 | 6,452.6 |
| Restated balance at 1 July 2019 | 140,479.8 | 15,854.8 | 6,452.6 | 162,787.2 |
| Changes from cash flows | | | | |
| Proceeds from new borrowings | 66,458.4 | 17,745.6 | — | 84,204.0 |
| Repayment of borrowings | (41,263.5) | (14,913.4) | — | (56,176.9) |
| Increase in cash collateral received from counterparties | — | 423.9 | — | 423.9 |
| Other changes | | | | |
| Acquisition of subsidiaries | 5,584.8 | 1,071.5 | 559.8 | 7,216.1 |
| Disposal of subsidiaries | — | — | (4.2) | (4.2) |
| Principal elements of lease liabilities payments | — | — | (874.7) | (874.7) |
| New leases entered/lease modified | — | — | 979.3 | 979.3 |
| Interest expenses (note 11) | — | — | 298.7 | 298.7 |
| Interest elements of lease liabilities payments | — | — | (293.9) | (293.9) |
| Translation differences | (133.6) | (89.6) | (130.3) | (353.5) |
| Amortisation of front-end fee | 96.5 | 73.8 | — | 170.3 |
| At 30 June 2020 | 171,222.4 | 20,166.6 | 6,987.3 | 198,376.3 |

| | Borrowings and other interest-bearing liabilities | | |
|---|---|---|---|
| | Long-term HK$m | Short-term HK$m | Total HK$m |
| At 30 June 2018 | 131,975.1 | 8,777.6 | 140,752.7 |
| Adjustment on adoption of HKFRS 9 | 43.2 | — | 43.2 |
| Restated balance at 1 July 2018 | 132,018.3 | 8,777.6 | 140,795.9 |
| Changes from cash flows | | | |
| Proceeds from new borrowings | 31,707.6 | 9,024.0 | 40,731.6 |
| Repayment of borrowings | (26,153.9) | (1,976.6) | (28,130.5) |
| Other changes | | | |
| Acquisition of subsidiaries | 2,810.6 | — | 2,810.6 |
| Translation differences | (389.7) | (4.7) | (394.4) |
| Amortisation of front-end fee | 486.9 | 34.5 | 521.4 |
| At 30 June 2019 | 140,479.8 | 15,854.8 | 156,334.6 |

## 51 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

### (c) Acquisition of subsidiaries

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Net assets acquired | | |
| Investment properties | 320.5 | 2,672.0 |
| Property, plant and equipment | 111.3 | — |
| Right-of-use assets | 557.5 | — |
| Intangible assets, other than goodwill | 90.5 | — |
| Value of business acquired | 5,825.0 | — |
| Financial assets at FVOCI | 33,569.5 | — |
| Financial assets at FVPL | 2,803.6 | — |
| Derivative financial instruments | 1,512.3 | — |
| Properties for development | 1,087.1 | — |
| Deferred tax assets | 342.6 | — |
| Other non-current assets | 724.3 | — |
| Properties under development | 13,568.4 | 7,758.7 |
| Debtors, prepayments, premium receivables and contract assets | 2,374.2 | 198.5 |
| Investments related to unit-linked contracts | 9,168.3 | — |
| Cash and bank balances | 13,215.3 | 12.4 |
| Borrowings and other interest-bearing liabilities | (6,656.4) | (2,810.6) |
| Lease liabilities | (559.8) | — |
| Insurance and investment contract liabilities | (31,543.4) | — |
| Liabilities related to unit-linked contracts | (9,330.8) | — |
| Deferred tax liabilities | (3,143.3) | — |
| Other non-current liabilities | (64.5) | — |
| Creditors, accrued charges, payable to policyholders and contract liabilities | (8,285.6) | (116.0) |
| Current tax payable | (81.2) | — |
| Net assets acquired | 25,605.4 | 7,715.0 |
| Interests originally held by the Group as a joint venture | (3,223.1) | — |
| | 22,382.3 | 7,715.0 |
| Goodwill on acquisition | 5,814.9 | — |
| Gain on remeasurement of previously held interest of a joint venture at fair value upon further acquisition to become a subsidiary | (925.8) | — |
| Non-controlling interests | (324.4) | — |
| Cash consideration | 26,947.0 | 7,715.0 |

### (d) Analysis of net cash flows of cash and cash equivalents in respect of acquisition of subsidiaries

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Cash consideration | (26,947.0) | (7,715.0) |
| Deposits paid in last year | 3,120.0 | — |
| Cash and cash equivalents acquired | 13,215.3 | 12.4 |
| | (10,611.7) | (7,702.6) |

## 51 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

### (e) Disposal of subsidiaries

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Net assets disposed | | |
| Investment properties | 1,506.4 | 59.2 |
| Property, plant and equipment | 179.9 | 4.7 |
| Right-of-use assets | 4.2 | — |
| Intangible assets, other than goodwill | 116.1 | — |
| Goodwill | 9.8 | 2.0 |
| Interests in joint venture | — | 56.1 |
| Deferred tax assets | — | 4.2 |
| Other non-current assets | 4.5 | — |
| Non-current assets classified as assets held for sale | — | 820.7 |
| Financial assets at FVOCI | 1.8 | — |
| Properties for development | 704.8 | — |
| Properties under development | 1,023.0 | — |
| Properties held for sale | 728.7 | — |
| Inventories | 30.6 | — |
| Debtors, prepayments, premium receivables and contract assets | 1,966.9 | 172.6 |
| Cash and bank balances | 199.4 | 19.2 |
| Creditors, accrued charges, payable to policyholders and contract liabilities | (1,725.8) | (35.2) |
| Derivative financial instruments | (24.7) | — |
| Current tax payable | (16.5) | (0.1) |
| Other non-current liabilities | (15.9) | — |
| Deferred tax liabilities | (47.2) | (0.6) |
| Lease liabilities | (4.2) | — |
| Net assets disposed | 4,641.8 | 1,102.8 |
| Release of reserves upon disposal of subsidiaries | (68.4) | 0.1 |
| Interest retained by the Group as an associated company | (140.5) | — |
| Net gain on disposal of subsidiaries | 357.4 | 549.1 |
| Consideration | 4,790.3 | 1,652.0 |
| Represented by | | |
| Cash consideration | 4,790.3 | 1,618.5 |
| Consideration settled by additional equity interest in an associated company by the Group | — | 33.5 |
| | 4,790.3 | 1,652.0 |

### (f) Analysis of net inflow of cash and cash equivalents in respect of disposal of subsidiaries

| | 2020 HK$m | 2019 HK$m |
|---|---|---|
| Cash consideration | 4,790.3 | 1,618.5 |
| Consideration receivable | (2,768.7) | — |
| Cash and cash equivalents disposed | (199.4) | (19.2) |
| | 1,822.2 | 1,599.3 |

## 52 RELATED PARTY TRANSACTIONS

In addition to those disclosed in other sections of the consolidated financial statements, the following significant related party transactions have been entered into by the Group during the year:

| | **2020** **HK$m** | 2019 HK$m |
|---|---|---|
| Joint ventures and associated companies | | |
| Provision of construction work services (note (a)) | **44.5** | 226.2 |
| Interest income (note (b)) | **428.7** | 301.4 |
| Interest expense on lease liabilities (note (b)) | **14.8** | — |
| Rental expenses (note (c)) | **110.4** | 203.8 |
| Additions to right-of-use assets (note (c)) | **2.1** | — |
| Management services fee income (note (d)) | **32.3** | 27.2 |

| | **2020** **HK$m** | 2019 HK$m |
|---|---|---|
| Related companies (note (h)) | | |
| Provision of construction work services (note (a)) | **7.9** | 81.7 |
| Rental income (note (c)) | **125.1** | 122.0 |
| Rental expense (note (c)) | **30.1** | 44.7 |
| Additions to right-of-use assets (note (c)) | **12.5** | — |
| Management services fee expenses (note (d)) | **30.8** | 51.2 |
| Concessionaires commissions (note (e)) | **46.7** | 74.0 |
| Sales of goods, prepaid shopping cards and vouchers (note (f)) | **51.3** | 86.8 |
| Engineering and mechanical services (note (g)) | **1,292.5** | 1,391.1 |
| Security services expenses (note (g)) | **29.6** | 19.0 |
| Cleaning and landscaping services (note (g)) | **33.3** | 22.6 |

Notes:

(a) Revenue from provision of construction work services is principally charged in accordance with relevant contracts.

(b) Interest income is charged at interest rates as specified in notes 25(a) and 26(a) on the outstanding amounts. Interest expense on lease liabilities is charged at interest rates as specified in note 43.

(c) Rental income and expenses are charged and additions to right-of-use assets are measured in accordance with respective tenancy agreements.

(d) Management services fee income and expenses are charged in accordance with the terms of respective management service agreements.

(e) The income is charged in accordance with concessionaire counter agreements with Chow Tai Fook Jewellery Group Limited ("CTFJ") and its subsidiaries (collectively "CTFJ Group"). The commission is mainly calculated by pre-determined percentages of gross sales value in accordance with respective agreements.

(f) This represents the amounts received in respect of the sales of goods, prepaid shopping cards and vouchers to the Group as payment of purchase of goods and settlement of the relevant value CTF and its subsidiaries (collectively "CTF Group"), CTFJ Group and companies owned by Mr. Doo.

(g) Engineering and mechanical services, security services expenses and cleaning and landscaping expenses are charged in accordance with relevant contracts.

(h) Related companies are subsidiaries and joint ventures of CTF Group, CTFJ Group and companies owned by Mr. Doo.

(i) The balances with joint ventures and associated companies are disclosed in notes 25, 26, 32 and 46.

(j) No significant transactions have been entered with the Directors of the Company (being the key management personnel) during the year other than the emoluments paid to them as disclosed in note 16.

## 53 COMPANY STATEMENT OF FINANCIAL POSITION

| | **2020 HK$m** | 2019 HK$m |
|---|---|---|
| **Assets** | | |
| **Non-current assets** | | |
| Investment property | **140.0** | 150.0 |
| Property, plant and equipment | **12.9** | 6.9 |
| Right-of-use assets | **25.8** | — |
| Interests in subsidiaries | **95,034.0** | 68,294.7 |
| Interests in joint ventures | **171.8** | 177.2 |
| Interests in associated companies | **14.2** | 7.5 |
| Amounts receivable from associated companies and joint ventures | **4,402.8** | 5,823.4 |
| Financial assets at fair value through profit or loss | **1,061.6** | — |
| Financial assets at fair value through other comprehensive income | **1.0** | 1.3 |
| | **100,864.1** | 74,461.0 |
| **Current assets** | | |
| Properties held for sale | **52.9** | 137.7 |
| Debtors, prepayments and contract assets | **1,000.8** | 187.5 |
| Amounts receivable from subsidiaries | **81,755.1** | 69,973.4 |
| Financial assets at fair value through profit or loss | **35.2** | — |
| Cash and bank balances | **2,435.0** | 610.7 |
| | **85,279.0** | 70,909.3 |
| **Total assets** | **186,143.1** | 145,370.3 |
| **Equity** | | |
| Share capital | **78,225.7** | 77,875.3 |
| Reserves (note) | **23,526.4** | 24,121.0 |
| **Total equity** | **101,752.1** | 101,996.3 |
| **Liabilities** | | |
| **Non-current liabilities** | | |
| Lease liabilities | **10.2** | — |
| **Current liabilities** | | |
| Creditors, accrued charges and contract liabilities | **348.0** | 617.8 |
| Amounts payable to subsidiaries | **84,015.9** | 42,756.2 |
| Lease liabilities | **16.9** | — |
| | **84,380.8** | 43,374.0 |
| **Total liabilities** | **84,391.0** | 43,374.0 |
| **Total equity and liabilities** | **186,143.1** | 145,370.3 |

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

**Dr. Cheng Chi-Kong, Adrian**
*Director*

## 53 COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)

Note:

**Reserves**

| | Investment revaluation reserve HK$m | Financial assets at FVOCI reserve (non-recycling) HK$m | Employees' share-based compensation reserve HK$m | Retained profits HK$m | Total HK$m |
|---|---|---|---|---|---|
| At 30 June 2019 | **—** | **(9.8)** | **205.4** | **23,925.4** | **24,121.0** |
| Adjustment on adoption of HKFRS 16 | **—** | **—** | **—** | **(0.6)** | **(0.6)** |
| Restated balance as at 1 July 2019 | **—** | **(9.8)** | **205.4** | **23,924.8** | **24,120.4** |
| Employees' share-based payment | **—** | **—** | **29.8** | **—** | **29.8** |
| Share options lapsed | **—** | **—** | **(101.7)** | **101.7** | **—** |
| Buyback of shares | **—** | **—** | **—** | **(614.8)** | **(614.8)** |
| Fair value changes of equity instruments as financial assets at FVOCI | **—** | **(0.2)** | **—** | **—** | **(0.2)** |
| Profit for the year | **—** | **—** | **—** | **5,207.7** | **5,207.7** |
| 2019 final dividend paid | **—** | **—** | **—** | **(3,785.2)** | **(3,785.2)** |
| 2020 interim dividend paid | **—** | **—** | **—** | **(1,431.3)** | **(1,431.3)** |
| At 30 June 2020 | **—** | **(10.0)** | **133.5** | **23,402.9** | **23,526.4** |

| | Investment revaluation reserve HK$m | Financial assets at FVOCI reserve (non-recycling) HK$m | Employees' share-based compensation reserve HK$m | Retained profits HK$m | Total HK$m |
|---|---|---|---|---|---|
| At 30 June 2018 | 0.2 | — | 194.1 | 24,141.0 | 24,335.3 |
| Adjustment on adoption of HKFRS 9 | (0.2) | (7.8) | — | 8.0 | — |
| Restated balance as at 1 July 2018 | — | (7.8) | 194.1 | 24,149.0 | 24,335.3 |
| Employees' share-based payment | — | — | 67.0 | — | 67.0 |
| Share options lapsed | — | — | (55.7) | 55.7 | — |
| Buyback of shares | — | — | — | (322.1) | (322.1) |
| Fair value changes of equity instruments as financial assets at FVOCI | — | (2.0) | — | — | (2.0) |
| Profit for the year | — | — | — | 4,941.5 | 4,941.5 |
| 2018 final dividend paid | — | — | — | (3,468.6) | (3,468.6) |
| 2019 interim dividend paid | — | — | — | (1,430.1) | (1,430.1) |
| At 30 June 2019 | — | (9.8) | 205.4 | 23,925.4 | 24,121.0 |

## 54 PRINCIPAL SUBSIDIARIES

### As at 30 June 2020

| | Share capital issued# | | | |
|---|---|---|---|---|
| | Number of shares | Issued and paid up share capital HK$ | Attributable interest to the Group (%) | Principal activities |
| *Incorporated and operate in Hong Kong* | | | | |
| Ace Island Limited | 1 | 1 | 100 | Property investment |
| Addlight Investments Limited | 9,998 | 9,998 | 63 | Property development |
| | 2[1] | 2 | 63 | |
| Adwin Top Limited | 2 | 2 | 100 | Property investment |
| All Speed Investment Limited | 2 | 2 | 100 | Property investment |
| Anway Limited | 1 | 1 | 61 | Duty free operation and general trading |
| Billion Huge (International) Limited | 950,001 | 950,001 | 100 | Investment holding |
| Billion Park Investment Limited | 1,000,000 | 1,000,000 | 80 | Investment holding |
| Billionoble Investment Limited | 4,998 | 4,998 | 61 | Investment holding |
| | 2[1] | 2 | 61 | |
| Bonson Holdings Limited | 1 | 1 | 100 | Property investment |
| Bounty Gain Limited | 1 | 1 | 61 | Investment holding |
| Bright Moon Company, Limited | 100,000 | 1,000,000 | 75 | Property investment |
| Care & Services Elderly Home (North Point) Limited | 1 | 1 | 100 | Provision of elderly residential places and services |
| Care & Services Elderly Home (Tai Po) Limited | 10,000 | 10,000 | 100 | Provision of elderly residential places and services |
| Care & Services Elderly Home (Tai Wai) Limited | 1 | 1 | 100 | Provision of elderly residential places and services |
| Care & Services Elderly Home (Yuen Long) Limited | 10,000 | 10,000 | 100 | Provision of elderly residential places and services |
| Care U Professional Nursing Service Limited | 10,000 | 10,000 | 75 | Provision of healthcare and nursing services |
| Cheer Best Enterprises Limited | 2 | 2 | 100 | Property investment |
| Cheering Step Investments Limited | 1 | 1 | 61 | Investment holding |
| Cheong Sing Company Limited | 10,000 | 10,000 | 100 | Property investment |
| Chi Lam Investment Company Limited | 7,000 | 700,000 | 100 | Investment holding |
| Chinese Future Limited | 1,300,000,000 | 1,300,000,000 | 61 | Investment holding |
| CiF Solutions Limited | 10 | 1,000 | 100 | Provision of information technology solutions |
| | 160,000[1] | 16,000,000 | 100 | |
| Citybus Limited | 37,500,000 | 376,295,750 | 61 | Provision of franchised and non-franchised bus services |
| Come City Limited | 2 | 2 | 100 | Property investment |
| Daily Land Limited | 1 | 1 | 100 | Property investment |
| DP Properties Limited | 4,000 | 1,000 | 100 | Property investment |
| Dynamic Ally Limited | 1 | 1 | 61 | Investment holding |
| Earning Star Limited | 1 | 1 | 61 | Investment holding |
| Eminent Elite Limited | 1 | 1 | 100 | Investment holding |
| Fook Hang Trading Company Limited | 100 | 10,000 | 85 | Property development |
| Fook Hong Enterprises Company, Limited | 10,000 | 1,000,000 | 100 | Property investment |
| Fortune Kingdom Development Limited | 2 | 2 | 100 | Property development |
| Fortune Land Development Limited | 1 | 1 | 100 | Property investment |
| Full Asset Enterprises Limited | 1 | 1 | 100 | Property investment |
| Good Sense Development Limited | 1 | 1 | 100 | Property investment |
| Grace Crystal Limited | 1 | 1 | 61 | Investment holding |

## 54 PRINCIPAL SUBSIDIARIES (CONTINUED)

**As at 30 June 2020**

| | Share capital issued# Number of shares | Share capital issued# Issued and paid up share capital HK$ | Attributable interest to the Group (%) | Principal activities |
|---|---|---|---|---|
| *Incorporated and operate in Hong Kong (continued)* | | | | |
| Grace Sky Creation Limited | 10,000 | 10,000 | 100 | Investment holding |
| Gracejoy Investments Limited | 1 | 1 | 100 | Property development |
| Grand Express International Limited | 1 | 1 | 61 | Investment holding |
| Guidetone Investments Limited | 100,000 | 100,000 | 80 | Property investment |
| Happy Champion Limited | 2 | 2 | 100 | Investment holding |
| Happy Growth Investment Limited | 1 | 1 | 75 | Investment holding and provision of management services |
| Head Step Limited | 2 | 2 | 100 | Hotel operation |
| Highness Land Investment Company Limited | 10 | 100 | 100 | Property investment |
| Hip Hing Builders Company Limited | 40,000 | 40,000,000 | 61 | Construction |
| | 10,000[1] | 10,000,000 | 61 | |
| Hip Hing Construction Company Limited | 400,000 | 40,000,000 | 61 | Construction and civil engineering |
| | 600,000[1] | 60,000,000 | 61 | |
| Hip Hing Engineering Company Limited | 2,000,000 | 200,000,000 | 61 | Building construction |
| Hip Seng Builders Limited | 20,000 | 20,000,000 | 100 | Construction |
| Hip Seng Construction Company Limited | 1 | 1 | 100 | Construction |
| Hip Seng Engineering Company Limited | 1 | 1 | 100 | Construction and civil engineering |
| Hip Seng Manufacturing Company Limited | 1 | 1 | 100 | Production of surgical masks |
| Hong Kong Convention and Exhibition Centre (Management) Limited | 3 | 3 | 61 | Management of Hong Kong Convention and Exhibition Centre ("HKCEC") |
| | 1[1] | 1 | 61 | |
| Hong Kong Exhibition and Convention Venue Management China Limited | 1 | 1 | 61 | Investment holding |
| Hong Kong Golf & Tennis Academy Management Company Limited | 1,000,000 | 1,000,000 | 100 | Operation of golf and tennis academy |
| Hong Kong Island Development Limited | 33,400,000 | 167,000,000 | 100 | Property investment |
| Hong Kong Jing-Guang Development Limited | 100,000 | 1,000,000 | 82 | Investment holding |
| Hong Kong Multiple Intelligence Education Company Limited | 1 | 1 | 100 | Provision of training courses |
| Hong Kong Ticketing (International) Limited | 1 | 1 | 100 | Provision of ticketing services |
| Honour Shares Limited | 100 | 100 | 100 | Investment holding |
| Housing Finance Limited | 2 | 2 | 100 | Financial services |
| Istaron Limited | 4 | 4 | 100 | Investment holding |
| Join Base Development Limited | 1 | 1 | 100 | Property investment |
| K11 Art Mall Properties Company Limited | 1 | 1 | 100 | Property investment |
| K11 (China) Limited | 1 | 1 | 100 | Investment holding |
| K11 Concepts Limited | 1 | 1 | 100 | Provision of property management consultancy services |
| K11 Cultural & Creation Company Limited | 1 | 1 | 100 | Culture and recreation |
| K11 Sales & E-Commerce Company Limited | 1 | 1 | 100 | Retail and corporate sales |
| Kai Tak Sports Park Limited | 300 | 906,666,900 | 90 | Development and operation of sports park |
| Kin Kiu Enterprises, Limited | 10,000 | 10,000,000 | 100 | Investment holding |
| Kiu Lok Property Services (China) Limited | 2 | 2 | 61 | Property agency, management and consultancy |
| | 2[1] | 2 | 61 | |

## 54 PRINCIPAL SUBSIDIARIES (CONTINUED)

### As at 30 June 2020

| | Share capital issued# | | | |
|---|---|---|---|---|
| | Number of shares | Issued and paid up share capital HK$ | Attributable interest to the Group (%) | Principal activities |
| *Incorporated and operate in Hong Kong (continued)* | | | | |
| Kwong On Nursing Center Limited | 10,000 | 10,000 | 100 | Provision of elderly residential places and services |
| La Tune Limited | 2 | 200 | 100 | Property investment |
| Land Chain Limited | 2 | 2 | 100 | Property investment |
| Lingal Limited | 1,800 | 1,800 | 100 | Investment holding |
| | 200[1] | 200 | — | |
| Legarleon Finance Limited | 4,400,000 | 44,000,000 | 100 | Financing |
| Lucrative Venture Limited | 1,500,000 | 15,000,000 | 100 | Property development |
| Magic Sign Limited | 2 | 2 | 100 | Property development |
| Million Noble Investments Limited | 1 | 1 | 100 | Investment holding |
| Million World Development Limited | 100 | 100 | 100 | Property investment |
| New Advent Limited | 1 | 1 | 61 | Property investment |
| New World China Construction Limited | 1 | 1 | 100 | Investment holding |
| New World Construction Company Limited | 1 | 1 | 100 | Construction |
| New World Construction Management Company Limited | 1 | 1 | 100 | Construction |
| New World Department Store (Investment) Limited | 3 | 410,045,794 | 75 | Investment holding |
| New World Department Stores Limited | 2 | 2 | 75 | Provision of management services to department stores |
| New World Development (China) Limited | 2 | 4 | 100 | Investment holding |
| New World Dynamics Holdings Limited | 200 | 200 | 71 | Sales of LED lighting products and systems |
| New World Facade Engineering Company Limited | 1 | 1 | 100 | Facade operation |
| New World Finance Company Limited | 200,000 | 20,000,000 | 100 | Financial services |
| New World - Guangdong Highway | 999,900 | 99,990,000 | 61 | Investment holding |
| Investments Co. Limited | 100[1] | 10,000 | 80 | |
| New World Hotels (Holdings) Limited | 576,000,000 | 510,795,731 | 100 | Investment holding |
| New World (Login) Company Limited (formerly Login SCM Hong Kong Limited) | 1 | 1 | 100 | Supply chain management |
| New World Loyalty Programme Limited | 1 | 1 | 100 | Loyalty programme |
| New World Port Investments Limited | 2 | 2 | 61 | Investment holding |
| New World Project Management (China) Limited | 1 | 1 | 100 | Project management |
| New World Property Management Company Limited | 1 | 1 | 100 | Property management |
| New World Real Estate Agency Limited | 2 | 2 | 100 | Estate agency |
| New World Strategic Partnerships Company Limited | 200 | 200 | 100 | Agency |
| New World Tower Company Limited | 2 | 20 | 100 | Property investment |
| New World (Xiamen) Port Investments Limited | 2 | 2 | 61 | Investment holding |
| NW Project Management (HK) Limited | 1 | 1 | 100 | Project management |
| NW Project Management Limited | 2 | 2 | 100 | Project management |
| NWS Asset Management (China) Limited | 1 | 1 | 61 | Investment holding |
| NWS (Finance) Limited | 2 | 2 | 61 | Financial services |
| NWS Holdings (Finance) Limited | 1 | 1 | 61 | Financing |
| NWS Hong Kong Investment Limited | 1 | 1 | 61 | Investment holding |
| NWS Infrastructure Renewables (Italy) Limited | 1 | 1 | 61 | Investment holding |
| Orient Sea Investments Limited | 1 | 1 | 100 | Property investment |
| Pacific Great Investment Limited | 50,000,000 | 50,000,000 | 100 | Investment holding |
| Paterson Plaza Properties Limited | 10,000 | 10,000 | 100 | Property investment |

## 54 PRINCIPAL SUBSIDIARIES (CONTINUED)

**As at 30 June 2020**

| | Share capital issued# Number of shares | Share capital issued# Issued and paid up share capital HK$ | Attributable interest to the Group (%) | Principal activities |
|---|---|---|---|---|
| *Incorporated and operate in Hong Kong (continued)* | | | | |
| Peterson Investment Company Limited | 10,000 | 10,000 | 100 | Property investment |
| Pine Harvest Limited | 1 | 1 | 80 | Property development |
| Polytown Company Limited | 2 | 20 | 61 | Property investment, operation, |
| | 100,000[1] | 1,000,000 | 61 | marketing, promotion and management of HKCEC |
| Pontiff Company Limited | 10,000,000 | 10,000,000 | 100 | Property development |
| Pridemax Limited | 2 | 2 | 100 | Property investment |
| Profit Now Limited | 1 | 1 | 61 | Investment holding |
| Queen's Land Investment Limited | 1,000 | 1,000 | 100 | Property development |
| Rainbow Dream Limited | 1 | 1 | 100 | Property investment |
| Realray Investments Limited | 2 | 2 | 100 | Property investment |
| Regent Star Investment Limited | 1,000 | 1,000 | 100 | Property development |
| Richglows Limited | 2 | 2 | 100 | Property investment |
| Rosy Page Limited | 15,000,000 | 15,000,000 | 100 | Property development |
| Roxy Limited | 1 | 1 | 100 | Construction and operation of Skycity |
| Scienward Fashion and Luxury Limited | 10,000 | 10,000 | 100 | Investment holding and fashion trading |
| Scienward Sports and Casual Limited | 100 | 100 | 100 | Provision of management services |
| Seaworthy Investments Limited | 1 | 1 | 100 | Property investment |
| Silver Rich Holdings Limited | 2 | 2 | 85 | Property development |
| Silver World H.K. Development Limited | 1 | 1 | 100 | Investment holding |
| Sky Connection Limited | 100 | 100 | 61 | Duty free operation and general trading |
| Speed Star Development Limited | 2 | 2 | 100 | Property investment |
| Spotview Development Limited | 10 | 10 | 100 | Financial services |
| Super Memory Limited | 2 | 2 | 100 | Property investment |
| Super Record Limited | 1 | 1 | 100 | Property investment |
| Super Value Development Limited | 10,000 | 10,000 | 100 | Property investment |
| Top Flash Investments Limited | 10,000 | 10,000 | 100 | Property investment |
| Trade Jet Investments Limited | 1 | 1 | 100 | Provision of wellness and rehabilitation services |
| Treasure Tower Holdings Limited | 1,000,000 | 1,000,000 | 100 | Property investment |
| True Hope Investment Limited | 299,999,998 | 299,999,998 | 61 | Investment holding |
| | 2[1] | 2 | 61 | |
| Trinity Link Limited | 1 | 1 | 86 | Provision of endoscopic services |
| Ultimate Vantage Limited | 100 | 100 | 80 | Property development |
| Up Fair Limited | 2 | 2 | 100 | Property development |
| Urban Parking Limited | 15,000,000 | 15,000,000 | 61 | Carpark management |
| Vibro Construction Company Limited | 1,630,000 | 163,000,000 | 61 | Civil engineering |
| | 20,000[1] | 2,000,000 | 61 | |
| Vibro (H.K.) Limited | 20,000,004 | 60,328,449 | 61 | Piling, ground investigation and civil engineering |
| Victory Succeed Limited | 1 | 1 | 100 | Property investment |
| Wah Fu Elderly Centre Limited | 1 | 1 | 100 | Provision of elderly residential places and services |
| Waygent Investment Limited | 2 | 2 | 100 | Property investment |
| Winpo Development Limited | 2 | 2 | 100 | Property investment |
| Wisemec Enterprises Limited | 2 | 2 | 61 | Investment holding |
| World Empire Property Limited | 2 | 2 | 100 | Property investment |

## 54 PRINCIPAL SUBSIDIARIES (CONTINUED)

**As at 30 June 2020**

| | Share capital issued# | | Attributable interest to the Group | Principal activities |
|---|---|---|---|---|
| | Number of shares | Par value per share | (%) | |
| *Incorporated in the Cayman Islands* | | | | |
| Chinese Future Corporation | 1,000,000 | US$0.01 | 61 | Investment holding |
| *Incorporated in the Cayman Islands and operate in Hong Kong* | | | | |
| New World China Land Limited | 8,702,292,242 | HK$0.1 | 100 | Investment holding |
| New World Department Store China Limited | 1,686,145,000 | HK$0.1 | 75 | Investment holding |
| New World TMT Limited | 952,180,007 | HK$1 | 100 | Investment holding |
| NWS Service Management Limited | 1,323,943,165 | HK$0.1 | 61 | Investment holding |
| *Incorporated and operates in Italy* | | | | |
| NWS Infrastructure Renewables (Italy) S.r.l. | 10,000 | EUR1 | 61 | Investment holding |
| *Incorporated and operates in the Philippines* | | | | |
| New World International Development Philippines, Inc. | 6,988,016 | Peso100 | 62 | Hotel operation |
| *Incorporated and operates in Malaysia* | | | | |
| Taipan Eagle Sdn. Bhd. | 1,000,000 | MYR1 | 71 | Property development |

# Represented ordinary share capital, unless otherwise stated

1 Non-voting deferred shares

## 54 PRINCIPAL SUBSIDIARIES (CONTINUED)

**As at 30 June 2020**

| | Registered/ fully paid capital | Attributable interest[α] to the Group (%) | Principal activities |
|---|---|---|---|
| *Incorporated and operate in the PRC* | | | |
| Beijing Chong Yu Real Estate Development Co., Ltd. | US$171,840,000[W] | 100 | Property investment and development |
| Beijing Dongfang Huamei Real Estate Development Co., Ltd. | RMB200,000,000[E] | 75 | Land development |
| Beijing Enjia Youpin Business Management Co., Ltd. | RMB1,000,000[W] | 75 | Household goods shop operation |
| Beijing New World Huamei Real Estate Development Co. Ltd. | RMB748,000,000[E] | 75 | Property development |
| Beijing New World Liying Department Store Co., Ltd. | RMB18,000,000[W] | 75 | Department store operation |
| Beijing New World Qianzi Department Store Co., Ltd. | HK$60,000,000[W] | 75 | Department store operation |
| Beijing New World Trendy Department Store Co., Ltd. | RMB25,000,000[W] | 75 | Department store operation |
| Beijing NW Project Management Consultancy Services Limited | RMB1,000,000[W] | 100 | Project management and consultancy |
| Beijing Wanya Department Store Co., Ltd. | RMB100,000[α] | 75 | Department store operation |
| Beijing Xinpeng Enjia Business Management Co., Ltd. | RMB2,800,000[α] | 75 | Convenience store operation |
| Beijing Xintong Media & Advertising Co., Ltd. | RMB100,000,000[E] | 83 | Provision of advertising and media related services |
| Beijing Yixi New World Department Store Co., Ltd. | RMB65,000,000[W] | 75 | Department store operation |
| Changsha New World Trendy Plaza Co., Ltd. | RMB60,000,000[W] | 75 | Department store operation |
| Chengdu New World Department Store Co., Ltd. | RMB70,000,000[W] | 75 | Department store operation |
| Chongqing New World Department Store Co., Ltd. | RMB100,000,000[W] | 75 | Department store operation |
| Dalian New World Plaza International Co., Ltd. | RMB58,000,000[E] | 88 | Property investment and development |
| Dalian New World Tower Co., Ltd. | US$197,324,700[W] | 100 | Property investment and development |
| Foshan Da Hao Hu Real Estate Development Co., Ltd. | RMB1,364,500,500[W] | 85 | Property development |
| Foshan International Country Club Company Ltd. | US$52,923,600[C] | 85 | Golf club operation |
| Guangzhou Fong Chuen-New World Property Development Ltd. | RMB330,000,000[C] | 100 | Property development |
| Guangzhou Jixian Zhuang New World City Garden Development Limited | US$24,000,000[C] | 100 | Property development |
| Guangzhou Xin Hua Chen Real Estate Co., Ltd. | RMB200,000,000[C] | 100 | Property development |
| Guangzhou Xin Hua Jian Real Estate Co., Ltd. | RMB244,000,000[C] | 100 | Property development |
| Guangzhou Xinqi Enterprises Co., Ltd. | RMB10,000,000[L] | 51 | Property development |
| Guangzhou Xinrui Enterprises Development Co., Ltd. | RMB100,000,000[L] | 51 | Property development |
| Guangzhou Xinsui Tourism Centre Ltd. | HK$350,000,000[W] | 100 | Property development |
| Guangzhou Xin Yi Development Limited | HK$286,000,000[C] | 90 | Property investment and development |
| Guangzhou Xinpei Enterprises Management Co., Ltd. | RMB50,000,000[W] | 100 | Investment holding |
| Guangzhou Xinpei Investment Co. Ltd. | RMB200,000,000[W] | 100 | Investment holding |
| Guangzhou Yao Ce Enterprises Management Consultancy Co. Ltd. | RMB10,000,000[W] | 100 | Investment holding |
| Guangzhou Yao Sheng Real Estate Development Co., Ltd. | RMB170,000,000[E] | 65 | Property development |
| Guangzhou Yibo Real Estate Development Co., Ltd. | RMB392,500,000[W] | 100 | Property development |
| Guangzhou Yong Pei Properties Development Co., Ltd. | RMB2,384,000,000[W] | 100 | Property development |
| Guangzhou Yongjun Enterprises Co., Ltd | RMB100,000,000[W] | 100 | Property development |
| Guangzhou Zengpei Properties Development Co., Ltd. | RMB10,000,000[W] | 100 | Property development |
| Hangzhou Xinyu Industrial Development Co. Ltd. | RMB10,200,000,000[W] | 100 | Property development |
| Harbin New World Department Store Co., Ltd. | RMB126,000,000[W] | 75 | Department store operation |

## 54 PRINCIPAL SUBSIDIARIES (CONTINUED)

**As at 30 June 2020**

| | Registered/ fully paid capital | Attributable interest[α] to the Group (%) | Principal activities |
|---|---|---|---|
| *Incorporated and operate in the PRC (continued)* | | | |
| Huamei Wealth (Beijing) Technology Co., Ltd. | RMB640,000,000[W] | 100 | Property investment |
| Hunan Fortune Lake Property Development Co., Ltd. | RMB255,724,318[W] | 100 | Property development |
| Hunan NWS Expressway Management Co., Ltd. | RMB1,600,000,000[W] | 61 | Operation of toll road |
| Jiangsu New World Department Store Co., Ltd. | RMB16,000,000[W] | 75 | Department store operation |
| Jinan New World Sunshine Development Ltd. | US$69,980,000[W] | 100 | Property development |
| K11 Business Management (Wuhan) Co., Ltd | RMB2,500,000,000[W] | 100 | Property investment |
| K11 Concepts (Beijing) Limited | RMB20,000,000[W] | 100 | Business consultancy |
| K11 Concepts (Shanghai) Limited | RMB50,000,000[W] | 100 | Business consultancy |
| KHOS Shenyang Limited | RMB70,000,000[W] | 100 | Hotel operation |
| Langfang New World Properties Development Co., Ltd. | US$145,300,000[W] | 100 | Property development |
| Langfang Xin Zhong Properties Development Co., Ltd. | US$98,200,000[W] | 100 | Property development |
| Lanzhou New World Department Store Co., Ltd. | RMB30,000,000[W] | 75 | Department store operation |
| Login SCM (Shenzhen) Co. Ltd. | RMB50,000,000[W] | 100 | Supply chain management |
| Mianyang New World Department Store Co., Ltd. | RMB14,000,000[W] | 75 | Department store operation |
| Miaogou (Beijing) Department Store Co., Ltd. | RMB1,000,000[α] | 75 | Department store operation |
| Nanjing New World Real Estate Co., Ltd. | US$45,339,518[W] | 100 | Property investment |
| New World Anderson (Tianjin) Development Co., Ltd. | US$5,500,000[W] | 100 | Property investment |
| New World (Anshan) Property Development Co., Ltd. | RMB1,420,000,000[W] | 100 | Property development |
| New World (China) Co., Ltd. | RMB50,513,400[W] | 100 | Investment holding |
| New World (China) Investment Limited | US$130,000,000[W] | 100 | Investment holding |
| New World China Land Investments Company Limited | US$80,000,000[W] | 100 | Investment holding |
| New World Department Stores Investment (China) Co., Ltd. | US$150,000,000[W] | 75 | Investment holding |
| New World Development (Wuhan) Co., Ltd | US$128,500,000[W] | 100 | Property investment and development |
| New World Dynamics (Shenzhen) Company Limited | RMB18,880,000[W] | 71 | Sales of LED lighting products and systems |
| New World Goodtrade (Wuhan) Limited | US$219,500,000[W] | 100 | Property investment and development |
| New World HHC Construction Limited | RMB53,000,000[W] | 100 | Construction |
| New World New Land Real Estate (Wuhan) Co., Ltd. | US$590,900,000[W] | 100 | Property development |
| New World (Shenyang) Property Development Limited | RMB5,647,800,000[W] | 100 | Property investment and development |
| New World Strategic (Beijing) Investment Consultancy Limited | US$2,400,000[W] | 100 | Investment consultancy |
| Ningbo Gong Tai Properties Co., Ltd. | RMB235,000,000[W] | 100 | Property development |
| Ningbo Xin Li Real Estate Co., Ltd. | US$856,000,000[W] | 100 | Property development |
| NWS (Guangong) Investment Company Limited (formerly Guangdong Xin Chuan Co., Ltd.) | RMB3,184,853,600[W] | 61 | Investment holding |
| Peak Moral High Commercial Development (Shanghai) Co., Ltd. | US$40,000,000[W] | 75 | Property investment and shopping mall operation |
| Sanhe New World Department Store Co., Ltd. | RMB2,000,000[W] | 75 | Department store operation |
| Scienward Fashion and Luxury (Shanghai) Co., Ltd. | US$16,800,000[W] | 100 | Fashion retailing and trading |
| Shang Ji Properties (Shenzhen) Co. Ltd. | RMB1,478,000,000[W] | 51 | Property development |
| Shang Shun Properties (Shenzhen) Co. Ltd. | RMB1,216,000,000[W] | 51 | Property development |
| Shanghai Luxba Trading Ltd. | US$7,150,000[W] | 100 | Properties investment and fashion trading |

## 54 PRINCIPAL SUBSIDIARIES (CONTINUED)

**As at 30 June 2020**

| | Registered/ fully paid capital | Attributable interest[α] to the Group (%) | Principal activities |
|---|---|---|---|
| *Incorporated and operate in the PRC (continued)* | | | |
| Shanghai New World Caizi Department Store Co., Ltd. | RMB50,000,000[W] | 75 | Department store operation |
| Shanghai New World Department Store Co., Ltd. | RMB18,000,000[W] | 75 | Department store operation |
| Shanghai New World Huiya Department Store Co., Ltd. | RMB240,000,000[W] | 75 | Department store operation |
| Shanghai New World Huiyan Department Store Co., Ltd | RMB85,000,000[W] | 75 | Property investment and shopping mall operation |
| Shanghai New World Huiying Department Store Co., Ltd. | RMB93,970,000[W] | 75 | Department store operation |
| Shanghai New World Huizi Department Store Co., Ltd | RMB5,000,000[W] | 75 | Department store operation |
| Shanghai New World Xinying Department Store Co., Ltd. | HK$100,000,000[W] | 75 | Department store operation |
| Shanghai Nplus Catering Management Co., Ltd. | RMB16,000,000[α] | 75 | Catering |
| Shanxi Xinda Highways Limited | RMB49,000,000[C] | 37[α] | Operation of toll road |
| Shanxi Xinhuang Highways Limited | RMB56,000,000[C] | 37[α] | Operation of toll road |
| Shenyang New World Department Store Ltd. | RMB30,000,000[W] | 75 | Property investment and department store operation |
| Shenyang New World Xin Hui Properties Co., Ltd. | RMB501,520,000[W] | 100 | Property development |
| Shenyang Sheng Xin Yi Le Property Co Ltd | RMB6,000,000,000[W] | 100 | Property investment |
| Shenyang Trendy Property Company Limited | RMB27,880,000[W] | 75 | Property investment |
| Shenzhen New World Xianglong Network Technology Company Limited | RMB447,708,674[C] | 100 | Trading of telecommunication system integration products |
| Shenzhen Top One Real Estate Development Co., Ltd. | HK$150,000,000[C] | 100 | Property development |
| Shenzhen Topping Real Estate Development Co., Ltd. | HK$291,800,000[W] | 100 | Property development |
| Tang Shan New World Property Development Co., Ltd. | US$162,000,000[W] | 100 | Property development |
| Tianjin New World Department Store Co., Ltd. | US$5,000,000[W] | 75 | Department store operation |
| Tianjin New World Properties Development Co., Ltd. | US$91,000,000[W] | 100 | Property development |
| Tianjin New World Trendy Plaza Co., Ltd. | RMB30,000,000[W] | 75 | Department store operation |
| Tianjin Xin Guang Development Co., Ltd. | US$4,500,000[W] | 100 | Property investment |
| Wuhan New Eagle Enterprises Co., Limited | US$2,830,000[W] | 100 | Property investment |
| Wuhan New World Department Store Co., Ltd. | US$15,630,000[W] | 75 | Property investment and department store operation |
| Wuhan New World Qianzi Department Store Co., Ltd. | RMB500,000[α] | 75 | Department store operation |
| Wuhan New World Trendy Department Store Co., Ltd. | RMB80,000,000[W] | 75 | Department store operation |
| Wuhan New World Trendy Plaza Co., Ltd. | RMB50,000,000[W] | 75 | Department store operation |
| Xi'an New World Department Store Co., Ltd. | RMB40,000,000[W] | 75 | Department store operation |
| Xiamen Creo Capital Investment Company Limited (formerly Xiamen NWS Management Consultancy Limited) | RMB7,678,214[W] | 61 | Investment holding |
| Yantai New World Department Store Co., Ltd. | RMB80,000,000[W] | 75 | Department store operation |
| Yunnan New World Department Store Co., Ltd. | RMB10,000,000[W] | 75 | Department store operation |
| Zhaoqing New World Property Development Limited | US$16,500,000[W] | 100 | Property development |
| Zhejiang NWS Expressway Co., Ltd. (formerly Hangzhou Guoyi Expressway and Bridge Management Co., Ltd.) | US$320,590,000[E] | 61 | Operation of toll road |
| Zhengzhou New World Department Store Co., Ltd. | RMB50,000,000[W] | 75 | Department store operation |

## 54 PRINCIPAL SUBSIDIARIES (CONTINUED)

**As at 30 June 2020**

| | Registered/ fully paid capital | Attributable interest[ø] to the Group (%) | Principal activities |
|---|---|---|---|
| *Incorporated and operate in Macau* | | | |
| Hip Hing Engineering (Macau) Company Limited | MOP100,000 | 61 | Construction |
| Vibro (Macau) Limited | MOP1,000,000 | 61 | Foundation works |

α The Group indirectly holds equity interest in these subsidiaries through non-wholly owned subsidiaries, and has control over each of these subsidiaries

ø Profit or cash sharing percentage was adopted for certain PRC entities

W Registered as wholly foreign owned enterprises under PRC law

E Registered as sino-foreign equity joint ventures under PRC law

C Registered as sino-foreign co-operative joint ventures under PRC law

L Registered as other type of limited company under PRC law

## 54 PRINCIPAL SUBSIDIARIES (CONTINUED)

**As at 30 June 2020**

| | Share capital issued[#] | | Attributable interest to the Group (%) | Principal activities |
|---|---|---|---|---|
| | Number of shares | Par value per share | | |
| *Incorporated in Bermuda and operates in Hong Kong* | | | | |
| NWS Holdings Limited | 3,911,137,849 | HK$1 | 61 | Investment holding |
| *Incorporated in Bermuda and operates in Hong Kong and Mainland China* | | | | |
| FTLife Insurance Company Limited | 506,100,141 | US$1 | 61 | Life insurance |
| | 9,000,000[1] | US$1 | 61 | |
| | 10,000,000[2] | US$1 | 61 | |
| *Incorporated in the British Virgin Islands* | | | | |
| Beauty Ocean Limited | 1 | US$1 | 61 | Investment holding |
| Creo Capital Limited | 1 | US$1 | 61 | Investment holding |
| Crown Success Limited | 100 | US$1 | 100 | Investment holding |
| Eagle Eyes Development Limited | 1 | US$1 | 100 | Investment holding |
| Fine Reputation Incorporated | 10,000 | US$1 | 100 | Investment holding |
| Flying Gravity Limited | 1 | US$1 | 61 | Investment holding |
| Fotoland Limited | 1 | US$1 | 100 | Investment holding |
| Gigantic Global Limited | 2 | US$1 | 100 | Investment holding |
| Gravy Train Investments Limited | 1 | US$1 | 61 | Investment holding |
| HH Holdings Corporation | 600,000 | HK$1 | 61 | Investment holding |
| Hing Loong Limited | 20,010,000 | US$1 | 100 | Investment holding |
| Humansa Limited | 1 | US$1 | 100 | Investment holding |
| Ideal Global International Limited | 1 | US$1 | 61 | Investment holding |
| K11 Group Limited | 1 | HK$1 | 100 | Investment holding |
| K11 Investment Company Limited | 1 | US$1 | 100 | Investment holding |
| Karnival Limited | 1 | US$1 | 100 | Investment holding |
| Kee Shing Investments Limited | 1,000 | US$1 | 100 | Investment holding |
| Lotsgain Limited | 100 | US$1 | 100 | Investment holding |
| Magic Chance Limited | 1 | US$1 | 100 | Investment holding |
| Moscan Developments Limited | 1 | US$1 | 61 | Investment holding |
| Natal Global Limited | 1 | US$1 | 61 | Investment holding |
| New World Hotels Corporation Limited | 1 | US$1 | 100 | Investment holding |
| NWS CON Limited | 1 | HK$1 | 61 | Investment holding |
| NWS Construction Limited | 190,000 | US$0.10 | 61 | Investment holding |
| | 7,225[A] | US$0.10 | — | |
| | 6,022[B] | US$0.10 | — | |
| NWS Infrastructure Bridges Limited | 1 | US$1 | 61 | Investment holding |
| NWS Infrastructure Power Limited | 1 | US$1 | 61 | Investment holding |
| NWS Infrastructure Water Limited | 1 | US$1 | 61 | Investment holding |
| Penta Enterprises Limited | 1 | US$1 | 100 | Investment holding |
| Radiant Glow Limited | 1 | US$1 | 100 | Investment holding |
| Right Choice International Limited | 200 | US$1 | 52 | Property investment |
| Right Heart Associates Limited | 4 | US$1 | 61 | Investment holding |
| Righteous Corporation | 1 | US$1 | 61 | Investment holding |
| Steadfast International Limited | 2 | US$1 | 100 | Investment holding |
| Stockfield Limited | 1 | US$1 | 61 | Investment holding |
| Sweet Prospects Enterprises Limited | 1 | US$1 | 100 | Investment holding |
| True Blue Developments Limited | 1 | US$1 | 100 | Investment holding |
| Winner World Group Limited | 10 | US$1 | 100 | Investment holding |

## 54 PRINCIPAL SUBSIDIARIES (CONTINUED)

**As at 30 June 2020**

| | Share capital issued# | | | |
|---|---|---|---|---|
| | Number of shares | Par value per share | Attributable interest to the Group (%) | Principal activities |
| *Incorporated in the British Virgin Islands and operate in Hong Kong* | | | | |
| Allied Win Investments Limited | 1 | US$1 | 100 | Investment holding |
| Bellwood Group Limited | 100 | US$1 | 61 | Investment holding |
| Best Star (BVI) Investments Limited | 1 | US$1 | 61 | Investment holding |
| Celestial Dynasty Limited | 1 | US$1 | 61 | Bond issuer |
| Celestial Miles Limited | 1 | US$1 | 61 | Bond issuer |
| Citiplus Investment Limited | 1 | US$1 | 100 | Investment holding |
| Constar Investment Limited | 1 | US$1 | 75 | Financing |
| Economic Velocity Limited | 1 | US$1 | 61 | Investment holding |
| Esteemed Sino Limited | 1 | US$1 | 100 | Investment holding |
| Great Start Group Corporation | 1 | US$1 | 61 | Investment holding |
| Hetro Limited | 101 | US$1 | 61 | Investment holding |
| Lucky Strong Limited | 1 | US$1 | 61 | Investment holding |
| New World Capital Finance Limited | 1 | US$1 | 100 | Bond issuer |
| New World First Bus Services Limited | 200,000,000 | HK$1 | 61 | Provision of franchised bus services |
| New World Strategic Investment Limited | 1 | US$1 | 100 | Investment holding |
| Noonday Limited | 100 | US$1 | 61 | Investment holding |
| NWD Finance (BVI) Limited | 1 | US$1 | 100 | Bond issuer |
| NWD (MTN) Limited | 1 | US$1 | 100 | Bond issuer |
| NWS Financial Management Services Limited | 1 | US$1 | 61 | Investment holding |
| NWS Infrastructure Management Limited | 2 | US$1 | 61 | Investment holding |
| NWS Infrastructure Roads Limited | 1 | US$1 | 61 | Investment holding |
| NWS Ports Management Limited | 2 | US$1 | 61 | Investment holding |
| NWS Transport Services Limited | 500,000,016 | HK$1 | 61 | Investment holding |
| Park New Astor Hotel Limited | 101 | US$1 | 100 | Property investment |
| Silvery Yield Development Limited | 100 | US$1 | 100 | Investment holding |
| South Scarlet Limited | 1 | US$1 | 100 | Hotel operation |
| Total Partner Holdings Limited | 1 | US$1 | 100 | Investment holding |
| Whitecroft Gate Limited | 1 | US$1 | 100 | Financing |
| *Incorporated in the British Virgin Islands and operates in the PRC* | | | | |
| Nacaro Developments Limited | 2 | US$1 | 100 | Property Investment |
| *Incorporated and operates in Thailand* | | | | |
| Emerald Bay Resort Co., Ltd. | 7,380,000 | THB100 | 100 | Hotel operation |

[#] Represented ordinary share capital, unless otherwise stated

[A] Redeemable, non-convertible and non-voting A preference shares

[B] Redeemable, non-convertible and non-voting B preference shares

[1] Class A redeemable preference shares (non-convertible)

[2] Class C redeemable preference shares (convertible)

## 55 PRINCIPAL JOINT VENTURES

**As at 30 June 2020**

| | Registered/ fully paid capital | Attributable interest[Ω] to the Group (%) | Principal activities |
|---|---|---|---|
| **Equity joint ventures** | | | |
| *Incorporated and operate in the PRC* | | | |
| China United International Rail Containers Co., Limited | RMB4,200,000,000 | 18 | Operation of rail container terminals and related business |
| Chongqing Suyu Business Development Company Limited | RMB650,000,000 | 30 | Investment holding |
| Guangzhou Oriental Power Company Limited | RMB990,000,000 | 15 | Generation and supply of electricity |
| Guangzhou Pearl River Electric Power Fuel Co., Ltd. | RMB613,361,800 | 21 | Wholesale, assembling and storage of fuel |
| Guodian Chengdu Jintang Power Generation Co., Ltd. | RMB924,000,000 | 21 | Generation and supply of electricity |
| **Co-operative joint ventures** | | | |
| *Incorporated and operate in the PRC* | | | |
| Beijing Chong Wen • New World Properties Development Co., Ltd. | US$225,400,000 | 70[s] | Property investment, development and hotel operation |
| Beijing-Zhuhai Expressway Guangzhou – Zhuhai Section Company Limited | RMB580,000,000 | 15 | Operation of toll road |
| Beijing Xin Lian Hotel Co., Ltd. | US$12,000,000 | 55[s] | Hotel operation |
| China New World Electronics Ltd. | US$57,200,000 | 70[s] | Property investment and development |
| Guangzhou Northring Intelligent Transportation Technology Company Limited (formerly Guangzhou Northring Freeway Company Limited) | US$19,255,000 | 40[s] | Operation of toll road |
| Huizhou City Huixin Expressway Company Limited | RMB34,400,000 | 30 | Investment holding |
| Huizhou New World Housing Development Limited | RMB80,000,000 | 62[s] | Property development |
| Tianjin Xinzhan Expressway Company Limited | RMB2,539,100,000 | 37[@s] | Operation of toll road |
| Wuhan Wuxin Hotel Co., Ltd. | US$49,750,000 | 60[s] | Hotel operation |
| **Wholly foreign owned enterprises** | | | |
| *Incorporated and operate in the PRC* | | | |
| Guangzhou Bosson Real Estate Co., Ltd. | RMB50,003,000 | 62[s] | Property development |
| Guangzhou Hemsell Real Estate Development Co., Ltd. | RMB79,597,000 | 62[s] | Property development |
| Guangzhou Shengpei Enterprises Co. Ltd. | RMB500,000,000 | 40 | Property development |
| Wuhan New World Hotel Properties Co., Ltd. | RMB83,507,110 | 60[s] | Property investment |

[Ω] Percentage of equity interest, in the case of equity joint ventures or profit sharing percentage, in the case of co-operative joint ventures

[@] Represented cash sharing ratio

[s] The Group through its subsidiaries holds more than 50% interests in these joint ventures. Under the respective contractual agreements, the Group does not control these joint ventures as the decisions about relevant activities require the unanimous consent of the parties sharing the control.

## 55 PRINCIPAL JOINT VENTURES (CONTINUED)

**As at 30 June 2020**

| | Share capital issued# | | | |
|---|---|---|---|---|
| | Number of shares | Issued and paid up share capital HK$ | Attributable interest to the Group (%) | Principal activities |
| **Companies limited by shares** | | | | |
| *Incorporated and operate in Hong Kong* | | | | |
| ATL Logistics Centre Hong Kong Limited | 100,000'A' | 100,000 | 34& | Operation of cargo handling and storage facilities |
| | 20,000'B'[2] | 20,000 | 48 | |
| | 54,918[1] | 54,918 | 100 | |
| Calpella Limited | 2 | 20 | 50 | Property investment |
| China Aerospace New World Technology Limited | 30,000,000 | 165,000,000 | 50 | Investment holding |
| Chow Tai Fook Qianhai Investments Company Limited | 700 | 700 | 29 | Shopping mall operation |
| Earning Yield Limited | 1 | 1 | 51& | Property development |
| GH Hotel Company Limited | 1,001 | 64,109,750 | 50 | Hotel operation |
| Global Perfect Development Limited | 1,000,000 | 1,000,000 | 50 | Investment holding |
| Global Trinity China Limited | 1 | 1 | 40 | Financial services |
| Golden Kent International Limited | 1 | 1 | 40 | Property development |
| Great TST Limited | 2 | 863,878,691 | 50 | Hotel operation |
| Hotelier Finance Limited | 1 | 1 | 50 | Financing |
| Infinite Sun Limited | 1 | 1 | 10 | Property development |
| Loyalton Limited | 2 | 20 | 50 | Property investment |
| Marble Edge Investments Limited | 1 | 1 | 18 | Property development |
| New World Harbourview Hotel Company Limited | 1,001 | 109,109,750 | 50 | Hotel operation |
| Voyage Mile Limited | 1 | 1 | 29 | Property development |
| Wincon International Limited | 300,000,000 | 300,000,000 | 30 | Investment holding |
| Wise Come Development Limited | 30 | 30 | 50 | Property investment |

## 55 PRINCIPAL JOINT VENTURES (CONTINUED)

**As at 30 June 2020**

| | Share capital issued# | | Attributable interest to the Group (%) | Principal activities |
|---|---|---|---|---|
| | Number of shares | Par value per share | | |
| *Incorporated in the British Virgin Islands and operate in the PRC* | | | | |
| Holicon Holdings Limited | 2 | US$1 | 50 | Property Investment |
| Jaidan Profits Limited | 2 | US$1 | 50 | Property Investment |
| Jorvik International Limited | 2 | US$1 | 50 | Property Investment |
| Orwin Enterprises Limited | 2 | US$1 | 50 | Property Investment |
| *Incorporated in the British Virgin Islands* | | | | |
| DP World New World Limited | 2,000 | US$1 | 30 | Investment holding |
| Great Hotels Holdings Limited | 6 | US$1 | 50 | Investment holding |
| Group Program Limited | 1 | US$1 | 40 | Loyalty programme |
| Landso Investment Limited | 100 | — | 35 | Investment holding |
| Newfoundworld Investment Holdings Limited | 5 | US$1 | 20 | Investment holding |
| Silverway Global Limited | 2 | US$1 | 30 | Investment holding |
| Success Concept Investments Limited | 1,000 | US$1 | 55& | Investment holding |
| *Incorporated and operates in the Netherlands* | | | | |
| Hyva I B.V. | 19,000 | EUR1 | 30 | Manufacturing and supply of components used in hydraulic loading and unloading systems |
| *Incorporated in the Cayman Islands and operates globally* | | | | |
| Goshawk Aviation Limited | 362,026,264*** | US$0.001 | 30 | Commercial aircraft leasing |
| *Incorporated and operate in Singapore* | | | | |
| Cuscaden Homes Pte. Ltd. | 2,000,000 | — | 45 | Property development |
| FEC Skyline Pte. Ltd. | 4,000,000 | — | 30 | Property development |

# Represented ordinary share capital, unless otherwise stated

1 Non-voting deferred shares

2 Non-voting preference shares

*** Preference shares

& The directors of the Company considered the Group does not have unilateral control governing the financial and operating activities over these joint ventures

## 56 PRINCIPAL ASSOCIATED COMPANIES

**As at 30 June 2020**

| | Share capital issued# | | | |
|---|---|---|---|---|
| | Number of shares | Issued and paid up share capital HK$ | Attributable interest to the Group (%) | Principal activities |
| *Incorporated and operate in Hong Kong* | | | | |
| Conduit Road Development Limited | 100 | 10,000 | 30 | Property development |
| Ever Light Limited | 1,000 | 1,000 | 40 | Property investment |
| GHK Hospital Limited | 10 | 10 | 24 | Healthcare |
| Joy Fortune Investments Limited | 10,000 | 10,000 | 30 | Investment holding |
| Pure Jade Limited | 1,000,000 | 1,000,000 | 27 | Property investment |
| Quon Hing Concrete Company Limited | 200,000 | 20,000,000 | 30 | Production and sales of ready-mixed concrete |
| Ranex Investments Limited | 100 | 100 | 10^ | Property investment |
| Shoucheng Holdings Limited (formerly Shougang Concord International Enterprises Company Limited) | 6,925,576,780 | 11,832,426,000 | 7^ | Investment holding |
| Sky Treasure Development Limited | 10 | 10 | 30 | Investment holding |
| *Incorporated in Hong Kong and operates in Hong Kong, Macau and Mainland China* | | | | |
| SUEZ NWS Limited | 20,256,429 | 5,134,005,207 | 26 | Investment holding and operation of water, wastewater and waste management business |

## 56 PRINCIPAL ASSOCIATED COMPANIES (CONTINUED)

**As at 30 June 2020**

| | Share capital issued# | | | |
|---|---|---|---|---|
| | **Number of shares** | **Par value per share** | **Attributable interest to the Group (%)** | **Principal activities** |
| *Incorporated in the British Virgin Islands and operates in Hong Kong* | | | | |
| New World First Ferry Services Limited | 1,000 | US$1 | 24 | Provision of ferry services |
| *Incorporated in Bermuda and operates in Hong Kong* | | | | |
| Wai Kee Holdings Limited | 793,124,034 | HK$0.1 | 14 | Construction |
| *Incorporated in Bermuda and operates in Hong Kong and Mainland China* | | | | |
| DTXS Silk Road Investment Holdings Company Limited | 111,187,538 | HK$0.5 | 17 | Investment holding |
| *Incorporated in Cyprus and operates in South Africa* | | | | |
| Tharisa plc | 266,610,951 | US$0.001 | 9^ | Platinum group metals and chrome mining, processing and trading |

## 56 PRINCIPAL ASSOCIATED COMPANIES (CONTINUED)

**As at 30 June 2020**

| | Registered/ fully paid capital | Attributable interest[Ω] to the Group (%) | Principal activities |
|---|---|---|---|
| *Incorporated and operate in the PRC* | | | |
| Chongqing Silian Optoelectronics Science And Technology Co., Ltd. | RMB500,000,000 | 12 | Manufacturing and sale of sapphire substrate and wafer, LED packaging and application |
| Hangzhou Ring Road Expressway Petroleum Development Co., Ltd. | RMB10,000,000 | 24 | Operation of gasoline station |
| Hubei Suiyuenan Expressway Co., Ltd. | RMB1,770,000,000 | 18 | Operation of toll road |
| Hunan Daoyue Expressway Industry Co., Ltd. | RMB600,950,000 | 24 | Operation of toll road |
| Jiangxi Selon Industrial Co., Ltd. | RMB240,000,000 | 12 | Manufacturing and sale of chemical products |
| Shenzhen City Prince Bay Lewan Properties Co. Ltd. | RMB2,147,876,079 | 49 | Property development |
| Shenzhen City Prince Bay Shangding Properties Co. Ltd. | RMB2,036,732,549 | 49 | Property development |
| Shenzhen Tiande Property Development Co. Ltd. | RMB4,530,000,000 | 30 | Property development |
| Xiamen Container Terminal Group Co., Ltd. | RMB2,436,604,228 | 12^ | Operation of container terminals |
| Zhaoqing Yuezhao Expressway Co., Ltd. | RMB818,300,000 | 15 | Operation of toll road |

# Represented ordinary share capital, unless otherwise stated

Ω Percentage of equity interest, in the case of equity joint ventures or profit sharing percentage, in the case of co-operative joint ventures

* Voting, non-participating, non-redeemable management shares

** Non-voting, redeemable participating shares

^ The directors of the Company considered the Group has significant influence over these companies through its representatives on the board of directors of each of these companies

## 57 EVENTS SUBSEQUENT TO YEAR END

In August 2020, NWSH entered into a sale and purchase agreement with Bravo Transport Holdings Limited (a company in which Templewater Bravo Holdings Limited, Hans Energy Company Limited and Ascendal Group Limited hold approximately 90.8%, 8.6% and 0.6% shareholding interest respectively) to dispose of the entire issued share capital of NWS Transport Services Limited (an indirect wholly owned subsidiary of NWSH) at a consideration of HK$3,200 million (subject to instalment arrangements). The transaction is yet to complete up to the date of this report. Upon completion of the disposal, it is anticipated that no further material disposal gain or loss will be recognised by the Group for the year ending 30 June 2021.

# Five-year Financial Summary

## CONSOLIDATED INCOME STATEMENT

For the years ended 30 June

| | **2020 HK$m** | 2019 HK$m | 2018 HK$m | 2017 HK$m | 2016 HK$m |
|---|---|---|---|---|---|
| Revenues | **59,007.8** | 76,763.6 | 60,688.7 | 56,628.8 | 59,570.0 |
| Operating profit | **12,035.4** | 25,202.1 | 30,975.3 | 11,751.3 | 16,583.3 |
| Net financing costs | **(2,010.9)** | (756.3) | (704.3) | (446.1) | (536.7) |
| Share of results of joint ventures and associated companies | **769.9** | 4,683.1 | 3,082.6 | 3,925.1 | 2,660.5 |
| **Profit before taxation** | **10,794.4** | 29,128.9 | 33,353.6 | 15,230.3 | 18,707.1 |
| Taxation | **(7,528.0)** | (7,489.8) | (6,272.4) | (4,755.6) | (6,423.7) |
| **Profit for the year** | **3,266.4** | 21,639.1 | 27,081.2 | 10,474.7 | 12,283.4 |
| Profit attributable to holders of perpetual capital securities | **(1,688.3)** | (803.0) | (536.6) | (395.9) | — |
| Profit attributable to non-controlling interests | **(481.9)** | (2,676.0) | (3,206.5) | (2,403.1) | (3,617.1) |
| **Profit attributable to shareholders of the Company** | **1,096.2** | 18,160.1 | 23,338.1 | 7,675.7 | 8,666.3 |
| **Dividend per share (HK$)** | | | | | |
| Interim | **0.56** | 0.56 | 0.56 | 0.52 | 0.52 |
| Final | **1.48** | 1.48 | 1.36 | 1.32 | 1.24 |
| Full year | **2.04** | 2.04 | 1.92 | 1.84 | 1.76 |
| **Earnings per share (HK$)** | | | | | |
| Basic | **0.43** | 7.11 | 9.36 | 3.21 | 3.79 |
| Diluted | **0.43** | 7.11 | 9.34 | 3.21 | 3.79 |

Dividend per share and earnings per share for the years ended 30 June 2016, 2017, 2018 and 2019 had been adjusted on the assumption that the share consolidation had been effective in the prior years.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June

| | **2020 HK$m** | 2019 HK$m | 2018 HK$m | 2017 HK$m | 2016 HK$m |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Investment properties, property, plant and equipment and land use rights, right-of-use assets and intangible concession rights | **222,337.2** | 215,537.7 | 192,135.4 | 150,125.1 | 125,308.1 |
| Intangible assets, value of business acquired and deferred acquisition costs | **14,767.3** | 3,464.5 | 3,782.0 | 3,423.8 | 2,702.3 |
| Interests in joint ventures, associated companies, other investments and other non-current assets | **180,819.5** | 134,118.0 | 113,482.3 | 104,526.4 | 105,160.5 |
| Current assets | **182,271.9** | 150,164.7 | 172,055.1 | 178,981.0 | 158,937.7 |
| **Total assets** | **600,195.9** | 503,284.9 | 481,454.8 | 437,056.3 | 392,108.6 |
| **Equity** | | | | | |
| Share capital | **78,225.7** | 77,875.3 | 77,525.9 | 73,233.6 | 69,599.8 |
| Reserves | **134,797.6** | 145,989.2 | 138,724.0 | 112,857.6 | 109,973.6 |
| **Shareholders' funds** | **213,023.3** | 223,864.5 | 216,249.9 | 186,091.2 | 179,573.4 |
| Perpetual capital securities | **37,092.0** | 21,505.5 | 9,451.8 | 9,451.8 | — |
| Non-controlling interests | **29,629.8** | 29,994.5 | 29,480.2 | 25,401.5 | 21,321.9 |
| **Total equity** | **279,745.1** | 275,364.5 | 255,181.9 | 220,944.5 | 200,895.3 |
| Current liabilities | **152,609.4** | 101,256.6 | 94,689.3 | 79,500.6 | 66,522.5 |
| Non-current liabilities | **167,841.4** | 126,663.8 | 131,583.6 | 136,611.2 | 124,690.8 |
| **Total equity and liabilities** | **600,195.9** | 503,284.9 | 481,454.8 | 437,056.3 | 392,108.6 |

# Principal Projects Summary

## HOTEL

| No. | Name of Project | Total Number of Rooms |
|---|---|---|
| | **Hong Kong** | |
| 1 | Grand Hyatt Hong Kong | 542 |
| 2 | Renaissance Harbour View Hotel | 858 |
| 3 | Rosewood Hong Kong[(1)] | 599 |
| 4 | Hyatt Regency Hong Kong, Tsim Sha Tsui | 381 |
| 5 | pentahotel Hong Kong, Kowloon | 695 |
| 6 | Hyatt Regency Hong Kong, Sha Tin | 562 |
| 7 | Novotel Citygate Hong Kong | 440 |
| | **Subtotal** | **4,077** |
| | **Mainland China** | |
| 8 | Rosewood Beijing | 283 |
| 9 | New World Beijing Hotel | 309 |
| 10 | pentahotel Beijing | 307 |
| 11 | KHOS Langfang | 294 |
| 12 | New World Shunde Hotel | 370 |
| 13 | New World Wuhan Hotel | 327 |
| | **Subtotal** | **1,890** |
| | **Southeast Asia** | |
| 14 | New World Makati Hotel, The Philippines | 578 |
| 15 | New World Saigon Hotel, Vietnam | 533 |
| 16 | Renaissance Riverside Hotel Saigon, Vietnam | 336 |
| 17 | Rosewood Phuket, Thailand | 71 |
| | **Subtotal** | **1,518** |
| | **Grand Total** | **7,485** |

Remark:
(1) Rosewood Hong Kong: 413 rooms; Rosewood Residences: 186 rooms

Principal Projects Summary

## MAJOR PROPERTY DEVELOPMENT PROJECTS IN HONG KONG

| No. | Name of Project | Site Area (sq ft) | Total GFA (sq ft) | The Group's Interest | Attributable GFA Residential (sq ft) | Retail (sq ft) | Office (sq ft) | Others (sq ft) | Total Attributable GFA (sq ft) | Stage of Completion[1] |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Hong Kong Island** | | | | | | | | | |
| 1 | 4A-4P Seymour Road, Mid-levels | 52,466 | 472,186 | 35.00% | | | | | | |
| | Phase 1 | | | | 78,381 | | | | 78,381 | S |
| | Phase 2 | | | | 86,884 | | | | 86,884 | S |
| | **Subtotal** | **52,466** | **472,186** | | **165,265** | | | | **165,265** | |
| | **Kowloon** | | | | | | | | | |
| 2 | ARTISAN GARDEN, 68 Kowloon City Road, Ma Tau Kok[2] | 14,897 | 111,730 | 100.00% | 111,730 | | | | 111,730 | S |
| 3 | TIMBER HOUSE, 74 Waterloo Road, Ho Man Tin | 11,256 | 94,974 | 51.00% | 43,055 | 5,382 | | | 48,437 | S |
| 4 | New Kowloon Inland Lot No. 6582, Cheung Shun Street, Cheung Sha Wan | 44,897 | 529,185 | 100.00% | | 415 | 492,333 | 36,437[3] | 529,185 | S |
| 5 | New Kowloon Inland Lot No. 6572, Wing Hong Street, Cheung Sha Wan | 30,925 | 363,392 | 100.00% | | 6,008 | 353,064 | 4,320 | 363,392 | S |
| 6 | New Kowloon Inland Lot No. 6574, 4B3, Kai Tak | 104,475 | 574,615 | 29.30% | 168,362 | | | | 168,362 | F |
| 7 | New Kowloon Inland Lot No. 6552, 4C2, Kai Tak | 105,110 | 641,169 | 18.00% | 111,624 | 3,786 | | | 115,410 | F |
| 8 | New Kowloon Inland Lot No. 6576, 4B1, Kai Tak | 103,151 | 722,060 | 10.00% | 72,206 | | | | 72,206 | F |
| 9 | Yau Tong Redevelopment Project, Kowloon East | 808,397 | 3,982,722 | 10.88% | 422,607 | 10,793 | | | 433,400 | LE |
| | **Subtotal** | **1,223,108** | **7,019,847** | | **929,584** | **26,384** | **845,397** | **40,757** | **1,842,122** | |
| | **New Territories** | | | | | | | | | |
| 10 | Reach Summit, Sereno Verde Phase 5, 99A Tai Tong Road, Yuen Long | 48,933 | 171,265 | 20.97% | 35,914 | | | | 35,914 | C |
| 11 | ATRIUM HOUSE, 99 Shap Pat Heung Road, Yuen Long | 24,230 | 121,148 | 100.00% | 121,148 | | | | 121,148 | S |
| 12 | Tai Wai Station Property Development, STTL No. 520, Sha Tin[2] | 521,107 | 2,050,327 | 100.00% | | | | | | |
| | Phase 1 | | | | 495,323 | | | | 495,323 | S |
| | Phase 2 | | | | 871,965 | | | | 871,965 | S |
| | Phase 3 | | | | 683,039 | | | | 683,039 | S |
| 13 | Lung Tin Tsuen (Phase 2), Yuen Long | 88,157 | 440,785 | 100.00% | 440,785 | | | | 440,785 | LE |
| 14 | Lung Tin Tsuen (Phase 4), Yuen Long | 56,285 | 281,425 | 100.00% | 281,425 | | | | 281,425 | LE |
| 15 | Tong Yan San Tsuen (Phase 3), Yuen Long | 88,658 | 88,658 | 100.00% | 88,658 | | | | 88,658 | LE |
| 16 | Tong Yan San Tsuen (Phase 4), Yuen Long | 193,591 | 193,591 | 100.00% | 193,591 | | | | 193,591 | – |
| 17 | Sha Po North (Phase 2), Yuen Long | TBC | 373,240 | 34.81% | 129,925 | | | | 129,925 | – |
| 18 | DD110, Kam Tin, Yuen Long | 170,071 | 68,029 | 100.00% | 68,029 | | | | 68,029 | LE |
| 19 | DD221, Sha Ha, Sai Kung | 593,635 | 890,452 | 76.00% | 676,744 | | | | 676,744 | P |
| | **Subtotal** | | **4,678,920** | | **4,086,546** | | | | **4,086,546** | |
| | **Grand total** | | **12,170,953** | | **5,181,395** | **26,384** | **845,397** | **40,757** | **6,093,933** | |

Remarks:

(1) P=Planning; D=Demolition; SP=Site Preparation; F=Site Formation/Foundation; S=Superstructure; C=Completed (OP Issued); LE=Land Exchange; TBC=To Be Confirmed

(2) Property in which the Group is entitled to a share of development profits in accordance with the terms and conditions of the respective development agreement

(3) Includes public carpark, but excludes government accommodations (i.e. children care centre and elderly care centre)

## MAJOR PROPERTY INVESTMENT AND OTHER PROJECTS IN HONG KONG

| No. | Name of Project | Total GFA (sq ft) | Total Attributable GFA (sq ft) | Retail (sq ft) | Office (sq ft) | Hotel (sq ft) | Others (sq ft) | Total Number of Carpark | Land Lease Expiry |
|---|---|---|---|---|---|---|---|---|---|
| | **COMPLETED** | | | | | | | | |
| | **Hong Kong Island** | | | | | | | | |
| 1 | Manning House, Central | 110,040 | 110,040 | 63,383 | 46,657 | | | | 2843 |
| 2 | New World Tower, Central | 640,135 | 640,135 | 77,948 | 562,187 | | | 385 | 2863 |
| 3 | K11 ATELIER King's Road, 704-730 King's Road, North Point | 487,504 | 487,504 | 7,160 | 480,344 | | | | 2083/2088/2090 |
| 4 | Hong Kong Convention and Exhibition Centre, Shopping Arcade, Wan Chai | 87,999 | 87,999 | 69,173 | | | 18,826(2) | 1,070 | 2060 |
| 5 | Grand Hyatt Hong Kong | 524,928 | 262,464 | | | 262,464 | | | 2060 |
| 6 | Renaissance Harbour View Hotel | 544,518 | 272,259 | | | 272,259 | | | 2060 |
| 7 | Pearl City, Causeway Bay – Ground Floor to 4th Floor | 53,691 | 21,476 | 21,476 | | | | | 2868 |
| | Pearl City, Causeway Bay – Ground Floor to Basement | 24,682 | 24,682 | 24,682 | | | | | 2868 |
| 8 | Methodist House, Wan Chai(1) | 40,813 | 40,405 | | 40,405 | | | | 2084 |
| | **Subtotal** | **2,514,310** | **1,946,964** | **263,822** | **1,129,593** | **534,723** | **18,826** | **1,455** | |
| | **Kowloon** | | | | | | | | |
| 9 | K11 ATELIER of Victoria Dockside, Tsim Sha Tsui | 435,145 | 435,145 | | 435,145 | | | | 2052 |
| | Rosewood Hotel & Residences of Victoria Dockside, Tsim Sha Tsui | 1,105,644 | 1,105,644 | | | 1,105,644 | | | 2052 |
| | K11 MUSEA of Victoria Dockside, Tsim Sha Tsui | 1,156,356 | 1,156,356 | 1,156,356 | | | | 1,116(7) | 2052 |
| | K11 ARTUS of Victoria Dockside, Tsim Sha Tsui | 379,720 | 379,720 | | | | 379,720 | | 2052 |
| 10 | K11, Tsim Sha Tsui | 335,939 | 335,939 | 335,939 | | | | 240 | 2057 |
| | Hyatt Regency Hong Kong, Tsim Sha Tsui | 277,877 | 138,939 | | | 138,939 | | | 2057 |
| 11 | pentahotel Hong Kong, Kowloon | 285,601 | 285,601 | | | 285,601 | | | 2057 |
| 12 | KOHO, Kwun Tong | 204,514 | 204,514 | 1,567 | 202,947 | | | 28 | 2047 |
| 13 | THE FOREST, Mong Kok(1) | 53,337 | 26,669 | 26,669 | | | | 7 | 2062 |
| 14 | ARTISAN HUB, San Po Kong | 64,519 | 64,519 | 31,087 | 33,432 | | | | 2047 |
| | **Subtotal** | **4,298,652** | **4,133,046** | **1,551,618** | **671,524** | **1,530,184** | **379,720** | **1,391** | |
| | **New Territories** | | | | | | | | |
| 15 | ATL Logistic Centre, Kwai Chung | 9,329,000 | 3,190,518 | | | | 3,190,518(3) | | 2047 |
| 16 | D • PARK, Tsuen Wan | 466,400 | 466,400 | 466,400 | | | | 1,000 | 2047 |
| 17 | Hyatt Regency Hong Kong, Sha Tin(1) | 538,000 | 538,000 | | | 538,000 | | 100 | 2047 |
| 18 | Citygate, Tung Chung(4) | 659,003 | 131,801 | 99,697 | 32,104 | | | 1,231 | 2047 |
| | Novotel Citygate Hong Kong | 236,758 | 47,352 | | | 47,352 | | 7 | 2047 |
| 19 | Tung Chung Town Lot No. 11, Tung Chung | 473,655 | 94,731 | 68,231 | | 26,393 | 107 | 127 | 2063 |
| 20 | PARK SIGNATURE, Yuen Long | 24,155 | 24,155 | 24,155 | | | | | 2058 |
| | **Subtotal** | **11,726,971** | **4,492,957** | **658,483** | **32,104** | **611,745** | **3,190,625** | **2,465** | |
| | **Grand Total** | **18,539,933** | **10,572,967** | **2,473,923** | **1,833,221** | **2,676,652** | **3,589,171** | **5,311** | |
| | **TO BE COMPLETED/UNDER CONSTRUCTION** | | | | | | | | |
| 21 | 21 Luk Hop Street, San Po Kong | 100,798 | 100,798 | | | | 100,798(5) | | 2047 |
| 22 | New Kowloon Inland Lot No. 6505, King Lam Street, Cheung Sha Wan | 998,210 | 998,210 | 38,062 | 960,148 | | | | 2067 |
| 23 | SKYCITY Project(1) | 3,767,400 | 3,767,400 | 2,707,491 | 562,311 | | 497,598(6) | | 2066 |
| | **Grand Total** | **4,866,408** | **4,866,408** | **2,745,553** | **1,522,459** | | **598,396** | | |

Remarks:
(1) Properties in which the Group has a development interests: other parties provide the land whilst the Group finances the construction costs and occasionally land costs, and is entitled to a share of the rental income or a share of the development profits in accordance with the terms and conditions of the respective joint development agreements after completion
(2) Meeting rooms
(3) Logistics centre
(4) Includes Tung Chung Crescent
(5) Industrial
(6) Includes carparking and transport terminal
(7) Total number of carpark of Victoria Dockside

Principal Projects Summary

## MAJOR PROPERTY DEVELOPMENT PROJECTS IN MAINLAND CHINA

| No. | Region | Name of Project | The Group's Accounting Classification | The Group's Interest | Total GFA (excl. carpark and others) (sq m) | Residential (sq m) | Commercial (sq m) | Office (sq m) | Hotel (sq m) | Carpark and Others (sq m) | Development Status | Expected Completion Date |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **The Greater Bay Area and Southern Region** | | | | | | | | | | |
| 1 | Guangzhou | Guangzhou Covent Garden Phase 3 Remaining Portion | Subsidiary | 100% | 105,590 | 95,302 | 10,288 | – | – | 27,834 | Under development | Jan-2022 |
| | Guangzhou | Guangzhou Covent Garden Remaining Phases | Subsidiary | 100% | 239,936 | 220,737 | 19,199 | – | – | 28,315 | Planning completed | Jun-2025 |
| 2 | Guangzhou | Guangzhou Park Paradise Phase 5B | Subsidiary | 100% | 42,369 | 42,369 | – | – | – | 10,860 | Under development | Jun-2021 |
| | Guangzhou | Guangzhou Park Paradise Remaining Phases | Subsidiary | 100% | 112,372 | 87,339 | 25,033 | – | – | 15,518 | Under planning | TBC |
| 3 | Guangzhou | Guangzhou Zengcheng Comprehensive Development Project | Subsidiary | 100% | 284,328 | 99,077 | 13,787 | 142,305 | 29,159 | 104,399 | Under development | Jun-2022 |
| 4 | Guangzhou | Guangzhou Panyu Hanxi Comprehensive Development Project | Subsidiary | 65% | 307,189 | 164,657 | 81,000 | 61,532 | – | 201,589 | Under planning | May-2024 |
| 5 | Guangzhou | Guangzhou Zengcheng International Community Project | Subsidiary | 100% | 311,152 | 276,411 | 34,741 | – | – | 150,451 | Planning completed | Dec-2022 |
| 6 | Foshan | Canton First Estate CF27B | Subsidiary | 85% | 30,210 | 30,210 | – | – | – | 487 | Under development | Jul-2020 |
| | Foshan | Canton First Estate CF07 | Subsidiary | 85% | 4,328 | 4,328 | – | – | – | – | Planning completed | Dec-2020 |
| | Foshan | Canton First Estate CF19C | Subsidiary | 85% | 59,860 | 59,860 | – | – | – | 14,821 | Under development | Mar-2021 |
| | Foshan | Canton First Estate CF03 | Subsidiary | 85% | 37,192 | 37,192 | – | – | – | 11,570 | Planning completed | Apr-2022 |
| | Foshan | Canton First Estate CF21 | Subsidiary | 85% | 52,854 | 52,854 | – | – | – | 28,742 | Planning completed | May-2022 |
| | Foshan | Canton First Estate CF32 | Subsidiary | 85% | 77,722 | 76,629 | 1,093 | – | – | 28,047 | Under development | Jun-2022 |
| | Foshan | Canton First Estate CF35 | Subsidiary | 85% | 2,720 | 2,720 | – | – | – | 714 | Under development | Dec-2025 |
| | Foshan | Canton First Estate Remaining Phases | Subsidiary | 85% | 558,229 | 473,338 | – | – | 84,891 | 185,211 | Under planning | TBC |
| 7 | Shenzhen | Shenzhen Qianhai Project | Associated Company | 30% | 176,300 | – | 27,940 | 148,360 | – | 55,212 | Under development | Aug-2022 |
| 8 | Shenzhen | Shenzhen Prince Bay Project DY04-01 | Subsidiary | 51% | 122,749 | – | 98,000 | 24,749 | – | 61,551 | Under development | Mar-2024 |
| | Shenzhen | Shenzhen Prince Bay Project DY04-02 | Subsidiary | 51% | 6,900 | – | 6,900 | – | – | 2,100 | Under development | Mar-2024 |
| | Shenzhen | Shenzhen Prince Bay Project DY04-04 | Subsidiary | 51% | 96,307 | – | 96,307 | – | – | 48,593 | Under development | Jul-2024 |
| | Shenzhen | Shenzhen Prince Bay Project DY02-02 | Associated Company | 49% | 79,840 | – | 25,000 | 54,840 | – | 33,857 | Under development | Dec-2020 |
| | Shenzhen | Shenzhen Prince Bay Project DY02-04 | Associated Company | 49% | 79,566 | 54,726 | 24,840 | – | – | 39,802 | Under development | Jun-2021 |
| 9 | Huizhou | Huizhou Changhuyuan Phase 4 | Joint venture | 63% | 69,769 | 62,329 | 7,440 | – | – | 26,309 | Under planning | TBC |
| | | **Subtotal** | | | **2,857,482** | **1,840,078** | **471,568** | **431,786** | **114,050** | **1,075,982** | | |
| | | **Central Region** | | | | | | | | | | |
| 10 | Wuhan | Wuhan New World Centre Phase 3 | Subsidiary | 100% | 91,728 | – | 32,294 | 59,434 | – | 49,241 | Under development | Dec-2020 |
| 11 | Wuhan | Wuhan New World • Times Phase 2 | Subsidiary | 100% | 273,834 | – | 31,950 | 241,884 | – | 139,047 | Under planning | Jun-2025 |
| 12 | Yiyang | Yiyang New World Scenic Heights Phase 1G | Subsidiary | 100% | 11,124 | 11,124 | – | – | – | – | Planning completed | Dec-2020 |
| | Yiyang | Yiyang New World Scenic Heights Phase 1F | Subsidiary | 100% | 17,990 | 17,990 | – | – | – | – | Planning completed | May-2021 |
| | Yiyang | Yiyang New World Scenic Heights Phase 2B | Subsidiary | 100% | 7,334 | 7,334 | – | – | – | – | Planning completed | May-2021 |
| | Yiyang | Yiyang New World Scenic Heights Phase 2C | Subsidiary | 100% | 112,969 | 106,391 | 6,578 | – | – | – | Planning completed | Jul-2022 |
| | Yiyang | Yiyang New World Scenic Heights Phase 2A | Subsidiary | 100% | 56,897 | – | 56,897 | – | – | – | Planning completed | Mar-2023 |
| | Yiyang | Yiyang New World Scenic Heights Remaining Phases | Subsidiary | 100% | 138,305 | 138,305 | – | – | – | 48,570 | Under planning | TBC |
| | | **Subtotal** | | | **710,181** | **281,144** | **127,719** | **301,318** | **–** | **236,858** | | |

| No. | Region | Name of Project | The Group's Accounting Classification | The Group's Interest | Total GFA (excl. carpark and others) (sq m) | Residential (sq m) | Commercial (sq m) | Office (sq m) | Hotel (sq m) | Carpark and Others (sq m) | Development Status | Expected Completion Date |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **Eastern Region** | | | | | | | | | | |
| 13 | Ningbo | Ningbo New World Plaza Land No.7-10 | Subsidiary | 100% | 163,625 | 137,652 | 25,973 | – | – | 106,165 | Under development | Aug-2020 |
| | Ningbo | Ningbo New World Plaza Land No.11 | Subsidiary | 100% | 66,757 | – | 9,702 | 57,055 | – | 23,253 | Under development | Nov-2020 |
| | Ningbo | Ningbo New World Plaza Land No.12 | Subsidiary | 100% | 20,416 | – | 8,085 | 12,331 | – | 32,484 | Under development | Nov-2020 |
| | Ningbo | Ningbo New World Plaza Land No.5 | Subsidiary | 100% | 127,975 | – | 1,400 | 85,306 | 41,269 | 41,492 | Under development | Jan-2021 |
| | Ningbo | Ningbo New World Plaza Land No.4 | Subsidiary | 100% | 57,115 | – | 23,331 | 33,784 | – | 24,727 | Under development | Apr-2022 |
| | Ningbo | Ningbo New World Plaza Land No.6 | Subsidiary | 100% | 7,983 | – | 7,983 | – | – | 58,565 | Under development | Apr-2022 |
| | Ningbo | Ningbo New World Plaza Land No.1 | Subsidiary | 100% | 14,633 | – | 14,633 | – | – | 19,384 | Under development | Jul-2023 |
| | Ningbo | Ningbo New World Plaza Land No.2 | Subsidiary | 100% | 28,132 | – | 19,692 | 8,440 | – | 18,149 | Planning completed | Jul-2023 |
| | Ningbo | Ningbo New World Plaza Land No.3 | Subsidiary | 100% | 18,223 | – | 18,223 | – | – | 13,572 | Planning completed | Jul-2023 |
| 14 | Hangzhou | Hangzhou Wangjiang New Town Project | Subsidiary | 100% | 450,654 | 149,997 | 166,100 | 89,625 | 44,932 | 289,530 | Under planning | Apr-2024 |
| | | **Subtotal** | | | **955,513** | **287,649** | **295,122** | **286,541** | **86,201** | **627,321** | | |
| | | **Northern Region** | | | | | | | | | | |
| 15 | Beijing | Beijing New View Commercial Centre | Joint venture | 70% | 21,294 | – | 9,063 | 12,231 | – | 13,513 | Under development | Jan-2021 |
| | Beijing | Beijing New View Commercial Centre Remaining Phases | Joint venture | 70% | 16,400 | – | 1,960 | 14,440 | – | 5,420 | Under planning | TBC |
| 16 | Beijing | Beijing Xin Yu Commercial Centre | Joint venture | 70% | 60,925 | – | 60,925 | – | – | 48,689 | Under planning | May-2023 |
| | Beijing | Beijing Xin Yu Commercial Centre Remaining Phases | Joint venture | 70% | 431,314 | 236,590 | 180,224 | 14,500 | – | 319,340 | Under planning | TBC |
| 17 | Langfang | Langfang New World Garden District 2 | Subsidiary | 100% | 17,860 | 17,860 | – | – | – | 23,378 | Under development | TBC |
| 18 | Jinan | Jinan New World Sunshine Garden District BC | Subsidiary | 100% | 62,404 | – | 5,697 | 37,162 | 19,545 | 18,433 | Under development | TBC |
| | | **Subtotal** | | | **610,197** | **254,450** | **257,869** | **78,333** | **19,545** | **428,773** | | |
| | | **North-eastern Region** | | | | | | | | | | |
| 19 | Shenyang | Shenyang New World Garden Phase 2C1 | Subsidiary | 100% | 203,862 | 182,702 | 21,160 | – | – | 42,396 | Under development | Aug-2021 |
| | Shenyang | Shenyang New World Garden Phase 2C2 | Subsidiary | 100% | 228,052 | 215,216 | 12,836 | – | – | 41,690 | Planning Completed | Aug-2023 |
| | Shenyang | Shenyang New World Garden Phase 2FG | Subsidiary | 100% | 67,789 | – | 67,789 | – | – | 28,386 | Planning Completed | Aug-2023 |
| 20 | Shenyang | Shenyang New World Centre | Subsidiary | 100% | 506,241 | – | 287,086 | 189,231 | 29,924 | – | Under development | TBC |
| 21 | Anshan | Anshan New World Garden Phase 1B3 | Subsidiary | 100% | 106,188 | 91,830 | 14,358 | – | – | 27,448 | Planning Completed | Jun-2021 |
| | Anshan | New World • The Grandiose Phase 1B1 | Subsidiary | 100% | 9,297 | 9,297 | – | – | – | – | Under development | Jul-2020 |
| | Anshan | New World • The Grandiose Phase 1B2 and 1B3 | Subsidiary | 100% | 35,491 | 35,491 | – | – | – | – | Planning Completed | Jun-2023 |
| | Anshan | New World • The Grandiose Phase 2C | Subsidiary | 100% | 189,000 | 189,000 | – | – | – | – | Under planning | TBC |
| | | **Subtotal** | | | **1,345,920** | **723,536** | **403,229** | **189,231** | **29,924** | **139,920** | | |
| | | **Grand Total** | | | **6,479,293** | **3,386,857** | **1,555,507** | **1,287,209** | **249,720** | **2,508,854** | | |

Remarks:
(1) TBC: To Be Confirmed
(2) Certain property development projects will be classified as investment properties upon completion

Principal Projects Summary

## MAJOR PROPERTY INVESTMENT PROJECTS AND HOTELS IN MAINLAND CHINA

| No. | Region | Name of Completed Project | The Group's Accounting Classification | The Group's Interest | Total GFA (excl. carpark and others) (sq m) | Serviced Apartment (sq m) | Commercial (sq m) | Office (sq m) | Hotel (sq m) | Carpark and Others (sq m) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **The Greater Bay Area and Southern Region** | | | | | | | | |
| 1 | Guangzhou | Guangzhou Covent Garden | Subsidiary | 100% | 23,752 | – | 23,752 | – | – | 24,437 |
| 2 | Guangzhou | Guangzhou Park Paradise | Subsidiary | 100% | 142,965 | 22,112 | 57,447 | – | 63,406 | 100,435 |
| 3 | Guangzhou | Guangzhou Xintang New World Garden | Joint venture | 63% | 27,299 | – | 27,299 | – | – | 10,346 |
| 4 | Guangzhou | Guangzhou Central Park-view Area L8 | Subsidiary | 91% | 47,277 | 29,869 | 17,408 | – | – | 5,157 |
| 5 | Guangzhou | Guangzhou New World Oriental Garden Phase 1 | Subsidiary | 100% | 21,654 | – | 21,654 | – | – | 829 |
| 6 | Guangzhou | Guangzhou Dong Yi Garden Phase 2 | Subsidiary | 100% | 7,443 | – | 7,443 | – | – | 520 |
| 7 | Foshan | Canton First Estate CF19A (T5, T6) | Subsidiary | 85% | 11,043 | 11,043 | – | – | – | – |
| 8 | Shunde | Shunde New World Centre | Joint venture | 42% | 26,098 | – | 26,098 | – | – | 14,940 |
| 9 | Shunde | New World Shunde Hotel | Joint venture | 25% | 36,524 | – | – | – | 36,524 | – |
| | | **Subtotal** | | | **344,055** | **63,024** | **181,101** | **–** | **99,930** | **156,664** |
| | | **Eastern Region** | | | | | | | | |
| 10 | Wuhan | Wuhan Guanggu New World A | Subsidiary | 100% | 140,485 | – | – | 81,771 | 58,714 | 21,971 |
| | Wuhan | Wuhan Guanggu New World B | Subsidiary | 100% | 2,159 | – | 2,159 | – | – | – |
| 11 | Wuhan | Wuhan K11 Select | Subsidiary | 100% | 57,155 | – | 56,354 | 801 | – | 55,437 |
| 12 | Wuhan | Wuhan New World International Trade Tower 1 | Subsidiary | 100% | 104,556 | – | – | 104,556 | – | 17,272 |
| | Wuhan | Wuhan New World International Trade Tower 2 | Subsidiary | 100% | 10,005 | – | – | 10,005 | – | – |
| 13 | Wuhan | Wuhan New World Centre | Subsidiary | 100% | 48,270 | – | 45,766 | 2,504 | – | 27,894 |
| 14 | Wuhan | Wuhan K11 Gourmet Tower | Subsidiary | 100% | 10,367 | – | 10,367 | – | – | 10,580 |
| 15 | Wuhan | New World Wuhan Hotel | Joint venture | 60% | 29,974 | – | – | 563 | 29,411 | 5,639 |
| | | **Subtotal** | | | **402,971** | **–** | **114,646** | **200,200** | **88,125** | **138,793** |
| | | **Eastern Region** | | | | | | | | |
| 16 | Nanjing | Nanjing New World Centre | Subsidiary | 100% | 41,712 | – | 41,712 | – | – | 11,082 |
| 17 | Shanghai | Shanghai Hong Kong New World Tower | Subsidiary | 50% | 116,023 | – | 35,474 | 80,549 | – | 14,362 |
| | | | | | **157,735** | **–** | **77,186** | **80,549** | **–** | **25,444** |

Principal Projects Summary

| No. | Region | Name of Completed Project | The Group's Accounting Classification | The Group's Interest | Total GFA (excl. carpark and others) (sq m) | Serviced Apartment (sq m) | Commercial (sq m) | Office (sq m) | Hotel (sq m) | Carpark and Others (sq m) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **Northern Region** | | | | | | | | |
| 18 | Beijing | Beijing New World Centre Phase 1 | Joint venture | 70% | 74,232 | – | 74,232 | – | – | 19,956 |
| | Beijing | Beijing New World Centre Phase 2 | Subsidiary | 100% | 47,345 | – | 47,345 | – | – | 27,014 |
| 19 | Beijing | Beijing New View Garden | Joint venture | 70% | 4,030 | – | 4,030 | – | – | 15,988 |
| 20 | Beijing | Beijing Xin Yu Garden | Joint venture | 70% | 3,603 | – | 3,603 | – | – | 21,197 |
| 21 | Beijing | Beijing Xin Kang Garden | Joint venture | 70% | 12,011 | – | 12,011 | – | – | 28,185 |
| 22 | Beijing | Beijing Baoding Building Shopping Arcade | Subsidiary | 100% | 40,286 | – | 40,286 | – | – | 22,000 |
| 23 | Beijing | pentahotel Beijing | Joint venture | 55% | 23,988 | – | – | – | 23,988 | – |
| 24 | Beijing | New World Beijing Hotel | Joint venture | 70% | 53,998 | – | – | – | 53,998 | – |
| 25 | Beijing | Rosewood Beijing | Subsidiary | 82% | 143,000 | – | – | – | 143,000 | – |
| 26 | Tianjin | Tianjin Xin An New World Plaza | Subsidiary | 100% | 87,054 | – | 80,440 | 6,614 | – | 11,284 |
| 27 | Tianjin | Tianjin Xin Hui Hua Ting | Subsidiary | 100% | 25,876 | – | 25,876 | – | – | – |
| 28 | Langfang | KHOS Langfang | Subsidiary | 100% | 46,421 | – | – | – | 46,421 | – |
| 29 | Langfang | Langfang New World Centre B | Subsidiary | 100% | 7,016 | – | 7,016 | – | – | – |
| 30 | Tangshan | Tangshan New World Centre Phase 2 | Subsidiary | 100% | 86,061 | – | 37,776 | 48,285 | – | – |
| 31 | Jinan | Jinan New World Sunshine Garden East District 2 | Subsidiary | 100% | 1,009 | – | 1,009 | – | – | 10,282 |
| | Jinan | Jinan New World Sunshine Garden West | Subsidiary | 100% | 4,498 | – | 4,498 | – | – | – |
| | | **Subtotal** | | | **660,428** | **–** | **338,122** | **54,899** | **267,407** | **155,906** |
| | | **North-eastern Region** | | | | | | | | |
| 32 | Shenyang | Shenyang New World Garden Phase 1E | Subsidiary | 100% | 5,026 | – | 5,026 | – | – | 22,517 |
| | Shenyang | Shenyang New World Garden Phase 2A | Subsidiary | 100% | 4,601 | – | 4,601 | – | – | 125,864 |
| | Shenyang | Shenyang New World Garden Phase 1XA | Subsidiary | 100% | 5,862 | – | 3,859 | 2,003 | – | – |
| | Shenyang | Shenyang New World Garden Phase 2D1 | Subsidiary | 100% | 1,325 | – | 1,325 | – | – | 47,684 |
| | Shenyang | Shenyang New World Garden Phase 2D2 | Subsidiary | 100% | 9,499 | – | 9,499 | – | – | 54,283 |
| 33 | Shenyang | Shenyang New World Centre | Subsidiary | 100% | 333,789 | – | 264,038 | – | 69,751 | 237,934 |
| 34 | Anshan | Anshan New World Garden | Subsidiary | 100% | 2,349 | – | 2,349 | – | – | 160,838 |
| 35 | Dalian | Dalian New World Plaza | Subsidiary | 88% | 49,413 | – | 49,413 | – | – | 19,783 |
| 36 | Dalian | Dalian New World Tower | Subsidiary | 100% | 52,835 | – | – | – | 52,835 | 21,915 |
| | | **Subtotal** | | | **464,699** | **–** | **340,110** | **2,003** | **122,586** | **690,818** |
| | | **Grand Total** | | | **2,029,888** | **63,024** | **1,051,165** | **337,651** | **578,048** | **1,167,625** |

## MAJOR BUSINESS OF NWSH

### A. Roads

| No. | Project Name | Length | NWSH's Attributable Interest | NWSH's Form of Investment | Operation Date | Year of Expiry |
|---|---|---|---|---|---|---|
| | **Guangdong Province** | | | | | |
| 1 | Guangzhou City Northern Ring Road | 22 km | 65.29% | CJV | January 1994 | 2023 |
| 2 | Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) | Section 1: 8.6 km<br>Section 2: 49.59 km | 25.00% | CJV | December 1999 | 2030 |
| 3 | Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Northern Section) | 27 km | 15.00% | CJV | December 2005 | 2032 |
| 4 | Guangzhou-Zhaoqing Expressway | Phase 1: 48 km<br>Phase 2: 5.39 km | 25.00% | CJV | Phase 1: September 2002<br>Phase 2: September 2010 | 2031 |
| 5 | Shenzhen-Huizhou Expressway (Huizhou Section) | 34.7 km | 33.33% | CJV | June 1993 | 2023 |
| 6 | Guangzhou Dongxin Expressway | 46.22 km | 45.90% | Equity | December 2010 | 2035 |
| 7 | Guangzhou City Nansha Port Expressway | 72.4 km | 22.50% | Equity | December 2004 | 2030 |
| 8 | Guangdong E-serve United Co., Ltd. | N/A | 1.02% | Equity | January 2013 | N/A |
| | **Zhejiang Province** | | | | | |
| 9 | Hangzhou Ring Road | 103.4 km | 100.00% | Equity | January 2005 | 2029 |
| | **Shanxi Province** | | | | | |
| 10 | Shanxi Taiyuan – Gujiao Roadway (Gujiao Section) | 36.02 km | 60%† | CJV | April 1999 | 2025 |
| 11 | Roadway No. 309 (Changzhi Section) | 22.2 km | 60%† | CJV | July 2000 | 2023 |
| 12 | Taiyuan – Changzhi Roadway (Changzhi Section) | 18.3 km | 60%† | CJV | August 2000 | 2023 |
| | **Tianjin Municipality** | | | | | |
| 13 | Tangjin Expressway (Tianjin North Section) | Section 1: 43.45 km<br>Section 2: 17.22 km | 60%†† | CJV | Section 1: December 1998<br>Section 2: December 2000 | 2039 |
| | **Hubei Province** | | | | | |
| 14 | Hubei Suiyuenan Expressway | 98.06 km | 30.00% | EJV | March 2010 | 2040 |
| | **Hunan Province** | | | | | |
| 15 | Hunan Sui-Yue Expressway | 24.08 km | 40.00% | EJV | December 2011 | 2038 |
| 16 | Hunan Changliu Expressway | 65 km | 100.00% | Equity | October 2013 | 2043 |

Remarks:
† Cash sharing ratio of 90% for the first 12 years from the operation date and thereafter 60%
†† Cash sharing ratio of 90% for the first 15 years from the operation date and thereafter 60%
CJV: Co-operative Joint Venture (profit sharing percentage)
EJV: Equity Joint Venture (percentage of equity interest)
N/A: Not applicable

## B. Aviation

| No. | Name of Company | No. of Aircraft Owned | NWSH's Attributable Interest | NWSH's Form of Investment |
|---|---|---|---|---|
| 1 | Goshawk Aviation Limited | 2018: 105<br>2019: 154<br>2020: 162 | 50.00% | Equity |

## C. Construction

| No. | Name of Company | Services Offered | NWSH's Attributable Interest | Total Value of Contracts |
|---|---|---|---|---|
| 1 | Hip Hing Group | General contracting, construction management, civil engineering works and foundation works | 100.00% | Contracts awarded this year: HK$8.8 billion<br>Contracts on hand: HK$52.6 billion<br>(works to be completed: HK$36.1 billion) |

## D. Insurance

| No. | Name of Company | Services Offered | NWSH's Attributable Interest | No. of Agents | Solvency Ratio |
|---|---|---|---|---|---|
| 1 | FTLife Insurance Company Limited | Provision of financial protection and wealth management services to individual and institutional clients from a diverse portfolio | 100.00% | Over 3,000 | 542% |

# Glossary of Terms

## GENERAL TERMS

| | |
|---|---|
| CEO | Chief Executive Officer |
| FY | Fiscal year, 1 July to 30 June |
| Group | NWD and its subsidiaries |
| HIBOR | Hong Kong Interbank Offered Rate |
| HK | Hong Kong |
| HK$ | Hong Kong dollar(s), the lawful currency of Hong Kong |
| HK$m | million of Hong Kong dollar(s) |
| HKEx or Stock Exchange | The Stock Exchange of Hong Kong Limited |
| LIBOR | London Interbank Offered Rate |
| Listing Rules | Rules Governing the Listing of Securities on the HKEx |
| Mainland China | The People's Republic of China excluding Hong Kong, Macau and Taiwan for the purposes of this annual report |
| N/A or n/a | not applicable |
| New World or NWD or New World Development or Company | New World Development Company Limited (新世界發展有限公司) |
| NWCL or New World China Land | New World China Land Limited |
| NWDS or New World Department Stores | New World Department Store China Limited |
| NWSH or NWS Holdings | NWS Holdings Limited |
| PRC | The People's Republic of China |
| RMB | Renminbi, the lawful currency of PRC |
| TBC | To be confirmed |
| US | The United States of America |
| US$ or USD | United States dollar(s), the lawful currency of US |
| MOP | Macau Pataca, the lawful currency of Macau |
| EUR | Euro, the official currency of Eurozone |
| THB | Thailand Baht, the official currency of Thailand |
| Peso | Philippine Peso, the official currency of the Philippines |
| MYR | Malaysian Ringgit, the official currency of Malaysia |

## FINANCIAL TERMS

| | |
|---|---|
| EBITDA | Operating profit before depreciation and amortisation |
| Gearing Ratio | Net Debt divided by total equity |
| Net Debt | The aggregate of bank loans, other loans and fixed rate bonds and notes payable less cash and bank balances |
| Total Debt | Net Debt plus cash and bank balances |
| HKFRS | Hong Kong Financial Reporting Standards |
| HKAS | Hong Kong Accounting Standards |
| FVPL | Fair value through profit or loss |
| FVOCI | Fair value through other comprehensive income |
| VOBA | Value of business acquired |
| DAC | Deferred acquisition costs |

## TECHNICAL TERMS

| | |
|---|---|
| CJV | Co-operative joint venture |
| EJV | Equity joint venture |
| JV | Joint venture |
| WFOE | Wholly foreign owned enterprise |

## MEASUREMENTS

| | |
|---|---|
| km | kilometre(s) |
| $m^3$ | cubic metre |
| MW | megawatt(s), equal to 1,000kW |
| sq ft | square foot (feet) |
| sq m | square metre(s) |

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