新創建 NWS

新創建集團有限公司*
NWS HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)
(stock code: 659)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2021

HIGHLIGHTS

- **The Group's AOP: HK$5,225.9 million, increased by 49%**
  - Core Business' AOP was HK$4,223.7 million, increased by 34% (accounted for 81% of the Group's AOP)
  - Strategic Portfolio's AOP was HK$1,002.2 million, increased by 172%
- **Continued disposal of non-core assets of the Group to unlock value for shareholders and total consideration was approximately HK$14.2 billion**
- **Proposed final dividend of HK$0.30 per share, increased 3.4% from the final dividend of HK$0.29 per share last year, and together with the interim dividend of HK$0.29 per share, total dividends for FY2021 will be HK$0.59 per share (FY2020: HK$0.58 per share), aligning with the Group's prevailing sustainable and progressive dividend policy**
- **Ample liquidity with total capital resources amounting to approximately HK$30.2 billion, including cash and bank balances amounting to HK$10.8 billion and unutilized committed banking facilities of approximately HK$19.4 billion**
- **Net gearing ratio was stable at 25% (30 June 2020: 31%; 31 December 2020: 26%)**

The board of directors (the "Board") of NWS Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the financial year ended 30 June 2021 ("FY2021") together with comparative figures for the financial year ended 30 June 2020 ("FY2020").

BUSINESS REVIEW

Group overview

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

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

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

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

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

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

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

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

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

Contribution by Division
For the year ended 30 June

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

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

OPERATIONAL REVIEW – CORE BUSINESS

AOP Contribution by Segment

For the year ended 30 June

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

Roads

Our Roads segment witnessed noticeable rebound in traffic flow and toll revenue upon the toll fee exemption policy in the Mainland ended in May 2020 and benefited from the swift reopening of the Mainland's economy and fast-growing logistics sector. Overall traffic volume and toll revenue of our road portfolio increased 45% and 42% year-on-year, respectively (or grew 13% and 9%, respectively, versus the financial year ended 30 June 2019 ("FY2019")). Along with the benefit from Renminbi appreciation, AOP of the Roads segment surged by 99% year-on-year to HK$1,807.5 million in FY2021 and has already surpassed that in FY2019. The three expressways in Central region that were being acquired in the past few years, namely Suiyuenan Expressway, Sui-Yue Expressway and Changliu Expressway, have started to bear fruits and contributed over 10% of the Roads segment's AOP. Excluding the impact of Renminbi appreciation, underlying AOP growth from operation of the Roads segment was 88% year-on-year.

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

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

Aviation

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

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

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

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

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

Construction

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

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

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

Insurance

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

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

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

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

OPERATIONAL REVIEW – STRATEGIC PORTFOLIO

AOP Contribution by Segment

For the year ended 30 June

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

Logistics

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

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

China United International Rail Containers Co., Limited ("CUIRC") has benefited from the further development of rail intermodal transportation and international block train service as well as the brisk expansion of logistics services. Throughput increased remarkably by 25% to 4,869,000 TEUs, while AOP jumped 63% in FY2021. The new Guangzhou terminal is under construction and will commence operation in the financial year ending 30 June 2022 ("FY2022"), while the expansion of Wuhan terminal is in progress.

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

Facilities Management

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

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

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

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

Strategic Investments

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

DISCONTINUED OPERATIONS

Environment

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

Transport

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

BUSINESS OUTLOOK

Core Business

Roads

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

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

Aviation

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

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

Construction

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

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

Insurance

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

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

Strategic Portfolio

Logistics

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

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

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

Against the backdrop of rising demand for logistics service post-COVID19 driven by the expansion of cross-border trade, increasing demand for e-commerce and leveraged use of multimodal transportation, as well as supportive government policies, the Group is actively expanding investment in modern logistics, targeting businesses such as cold chain and logistics services, aiming at riding on the synergies with ATL and CUIRC and establishing a logistics ecosystem in the Group with a holistic platform backed by core assets and network.

Facilities Management

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

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

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

LOOKING FORWARD

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

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

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

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

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

FINANCIAL RESOURCES

Treasury management and cash funding

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

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

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

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

Liquidity and capital resources

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

Debt profile and maturity

As at 30 June 2021, the Group's total debt decreased to HK$25,348.0 million from HK$30,955.7 million as at 30 June 2020. The Group has managed to evenly distribute its debt maturity profile to reduce refinancing risks. Amongst the non-current portion of the long-term loans and borrowings of HK$23,229.4 million as at 30 June 2021, 27% will mature in the second year, 40% will mature in the third to fifth year and 33% will mature after the fifth year. Bank loans were mainly denominated in Hong Kong Dollar and Renminbi and bearing interest at floating rates while fixed rate bonds were denominated in United States Dollar. As at 30 June 2021, the Group has provided a pledge over its 30% equity interest in an associated company which owns and operates Suiyuenan Expressway as security for a bank loan made to that associated company.

Commitments

The Group's total commitments for capital expenditures was HK$2,209.6 million as at 30 June 2021, compared with HK$1,159.8 million as at 30 June 2020. These comprised commitments for capital contributions to certain associated companies, joint ventures and other financial investments of HK$1,231.4 million as well as additions of intangible assets and property, plant and equipment of HK$978.2 million. Sources of funds for capital expenditures include internal resources of the Group and committed external financing from reputable international banks.

Financial guarantee contracts

Financial guarantee contracts of the Group were HK$3,881.8 million as at 30 June 2021, compared with HK$3,807.9 million as at 30 June 2020. These comprised guarantees for banking facilities of associated companies and joint ventures.

In addition, the Company and NWD, through their respective wholly-owned subsidiaries, provided a joint and several guarantee in favour of the Hong Kong Government for the punctual, true and faithful performance and observance by Kai Tak Sports Park Limited ("KTSPL") under the contract entered into between the Hong Kong Government and KTSPL for the design, construction and operation of Kai Tak Sports Park. Taking into consideration the deed of counter-indemnity which has been entered into, the Group's guarantee towards KTSPL is up to the extent of 25% of the contract sum or an amount of approximately HK$7.5 billion as at 30 June 2021 (30 June 2020: HK$7.5 billion). KTSPL is an associated company of the Group in which the Group has a 25% interest.

MAJOR ACQUISITIONS AND DISPOSALS

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

2. On 11 January 2021,

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

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

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

RESULTS

The audited consolidated results of the Group for FY2021 together with comparative figures for FY2020 are set out as follows:

Consolidated Income Statement
For the year ended 30 June

	Note	**2021 HK$'m**	2020 HK$'m (restated)
Continuing operations			
Revenue	*2*	**28,197.3**	22,612.2
Cost of sales	*3,5*	**(24,406.1)**	(19,762.0)
Gross profit		**3,791.2**	2,850.2
Other income and gains, net	*4*	**2,026.9**	1,002.4
Selling and marketing expenses	*5*	**(969.0)**	(820.4)
General and administrative expenses	*5*	**(1,810.6)**	(1,533.5)
Overlay approach adjustments on financial assets	*4(a)*	**(1,270.6)**	208.2
Operating profit	*5*	**1,767.9**	1,706.9
Finance costs		**(838.7)**	(966.8)
Share of results of			
Associated companies	*2(c),9*	**266.2**	(132.6)
Joint ventures	*2(c),10*	**1,280.6**	1,092.9
Profit before income tax		**2,476.0**	1,700.4
Income tax expenses	*6*	**(691.2)**	(589.6)
Profit from continuing operations		**1,784.8**	1,110.8
Discontinued operations			
Loss from discontinued operations	*12(a)*	**(43.8)**	(283.3)
Profit for the year		**1,741.0**	827.5
Profit/(loss) attributable to			
Shareholders of the Company			
From continuing operations		**1,190.3**	536.5
From discontinued operations		**(43.8)**	(283.3)
		1,146.5	253.2
Holders of perpetual capital securities		**583.1**	581.9
Non-controlling interests		**11.4**	(7.6)
		1,741.0	827.5
Basic and diluted earnings/(loss) per share attributable to shareholders of the Company	*7*		
From continuing operations		**HK$0.30**	HK$0.14
From discontinued operations		**(HK$0.01)**	(HK$0.08)
		HK$0.29	HK$0.06

Consolidated Statement of Comprehensive Income
For the year ended 30 June

	Note	**2021 HK$'m**	2020 HK$'m (restated)
Profit for the year		**1,741.0**	827.5
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss			
Net fair value changes on equity instruments as financial assets at fair value through other comprehensive income		**76.5**	(774.1)
Remeasurement of post-employment benefit obligation		**25.2**	32.0
Items that have been reclassified/may be subsequently reclassified to profit or loss			
Net fair value changes and other net movements on debt instruments as financial assets at fair value through other comprehensive income		**(1,677.3)**	1,881.1
Release of reserve upon disposal of debt instruments as financial assets at fair value through other comprehensive income		**(40.7)**	(309.7)
Release of reserves upon disposal of subsidiaries		**71.4**	24.7
Release of reserves upon disposal/partial disposal of interests in associated companies		**(61.6)**	(14.5)
Release of reserve upon disposal of interest in a joint venture		**(93.8)**	-
Release of reserve upon deconsolidation of a subsidiary		**(10.3)**	-
Share of other comprehensive loss of associated companies and joint ventures		**(3.3)**	(12.9)
Cash flow/fair value hedges		**242.7**	131.4
Amount reported in other comprehensive income applying overlay approach adjustments on financial assets	*4(a)*	**1,270.6**	(208.2)
Currency translation differences		**2,889.9**	(1,293.2)
Other comprehensive income/(loss) for the year, net of tax		**2,689.3**	(543.4)
Total comprehensive income for the year		**4,430.3**	284.1
Total comprehensive income/(loss) attributable to			
Shareholders of the Company			
From continuing operations		**3,319.8**	374.6
From discontinued operations	*12(b)*	**495.1**	(656.3)
		3,814.9	(281.7)
Holders of perpetual capital securities		**583.1**	581.9
Non-controlling interests		**32.3**	(16.1)
		4,430.3	284.1

Consolidated Statement of Financial Position
As at 30 June

	Note	**2021 HK$'m**	2020 HK$'m
ASSETS			
Non-current assets			
Investment properties		**1,681.4**	1,703.1
Property, plant and equipment		**1,186.0**	4,881.5
Intangible concession rights		**14,355.6**	14,083.9
Intangible assets		**5,916.2**	5,906.8
Value of business acquired		**5,395.1**	5,651.5
Right-of-use assets		**1,359.9**	1,999.7
Deferred acquisition costs		**1,711.5**	688.2
Associated companies	*9*	**5,673.6**	13,353.5
Joint ventures	*10*	**10,806.0**	12,287.5
Financial assets at fair value through other comprehensive income		**42,889.2**	38,011.7
Financial assets at fair value through profit or loss		**12,551.8**	8,488.2
Derivative financial instruments		**658.2**	1,972.0
Other non-current assets		**1,947.7**	1,198.7
		106,132.2	110,226.3
Current assets			
Inventories		**207.0**	328.6
Trade, premium and other receivables	*11*	**15,162.2**	16,207.5
Investments related to unit-linked contracts		**10,770.2**	9,053.6
Financial assets at fair value through other comprehensive income		**1,898.1**	528.1
Financial assets at fair value through profit or loss		**471.9**	373.2
Derivative financial instruments		**801.8**	0.7
Cash and bank balances		**10,804.6**	13,221.8
		40,115.8	39,713.5
Assets held-for-sale	*13*	**6,324.9**	112.2
Total assets		**152,572.9**	150,052.0
EQUITY			
Share capital		**3,911.1**	3,911.1
Reserves		**44,002.3**	42,455.9
Shareholders' funds		**47,913.4**	46,367.0
Perpetual capital securities		**10,528.5**	10,528.5
Non-controlling interests		**12.1**	562.2
Total equity		**58,454.0**	57,457.7

Consolidated Statement of Financial Position
As at 30 June

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

Notes:

1. Basis of preparation and accounting policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and interpretations (collectively, the "HKFRS") issued by the 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 derivative financial instruments) which have been measured at fair value.

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

Under Hong Kong Accounting Standard 1 "Presentation of Financial Statements", liability is classified as current if there is no unconditional right by the issuer to defer the settlement for at least 12 months after the reporting period. The unavoidable payment obligation exists if all the policyholders choose to exercise their surrender option at the reporting date and accordingly the full surrender value of insurance and investment contract liabilities is classified as current liabilities as at the year end. However, management considered the likelihood for all policyholders to exercise the surrender option and leading to the settlement of the aforesaid liabilities within one year is low. Based on historical pattern, management considered the amount of insurance contract liabilities expected to be settled within one year is approximately HK$3,861.4 million.

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

1. Basis of preparation and accounting policies (continued)

(a) Adoption of amendments to standards and interpretation

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

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

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

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

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

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

1. Basis of preparation and accounting policies (continued)

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

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

HKFRS 17 will replace the current HKFRS 4 "Insurance Contracts". HKFRS 17 includes some fundamental differences to current accounting treatment in both insurance contract measurement and profit recognition. The general model is based on a discounted cash flow model with a risk adjustment and deferral of unearned profits. A separate approach applies to insurance contracts that are linked to returns on underlying items and meet certain requirements. Additionally, HKFRS 17 requires more granular information and a new presentation format for the statement of comprehensive income as well as extensive disclosures. In October 2020, HKICPA issued HKFRS 17 (Amendments) which defer the effective date of the standard to accounting period beginning on or after 1 January 2023 and provide additional transition relief when applying HKFRS 17 for the first time. The Group is undertaking an assessment of the new standard.

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

(c) Restatements due to discontinued operations

During FY2021, the Group has disposed of its entire interest in the transport business and plans to recover a significant part of the carrying amount of environment business principally through sale rather than through continuing use. Their results for the year are presented separately as one-line item below profit from continuing operations as "discontinued operations" in the consolidated income statement. The comparative figures in the consolidated income statement and the consolidated statement of comprehensive income have been restated to present their operations as "discontinued operations". The comparative figures in consolidated statement of financial position were not re-presented. Further details of financial information of the discontinued operations are set out in note 12.

2. Revenue and segment information

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

2021 **HK$'m**	**Hong Kong**	**Mainland China**	**Others**	**Total**
Roads	**-**	**3,033.2**	**-**	**3,033.2**
Construction	**15,114.1**	**-**	**-**	**15,114.1**
Insurance	**9,640.6**	**-**	**-**	**9,640.6**
Facilities Management	**355.8**	**53.6**	**-**	**409.4**
	25,110.5	**3,086.8**	**-**	**28,197.3**

2020 HK$'m (restated)	Hong Kong	Mainland China	Others	Total
Roads	-	2,070.5	-	2,070.5
Construction	12,454.4	-	-	12,454.4
Insurance	6,180.0	-	-	6,180.0
Facilities Management	1,637.0	47.0	223.3	1,907.3
	20,271.4	2,117.5	223.3	22,612.2

Management has determined the operating segments based on the reports reviewed by the Executive Committee of the Company that are used to make strategic decisions. The Executive Committee reviews the Group's internal reporting in order to assess performance and allocate resources. The Executive Committee considers the businesses of the Group from product and service perspectives, which comprised (i) Roads; (ii) Aviation; (iii) Construction; (iv) Insurance; (v) Logistics; (vi) Facilities Management; (vii) Strategic Investments; (viii) Environment; and (ix) Transport. During FY2021, the results of the "Environment" segment and "Transport" segment are presented as discontinued operations in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" ("HKFRS 5") as detailed in note 12. Last year's comparative segment information has been restated to conform with the current year's presentation.

The Executive Committee assesses the performance of the operating segments based on a measure of Attributable Operating Profit (including share of results from associated companies and joint ventures). This measurement basis excludes the effects of corporate office and non-operating items. Corporate interest income, finance costs and expenses are not allocated to segments.

2. Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for FY2021 and related comparative figures is as follows:

HK$'m	Continuing operations									Discontinued operations			
	Roads	Aviation	Construction	Insurance	Logistics	Facilities Management	Strategic Investments	Subtotal		Environment	Transport	Total	
2021													
Total revenue	**3,033.2**	**-**	**15,114.1**	**9,641.8**	**-**	**409.5**	**-**	**28,198.6**		**-**	**655.1**	**28,853.7**	
Inter-segment	**-**	**-**	**-**	**(1.2)**	**-**	**(0.1)**	**-**	**(1.3)**		**-**	**-**	**(1.3)**	
Revenue - external	**3,033.2**	**-**	**15,114.1**	**9,640.6**	**-**	**409.4**	**-**	**28,197.3**		**-**	**655.1**	**28,852.4**	
Revenue from contracts with customers:													
Recognized at a point in time	**3,033.2**	**-**	**-**	**-**	**-**	**134.6**	**-**	**3,167.8**		**-**	**614.7**	**3,782.5**	
Recognized over time	**-**	**-**	**15,114.1**	**734.3**	**-**	**274.8**	**-**	**16,123.2**		**-**	**40.4**	**16,163.6**	
	3,033.2	**-**	**15,114.1**	**734.3**	**-**	**409.4**	**-**	**19,291.0**		**-**	**655.1**	**19,946.1**	
Revenue from other source:													
Insurance revenue	**-**	**-**	**-**	**8,906.3**	**-**	**-**	**-**	**8,906.3**		**-**	**-**	**8,906.3**	
	3,033.2	**-**	**15,114.1**	**9,640.6**	**-**	**409.4**	**-**	**28,197.3**		**-**	**655.1**	**28,852.4**	
Attributable Operating Profit/(Loss)													
Company and subsidiaries	**955.6**	**-**	**802.1**	**971.7**	**(2.4)**	**(437.7)**	**469.8**	**2,759.1**		**5.0**	**(3.5)**	**2,760.6**	
Associated companies	**205.1**	**-**	**146.1**	**-**	**101.4**	**(217.5)**	**144.7**	**379.8**	**(c)**	**144.4**	**8.3**	**532.5**	
Joint ventures	**646.8**	**496.0**	**0.3**	**-**	**564.0**	**5.9**	**124.9**	**1,837.9**	**(c)**	**94.9**	**-**	**1,932.8**	
	1,807.5	**496.0**	**948.5**	**971.7**	**663.0**	**(649.3)**	**739.4**	**4,976.8**		**244.3**	**4.8**	**5,225.9**	
Reconciliation – corporate office and non-operating items													
Net loss on fair value of investment properties												**(13.2)**	
Remeasurement, impairments and provisions												**(2,551.6)**	**(i)**
Net gain on disposal of projects, net of tax												**9.3**	
Net loss on fair value of derivative financial instruments												**(59.1)**	
Interest income												**37.5**	
Finance costs												**(483.4)**	**(ii)**
Expenses and others												**(435.8)**	
Profit for the year after tax and non-controlling interests												**1,729.6**	
Profit attributable to holders of perpetual capital securities												**(583.1)**	
Profit attributable to shareholders												**1,146.5**	

(i) The amount mainly represents remeasurement loss upon reclassification as held-for-sale for Wai Kee of HK$1,373.8 million (included in "other income and gains, net" and detailed in notes 4 and 13) and for NWS HKI of HK$228.1 million (included in "loss from discontinued operations" and detailed in note 12), share of impairment losses, expected credit loss provision and aircraft repossession/recovery costs for Goshawk of HK$553.3 million (net of tax) (included in "share of results of joint ventures" and detailed in note 10), impairment loss related to certain associated companies of HK$248.0 million in aggregate (detailed in note 9) as well as certain other expected credit loss provision.

(ii) The finance costs recognized in the consolidated income statement for FY2021 from continuing operations and discontinued operations is HK$838.7 million and HK$5.7 million (note 12(a)) respectively, in which the above HK$483.4 million represents corporate office finance costs and HK$361.0 million is recognized as part of Attributable Operating Profit in various reportable segments.

2. Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for FY2021 and related comparative figures is as follows (continued):

	Continuing operations									Discontinued operations		
HK$'m	Roads	Aviation	Construction	Insurance	Logistics	Facilities Management	Strategic Investments	Corporate	Subtotal	Environment	Transport	Consolidated
2021												
Depreciation of property, plant and equipment	50.8	-	49.7	42.9	-	116.0	0.1	6.5	266.0	-	111.1	377.1
Depreciation of right-of-use assets	0.7	-	34.6	118.4	-	99.8	-	18.1	271.6	-	31.9	303.5
Amortization of intangible concession rights	1,052.5	-	-	-	-	-	-	-	1,052.5	-	-	1,052.5
Amortization of intangible assets	-	-	-	37.9	-	31.2	-	-	69.1	-	-	69.1
Amortization of value of business acquired	-	-	-	256.4	-	-	-	-	256.4	-	-	256.4
Interest income	(37.3)	-	(2.2)	(1,428.3)	-	(35.8)	(112.0)	(37.5)	(1,653.1)	(5.0)	(0.2)	(1,658.3)
Finance costs	168.3	-	56.0	99.0	-	31.7	0.3	483.4	838.7	-	5.7	844.4
Income tax expenses/(credit)	486.8	-	141.7	72.0	10.1	(65.2)	41.2	4.6	691.2	-	(52.7)	638.5
Overlay approach adjustments on financial assets	-	-	-	1,270.6	-	-	-	-	1,270.6	-	-	1,270.6
Net gain on fair value of financial assets at fair value through profit or loss ("FVPL")	-	-	-	(1,478.4)	-	-	(458.3)	-	(1,936.7)	-	-	(1,936.7)
Additions to non-current assets (remark)	121.5	-	128.7	114.2	-	23.5	1.7	16.9	406.5	-	66.7	473.2
At 30 June 2021												
Company and subsidiaries	16,351.4	6,168.0	6,659.2	84,705.6	1,851.8	3,936.1	7,608.0	4,758.7	132,038.8	4,054.5	-	136,093.3
Associated companies	2,808.1	-	69.8	-	-	310.7	2,482.5	2.5	5,673.6	-	-	5,673.6
Joint ventures	4,312.4	1,198.7	-	-	3,029.0	5.9	2,249.7	10.3	10,806.0	-	-	10,806.0
Total assets	23,471.9	7,366.7	6,729.0	84,705.6 (b)	4,880.8	4,252.7	12,340.2	4,771.5	148,518.4	4,054.5	-	152,572.9
Total liabilities	6,175.0	-	6,679.6	60,509.6 (b)	65.3	1,340.2	122.7	19,226.5	94,118.9	-	-	94,118.9

Remark: Being additions to non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, value of business acquired and deferred acquisition costs.

2. Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for FY2021 and related comparative figures is as follows (continued):

HK$'m	Continuing operations									Discontinued operations			
	Roads	Aviation	Construction	Insurance	Logistics	Facilities Management	Strategic Investments	Subtotal		Environment	Transport	Total	
2020 (restated)													
Total revenue	2,070.5	-	12,462.4	6,180.0	-	1,911.1	-	22,624.0		-	3,308.6	25,932.6	
Inter-segment	-	-	(8.0)	-	-	(3.8)	-	(11.8)		-	(0.3)	(12.1)	
Revenue - external	2,070.5	-	12,454.4	6,180.0	-	1,907.3	-	22,612.2		-	3,308.3	25,920.5	
Revenue from contracts with customers:													
Recognized at a point in time	2,070.5	-	-	-	-	1,144.1	-	3,214.6		-	3,131.5	6,346.1	
Recognized over time	-	-	12,454.4	412.8	-	763.2	-	13,630.4		-	176.8	13,807.2	
	2,070.5	-	12,454.4	412.8	-	1,907.3	-	16,845.0		-	3,308.3	20,153.3	
Revenue from other source:													
Insurance revenue	-	-	-	5,767.2	-	-	-	5,767.2		-	-	5,767.2	
	2,070.5	-	12,454.4	6,180.0	-	1,907.3	-	22,612.2		-	3,308.3	25,920.5	
Attributable Operating Profit/(Loss)													
Company and subsidiaries	543.3	-	757.1	750.4	-	(419.5)	243.4	1,874.7		25.7	(124.5)	1,775.9	
Associated companies	101.6	-	308.9	-	91.8	(357.7)	43.8	188.4	(c)	207.0	5.7	401.1	
Joint ventures	262.5	421.9	-	-	536.0	5.4	(36.2)	1,189.6	(c)	147.7	-	1,337.3	
	907.4	421.9	1,066.0	750.4	627.8	(771.8)	251.0	3,252.7		380.4	(118.8)	3,514.3	
Reconciliation – corporate office and non-operating items													
Loss on fair value of investment properties												(22.9)	
Impairments and provisions												(1,709.4)	(iii)
Net gain on disposal of projects, net of tax												101.0	
Net gain on fair value of derivative financial instruments, net of tax												73.1	
Interest income												107.5	
Finance costs												(737.4)	(iv)
Expenses and others												(491.1)	
Profit for the year after tax and non-controlling interests												835.1	
Profit attributable to holders of perpetual capital securities												(581.9)	
Profit attributable to shareholders												253.2	

(iii) The amount mainly represents impairment losses and expected credit loss provisions related to certain associated companies of HK$664.8 million (note 9), Goshawk of HK$107.7 million (note 10), transport business of HK$700.0 million (note 12(a)(i)) (being impairment loss against goodwill of HK$386.9 million and against property, plant and equipment of HK$375.0 million, net of tax credit HK$61.9 million) as well as provision for onerous contract of HK$230.0 million (note 4).

(iv) The finance costs recognized in the consolidated income statement for FY2020 from continuing operations and discontinued operations is HK$966.8 million and HK$29.0 million (note 12(a)) respectively, in which the above HK$737.4 million represents corporate office finance costs and HK$258.4 million is recognized as part of Attributable Operating Profit in various reportable segments.

2. Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for FY2021 and related comparative figures is as follows (continued):

	Continuing operations									Discontinued operations		
HK$'m	Roads	Aviation	Construction	Insurance	Logistics	Facilities Management	Strategic Investments	Corporate	Subtotal	Environment	Transport	Consolidated
2020 (restated)												
Depreciation of property, plant and equipment	45.0	-	41.5	26.0	-	122.5	-	7.8	242.8	-	397.1	639.9
Depreciation of right-of-use assets	0.7	-	25.3	93.1	-	95.6	-	22.8	237.5	-	110.5	348.0
Amortization of intangible concession rights	714.9	-	-	-	-	-	-	-	714.9	-	-	714.9
Amortization of intangible assets	-	-	-	23.9	-	31.2	-	-	55.1	-	1.4	56.5
Amortization of value of business acquired	-	-	-	173.5	-	-	-	-	173.5	-	-	173.5
Interest income	(49.1)	(0.1)	(3.7)	(877.3)	(0.1)	(58.5)	(97.7)	(107.5)	(1,194.0)	(25.7)	(1.5)	(1,221.2)
Finance costs	59.7	-	54.7	79.9	-	35.1	-	737.4	966.8	-	29.0	995.8
Income tax expenses/(credit)	368.0	-	139.1	43.2	8.5	(2.8)	9.4	24.2	589.6	-	(132.0)	457.6
Overlay approach adjustments on financial assets	-	-	-	(208.2)	-	-	-	-	(208.2)	-	-	(208.2)
Net loss/(gain) on fair value of financial assets at FVPL	-	-	-	223.0	-	-	(158.6)	-	64.4	-	-	64.4
Additions to non-current assets (remark)	5,387.6	-	80.5	6,566.4	-	188.9	3.3	17.7	12,244.4	-	274.0	12,518.4
At 30 June 2020												
Company and subsidiaries	15,554.1	6,332.7	7,462.8	75,061.9	118.1	4,284.5	7,153.4	3,466.0	119,433.5	0.3	4,977.2	124,411.0
Associated companies	2,530.9	-	2,009.4	-	1,587.4	528.2	1,960.1	3.2	8,619.2	4,574.0	160.3	13,353.5
Joint ventures	3,984.3	978.1	0.1	-	2,848.9	5.6	2,332.7	13.5	10,163.2	2,124.3	-	12,287.5
Total assets	22,069.3	7,310.8	9,472.3	75,061.9	4,554.4	4,818.3	11,446.2	3,482.7	138,215.9	6,698.6	5,137.5	150,052.0
Total liabilities	6,034.7	-	8,065.6	51,448.3	68.5	1,544.1	73.3	23,239.4	90,473.9	4.0	2,116.4	92,594.3

Remark: Being additions to non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, value of business acquired and deferred acquisition costs.

2. Revenue and segment information (continued)

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

At 30 June 2021

HK$'m	Non-insurance and corporate	Insurance	Total
Assets			
Intangible concession rights	14,355.6	-	14,355.6
Intangible assets	188.1	5,728.1	5,916.2
Value of business acquired	-	5,395.1	5,395.1
Deferred acquisition costs	-	1,711.5	1,711.5
Associated companies	5,673.6	-	5,673.6
Joint ventures	10,806.0	-	10,806.0
Financial assets at FVOCI	1,318.4	43,468.9	44,787.3
Financial assets at FVPL	4,544.8	8,478.9	13,023.7
Derivative financial instruments	7.0	1,453.0	1,460.0
Trade, premium and other receivables	13,392.8	1,769.4	15,162.2
Investments related to unit-linked contracts	-	10,770.2	10,770.2
Cash and bank balances	6,307.4	4,497.2	10,804.6
Assets held-for-sale	6,324.9	-	6,324.9
Others	4,948.7	1,433.3	6,382.0
	67,867.3	84,705.6	152,572.9
Represented by			
Non-current assets	41,063.0	65,069.2	106,132.2
Current assets	26,804.3	19,636.4	46,440.7
	67,867.3	84,705.6	152,572.9
Liabilities			
Borrowings and other interest-bearing liabilities	22,464.3	2,883.7	25,348.0
Insurance and investment contract liabilities	-	42,502.8	42,502.8
Liabilities related to unit-linked contracts	-	10,951.0	10,951.0
Trade, other payables and payables to policyholders	8,060.9	3,272.0	11,332.9
Others	3,084.1	900.1	3,984.2
	33,609.3	60,509.6	94,118.9
Represented by			
Non-current liabilities	23,555.4	21,208.1	44,763.5
Current liabilities	10,053.9	39,301.5	49,355.4
	33,609.3	60,509.6	94,118.9
Net current assets/(liabilities) (note 1)	16,750.4	(19,665.1)	(2,914.7)

2. Revenue and segment information (continued)

(c) Reconciliation of attributable operating profit from continuing operations of associated companies and joint ventures to the consolidated income statement:

	Associated companies		Joint ventures	
HK$'m	**2021**	2020 (restated)	**2021**	2020 (restated)
Attributable Operating Profit	**379.8**	188.4	**1,837.9**	1,189.6
Corporate and non-operating items				
Impairment losses, expected credit loss provision and aircraft repossession/recovery costs (notes 9 and 10)	**(120.0)**	(330.0)	**(553.3)**	(107.7)
Others	**6.4**	9.0	**(4.0)**	11.0
Share of results of associated companies and joint ventures	**266.2**	(132.6)	**1,280.6**	1,092.9

(d) Information by geographical areas:

	Non-current assets (remark)	
HK$'m	**2021**	2020
Hong Kong	**9,743.8**	14,181.4
Mainland China	**14,722.6**	14,360.9
Others	**32.7**	32.7
	24,499.1	28,575.0

The operations of the Group's infrastructure businesses in Mainland China are undertaken mainly through associated companies and joint ventures, the results of which are accounted for by the equity method of accounting.

Remark: Being balance of non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, value of business acquired and deferred acquisition costs.

3. Cost of sales

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

	Note	**2021 HK$'m**	2020 HK$'m (restated)
Cost of inventories sold		**32.0**	1,044.9
Cost of construction		**12,436.8**	9,894.9
Cost of services rendered		**3,349.6**	3,564.6
Claims and benefits, net of reinsurance		**8,331.3**	5,084.1
Amortization of value of business acquired		**256.4**	173.5
	5	**24,406.1**	19,762.0

4. Other income and gains, net

	Note	**2021 HK$'m**	2020 HK$'m (restated)
Continuing operations			
Gain associated with investments related to unit-linked contracts		**2,187.9**	122.2
Net gain/(loss) on fair value of financial assets at FVPL	*(a)*	**1,936.7**	(64.4)
Net profit on disposal of debt instruments as financial assets at FVOCI		**40.7**	309.7
Profit on disposal of subsidiaries		**-**	19.7
Profit on disposal of interest in a joint venture		**40.4**	-
Profit/(loss) on disposal/partial disposal of interests in associated companies		**69.0**	(77.0)
Net (loss)/gain on fair value of derivative financial instruments		**(59.1)**	105.6
Interest income			
Debt instruments as financial assets at FVOCI		**1,392.0**	822.7
Bank deposits and others		**261.1**	371.3
Dividend income		**212.3**	178.3
Other income		**40.3**	64.4
Net exchange gain/(loss)		**47.1**	(78.6)
Impairment losses related to associated companies	*9*	**(128.0)**	(334.8)
Provision for onerous contract	*2(a)(iii)*	**-**	(230.0)
Charges related to unit-linked contracts		**(2,171.0)**	(133.9)
Remeasurement loss on assets classified as held-for-sale	*2(a)(i),13*	**(1,373.8)**	-
Net loss on fair value of investment properties		**(13.2)**	(22.9)
Expected credit loss provision			
Trade, premium and other receivables		**(418.4)**	(17.7)
Debt instruments as financial assets at FVOCI		**(37.1)**	(32.2)
		2,026.9	1,002.4

(a) The Group elected to apply the "overlay approach" in accordance with HKFRS 4 (Amendments) "Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts" which allows the Group to reclassify fair value gain or loss from consolidated income statement to other comprehensive income for those designated eligible financial assets previously classified as available-for-sale financial assets under HKAS 39 "Financial Instruments: Recognition and Measurement" but currently classified as financial assets at FVPL under HKFRS 9 "Financial Instruments". The designated financial assets applying the overlay approach are equity instruments and investment funds that are managed as underlying assets backing the insurance contracts issued.

The amount includes a net fair value gain of HK$1,270.6 million (2020: net fair value loss of HK$208.2 million) which was then reclassified from consolidated income statement to other comprehensive income as overlay approach adjustments for the designated financial assets.

5. Operating profit

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

	Note	**2021** **HK$'m**	2020 HK$'m (restated)
Crediting			
Gross rental income from investment properties		**49.5**	54.8
Less: outgoings		**(11.2)**	(12.3)
		38.3	42.5
Charging			
Auditor's remuneration		**19.1**	23.4
Cost of inventories sold		**32.0**	1,044.9
Cost of construction		**12,436.8**	9,894.9
Claims and benefits, net of reinsurance		**8,331.3**	5,084.1
Depreciation of property, plant and equipment		**266.0**	242.8
Depreciation of right-of-use assets		**271.6**	237.5
Amortization of intangible concession rights		**1,052.5**	714.9
Amortization of intangible assets		**69.1**	55.1
Amortization of value of business acquired		**256.4**	173.5
Agency commission and allowances, net of change in deferred acquisition costs	*(a)*	**856.3**	640.0
Expenses on short-term leases		**15.6**	29.2
Expenses on variable lease payments		**57.2**	86.3
Staff costs (including directors' emoluments)		**2,442.2**	2,597.7
Other costs and expenses		**1,079.6**	1,291.6
		27,185.7	22,115.9
Representing by			
Cost of sales	*3*	**24,406.1**	19,762.0
Selling and marketing expenses		**969.0**	820.4
General and administrative expenses		**1,810.6**	1,533.5
		27,185.7	22,115.9

(a) The amount includes amortization of deferred acquisition costs of HK$367.0 million (2020: HK$136.1 million).

6. Income tax expenses

Hong Kong profits tax is provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits for the year. Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profits for the year at the rates of tax prevailing in the regions in which the Group operates. These rates range from 12% to 28% (2020: 12% to 28%). Withholding tax on dividends is mainly provided at the rate of 5% or 10% (2020: 5% or 10%).

The assessable profits of the Group's insurance business are computed in accordance with the special provisions of the Hong Kong Inland Revenue Ordinance ("IRO"). Profits tax for the long-term insurance business, as defined by IRO, is computed at a rate of 16.5% of 5% of net premiums (gross premiums received less reinsurance premiums ceded) of the life insurance business in accordance with Section 23(1)(a) of IRO.

The amount of income tax from continuing operations charged to the consolidated income statement represents:

	2021	2020
	HK$'m	HK$'m (restated)
Current income tax		
Hong Kong profits tax	**224.4**	208.8
Mainland China and overseas taxation	**628.6**	426.6
Deferred income tax credit	**(161.8)**	(45.8)
	691.2	589.6

Share of taxation of associated companies and joint ventures from continuing operations of HK$151.0 million (2020 restated: HK$73.8 million) and HK$339.7 million (2020: HK$323.9 million) respectively are included in the consolidated income statement as share of results of associated companies and joint ventures respectively.

Dividends withholding tax from continuing operations of HK$124.1 million (2020: HK$140.5 million) is included in the above income tax charge.

7. Earnings/(loss) per share

The calculation of basic earnings per share from continuing operations is based on profit attributable to shareholders of the Company arising from the continuing operations of HK$1,190.3 million (2020: HK$536.5 million) and on the weighted average of 3,911,137,849 (2020: 3,911,137,849) ordinary shares outstanding during the year.

The calculation of basic loss per share from discontinued operations is based on the loss attributable to shareholders of the Company arising from the discontinued operations of HK$43.8 million (2020: HK$283.3 million) and on the weighted average ordinary shares outstanding during the year as abovementioned.

There is no dilutive potential ordinary share outstanding for FY2021. For FY2020, exercise of the share options of the Company was not assumed for the calculation of diluted earnings/(loss) per share.

8. Dividends

	2021 **HK$'m**	2020 HK$'m
Interim dividend paid of HK$0.29 (2020: HK$0.29) per share	**1,134.2**	1,134.2
Final dividend proposed of HK$0.30 (2020: paid of HK$0.29) per share	**1,173.3**	1,134.3
	2,307.5	2,268.5

At the meeting held on 30 September 2021, the Board recommended a final dividend of HK$0.30 per share. This proposed dividend has not been recognized as a dividend payable in this consolidated financial statements but will be reflected as an appropriation of the retained profits in the consolidated financial statements for FY2022.

Subject to the passing of the relevant resolution at the annual general meeting of the Company to be held on 22 November 2021 ("AGM"), it is expected that the final dividend will be paid on or about 20 December 2021.

9. Associated companies

Taking into consideration the prolonged COVID-19 pandemic and US-Mainland disputes as well as the underperformance of certain associated companies, management has carried out assessments on the recoverability of the Group's carrying value of the associated companies concerned. Based on the assessments, impairment loss related to these associated companies of HK$248.0 million in aggregate (note 2(a)(i)) was made during FY2021, of which HK$128.0 million (note 4) was recognized as "other income and gains, net" from continuing operations in the consolidated income statement whereas HK$120.0 million (note 2(c)) was shared by the Group and included in "share of results of associated companies" from continuing operations in the consolidated income statement.

In FY2020, impairment loss related to associated companies of HK$664.8 million in aggregate (note 2(a)(iii)) was made, of which HK$334.8 million (note 4) was recognized as "other income and gains, net" from continuing operations in the consolidated income statement whereas HK$330.0 million (note 2(c)) was shared by the Group and included in "share of results of associated companies" from continuing operations in the consolidated income statement.

10. Joint ventures

The share of results of joint ventures from continuing operations in FY2021 includes the Group's share of impairment loss (net of tax) for Goshawk (in which the Group holds 50% equity interest) on aircraft portfolio of HK$347.1 million (2020: HK$64.3 million). Goshawk is principally engaged in aircraft leasing industry. In view of the outbreak of COVID-19 which brought challenges to aviation industry, Goshawk management has carried out an impairment assessment on the carrying value of its aircraft portfolio. Impairment arises when an aircraft's carrying amount exceeds its recoverable amount (which is the higher of fair value less cost to sell and value in use). Besides, the share of results of joint ventures from continuing operations in FY2021 also includes the Group's share of an expected credit loss provision on account receivables and aircraft repossession/recovery costs of HK$206.2 million (net of tax) (2020: HK$43.4 million) from Goshawk.

11. Trade, premium and other receivables

Included in trade, premium and other receivables are trade receivables which are further analyzed based on invoice date as follows:

	2021	2020
	HK$'m	HK$'m
Under 3 months	**1,205.6**	1,796.1
4 to 6 months	**28.5**	11.2
Over 6 months	**79.1**	117.1
	1,313.2	1,924.4

The Group has various credit policies for different business operations depending on the requirements of the markets and businesses in which the subsidiaries operate.

12. Discontinued operations

During FY2021, the Group entered into (i) a sale and purchase agreement with Bravo Transport Holdings Limited to dispose of the entire issued share capital of NWS Transport at the consideration of HK$3,200.0 million (subject to instalment arrangements and adjustments); and (ii) a sale and purchase agreement with Chu Kong Shipping Enterprises (Holdings) Company Limited to dispose of its remaining 40% interest in New World First Ferry Services Limited (collectively, "Transport Disposal"). Both transactions were completed during FY2021 and the Group ceased to operate the transport business. The Group has recognized an aggregated net loss on Transport Disposal of HK$64.8 million (note 12(a)) in the consolidated income statement for FY2021. The assets and liabilities of NWS Transport at the date of completion of disposal were included in note 15.

The results related to the Transport Disposal are presented as discontinued operations in accordance with HKFRS 5.

The Group holds 42% interest in SUEZ NWS and owned 100% interest in NWS HKI (which indirectly holds 12.55% effective interest in Derun Environment, collectively with SUEZ NWS, the "Environment Disposal Group"). In December 2020, the Group reached an advanced stage of negotiation of the disposal of the Environment Disposal Group. Accordingly, the assets and liabilities of the Environment Disposal Group were reclassified as held-for-sale as at 31 December 2020 and were measured at the lower of carrying amount and fair value less costs to sell.

In January 2021, the Group entered into conditional sale and purchase agreements for the disposal of the Group's entire interest in SUEZ NWS and NWS HKI together with the inter-company payable by NWS HKI to the Company at an aggregate cash consideration of HK$6,533.0 million. The disposal of NWS HKI was completed in May 2021 and the Group has recognized a remeasurement loss of HK$228.1 million (notes 2(a)(i) and 12(a)) in FY2021 as a standalone disposal of NWS HKI. The carrying value of SUEZ NWS of HK$4,054.5 million continued to be accounted for as an asset held-for-sale as at 30 June 2021 and was included in the amounts disclosed in note 13.

Given the Environment Disposal Group accounts for a significant part of the Group's environment business, the disposal constituted a discontinued operation under HKFRS 5.

12. Discontinued operations (continued)

An analysis of the results and total comprehensive income/(loss) relating to the discontinued operations is set out below:

(a) Results from discontinued operations

	Note	**2021 HK$'m**	2020 HK$'m
Revenue		**655.1**	3,308.3
Cost of sales		**(791.8)**	(3,637.6)
Gross loss		**(136.7)**	(329.3)
Other income and gains/(charges), net	*(i)*	**126.0**	(378.0)
Selling and marketing expenses		**(1.5)**	(9.1)
General and administrative expenses		**(33.4)**	(185.8)
Operating loss		**(45.6)**	(902.2)
Finance costs	*2(a)(ii),2(a)(iv)*	**(5.7)**	(29.0)
Share of results of			
Associated companies		**152.8**	212.8
Joint venture		**94.9**	148.0
Profit/(loss) before income tax		**196.4**	(570.4)
Income tax credit	*(i)*	**52.7**	132.0
		249.1	(438.4)
Remeasurement loss upon reclassification as held-for-sale	*2(a)(i)*	**(228.1)**	-
Net (loss)/profit on disposal of discontinued operations		**(64.8)**	155.1
Loss for the year from discontinued operations		**(43.8)**	(283.3)

(i) The amount in FY2020 included impairment loss for transport business of HK$700.0 million (note 2(a)(iii)), of which HK$386.9 million was provided against goodwill and HK$375.0 million was provided against property, plant and equipment, net of tax credit HK$61.9 million.

12. Discontinued operations (continued)

(b) Total comprehensive income/(loss) from discontinued operations

	2021 **HK$'m**	2020 HK$'m
Loss for the year from discontinued operations	**(43.8)**	(283.3)
Other comprehensive income/(loss)		
Net fair value changes on equity instruments as financial assets at FVOCI	**1.9**	(47.0)
Remeasurement of post-employment benefit obligation	**3.1**	(25.9)
Release of reserve upon disposal of subsidiaries	**99.1**	24.7
Release of reserves upon disposal of interest in an associated company	**(1.5)**	-
Share of other comprehensive loss of a joint venture	**-**	(4.7)
Cash flow hedges	**41.6**	(152.8)
Currency translation differences	**394.7**	(167.3)
Other comprehensive income/(loss) for the year, net of tax	**538.9**	(373.0)
Total comprehensive income/(loss) for the year from discontinued operations	**495.1**	(656.3)

13. Assets held-for-sale

As detailed in note 12, the Group's entire interest in SUEZ NWS was classified as an asset held-for-sale as at 30 June 2021.

In June 2021, the Group entered into a framework agreement for the proposed disposal of its entire 20% interest in XCTG (an associated company of the Group) at the cash consideration of RMB1,568.0 million (equivalent to approximately HK$1,877.8 million). Accordingly, the Group's interest in XCTG was reclassified as an asset held-for-sale as at 30 June 2021 and was measured at the lower of carrying amount and fair value less costs to sell. No remeasurement loss was recognized for FY2021 in accordance with the provisions under HKFRS 5. A conditional sale and purchase agreement for this disposal was subsequently entered into in August 2021.

Apart from the above, the Group reclassified its investment in Wai Kee from an associated company to an asset held-for-sale on 31 December 2020 as the Group intended to recover the carrying amount through sales. Upon reclassification, the investment was measured at the lower of carrying amount and fair value less costs to sell. Based on the fair value of the investment, a remeasurement loss of HK$1,373.8 million (notes 2(a)(i) and 4) was recognized as "other income and gains, net" from continuing operations in the consolidated income statement during FY2021. In April 2021, the Group disposed of half of its shareholding interest in Wai Kee with a profit of HK$63.7 million recognized as "other income and gains, net" from continuing operations in the consolidated income statement. The fair value of the remaining interest in the investment of HK$379.2 million continued to be classified as an asset held-for-sale as at 30 June 2021.

The assets classified as held-for-sale, which have been presented separately in the consolidated statement of financial position, are as follows:

	2021	2020
	HK$'m	HK$'m
Assets		
Associated companies	**6,324.2**	111.5
Trade and other receivables	**0.7**	0.7
	6,324.9	112.2

14. Trade, other payables and payables to policyholders

Included in trade, other payables and payables to policyholders are trade payables which are further analyzed based on invoice date as follows:

	2021	2020
	HK$'m	HK$'m
Under 3 months	**606.4**	558.8
4 to 6 months	**4.0**	1.4
Over 6 months	**17.5**	24.6
	627.9	584.8

15. Disposal of subsidiaries

During FY2021, the Group disposed of its entire issued share capital of NWS Transport and NWS HKI as disclosed in note 12 as well as a subsidiary which principally held a strategic investment as financial assets at FVPL. The net assets of these subsidiaries at the date of completion of disposal and net loss on disposal of subsidiaries recognized during FY2021 were as follows:

	HK$'m
Net assets disposed of	
Property, plant and equipment	**3,662.3**
Right-of-use assets	**401.8**
Joint ventures	**2,143.2**
Financial assets at FVOCI	**267.9**
Financial assets at FVPL	**468.0**
Inventories	**70.4**
Trade and other receivables	**426.3**
Cash and bank balances	**234.6**
Lease liabilities	**(405.5)**
Derivative financial instruments	**(118.8)**
Other non-current liabilities	**(47.1)**
Borrowings and other interest-bearing liabilities	**(598.8)**
Trade and other payables	**(775.6)**
Taxation	**(0.6)**
Deferred tax liabilities	**(295.6)**
	5,432.5
Net loss on disposals	**(87.7)**
Release of reserves upon disposal	**71.4**
	5,416.2
Represented by	
Cash consideration received	**5,318.0**
Consideration receivable by instalments included as other non-current assets	**626.7**
Other payables	**(248.5)**
Vendor cash flow subsidy settled	**(280.0)**
	5,416.2

16. Events subsequent to year end

In August 2021, the Group entered into a conditional sale and purchase agreement with Xiamen International Port Co., Ltd. for the disposal of its entire 20% interest in XCTG. Details were set out in in note 13.

In September 2021, the Group entered into formal sale and purchase agreements with Good Sense Development Limited (an indirect wholly-owned subsidiary of NWD) for the acquisition of the office units on 18th-21st floors of No. 888 Lai Chi Kok Road, Kowloon, Hong Kong at the aggregate purchase price of approximately HK$1,367 million. In addition, the Group shall be entitled to (i) priority to purchase up to nine parking spaces for each floor purchased at a price of not higher than HK$1.5 million per parking space and (ii) leasing benefits offered by the vendor under which the Group entered into tenancy agreements as landlord for these properties at pre-determined annual rent and has the option to terminate the relevant tenancy agreement(s) for a pre-determined amount to be received according to when the termination of the relevant tenancy agreement(s) occurs. The transactions are yet to complete up to the date of this announcement as the properties are still under construction and completion is expected to take place in April 2022.

17. Comparative figures

Certain comparative figures for FY2020, primarily relating to discontinued operations, have been reclassified or extended to conform with the presentation for FY2021.

FINAL DIVIDEND

The Company is committed to delivering a sustainable and progressive dividend policy. The aim of its dividend policy is to steadily increase or at least maintain the Hong Kong dollar value of ordinary dividend per share annually. The prospective dividend growth, however, remains dependent upon the financial performance and future funding needs of the Company.

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

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

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining shareholders' eligibility to attend and vote at the AGM and entitlement to the Final Dividend, the register of members of the Company will be closed. Details of such closures are set out below:

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

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the AGM and to qualify for the Final Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the aforementioned latest time.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, approximately 14,100 staff were employed by entities under the Group's management of which approximately 4,300 staff were employed in Hong Kong. Total staff related costs from continuing operations including provident funds, staff bonus and deemed share option benefits but excluding directors' remunerations during FY2021 were HK$2.373 billion (2020: HK$2.561 billion). Remuneration packages including salaries, bonuses and share options are granted to employees according to individual performance and are reviewed according to general market conditions every year. Structured training programmes were provided to employees on an ongoing basis.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Audit Committee of the Company was set up by the Board with specific terms for the purpose of reviewing and providing supervision over the Group's financial reporting process, and risk management and internal control. It currently comprises four independent non-executive directors and a non-executive director of the Company. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the audited consolidated financial statements of the Group for FY2021 with the management and the external auditor.

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for FY2021 as set out in the preliminary results announcement have been agreed by the Group's auditor, PricewaterhouseCoopers ("PwC Hong Kong"), to the amounts set out in the Group's audited consolidated financial statements for FY2021. The work performed by PwC Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PwC Hong Kong on the preliminary results announcement.

CORPORATE GOVERNANCE PRACTICES

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

Throughout FY2021, the Company has complied with all the applicable code provisions under the Corporate Governance Code as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), with the exception of code provision E.1.2.

Code provision E.1.2 provides that the chairman of the board should attend the annual general meeting. Dr Cheng Kar Shun, Henry, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 25 November 2020 (the "2020 AGM") due to his other engagement. Mr Ma Siu Cheung, the Chief Executive Officer and Executive Director of the Company who took the chair of the 2020 AGM, together with other members of the Board who attended the 2020 AGM, were of sufficient caliber for answering questions at the 2020 AGM and had answered questions at the 2020 AGM competently.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During FY2021, a tender offer was made by Celestial Dynasty Limited ("CDL", an indirect wholly-owned subsidiary of the Company) to purchase for cash the US$650,000,000 4.25 per cent. guaranteed senior notes due 2029 (the "CDL Notes"), which are listed on The Stock Exchange of Hong Kong Limited, issued by CDL and unconditionally and irrevocably guaranteed by the Company. An aggregate principal amount of US$14,050,000 of the CDL Notes were purchased and redeemed, representing 2.16 per cent. of the outstanding principal amount of the CDL Notes, on 23 April 2021. US$635,950,000 in aggregate principal amount of the CDL Notes remain outstanding as at the date of this announcement.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during FY2021.

DEALINGS IN THE COMPANY'S SECURITIES BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as its own code of conduct for securities transactions by directors. Specific enquiry was made with all directors of the Company and it was established that they had all complied with the required standard of the Model Code during FY2021.

The Company has also adopted the "Code for Securities Transactions by Relevant Employees", which is no less exacting than the Model Code, for governing the securities transactions of specified employees ("Relevant Employees") who, because of their positions, are likely to come across unpublished inside information. Following specific enquiry by the Company, all Relevant Employees had confirmed that they complied with the standard set out in the "Code for Securities Transactions by Relevant Employees" during FY2021.

THE BOARD

As at the date of this announcement, (a) the executive directors of the Company are Dr Cheng Kar Shun, Henry, Mr Ma Siu Cheung, Dr Cheng Chi Kong, Adrian, Mr Cheung Chin Cheung, Mr Cheng Chi Ming, Brian, Mr Ho Gilbert Chi Hang, Mr Chow Tak Wing and Mr Cheng Chi Leong, Christopher; (b) the non-executive directors of the Company are Mr To Hin Tsun, Gerald, Mr Dominic Lai and Mr William Junior Guilherme Doo (alternate director to Mr William Junior Guilherme Doo: Mr Lam Wai Hon, Patrick); and (c) the independent non-executive directors of the Company are Mr Kwong Che Keung, Gordon, Dr Cheng Wai Chee, Christopher, The Honourable Shek Lai Him, Abraham, Mr Lee Yiu Kwong, Alan, Mrs Oei Fung Wai Chi, Grace and Mr Wong Kwai Huen, Albert.

Dr Cheng Kar Shun, Henry
Chairman

Hong Kong, 30 September 2021

* *For identification purposes only*