Sun Hung Kai Properties Limited

CUSTOMER FOCUS
PREMIUM BRAND
SOLID FOUNDATIONS


# ANNUAL REPORT
# 2020/21

Stock Code: 16


1. Shanghai IFC in Lujiazui, Shanghai
2. ITC in Xujiahui, Shanghai
3. ICC in West Kowloon, Hong Kong
4. IFC in Central, Hong Kong
5. High Speed Rail West Kowloon Terminus Development, Hong Kong
6. Wetland Seasons Park, Hong Kong

# Contents

# Board of Directors and Committees

## Board of Directors

| | |
|---|---|
| ***Executive Directors*** | Kwok Ping-luen, Raymond *(Chairman & Managing Director)*<br>Wong Chik-wing, Mike *(Deputy Managing Director)*<br>Lui Ting, Victor *(Deputy Managing Director)*<br>Kwok Kai-fai, Adam<br>Kwok Kai-wang, Christopher<br>Tung Chi-ho, Eric<br>Fung Yuk-lun, Allen<br>Kwok Ho-lai, Edward *(Alternate Director to Kwok Ping-luen, Raymond)* |
| ***Non-Executive Directors*** | Kwan Cheuk-yin, William<br>Kwok Kai-chun, Geoffrey |
| ***Independent Non-Executive Directors*** | Yip Dicky Peter<br>Wong Yue-chim, Richard<br>Li Ka-cheung, Eric<br>Fung Kwok-lun, William<br>Leung Nai-pang, Norman<br>Leung Ko May-yee, Margaret<br>Fan Hung-ling, Henry<br>Wu Xiang-dong |

## Committees

| | |
|---|---|
| ***Executive Committee*** | Kwok Ping-luen, Raymond<br>Wong Chik-wing, Mike<br>Lui Ting, Victor<br>Kwok Kai-fai, Adam<br>Kwok Kai-wang, Christopher<br>Tung Chi-ho, Eric<br>Fung Yuk-lun, Allen<br>Chow Kwok-yin, Eric<br>Yung Sheung-tat, Sandy<br>Li Ching-kam, Frederick<br>Fung Sau-yim, Maureen<br>Chan Hong-ki, Robert<br>Lam Ka-keung, Henry<br>Lau Tak-yeung, Albert |
| ***Audit and Risk Management Committee*** | Li Ka-cheung, Eric*<br>Yip Dicky Peter<br>Leung Nai-pang, Norman<br>Wong Yue-chim, Richard |
| ***Remuneration Committee*** | Wong Yue-chim, Richard*<br>Li Ka-cheung, Eric<br>Kwan Cheuk-yin, William<br>Leung Nai-pang, Norman |
| ***Nomination Committee*** | Wong Yue-chim, Richard*<br>Kwan Cheuk-yin, William<br>Yip Dicky Peter<br>Leung Nai-pang, Norman |

* *Committee Chairman*

# Corporate Information and Information for Shareholders

## Corporate Information

### Company Secretary

Yung Sheung-tat, Sandy

### Auditor

Deloitte Touche Tohmatsu
*Registered Public Interest Entity Auditors*

### Registered Office

45th Floor, Sun Hung Kai Centre
30 Harbour Road
Hong Kong
Telephone : (852) 2827 8111
Facsimile : (852) 2827 2862
Website : www.shkp.com
E-mail : shkp@shkp.com

### Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

### Solicitors

Woo Kwan Lee & Lo
Mayer Brown
Sit, Fung, Kwong & Shum

### Principal Bankers

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Mizuho Bank, Ltd.
Agricultural Bank of China Limited
Industrial and Commercial Bank of China (Asia) Limited
MUFG Bank, Ltd.
Sumitomo Mitsui Banking Corporation
Hang Seng Bank Limited
Oversea-Chinese Banking Corporation Limited
DBS Bank Ltd.

## Information for Shareholders

### Share Listing

The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and are traded over the counter in the United States in the form of American Depositary Receipts ("ADR").

### Stock Code

| | |
|---|---|
| Stock Exchange | : 16 |
| Bloomberg | : 16 HK Equity |
| Reuters | : 0016.HK |
| Trading Symbol for ADR | : SUHJY |
| CUSIP | : 86676H302 |

### Investor Relations Contact

| | |
|---|---|
| Telephone | : (852) 3766 5787 |
| Facsimile | : (852) 2116 0597 |
| E-mail | : ir@shkp.com |

### Financial Calendar for 2020/21

| | |
|---|---|
| Interim results announcement | : 25 February 2021 |
| Interim dividend paid | : 18 March 2021 |
| Annual results announcement | : 9 September 2021 |
| Closure of register of members[1] | : 1 to 4 November 2021 (both days inclusive) |
| Record date[1] | : 4 November 2021 |
| Annual general meeting | : 4 November 2021 |
| Ex-dividend date for final dividend | : 8 November 2021 |
| Closure of register of members and record date[2] | : 10 November 2021 |
| Final dividend payable | : 18 November 2021 |

*Notes:*
1. *For ascertaining shareholders' entitlement to attend and vote at the annual general meeting*
2. *For ascertaining shareholders' entitlement to the proposed final dividend*

## Choice of Language or Means of Receipt of Corporate Communications

This annual report is now available in printed form in English and in Chinese, and on the website of the Company.

If (i) shareholders, who have received or chosen to receive printed copies of this annual report in English or in Chinese, wish to receive the same in the other language; or (ii) shareholders, who have received or chosen to receive or are deemed to have consented to receive this annual report by electronic means, wish to receive printed copies; or (iii) shareholders for any reason have difficulty in receiving or gaining access to this annual report on the Company's website, they may obtain printed copies free of charge by sending a request to the Company c/o the Share Registrar, Computershare Hong Kong Investor Services Limited, by post to 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by email at shkp@computershare.com.hk.

For shareholders who wish to change their choice of language or means of receipt of the Company's future corporate communications free of charge, they may at any time notify the Company by giving reasonable notice (of not less than 7 days) to the Company c/o the Share Registrar by post or by email or by completing and returning the accompanying Change Request Form.

# Financial Highlights and Land Bank

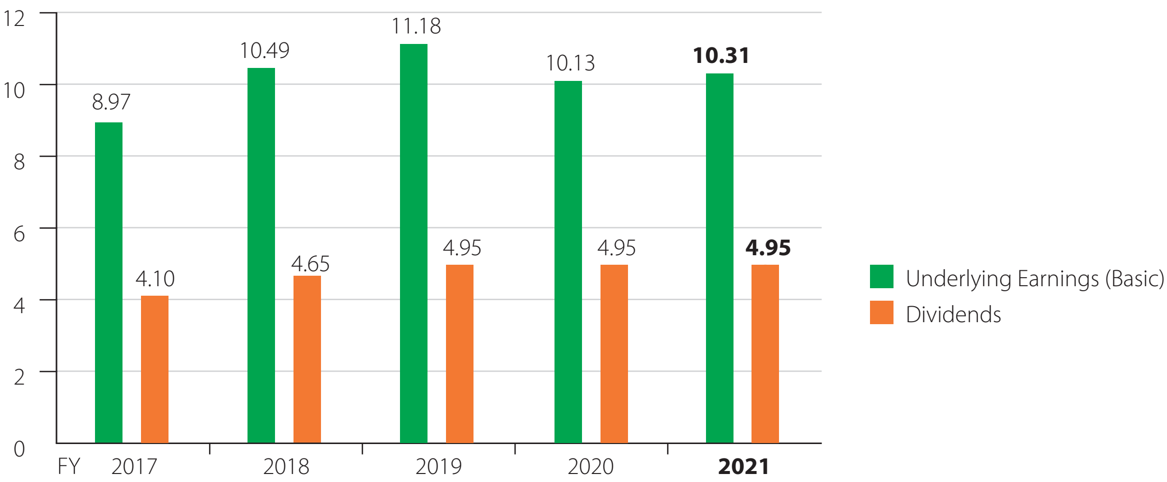
| For the year ended 30 June | 2021 | 2020 | Change (%) |
|---|---|---|---|
| **Financial Highlights (HK$ million)** | | | |
| Revenue | **85,262** | 82,653 | +3.2 |
| Profit attributable to the Company's shareholders | | | |
| – Reported | **26,686** | 23,521 | +13.4 |
| – Underlying[1] | **29,873** | 29,368 | +1.7 |
| Gross rental income[2] | **24,791** | 24,214 | +2.4 |
| Net rental income[2] | **19,149** | 18,565 | +3.1 |
| **Financial Ratios (%)** | | | |
| Net debt to shareholders' equity | **16.0** | 14.1 | +1.9[4] |
| Dividend payout[3] | **48.0** | 48.9 | –0.9[4] |
| **Financial Information per Share (HK$)** | | | |
| Basic earnings per share for profit attributable to the Company's shareholders | | | |
| – Reported | **9.21** | 8.12 | +13.4 |
| – Underlying | **10.31** | 10.13 | +1.8 |
| Dividends | | | |
| – Interim dividend | **1.25** | 1.25 | – |
| – Final dividend | **3.70** | 3.70 | – |
| – Full-year dividend | **4.95** | 4.95 | – |
| Shareholders' equity | **204.90** | 197.30 | +3.9 |
| **Land Bank in Hong Kong (gross floor area in million square feet)** | | | |
| Properties under development | **23.9** | 24.1 | –0.8 |
| Completed properties[5] | **34.0** | 33.4 | +1.8 |
| Total | **57.9** | 57.5 | +0.7 |
| **Land Bank on the Mainland (gross floor area in million square feet)** | | | |
| Properties under development | **59.0** | 53.6 | +10.1 |
| Completed properties[5] | **16.3** | 14.5 | +12.4 |
| Total | **75.3** | 68.1 | +10.6 |

*Notes:*

1. *Underlying profit attributable to the Company's shareholders excluded the net effect of change in the valuation of investment properties*
2. *Including contributions from associates and joint ventures*
3. *Dividend payout based upon underlying profit*
4. *Change in percentage points*
5. *The Group has a 50% stake in a premium 950,000-square-foot shopping mall in Singapore in addition to property holdings in Hong Kong and on the mainland*

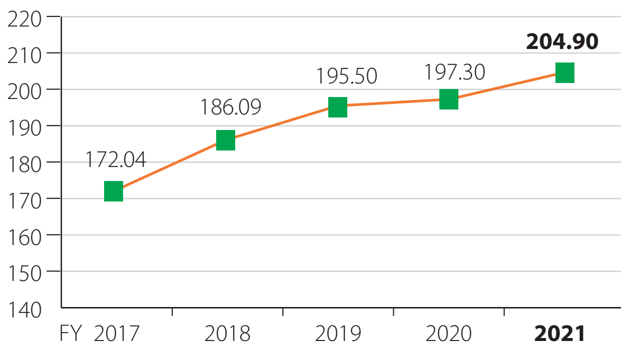
## Underlying Earnings and Dividends per Share

HK$



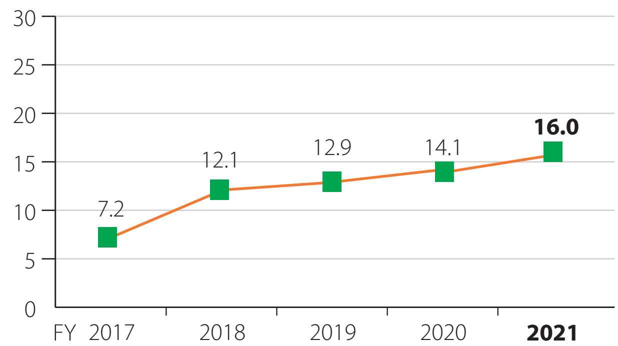

## Shareholders' Equity per Share

HK$



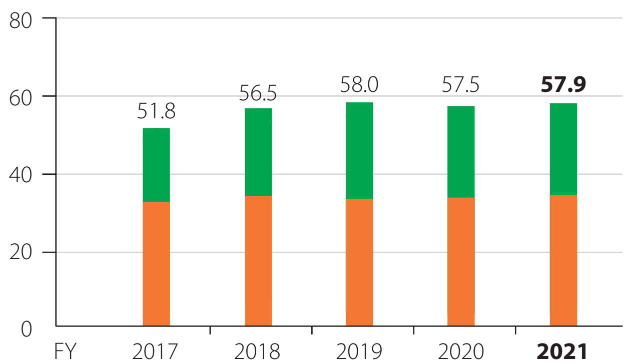

## Net Debt to Shareholders' Equity Ratio

%



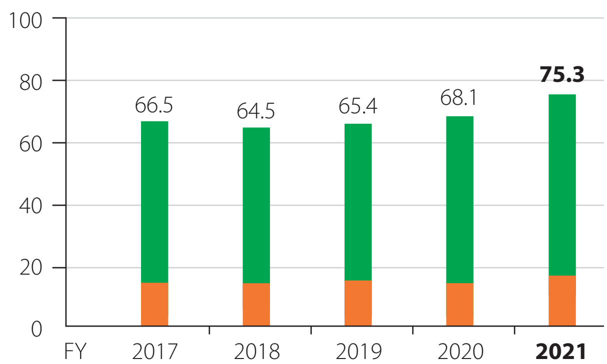

## Land Bank in Hong Kong[1]

million square feet




## Land Bank on the Mainland

million square feet




Properties Under Development　Completed Properties

1. *Completion refers to the stage in which the project is ready for handover since the financial year of 2018/19. Hence, the figures since the financial year 2018/19 cannot be used for direct comparison with historical figures*

# Group Financial Summary

| Key Financial Information and Ratios | | | | | |
|---|---|---|---|---|---|
| Financial year | **2021** | 2020 | 2019 | 2018 | 2017 |
| | **HK$** | HK$ | HK$ | HK$ | HK$ |
| **Reported earnings per share (basic)** | **9.21** | 8.12 | 15.50 | 17.24 | 14.43 |
| **Underlying earnings per share (basic)** | **10.31** | 10.13 | 11.18 | 10.49 | 8.97 |
| **Dividends per share** | **4.95** | 4.95 | 4.95 | 4.65 | 4.10 |
| **Shareholders' equity at book value per share** | **204.90** | 197.30 | 195.50 | 186.09 | 172.04 |
| **Net debt to shareholders' equity (%)** | **16.0** | 14.1 | 12.9 | 12.1 | 7.2 |
| **Interest cover (times)**[1] | **13.8** | 11.8 | 14.6 | 17.6 | 14.2 |

| Key Consolidated Income Statement Items | | | | | |
|---|---|---|---|---|---|
| For the year ended 30 June | **2021** | 2020 | 2019 | 2018 | 2017 |
| | **HK$M** | HK$M | HK$M | HK$M | HK$M |
| **Revenue** | **85,262** | 82,653 | 85,302 | 85,644 | 78,207 |
| **Operating profit** | **37,245** | 35,455 | 37,858 | 35,453 | 29,526 |
| **Profit attributable to the Company's shareholders** | **26,686** | 23,521 | 44,912 | 49,951 | 41,782 |
| **Underlying profit attributable to the Company's shareholders**[2] | **29,873** | 29,368 | 32,398 | 30,398 | 25,965 |

| Key Consolidated Statement of Financial Position Items | | | | | |
|---|---|---|---|---|---|
| As at 30 June | **2021** | 2020 | 2019 | 2018 | 2017 |
| | **HK$M** | HK$M | HK$M | HK$M | HK$M |
| **Investment properties and property, plant and equipment** | **438,800** | 421,542 | 422,474 | 404,064 | 364,957 |
| **Associates and joint ventures** | **101,481** | 78,782 | 73,751 | 71,767 | 63,841 |
| **Intangible assets** | **4,273** | 4,288 | 4,445 | 4,976 | 5,524 |
| **Financial investments and others** | **9,032** | 9,557 | 8,077 | 9,555 | 8,356 |
| **Net current assets** | **169,634** | 186,320 | 176,513 | 158,872 | 145,766 |
| **Non-current liabilities** | **(123,594)** | (110,074) | (109,441) | (100,802) | (81,081) |
| **Net assets** | **599,626** | 590,415 | 575,819 | 548,432 | 507,363 |
| **Share capital** | **70,703** | 70,703 | 70,683 | 70,612 | 70,516 |
| **Reserves** | **523,117** | 501,110 | 495,722 | 468,486 | 427,699 |
| **Shareholders' equity** | **593,820** | 571,813 | 566,405 | 539,098 | 498,215 |
| **Perpetual capital securities** | **-** | 3,813 | 3,813 | 3,887 | 3,910 |
| **Non-controlling interests** | **5,806** | 14,789 | 5,601 | 5,447 | 5,238 |
| **Total equity** | **599,626** | 590,415 | 575,819 | 548,432 | 507,363 |

*Notes:*

1. *Interest cover is measured by the ratio of operating profit to total net interest expenses including those capitalized for the year*
2. *Underlying profit attributable to the Company's shareholders excluded the net effect of change in the valuation of investment properties*

# Business Structure

## Sun Hung Kai Properties

As at 30 June 2021

### Hong Kong

| | |
|---|---|
| **Property Development** | • 23.9 million sq.ft. under development with a majority for sale |
| **Property Investment** | • 34.0 million sq.ft. of completed properties with an overwhelming majority for rent / investment |
| **Property Related Businesses** | • Hotels<br>• Property management<br>• Construction<br>• Insurance and mortgage services |
| **Telecommunications & Information Technology** | • Mobile telephone services<br>• Data centres and IT infrastructure |
| **Infrastructure & Other Businesses** | • Transport infrastructure operations and management<br>• Port business<br>• Air transport and logistics business<br>• YATA |

### Mainland

| | |
|---|---|
| **Property Development** | • 59.0 million sq.ft. under development with a majority for sale |
| **Property Investment** | • 16.3 million sq.ft. of completed properties with an overwhelming majority for rent /investment |

The Group's principal subsidiaries, joint ventures and associates are listed on pages 228 to 236

# Chairman's Statement

I am pleased to present my report to the shareholders.

## RESULTS

The Group's underlying profit attributable to the Company's shareholders for the year ended 30 June 2021, excluding the effect of fair-value changes on investment properties, amounted to HK$29,873 million, compared to HK$29,368 million last year. Underlying earnings per share were HK$10.31, compared to HK$10.13 last year.

Reported profit and reported earnings per share attributable to the Company's shareholders were HK$26,686 million and HK$9.21 respectively, compared to HK$23,521 million and HK$8.12 last year. The reported profit included a decrease in fair value of investment properties net of deferred taxation and non-controlling interests of HK$3,105 million, compared to a decrease of HK$5,510 million last year.

## DIVIDEND

The directors have recommended the payment of a final dividend of HK$3.70 per share for the year ended 30 June 2021. The dividend will be payable on 18 November 2021. Together with the interim dividend of HK$1.25 per share, the dividend for the full year will be HK$4.95 per share, the same as last year.

## BUSINESS REVIEW

### *Development Profit and Rental Income*

**Development Profit**

During the year under review, profit generated from property sales was HK$20,994 million, as compared to HK$18,377 million in the last financial year. The Group achieved contracted sales of about HK$29,000 million for the year in attributable terms. In addition, contracted sales from Wetland Seasons Bay Phase 1 have exceeded HK$6,300 million since the project was put on the market in August 2021. The Group's contracted sales will be further generated from the upcoming launches of new units at Wetland Seasons Bay and other new projects.

**Rental Income**

During the year, the Group's gross rental income, including contributions from joint-ventures and associates, rose 2% year-on-year to HK$24,791 million, and net rental income increased by 3% year-on-year to HK$19,149 million. Rental income growth from the mainland more than offset the negative impact from its Hong Kong rental portfolio.

### *Property Business – Hong Kong*

**Land Bank**

During the year, the Group added five new sites, totalling about 2.6 million square feet of attributable gross floor area, to its development land bank through a variety of channels, including

*Wetland Seasons Park, Hong Kong*

a residential-cum-commercial site from a public tender. Strategically located next to the committed MTR station in Kwu Tung, Sheung Shui, the site will be developed into a project which provides mainly small- to medium-sized apartments with a public transport interchange and a shopping centre underneath. Complemented by the planned transportation network and community facilities nearby, the new development is expected to become a focal point at the future Kwu Tung town centre.

In addition, through the conversion of agricultural land, the Group converted a site adjacent to MTR Tin Shui Wai Station in Yuen Long into office and retail use for long-term investment. This project is expected to energize the neighbourhood. Details of the additions are shown in the table below.

*Regency Bay, Tuen Mun, Hong Kong*

| Location | Usage | Group's Interest (%) | Attributable Gross Floor Area (square feet) |
|---|---|---|---|
| Fanling Sheung Shui Town Lot No. 279 | Residential/Shopping Centre | 100 | 1,131,000 |
| Lot No. 4354 in DD 124, Kiu Tau Wai, Yuen Long | Office/Shopping Centre | 100 | 856,000 |
| Tuen Mun Town Lot No. 496 | Residential | 75 | 461,000 |
| Tuen Mun Town Lot No. 80 | Industrial* | 70* | 74,000* |
| 38 Belcher's Street, Kennedy Town | Residential/Shops | 53 | 66,000 |
| **Total** | | | **2,588,000** |

* *The Group owned an effective interest of 70.2% as at 30 June 2021; the Group plans to convert the site into office and retail uses with a total gross floor area of about 772,000 square feet*

As at 30 June 2021, the Group's attributable land bank in Hong Kong amounted to about 57.9 million square feet. This included about 23.9 million square feet of properties under development, which should be adequate to meet the Group's development needs over the next five years. The remainder comprised diversified completed properties of around 34.0 million square feet spreading across the city, an overwhelming majority of which are for rental and long-term investment purposes. The Group will continue to make use of its diversified approach to replenish its land bank when appropriate opportunities arise, including active conversions of agricultural lands into buildable sites.

**Property Development**

Transactions in Hong Kong's residential market have become relatively active since the beginning of 2021. Sales responses in the primary market were positive for most of the new projects being launched. Yet, the performance of the high-end segment remained constrained due to cross-border travel restrictions.

During the year under review, the Group recorded contracted sales of about HK$23,200 million in attributable terms in Hong Kong. Major contributors included Cullinan West III in West Kowloon, Grand YOHO Phase 2 in Yuen Long, Regency Bay II in Tuen Mun, Wetland Seasons Park Phase 3, and St Michel in Sha Tin. In addition, Wetland Seasons Bay Phase 1 was put on the market in August 2021. The units being launched were nearly sold out.

# Chairman's Statement

Cullinan West, West Kowloon, Hong Kong

The Group is continually committed to delivering quality products and services to homebuyers through premium building quality, sophisticated and stylish designs, efficient layouts, and attentive after-sales services, including a pioneering first-three-year warranty for new residential units in Hong Kong. To fulfil the rising aspirations of customers for smart, sustainable and green living with high standards of hygiene, the Group has introduced new technology and building concepts to its new property developments. These efforts have helped reinforce the Group's leading market position despite the competitive operating environment. Wetland Seasons Park ingeniously blends its outdoor landscape with the vast greenery of the neighbouring Hong Kong Wetland Park, demonstrating the Group's ability to integrate its projects with nature and preserve the environment. While residents can embrace the remarkable greenery and water scenery in their dream homes, inhabitants of the wetland can live in harmony with them and continue to flourish. The development houses a high-altitude sky clubhouse, providing a unique opportunity for residents to appreciate the wetland all year round and watch migratory birds in a tranquil, natural setting like no other. These quality units have been well received by owners and residents.

A total of eight projects in Hong Kong with an attributable gross floor area of some 2.1 million square feet were ready for handover during the year. Of these, about 1.7 million square feet of gross floor area are for residential use. The remaining 416,000 square feet or so are for office, retail and hotel uses, of which about 245,000 square feet are kept for long-term investment. Project details are shown in the table below.

| **Project** | **Location** | **Usage** | **Group's Interest** (%) | **Attributable Gross Floor Area** (square feet) |
|---|---|---|---|---|
| Cullinan West III | 28 Sham Mong Road, West Kowloon | Residential | JV | 670,000 |
| Wetland Seasons Park Phase 1 | 9 Wetland Park Road, Tin Shui Wai | Residential/Shops | 100 | 443,000 |
| St Martin Phase 2 | 12 Fo Chun Road, Pak Shek Kok, Tai Po | Residential | 100 | 374,000 |
| Mount Regency Phase II | 8 King Sau Lane, Tuen Mun | Residential | 100 | 235,000 |
| W LUXE | 5 On Yiu Street, Shek Mun, Sha Tin | Office/Shops | 100 | 174,000 |
| Harbour North | 133 Java Road, North Point | Shopping Centre | 100 | 138,000 |
| FUGRO HOUSE – KCC 2 | 1 Kwai On Road, Kwai Chung | Office/Shops | 100 | 58,000 |
| The Silveri Hong Kong – MGallery | 16 Tat Tung Road, Tung Chung | Hotel | 20 | 26,000 |
| **Total** | | | | **2,118,000** |

**Property Investment**

The Group's recurring rental income in Hong Kong during the year under review, inclusive of contributions from joint ventures and associates, declined 5% year-on-year to HK$18,027 million. The overall average occupancy of this diversified property investment portfolio for the year remained resilient at about 91%.

During the year, the Group's retail portfolio continued to experience adverse impacts and registered negative rental reversions as a result of fluctuations in local pandemic situation and the bleak tourism industry. In relative terms, the Group's regional malls performed better than shopping centres which cater mainly to tourists. Tenant sales of the Group's retail portfolio bottomed out in late 2020 and have continued to see positive growth in recent months after some relaxations of social-distancing measures. Nevertheless, the progress of vaccinations among the public and the lifting of cross-border travel restrictions are prerequisites for a full recovery of the retail business. Apart from alleviating the burden of tenants in need by offering them rental concessions during the pandemic, the Group has introduced a wide range of measures to spur business opportunities for tenants and drive footfall in its shopping malls. In addition, the Group's experienced leasing team has optimized tenant mix by bringing in new retailers such as special food and beverage outlets and trendy lifestyle brands. The overall occupancy of the Group's retail portfolio showed improvement in recent months.

The Group has also leveraged its offline and online platforms to launch comprehensive marketing campaigns. Its loyalty programme under the SHKP Malls App, The Point by SHKP, has proved its popularity, recording a membership of more than 1.2 million in two years. The Group has continued to upgrade the App's functions and strengthen the rewards platform. In order to capture business opportunities from the HKSAR Government's electronic consumption vouchers, the Group has partnered with major payment gateways, business partners and tenants to roll out a series of promotional activities.

To safeguard the interests of its stakeholders and to support its retail tenants amid the pandemic, the Group has been allocating significant resources to the introduction of innovative technologies and continuous asset enhancement works. Apart from installing contactless devices and upgrading air ventilation systems, the Group has leveraged its listed subsidiary SmarTone's 5G network along with other advanced technology, such as Internet of Things (IoT), to raise the hygiene standards

*Using robot cleanser to disinfect shopping malls*

and operational efficiency of its shopping malls. This includes the application of smart utility facilities and multi-function robots at Metroplaza in Kwai Fong. In addition, a number of recreational amenities incorporating green and wellness concepts have been added in selected malls, such as Sportzone at New Town Plaza in Sha Tin, to meet a growing interest in outdoor activities.

The Group owns about 10 million square feet of office space in the territory. With its superior building quality, long-standing relationship with tenants and professional leasing and property management services, the Group's premium offices in Hong Kong have gained high recognition in the market. During the year, the portfolio registered stable performance with satisfactory occupancies amid challenging market conditions.

The Group's IFC and ICC office towers are among the most prestigious office addresses in Hong Kong. During the year, IFC offices were virtually fully let with satisfactory rental levels while ICC recorded noticeable positive rental reversions. Their available spaces have attracted strong interest from reputable multinationals and mainland corporates. Supported by its professional property management and close proximity to MTR stations, the Millennium City office cluster achieved reasonable occupancy despite keen competition in Kowloon East. The newly completed FUGRO HOUSE – KCC 2 in Kwai Chung with about 57,000 square feet of office space was fully let.

# Chairman's Statement


*High Speed Rail West Kowloon Terminus Development, Hong Kong*

The Group will further strengthen its leading position in the Hong Kong leasing market. The addition of the joint-venture office-cum-retail project at 98 How Ming Street will further expand the Group's foothold in Kowloon East. Preliminary marketing of its two grade-A office towers has commenced while a premium mall featuring modern lifestyles is expected to open in 2024.

The High Speed Rail West Kowloon Terminus Development will be developed into a mega integrated project. According to the latest approved planning, the office-cum-retail project will feature a brand new concept. Its retail space has been revised upwards to represent nearly 20% of the entire project. After the revision, the retail portion will cover a gross floor area of some 600,000 square feet. The development will also provide green public spaces and a parkway, which will foster the integration of old and new communities. All these will allow the public to enjoy more green spaces, shopping convenience and options. With its excellent transportation networks to different parts of Hong Kong and other cities in the Greater Bay Area, this integrated project will synergize with the Group's ICC nearby as well as its other transit-oriented developments along the Guangzhou-Shenzhen-Hong Kong Express Rail Link. Complemented by Hong Kong's strength in financial services and the favourable initiatives of the Central Government such as Wealth Management Connect, the project will become not only a landmark in Hong Kong but also a business hub in the Greater Bay Area.

The Group aims to create sustainable value for its property investment portfolio through a variety of approaches, including enhancing the standards and practices in Environmental, Social and Governance (ESG) matters. In this regard, projects at 98 How Ming Street and above High Speed Rail West Kowloon Terminus have been designed to obtain the top Platinum ratings from Leadership in Energy and Environmental Design (LEED) and WELL. To help foster the development of Hong Kong into a smart city, the Group will leverage its subsidiary, SmarTone, to offer a good coverage of 5G in its existing and new developments, including residential developments, offices and shopping malls. A quality provision of 5G network will not only help raise the productivity and efficiency of the Group's office and retail tenants, but also enrich the experience of residents, shoppers and visitors.

## *Property Business – Mainland*

### Land Bank

In April 2021, the Group acquired large-scale mixed-use sites, providing about 9.3 million square feet of residential, serviced apartments, office, retail and hotel spaces adjacent to the Guangzhou South Railway Station. This addition will further strengthen the Group's strategic presence in the Greater Bay Area. Guangzhou South Railway Station is the busiest high speed railway station in the country with an average daily passenger flow of over 500,000. The project will be developed into a transit-oriented development, connecting to 12 rail and metro lines including four high speed rail lines as well as other transport means. Upon completion, the development will become an integrated station-city transport hub. A maximum of 57% of the gross floor area will be put up for sale while over 40% of the gross floor area will be held for rental and long-term investment purposes.

As at 30 June 2021, the Group's total attributable land bank on the mainland stood at 75.3 million square feet. Of this, about 59.0 million square feet are properties under development, with about 47% being developed into quality residences for sale. The remaining 16.3 million square feet are completed properties. An overwhelming majority of these completed properties are for rental and long-term investment purposes, and most of them are sizeable integrated developments situated at prominent locations in major cities.

### Property Development

During the year under review, the primary residential markets in major mainland cities continued to recover, registering robust transaction volumes and stable home prices. Since July 2021, a series of regulatory and credit measures have been rolled out to maintain healthy land and housing markets. These measures are expected to positively impact on the long-term development of the property market.

*Shanghai Arch, Shanghai*

The Group achieved attributable contracted sales of about RMB4,900 million on the mainland during the year. Main contributors included the wholly-owned Shanghai Arch Phase 2B and Grand Waterfront in Dongguan, in addition to several joint-venture projects such as Forest Hills in Guangzhou, TODTOWN in Shanghai and Oriental Bund in Foshan.

During the year, the Group completed a total gross floor area of about 3.9 million square feet on the mainland, of which close to 40% are properties for rental purpose. Project details are shown in the following table. The luxury units at Phase 2B of Shanghai Arch were highly acclaimed by buyers for their outstanding design and panoramic views of the Bund.

| Project | Location | Usage | Group's Interest (%) | Attributable Gross Floor Area (square feet) |
|---|---|---|---|---|
| Nanjing Two IFC | Hexi CBD, Nanjing | Office | 100 | 1,495,000 |
| The Woodland Phase 5A | Zhongshan 5 Road, Zhongshan | Residential/Shops | JV | 773,000 |
| Oriental Bund Phases 3A & 3C | Chancheng, Foshan | Residential/Shops | 50 | 617,000 |
| Shanghai Arch Phase 2B | Lujiazui, Shanghai | Residential | 100 | 442,000 |
| Chengdu ICC Phase 2B | Jinjiang, Chengdu | Residential | 40 | 397,000 |
| TODTOWN Phase 1 | Minhang, Shanghai | Residential | 35 | 214,000 |
| **Total** | | | | **3,938,000** |

Shanghai IFC Mall, Shanghai

Nanjing Two IFC, Nanjing

**Property Investment**

During the year under review, the Group's gross rental income from the mainland, including contributions from joint-ventures and associates, recorded a 25% year-on-year increase to RMB5,199 million. The healthy growth was mainly driven by the robust performance of the retail portfolio amid a strong recovery in retail sales on the mainland, in particular luxury spending. The Group's office portfolio also recorded stable rental performance with high occupancy during the year despite fierce competition.

The Group's quality retail portfolio on the mainland benefitted from robust domestic consumption. With strategic locations, dedicated market positioning, well-designed tenant mix as well as marketing initiatives, the Group's major malls remained appealing to both customers and retailers. During the year, impressive growth in tenant sales was recorded, particularly in the second half of the financial year. Shanghai IFC Mall has become a must-go destination for locals and travellers craving for high-end shopping and fine dining while IAPM is a trendsetter with a range of young lifestyle brands and popular culinary options. One ITC houses a unique combination of international upscale brands and stages creative promotions. An integrated loyalty programme 'SHKP i club' for the Group's malls in Shanghai was rolled out during the year, offering attractive privileges to customers. Targeting trendy and young shoppers, Beijing APM in Beijing strengthened its trade mix on sportswear and cosmetic brands, while Parc Central in Guangzhou continued to be a popular shopping hotspot among youngsters with the introduction of instagrammable promotions and live-streaming marketing events. Occupancies of these major malls were satisfactory.

Apart from its expanding retail network, the Group has built a reputable brand for its office portfolio on the mainland. Situated at prime locations, the Group's office portfolio distinguished itself from its peers with its premium building quality, high specifications and professional property management. Tenants at the Group's office buildings can enjoy daily convenience at the shopping centres beneath. Among the Group's strong footprint in Shanghai, Shanghai IFC remained a preferred choice for renowned corporations, registering high occupancy. Shanghai ICC saw high committed occupancy while the first two phases of ITC were virtually fully let. To enhance the competitiveness of its office portfolio, the Group continues to carry out asset enhancement works. Renovation work to upgrade Sun Dong An Office Tower in Beijing has started in phases.

Nanjing IFC is another of the Group's signature integrated projects on the mainland. Atop a metro station with excellent transport connectivity, the development includes two office towers, a high-end mall and the Andaz Nanjing hotel in Hexi CBD in Nanjing. Comprising a combined office floor area of about two million square feet, Nanjing One IFC and Nanjing Two IFC were completed in 2019 and 2020 respectively. While Nanjing One IFC houses leading professional services and renowned corporations from various industries with about 80% committed occupancy, the leasing of Nanjing Two IFC is proceeding satisfactorily. Nanjing IFC mall, spanning over one million square feet, is scheduled to open in phases from 2022 onwards. Enthusiastic pre-leasing responses from top-notch international brands have been received.

The Group also proactively steps up its ESG standards for its property investment portfolio on the mainland. The 7.6-million-square-foot ITC development in Shanghai will be a showcase. Its

220-metre-tall office tower and 370-metre-tall office skyscraper, which are now under construction in its remaining phase, are designed to obtain LEED Platinum certification. Pre-leasing of the 220-metre-tall office tower, scheduled for completion in mid 2022, has received encouraging responses. Other key components of ITC include a high-end mall of about 2.5 million square feet and a hotel, Andaz Shanghai ITC. Different parts of this flagship project will be connected by footbridges, offering a distinguished one-stop destination for work, shopping, entertainment and leisure. Upon full completion, ITC will enliven the entire Xujiahui area and set a new benchmark for integrated developments in Shanghai.

Over the medium-to-long term, the Group will continue to selectively look for high-potential projects in major mainland cities to further expand its collection of iconic integrated developments. As mentioned earlier, the Group added the mega integrated Guangzhou South Railway Station project, comprising a total gross floor area of about 9.3 million square feet, to its pipeline in the Greater Bay Area. Over 40% of the gross floor area will be held for long-term investment. The project will enjoy convenient transportation, and it takes less than 50 minutes to Hong Kong via the high speed rail. The connectivity of this project will be further enhanced after the commencement of a new rail line in 2022, enabling easy access to Guangzhou town centre in around 30 minutes. Upon completion, this project will synergize with the Group's West Kowloon Terminus Development in Hong Kong, a complex sitting at the other end of the Guangzhou-Shenzhen-Hong Kong Express Rail Link. In Hangzhou, the Group's joint-venture Jianghehui development will feature offices, retail space, premium residences, serviced apartments and hotel facilities spanning an above-ground gross floor area of about nine million square feet. About 50% of the gross floor area will be held for long-term investment, and those buildings are meticulously designed to obtain Gold or above certification from LEED. This integrated complex of diversified functions, together with the planned waterfront cultural and tourism facilities in the vicinity, will contribute to an enhanced urban development of the city. With gradual completions of these large-scale projects, the Group's recurrent income stream will be further uplifted.

## *Other Businesses*

### Hotels

The performance of the Group's hotel portfolio in Hong Kong has showed some signs of improvement since the beginning of 2021, but the portfolio experienced an operating loss during the year due mainly to the lack of tourists amid the pandemic. The management team has taken a variety of initiatives to alleviate the negative impact, including the introduction of creative staycation programmes and promotions for long-stay customers.

The Ritz-Carlton Shanghai, Pudong saw a recovery from the pandemic during the year. As part of the Group's integrated developments in major mainland cities, a number of hotels, including Andaz Shanghai ITC, are under development. The Group's luxury hotel Andaz Nanjing, which will offer about 360 guest rooms, is expected to open from 2022.

### Telecommunications and Information Technology

*SmarTone*

During the year, the mobile telecom business remained very challenging. The ongoing COVID-19 pandemic has virtually stopped international travel and resulted in a substantial drop in roaming revenue of SmarTone. The local business meanwhile remained very competitive. Against this backdrop, SmarTone focused on various initiatives to enhance revenues and improve productivity. There has been an encouraging uptake of 5G services amongst its subscribers. The 5G Home Broadband, which offers cost-effective internet connectivity at home, has seen strong growth and even stronger positive feedback. The company has also been able to improve its cost structure substantially without impacting on quality. This has helped the company to sustain its profitability in difficult times.

The coming year is expected to remain challenging as spectrum amortization costs will rise materially, although there is clear momentum in revenue growth. The company will continue to make investments to upgrade its network to serve its customers, especially in 5G. The company believes 5G is a critical digital infrastructure for Hong Kong, and is the foundation of Hong


*SmarTone's 5G LAB on ICC's Sky100 Hong Kong Observation Deck, Hong Kong*

Kong's future technology development and integration with the Greater Bay Area. SmarTone already has 99% 5G network coverage in Hong Kong, but it will invest further to enhance quality and expand coverage in areas such as country parks and hiking trails. SmarTone has recently established a 5G Lab at Sky100 Hong Kong Observation Deck that showcases the latest 5G applications. The objective is to enhance the public's understanding towards 5G and how 5G can enhance daily life, for both consumers and businesses. In the first three months since its opening the Lab had already drawn nearly 200,000 visitors. In addition, SmarTone will continue to help ensure quality coverage of 5G network for the Group's existing and new projects. The Group remains confident of SmarTone's prospects and will continue to hold its stake in the company as a long-term investment.

*SUNeVision*

During the year under review, SUNeVision continued to see healthy business growth. The pandemic has accelerated the process of digitalization for both businesses and consumers, and this has led to a higher demand for data centres. Cloud adoption is also stepping up globally, including in Hong Kong. These factors have benefitted the growth of the company. SUNeVision's network exchange business continued to be strong, and MEGA-i is a top network hub globally. Other data centres, such as MEGA Two and MEGA Plus, have also seen impressive growth from existing and new customers.

Looking ahead, SUNeVision has a robust pipeline for growth and has substantially upgraded power capacity in all its major facilities. Within 2022, the first phase of the MEGA IDC data centre in Tseung Kwan O and MEGA Gateway in Tsuen Wan will be opened, while the company's eighth data centre, MEGA Fanling in Fanling, will start to operate. With state-of-the-art infrastructure and power density, MEGA IDC is built on a dedicated site, so it is free from any subletting restrictions as in the nearby industrial estates. MEGA Fanling is already fully committed and will be occupied by a single cloud tenant. All in all, SUNeVision's footprint will grow from the current 1.4 million square feet to nearly three million square feet over the next few years. It is not just quantity but also quality. The company benefits from the fact that nearly all of its current and future data centres are self-owned, which ensures better management and periodic enhancements to meet customer needs. The company will continue to invest in best-in-class infrastructure and services to serve its customers.


*MEGA IDC, SUNeVision's data centre in Tseung Kwan O, Hong Kong*

**Infrastructure and Other Businesses**

During the year under review, the Group's infrastructure and transport businesses reported mixed performance amid the COVID-19 pandemic. Wilson Group has seen business improvement throughout the year with the local pandemic situation under control, but Route 3 (CPS) is still negatively impacted partly because of the cross-border travel restrictions. The Hong Kong Business Aviation Centre (HKBAC) has been heavily impacted, but its financial position remained healthy with the introduction of cost-mitigating measures. During the year, HKBAC reached an agreement with the Airport Authority Hong Kong to expand its facility to further strengthen its position as Asia's premium aviation hub, reflecting the Group's confidence in the prospects of the aviation business in Hong Kong in the long run. The Airport Freight Forwarding Centre delivered stable performance during the year, while its cargo-handling capacity has been further enlarged following the recent completion of an annex facility. The River Trade Terminal recorded mild business growth, supported by increased throughput and businesses from new customers.

YATA continued to perform well during the year. Its supermarket businesses have continued to do well as consumers are increasingly willing to pay for quality. YATA has now expanded to 13 locations across Hong Kong. It will continue to explore new innovative concepts to bring excitement and cater to the needs of customers in different locations.

### *Corporate Finance*

The Group has a consistent record of disciplined financial policies in maintaining low gearing, high interest coverage and ample liquidity. As at 30 June 2021, the Group's net debt to shareholders' funds ratio maintained at a low of 16% while interest coverage ratio achieved 13.8 times. This robust financial position will enable the Group to finance its business commitments in the future.

The Group remains the best-rated developer in Hong Kong. Moody's and S&P have granted the Group an A1 and A+ rating respectively, both with stable outlooks. Armed with such credit ratings, the Group continued to issue bonds in the debt capital markets through private placements of HK$700 million 3-year bonds, HK$2,490 million 7-year bonds, CNH800 million 3-year bonds and CNH1,110 million 7-year bonds to diversify its funding bases under the Medium Term Note Programme during the year. In March 2021, the Group procured a HK$16,800 million 5-year syndicated loan facility to extend its debt maturity, which once again demonstrated its solid banking relationships. All of the above financings have enabled the Group to build a large reserve of standby liquidity for its future development.

On the mainland, measures including the 'three red lines' policy for property developer borrowing and the bank loan concentration management system for real estate exposure have inevitably tightened up overall liquidity in the property sector. Lately, the average period of mortgage approval and drawdown has been lengthened substantially. The new arrangement coupled with demand-side management measures may cause mainland developers to reduce debts by various means including slowing down land acquisitions. The downgrading of selected mainland developers by rating agencies also gives rise to increased risks in the system. Nevertheless, the Group continued to receive strong support from leading banks in providing Renminbi financing for both the construction and operation of its mainland projects.

The Group has not executed any derivative or structured product transactions for speculation. Most of the Group's borrowings are denominated in Hong Kong dollars with the remainder mainly in US dollars and Renminbi.

## CORPORATE GOVERNANCE

The Group is committed to a high standard of corporate governance practices and firmly believes that good corporate governance is pivotal in growing the Group's businesses and generating long-term sustainable value for all stakeholders.

The Board directs and oversees the Group's overall strategies, supported by four delegated Board Committees, namely the Executive Committee, the Audit and Risk Management Committee, the Nomination Committee and the Remuneration Committee. Comprising 17 members, the Board has eight Independent Non-Executive Directors (INEDs). The Executive Committee, which consists of all seven Executive Directors and a number of senior executives from core business divisions, is responsible for formulating, reviewing and monitoring the Group's policies and making decisions on key operations. The remaining three Committees, with all members being Non-Executive Directors, are chaired by INEDs. The strong presence of independent members on the Board ensures the objectivity of its decision-making process.

The Group has a crisis management taskforce, co-led by two Deputy Managing Directors, to handle major risks and issues so as to maintain smooth daily business operations, effective risk management and internal control. The taskforce currently focuses on tackling pandemic-related challenges.

The Group has received various acclaim and awards from the investment community in recognition of its excellence in corporate governance. During the year, the Group attained a record high of 24 accolades in the Real Estate Survey 2020 by *Euromoney*, including the top regional award, Asia Pacific's Best Overall Developer, and was named the Best Real Estate Company in Asia Pacific in 2021 by *FinanceAsia*.

## SUSTAINABLE DEVELOPMENT

While addressing challenges presented by the pandemic, the Group has worked hard to achieve considerable progress on ESG fronts over the past year. This enables the Group to realize its Building Homes with Heart belief in making the earth and our community a better home for all. During the year, the Group's top management have placed increasing emphasis on driving and developing sustainability development strategies, as well as overseeing the respective performance and managing risks. During the year, the Group's dedicated work on ESG has been well recognized by external parties, including ESG rating agencies.

# Chairman's Statement

KCC, Kwai Chung, Hong Kong

*Environment*

On the environmental front, the Group has established targets to reduce energy consumption, greenhouse gas emission, water usage and construction waste to help combat climate change. The Group will continue to promote a wider use of electric vehicles (EVs) in the community by installing EV charging stations at its new developments, including residential projects and shopping malls. Meanwhile, the Group continues to encourage its associate, Transport International, to use electric buses extensively in an effort to improve roadside air quality and reduce greenhouse gas emissions, enabling the public to breathe cleaner air. To facilitate the use of renewable energy, the Group, as one of the pioneers, will install solar panels in its new projects. Wetland Seasons Park, a large-scale residential project bordering the Hong Kong Wetland Park, blends human life with nature. It demonstrates the Group's capabilities in ecological design and careful construction to strike a good balance between development and conservation. All these efforts aim to foster a better and sustainable living environment for the Hong Kong community over time.

The Group was among the first batch of developers in Hong Kong to incorporate green elements in all facets of property development and management. Tower One of KCC is the first office building to attain LEED Gold certification in Hong Kong. The Group aims to achieve LEED certification for all its new properties for investment purpose. In particular, the Group has targeted to obtain LEED Gold or Platinum ratings for its core commercial projects under development, such as projects at 98 How Ming Street and High Speed Rail West Kowloon Terminus in Hong Kong as well as the remaining phase of ITC in Shanghai. Moreover, the Group is constantly reviewing its existing properties for investment purpose to look for areas of environmental performance enhancements. As evidence, the commercial parts of Shanghai IFC and Shanghai ICC received Platinum ratings in the LEED V4.0 for Building Operations and Maintenance: Existing Buildings during the year. Both Two IFC and ICC in Hong Kong have been awarded Platinum rating under BEAM Plus Existing Building V2.0 Comprehensive Scheme.

*Social*

The Group continued to invest in and contribute to the community through a variety of CSR initiatives. Considerable efforts have been made in the fight against the COVID-19 pandemic, including the introduction of a large-scale lucky-draw promotion to encourage vaccination among the public and being one of the first developers in Hong Kong to support the HKSAR Government's vaccination outreach scheme.

During the year, construction work started on United Court in Yuen Long, a major transitional housing project of about 1,800 units to which the Group had leased the land at a nominal rent. The Group had made its project application for the HKSAR Government's Land Sharing Pilot Scheme with a site near Tung Shing Lei, Yuen Long, to help provide much-needed public and private-sector housing in the short-to-medium term. The project will consist of 4,090 units of which over 2,600 will be for public housing. This project is in keeping with the Group's strong belief that only a dual-track strategy of public and private sector working together would be most effective in resolving Hong Kong's housing issue for the long term.

On community investment, the Group's sports-for-charity and reading promotion initiatives took on virtual formats, including a first virtual cycling race for secondary students, and the signature SHKP Read to Dream programme through online activities. People in need received support under the Group's Building Homes with Heart Caring Initiative. In view of the massive downpours in Henan province in July 2021, the Group has donated RMB20 million to support the flood relief and post-disaster rebuilding work, helping the affected people in the area to weather this hardship.


The Group was one of the first property developers to participate in the HKSAR Government's outreach vaccination campaign

Continued business success is essential to the Group's sustainability. To ensure continuous quality enhancement for its products and services, the Group has proactively sought customers' feedback. The 430,000-strong SHKP Club has been playing an effective role in this respect by helping the Group keep close tabs on customer needs and aspirations. Leveraging cutting-edge technologies like 5G, the Group through its subsidiary SmarTone has launched a 5G Lab at Sky100 Hong Kong Observation Deck as a platform to drive new 5G applications that can help businesses stay at the forefront of technology innovation, while educating and promoting 5G applications and benefits among the general public.

Employees are regarded as valuable assets to the Group and are essential in helping to provide quality products and services. Considerable attention has been paid to their well-being, health and development. To encourage COVID-19 vaccination among the workforce, staff at the Group headquarters and many subsidiaries are provided free pre-vaccination examination by doctors, as well as a day's rest following each jab. Diversified training and learning are offered to employees through structured training programmes online and offline where practical. In addition, the Group participated in the HKSAR Government's Greater Bay Area Youth Employment Scheme, placing university graduates into different positions at projects and offices in Greater Bay Area cities.

The Group recognizes that it is crucial to integrate ESG into business strategies in order to build a sustainable business and community at large. The Group will continue to create value for stakeholders, community and future generations by enhancing its sustainability strategy and practices in the long run.

## PROSPECTS

Major economies around the world are expected to continue to recover following the gradual lifting of social-distancing measures and a rising number of vaccinations. Positive government responses, including ultra-loose monetary policies, continue to provide major support to these economies. Nevertheless, the global economy is still likely to face different challenges and uncertainties, including uneven recoveries across countries and industries, COVID-19 mutations and the subsequent spreading of new variants, Sino-US tensions, and other geopolitical risks.

Thanks to the Central Government's dual circulation strategy and effective containment measures against the pandemic, the mainland economy is expected to continue to perform well in the years to come. While merchandise trade is likely to be buoyant, robust domestic consumption and accelerated investment in high-tech sectors will remain key growth drivers. The balanced monetary and fiscal policies are also likely to bring about a stable economic operating environment. With anticipated continuous economic expansion and urbanization, the mainland property sector is expected to experience steady and sustainable development over time.

Hong Kong's economic recovery is also expected to continue, backed by enhanced social and business environment, a well-contained local pandemic, supportive consumption stimuli, a


Guangzhou South Railway Station project, Guangzhou

robust mainland economy and improved global prospects. With the support from the National 14th Five-Year Plan, Hong Kong is expected to be developed into an international centre of innovation and technology in addition to its traditional status of being an international financial, transportation and trade centre. The principle of 'One Country, Two Systems' is definitely an advantage for Hong Kong's ongoing economic development in the Greater Bay Area. All these underpin the city's long-term future and economic prospects, forming a new 'Pearl of the Orient' as well as a modern cosmopolitan city combining Chinese and Western cultures. In the short term, cross-border travel restrictions will remain in effect and impact on the operating environment. Nevertheless, the normal flow of people between Hong Kong and the mainland is expected to be restored earlier and easier, given that both places have effectively controlled the pandemic. This will be conducive to the overall economy in general, particularly the retail and hospitality industries.

The Group is confident about the prospects of Hong Kong's property market on the back of an anticipated better future for the city and a relatively low global interest-rate environment. The Group will continue to strengthen its core businesses by acquiring land selectively for development both in Hong Kong and major cities on the mainland when opportunities arise. In particular, the Group will speed up the conversions of agricultural land into buildable sites in Hong Kong as always. It will continue to make every effort to provide more housing units and help alleviate the housing problem in Hong Kong.

As usual, the Group will put new property developments on the market when ready. Over the next nine months, major projects planned for sale in Hong Kong will include a new phase of Victoria Harbour in North Point, and the first phases of various residential projects, including Yuen Long Station development, a large-scale residential project in proximity to MTR Siu Hong Station in Tuen Mun and a residential development in Pak Shek Kok. An industrial building in Tsuen Wan is also scheduled for sale. On the mainland, upcoming new launches of residential units will include several joint-venture developments such as Jianghehui project in Hangzhou, Suzhou ICC, Chengdu ICC and Oriental Bund in Foshan.

The near-term performance of the Group's property investment portfolio in Hong Kong remains constrained by the timing and scale of the cross-border travel reopening. Other than leveraging a wider application of SHKP Malls App and other smart technology, the Group continues to offer various privileges and promotions regarding the use of consumption vouchers to drive footfall and sales for its malls in Hong Kong. Meanwhile, bolstered by a strong domestic circulation, the Group's mainland property investment portfolio is expected to perform well, enabling healthy performance in its overall recurring income in the short term.

Over the medium-to-long term, the Group will continue to build large-scale integrated projects in a bid to strengthen its property investment business. These include the integrated landmark project atop the High Speed Rail West Kowloon

Terminus in Hong Kong, the mega ITC in Shanghai, Jianghehui project in Hangzhou and the newly added Guangzhou South Railway Station project. In Hong Kong, the Group's office-cum-retail development in Kwun Tong will be completed by 2023 while the extension of YOHO Mall in Yuen Long will be opened. On the mainland, the 220-metre-tall office tower at ITC in Shanghai is scheduled for completion in mid 2022 while Andaz Nanjing and Nanjing IFC mall in Nanjing are expected to open in phases in the year ahead. The combined gross floor area of new additions to the Group's property investment portfolio both in Hong Kong and on the mainland is expected to exceed 16 million square feet in the next five years, of which about 85% are from the mainland. All these will strengthen the Group's diversified property investment portfolio, providing growth impetus for recurrent income over the medium-to-long term, particularly those from the mainland.

The Group has made a strong commitment to the future of Hong Kong and the mainland since its public listing in 1972. Underpinning the vision of becoming a world-class real estate company in Hong Kong, the Group has focused on building a caring relationship with its customers and the communities it serves. With a mission of Building Homes with Heart and its customer-centric culture, the Group aims to develop its projects not just as quality dwellings, but more so a comprehensive, safe, comfortable, green and technology-savvy community for living, working, shopping and recreation. While the Group's residential projects seek to provide harmonious and joyful homes for cross-generational living with diverse lifestyle facilities catering to different age groups, its transit-oriented integrated commercial projects, like the one on top of High Speed Rail West Kowloon Terminus in Hong Kong and the Guangzhou South Railway Station project, would synergize with the neighbourhoods, creating values and vibrancy for the community. As quality being one of its top priorities, the Group is committed to the continued enhancement of products and services to strengthen its premium brand position over the years, gaining a strong recognition in the market. The Group also consistently reviews its completed properties for investment, looking for further upgrades and renovations to meet the latest standard in terms of green, wellness and market needs. In this respect, the Group will emphasize constant innovation with a wide application of smart technologies to enhance customer experience. With all these initiatives, the Group aims to create more value for future generations in a sustainable manner.

Looking further ahead, the Group is confident in its future business development and prospects. With its extensive knowledge and experience accumulated during the ups and downs of about half a century, the Group will weather the upcoming uncertainties well. Its forward-looking and experienced management team, together with a solid financial position with sizable recurring income, will be able to turn future adversities into opportunities. As a caring and socially responsible company, the Group will continue to contribute to building a better world through its commitment to ESG, in particular issues on climate change and green building. The Group's pursuit of excellence, which has been strongly embedded in its vision and mission, will enable it to advance the best interests of its customers, employees, shareholders and business partners, and the community as a whole.

## IN MEMORY

Mr. Kwong Chun, former Executive Director, sadly passed away on 7 May 2021. Mr. Kwong served the Group for 49 years and had been an Executive Director of the Group since 1992, spearheading the Group's property business development in southern China. He established Hong Yip Service Company Limited in 1967 and was its Chairman. Mr. Kwong demonstrated strong commitment to the Group during his tenure of office and his valued contribution will always be remembered by all of us.

## APPRECIATION

I would like to take this opportunity to express my sincere gratitude to all staff for their commitment, diligence and contribution, particularly in ensuring the Group's effective operations and providing quality products and services throughout the past challenging year. I would also like to thank my fellow directors for their guidance and all our shareholders and customers for their continued support.

**Kwok Ping-luen, Raymond**
*Chairman & Managing Director*

Hong Kong, 9 September 2021

# Business Model and Strategic Direction

## Executive Committee


*Kwok Ping-luen, Raymond*


*Wong Chik-wing, Mike*


*Lui Ting, Victor*


*Tung Chi-ho, Eric*


*Kwok Kai-fai, Adam*


*Kwok Kai-wang, Christopher*


*Fung Yuk-lun, Allen*

## Business Model

As one of the largest property developers and landlords in Hong Kong, the Group is committed to creating sustainable value for shareholders and other stakeholders by developing premium properties both in Hong Kong and on the mainland.

Property development for sale, one of the two core businesses of the Group, adopts a vertically integrated model, from land acquisition, project planning, project management, material sourcing and construction through to sales and marketing and property management. This ensures a high standard in each area of a development and enables the Group to control the ultimate quality of its developments.

The second core business of the Group is property investment for rental purpose. Throughout the years, the Group has built, leased and managed a wide variety of commercial projects in Hong Kong and major cities on the mainland to provide premium office and retail space to tenants. In addition, the Group maintains a portfolio of hotels, high-class serviced suites and luxury residences catering for the diverse needs of its customers. The portfolio of property investment also covers industrial buildings, godowns, data centres and car parks.

Property development for sale and rental income from the portfolio of property investment constitute the Group's primary sources of income. The Group places sustainability as one of its top priorities by integrating elements of green and wellness into its property development and management operations.

### *Core Values*

The following core values are cornerstones for the Group's long-term development.

- **Building Homes with Heart**

  Producing premium premises and offering quality services for an ideal living environment; delivering sustainable value to the communities in which the Group operates

- **Speed, Quality, Efficiency**

  Earning the support and trust of all stakeholders through a commitment to speed, quality and efficiency

- **Customer First**

  Constantly anticipating what customers want and offering quality products and attentive services that exceed expectations

- **Continuous Improvement**

  Keeping up with the market and setting high standards, along with lifelong learning for greater adaptability and constant exploration of new ideas

- **Teamwork**

  Nurturing a pool of talented and high-calibre employees capable of achieving objectives through harnessing the power of teamwork, collective experience and professional knowledge

## Strategic Direction

The Group creates sustainable value for shareholders through the following strategies:

- Balanced sources of income
- Hong Kong focus
- Expansion on the mainland
- Prudent financial management

*Chow Kwok-yin, Eric* *Yung Sheung-tat, Sandy* *Li Ching-kam, Frederick*

*Fung Sau-yim, Maureen* *Chan Hong-ki, Robert* *Lam Ka-keung, Henry* *Lau Tak-yeung, Albert*

## *Balanced Sources of Income*

The Group aims to secure relatively balanced sources of income over the long term with a focus on property development for sale and rental income from its portfolio of property investment. This strategy offers a balance between steady cash flow and quick asset turnover.

The portfolio of property investment aims to generate a steadily growing income stream for the Group's shareholders. Proactive leasing management, asset enhancement initiatives and trade- and tenant-mix refinements are key attributes to maintaining the Group's leading position in the leasing market.

Property development serves as another growth engine for the Group in the long term and offers quick asset turnover as well as enhancing liquidity and capital utilization. The Group makes every effort to ensure outstanding quality and services in order to achieve premium pricing.

## *Hong Kong Focus*

As a significant participant in Hong Kong's development for decades, the Group has built a trusted reputation and premium brand name over the years. The Group is confident about the long-term prospects of the territory as an international financial, transportation and trade centre, and as a gateway to the world for the mainland.

Through tenders, land use conversions and other means, the Group has added new sites to its Hong Kong land bank over the years and targets prime sites with attractive investment potential. The Group upholds its belief in Building Homes with Heart, making it a developer that customers prefer. As an integral part of its core strategy, the Group continues to strengthen its premium brand through the delivery of outstanding products and services. Throughout the years the Group's efforts have enhanced its premium brand, which has been well recognized by the market. The Group has pledged to continue to strengthen its premium brand in the years to come.

## *Expansion on the Mainland*

The Group is positive about the long-term prospects for the mainland, which offers a variety of investment opportunities. The Group has a selective and focused strategy with key cities being its major focal points. Building upon its stellar reputation, experienced team, commitment to quality and customer-focused credo, the Group will continue to focus on building and enhancing its premium brand and developing high-quality projects on the mainland.

## *Prudent Financial Management*

A strong financial position is crucial to the Group's success. Prudent financial management ensures the Group's healthy and sustainable growth and allows it to invest in attractive projects when opportunities arise.

Constantly maintaining its gearing at a reasonable level, and paying close attention to liquidity management, the Group has ensured adequate financial resources for its daily operations and strategic investments.

The Group aims to further strengthen its financial position by diversifying sources of funding. The Group enjoys high credit ratings, putting it in a favourable position to tap debt capital markets. The Group also maintains excellent banking relationships and is able to obtain abundant banking facilities for business needs.

# Review of Operations

Victoria Harbour Gateway, Hong Kong

# Hong Kong Property Business

## Highlights

- **Added five sites in Hong Kong during the year, bringing the total land bank to 57.9 million square feet as at 30 June 2021**
- **Completed an approximate 2.1 million square feet of attributable gross floor area, of which about 1.7 million square feet were residential properties**
- **Achieved contracted sales of over HK$23,200 million**
- **Net rental income from the Group's well-diversified quality rental portfolio amounted to HK$13,544 million, down 6% from the previous financial year**

## Land Bank

During the year, the Group added five sites to its development land bank with an aggregate gross floor area of some 2.6 million square feet in attributable terms. Details of these new acquisitions are shown in the Chairman's Statement on page 8.

As at 30 June 2021, the Group's land bank in Hong Kong reached 57.9 million square feet of gross floor area, consisting of around 23.9 million square feet of properties under development and about 34.0 million square feet of completed properties. An overwhelming majority of the completed properties are for rental and long-term investment purposes, contributing a relatively steady stream of recurrent income to the Group.

The Group has a diversified quality completed property portfolio across the territory. Its sizeable portfolio offers tenants a wide range of choices and flexibility in terms of location, usage and rental level, with easy transportation and premium customer services. About 35% of the portfolio is comprised of shopping malls and retail space, a majority of which are regional malls serving local families and residents in different neighbourhoods. A further 31% comprises premium office buildings and some 12% consists of industrial buildings and data centres.

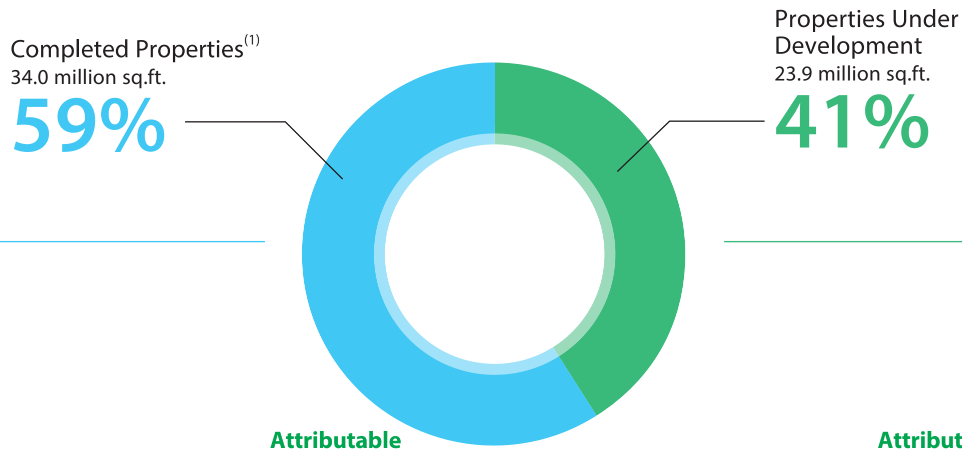
The Group has about 23.9 million square feet of properties under development, which are sufficient to meet its development needs over the medium term. Of this, around 17.7 million square feet will be developed into various types of quality residential premises across different districts in Hong Kong. The remaining 6.2 million square feet will be mainly retained for rental and long-term investment purposes, of which about 4.4 million square feet are earmarked for grade-A office buildings and premium shopping malls. Upon completion, these projects are expected to further bolster the Group's position in the leasing market, bringing vitality and synergy to respective communities.

As always, the Group will continue to replenish its development land bank through multiple channels when opportunities arise, including active land use conversion of agricultural lands into buildable sites and participation in public tenders.

The Group's land bank in Hong Kong as at 30 June 2021, by attributable gross floor area, was as follows:

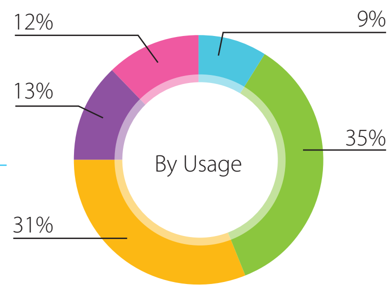
## Hong Kong Land Bank Composition

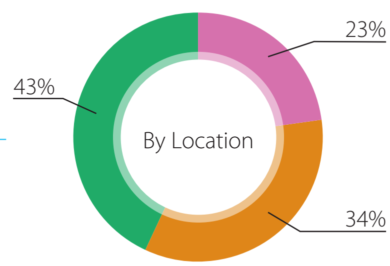
(57.9 million square feet of attributable gross floor area as at 30 June 2021)




**Completed Properties[1]**

| | Attributable Gross Floor Area (million sq.ft.) |
|---|---|
| Residential | 3.2 |
| Shopping Centre/Shops | 12.0 |
| Office | 10.4 |
| Hotel | 4.3 |
| Industrial[2] | 4.1 |

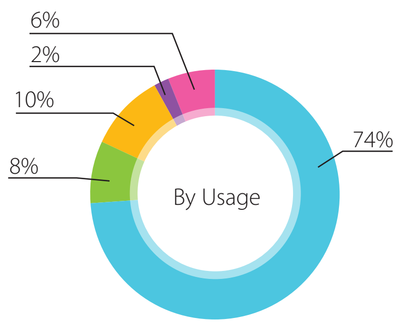


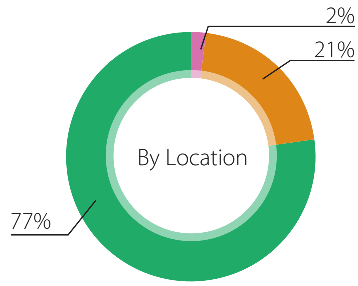




| | Attributable Gross Floor Area (million sq.ft.) |
|---|---|
| Hong Kong Island | 7.7 |
| Kowloon | 11.8 |
| New Territories | 14.5 |

**Properties Under Development**

| | Attributable Gross Floor Area (million sq.ft.) |
|---|---|
| Residential | 17.7 |
| Shopping Centre/Shops | 2.0 |
| Office | 2.4 |
| Hotel | 0.4 |
| Industrial[2] | 1.4 |

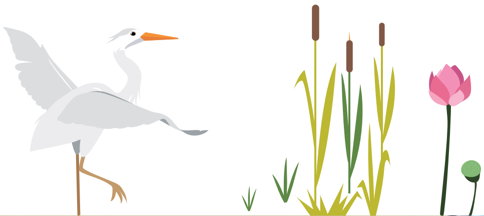



| | Attributable Gross Floor Area (million sq.ft.) |
|---|---|
| Hong Kong Island | 0.5 |
| Kowloon | 5.0 |
| New Territories | 18.4 |

*(1) An overwhelming majority are for rent/investment*
*(2) Including industrial/office premises, godowns and data centres*

# Hong Kong Property Business
## Property Development



Wetland Seasons Park bordering the Hong Kong Wetland Park

*Regency Bay, Tuen Mun*

# Property Development

The Group expanded its sizeable development land bank with the addition of five sites totalling around 2.6 million square feet of gross floor area in attributable terms during the year. The continued replenishment of land bank has firmly supported the Group's property development business in the medium-to-long term, enabling it to maintain a high level of production volume and reinforce its leading position in the market.

The Group has a diversified property development portfolio including mass-market apartments, deluxe residences, quality office space and retail premises. The first three-year warranty for new residential units pioneered by the Group has bolstered the reputation of its brand, reflecting its strong commitment to offering high-quality products.

In the midst of the prolonged pandemic during the year, the Group has introduced a variety of smart technologies and designs to meet stringent safety and hygiene standards, and offered new products and services to fulfil the changing demands of end users. As a caring and socially responsible company, the Group is committed to making greater efforts to create a healthy living environment and sustainable living for the community.

During the year under review, the Group achieved contracted sales of about HK$23,200 million in attributable terms in Hong Kong despite fluctuations of the pandemic. Major residential projects launched for sale during the year included Cullinan West III in West Kowloon, Regency Bay and Regency Bay II in Tuen Mun, Grand YOHO Phase 2 in Yuen Long, Wetland Seasons Park Phase 3 near Hong Kong Wetland Park, and St Michel in Sha Tin.

## Major Projects under Development

The Group has been developing a variety of projects throughout Hong Kong, many of which occupy strategic locations along existing and planned railway lines. Below are the descriptions of the Group's major projects.

**Hong Kong Island**

**Victoria Harbour II**
**The Remaining Portion of Inland Lot No. 9027, North Point**
*(100% owned)*

| | | |
|---|---|---|
| Site area | : | 252,000 square feet (entire development) |
| Gross floor area | : | 258,000 square feet (residential) |
| Approximate number of units | : | 350 |
| Expected date of Certificate of Compliance/ Consent to Assign | : | from second half of 2021, in phases |

The Victoria Harbour Development on the North Point harbourfront is an integrated project comprising nine luxury residential towers, a shopping mall and a hotel. Situated next to the 400-metre long waterfront promenade and landscaped

Victoria Harbour, North Point

open space, this new landmark in Hong Kong East brings a relaxing ambience to residents. In addition to easy access to MTR North Point Station, which is an interchange station for two existing MTR lines, the project enjoys additional transport convenience brought by the Central-Wan Chai Bypass.

Victoria Harbour, the luxury residential component of the integrated development, will be completed in phases. Victoria Harbour II consists of some 350 luxury units in four towers, with most units enjoying spectacular harbour views.

This integrated development also houses a hotel, Hyatt Centric Victoria Harbour Hong Kong, which has been in operation for three years, and a shopping mall, Harbour North. Following the full completion of the mall in the second half of 2020, these two components have become an ideal destination for shopping, entertainment, dining and gathering for residents, executives, and families, adding attraction to the residential portion, Victoria Harbour.

### Kowloon

**98 How Ming Street, Kwun Tong**
**Kwun Tong Inland Lot No. 240**
*(70.2% effective interest [1])*

| | |
|---|---|
| Attributable site area | : 67,000 square feet |
| Attributable gross floor area | : 456,000 square feet (office)<br>351,000 square feet (retail) |
| Expected date of Certificate of Compliance/ Consent to Assign | : from first half of 2023, in phases |

Set in the fast-growing Kowloon East commercial hub, the project will be developed into a 1.15-million-square-foot integrated commercial complex, comprising two 20-storey grade-A office towers and a shopping mall underneath. The complex has a stylish facade design with curtain walls, adding a taste of style and vibrancy to the vicinity. Superstructure work of the development has been progressing smoothly.

*98 How Ming Street, Kwun Tong*

The premium office towers will boast harbour views from most of the floors and feature additional touchless facilities and other amenities to meet the latest requirements and needs of tenants. These two towers are expected to obtain Platinum rating from both Leadership in Energy and Environmental Design (LEED) and WELL certifications. The 10-storey shopping podium, spanning over half a million square feet of gross floor area, will house a vast variety of shops and restaurants, as well as a cinema with multiple screens. This will offer customers and nearby residents a trendy and interesting shopping experience.

Aside from its convenient access to the public transport network, the complex will provide ample parking space for tenants, shoppers and visitors. Well connected to the adjacent Millennium City 6 by a footbridge to be built, the project is expected to bring synergy to the Group's property portfolio in the area. Please refer to page 50 for more details of the offices and shopping mall.

*(1) As at 30 June 2021, the Group has a 50% direct interest in this project plus about 20.2% indirect interest derived from its stakes in Transport International Holdings Limited.*

# Property Development

### New Kowloon Inland Lot No. 6568

*(100% owned)*

| | |
|---|---|
| Site area | : 178,000 square feet |
| Gross floor area | : 1.1 million square feet (residential)<br>240,000 square feet (retail) |
| Approximate number of units | : 1,500 |
| Expected date of Certificate of Compliance/ Consent to Assign | : from second half of 2024, in phases |

Consisting of five residential towers, the development will provide about 1.1 million square feet of residential gross floor area and a 240,000-square-foot shopping mall. A total of about 1,500 units with different layouts will be available, including one- to four-bedroom units and special units. Units on the high-floor zone of the residential towers, which will be among the tallest in the vicinity, will enjoy sea views of Victoria Harbour, while most of the other units will overlook the Station Square at Kai Tak. Piling work for the development has been completed and superstructure work has commenced.

The development will be directly linked to MTR Kai Tak Station through an underground shopping street. With MTR Tuen Ma Line being fully operational in June 2021, the project's connectivity has been further enhanced. Residents will have an easy and direct link to MTR Kai Tak Station with its weather-proof access. Upon full completion of the Shatin to Central Link and the Central Kowloon Route, the project will provide residents with an increased transportation network to Central and West Kowloon, both being key business hubs of the city. In addition, the premium project is expected to create synergy with the Group's luxury harbourfront residential project on the former Kai Tak runway.

### New Kowloon Inland Lot No. 6551

*(100% owned)*

| | |
|---|---|
| Site area | : 118,000 square feet |
| Gross floor area | : 625,000 square feet (residential)<br>: 24,000 square feet (retail) |
| Approximate number of units | : 500 |
| Expected date of Certificate of Compliance/ Consent to Assign | : after 2024, in phases |

The development, located on the former Kai Tak runway, will consist of about 625,000 square feet of residential gross floor area and some 24,000-square-foot retail space. With nine

*New Kowloon Inland Lot No. 6551, Kai Tak*

residential towers and some low-rise apartments, the project will provide two- to four-bedroom units. Most units are expected to enjoy panoramic views of both sides of Victoria Harbour. The provision of sufficient parking spaces will be an added advantage to the project.

Residents of this project will enjoy a vibrant and refreshing environment with easy access to the Kai Tak Sky Garden opened earlier this year, the existing Kai Tak Cruise Terminal nearby, as well as the planned Metro Park and harbourfront promenade. The premium development is expected to synergize with the Group's landmark integrated residential and retail projects being developed in Kai Tak City Centre. Piling work of the project has been completed.

### Kowloon Inland Lot No. 11262

*(Joint venture)*

| | |
|---|---|
| Site area | : 643,000 square feet |
| Attributable gross floor area | : 1.2 million square feet (office)<br>603,000 square feet (retail) |
| Expected date of Certificate of Compliance/ Consent to Assign | : after 2024, in phases |

The High Speed Rail West Kowloon Terminus Development will be developed into a mega integrated project. According to the latest approved planning, the percentage share of its retail space was increased to about 20% of the entire project. This landmark project will comprise some 2.6 million square feet of premium grade-A offices and about 600,000 square feet of retail space; the Group holds a 100% interest in the retail portion and retains nearly 1.2 million square feet of office space as long-term investment. The remainder of the office portion are held by two

High Speed Rail West Kowloon Terminus Development

long-term strategic investors. The project is designed to provide green public spaces and a parkway, which will help foster the integration of old and new communities. Upon completion of the development, the public will be able to enjoy more green spaces, shopping convenience and options.

Situated atop the High Speed Rail West Kowloon Terminus, this project will enjoy excellent transportation networks. It will be highly accessible to different parts of Hong Kong via three rail lines and to major cities in the Greater Bay Area and other parts of the mainland via the high speed rail.

To be developed in phases, this mega development will synergize with the Group's ICC offices and two five-star hotels nearby, further bolstering its presence in the neighbourhood. It is also expected to have a significant synergistic effect with the Group's other integrated projects, such as the Guangzhou South Railway Station project along the Guangzhou-Shenzhen-Hong Kong Express Rail Link. Additionally, the project will help further strengthen West Kowloon's status as an iconic commercial, cultural, entertainment and transportation hub in Hong Kong and the Greater Bay Area. Construction work of the basement has commenced. For other details and information on green certifications of the project, please refer to page 51.

St Michel, Sha Tin

## New Territories East

### St Michel Development
### Sha Tin Town Lot No. 609

*(100% owned)*

| | |
|---|---|
| Site area | : 145,000 square feet |
| Gross floor area | : 434,000 square feet (residential) |
| Approximate number of units | : 340 |
| Expected date of Certificate of Compliance/ Consent to Assign | : from first half of 2022, in phases |

Situated on an elevated area of a small hill in Sha Tin, the development is surrounded by lush greenery, offering residents not only a spacious, quiet and private living environment, but also a picturesque urban vista of Sha Tin Town Centre. The units are equipped with premium finishes and appliances, and their layouts are carefully designed to integrate the green environment into daily living. In addition to being close to MTR Sha Tin Wai Station and City One Station, the development will provide ample parking spaces to residents.

The entire project will provide around 340 premium residential units which are mainly large-sized apartments. The first phase of the development will consist of 196 units and the second phase will include some 140 units. A portion of the units of phase one have been launched with satisfactory results. The superstructure has recently been topped out and the units are planned for handover to buyers beginning in mid 2022 in phases.

# Property Development

Tai Po Town Lot No. 244

### Tai Po Town Lot No. 244

*(100% owned)*

| | |
|---|---|
| Site area | : 354,000 square feet |
| Gross floor area | : 900,000 square feet (residential)<br>23,000 square feet (retail) |
| Approximate number of units | : 1,900 |
| Expected date of Certificate of Compliance/ Consent to Assign | : from second half of 2023, in phases |

Located near the Science Park, the development is in the vicinity of a renowned university and an international school. Complementary to the Pak Shek Kok residential enclave with young families and professionals, the project will emphasize young-living concepts with a series of design features, including a dedicated mobile app and 5G coverage.

To be developed in phases, the project will comprise 14 residential towers of 12 to 14 storeys, housing approximately 1,900 apartments of diverse layouts, the majority of which will be small- and medium-sized units. There will also be a retail street of over 200 metres long featuring trendy lifestyle shops and restaurants. This, together with a young-living theme, will offer residents daily convenience and an enriching experience. Construction of the superstructure is progressing smoothly.

Tai Po Town Lot No. 157, Shap Sz Heung

### Tai Po Town Lot No. 157

*(100% owned)*

| | |
|---|---|
| Site area | : 6.7 million square feet |
| Gross floor area | : 4.7 million square feet (residential)<br>100,000 square feet (retail) |
| Approximate number of units | : 4,900 |
| Expected date of Certificate of Compliance/ Consent to Assign | : after 2024, in phases |

Located near the Ma On Shan Country Park, the mega residential project will be surrounded by a green and relaxing environment. The Group has obtained planning permission for the relaxation of plot ratio of the development. Matters related to land premium on the additional gross floor area are under way. Under the revised development plan, the total residential space will be expanded to over 5.5 million square feet, providing about 9,700 residential units, and a retail area of some 130,000 square feet.

The project will embrace a cross-generation living concept with pedestrian-friendly designs, and different smart home features. A wide range of community facilities, including kindergartens, a sports complex, a church and other recreational facilities, will be provided to satisfy the needs of residents of different ages. Two transport interchanges will be built to enable easy accessibility to the public transport network. In addition, traffic improvement works are progressing well, including the Sai Sha Road widening works, which will greatly enhance the external transport links of the development. Piling work of the first phase has been completed, and superstructure work has commenced. On its full completion, the project is set to become another iconic residential cluster in the city, seamlessly integrating with the natural environment nearby.

### Fanling Sheung Shui Town Lot No. 279

*(100% owned)*

| | | |
|---|---|---|
| Site area | : | 200,000 square feet |
| Gross floor area | : | 999,000 square feet (residential)<br>132,000 square feet (retail) |
| Approximate number of units | : | 2,200 |
| Expected date of Certificate of Compliance/ Consent to Assign | : | after 2024, in phases |

The Group acquired the residential site via public tender in April 2021. Adjacent to the committed MTR Kwu Tung Station, the site spanning around one million square feet of residential gross floor area will be developed into about 2,200 units, a majority of which will be small- and medium-sized apartments. It will also comprise a shopping centre of some 132,000 square feet, offering shopping convenience to the neighbourhood. Planning of the development is under way.

The project is situated atop a public transport interchange. Together with a committed MTR station as well as shopping and community facilities nearby, the project is expected to be a focal point of the future Kwu Tung town centre. The committed MTR Kwu Tung Station, an interchange station of East Rail Line and the future Northern Link, will provide residents with excellent transport convenience. In addition, with its proximity to several cross-border control points and the planned Hong Kong-Shenzhen Innovation and Technology Park in the Lok Ma Chau Loop, the project is expected to serve the growing tech-savvy community upon completion.

## New Territories West

### Yuen Long Town Lot No. 510 (Yuen Long Station Development)

*(Joint venture)*

| | | |
|---|---|---|
| Site area | : | 418,000 square feet |
| Gross floor area | : | 1.4 million square feet (residential)<br>107,000 square feet (retail) |
| Approximate number of units | : | 2,000 |
| Expected date of Certificate of Compliance/ Consent to Assign | : | from first half of 2023, in phases |

Sitting atop MTR Yuen Long Station, the project will comprise some 2,000 units with a diverse flat mix in six residential towers of 23 to 47 storeys and a 107,000-square-foot shopping mall.

*Yuen Long Town Lot No. 510*

The premium project will also feature stylish building designs with curtain walls. With two fully equipped clubhouses and a covered, landscaped plaza of over 10,000 square feet with a wide range of outdoor facilities, residents of the project will be able to enjoy quality, green and sustainable living.

The development will become a core part of the vibrant YOHO community, with an all-weather network of air-conditioned footbridges connecting different phases of the YOHO community and MTR Yuen Long Station. This, together with its comprehensive amenities, is set to make the project one of the iconic living places in Hong Kong.

Superstructure work of this project is progressing well. The residential portion is slated for handover from the first half of 2023 in phases while the retail portion, an extension of the existing YOHO Mall, is scheduled to open in 2023. Please refer to page 47 for more details of the mall.

# Property Development

Wetland Seasons Bay

**Wetland Seasons Park Phases 2 and 3**
**Tin Shui Wai Town Lot No. 34**
*(100% owned)*

| | |
|---|---|
| Site area | : 693,000 square feet (entire development) |
| Gross floor area | : 597,000 square feet (residential) |
| Approximate number of units | : 1,000 |
| Expected date of Certificate of Compliance/ Consent to Assign | : from second half of 2021, in phases |

**Wetland Seasons Bay**
**Tin Shui Wai Town Lot No. 33**
*(100% owned)*

| | |
|---|---|
| Site area | : 813,000 square feet |
| Gross floor area | : 1.1 million square feet (residential) |
| | : 29,000 square feet (retail) |
| Approximate number of units | : 2,000 |
| Expected date of Certificate of Compliance/ Consent to Assign | : from first half of 2022, in phases |

Wetland Seasons Park and Wetland Seasons Bay are the Group's latest large-scale residential projects, which integrate the scenic environment of the Hong Kong Wetland Park along its boundary to offer green, healthy, and smart living to over 3,700 families.

Wetland Seasons Park, at the south end of the Hong Kong Wetland Park, provides around 1,700 residential units ranging from houses and villas to low-density apartments. About 85% are two- and three-bedroom units. Launched on the market in phases since January 2020, the project has received a positive response with units almost sold out. Units of the first two phases of the development were handed over to customers starting from April 2021, attracting a great deal of compliments from the buyers. The remaining phase will have its handover in late 2021.

The Group is also developing another bay-side low-density residential enclave, namely Wetland Seasons Bay, at the west end of the Hong Kong Wetland Park. To be developed in three phases, this large-scale development will consist of 10 low-density residential towers, 20 villas and six houses, providing some 2,000 quality units with diverse flat mix. The majority of the units are small- and medium-sized apartments. The first phase of this development was put up for sale in August 2021 and has been well received by buyers. Construction work is progressing smoothly.

These two development projects were particularly designed to feature sustainable living, blending in well with the environment. The overall design allowed inhabitants of the wetland to continue to flourish. Their building orientation and clubhouses were well planned to embrace the magnificent views of the wetland and the skyline of Shenzhen. Apart from a wide range of amenities, the clubhouses also feature educational elements of nature and wildlife conservation. With two Light Rail stops in the vicinity, the projects also enjoy easy access to the public transport network. In addition, a total of some 49,000 square feet of retail space will be provided for residents' daily shopping convenience and needs.

### Tin Shui Wai Town Lot No. 23 (Tin Wing Station Development)

*(Joint venture)*

| | |
|---|---|
| Site area | : 196,000 square feet |
| Gross floor area | : 980,000 square feet (residential)<br>2,000 square feet (retail) |
| Approximate number of units | : 2,000 |
| Expected date of Certificate of Compliance/ Consent to Assign | : from first half of 2024, in phases |

Spanning a total of 980,000 square feet of gross floor area near a rejuvenating leafy park, the residential enclave comprises approximately 2,000 units, the majority of which are small- to medium-sized apartments. Complementing the three residential towers, the project will incorporate some 2,000 square feet of retail space. Foundation work for the residential towers has been completed and superstructure work has begun.

The project is located atop Light Rail Tin Wing Station and will be connected by planned footbridges to neighbourhood facilities, including an existing bus terminus. Residents will have direct access to the mass transit transportation network, and will be able to enjoy a green, tranquil environment in the nearby 15-hectare Tin Shui Wai Park.

### Lot No. 4354 in DD 124, Kiu Tau Wai, Yuen Long

*(100%)*

| | |
|---|---|
| Site area | : 107,000 square feet |
| Gross floor area | : 856,000 square feet (office and retail) |
| Expected date of Certificate of Compliance/ Consent to Assign | : after 2024 |

The Group added a commercial site adjacent to MTR Tin Shui Wai Station to its land bank through land use conversion during the year. Representing the first sizeable commercial project over the past 20 years in the area, the project will be developed into a commercial complex with a total gross floor area of about 856,000 square feet, offering quality office and retail spaces. Construction work will commence as soon as the development plan is finalized.

### Tuen Mun Town Lot No. 483

*(100% owned)*

| | |
|---|---|
| Site area | : 482,000 square feet |
| Gross floor area | : 2.4 million square feet (residential)<br>49,000 square feet (retail) |
| Approximate number of units | : 4,600 |
| Expected date of Certificate of Compliance/ Consent to Assign | : from first half of 2023, in phases |

The site is being developed in phases into a large-scale residential development, the largest in Tuen Mun in more than a decade. Comprising some 4,600 units in 14 residential towers of 22 to 31 storeys, and offering a wide range of flat layouts ranging from studios to four-bedroom units, the project will also consist of around 49,000 square feet of retail area to meet the daily needs of residents.

Residents are expected to enjoy a relaxing living environment equipped with a wide range of recreational facilities, including a sizeable clubhouse with an all-weather swimming pool and an ample outdoor landscaped area. With the full opening of the Tuen Mun-Chek Lap Kok Link and the MTR Tuen Ma Line in late 2020 and June 2021 respectively, the transport network in the district has been further enhanced. With its easy access to MTR Siu Hong Station, the project will allow residents to travel to most of the city's major business areas via the railway network. In addition, a number of approved new bus routes will further raise transport connectivity of the project.

Superstructure work of the first phase of the residential towers is proceeding well, while that of the subsequent phases has commenced.

### Tuen Mun Town Lot No. 496

*(75.2% owned)*

| | |
|---|---|
| Attributable site area | : 177,000 square feet |
| Attributable gross floor area | : 461,000 square feet (residential) |
| Approximate attributable number of units | : 1,000 |
| Expected date of Certificate of Compliance/ Consent to Assign | : after 2024, in phases |

During the year, the Group, in conjunction with a joint-venture partner, completed land use modifications for the site in So Kwun Wat. To be developed in phases, the project will comprise six residential towers of 17 to 20 storeys with approximately 1,300 apartments mainly of small-to-medium sizes. Piling work has just begun and the project is scheduled for delivery in phases after 2024.

# Property Development

## Major Projects Under Development in Hong Kong by Year of Completion[1]

| Location | Project Name | Group's Interest (%) |
|---|---|---|
| **Scheduled for Completion in FY2021/22** | | |
| Tin Shui Wai Town Lot No. 33 Phases 1 & 2 | Wetland Seasons Bay Phases 1 & 2 | 100 |
| Tin Shui Wai Town Lot No. 34 Phases 2 & 3 | Wetland Seasons Park Phases 2 & 3 | 100 |
| Tuen Mun Town Lot No. 539 | Regency Bay | 100 |
| Sha Tin Town Lot No. 609 Phase 1 | St Michel Phase 1 | 100 |
| Inland Lot No. 9027, North Point Phases 2B-3 & 2B-2 | Victoria Harbour II | 100 |
| 252 Texaco Road & 28 Wang Lung Street, Tsuen Wan | | 65.2 |
| Lot 1927 in DD 107, Yuen Long Phase 3 | PARK YOHO Phase 3 | 100 |
| 222-228 Wan Chai Road | | 92.0 |
| Inland Lot No. 8963, Stubbs Road Phase 2 | Central Peak II | 100 |
| 195 Prince Edward Road West, Kowloon City | Prince Central | 100 |
| **Year Total:** | | |
| **Scheduled for Completion in FY2022/23** | | |
| Yuen Long Station Development | | JV |
| 98 How Ming Street (Kwun Tong Inland Lot No. 240) | | 70.2[3] |
| Tuen Mun Town Lot No. 483 Phase 1 | | 100 |
| Tseung Kwan O Town Lot No. 131 Phase 1 | MEGA IDC | 73.6 |
| New Kowloon Inland Lot No. 6550 | | 100 |
| Tin Shui Wai Town Lot No. 33 Phase 3 | | 100 |
| Sha Tin Town Lot No. 609 Phase 2 | | 100 |
| Tsuen Wan Town Lot No. 428 | MEGA Gateway | 73.6 |
| 38 Belcher's Street, Kennedy Town | | 53.3 |
| 233 Prince Edward Road West, Kowloon City | | 58.0 |
| **Year Total:** | | |
| **Scheduled for Completion in FY2023/24** | | |
| Tuen Mun Town Lot No. 483 Phase 2 | | 100 |
| Tai Po Town Lot No. 244 | | 100 |
| Tin Wing Station Development Phase 1 | | JV |
| Tuen Mun Town Lot No. 463 | | 59.1 |
| **Year Total:** | | |
| **Major Projects Scheduled for Completion in FY2024/25 or Beyond** | | |
| Tai Po Town Lot No. 157 | | 100 |
| Kowloon Inland Lot No. 11262 (High Speed Rail West Kowloon Terminus Development)[4] | | JV[4] |
| New Kowloon Inland Lot No. 6568 | | 100 |
| Fanling Sheung Shui Town Lot No. 279, Kwu Tung | | 100 |
| Lot No. 4354 in DD 124, Kiu Tau Wai, Yuen Long[5] | | 100 |
| Tuen Mun Town Lot No. 483 subsequent phase(s) | | 100 |
| New Kowloon Inland Lot No. 6551 | | 100 |
| Tseung Kwan O Town Lot No. 131 Phase 2 | | 73.6 |
| The Remaining Portion of Yuen Long Town Lot No. 507 Phase 3 | Grand YOHO Phase 3 | 100 |
| Tuen Mun Town Lot No. 496 | | 75.2 |
| Tin Wing Station Development Phase 2 | | JV |
| Lot No. 2091 in DD 105, Shek Wu Wai, Yuen Long | | 54.5 |
| 13-23 Wang Wo Tsai Street, Tsuen Wan | | 100 |
| Lot No. 2579 in DD 92, Kwu Tung, Sheung Shui | | 100 |
| **Total for Major Projects to be Completed in FY2024/25 or Beyond:** | | |

*(1) Completion refers to the stage in which the project is ready for handover; Excluding the gross floor area of Government Accommodation*
*(2) Including data centre*
*(3) Including 50% direct interest and an indirect interest of about 20.2% derived from the Group's holdings in Transport International Holdings (TIH)*
*(4) Information up to late August 2021; The Group currently has a 100% and 45% interest in the retail and office portions respectively*
*(5) Gross floor area distribution may change as the development plan has yet to be finalized*

| Attributable Gross Floor Area (square feet) | | | | | |
|---|---|---|---|---|---|
| **Residential** | **Shopping Centre/Shops** | **Office** | **Hotel** | **Industrial[(2)]** | **Total** |
| 915,000 | 29,000 | – | – | – | 944,000 |
| 597,000 | – | – | – | – | 597,000 |
| 286,000 | 21,000 | – | – | – | 307,000 |
| 260,000 | – | – | – | – | 260,000 |
| 258,000 | – | – | – | – | 258,000 |
| – | – | – | – | 248,000 | 248,000 |
| 94,000 | 45,000 | – | – | – | 139,000 |
| – | 13,000 | 109,000 | – | – | 122,000 |
| 59,000 | – | – | – | – | 59,000 |
| 45,000 | – | – | – | – | 45,000 |
| **2,514,000** | **108,000** | **109,000** | **–** | **248,000** | **2,979,000** |
| 1,361,000 | 107,000 | – | – | – | 1,468,000 |
| – | 351,000 | 456,000 | – | – | 807,000 |
| 807,000 | – | – | – | – | 807,000 |
| – | – | – | – | 388,000 | 388,000 |
| – | – | – | 374,000 | – | 374,000 |
| 214,000 | – | – | – | – | 214,000 |
| 174,000 | – | – | – | – | 174,000 |
| – | – | – | – | 148,000 | 148,000 |
| 63,000 | 3,000 | – | – | – | 66,000 |
| 42,000 | – | – | – | – | 42,000 |
| **2,661,000** | **461,000** | **456,000** | **374,000** | **536,000** | **4,488,000** |
| 883,000 | 49,000 | – | – | – | 932,000 |
| 900,000 | 23,000 | – | – | – | 923,000 |
| 701,000 | 2,000 | – | – | – | 703,000 |
| 205,000 | – | – | – | – | 205,000 |
| **2,689,000** | **74,000** | **–** | **–** | **–** | **2,763,000** |
| 4,688,000 | 100,000 | – | – | – | 4,788,000 |
| – | 603,000 | 1,154,000 | – | – | 1,757,000 |
| 1,066,000 | 240,000 | – | – | – | 1,306,000 |
| 999,000 | 132,000 | – | – | – | 1,131,000 |
| – | 450,000 | 406,000 | – | – | 856,000 |
| 694,000 | – | – | – | – | 694,000 |
| 625,000 | 24,000 | – | – | – | 649,000 |
| – | – | – | – | 504,000 | 504,000 |
| 452,000 | 29,000 | – | – | – | 481,000 |
| 461,000 | – | – | – | – | 461,000 |
| 279,000 | – | – | – | – | 279,000 |
| 265,000 | – | – | – | – | 265,000 |
| 168,000 | – | – | – | – | 168,000 |
| 162,000 | – | – | – | – | 162,000 |
| **9,859,000** | **1,578,000** | **1,560,000** | **–** | **504,000** | **13,501,000** |

# Property Development

### Major Properties Under Development in Hong Kong

Residential · Shopping Centre/Shops · Office · Industrial[1] · Hotel

| District | No. | Project Name | Usage |
|---|---|---|---|
| **Hong Kong Island** | 1 | 38 Belcher's Street, Kennedy Town | Residential, Shopping Centre/Shops |
| | 2 | Central Peak II | Residential |
| | 3 | 222-228 Wan Chai Road | Shopping Centre/Shops, Office |
| | 4 | Victoria Harbour II | Residential |
| **Kowloon** | 5 | High Speed Rail West Kowloon Terminus Development | Shopping Centre/Shops, Office |
| | 6 | New Kowloon Inland Lot No. 6550 | Hotel |
| | 7 | Prince Central / 233 Prince Edward Road West | Residential |
| | 8 | New Kowloon Inland Lot No. 6568 | Residential, Shopping Centre/Shops |
| | 9 | New Kowloon Inland Lot No. 6551 | Residential, Shopping Centre/Shops |
| | 10 | 98 How Ming Street | Shopping Centre/Shops, Office |
| **New Territories East** | 11 | St Michel | Residential |
| | 12 | Tai Po Town Lot No. 244 | Residential, Shopping Centre/Shops |
| | 13 | Tai Po Town Lot No. 157 | Residential, Shopping Centre/Shops |
| | 14 | MEGA IDC | Industrial |
| **New Territories West** | 15 | Tuen Mun Town Lot No. 463 | Residential |
| | 16 | Tuen Mun Town Lot No. 496 | Residential |
| | 17 | Regency Bay | Residential, Shopping Centre/Shops |
| | 18 | Tuen Mun Town Lot No. 483 | Residential, Shopping Centre/Shops |
| | 19 | Lot No. 4354 in DD 124, Kiu Tau Wai, Yuen Long | Shopping Centre/Shops, Office |
| | 20 | Wetland Seasons Park / Wetland Seasons Bay | Residential, Shopping Centre/Shops |
| | 21 | Tin Wing Station Development | Residential, Shopping Centre/Shops |
| | 22 | Yuen Long Station Development | Residential, Shopping Centre/Shops |
| | 23 | Grand YOHO Phase 3 | Residential, Shopping Centre/Shops |
| | 24 | PARK YOHO Phase 3 | Residential, Shopping Centre/Shops |
| | 25 | Lot No. 2091 in DD 105, Shek Wu Wai, Yuen Long | Residential |
| | 26 | Fanling Sheung Shui Town Lot No. 279, Kwu Tung, Sheung Shui | Residential, Shopping Centre/Shops |
| | 27 | Lot No. 2579 in DD 92, Kwu Tung, Sheung Shui | Residential |
| | 28 | 252 Texaco Road & 28 Wang Lung Street, Tsuen Wan | Industrial |
| | 29 | MEGA Gateway | Industrial |
| | 30 | 13-23 Wang Wo Tsai Street, Tsuen Wan | Residential |

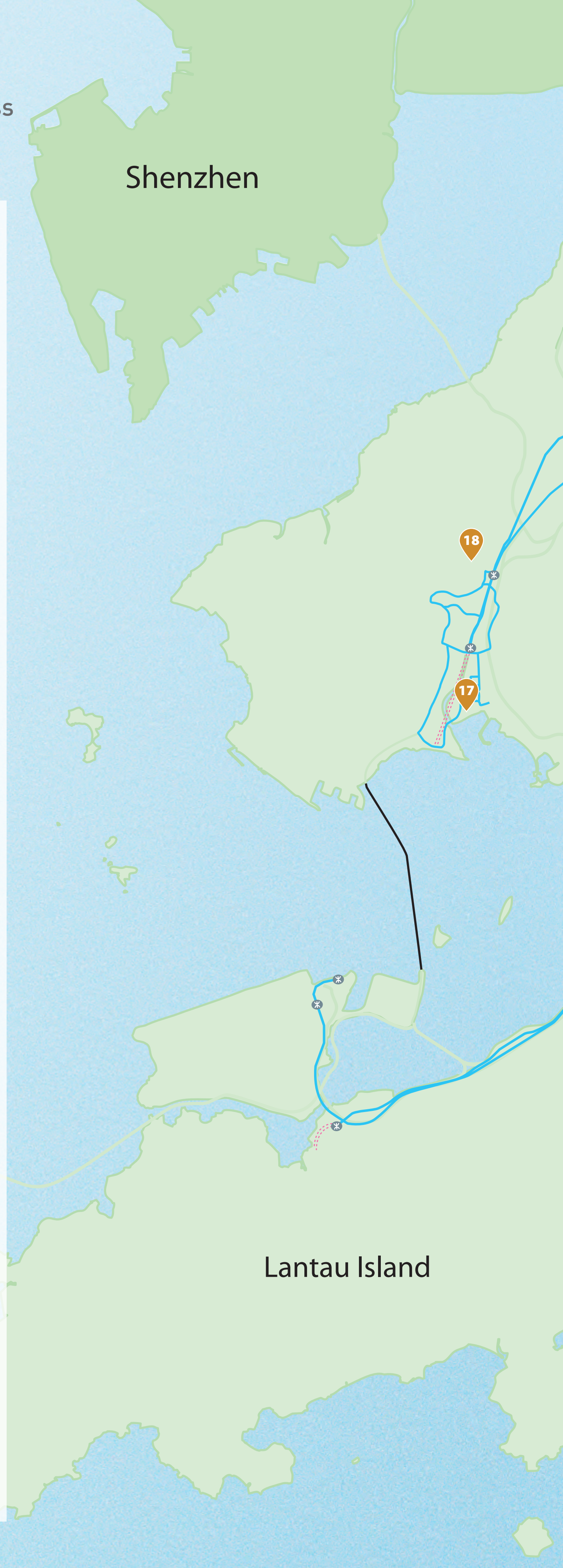
MTR

Subsea Tunnel

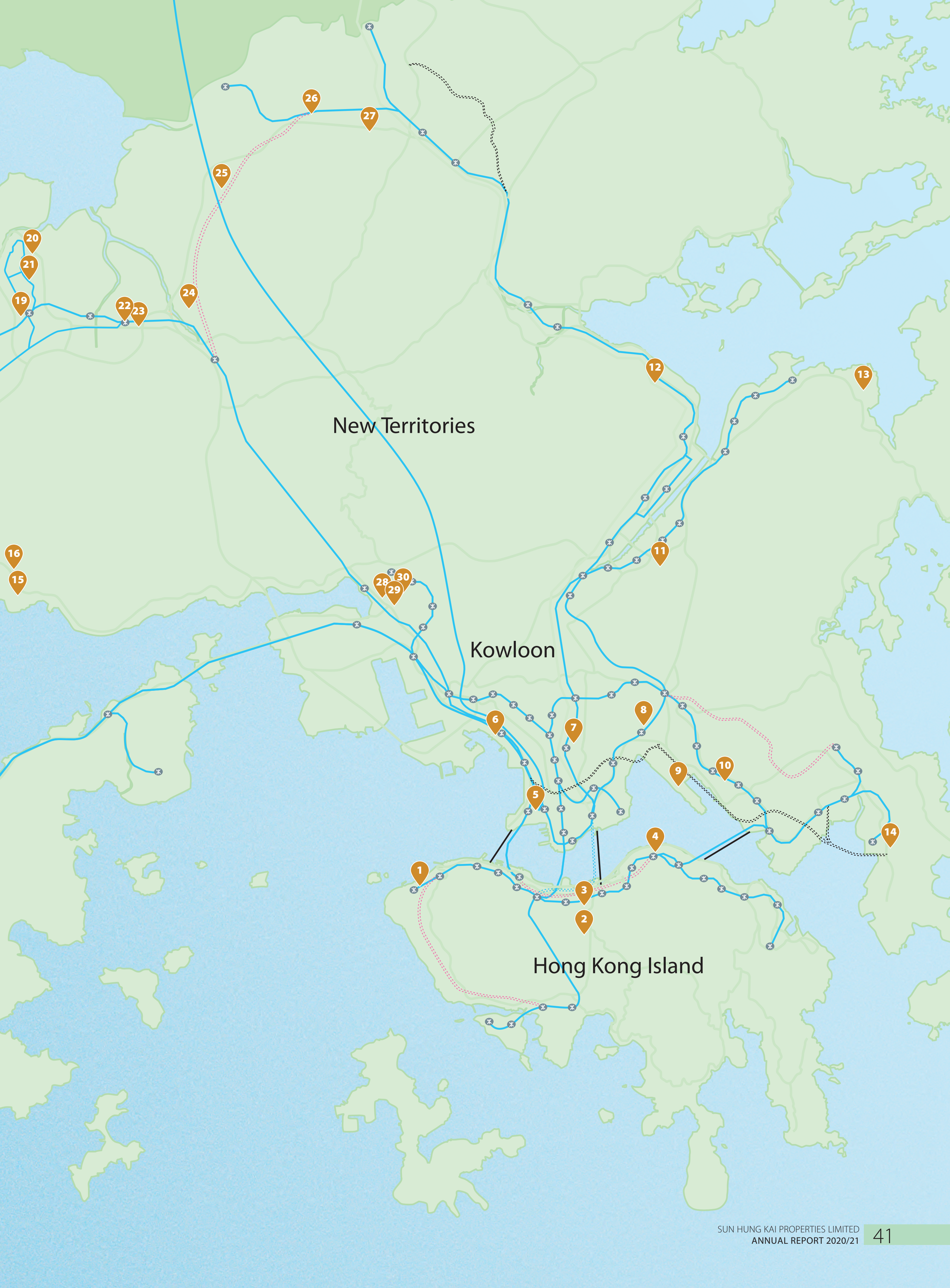
MTR (under construction)

Major roads (under construction/future projects)

MTR (potential future projects)




(1) *Including industrial/office premises, godowns and data centres*


New Territories
Kowloon
Hong Kong Island
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# Hong Kong Property Business

## Property Investment

ICC, West Kowloon

# Property Investment

APM, Kwun Tong

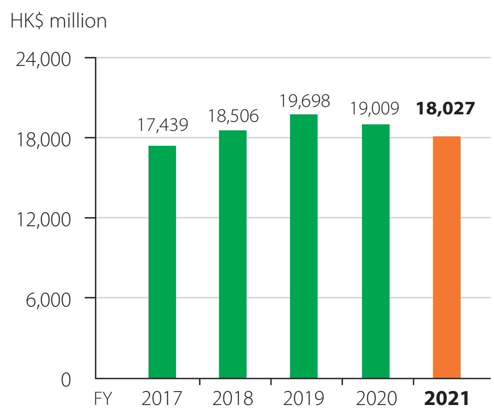
Despite a challenging operating environment amid the pandemic, the Group's diversified property investment portfolio in Hong Kong delivered a relatively resilient performance during the year. Gross rental income, including contributions from joint ventures and associates, dropped by 5% year-on-year to HK$18,027 million. Overall occupancy maintained at about 91%.

## Completed Properties

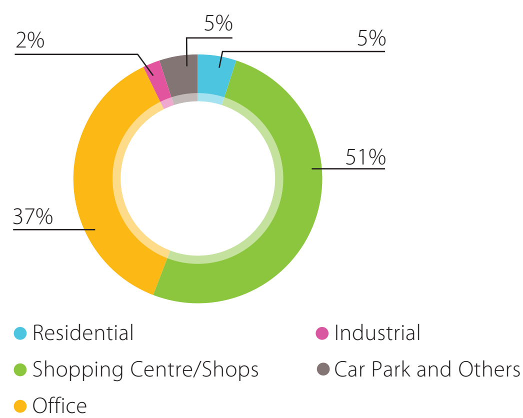
### *Shopping Centres*

Hong Kong's retail market continued to be affected by COVID-19 and cross-border travel restrictions. Against this scenario, the Group's retail portfolio of some 12 million square feet of gross floor area across the city, was inevitably negatively affected. During the year under review, gross rental income declined to HK$9,131 million with negative rental reversions.

## Gross Rental Income in Hong Kong(1)




## Gross Rental Income in Hong Kong by Sector(1)




(1) *Including contributions from associates and joint ventures*

Tai Po Mega Mall, Tai Po

MOKO, Mong Kok

Tenant sales of the Group's retail portfolio bottomed out in late 2020 and continued to see positive growth in recent months, due primarily to improving domestic consumption amid the tapering off of the pandemic in Hong Kong since late March 2021. The overall occupancy of the Group's retail portfolio also showed improvement in recent months. The Group's regional malls, which mainly serve the daily needs of residents in local communities, performed better than those which focus on tourists. In relative terms, the performance of shopping malls in tourist areas such as The Sun Arcade in Tsim Sha Tsui and Landmark North in Sheung Shui were still well below their pre-pandemic levels. Inevitably, a full recovery of the retail business will hinge on the removal of cross-border travel restrictions.

Under such a challenging environment, the Group's seasoned leasing team continued to keep close tabs on the ever-changing market and proactively refined the trade and tenant mix at different malls. In addition to offering supportive rental measures to some tenants in need, the Group introduced innovative marketing initiatives to help promote tenants' businesses. Capitalizing on its offline and online platforms to launch full-scale promotions, the Group during the year strengthened the functionality of SHKP Malls App and its rewards platform. The Point by SHKP, the Group's popular loyalty programme under the SHKP Malls App, recorded a membership of over 1.2 million in two years.

New Town Plaza, Sha Tin

# Property Investment

Moreover, to protect the well-being of its shoppers, staff and tenants amid the pandemic, the Group strives to create a safe, comfortable and convenient environment. Contactless facilities have been installed, air ventilation systems were upgraded and smart technology, including 5G networks, were deployed in addition to the regular anti-pandemic precautionary measures. Other asset enhancement works continued during the year. These included the revitalization of outdoor spaces with green features and recreational facilities, as well as renovations of malls such as WTC in Causeway Bay. The Group has also proactively implemented green property management in its buildings. During the year under review, Tsuen Wan Plaza and Mikiki attained the Excellent rating in Management under the Selective Scheme of BEAM Plus Existing Buildings V2.0.

IFC Mall is an upscale shopping hub atop MTR Hong Kong Station in Central. In addition to offering a collection of top-tier international brands and eateries, the mall introduced more pop-up stores during the year to further attract shoppers ranging from professionals working nearby to high-net-worth locals and overseas visitors. Occupancy remained at a high level.

APM, adjacent to MTR Kwun Tong Station, continued to optimize its trade and tenant mix, offering a chic and unique shopping experience. A number of brands making their debut in the area were introduced to enhance the mall's attractiveness. First-in-town promotions and experimental workshops at its outdoor platform were also widely welcomed by the market, particularly nearby office workers as well as the young generation. The mall maintained reasonable occupancy during the year.

Tapping into a growing demand for outdoor recreational facilities and green amenity areas, the Group proactively integrated additional green and wellness concepts into its malls. The outdoor platform at New Town Plaza in New Territories East has been enlivened as an outdoor grass sports park — Sportzone with various sports facilities, appealing to families and youngsters. To bring a fresh new look to shoppers, certain areas at this flagship mall are under renovation. During the year, its occupancy saw a mild improvement.

With a growing awareness of health, the Tai Po Mega Mall enhanced its trade mix with the introduction of more healthcare-related brands and popular eateries. High occupancy was maintained during the year. To present an all-round option to shoppers, the one-and-only cinema in the neighbourhood, offering close to 400 seats, is planned to open in the fourth quarter of 2021 following a reconfiguration of the mall.

IFC Mall, Central

YOHO Mall, Yuen Long


V City, Tuen Mun

YOHO Mall adjoining MTR Yuen Long Station provides a comfortable and green shopping ambience for the growing population in the area. Targeted marketing and valued-added services, including the provision of bike-repair facilities and bike parking lots, were introduced to draw cycling enthusiasts after a new public cycle track was opened in September 2020. Such facilities have further strengthened YOHO Mall as one of the largest one-stop shopping destinations in northwest New Territories. The mall, which continued to maintain high occupancy during the year, is expected to be further enlarged after the retail portion of the Yuen Long Station Development is completed in 2023. This retail extension of 107,000 square feet will be linked to the MTR station and other parts of YOHO Mall.

Located next to MTR Tuen Mun Station, V City continued to refine its tenant mix and offered a unique shopping experience through the introduction of new tenants including sport chains, lifestyle shops and pop-up stores, catering to the needs for modern lifestyle of local young people and families. Popular promotional campaigns were launched to attract families in this vibrant neighbourhood. The mall achieved high occupancy during the year.

Metroplaza in Kwai Fong introduced a 5G Smart Restrooms solution, which features the 5G cloud management platform with real-time data for shortening queueing time and ensuring timely refilling of supplies to optimize customers' experience. MOKO in Mong Kok and East Point City in Tseung Kwan O will also introduce 5G smart applications to enhance customer service and operational efficiency. Occupancies of these malls remained satisfactory during the year.

The Popwalk series in Tseung Kwan O South offers a combined floor area of about 240,000 square feet featuring speciality restaurants, lifestyle and pet concept stores. The three phases currently in operation, with a total of around 160,000 square feet, were almost fully let during the year. The last phase, Ocean PopWalk, of over 80,000 square feet, staged its soft-opening in July 2021. Upon completion of the planned Central Avenue running through Tseung Kwan O South, the retail cluster will benefit from further enhancements of shopping ambience in the locality.

Ocean PopWalk, Tseung Kwan O

# Property Investment

ICC, West Kowloon

## *Offices*

Since early 2021, Hong Kong's grade-A office leasing market has showed signs of recovery with increased leasing enquires. With some 10 million square feet of space, the Group's premium office premises are well diversified in both locations and specifications, catering to the needs of a wide variety of businesses. These, together with superior property management services, have distinguished the Group's buildings from its peers. During the year, overall occupancy of the Group's office portfolio remained at a relatively stable level of about 92%.

As the icon of Hong Kong's core business district, IFC has maintained its leading position with its strategic location atop Airport Express Hong Kong Station and other integrated facilities such as the IFC Mall, Four Seasons Hotel Hong Kong and Four Seasons Place. As a preferred choice for international and mainland financial institutions, the two reputable office towers were virtually fully leased with satisfactory rental levels. Tenants and visitors at IFC have highly praised its superior property management service, including the high standard of hygiene, an essential aspect amid the pandemic. Two IFC was awarded both LEED Gold and BEAM Plus Platinum certifications. The iconic office tower received the WELL Health-Safety Rating for Facility Operations (WELL HSR) certificate during the year. One IFC is also on track to achieve such targets.

ICC atop the Airport Express Kowloon Station continues to be among the most prestigious business addresses in the city. In addition to its excellent transport connectivity, including easy access to the MTR network and the High Speed Rail West Kowloon Terminus, ICC is also in the vicinity of the vibrant West Kowloon Cultural District. During the year, the office tower achieved noticeable positive rental reversions, mainly driven by a lease renewal with an anchor tenant. Various reputable multinational and mainland corporates showed keen leasing interest for available space. In addition to the top Platinum rating of the BEAM Plus certificate, ICC is the first building in Hong Kong to receive the top Outstanding rating in the BREEAM In-Use scheme in 2020. Recently, ICC was also awarded WELL HSR certificate, the first building in the city to earn this honour.

The Group holds, in attributable terms, about 1.7 million square feet of premium offices in the Millennium City cluster in Kowloon East. Situated next to MTR stations, the cluster has appealed to tenants with its transport connectivity, single ownership and professional property management. The availability of a wide spectrum of floor plates with different rental levels are competitive advantages in attracting tenants across the board. The quality office cluster registered reasonable occupancies during the year despite ample office supply in the area. Major tenants include financial services companies, fashion retailers and government bodies.

The leasing performance of the Group's other premium offices was mixed during the year. The newly completed FUGRO HOUSE — KCC 2, with some 57,000 square feet of office area, was fully let. Rental rates for Central Plaza in Wan Chai were relatively stable. Transport convenience in the district will be increased upon commissioning of the Shatin to Central Link. Metroplaza in Kwai Fong and Grand Century Place in Mong Kok saw downward pressure in rental income amid keen competition in decentralized areas.

Recognizing the importance of maintaining product excellence and competitiveness, the Group has strived to raise quality and enhance green specifications for its office portfolio in order to stay at the forefront of the market. Renovation works at Central Plaza and Millennium City 1 are progressing well while the refurbishment of the main lobby for Two IFC is under planning. In addition to deploying green technologies and designs in office projects under development, the Group has gradually improved green standards of its existing offices to meet tenants' needs and implemented eco-friendly management to promote green awareness.

The Group has been increasing the number of its green buildings. This is achieved by building its new properties for investment according to LEED standards and actively reviewing existing investment properties to look for areas of enhancement for earning green certificates. Tower One of KCC, the first LEED-certified office building in Hong Kong with a Gold rating, was also rated Excellent in Management under the Selective Scheme of BEAM Plus Existing Buildings V2.0. Sun Hung Kai Centre, the Group's headquarters, has obtained the Excellent rating in both Energy Use and Management under the Selective Scheme of BEAM Plus Existing Buildings V2.0.


*Millennium City, Kwun Tong*

*IFC, Central*

# Property Investment

The HarbourView Place, West Kowloon

Vega Suites, Tseung Kwan O

### *Residential, Serviced Suites and Others*

The Group owns close to one million square feet of luxury residential units for lease under its Signature Homes division. Leveraging the prestigious brand and high building quality of its portfolio, Signature Homes has during the year launched effective marketing campaigns with improvement in occupancy for selected buildings despite the relatively subdued market demand amid the pandemic. However, overall rents were still under pressure. Signature Homes has been dedicated to enhancing its premises with premium home appliances and home-automation features. This, together with digitalization of its customer relationship management system, helps create a smart and hassle-free living experience for tenants.

The Group also offers premium serviced suites with an attributable 700 guest rooms. Overall leasing performance of Four Seasons Place in Central and The HarbourView Place in West Kowloon were still significantly affected by the pandemic during the year as cross-border travels remained restricted. Nevertheless, occupancy of Vegas Suites above MTR Tseung Kwan O Station has improved due to its appealing marketing campaigns to boost local demand. Signature Homes has collaborated with the Group's other business units on various promotional packages and introduced flexible leasing options to further enhance the attractiveness of the portfolio.

Performance of the Group's other property investments, including industrial buildings and car parking bays, was also affected by the pandemic.

## Properties under Development

The Group will continue to develop new quality assets with smart technology and green features to strengthen its leading position in the Hong Kong leasing market over time. In addition, the Group is committed to adopting sustainable building designs and aims to obtain LEED certifications for all its new properties for investment purpose. All these efforts will enable the Group to better meet customers' needs and contribute to making Hong Kong a sustainable city.

The large-scale integrated project at 98 How Ming Street will comprise two grade-A office towers of 650,000 square feet in total and a 500,000-square-foot mall featuring modern lifestyle. Construction of the project, in which the Group owns an effective stake of about 70.2%, has been progressing smoothly and is expected to be completed in 2023 with Platinum rating from both LEED and WELL certifications. With convenient access to public transportation, these two office towers will feature high specifications and large floor plates. Preliminary marketing of the premium office space has commenced and attracted diverse tenants looking for offices in single ownership. Scheduled to open in 2024, the 10-storey shopping mall will offer trend-setting brands, experiential retail and specialty restaurants, which is envisaged to be a new edition of APM. This integrated development is expected to create much synergy with the entire Millennium City cluster upon its full completion.

The High Speed Rail West Kowloon Terminus Development will be another sizeable addition to the Group's property investment portfolio. The integrated development will offer a total gross floor area of over 3.1 million square feet, of which some 2.6 million square feet will be developed into grade-A offices while about 603,000 square feet will be earmarked for premium retail space, according to the latest approved planning. The Group will hold the entire retail portion and nearly 1.2 million square feet of premium offices in attributable terms for long-term investment. The project is designed to obtain the top LEED Platinum rating and BEAM Plus certification and provide green public spaces and a parkway which will foster the integration of communities nearby. Sitting atop Hong Kong West Kowloon Terminus, the landmark project will be developed into a new business hub with convenient access throughout Hong Kong and to major cities on the mainland. Capitalizing on a stronger link with the mainland through various financial initiatives, including Wealth Management Connect, this commercial complex is expected to be a highly sought-after office address for financial services companies, in particular those from the mainland. In addition, it is expected to synergize with the Group's ICC in the vicinity, further reinforcing West Kowloon as a key thriving commercial node for Hong Kong and the Greater Bay Area. Upon completion, the project is anticipated to further strengthen the Group's property investment business, its market position and rental income over the long term. For other details of the project, please refer to page 32.

The Group is also developing a shopping mall underneath its luxury residential development in Kai Tak Town Centre. Comprising 240,000 square feet of retail area, the four-level retail podium will offer more than 100 shops and al fresco rooftop dining targeting young shoppers. Scheduled to open in 2025, the mall will provide a convenient shopping and leisure experience with a direct weather-proof connection to MTR Kai Tak Station. Superstructure work is progressing smoothly.


*High Speed Rail West Kowloon Terminus Development*

# Property Investment

## Major Completed Properties in Hong Kong

| Project | Location |
|---|---|
| **Hong Kong Island** | |
| One IFC / Two IFC / IFC Mall / Four Seasons Hotel Hong Kong / Four Seasons Place | 1 Harbour View Street / 8 Finance Street, Central |
| Sun Hung Kai Centre | 30 Harbour Road, Wan Chai |
| Central Plaza | 18 Harbour Road, Wan Chai |
| Harbour North / Hyatt Centric Victoria Harbour Hong Kong | 123, 133 Java Road / 1 North Point Estate Lane, North Point |
| World Trade Centre / WTC mall | 280 Gloucester Road, Causeway Bay |
| Dynasty Court (Blocks 2 & 3) | 23 Old Peak Road |
| Pacific View (Blocks 2 & 3) | 38 Tai Tam Road |
| Chi Fu Landmark | Chi Fu Road, Pok Fu Lam |
| **Kowloon** | |
| ICC / Sky100 Hong Kong Observation Deck / The Ritz-Carlton, Hong Kong / W Hong Kong / The HarbourView Place | 1 Austin Road West |
| Millennium City 1 (1) | 388 Kwun Tong Road |
| Millennium City 2 | 378 Kwun Tong Road |
| Millennium City 5 / APM | 418 Kwun Tong Road |
| Millennium City 6 | 392 Kwun Tong Road |
| Grand Century Place / MOKO / Royal Plaza Hotel | 193 Prince Edward Road West, Mong Kok |
| V Walk | 28 Sham Mong Road, West Kowloon |
| The Royal Garden | 69 Mody Road, Tsim Sha Tsui |
| Kerry Hung Kai Godown | 3 Fat Tseung Street, Cheung Sha Wan |
| APEC Plaza | 49 Hoi Yuen Road, Kwun Tong |
| Mikiki | 638 Prince Edward Road East, San Po Kong |
| The Sun Arcade | 28 Canton Road, Tsim Sha Tsui |
| Peninsula Tower | 538 Castle Peak Road, Cheung Sha Wan |
| Brill Plaza | 82-84 To Kwa Wan Road |
| New Tech Plaza | 34 Tai Yau Street, San Po Kong |
| 26 Nathan Road | 26 Nathan Road, Tsim Sha Tsui |
| **New Territories** | |
| New Town Plaza / New Town Tower / Royal Park Hotel | 18 Shatin Centre Street / 2-8 Shatin Centre Street / 10-18 Pak Hok Ting Street / 8 Pak Hok Ting Street, Sha Tin |
| Grand Central Plaza / HomeSquare | 138 Shatin Rural Committee Road, Sha Tin |
| Metroplaza | 223 Hing Fong Road, Kwai Chung |
| YOHO Mall I | 9 Yuen Lung Street / 9 Long Yat Road, Yuen Long |
| YOHO Mall II | 8 Long Yat Road, Yuen Long |
| Crowne Plaza Hong Kong Kowloon East / Holiday Inn Express Hong Kong Kowloon East / Vega Suites | 3 Tong Tak Street, Tseung Kwan O |
| PopCorn | 9 Tong Yin Street, Tseung Kwan O |
| Tai Po Mega Mall | 9 On Pong Road, Tai Po |
| Tsuen Wan Plaza | 5-21 Pak Tin Par Street, Tsuen Wan |
| KCC | 51 Kwai Cheong Road, Kwai Chung |
| Life@KCC | 72-76 Kwai Cheong Rood, Kwai Chung |
| Landmark North | 39 Lung Sum Avenue, Sheung Shui |
| East Point City | 8 Chung Wa Road, Tseung Kwan O |
| ALVA Hotel by Royal | 1 Yuen Hong Street, Sha Tin |
| Royal View Hotel | 353 Castle Peak Road, Ting Kau |
| V City | 83 Tuen Mun Heung Sze Wui Road, Tuen Mun |
| Citygate / Novotel Citygate Hong Kong Hotel / The Silveri Hong Kong – MGallery | 20 Tat Tung Road / 51 Man Tung Road, Tung Chung |
| PopWalk (Phases 1, 2 & 3) / Ocean PopWalk | 12 Tong Chun Street / 19 Tong Yin Street / 19 Chi Shin Street / 28 Tong Chun Street, Tseung Kwan O |
| Park Central | 9 Tong Tak Street, Tseung Kwan O |
| Grand City Plaza | 1-17 Sai Lau Kok Road, Tsuen Wan |

*(1) Including the attributable share in areas held by SUNeVision, in which the Group has a 73.6% interest.*

| | | Attributable Gross Floor Area (square feet) | | | | | |
|---|---|---|---|---|---|---|---|
| Lease Expiry | Group's Interest (%) | Residential | Shopping Centre/Shops | Office | Hotel | Industrial | Total |
| 2047 | 50 | – | 320,000 | 958,000 | 550,000 | – | 1,828,000 |
| 2127 | 100 | – | 53,000 | 851,000 | – | – | 904,000 |
| 2047 | 50 | – | – | 705,000 | – | – | 705,000 |
| 2062/2063 | 100 | – | 145,000 | – | 388,000 | – | 533,000 |
| 2842 | 100 | – | 280,000 | 232,000 | – | – | 512,000 |
| 2886 | 100 | 341,000 | – | – | – | – | 341,000 |
| 2047 | 100 | 248,000 | – | – | – | – | 248,000 |
| 2126 | 100 | – | 172,000 | – | – | – | 172,000 |
| 2047 | 100 | – | 29,000 | 2,495,000 | 1,023,000 | – | 3,547,000 |
| 2047 | 100 | – | 27,000 | 896,000 | – | – | 923,000 |
| 2047 | 50 | – | – | 133,000 | – | – | 133,000 |
| 2052 | 100 | – | 598,000 | 308,000 | – | – | 906,000 |
| 2047 | 100 | – | 32,000 | 370,000 | – | – | 402,000 |
| 2047 | 100 | – | 725,000 | 475,000 | 400,000 | – | 1,600,000 |
| 2062 | 100 | – | 298,000 | – | – | – | 298,000 |
| 2127 | 100 | – | – | – | 295,000 | – | 295,000 |
| 2047 | 50 | – | – | – | – | 285,000 | 285,000 |
| 2047 | 100 | – | – | – | – | 240,000 | 240,000 |
| 2054 | 100 | – | 205,000 | – | – | – | 205,000 |
| 2047 | 100 | – | 205,000 | – | – | – | 205,000 |
| 2047 | 100 | – | – | – | – | 188,000 | 188,000 |
| 2099 | 100 | – | – | – | – | 183,000 | 183,000 |
| 2047 | 100 | – | – | – | – | 182,000 | 182,000 |
| 2039 | 100 | – | 53,000 | 124,000 | – | – | 177,000 |
| 2047 | 100 | – | 1,350,000 | 111,000 | 243,000 | – | 1,704,000 |
| 2047 | 100 | – | 310,000 | 431,000 | – | – | 741,000 |
| 2047 | 100 | – | 600,000 | 569,000 | – | – | 1,169,000 |
| 2054/2060 | 100 | – | 695,000 | – | – | – | 695,000 |
| 2047 | 87.5 | – | 245,000 | – | – | – | 245,000 |
| 2057 | 100 | – | – | – | 626,000 | – | 626,000 |
| 2057 | 50 | – | 108,000 | – | – | – | 108,000 |
| 2047 | 100 | – | 598,000 | – | – | – | 598,000 |
| 2047 | 100 | – | 583,000 | – | – | – | 583,000 |
| 2047 | 100 | – | 79,000 | 401,000 | – | – | 480,000 |
| 2047 | 100 | – | 100,000 | – | – | – | 100,000 |
| 2047 | 100 | – | 182,000 | 375,000 | – | – | 557,000 |
| 2047 | 100 | – | 415,000 | – | – | – | 415,000 |
| 2047 | 100 | – | – | – | 344,000 | – | 344,000 |
| 2047 | 100 | – | – | – | 310,000 | – | 310,000 |
| 2056 | 100 | – | 269,000 | – | – | – | 269,000 |
| 2047/2063/2063 | 20 | – | 160,000 | 32,000 | 73,000 | – | 265,000 |
| 2060/2061/2062/2062 | 100 | – | 242,000 | – | – | – | 242,000 |
| 2047 | 57.52/25 | – | 195,000 | – | – | – | 195,000 |
| 2047 | 100 | – | 35,000 | 137,000 | – | – | 172,000 |

# Property Investment

## Major Completed Properties in Hong Kong

Residential · Shopping Centre/Shops · Office · Industrial · Hotel

| District | | Project Name | Usage |
|---|---|---|---|
| Hong Kong Island | 1 | Chi Fu Landmark | Shopping Centre/Shops |
| | 2 | Dynasty Court | Residential |
| | 3 | Four Seasons Hotel Hong Kong / Four Seasons Place | Hotel |
| | 4 | IFC / IFC Mall | Shopping Centre/Shops, Office |
| | 5 | Central Plaza | Office |
| | 6 | Sun Hung Kai Centre | Shopping Centre/Shops, Office |
| | 7 | World Trade Centre / WTC mall | Shopping Centre/Shops, Office |
| | 8 | Harbour North / Hyatt Centric Victoria Harbour Hong Kong | Shopping Centre/Shops, Hotel |
| | 9 | Pacific View | Residential |
| Kowloon | 10 | ICC / The Ritz-Carlton, Hong Kong / W Hong Kong / The HarbourView Place / Sky100 Hong Kong Observation Deck | Shopping Centre/Shops, Office, Hotel |
| | 11 | The Sun Arcade | Shopping Centre/Shops |
| | 12 | 26 Nathan Road | Shopping Centre/Shops, Office |
| | 13 | The Royal Garden | Hotel |
| | 14 | Peninsula Tower | Industrial |
| | 15 | Kerry Hung Kai Godown | Industrial |
| | 16 | V Walk | Shopping Centre/Shops |
| | 17 | Grand Century Place / MOKO / Royal Plaza Hotel | Shopping Centre/Shops, Office, Hotel |
| | 18 | Brill Plaza | Industrial |
| | 19 | Mikiki | Shopping Centre/Shops |
| | 20 | New Tech Plaza | Industrial |
| | 21 | Millennium City Phases 1, 2, 5 & 6 / APM | Shopping Centre/Shops, Office |
| | 22 | APEC Plaza | Industrial |
| New Territories East | 23 | Park Central | Shopping Centre/Shops |
| | 24 | PopWalk Phases 1, 2 & 3 / Ocean PopWalk | Shopping Centre/Shops |
| | 25 | PopCorn / Crowne Plaza Hong Kong Kowloon East / Holiday Inn Express Hong Kong Kowloon East / Vega Suites | Shopping Centre/Shops, Hotel |
| | 26 | East Point City | Shopping Centre/Shops |
| | 27 | Grand Central Plaza / HomeSquare | Shopping Centre/Shops, Office |
| | 28 | New Town Plaza / New Town Tower / Royal Park Hotel | Shopping Centre/Shops, Office, Hotel |
| | 29 | ALVA Hotel by Royal | Hotel |
| | 30 | Tai Po Mega Mall | Shopping Centre/Shops |
| | 31 | Landmark North | Shopping Centre/Shops, Office |
| New Territories West | 32 | V City | Shopping Centre/Shops |
| | 33 | YOHO Mall | Shopping Centre/Shops |
| | 34 | Royal View Hotel | Hotel |
| | 35 | Tsuen Wan Plaza | Shopping Centre/Shops |
| | 36 | Grand City Plaza | Shopping Centre/Shops, Office |
| | 37 | Metroplaza | Shopping Centre/Shops, Office |
| | 38 | KCC / Life@KCC | Shopping Centre/Shops, Office |
| | 39 | Citygate / Novotel Citygate Hong Kong Hotel / The Silveri Hong Kong – MGallery | Shopping Centre/Shops, Office, Hotel |

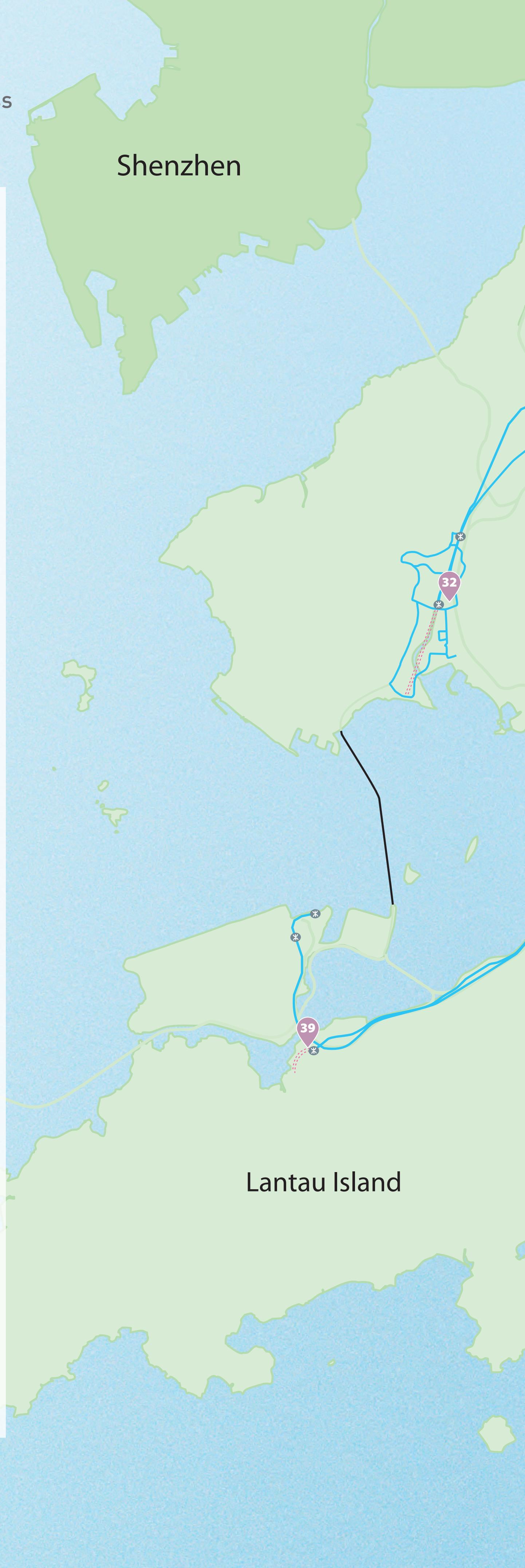
MTR

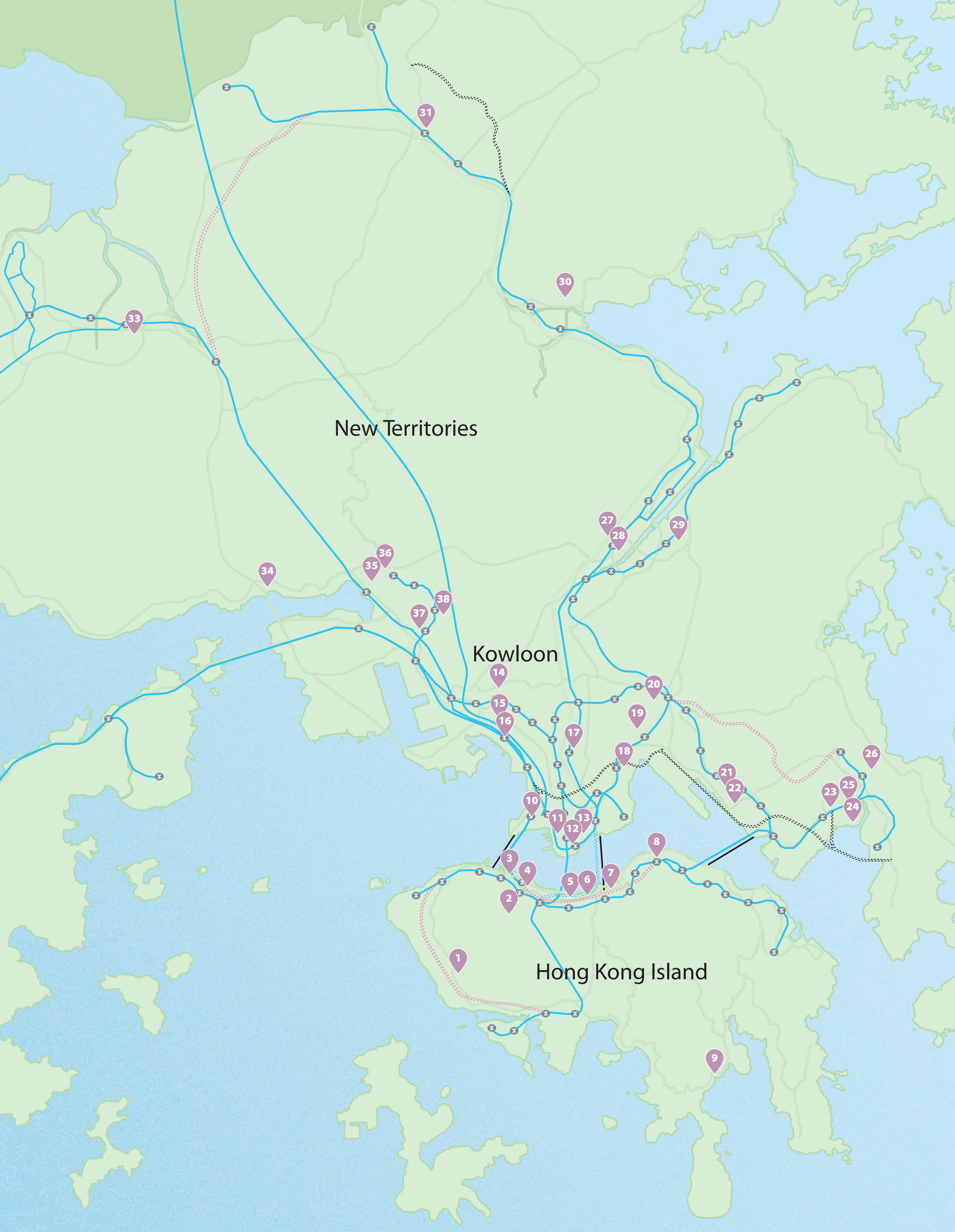
MTR (under construction)

MTR (potential future projects)

Subsea Tunnel

Major roads (under construction/future projects)




New Territories
Kowloon
Hong Kong Island
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# Mainland Property Business

## Highlights

- **As at 30 June 2021, about 59.0 million square feet of properties in terms of attributable floor area were under development, including the newly acquired Guangzhou South Railway Station Project with a total gross floor area of about 9.3 million square feet**
- **An attributable 3.9 million square feet of residential, office and retail properties were completed during the year**
- **Attributable contracted sales of about RMB4,900 million were achieved**
- **An impressive growth of 31% in net rental income to RMB4,328 million was achieved from the rental portfolio**
- **A selective investment strategy continued, focusing on major mainland cities**

## Land Bank

During the year under review, the Group acquired sizeable mixed-use sites with seamless connections to the Guangzhou South Railway Station in Guangzhou. Totalling a gross floor area of over nine million square feet, the mega transport-oriented project will be developed into an iconic landmark, consisting of residential units, serviced apartments, offices, retail space and hotels. Details of the new acquisition are shown in the Chairman's Statement on page 13.

As at 30 June 2021, the Group held a total land bank with an attributable gross floor area of approximately 75.3 million square feet on the mainland. Of this, about 59.0 million square feet of attributable gross floor area were properties under development; the remaining 16.3 million square feet were completed properties. Among the properties under development, about 47% were quality residences for sale.

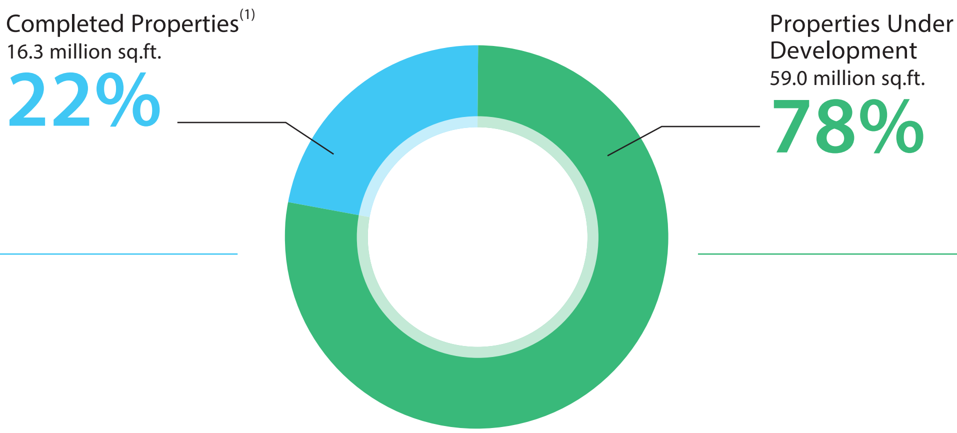
Of the completed properties, an overwhelming majority are for rental and long-term investment purpose; some 40% are grade-A office buildings in prime areas and about 46% are premium shopping centres at strategic locations in major cities.

The Group is committed to continuing with its selective investment strategy on the mainland, focusing on major cities and their peripheral areas. Of the projects under development, about 55% are located in Shanghai, Guangzhou and Hangzhou. In terms of completed properties, about 90% are in prime locations of Beijing, Shanghai, Nanjing, Hangzhou, and Guangzhou.

As at 30 June 2021, the Group's land bank on the mainland by attributable gross floor area was as follows:

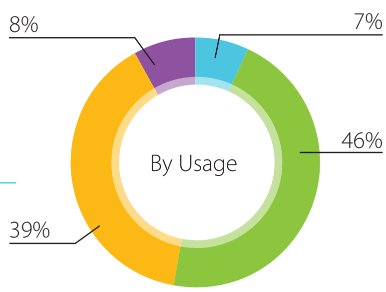
## Mainland Land Bank Composition

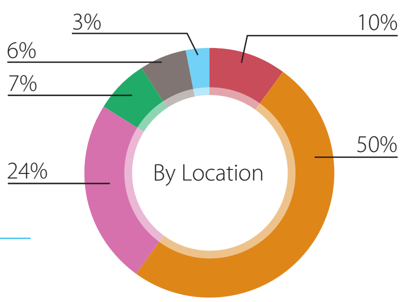
(75.3 million square feet of attributable gross floor area as at 30 June 2021)




**Completed Properties**

| | Attributable Gross Floor Area (million sq.ft.) |
|---|---|
| Residential | 1.1 |
| Shopping Centre/Shops | 7.5 |
| Office | 6.4 |
| Hotel | 1.3 |

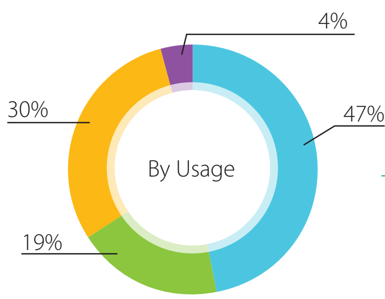


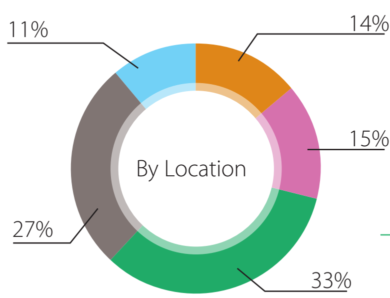




| | Attributable Gross Floor Area (million sq.ft.) |
|---|---|
| Beijing | 1.7 |
| Shanghai | 8.2 |
| Other Yangtze River Delta Cities | 3.9 |
| Guangzhou | 1.1 |
| Other Pearl River Delta Cities | 0.9 |
| Chengdu | 0.5 |

**Properties Under Development**

| | Attributable Gross Floor Area (million sq.ft.) |
|---|---|
| Residential | 27.7 |
| Shopping Centre/Shops | 11.2 |
| Office | 18.0 |
| Hotel | 2.1 |




| | Attributable Gross Floor Area (million sq.ft.) |
|---|---|
| Shanghai | 8.4 |
| Other Yangtze River Delta Cities | 8.9 |
| Guangzhou | 19.6 |
| Other Pearl River Delta Cities | 15.7 |
| Chengdu | 6.4 |

*(1) An overwhelming majority are for rent/investment*

# Mainland Property Business
## Property Development

ITC, Shanghai


Nanjing IFC, Nanjing

# Property Development

Residential markets in major mainland cities remained buoyant with relatively high transaction volumes recorded during the year due to solid end-user demand and encouraging economic growth. The government's housing-control measures, including tightening supervisions of mortgage financing, which vary from city to city, have managed to keep first-hand home prices relatively stable. All these land and housing measures should be conducive to a healthy housing market over the long term.

During the year under review, the Group achieved attributable contracted sales of about RMB4,900 million. Major contributors comprised the wholly-owned residential developments, Shanghai Arch Phase 2B in Shanghai and Grand Waterfront in Dongguan, as well as joint-venture projects including Forest Hills in Guangzhou, TODTOWN in Shanghai and Oriental Bund in Foshan. All these projects registered positive sales responses.

Against the backdrop of sustainable economic development, increasing household income and continuous urbanization on the mainland, the Group will adhere to its selective and focused investment strategy in major cities, and deliver quality residential units to buyers and premium retail, office and hotel premises to tenants and customers.

## Major Projects under Development

### Shanghai & Yangtze River Delta

**ITC**
**Xuhui, Shanghai**
*(100% owned)*

ITC is located at the heart of Xujiahui, one of the most prosperous business hubs in Shanghai. This mega integrated development has a gross floor area of about 7.6 million square feet; the first two phases were completed by 2018 with approximately 490,000 square feet of quality office space and 380,000 square feet of trendy retail space. Capitalizing on their superior quality and strategic location adjacent to an interchange station for three existing metro lines and two future lines, the first two phases of the development have become a highly sought-after destination for work, shopping and spending in the city.

Construction of the final phase is progressing smoothly and is expected to be completed in 2024. The 220-metre-tall office building has been topped out, while the superstructure work of the 370-metre-tall office tower is under way. Providing a combined gross floor area of about 3.5 million square feet, these two iconic buildings are expected to obtain LEED Platinum certification. This phase will also comprise a world-class shopping mall of about 2.5 million square feet and a five-star hotel, Andaz Shanghai ITC. Upon full completion, the project is destined to become a city landmark, adding splendour to the Xujiahui area. For other details of this project, please refer to pages 73 and 75.

**Shanghai Arch**
**Pu Ming Road, Lujiazui, Shanghai**
*(100% owned)*

Representing the Group's operating philosophy of pursuing quality and excellence, Shanghai Arch offers a total gross floor area of about 1.7 million square feet of state-of-the-art premium residences. The project, situated at a predominant location adjacent to the Lujiazui Finance and Trade Zone, enjoys a stunning view of Huangpu River and the far-famed historic buildings along the Bund.

Comprising over 500,000 square feet of gross floor area with about 200 meticulously designed apartments, Phase 1 was virtually sold out. Phase 2A, consisting of 200,000 square feet, was completed in financial year 2019/20. Phase 2B received an overwhelming response and was sold out quickly after being

ITC, Shanghai


Shanghai Arch, Shanghai

launched in the first half of 2020. With a total gross floor area of about 440,000 square feet, this phase comprises 175 units of premium residential apartments in four towers and a number of detached houses. These units received high acclaim from homebuyers upon delivery in the first half of 2021 for their superior building quality, meticulous designs and sweeping views.

Phase 3 will consist of about 470,000 square feet of gross floor area, offering over 200 premium residential units spreading over four towers in addition to several detached houses. It is expected to be structurally topped out by the end of 2021.

**TODTOWN**
**Minhang, Shanghai**
*(35% owned)*

Strategically situated in the heart of Xinzhuang business hub of Southwest Shanghai, TODTOWN is a transit-oriented development project being developed in phases. Built atop the interchange station of two existing metro lines and a planned railway line, the development enjoys excellent public transport connectivity. Spanning a total gross floor area of over four million square feet, the project will comprise some 1.9 million square feet of quality apartments, a 1.4-million-square-foot trend-setting shopping mall, as well as 500,000 square feet of offices and a hotel.

Introducing an urban oasis with large landscaped roof gardens and parks, TODTOWN is expected to create a refreshing space and inject vibrant life and energy into the community. Phase 1, comprising about 600,000 square feet of quality residential floor area, was virtually sold out and delivered to homebuyers in the second half of 2020. Positive feedback from buyers was received, particularly for its verdant and sporty environment such as artistic gardens and jogging trails. Phase 2A comprises a total gross floor area of over 800,000 square feet with about 470 units spreading over two towers. Sales responses have been satisfactory since it was launched in batches in financial year 2020/21. Construction of this phase is scheduled for completion in late 2023.

**Jianghehui Project**
**Qianjiang New City CBD, Hangzhou**
*(50% for River West; 45% for River East)*

The gigantic Jianghehui project is situated in the core area of Qianjiang New City CBD, Hangzhou, comprising two neighbouring riverside sites at the intersection of Qiantang River and Beijing-Hangzhou Grand Canal. The project will be built into a signature integrated development, providing a total above-ground gross floor area of about nine million square feet with quality residences, serviced apartments, offices, an upmarket shopping mall and hotel facilities. Upon its full completion, the project is expected to redefine the urban landscape of the city.

Situated next to two metro stations under construction, the project is about a 15-minute drive to the Hangzhou East Railway Station, one of the country's busiest high speed rail stations. Its prominent and advantageous location will be further bolstered by the Hangzhou Olympic Sports Centre, the main venue of the 2022 Asian Games situated across the Qiantang River. The project is scheduled for completion in phases from 2024. Site formation work began in the second half of 2020.

Spanning about 440,000 square feet of gross floor area, the first phase of this project will offer about 200 residential units and is scheduled to be put on the market in financial year 2021/22.

*TODTOWN, Shanghai*


*Jianghehui Project, Hangzhou*

# Property Development

### Suzhou Project
**Yuanqu, Suzhou**
*(90% owned)*

The Suzhou project is located on the banks of Jinji Lake and consists of three developments with a total gross floor area of about 3.5 million square feet. This includes Suzhou ICC on the east bank as well as Lake Genève and Four Seasons Hotel Suzhou, both on the south bank.

Suzhou ICC is a mixed-use skyscraper with nearly two million square feet of gross floor area in Yuanqu CBD. It enjoys convenient transport with easy access to two metro stations and the Shanghai-Suzhou express rail. Its residential component will offer some 380 premium apartments, with a majority overlooking lake views, totalling a gross floor area of about 590,000 square feet. The integrated development will also provide about one million square feet of office space and a stylish 351,000-square-foot shopping mall. Construction work of the project is under way.

Lake Genève on the south bank of the Jinji Lake is a highly sought-after premium, low-density residential development with a gross floor area of about 930,000 square feet. Benefitting from a new metro line that has been in operation since mid 2021, the project enjoys transport convenience to other parts of the city. Comprising some 500,000 square feet of gross floor area, Phase 1 was completed and virtually sold out before 2013. Phase 2A will provide about 270,000 square feet of gross floor area with 74 detached houses. Construction work was completed in mid 2021.

The site next to Lake Genève will be developed into a Four Seasons Hotel, the first in Jiangsu province. This urban resort hotel will provide over 200 exclusive suites and banquet facilities, featuring contemporary garden style and tranquil lake views. For further information on the hotel, please refer to page 83.

### Nanjing IFC
**Hexi CBD, Nanjing**
*(100% owned)*

Nanjing IFC is a signature mixed-use development atop an interchange station of two existing metro lines in Hexi CBD, providing a total gross floor area of about 3.4 million square feet. Its office component comprises Nanjing One IFC and Nanjing Two IFC office towers, which were completed in 2019 and 2020 respectively and offer a total gross floor area of about two million square feet. Their quality, specifications and property management service have set a new standard for the city. Both office towers enjoy magnificent views of the Yangtze River and the Hexi central park. Please refer to page 75 for further information on the office portion.

The remaining phase of the project includes a one-million-square-foot-plus upmarket shopping mall and the Andaz Nanjing hotel. Its completion is expected in phases from 2022. Internal decorations are now under way. Please refer to page 76 and page 83 respectively for further information on the mall and the hotel.

## Guangzhou & Pearl River Delta

### Guangzhou South Railway Station Project
**Panyu, Guangzhou**
*(100% owned)*

Covering a gross floor area of about 9.3 million square feet, the integrated Guangzhou South Railway Station Project will be developed into a large-scale landmark. This transit-oriented development will comprise some five million square feet of office space, about three million square feet of quality apartments, an upmarket shopping mall of over a million square feet, and a hotel. A maximum of 57% of the gross floor area will

Nanjing IFC, Nanjing


Guangzhou South Railway Station Project, Guangzhou

Park Royale, Guangzhou

Oriental Bund, Foshan

be offered for sale, and over 40% of the gross floor area will be held for rental and long-term investment purpose.Scheduled for completion in phases starting from 2025, the development is expected to be one of the major business hubs in the Greater Bay Area.

The development will boast seamless connection with Guangzhou South Railway Station, the largest transportation hub in the Greater Bay Area. Given that the station is also the busiest high speed railway station in the country with an average daily passenger flow of over 500,000, the development is destined to be an integrated station-city transport hub upon completion. Connected to 12 rail and metro lines, including four high speed rail lines, as well as other transport means, the project will enjoy transportation convenience and it takes less than 50 minutes to Hong Kong via the high speed rail. Its connectivity will be further enhanced after the commencement of a new rail line in 2022, enabling easy access to Guangzhou town centre in around 30 minutes.

**Park Royale**
**Huadu, Guangzhou**
*(100% owned)*

Spanning over eight million square feet of gross floor area, Park Royale is a large premium residential development in Huadu, Guangzhou. It embraces the picturesque scenery of Hong Xiuquan Reservoir and Wangzi Mountain Forest Park. The first two phases, spanning over four million square feet, were virtually sold out and delivered before mid 2020. Buyers highly appreciated the wide variety of amenities, including recreational, leisure, and educational resources. Residents of the project can also enjoy a healthier lifestyle with its close proximity to the reservoir loop trail and fitness lanes.

Covering a total gross floor area of about 477,000 square feet, Phase 3A will provide around 500 quality residential units. Superstructure construction has commenced recently.

**Qingsheng Project**
**Nansha, Guangzhou**
*(100% owned)*

The Qingsheng project, situated next to Qingsheng Station in Nansha, Guangzhou, is a transit-oriented integrated development. It has a seamless connection to a rail transport network with an interchange station of the high speed rail, one existing metro line and one planned metro line. Its strategic location is further strengthened by the Nansha Bridge, an inter-city transportation link.

The project, covering over three million square feet of gross floor area, consists of quality offices and a modern shopping mall. It will be developed in phases with the first phase planned to be completed in 2024. Foundation work for the first phase is close to completion. Situated at a planned transport hub, the Qingsheng project is destined to benefit from immense opportunities arising from the development of the Greater Bay Area and China (Guangdong) Pilot Free Trade Zone. The project's position will be further strengthened by the development of Nansha into a technology and innovation centre and the Guangzhou campus of a renowned Hong Kong university in the vicinity. In addition, the Qingsheng project will synergize with the Group's newly acquired Guangzhou South Railway Station project.

**Oriental Bund**
**Chancheng, Foshan**
*(50% owned)*

Oriental Bund is a large mixed-use development located in urban Foshan. It will provide a total gross floor area of around 30 million square feet with most premium residences overlooking the Dongping River. The project enjoys an inter- and intra-city transportation network and is within a one-hour

# Property Development

commuting radius of Guangzhou via the adjacent Guangfo metro station. It also offers living convenience to its residents, including a kindergarten, an elementary school and trendy retail spaces.

The project is being developed in phases. Offering more than 5,000 quality units with a total gross floor area of about 6.3 million square feet, the first two phases were virtually sold out and handed over to buyers by financial year 2019/20.

The remaining phases are being developed smoothly. Over 660 units with a total gross floor area of about 270,000 square feet in Phase 3A, well received by the market since its launch, were handed over to buyers at the end of 2020. Some 780 units of Phase 3C with a total gross floor area of over 930,000 square feet were sold out quickly and delivered to buyers in mid 2021. Sales responses for about 1,400 units of Phase 3B were also positive, and these units are scheduled to be handed over to buyers in financial year 2021/22.

Phases 4A, 4B and 4C will comprise a combined gross floor area of about 2.1 million square feet, which are being put on the market in batches with satisfactory sales performance. Phase 5 will provide more than 1,800 units with a gross floor area of over 2.5 million square feet. Its sales campaign has kicked off with positive momentum. Construction work of these phases is progressing smoothly.

### The Woodland
### Zhongshan 5 Road, Zhongshan
*(Joint venture)*

Covering a total gross floor area of over five million square feet, The Woodland is a benchmark residential development located in the heart of Zhongshan. The project enjoys an advantageous inter-city transportation network in the Greater Bay Area, with convenient connection to the Hong Kong-Zhuhai-Macao Bridge and the Shenzhen-Zhongshan Bridge currently under construction.

The first four phases with a total residential gross floor area of about four million square feet were virtually sold out and handed over to buyers before 2017. Apart from the premium quality and verdant environment, the development was acclaimed for its well-established clubhouse amenities and supporting community facilities.

Phase 5A provides over 460 units with over 700,000 square feet of residential area and some retail space. A majority of these units overlook the Zimaling Park. This phase is virtually sold out; the units have been handed over to buyers since July 2020.

Phase 5B comprises about 580 units in five residential towers with a total gross floor area of about 680,000 square feet in addition to retail shops. The phase is expected to be completed in financial year 2022/23. Superstructure work is under way.

### Grand Waterfront
### Shilong, Dongguan
*(100% owned)*

Grand Waterfront is located in the centre of Shilong Town, Dongguan, providing about 4.5 million square feet of quality, stylish dwellings to residents. The 800-metre-long promenade on the waterfront allows residents to relax and enjoy the captivating river views of Dongjiang and Shahe River.

Comprising a total residential gross floor area of over 1.8 million square feet, the first two phases were virtually sold out and handed over to buyers before 2018. A majority of these thoughtfully designed units enjoy sweeping river views from extra-large balconies. Residents can additionally enjoy an infinity pool with the river as a backdrop plus a terraced promenade for jogging, complemented by a garden of approximately 200,000 square feet.

*The Woodland, Zhongshan*

*Grand Waterfront, Dongguan*

Jovo Town, Chengdu

Phase 3 comprises six residential towers, spanning a total gross floor area of over one million square feet. Commanding splendid 270-degree panoramic river views of Dongjiang and Shahe River, about 400 units in two towers of this phase were launched for sale at the end of 2020 with an encouraging market response. These six residential towers have been topped out and are expected to be delivered by the end of 2022.

## Other Cities

### Jovo Town
### Tianfu New Area, Chengdu
*(91% owned)*

Jovo Town, a 6.8-million-square-foot residential development with more than 4,000 quality residential units, is located in Tianfu New Area. The project is surrounded by an inland free trade zone, a high-tech zone as well as facilities such as an exhibition and convention centre and an ocean park. It is well connected to other parts of the city with the nearby interchange station of two existing metro lines. One of the lines is connected to the new Tianfu International Airport.

Spanning a total gross floor area of about 4.5 million square feet, the first two phases were virtually sold out and handed over to buyers before 2017. Their exquisite design and building quality, as well as relaxing environment were highly praised by customers.

Phase 3A, comprising over 900 units with a gross floor area of over 1.3 million square feet, is slated for completion in the third quarter of 2021.

### Chengdu ICC
### Jinjiang, Chengdu
*(40% owned)*

Chengdu ICC is an integrated development comprising nearly 14 million square feet of gross floor area. It consists of around seven million square feet of quality residences, some four million square feet of prime office space, close to two million square feet of stylish retail space and a hotel. The project also embraces the refreshing scenery of the nearby Taizishan Park and Shahe River.

Strategically and conveniently located above an interchange station of two existing metro lines, the project is only a 10-minute drive to Chengdu East Rail Station, the city's major hub of intra- and inter-city transport networks.

Phase 1 and 2A of the project, with a combined gross floor area of about 2.3 million square feet, have been virtually sold out. These units were handed over to buyers before mid 2018. The twin residential towers of Phase 2B, namely The Arch Suites, offer some 1,100 units with a total gross floor area of about one million square feet. Construction work has been completed. The units are scheduled to be launched for sale in batches in financial year 2021/22.

Phase 3 includes a trendy 1.2-million-square-foot shopping mall; preliminary marketing activities have begun. Phase 4 will include two quality office towers with a combined gross floor area of about 2.3 million square feet.

Chengdu ICC, Chengdu

# Property Development

## Major Projects Under Development on the Mainland by Year of Completion

| Project | Project Name | City |
|---|---|---|
| **Scheduled for Completion in FY2021/22** | | |
| Xujiahui Centre Project Phase 3A | ITC | Shanghai |
| Pu Ming Road Project Phase 2C | Shanghai Arch | Shanghai |
| Suzhou Project Phase 2A | Lake Genève | Suzhou |
| Hexi CBD Project Phases 2A & 2B | Nanjing IFC Mall / Andaz Nanjing | Nanjing |
| Chancheng Project Phases 3B & 4A & 4B | Oriental Bund | Foshan |
| Dongda Avenue Project Phases 2C & 3 & 4A | Chengdu ICC | Chengdu |
| Shuangliu District Project Phase 3A | Jovo Town | Chengdu |
| **Year Total:** | | |
| **Scheduled for Completion in FY2022/23** | | |
| Suzhou Project Phase 3 | Four Seasons Hotel Suzhou | Suzhou |
| Shilong Project Phases 3A & 3B & 3C | Grand Waterfront | Dongguan |
| Chancheng Project Phases 4C & 5 | Oriental Bund | Foshan |
| Zhongshan 5 Road Project Phase 5B | The Woodland | Zhongshan |
| Dongda Avenue Project Phase 4B | Chengdu ICC | Chengdu |
| **Year Total:** | | |
| **Scheduled for Completion in FY2023/24** | | |
| Pu Ming Road Project Phase 3 | Shanghai Arch | Shanghai |
| Minhang Project Phase 2 | TODTOWN | Shanghai |
| Xujiahui Centre Project remaining phases | ITC | Shanghai |
| Suzhou Project Phases 4 & 5 & 6 | Suzhou ICC | Suzhou |
| Nansha Qingsheng Project Phase 1 | | Guangzhou |
| **Year Total:** | | |
| **Major Projects Scheduled for Completion in FY2024/25 or Beyond** | | |
| Minhang Project remaining phases | TODTOWN | Shanghai |
| Suzhou Project remaining phases | | Suzhou |
| Taihu New City Project remaining phases | Taihu International Community | Wuxi |
| Jianghehui Project(2) | | Hangzhou |
| Shiling Project remaining phases | Park Royale | Guangzhou |
| Dragon Lake Project remaining phases | Lake Dragon | Guangzhou |
| Guangzhou South Railway Station Project(3) | | Guangzhou |
| Nansha Qingsheng Project remaining phases(2) | | Guangzhou |
| Chancheng Project remaining phases | Oriental Bund | Foshan |
| Shilong Project remaining phases | Grand Waterfront | Dongguan |
| Zhongshan 5 Road Project remaining phases | The Woodland | Zhongshan |
| Shuangliu District Project remaining phases | Jovo Town | Chengdu |
| Dongda Avenue Project remaining phases | Chengdu ICC | Chengdu |
| **Total for Major Projects to be Completed in FY2024/25 or Beyond:** | | |

*(1) Gross floor area including basement retail area; Residential area including serviced apartments*
*(2) Breakdown of the gross floor area is subject to further amendment*
*(3) Gross floor area distribution may change as the development plan has yet to be finalized*
*(4) The Group has a 45% and 50% interest in the River East and River West sites respectively*

| | Attributable Gross Floor Area (square feet)[1] | | | | |
|---|---|---|---|---|---|
| **Group's Interest (%)** | **Residential** | **Shopping Centre/Shops** | **Office** | **Hotel** | **Total** |
| | | | | | |
| 100 | – | – | 1,127,000 | – | 1,127,000 |
| 100 | – | 22,000 | – | – | 22,000 |
| 90 | 245,000 | – | – | – | 245,000 |
| 100 | – | 1,095,000 | – | 350,000 | 1,445,000 |
| 50 | 538,000 | 12,000 | 209,000 | – | 759,000 |
| 40 | – | 549,000 | 395,000 | – | 944,000 |
| 91 | 1,228,000 | – | – | – | 1,228,000 |
| | **2,011,000** | **1,678,000** | **1,731,000** | **350,000** | **5,770,000** |
| | | | | | |
| 90 | – | – | – | 297,000 | 297,000 |
| 100 | 1,105,000 | 69,000 | – | – | 1,174,000 |
| 50 | 1,698,000 | 1,000 | – | – | 1,699,000 |
| JV | 684,000 | 79,000 | – | – | 763,000 |
| 40 | – | – | 518,000 | – | 518,000 |
| | **3,487,000** | **149,000** | **518,000** | **297,000** | **4,451,000** |
| | | | | | |
| 100 | 466,000 | – | – | – | 466,000 |
| 35 | 320,000 | – | – | – | 320,000 |
| 100 | – | 2,855,000 | 2,358,000 | 375,000 | 5,588,000 |
| 90 | 533,000 | 316,000 | 923,000 | – | 1,772,000 |
| 100 | – | 369,000 | – | – | 369,000 |
| | **1,319,000** | **3,540,000** | **3,281,000** | **375,000** | **8,515,000** |
| | | | | | |
| 35 | 125,000 | 502,000 | 188,000 | 75,000 | 890,000 |
| 90 | 145,000 | – | – | 192,000 | 337,000 |
| 40 | – | – | 162,000 | 143,000 | 305,000 |
| JV[4] | 736,000 | 1,069,000 | 2,480,000 | 199,000 | 4,484,000 |
| 100 | 4,373,000 | 4,000 | – | – | 4,377,000 |
| 60 | 2,500,000 | – | – | – | 2,500,000 |
| 100 | 2,947,000 | 1,401,000 | 4,665,000 | 323,000 | 9,336,000 |
| 100 | – | 492,000 | 2,401,000 | – | 2,893,000 |
| 50 | 5,885,000 | 1,399,000 | 1,245,000 | 109,000 | 8,638,000 |
| 100 | 1,507,000 | – | – | – | 1,507,000 |
| JV | 48,000 | – | – | – | 48,000 |
| 91 | 802,000 | 46,000 | – | – | 848,000 |
| 40 | 1,789,000 | 143,000 | 589,000 | 147,000 | 2,668,000 |
| | **20,857,000** | **5,056,000** | **11,730,000** | **1,188,000** | **38,831,000** |

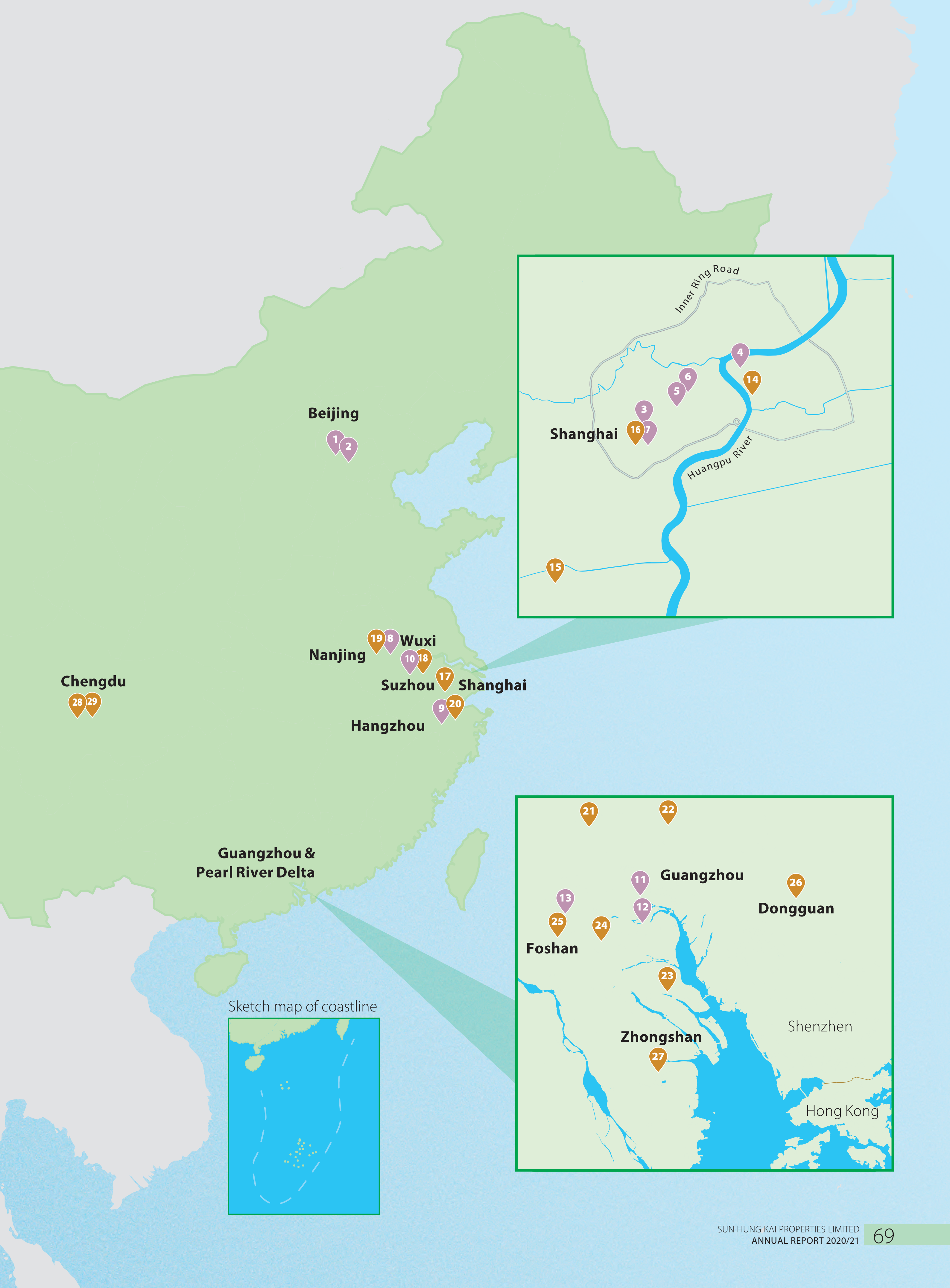
# Property Development

## Major Mainland Projects

- Residential
- Office
- Shopping Centre/Shops
- Hotel

| City | | Project Name | Usage |
|---|---|---|---|
| **Major Completed Properties** | | | |
| Beijing | 1 | Beijing APM / Sun Dong An Office Tower | Shopping Centre/Shops, Office |
| | 2 | New Town Plaza | Shopping Centre/Shops |
| **Shanghai & Yangtze River Delta** | | | |
| Shanghai | 3 | Arcadia | Residential, Shopping Centre/Shops |
| | 4 | Shanghai IFC / Shanghai IFC Mall / The Ritz-Carlton Shanghai, Pudong / IFC Residence | Shopping Centre/Shops, Office, Hotel |
| | 5 | Shanghai ICC / IAPM | Shopping Centre/Shops, Office |
| | 6 | Shanghai Central Plaza | Shopping Centre/Shops, Office |
| | 7 | One ITC / Two ITC | Shopping Centre/Shops, Office |
| Nanjing | 8 | Nanjing One IFC / Nanjing Two IFC | Office |
| Hangzhou | 9 | Hangzhou MIXC / Park Hyatt Hangzhou | Shopping Centre/Shops, Office, Hotel |
| Wuxi | 10 | Wuxi MIXC | Shopping Centre/Shops |
| **Guangzhou & Pearl River Delta** | | | |
| Guangzhou | 11 | Parc Central | Shopping Centre/Shops |
| | 12 | IGC / Conrad Guangzhou | Shopping Centre/Shops, Hotel |
| Foshan | 13 | Nanhai Plaza | Shopping Centre/Shops |

| City | | Project Name | Usage |
|---|---|---|---|
| **Major Properties Under Development** | | | |
| **Shanghai & Yangtze River Delta** | | | |
| Shanghai | 14 | Shanghai Arch | Residential, Shopping Centre/Shops |
| | 15 | TODTOWN | Residential, Shopping Centre/Shops, Office, Hotel |
| | 16 | ITC | Shopping Centre/Shops, Office, Hotel |
| Suzhou | 17 | Suzhou Project | Residential, Shopping Centre/Shops, Office, Hotel |
| Wuxi | 18 | Taihu International Community | Office, Hotel |
| Nanjing | 19 | Nanjing IFC | Shopping Centre/Shops, Hotel |
| Hangzhou | 20 | Jianghehui Project | Residential, Shopping Centre/Shops, Office, Hotel |
| **Guangzhou & Pearl River Delta** | | | |
| Guangzhou | 21 | Park Royale | Residential, Shopping Centre/Shops |
| | 22 | Lake Dragon | Residential |
| | 23 | Nansha Qingsheng Project | Shopping Centre/Shops, Office |
| | 24 | Guangzhou South Railway Station Project | Residential, Shopping Centre/Shops, Office, Hotel |
| Foshan | 25 | Oriental Bund | Residential, Shopping Centre/Shops, Office, Hotel |
| Dongguan | 26 | Grand Waterfront | Residential, Shopping Centre/Shops |
| Zhongshan | 27 | The Woodland | Residential, Shopping Centre/Shops |
| **Other Cities** | | | |
| Chengdu | 28 | Jovo Town | Residential, Shopping Centre/Shops |
| | 29 | Chengdu ICC | Residential, Shopping Centre/Shops, Office, Hotel |


Beijing
1
2
Inner Ring Road
Huangpu River
Shanghai
3
4
5
6
7
14
15
16
Wuxi
Nanjing
19
8
10
18
17
Suzhou
Shanghai
9
20
Hangzhou
Chengdu
28
29
Guangzhou &
Pearl River Delta
Sketch map of coastline
21
22
Guangzhou
11
26
Dongguan
13
12
25
24
Foshan
23
Shenzhen
Zhongshan
27
Hong Kong

# Mainland Property Business

## Property Investment

Shanghai IFC, Shanghai

Shanghai ICC, Shanghai

# Property Investment


Shanghai IFC Mall, Shanghai

The Group's completed properties on the mainland, which total around 16 million square feet in attributable terms, are comprised mainly of well-located integrated developments for investment purpose in major cities. During the year, gross rental income increased 25% to RMB5,199 million and net rental income rose 31% to RMB4,328 million, including contributions from joint ventures and associates. The growth was mainly driven by robust performance of the retail market amid strong luxury spending on the mainland.

IAPM, Shanghai

## Completed Properties

### *Shopping Centres*

The Group maintains a strong footprint of shopping malls across key mainland cities with more than seven million square feet of gross floor area in attributable terms. Leveraging their geographical locations and upmarket positioning, these shopping malls with ongoing trade- and tenant-mix enhancements have attracted both tenants and shoppers. Creative marketing initiatives have further bolstered the popularity of the shopping malls. Capitalizing on continuous strong growth in luxury spending, the Group's retail portfolio on the mainland achieved encouraging rental growth with impressive increase in tenant sales during the year under review. High occupancies for major malls continued.

In Shanghai, the Group owns a strong network of shopping malls, including Shanghai IFC, IAPM, One ITC and Two ITC as well as Shanghai Central Plaza. To strengthen the synergy of these malls, the Group recently consolidated its loyalty programme 'SHKP i club', enabling the delivery of a more convenient cross-mall consumption experience to shoppers.

Shanghai IFC Mall, one of the most iconic shopping malls in Shanghai, houses over 250 top-tier renowned retailers. With a comprehensive luxury brand mix and unique product offerings, a designated cosmetic zone and a wide range of authentic restaurants, the mall has become a must-go destination for citizens and travellers seeking high-end shopping and fine

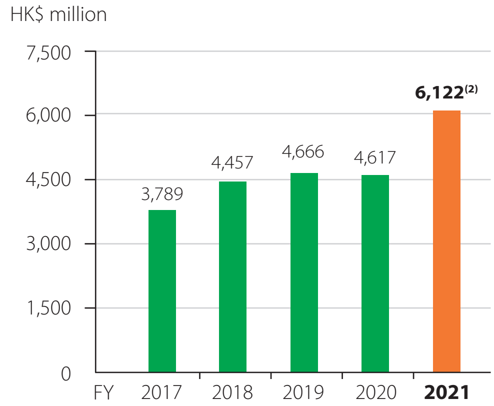

One ITC, Shanghai

dining. During the year, remarkable tenant sales growth with impressive positive rental reversions was achieved. With a direct linkage to Lujiazui metro station, its accessibility will be further enhanced upon the targeted opening of an additional metro line by the end of 2021. Please refer to page 75 for more details of Shanghai IFC offices.

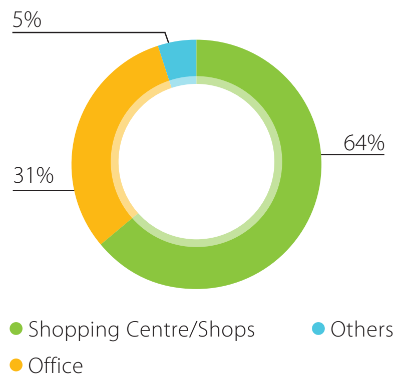
Situated within the Shanghai ICC complex, IAPM is a trend pioneer with its unique ambience in Puxi. The mall's brand- and trade-mix has been constantly broadened and enhanced with the introduction of young lifestyle brands and a range of popular culinary options. Featuring multiple popular coffee brands, IAPM is a magnet for coffee lovers. The shopping mall not only serves the daily needs of office tenants but also offers a variety of shopping and dining choices for families. In addition to exclusive promotional events and pop-up stores, the mall utilizes digital marketing tools to further engage with customers. During the year, occupancy sustained at a high level. Please refer to page 75 for more details of the Shanghai ICC office towers.

The Group's mega integrated project, ITC in Xujiahua, Shanghai will offer a total of about three million square feet of retail space. Since their phased openings in late 2019, the first two phases, One ITC mall and Two ITC mall, comprising a total of about 380,000 square feet, have pioneered new market trends with the introduction of a special combination of international brands and creative promotional programmes. With live broadcasting marketing events and its all-new architectural designs, the mall has become one of the most popular check-in venues in Shanghai, particularly among the young generation. Strong retail sales growth was recorded during the year. The flagship shopping hub of some 2.5 million square feet, part of

## Gross Rental Income on the Mainland(1)




## Gross Rental Income on the Mainland by Sector(1)




(1) *Including contributions from associates and joint ventures*

(2) *Gross rental income in terms of RMB amounted to RMB5,199 million*


Parc Central, Guangzhou

# Property Investment


IGC, Guangzhou

the remaining phase of this integrated project, is scheduled for completion by 2024. It will be linked to other phases of ITC by pedestrian bridges. Upon its full opening, the ITC Mall will become a key shopping and entertainment landmark in the city. Please refer to page 75 for details of ITC offices and page 76 for further details of the remaining phase of ITC.

Parc Central and IGC are the Group's joint-venture projects in Guangzhou. Tenant sales in both malls saw continuous rebounds and exceeded the pre-COVID level. Home to a well-curated mix of retailers and distinctive restaurant choices, Parc Central in Tianhe District registered high occupancy. The mall inspires local shoppers with expanded dining and cosmetic offerings in a beautiful green setting. Its pop-up shops and decorations have frequently been the talk of the town among youngsters. IGC in Zhujiang New Town is directly linked to a metro station and mainly serves young executives working nearby and families living in the neighbourhood. The mall houses a wide range of affordable luxuries and restaurants offering various cuisines.

Beijing APM is a large-scale shopping mall in the heart of Wangfujing, Beijing. With its market position for trendy and young shoppers, the mall has refined its trade mix and tenants accordingly with a focus on sportswear and cosmetic brands, complemented by popular restaurants and other trades. It houses the most comprehensive collection of flagship stores of sportswear among its peers in the city. In addition, its connectivity will be further improved upon the opening of a new subway connecting the metro station to the mall's basement in late 2021. The new retail extension will further broaden choices for shoppers after it opens in mid 2022. During the year under review, Beijing APM saw improved occupancy despite a drop in its business from travellers due to anti-pandemic measures in the city. Please refer to page 75 for details of the Sun Dong An office tower atop Beijing APM.


Beijing APM, Beijing


Shanghai IFC, Shanghai

## *Offices*

The Group owns an office portfolio of over six million square feet in attributable terms on the mainland. In addition to having high specifications and efficient layouts, the Group's office towers usually are part of large-scale integrated developments in top-tier cities with easy access to transport networks. With such advantages together with their premium property management services, the Group's office buildings attracted strong interest from renowned corporations and continued to deliver healthy rental performance with satisfactory occupancy despite fierce market competition.

With a strong presence in the premium office leasing market in Shanghai, the twin office towers at Shanghai IFC, the Group's iconic development in the city, are preferred business addresses for leading financial institutions, noted multinationals and domestic companies. Capitalizing on the highly-rated office quality, attentive property management services, strategic locations at the heart of Lujiazui Finance and Trade Zone and excellent transport connectivity, these office towers have established a reputable brand in the market. The attraction is further bolstered by other parts of this Shanghai IFC integrated development, including Shanghai IFC Mall and The Ritz-Carlton Shanghai, Pudong. The office and retail portions of the Shanghai IFC complex achieved LEED Platinum certification. Please refer to page 72 for more details of Shanghai IFC Mall.

An integrated landmark in the Puxi commercial core, Shanghai ICC is comprised of two premium office towers, the upscale IAPM shopping mall and the luxury Shanghai Cullinan residences. With direct access to an interchange station of three metro lines, the office towers are home to well-known multinationals and domestic corporations from various industries. The reputation of Shanghai ICC was further enhanced after it obtained the LEED Platinum certification. Its office space saw higher occupancy with stable rental performance after vacant space surrendered by a tenant, who relocated to ITC, was taken up. Please refer to page 73 for details of the shopping mall, IAPM.

One ITC and Two ITC, the first two phases of ITC in Shanghai, offer a total of about 490,000 square feet of premium office space. Having one of the highest-grade finishes in Xujiahui and providing an upscale office environment with attentive property management services, these two office developments attracted both leading multinationals and domestic corporations. Their occupancies reached an impressive rate of around 98%. In addition, LEED Gold certifications were awarded to these office spaces. The other two office towers within ITC will be completed in the next few years, and the entire office cluster at ITC is expected to be a new commercial hub for noted companies in the city. Please refer to page 76 for details of the remaining phase of ITC and page 73 for details of the malls in the first two phases.

*Two ITC, Shanghai*

Nanjing One IFC and Nanjing Two IFC are the newest component of the Group's office portfolio on the mainland. Comprising a combined premium office area of about two million square feet at Hexi CBD in Nanjing, these office towers were completed in 2019 and 2020 respectively and have set new benchmarks for quality office building in the city. Complemented by Nanjing IFC mall and the Andaz Nanjing hotel, the two office towers at Nanjing IFC appeal to renowned tenants from diverse industries ranging from fund management companies and law firms to high-tech corporations. While committed occupancy of Nanjing One IFC ramped up to about 80%, leasing of Nanjing Two IFC is also progressing smoothly. Satisfactory rents have been achieved. Please refer to page 76 for details of Nanjing IFC mall.

In Beijing, Sun Dong An Office Tower, located in the heart of Wangfujing, provides some 460,000 square feet of premium office space. Occupancy of the office tower is however being temporarily affected by the current renovation. Sun Dong An Office Tower will get a facelift and its rental value is expected to increase upon completion. Please refer to page 74 for details of the shopping mall, Beijing APM.

# Property Investment

## Major Completed Property Investment on the Mainland

| Project | Location | Lease Expiry | Group's Interest (%) |
|---|---|---|---|
| **Beijing** | | | |
| Beijing APM / Sun Dong An Office Tower | 138 Wangfujing Dajie | 2044 | 100 |
| New Town Plaza | Building 18, Fangguyuan Zone 1, Fangzhuang | 2033 | 100 |
| **Shanghai & Yangtze River Delta** | | | |
| Shanghai IFC / Shanghai IFC Mall / The Ritz-Carlton Shanghai, Pudong / IFC Residence | 8 Century Avenue, Lujiazui, Shanghai | 2055 | 100 |
| Shanghai ICC / IAPM | 999 Middle Huaihai Road, Shanghai | 2056 | 100 |
| One ITC | 1901 Huashan Road, Shanghai | 2054/2064 | 100 |
| Two ITC | 160 Gongcheng Road, Shanghai | 2054/2064 | 100 |
| Shanghai Central Plaza | 381 Middle Huaihai Road, Shanghai | 2044 | 80 |
| Arcadia | 88 Guang Yuan Xi Road, Shanghai | 2064 | 100 |
| Nanjing One IFC / Nanjing Two IFC | 111 Hexi Street, Jianye, Nanjing | 2048 | 100 |
| Hangzhou MIXC / Park Hyatt Hangzhou | Qianjiang New City, Hangzhou | 2046/2049/2056 | 40 |
| Wuxi MIXC | Taihu New City, Wuxi | 2046 | 40 |
| **Guangzhou & Pearl River Delta** | | | |
| Parc Central | 218 Tianhe Road, Guangzhou | 2050 | 50 |
| IGC / Conrad Guangzhou | 222 Xingmin Road, Guangzhou | 2051 | 33.3 |
| Nanhai Plaza | Nanhai Avenue, Foshan | 2045 | 100 |

## Properties under Development

The Group continues to add well-conceived new premises to its sizeable collection of integrated projects on the mainland over the medium-to-long term. Apart from further elevating the Group's presence and reputable brand on the mainland, premium projects in the pipeline will also considerably raise the Group's recurrent income level with their gradual completion.

In Shanghai, the remaining phase of ITC features two iconic office towers rising to 220 metres and 370 metres, a mega high-end mall and a hotel — Andaz Shanghai ITC. Construction is progressing smoothly. The 220-metre-tall office tower is scheduled for completion in mid 2022 and pre-leasing has started with favorable responses. The 370-metre-tall office tower is scheduled for completion by 2024. The high-end mall, comprising some 2.5 million square feet of gross floor area, will boast a wide selection of noted brands together with entertainment and leisure attractions under one roof. The two office towers are designed to obtain LEED Platinum ratings. Upon full completion, ITC in Shanghai will become a focal destination for work, shopping, entertainment and leisure. It will also showcase a new generation of the Group's landmark integrated projects, further enhancing the Group's strong foothold and brand recognition in Shanghai. Please refer to pages 73 and 75 for details of completed phases of the ITC project.

Spanning a total gross floor area of about one million square feet, Nanjing IFC mall is the last piece of the jigsaw in Nanjing IFC, the Group's signature integrated project in the city. This podium mall will house a great variety of retailers across nine levels, including a comprehensive range of world luxury brands and authentic restaurants. Designed to be a premier shopping and dining hotspot with a direct link to the metro station, the mall is set to offer visitors opting for a modern lifestyle a brand new shopping experience in the city. It is scheduled to open in phases from 2022 onwards.

Building upon its successful experience in developing high-quality integrated projects on the mainland, during the year the Group acquired the Guangzhou South Railway Station transit-oriented project as part of its business expansion in the Greater

| Attributable Gross Floor Area (square feet) | | | | |
|---|---|---|---|---|
| Residential | Shopping Centre/Shops | Office | Hotel | Total |
| | | | | |
| – | 1,036,000 | 458,000 | – | 1,494,000 |
| – | 225,000 | – | – | 225,000 |
| | | | | |
| – | 1,220,000 | 1,572,000 | 940,000 | 3,732,000 |
| – | 1,307,000 | 1,296,000 | – | 2,603,000 |
| – | 338,000 | 170,000 | – | 508,000 |
| – | 43,000 | 321,000 | – | 364,000 |
| – | 106,000 | 366,000 | – | 472,000 |
| 304,000 | 27,000 | – | – | 331,000 |
| – | – | 1,999,000 | – | 1,999,000 |
| – | 744,000 | 205,000 | 176,000 | 1,125,000 |
| – | 631,000 | – | – | 631,000 |
| | | | | |
| – | 431,000 | – | – | 431,000 |
| – | 332,000 | – | 149,000 | 481,000 |
| – | 640,000 | – | – | 640,000 |

Bay Area. With a total gross floor area of about 9.3 million square feet, this landmark project is set to become a popular destination for work, shopping, living, dining, and relaxation. The Group will hold a stake of over 40% in the project as long-term investment. Situated in the heart of the Greater Bay Area, this mega project is well positioned to capture growing opportunities brought about by national initiatives. For more details of the project, please refer to page 62.

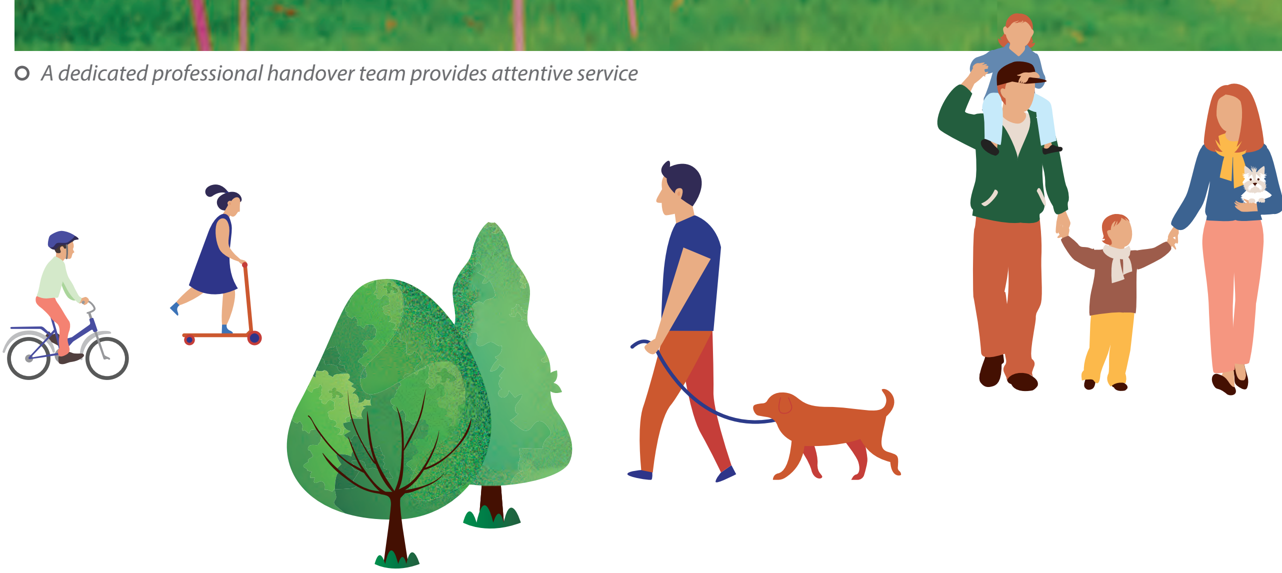
Located in the vibrant city of Hangzhou, the Group's joint-venture Jianghehui project will deliver a selection of lifestyle pleasures to residents, executives and visitors, spanning a total above-ground gross floor area of about nine million square feet. Conveniently accessible via two metro stations under construction in Qianjiang New City CBD, the project will adopt a seamless connectivity concept linking various parts on both sides of the river banks underground and above-ground. To serve as a world-class complex blending tourism and financial elements, the project will also feature diversified retail facilities with lush landscaped gardens. With a total floor area of about five million square feet, the office cluster with high specifications is expected to set a new benchmark for the grade-A office market in the city, attracting a diverse range of international brands and businesses. About 50% of its total gross floor area will be held as long-term investment. Complemented by the planned waterfront cultural and tourism facilities in the vicinity, this mega development will become another new distinctive community upon full completion in 2025, integrating commercial, leisure and green living along the riverside.

*The two iconic office towers of ITC, Shanghai under construction*

# Property Related Businesses


Food delivery robots help serve customers at restaurants in clubhouses to enhance the standard of hygiene

A dedicated professional handover team provides attentive service



# Property Related Businesses

Four Seasons Hotel Hong Kong

## Hotels

Hong Kong's tourism and hospitality sector continued to face a tough operating environment with unprecedented challenges. This has been due to stringent restrictions on cross-border travel amid the COVID-19 pandemic, which has persisted around the world for over a year. Despite subsidies from the HKSAR Government and the improving local pandemic situation, the Group's hotel business continued to suffer and recorded an operating loss during the year under review.

To ensure a safe and clean environment for hotel guests and employees, considerable efforts were made to further raise the standard of hygiene by leveraging technology and implementing stringent hygiene protocols. Such efforts have been recognized with the awarding of a certificate by Hong Kong Quality Assurance Agency under its Anti-Epidemic Hygiene Measures Certification Scheme. Of the 14 hotels in Hong Kong which earned the Sharecare Health Security VERIFIED with *Forbes Travel Guide* badge, six of them were under the Group's hotel portfolio. The Group commits to complying with the latest global health standards in order to minimize the risks posed by the COVID-19 pandemic as well as future public health events. All the Group's employees are encouraged to get vaccinated in a bid to protect themselves as well as hotel guests.

In addition to efforts to curtail the spread of the pandemic, the hotel management teams continued to step up initiatives and measures to improve business operations. New smart technology such as smart self-check-in and check-out, and an in-room control system have been deployed to elevate the operational efficiency. To expand the source of revenues, efforts were made to promote business from long-stay customers while creative staycation packages were introduced to fit local customers' preferences and enliven festive celebrations. Marketing campaigns and promotions in collaboration with the Group's other business units, particularly The Point by SHKP, were launched. All these initiatives have helped boost occupancies for most of the Group's hotels.

As local conditions of the pandemic improved, beginning in March 2021, the food and beverage business has also shown meaningful improvements. The functions at the e-shop were also enhanced to capture the escalation of e-commerce activities. The operating structure was streamlined and cost-control measures and initiatives were introduced wherever appropriate. Looking forward, a full recovery of the Group's hotel business in Hong Kong will hinge on the timing as well as the scale of the reopening of cross-border travel and the global revival of the tourism industry.

The Royal Garden, Hong Kong

The Ritz-Carlton, Hong Kong

With more initiatives such as the introduction of attractive and flexible staycation packages and other value-added services, the Group's Royal brand hotels showed improvement in occupancies in the latter half of the financial year despite falling room rates. During the year, joint promotions for the food and beverage business among the Royal brand hotels were also organized.

The Royal Garden has been well-positioned for serving customers who are looking for both delicacy offerings and a splendid accommodation experience. Revenue sources were expanded by offering exquisite food takeaways, catering to an increased demand for dine-at-home services. Both Chinese restaurant Dong Lai Shun and Sabatini Ristorante Italiano were once again named four-star restaurants by *Forbes Travel Guide* in 2021. Royal Plaza Hotel, situated next to MTR Mong Kok East Station, which has a geographical advantage to capture long-stay guests, also earned The Travelers' Review Award from a renowned travel website.

ALVA Hotel by Royal continued to appeal to customers with its unique complimentary bicycle hire service for staying guests as well as various other discovery programmes including cycling and hiking tours. Royal Park Hotel added a variety of top-up outdoor activities to enhance guests' experience. ALVA Hotel by Royal and Royal Park Hotel, both situated in Sha Tin, are expected to create greater synergy with each other after the pandemic subsides. Royal View Hotel continued to be a popular choice for family-friendly accommodation, offering an array of spectacular themed rooms.

Royal Plaza Hotel, Hong Kong

Royal View Hotel, Hong Kong

# Property Related Businesses

Royal Park Hotel, Hong Kong

ALVA Hotel by Royal, Hong Kong

Hyatt Centric Victoria Harbour Hong Kong continued to draw youngsters' attention with its infinity pool featuring epic views of the harbour. Collaborating with tourism organizations and overseas brands, the hotel introduced a range of impressive staycation packages with the themes of popular international travel spots. These packages were acclaimed in the market while catering to the travel wanderlust of local youngsters. During the year, occupancy of the hotel continued to trend upwards.

The Group's two hotels atop MTR Tseung Kwan O Station, Crowne Plaza Hong Kong Kowloon East and Holiday Inn Express Hong Kong Kowloon East registered improvements in occupancies. These two hotels have maintained a unique position for MICE and sports markets given their proximity to sporting-event venues. Despite weak demand from sports events under the pandemic, they were able to secure hospitality contracts including the UCI Track Cycling Nations Cup held in May 2021.

Due to the continued standstill in cross-border travel, overall business for top-class luxury hotels in the city was weak during the year. Occupancies of the Group's luxury hotels, including Four Seasons Hotel Hong Kong and The Ritz-Carlton, Hong Kong, remained depressed during the year, though their food and beverage business has rebounded in recent months.

Renovation work for Four Seasons Hotel Hong Kong in the IFC complex began in October 2020. Completed in May 2021, the first phase of the renovation featured a set of entirely redesigned guest rooms and suites with modern furnishings and upgraded technology. The hotel remains the only one in Hong Kong to receive a total of eight Michelin stars from its restaurants, including Chinese restaurant Lung King Heen, French restaurant Caprice and Japanese eatery Sushi Saito. The newly opened bar ARGO and café Gallery are expected to strengthen its position of being a global dining mecca in the city.

W Hong Kong

Hyatt Centric Victoria Harbour Hong Kong

Crown Plaza Hong Kong Kowloon East

Holiday Inn Express Hong Kong Kowloon East

The Ritz-Carlton, Hong Kong, atop MTR Kowloon Station, occupies floors 102 to 118 of the ICC with spectacular city and harbour views. This, together with attentive hospitality services and innovative staycation ideas, including aviation adventure and 'pawcation', appealed to guests looking for an extraordinary celebration and accommodation experience. The Michelin-starred Chinese restaurant Tin Lung Heen and Italian restaurant Tosca di Angelo in the hotel continued to be popular eateries in the territory. W Hong Kong, a leading lifestyle luxury hotel outside traditional lines situated next to The Ritz-Carlton, Hong Kong, appealed to locals who are interested in trendy and unconventional experiences. The hotel also collaborated with a celebrity executive chef to strengthen its dining offerings, topping up guests' experience.

On the mainland, the performance of the Group's hotel portfolio registered improvements due to a continued recovery in domestic business and leisure travel during the year. As a leading luxury hotel in Shanghai, The Ritz-Carlton Shanghai, Pudong has experienced a business rebound since mid 2020. The hotel's spa facility retained a *Forbes Travel Guide* five-star rating and its Chinese restaurant, Jin Xuan, was awarded a one-star Michelin rating in 2021. In addition, performance of the Group's two joint-venture hotels, Park Hyatt Hangzhou and Conrad Guangzhou, also recorded continuous recovery during the year.

The Ritz-Carlton Shanghai, Pudong, Shanghai

The Group remains positive about the long-term prospects of the mainland hospitality industry on the back of the Central Government's dual circulation strategy. Andaz Nanjing, a five-star boutique hotel as a part of the Nanjing IFC complex, is scheduled to open in phases starting from 2022. Comprising some 360 guest rooms, the hotel will offer signature hospitality services with splendid river views and attentive service. Positioned as a luxury urban oasis for business travellers and tourists, Four Seasons Hotel Suzhou on the southern bank of Jinji Lake will provide 210 guest rooms, suites and villas. Fitting-out work for the hotel is under way. Andaz Shanghai ITC in Shanghai, a five-star hotel with 350 guest rooms, is part of the Group's ITC integrated project in the city. Construction work of the hotel is progressing smoothly. The Group will continue to develop premium hotels as part of its integrated developments in major cities, including Hangzhou and Guangzhou. In Hong Kong, The Silveri Hong Kong – MGallery in Tung Chung, in which the Group owns a 20% interest, is planned to open in late 2021. Comprising 206 rooms, the hotel will enjoy positive long-term prospects riding on its proximity to the airport and the Hong Kong-Zhuhai-Macao Bridge.

# Property Related Businesses

## Property Management

The Group's two property management companies, Hong Yip Service Company Limited and Kai Shing Management Services Limited, are leaders in the property management service industry. The COVID-19 pandemic remained the biggest challenge for both companies during the year. The two companies are always committed to providing premium quality and professional property management services to their customers through comprehensive staff training, automation and the application of new technology.

To foster a safe, clean and healthy environment, both companies have stepped up their efforts to take special measures to raise the standard of hygiene and hence boost public confidence. For example, Kai Shing showed real-time details through reader-friendly indicators on its mobile app 'Work e-asy', enabling office users to easily understand the indoor air quality and other useful information. Hong Yip provided residents with touchless door control and lift buttons in common areas through the use of smart phones. In addition, the management teams have accorded high priority to the health of their employees, in particular frontline staff, through the provision of comprehensive protective equipment and partitions at suitable work and rest places to reduce the risk of infection. Their employees were also encouraged to receive COVID-19 vaccinations to increase protection for themselves and for their customers, residents and the community.

The proactive implementation of a variety of anti-pandemic measures demonstrated the Group's relentless efforts to strengthen its services and win public recognition. Two new projects, namely St Martin and Mount Regency, were presented with the Award for Anti-epidemic and Environmental Hygiene in the Building Inspectors Academy Awards 2020 organized by Hong Kong Professional Building Inspectors Academy. Kai Shing won the Anti-epidemic Technology Product Award presented by the Hong Kong Retail Technology Industry Association, and was the only winner from the property management industry.

As industry forerunners in the digital era, the two companies have always kept abreast of the latest technology and enhance the quality and efficiency of property management through the use of new technologies, including 5G. With the utilization of 5G technology combined with Internet of Things (IoT) applications, the two companies developed new mobile applications for assessing real-time data and information. The initiative not only facilitates the monitoring and maintenance of elevators and other facilities, but also allows the companies to promptly and effectively respond to emergencies, minimizing the occurrence of accidents. The first-ever 5G-enabled Smart Restroom System was also installed in the Group's malls to gauge real-time information, which helps shorten customers' queueing time for restrooms and provide a better shopping experience.

In keeping with the Group's proactive approach towards Environmental, Social and Governance (ESG), the two companies have been striving to create a green environment for the community by relentlessly promoting sustainability in various ways. Further refinements on environmental guidelines in property management are being studied to comply with the Group's sustainability policy. About 2,800 solar panels were installed atop the properties managed by the companies, such as ICC, to promote the development of renewable energy. More solar panels will be installed at residential buildings, shopping malls and office towers in the long term.

*Using QR code on mobile phone to gain access to buildings*


*Regular training programmes are conducted through VR to motivate learning*

Engineers examine a facility's operations by scanning a QR code with a device installed with the IDEA system

5G Smart Restroom and 5G Robot in shopping malls provide an elevated experience

To maximize energy-saving potential, Hong Yip was the first property management company registered under the Retro-commissioning Training and Registration Scheme launched by the Hong Kong Green Building Council. In addition to energy savings, both companies continued to promote the principles of 'reduce', 'reuse' and 'recycle'. Creative ideas, including the re-use of plastic bottles as recyclable umbrella bags, have been well recognized by the public and green groups for years.

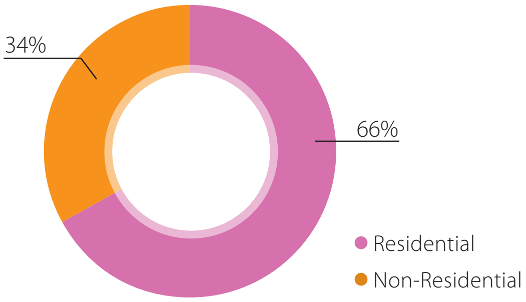
Hong Yip strongly adheres to the Group's commitment to ESG performance. Kai Shing has also enhanced its ESG policies, incorporating international targets and standards. In June 2021, the company earned the ESG Care Label under the Social Endorsement Label Scheme for its excellent sustainability performance. It is the only property management company in Hong Kong to have received this honour.

Human resources development is crucial to the provision of quality property management services, in particular under the current challenging operating environment. As part of the succession planning programme to nurture managerial staff, Kai Shing extended its training courses to include personal image under its Management Development Programme to uplift its services and brand image. The company also organizes the KS100 Summer Internship Programme and recruits more than 100 youngsters every year. Hong Yip strengthens its close collaboration with local tertiary institutions and NGOs to offer students internship opportunities, equipping them with practical work experience. During the year, the two companies' unwavering commitment to talent cultivation was recognized. Kai Shing was presented with the Employer of Choice accolade for the third consecutive year by *JobMarket*. Hong Yip received the ERB Excellence Award for Employers for the 11th year in a row, being the only company to win this top award consecutively for over a decade.

During the year under review, Hong Yip and Kai Shing undertook a number of new property developments, including Central Peak, Wetland Seasons Park, FUGRO HOUSE – KCC 2 and W LUXE in Hong Kong, together with Phase 1 of TODTOWN and Phase 2 of Shanghai Arch in Shanghai as well as Nanjing Two IFC in Nanjing. This brought the total residential and non-residential floor area under their management in Hong Kong and on the mainland to about 267 million square feet as at 30 June 2021.

Under such a tough and challenging operating environment amid the pandemic, the two companies will continue to strengthen their premium service standards with a wider use of smart technology, cultivation of more talent, and adherence to their customer-centric approach. All these will ensure service quality and sustainability of the property management business operation. Adhering to the Group's commitment to ESG, the two companies will continue to spare no effort to adopt the best green practices in property management.

## Floor Area Managed by Hong Yip and Kai Shing by Usage



# Property Related Businesses

## Construction

The Group's construction division, comprising Sanfield (Management) Limited and its wholly-owned subsidiaries and fellow subsidiaries, operates in construction-related businesses and other services for the Group.

Under the lingering threats of COVID-19 with a surge in prices of heavy metal, the Group's construction division faced challenges during the year. Teamwork among respective project management teams remains the core approach to managing various challenges through forward planning and contingent action in re-scheduling of works. The unexpected acute shortage of rebar supply early this year amid COVID-19 and a surge of heavy metal prices have weighed on the Group's project progress and costs. However, the impacts have been well-managed and contained.

Apart from ongoing streamlining of operations through digitalization, continuous investment was also made in adopting Building Information Modelling (BIM) technology. The wide adoption is not only limited to the division but is also deployed by sub-contractors in building services disciplines, and also some pilots in architectural metalwork trades. Design for Manufacturing and Assembly, which focuses on ease of manufacture and efficiency of assembly, is also adopted in the building services installation.

During the year, the construction division completed four residential developments, two commercial projects and the Airport Freight Forwarding Centre Extension development project, totalling 2.1 million square feet of construction floor area. The residential developments completed during the year include Cullinan West III, Mount Regency Phase II, Wetland Seasons Park Phase 1, and St Martin Phase 2. The commercial developments are FUGRO HOUSE — KCC 2 and W LUXE.

*New technology improves efficiency and accuracy in project building procedures*

Major residential developments in progress included the remaining phases at Victoria Harbour Development, 38 Belcher's Street, Prince Central, 233 Prince Edward Road West, St Michel, Regency Bay and Regency Bay II, Tuen Mun Town Lot No. 483, Yuen Long Station Development, Wetland Seasons Bay and Tin Wing Station Development. Major non-residential developments in progress included 222-228 Wan Chai Road, 98 How Ming Street in Kwun Tong, New Kowloon Inland Lot No. 6550 in West Kowloon, as well as a site adjoining 252 Texaco Road and 28 Wang Lung Street in Tsuen Wan and two data centres at Tsuen Wan Town Lot No. 428 and Tseung Kwan O Town Lot No. 131. Various asset enhancement works are also in progress, with major projects including the WTC mall, Dynasty Court, Millennium City 1, New Town Plaza, Royal Park Hotel, YOHO Mall and Advanced Technology Centre. The construction division also takes part in construction management of the Group's development projects on the mainland.

The construction division also operates in construction-related businesses and other services for third parties. The services include landscaping, electrical and fire service installations and leasing of construction plant and machinery. The division also supplies wet concrete and precast concrete components both to the Group and to external parties through an associate and its wholly-owned subsidiaries.

## Insurance and Mortgage Services

Like many other businesses, Sun Hung Kai Properties Insurance Ltd., a wholly-owned subsidiary of the Group, has not been immune to the COVID-19 pandemic. Despite this, the company recorded an encouraging operating return during the year. This was mainly attributable to continued risk-control measures. Looking forward, the company is optimistic about the prospects of its operation amid a gradual pick-up in business momentum along with subsided effects of the pandemic in Hong Kong.

Comprising Hung Kai Finance Company Limited and Honour Finance Company Limited, the financial services division registered satisfactory profits during the year. The division will continue to focus on mortgages, mortgage referrals and other services that support the Group's property sales business and property development.

# Telecommunications and Information Technology

VR Cycling Race in SmarTone's 5G LAB

MEGA Plus, SUNeVision's data centre in Tseung Kwan O, Hong Kong

## Telecommunications

During the year under review, business conditions remained challenging as COVID-19 affected all aspects of daily life. As the virtual stoppage of international travel continued, roaming revenue, which previously was a key source of SmarTone's profitability, remained at a historic low. Despite these challenges, the company delivered an improvement to profit. This was possible due to a growth in local service revenue driven by encouraging 5G uptake, a rebound in the Enterprise Solutions business, and a ramping up in the growth of 5G Home Broadband. In addition, the company initiated a cost optimization programme to lower cost and enhance productivity, without sacrificing quality of service.

5G development is crucial to Hong Kong's transition into a Smart City and its further integration with the Greater Bay Area. As a leading mobile operator, SmarTone is proud to play a key role in building Hong Kong's digital infrastructure. In May 2021, the company launched the 5G Lab to raise public awareness of 5G and how the 5G infrastructure supports Hong Kong's development. The response has been overwhelming. Within three months the Lab has drawn nearly 200,000 visitors, including CEOs of key enterprises who hope to leverage 5G for applications that can help their businesses. Moreover, the company has planned to organize for over 300 high schools to visit the Lab by June 2022, in an effort to build the younger generation's interest in science and technology, which will help Hong Kong transform itself into an innovation centre.

The operating environment remains very challenging due to subdued roaming revenues and materially rising spectrum amortization costs. Nevertheless, SmarTone sees new revenue opportunities. For consumers, the gradual upgrade of subscriptions to 5G is likely to accelerate and will be a key contributor to growth. For enterprises, the growth in enterprise solutions is ramping up, as corporates are keen to use technology to improve their businesses. There are also new services and solutions that will bring material benefits financially, such as solutions in cyber-security and 5G Home Broadband. The Group is confident in SmarTone's prospects and will continue to hold its stake in the company as a long-term investment.

## Information Technology

During the year under review, SUNeVision continued to see healthy growth in revenue, EBITDA and underlying profit. The company's core data centre business, iAdvantage, continued to perform well and secured new customer contracts including those from hyperscale and cloud customers. Super e-Technology and Super e-Network remained dedicated to providing quality value-added services, which ranged from design and build to the maintenance of communication systems and infrastructure, to its customers.

The process of digitalization has been accelerated by the pandemic. As such, data traffic witnesses a substantial growth, which is driven by digital connectivity and the large scale adoption of new technologies and applications such as video-conferencing, e-learning, e-commerce, solutions for remote work and gaming. Cloud adoption has also been stepped up both globally and in Hong Kong. These trends continued to drive the demand for high-quality data centres, benefitting the business growth of the company.

SUNeVision is advancing a robust pipeline of projects to expand its space and power capacity to meet the rising demand for data centre services. Power capacity in all its major facilities has been substantially upgraded. Built on a dedicated site, the company's Tseung Kwan O data centre, MEGA IDC, which will have state-of-the-art infrastructure and power density, is free from any subletting restrictions as in the nearby industrial estates. The first phase of the centre will be open in late 2022. A new data centre in Tsuen Wan, MEGA Gateway, is also scheduled to open in the same year. As recently announced, the company will open its eighth data centre in Fanling, MEGA Fanling, in the second half of 2022. This facility is already fully committed and will be occupied by a single cloud tenant. Upon completion of these three projects, SUNeVision's data centre portfolio will grow from 1.4 million square feet to nearly three million square feet. Capitalizing on opportunities in the digitalization era, SUNeVision will continue to enhance its facilities and seek out new investments in the future.

# Infrastructure and Other Businesses


Wilson Parking, Hong Kong


Route 3 (CPS), Hong Kong

## Transport Infrastructure Operations and Management

Wilson Group is a wholly-owned subsidiary of the Group, engaged in the management of car parks, tunnels, bridges and toll roads in Hong Kong. The company has established a long-term presence in the local transport infrastructure industry. The company manages some 400 public and private car parks and 100,000 parking bays, including those under the Transport Department and Hong Kong International Airport. Widely recognized by the industry, the company performed satisfactorily through the year despite challenges brought by the social distancing restrictions.

Managing a total of 33 car parks and some 24,000 parking bays on the mainland, Wilson Group has implemented electronic payment options and contactless parking systems for its car parks in the country, with some 95% of all transactions carried out via e-payment.

In Hong Kong, Wilson Group maintained its innovative online monthly parking solution, i-Monthly, to mitigate social distancing restriction impacts on its parking business in the territory. This system has been widely accepted by the company's monthly parking customers with close to 100% utilization at implemented car parks. Wilson Group also embarked on a significant upgrade of its car park system infrastructure with the introduction of contactless parking functions.

In addition to car park system contracts at the Hong Kong International Airport, the company was awarded a contract to supply and install Bay Guidance and Car Searching Systems for 10 public car parks under the Transport Department. The company is the first and only car-park operator in Hong Kong to have won the top Platinum award in the *Reader's Digest* Trusted Brand Awards for nine consecutive years, as well as other accolades acknowledging its service excellence.

Wilson Group and its 50%-owned subsidiary, Autotoll, further strengthened its leading position in the electronic toll collection market with over 360,000 vehicle users. During the year, the company was awarded contracts for the provision of the Traffic Control and Surveillance System at Central Kowloon Route as well as the design and build of the Free Flow Tolling Back-end System.

During the year, Wilson Group's tollway division was awarded the management contract of the Tuen Mun — Chek Lap Kok Tunnel which commenced in December 2020. The new five-kilometre tunnel is Hong Kong's longest and deepest subsea road tunnel, connecting Tuen Mun South and the Hong Kong-Zhuhai-Macao Bridge Hong Kong Port. The company also continued to operate and maintain Tsing Ma Control Area, Tsing Sha Control Area, Route 3 (CPS), Aberdeen Tunnel, Scenic Hill Tunnel and Airport Tunnel.

The Group owns a 70% stake in the Route 3 (CPS) Company Limited, which operates the dual three-lane expressway between Yuen Long and Ting Kau under a 30-year build-operate-transfer franchise since 1995. The 3.8-kilometre Tai Lam Tunnel and the 6.3-kilometre Tsing Long Highway provide an alternative route to Tuen Mun Road and Tolo Highway, offering a more reliable, faster and safer expressway for commuters to directly travel from the mainland and northwest New Territories to urban areas.

The company continued to upgrade its safety and security systems despite adverse impacts from social distancing restrictions and continued cross-border traffic controls. In late 2020, as a pioneer of the transport infrastructure industry, the company worked with SmarTone in launching Hong Kong's first 5G SmarTransport Safety Monitoring System at Tai Lam Tunnel, safeguarding road users by instant detection of any jaywalkers in the tunnel.

The publicly listed Transport International Holdings Limited (TIH) is engaged in franchised public bus operations in Hong Kong through The Kowloon Motor Bus Company (1933) Limited (KMB) and Long Win Bus Company. The two franchised bus companies under TIH recorded significant declines in ridership as social activities were generally reduced during the year due to containment measures resulting from the COVID-19 pandemic. Without compromising their appropriate and reliable services, the two bus companies timely adjusted the services and introduced cost saving measures to ensure business sustainability.

To explore new revenue sources, new recreational routes were opened and Regional Two-way Sectional Fare Schemes were introduced. Showing care and concern about the health of its employees and passengers, TIH set up a face mask production line to provide masks to its employees while offering mask discounts to staff family members and passengers.

To reduce carbon emissions and to align with the national and the HKSAR Government's green policy, about 22,000 solar panels were installed across its bus depots, bus stops and the rooftops of the buses to foster the use of renewable energy. In addition, KMB has purchased double-decker electric buses and expects to increase the ratio of electric buses in stages with full electrification by 2050. The Group owns a 40.3% stake in TIH.

## Port Business

A wholly-owned subsidiary of the Group, Hoi Kong Container Services Company Limited provides container and cargo handling services in Hong Kong. The company operates four berths and around 3.3 hectares of container yard at a convenient location in Kwai Tsing. In the face of continuing challenges from shrinking demand, stiff competition in the past years and, more recently, the pandemic, the company continued to review operational efficiency and adjust its business models, and achieved a steady performance in the year under review.

River Trade Terminal, a 65-hectare terminal located in Tuen Mun, has 3,000 metres of quay with 49 berths, serving as a logistics hub for the Pearl River Delta via container, refrigerated and break-bulk cargo handling services. With increased demand for refrigerated and break-bulk cargoes amid the pandemic and continuous cost-control measures, the company recorded business growth for the year under review. The Group holds a 50% interest in the company.

## Air Transport and Logistics Business

A wholly-owned subsidiary of the Group, Airport Freight Forwarding Centre Company Limited (AFFC) operates a logistics facility at Hong Kong International Airport, providing over 1.6 million square feet of premium warehouse and office space. Despite the disruption of the global supply chain due to the pandemic, the performance of AFFC remained satisfactory during the year. An annex facility of over 100,000 square feet was completed in December 2020 to provide extra security screening capacity to cater for the long-term demand from the industry, which is also an initiative to contribute to Hong Kong International Airport as one of the world's busiest cargo-handling facilities.

The Hong Kong Business Aviation Centre (HKBAC) Limited, in which the Group owns a 35% interest, is a franchised Fixed-Base Operator located at the Hong Kong International Airport since 1997. Situated at an international aviation hub of Asia and a leading gateway to the Greater Bay Area, HKBAC provides efficient aircraft handling and support services to general and business aviation. Renowned for its commitment to maintaining a high standard of safety and service, the company has received continuous industry recognition with the award in 2021 of the Best Asian Premier Fixed-Base Operator by *Professional Pilot* magazine for the 14th consecutive year. In the midst of the unprecedented and prolonged pandemic, business at HKBAC continued to be adversely affected in the year under review.

*Airport Freight Forwarding Centre, Hong Kong*

*Hong Kong Business Aviation Centre*

# Infrastructure and Other Businesses

YATA at APM, Hong Kong

Sky100 Hong Kong Observation Deck

Nevertheless, the Group remains confident in the prospects of the aviation business in the long run and is committed to further invest in the company to upgrade its facilities and grow future business. In April 2021, HKBAC signed a HK$400 million expansion agreement with the Airport Authority Hong Kong to upgrade its facilities and enhance handling capacity.

## Waste Management

Through its 20% interest in Green Valley Landfill Limited, the Group contributes to a greener and cleaner environment. Green Valley oversees both the daily operation and long-term aftercare of the South East New Territories Landfill in Tseung Kwan O. Gas generated from the landfill is conveyed to the gas supply network after converting into synthetic natural gas. Upon completion of an extension in late 2021, the site, covering 113 hectares, will have the capacity to handle about 50 million cubic metres of waste. The company registered steady business performance during the year.

## YATA Limited

YATA Limited is a wholly-owned subsidiary of the Group. Operating modern Japanese lifestyle department stores and supermarkets, the company expanded its footprint to 13 locations across Hong Kong with the launch of a new convenience store format at ALVA Hotel by Royal in Sha Tin. YATA will continue to explore new innovative concepts to bring excitement and cater to different customers' needs.

During the year, YATA continued to perform well as it strived to meet consumers' rising demand for cooking and home-dining amid the pandemic. Apart from an upgrade of its system infrastructure, new and more attractive promotion campaigns were offered to its customers.

## Sky100 Hong Kong Observation Deck

Located on the 100th floor of ICC, the tallest skyscraper in Hong Kong, the Sky100 Hong Kong Observation Deck is the only indoor viewing platform in the city featuring a 360-degree view of the territory. In response to the unstable pandemic situation and the tough cross-border tourism landscape, Sky100 swiftly shifted its business focus to domestic markets and adjusted its marketing strategy accordingly during the year.

Apart from collaborating with the Group's other business units, Sky100 celebrated its 10th anniversary this year and launched attractive packages to draw footfall. The deck teamed up with SmarTone to launch the brand new 5G LAB@sky100, offering visitors a unique trial in enjoying panoramic views with the use of diverse applications of the latest 5G technology, lifting the sightseeing experience. Since the opening of 5G LAB@sky100 in May 2021, the number of visitors has surged, attracting local families and students.

Amid stringent anti-pandemic measures, Sky100's intimate wedding packages registered strong business growth. It was honoured to receive the ESD Life Bridal Award 2020 Best Wedding Ceremony Venue through public voting, affirming the deck as a unique and preferred wedding venue in the city.

As the only member of the World Federation of Great Towers in the city, Sky100's unique status was further affirmed by the Travellers' Choice award from TripAdvisor for seven straight years for its breathtaking views and outstanding hospitality.

In the short term, the performance of Sky100 will still be adversely affected by the pandemic. Over the medium-to-long term, the Group remains confident in the business prospects of the deck. Sky100 will continue to work closely with industry partners and the Hong Kong Tourism Board to capture the opportunities presented by Hong Kong's reviving tourism industry.

# Corporate Finance

In order to maintain sustainable business development amid the current unforeseeable circumstances, the Group, as always, has implemented prudent financial discipline, reflected by its low leverage and abundant liquidity. The Group maintained a strong financial position with a net debt to shareholders funds ratio of 16.0% and an interest coverage ratio at 13.8 times as at 30 June 2021. This enables the Group to meet challenges ahead as well as business opportunities in Hong Kong and on the mainland.

The Group continues to be recognized as a top-rated developer in Hong Kong, given such strong financial fundamentals and its leading position in the property business. Both Moody's and S&P have reaffirmed the Group's credit ratings of A1 and A+ respectively, with stable outlooks.

In addition to strong credit ratings, the Group has maintained excellent long-term relationships with leading banks, enabling it to raise ample liquidity from banks and debt capital markets via different channels for future development and expansion needs. During the period under review, financing activity received support from the banking community, which offered competitive credit terms to the Group.

During the year, the Group issued HK$700 million 3-year bonds, HK$2,490 million 7-year bonds, CNH800 million 3-year bonds and CNH1,110 million 7-year bonds to broaden its funding sources under the Medium Term Note Programme. In March 2021, the Group also arranged a HK$16,800 million 5-year syndicated loan to extend its debt maturity and provide standby committed facilities for its future development.

In support of the Group's continuing development on mainland, certain Renminbi bank loans were also arranged during the year. As part of its currency exposure management policy, the Group continues to utilize onshore operating funds from its existing mainland projects, together with adequate Renminbi debt financing to back its new onshore investments. Although bank credits to the property sector have been tightened on the mainland, the Group continues to receive robust support from banks for the funding needs of its mainland business operations.

In line with the Group's prudent financial policy, the majority of its borrowings are denominated in Hong Kong dollars with the remainder overwhelmingly in US dollars and Renminbi. The Group has also not entered into any speculative derivatives and structured product transactions.

# Financial Review

## Review of Results for FY2020/21

Underlying profit attributable to the Company's shareholders for the year, which excluded the effect of fair value change on investment properties, was HK$29,873 million, an increase of HK$505 million or 2% compared with HK$29,368 million for the previous year. The result reflected higher contributions from property development and rental from the Mainland as well as improved performance of the Group's non-property businesses, partly offset by operating loss of hotel operations and lower development profit and rental income from Hong Kong.

Including the net effect of revaluation loss on investment properties attributable to shareholders, the Company reported an attributable profit to shareholders of HK$26,686 million, representing an increase of HK$3,165 million or 13% compared with HK$23,521 million for the previous year.

| | **2021<br>HK$ Million** | 2020<br>HK$ Million |
|---|---|---|
| Underlying profit attributable to Company's shareholders | **29,873** | 29,368 |
| Adjustment for net revaluation movements on investment properties | | |
| Net revaluation loss | **(3,105)** | (5,510) |
| Valuation gains realized on disposal | **(82)** | (337) |
| Net effect | **(3,187)** | (5,847) |
| Profit attributable to Company's shareholders | **26,686** | 23,521 |

### *Revenue and operating profit by segment for the year ended 30 June (including share of joint ventures and associates)*

| | **Revenue** | | **Operating profit** | |
|---|---|---|---|---|
| | **2021<br>HK$ Million** | 2020<br>HK$ Million | **2021<br>HK$ Million** | 2020<br>HK$ Million |
| Property sales | | | | |
| Hong Kong | **34,880** | 36,873 | **14,571** | 16,333 |
| Mainland | **11,137** | 4,359 | **6,423** | 2,034 |
| Singapore | **–** | 32 | **–** | 10 |
| | **46,017** | 41,264 | **20,994** | 18,377 |
| Property rental | | | | |
| Hong Kong | **18,027** | 19,009 | **13,544** | 14,456 |
| Mainland | **6,122** | 4,617 | **5,099** | 3,662 |
| Singapore | **642** | 588 | **506** | 447 |
| | **24,791** | 24,214 | **19,149** | 18,565 |
| Hotel operations | **2,542** | 3,075 | **(511)** | (330) |
| Telecommunications | **6,720** | 6,986 | **674** | 520 |
| Transport infrastructure and logistics | **6,921** | 7,541 | **1,389** | 1,365 |
| Data centre operations | **1,874** | 1,714 | **962** | 855 |
| Other businesses | **8,265** | 8,230 | **1,519** | 1,429 |
| Segment total | **97,130** | 93,024 | **44,176** | 40,781 |

Total revenue of the Group's business segments (including share of joint ventures and associates) for the year was HK$97,130 million (2020: HK$93,024 million). Total operating profit from all business segments (including share of joint ventures and associates) was HK$44,176 million (2020: HK$40,781 million), increased by HK$3,395 million or 8% year-on-year.

Total revenue from property sales (including share of joint ventures) for the year increased by 12% to HK$46,017 million, comprising revenue of HK$34,880 million from Hong Kong (2020: HK$36,873 million) and HK$11,137 million from the Mainland (2020: HK$4,359 million). Overall profit from property sales, inclusive of share of joint ventures, increased by HK$2,617 million or 14% to HK$20,994 million. Profit from property sales in Hong Kong declined by HK$1,762 million to $14,571 million, primarily due to lower residential sales completions compared with the previous year, and was mainly derived from residential projects including Cullinan West III, St Martin Phase 2, Mount Regency Phase II, Wetland Seasons Park Phase 1 as well as W LUXE office units. Profit from property sales on the Mainland increased significantly by HK$4,389 million to HK$6,423 million, mainly driven by revenue recognition from Shanghai Arch Phase 2B and TODTOWN Phase 1. Other contributions came from sale of residential units in Forest Hills, The Woodland Phase 5A, Park Royale Phase 2B and Oriental Bund Phases 3A and 3C. As at 30 June 2021, contracted property sales attributable to the Group (including share of joint ventures) not yet recognized amounted to HK$30.3 billion, comprising HK$25.7 billion in Hong Kong and HK$4.6 billion on the Mainland, of which approximately HK$19.8 billion is expected to be recognized in the next financial year FY2022. Since 1 July 2021, the Group has launched some more residential units for sales in Hong Kong including Wetland Seasons Bay Phase 1, with attributable contracted sales of HK$9.2 billion having been achieved by now. Almost all of these sales are expected to be recognized in FY2022 as well.

Total rental revenue for the year, including share of joint ventures and associates, increased by 2% to HK$24,791 million. Net rental income of the Group, including contributions from joint ventures and associates, increased by 3% to HK$19,149 million. The increase was attributed to robust rental growth in the Mainland portfolio, which more than offset the drop in rental income from the Hong Kong portfolio. Rental revenue of the Group's Mainland portfolio delivered an impressive growth of 33% year-on-year to HK$6,122 million, and net rental income increased by 39% to HK$5,099 million. The increase was primarily driven by the Mainland retail portfolio, which has sustained its strong recovery and growth momentum in the second half of the financial year. The Mainland office portfolio also recorded satisfactory growth in rental on the back of improved occupancies as well as contributions from newly completed investment properties. Rental revenue of Group's Hong Kong portfolio fell by 5% year-on-year to HK$18,027 million, and net rental income decreased by 6% to HK$13,544 million. The decrease was largely attributable to the retail portfolio, while rents and occupancy of the office portfolio remained resilient throughout the year. The lingering impact of the pandemic continued to exert pressure on retail rents. Tenant sales of the Group's retail malls have shown recovery since February 2021 alongside the easing of the pandemic, although they were still far below the pre-pandemic level. Temporary rent relief was offered to selective retail tenants on a case-by-case basis but the amount of concessions granted was substantially reduced in the second half of the financial year as the domestic market conditions started improving. The impact of all rental concessions granted was fully recognized in profit or loss for the current financial year.

Hotel operations (including share of joint ventures) recorded a loss of HK$511 million (after depreciation charge of HK$633 million) as compared with the loss of HK$330 million for the previous year. Hotel business in Hong Kong continued to be severely affected by the lack of tourists due to stringent travel restrictions and border closures and various social distancing measures imposed on the food and beverage sector. The Group implemented a number of innovative staycation offers and promotions to drive local demand as well as measures to save costs and improve operating efficiency.

SmarTone reported an operating profit of HK$674 million for the year compared with HK$520 million for the previous year. Mobile service revenue remained under pressure due to the decline in roaming business led by the reduction in travellers amid the on-going COVID-19 pandemic, while various initiatives were undertaken to boost revenues and successful optimization measures were implemented to reduce costs and increase productivity, which helped deliver growth for the bottom line.

Operating profit from transport infrastructure and logistics businesses (including share of joint ventures and associates) increased moderately to HK$1,389 million (2020: HK$1,365 million). The Group's toll road and business aviation centre operations were still negatively affected by the cross-border travel restrictions, while Airport Freight Forwarding Centre delivered stable growth upon expansion of its cargo-handling capacity and Wilson Group has seen business improvement as the local pandemic situations continued to stabilize.

SUNeVision delivered a 13% growth in operating profit to HK$962 million over the previous year. The data centre sector is benefiting from the increased use of digital infrastructure and cloud adoption by businesses in the wake of COVID-19. The pandemic has accelerated the process of digitalization across the business and consumers segments, which has led to a higher demand for data centre services from existing and new customers.

# Financial Review

The Group's other businesses (including share of joint ventures and associates), mainly comprising property management, department store operations and financial services continued to perform well with operating profit increased by 6% to HK$1,519 million. YATA delivered satisfactory result with strong sales growth in its supermarket business.

### *Investment property revaluation gain/loss*

The Group's investment properties (including investment properties held by joint ventures and associates) were appraised by independent valuers as at 30 June 2021, giving rise to a revaluation gain of HK$3,204 million (2020: loss of HK$1,137 million) for the Mainland portfolio and a revaluation loss of HK$4,759 million (2020: loss of HK$4,688 million) for the Hong Kong portfolio. The majority of the loss was attributable to the Hong Kong retail portfolio, reflecting lower market rents assumed in the valuation. There is no material change in the capitalization rates used. An attributable net revaluation loss (after related deferred tax and non-controlling interests) of HK$3,105 million (2020: loss of HK$5,510 million) was recognized in the consolidated income statement.

## Financial Resources and Liquidity

### *(a) Capital management, net debt and gearing*

The Group has always maintained a strong capital base and sufficient financial resources to support business development and growth. The Group regularly reviews and manages its capital structure to ensure that it remains financially sound, so that the Group can continue to provide returns to shareholders while keeping financial leverage at a prudent level.

Shareholders' equity was HK$593.8 billion or HK$204.9 per share as at 30 June 2021 compared with HK$571.8 billion as at 30 June 2020, an increase of HK$22 billion. The increase was primarily driven by the net profit attributable to shareholders of HK$26.7 billion and foreign exchange gain of HK$9.6 billion on translation of financial statements of the Mainland and overseas operations, net of dividends paid of HK$14.3 billion.

The Group's strong financial strength allows it to continue raising long-term financing at competitive rates, thus reducing the overall cost of capital. The Group's financial position remains sound with a low debt leverage and high interest cover. Gearing ratio as at 30 June 2021, calculated on the basis of net debt to shareholders' equity of the Company, was 16% compared to 14.1% as at 30 June 2020. Interest coverage was 13.8 times, measured by the ratio of operating profit to total net interest expenses including those capitalized for the current year.

As at 30 June 2021, the Group's gross borrowings totalled HK$116,823 million. Net debt, after deducting bank deposits and cash of HK$21,781 million, amounted to HK$95,042 million. The maturity profile of the Group's gross borrowings is set out as follows:

| | **30 June 2021 HK$ Million** | 30 June 2020 HK$ Million |
|---|---|---|
| Repayable: | | |
| Within one year | **20,979** | 26,375 |
| After one year but within two years | **21,419** | 15,559 |
| After two years but within five years | **41,385** | 41,917 |
| After five years | **33,040** | 28,755 |
| Total bank and other borrowings | **116,823** | 112,606 |
| Bank deposits and cash | **21,781** | 31,705 |
| Net debt | **95,042** | 80,901 |

The Group has also procured substantial undrawn committed banking facilities, most of which are arranged on a medium to long term basis, to help minimize refinancing risk and strengthen the Group's financing flexibility. The Group regularly reviews its liquidity and financing requirements to ensure that available financial resources are sufficient to cover its financing needs.

With ample committed banking facilities in place, continuous cash inflow from property sales and a solid base of recurrent income, the Group has adequate financial resources for its funding requirements and is well positioned to take advantage of investment opportunities when they arise.

### (b) *Treasury policies*

The Group adopts a prudent policy in cash and debt management. The entire Group's financing and treasury activities are centrally managed and controlled at the corporate level. As at 30 June 2021, about 74% of the Group's bank and other borrowings were raised through its wholly-owned finance subsidiaries and the remaining 26% through its operating subsidiaries.

The Group's foreign exchange exposure was small given both its large asset base and operational cash flow are primarily denominated in Hong Kong dollars, which is the Group's presentation currency. The Group may borrow in foreign currencies to finance its operations in Hong Kong, which exposes the Group to currency risk. When appropriate, the Group may enter into cross currency interest rate swaps to hedge the currency risks associated with these borrowings. As at 30 June 2021, about 75% of the Group's total borrowings were denominated in Hong Kong dollars (after cross currency interest rate swaps) and 6% in US dollars, which were raised for financing the Group's business operations in Hong Kong while the remaining 19% were mostly in Renminbi and for financing the construction cost of property projects in the Mainland. The Group is exposed to currency translation risk arising mainly from translating the financial statements of subsidiaries and joint ventures operating in the Mainland. Land acquisition costs for the Mainland projects are principally financed by capital injection funded by the Group's equity and internally generated funds. On-going business operations in the Mainland are financed through internal resources and borrowings in Renminbi as natural hedges to minimize the Group's exposure to exchange rate risk. The Group has not entered into foreign currency derivatives to hedge the translation risk exposure of its net investments in the Mainland. As at 30 June 2021, approximately 19% of the Group's net assets were denominated in Renminbi. Following the Renminbi's appreciation by 9.7% against the Hong Kong dollar as of the reporting date compared with 30 June 2020, the conversion of these net assets into Hong Kong dollar resulted in a translation gain of HK$9.3 billion recognized in the exchange reserve.

The Group has insignificant currency risk exposure associated with certain monetary assets and liabilities denominated in foreign currencies. Where feasible and cost effective, the Group may enter into foreign exchange contracts to reduce the currency risk.

The Group maintained an appropriate combination of fixed and floating rate borrowings to mitigate interest rate risk. As at 30 June 2021, about 56% of the Group's total borrowings were on floating rate basis including those borrowings that were converted from fixed rate basis to floating rate basis through interest rate swaps, and 44% were on fixed rate basis.

As at 30 June 2021, the Group has entered into certain interest rate swaps, cross currency interest rate swaps and forward foreign exchange contracts in the aggregate notional amount of HK$22,443 million to manage its interest rate risk and currency risk exposures. The use of derivative instruments is strictly controlled and solely for managing the Group's underlying financial exposures for its core business operations. It is the Group's policy not to enter into derivative and structured product transactions for speculative purposes.

As at 30 June 2021, about 33% of the Group's bank deposits and cash were denominated in Hong Kong dollars, 62% in Renminbi, and 5% in US dollars. The Renminbi deposits were mostly held by the Mainland subsidiaries for meeting the funding needs of their Mainland projects.

## Charges of Assets

As at 30 June 2021, certain bank deposits of the Group's subsidiaries in the aggregate amount of HK$5 million were pledged for securing guarantees issued by the banks. Additionally, certain assets of the Group's subsidiaries with an aggregate carrying value of HK$1,129 million have been charged as security for bank borrowings. Except for the aforementioned charges, all the Group's assets are free from any encumbrances.

## Contingent Liabilities

As at 30 June 2021, the Group had contingent liabilities in respect of guarantees for bank borrowings of certain joint ventures and other guarantees in the aggregate amount of HK$2,293 million (30 June 2020: HK$2,437 million).

# Investor Relations

Effective mutual communication with stakeholders has enabled the Group to maintain a high level of transparency and collect their feedback for formulating its long-term business strategies. This is inevitably conducive to the better development of the Group and will ultimately facilitate the Group to serve the best interests of all its stakeholders, including shareholders and the community.

The Group keeps its stakeholders well-informed of its latest developments with timely dissemination of corporate information through press releases, public announcements, quarterly magazines, and sustainability reports as well as annual and interim reports. All such documents are promptly uploaded to the corporate website. In addition, the Group's designated investor relations team is dedicated to communicating with the investment community and responding to their enquiries.

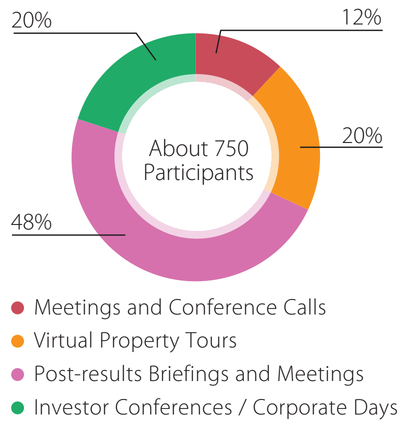
Despite the pandemic, the Group continues to adopt a proactive investor relations outreach programme to provide sufficient corporate access to shareholders and other stakeholders, including analysts, fixed-income investors, credit rating and Environmental, Social and Governance (ESG) rating agencies. During the year, the Group actively participated in online investor conferences, forums and corporate events, as well as self-arranged investor calls to maintain regular dialogues with local and overseas investors. The Group's senior executives convened virtual post-results analyst briefings to answer questions and collect feedback from analysts.

To minimize the negative impact from cross-border travel restrictions amid the pandemic and assist overseas investors to stay close to its key developments, the Group offered virtual tours of its landmark integrated projects in Shanghai through tailor-made videos. Although the full recovery of cross-border travel may take a while longer, the Group will continue to leverage various communication platforms to better engage with the investment community.

Identifying increased awareness of ESG, the Group has been proactively communicating with analysts, investors and rating agencies who focus on ESG to convey its sustainability policies and initiatives. Investors and analysts are invited to take part in regular stakeholder engagement exercises to gauge their comments on the Group's sustainability performance.

The Group has been acclaimed by international financial publications over the years, which serves as an endorsement of its seasoned management team and dedication to investor relations.

## Communications with the Investment Community in Financial Year 2020/21





*Virtual post-results-announcement analyst briefing*

## Major Investor Relations Events in Financial Year 2020/21

| Quarter | Event |
|---|---|
| **2020** | |
| 3rd Quarter | • 2019/20 annual results announcement<br>– Virtual analysts briefing<br>– Post-results calls with fund managers<br>• Virtual investor forum |
| 4th Quarter | • Virtual investor conferences<br>• Virtual property tours |
| **2021** | |
| 1st Quarter | • Virtual investor conferences and summit<br>• 2020/21 interim results announcement<br>– Virtual analysts briefing<br>– Post-results calls with fund managers |
| 2nd Quarter | • Virtual investor conferences<br>• Virtual investor corporate day<br>• Updated meetings and calls with analysts, investors and credit rating agencies |

## Awards

### *Financial Year 2020/21*

***Euromoney magazine***

- Best Overall Developer in Asia Pacific, China and Hong Kong categories
- Best Retail/Shopping Developer in Asia Pacific, China and Hong Kong categories
- Best Residential Developer in Global, Asia Pacific, China and Hong Kong categories
- Best Office/Business Developer in Asia Pacific, China and Hong Kong categories
- Best Industrial/Warehouse Developer in Hong Kong category
- Best Innovative Green Development Developer in Global, Asia Pacific, China and Hong Kong categories
- Best Mixed-Use Developer in Global, Asia Pacific, China and Hong Kong categories
- Best Overall Investment Managers in China and Hong Kong categories

***FinanceAsia magazine***

- Asia Pacific's Best Real Estate Company
- Hong Kong's Most Committed to Environmental Stewardship

***Asiamoney magazine***

- Most Outstanding Company in Hong Kong — Real Estate Sector

***Corporate Governance Asia magazine***

- Asia's Best CEO
- Asia's Best CSR
- Hong Kong's Best Environmental Responsibility
- Hong Kong's Best Investor Relations Company
- Hong Kong's Best Investor Relations Professional

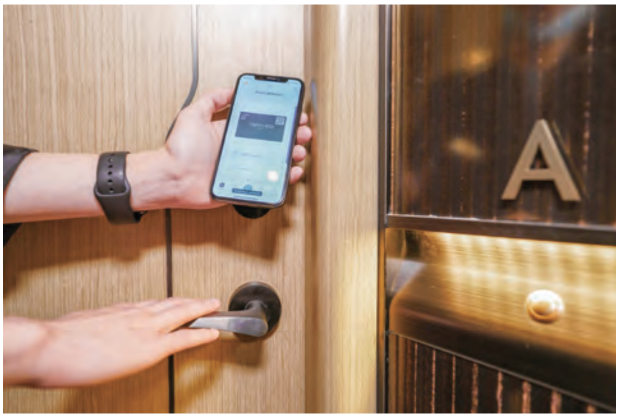

*The Group clinched a number of honours in the Real Estate Survey 2020, organized by Euromoney*

# Sustainable Development

Energy-saving solar panels are installed in residential projects

The Group strikes a balance between development and environmental conservation

# Sustainable Development



Mobile door key helps promote a smart lifestyle

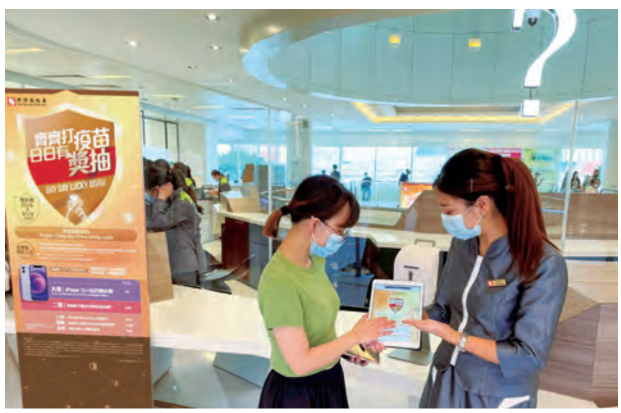
In keeping with the Building Homes with Heart philosophy, the Group has been stepping up its efforts to raise its standards and improve practices in sustainable development. As such, sustainability development policies are constantly reviewed by top management in order to drive and develop suitable sustainability strategies, contributing to the accomplishment of a carbon-neutral society over the long term and forming a better, sustainable environment for future generations. To pursue long-term growth and contribute towards the broader United Nation's Sustainable Development Goals, the Group strives to continue to make progress on Environmental, Social and Governance (ESG) issues.

During the year, the Group achieved better sustainability performance and published a set of sustainability policies. In addition, through quality enhancement in products and services, nourishing talent and continued support to the community, the Group's ESG performance has been further strengthened. To help combat climate change, the Group has established certain environmental targets, including reduction of energy consumption, greenhouse gas emission, water usage and construction waste. Additionally, the Group aims to attain Leadership in Energy and Environmental Design (LEED) certifications for all its new properties for investment purpose, in particular the core commercial projects under construction which are designed to obtain LEED Gold or above ratings. All these efforts have reflected the Group's commitment in the pursuit of environmental protection and conservation.

Despite challenges arising from the pandemic during the year, the Group's efforts in sustainable development were recognized by respected organizations and the financial community. It was named one of the top three companies in the Hang Seng Corporate Sustainability Index for the third consecutive year, and remained a constituent member of the FTSE4Good Global Index. The Group also attained top five rankings in both the Hong Kong Business Sustainability Index and the Greater Bay Area Business Sustainability Index, presented by the Chinese University Business School.

The Group will continue to communicate and engage with different stakeholders, including customers, tenants, employees and business partners, on ESG issues with a view to exploring opportunities to further enhance sustainable standards, practices and policies in order to create long-term and sustainable value for stakeholders.

Thorough inspection of properties before handover to ensure exceptional quality




Promotional campaign to support the HKSAR Government's Early Vaccination for All scheme

SHKP Club members visit the 5G LAB at Sky100 Hong Kong Observation Deck

## Commitment to Quality Products and Services

Over the years, the Group has placed top priority on customer satisfaction, with a commitment to continuous improvement and providing premium products and services to its customers. Recognizing that quality is crucial for building trust and confidence with customers, the Group offers a first-three-year warranty for its new residential properties in Hong Kong, pioneering the industry. In addition, a Quality Raising Suggestion Scheme has been organized each year to improve the quality of its products and services. Many suggestions have been widely applied to the Group's business. With its well-established premium brand, the Group has won great acclaim from the market, its customers and international media. During the year, the Group received 24 awards from *Euromoney*, including Hong Kong's Best Overall Developer and Asia Pacific's Best Overall Developer. For the 16th consecutive year, the Group has received the Platinum Trusted Brand Award from *Reader's Digest* magazine.

With the introduction of 5G service in Hong Kong last year, the Group has stepped up its efforts to actively develop 5G-related systems for increased convenience, higher efficiency and to create better experiences for customers, tenants, workers and shoppers. Leveraging SmarTone's expertise in corporate solutions, the Group developed related digital solutions for different departments and subsidiaries according to the needs of their business. For example, the construction division and SmarTone have jointly developed SmartWorks to strengthen occupational safety and workers' health. With an array of new technology applications to enhance construction quality, the Group's 98 How Ming Street integrated project in Kwun Tung earned the Gold Award in the Innovative Safety Initiative Award 2020 (Health & Welfare), jointly organized by the Development Bureau, the Construction Industry Council and the Hong Kong Construction Association.

Apart from 5G applications, the Group continued to apply advanced technologies to enhance the quality of property management, including partnering with local universities to modify Building Information Modelling (BIM) for completed properties to enhance management efficiency. Joint efforts were made with innovation and technology companies to apply unmanned aircraft systems with artificial intelligence for the inspection of building exterior walls, thus reducing labour, time and cost of inspections.

During the year, anti-pandemic measures were adopted to ensure a high level of health and safety protection for the Group's shopping malls, office buildings and residential properties. For example, the ICC introduced prudent and all-rounded disease prevention and control measures such as a high-tech smart anti-pandemic robot and touchless facilities. These have provided tenants with a safe and hygienic workplace and won the confidence of customers. In addition, it also designed an exclusive Smart Community App for the newly completed project Wetland Seasons Park. Residents can use the touchless door control and lift button functions in the app to avoid daily contact with resident cards and lift buttons.

Providing customers with a fast and convenient shopping experience, the Group continued to add thoughtful and innovative features to its SHKP Malls App to satisfy customers' needs and provide increased business opportunities to its merchants. The Group leveraged artificial intelligence to process customer-uploaded documents in the App, facilitating the redemption of points and rewards. Smart restroom systems and smart hotel management systems were introduced in shopping malls and hotels to enhance customers' experience.

The Group has proactively listened to customers' opinions through various channels in order to better serve their needs. The SHKP Club, the first and one of the largest developer-loyalty clubs in Hong Kong, has recorded a membership of over 430,000. Serving as a two-way communication bridge between the Group and its customers, the Club has enabled the Group to better understand customers' needs and requirements for products and services. With changes in people's living habits arising from the pandemic, the Club continued to engage its members through online activities, including show-flat tours and various online workshops.

# Sustainable Development

The Group participated in the HKSAR Government's Greater Bay Area Youth Employment Scheme to provide career development opportunities for young people

## Continuous Staff Development

Employees are regarded as the Group's most valuable assets. Providing fair development opportunities and ample support, the Group has committed resources for its 38,500-plus workforce to create a people-centric and harmonious working environment. All these efforts have been able to cultivate an experienced, knowledgeable and performing team, and to offer career development for staff.

Staff members are encouraged to pursue continuous learning in order to enhance their skills and capabilities. During the year, over a thousand classes in diverse disciplines have been organized through the Group's longstanding learning platform SHKP Quality Academy. Despite challenges of the continued pandemic, the Group has also arranged over 100 webinars for about 7,000 participants on topics related to information technology, health and well-being, self-growth, career progression and property-related knowledge. To keep staff abreast of the latest market trends, the Group has customized a training curriculum on data analysis and digital marketing for relevant staff members, inviting external experts to share their knowledge on the latest developments in data analysis, blockchains, artificial intelligence and social media marketing.

Regular departmental sharing sessions have also been arranged to provide opportunities for staff members to gain a better understanding of departmental specialties as well as the Group's operations, fostering inter-departmental collaborations. In addition, adequate training resources, including a training library, e-learning programmes and reference materials, are provided to employees to increase the flexibility of self-learning.

The Group continues to nourish young talent, not only for its business growth but also for the development of the industry and society. During the year, the Group's Management Trainee Programme and Graduate Surveyor and Graduate Engineer programmes have undergone continuous enhancement. These programmes provide extensive on-the-job training and learning opportunities for graduates from leading local, mainland and overseas universities. The summer internship programme also offers university students opportunities to explore their career interests and develop their working skills. This year, the Group took part in the Greater Bay Area Youth Employment Scheme, enabling young people to explore new career development opportunities in the Greater Bay Area. Among real estate developers in Hong Kong, the Group has the largest number of first-batch recruits in the scheme.

Regular interest classes for staff include an online coffee workshop

Recognizing the importance of maintaining employees' health and safety amid the pandemic, the Group extended its care to employees by providing anti-pandemic items, arranging flexible work schedules and providing free virus-screening tests. To support Hong Kong in achieving herd immunity, the Group has become one of the first property developers to participate in the HKSAR Government's outreach vaccination service. To further encourage employees to get vaccinated, such incentives as lucky draws, vaccination leave and free pre-vaccination body checks are offered to staff at the headquarters and the Group's subsidiaries.

The Group has organized a series of workshops and interest classes covering arts and crafts, floral designs and coffee making, which are intended to promote healthy lifestyle routines through work-life balance. In addition, professional counselling services are provided via a 24-hour Hearty Hotline and regular face-to-face counselling sessions to support employees in handling their personal and work challenges. Apart from its employees, the Group has also reached out to their families, continuing its support for children of eligible staff to pursue university education through the SHKP Group Undergraduate Scholarship Scheme and the SHKP-AFS Intercultural Exchanges Scholarship.

Wetland Seasons Park is well planned to integrate into the natural surroundings

## Commitment to the Environment

The Group endeavours to contribute towards further transforming Hong Kong into a sustainable city through optimizing resource efficiency, reducing carbon footprint and strengthening its commitment to a sustainable environment.

As a responsible corporate citizen, the Group has formulated climate change policies and continued to update an array of sustainability policies. These policies detail the approach to applying sustainable development principles in its operations, from building design and construction to supply chain and property management. The Group has accomplished its five-year energy reduction target and set a new 10-year target for selected properties. This year, the Group has also established other environmental targets, including greenhouse gas emission as well as water and waste management. The Group also promotes a wider use of electric vehicles (EVs) in Hong Kong by installing EV charging stations at its new developments encompassing residential projects and shopping malls. These actions demonstrate the Group's commitment to combat climate change and protect and preserve the environment.

To strike a balance between project development and environmental protection, the Group is dedicated to integrating conservation elements into its residential projects. Having accumulated experience from developing PARK YOHO in Yuen Long into Hong Kong's first residential project that integrates wetland conservation, the Group continues to adopt a stepped layout design for Wetland Seasons Park, its large-scale residential project. Indigenous trees of different species were also planted at the project's boundary to provide an ecological buffer zone, enabling residents to enjoy a green and healthy lifestyle.

# Sustainable Development


The Group's signature reading promotion programme, SHKP Reading Club's Read to Dream, was kicked off in summer to engage students in happy reading activities

Underscoring a commitment to continuously improving its sustainable development, the Group has advocated the promotion of renewable energy and the implementation of green property management. As such, solar panels were installed in the Group's construction sites at Shap Sz Heung to generate energy for its on-site offices. In addition, a number of the Group's residential, commercial and industrial buildings have been equipped with solar panels, creating a sustainable green community for customers. To address the significant increase in the use of disposable tableware during the pandemic, the Group partnered with Green Earth to pilot a disposable tableware recycling programme in several of its residential developments, achieving remarkable results.

The Group has long supported the Environment Bureau's Charter on External Lighting and the Energy Saving Charter on Indoor Temperature, and continued introducing smart solutions in buildings. Technologies such as the Internet of Things, cloud computing, big data, and BIM are applied to enhance the effectiveness of property management and reduce energy consumption, creating more environmentally-friendly buildings and communities. This year, with the aid of these advanced technologies, ICC has become the first building in Hong Kong to obtain the Outstanding rating, the highest honour under the BREEAM In-Use scheme. Ranked in the top 3% of green buildings around the globe for its excellent management, ICC has set a rigorous standard for the city. Moreover, the skyscraper has also been the first building in Hong Kong to earn the WELL Health-Safety Rating for Facility Operations (WELL HSR) certificate.

Through partnerships with environmental NGOs, the Group actively engages the community to raise conservation awareness. Its Love Nature Campaign conducted online puppetry for 12 schools during the year and produced textbooks and interactive videos suitable for kindergarten and primary school students, attracting the participation of about 180,000 children. Nature Rescue, a mobile app jointly developed by the Group and Green Power to clean up the countryside and beaches, has been put to good use during the pandemic, making it more convenient for citizens to organize clean-up campaigns.

## Corporate Social Responsibility

Putting into practice the Group's belief in Building Homes with Heart, the Group is committed to deploying resources to care for the underprivileged, promote reading and support youth development. In recognition of its active and positive contribution to the community, the Group was awarded the 15 Years Plus Caring Company Logo by The Hong Kong Council of Social Service.

To help cope with the housing shortage and improve the living conditions of the underprivileged, the Group leased a plot of land in Tung Tau, Yuen Long, to the Hong Kong Sheng Kung Hui Welfare Council at a nominal rent. The site will be developed into a transitional housing project, namely the United Court, providing about 1,800 units with 250,000 square feet of gross floor area. United Court is conveniently located close to public transportation networks and community facilities. Construction of the project commenced during the year and is scheduled for completion in 2022.

To express love and care, the Group is dedicated to giving back to the community. Through the SHKP-Kwoks' Foundation, the Group has continued to participate in charitable projects in education and training, poverty alleviation, and medical and social services, benefitting needy people both in Hong Kong and on the mainland. In view of the massive downpours in Henan Province, the Group has donated RMB 20 million to support the flood relief and post-disaster rebuilding work, helping affected people in the area to weather this hardship. In Hong Kong, members of the Building Homes with Heart Caring Initiative arrange regular visits, organize festive activities and distribute daily necessities to the needy. The SHKP Volunteer Team also actively promoted the brand-new Community Volunteer Partner method, sharing basic building inspection and decoration knowledge with community volunteers to benefit more people in need. This year, the Group participated in the Love Family Love Community project, providing pre-flat intake inspection and essential decoration services for disadvantaged people who moved into Tung Wui Estate from Mei Tung Estate under redevelopment.

To promote happy family life in society, the SHKP Club organized the annual Bliss of Loving Home themed campaign, with the Loving Home with Endless Joy Competition to invite the public to share pleasant stories. In support of the population-wide vaccination campaign and safeguard public health against COVID-19, the Group also rolled out a daily Lucky Draw campaign from July to August 2021 to encourage people to get vaccinated. Following the Group's initiative, the SHKP Club also held a lucky draw for about a month to motivate members and their families to get a jab. To help young people pursue technological innovation and entrepreneurship, the Group continued to sponsor fully equipped offices to the Hong Kong X-Tech Startup Platform at a nominal rent.

Despite the cancellation or postponement of the Group's signature sports events due to the pandemic, including the SHKP Vertical Run for Charity — Race to Hong Kong ICC, the Sun Hung Kai Properties Hong Kong Cyclothon and the Sun Hung Kai Properties Hong Kong 10K Championships, the Group has relentlessly continued to promote healthy lifestyles and sports for charity through virtual sports events and support for other sports groups. For example, the Group sponsored Bike SUNday x SHKP Supernova Virtual Race 2021, Hong Kong's first large-scale eSport cycling competition, gathering the city's cyclists to vie for glory. Since 2019, the Group has officially sponsored the SHKP Supernova Cycling Team, dedicated to promoting cycling and nurturing elite cycling athletes for Hong Kong. Undergoing systematic cycling training, five team members have become part of the Hong Kong Cycling Team and three for the Hong Kong Junior Cycling Team. The Group also continued to support external sports events, such as the Hike for Hospice organized by The Society for the Promotion of Hospice Care.

The SHKP Reading Club is committed to developing a reading culture in society. Its signature programme Read to Dream was carried out in a digital format through an online reading platform 'Read For More'. The Club has teamed up with new community partners, including the Federation of New Territories Youth and the Tai Po Youth Association, to spread the joy of reading in the community. In addition to flexibly arranging live webcasts, the Club's Read and Share programme organized outreach activities in 20 secondary schools when face-to-face classes resumed in phases. The programme also offered reading promotion sponsorships to 31 primary and secondary schools, demonstrating its support for happy reading on campuses.

*SHKP Volunteer Team prepares lucky bags for the needy*


*The Group sponsored Hong Kong's first large-scale virtual cycling race – Bike SUNday X SHKP Supernova Virtual Race 2021*

# Corporate Governance Report

Maintaining high standards of business ethics and corporate governance has always been one of the Group's prime tasks. It believes that conducting the Group's businesses in an open and responsible manner and following good corporate governance practices serve its long-term interests and those of its shareholders. Details of the Group's investor relations initiatives and the recognition it has received for good management and corporate governance are set out under the "Investor Relations" section of this annual report.

## Corporate Governance Practices

Rigorous standards of corporate governance enhance the Group's accountability and transparency, earning the confidence of its shareholders and the public. The Company has complied with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 30 June 2021, except that there is no separation of the roles of chairman and chief executive.

The Board of Directors of the Company (the "Board") continues to monitor and review the Company's corporate governance practices to ensure compliance.

## Board of Directors

### *Board Composition*

The Board currently has 17 Directors comprising seven Executive Directors, two Non-Executive Directors and eight Independent Non-Executive Directors. Further details of the composition of the Board are set out on page 2.

During the year ended 30 June 2021, the changes to the composition of the Board were as follows:

– Dr. Lee Shau-kee retired as a Non-Executive Director of the Company and ceased to act as the Vice Chairman of the Board at the annual general meeting of the Company held on 5 November 2020 (the "2020 AGM");

– Mr. Leung Kui-king, Donald retired as an Independent Non-Executive Director of the Company at the 2020 AGM; and

– Mr. Kwong Chun resigned as an Executive Director of the Company with effect from 9 April 2021.

An updated list of Directors identifying their roles and functions (the "Directors List") is maintained on the websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEX"). Independent Non-Executive Directors are identified as such in the Directors List and all other corporate communications containing the names of the Directors.

Mr. Kwok Ping-luen, Raymond is an uncle of Mr. Kwok Kai-fai, Adam and Mr. Kwok Kai-chun, Geoffrey. He is also the father of Mr. Kwok Kai-wang, Christopher and Mr. Kwok Ho-lai, Edward. Mr. Kwok Kai-wang, Christopher is a cousin of Mr. Kwok Kai-fai, Adam and Mr. Kwok Kai-chun, Geoffrey, and the younger brother of Mr. Kwok Ho-lai, Edward. Save as disclosed above, there are no family or other material relationships among the members of the Board.

### *Board Diversity*

Prior to the implementation of the code provision in the Code on board diversity in September 2013, the Company adopted a board diversity policy (the "Diversity Policy") setting out the approach to achieve diversity of the Board members in June 2013. The Company is committed to equality of opportunity and does not discriminate on the grounds of race, gender, age, disability, nationality or any other factors. It also recognizes and embraces the benefits of diversity in Board members. The Company sees diversity as a wide concept and believes that diversity of Board members can be achieved through consideration of a number of factors, including but not limited to background, age, gender, culture, industry experience, skills and knowledge, educational background and other qualities. The Company takes into account these factors based on its own business model and specific needs from time to time as well as the availability of suitable candidates in the market. The Nomination Committee monitors the implementation of the Diversity Policy and reviews the same as appropriate.

The Board consists of a diverse mix of Board members in terms of age, gender and tenure of office. Besides, the members of the Board come from a variety of different backgrounds and have a diverse range of business, financial services and professional experience. The Company requests the Directors to disclose annually to the Company the number and nature of offices held in public companies or organizations and other significant commitments with an indication of the time involved. The Directors' biographical information is set out on pages 147 to 157 and is also available on the website of the Company.

The Board believes that the balance between Executive and Non-Executive Directors (including Independent Non-Executive Directors) is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of the shareholders and the Group. Non-Executive Directors and Independent Non-Executive Directors provide the Group with diversified expertise and experience. Their views and participation in Board and committee meetings bring independent judgment and advice on issues relating to the Group's strategies, performance, conflicts of interest and management process, and ensure that the interests of the shareholders are taken into account.

The Company currently has eight Independent Non-Executive Directors, representing more than one-third of the Board, and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. The Company has received from all Independent Non-Executive Directors their confirmation of independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules (the "Independence Guidelines") and considers that they are independent. The re-election of the Independent Non-Executive Directors at the forthcoming AGM has been reviewed by the Nomination Committee and further details are set out in the section headed "Nomination Committee and Appointment of Directors" below.

### *Board Meetings*

The Board meets at least four times a year, and a tentative schedule for regular Board meetings for each year is provided to the Directors prior to the beginning of each calendar year. In addition, at least 14 days' notice of all regular Board meetings together with the meeting agenda is given to all Directors such that all Directors are given the opportunity to include matters for discussion in the agenda. Meeting agenda and accompanying meeting papers are sent to all relevant Directors at least three days in advance of every regular Board meeting and committee meeting. Directors may participate in meetings in person, by phone or by other communication means. Between regularly scheduled Board meetings, Directors may approve various matters by way of passing written resolutions. Additional Board meetings may be convened, if necessary.

The Company Secretary assists the Chairman in preparing the agenda for the Board meetings and ensures that all applicable rules and regulations regarding the proceedings of the Board meetings are followed. Draft and final versions of minutes of each Board meeting are sent to all Directors for their comments and records respectively within a reasonable time. The Company also keeps detailed minutes of each Board meeting, which are available for inspection by all Directors.

All Directors have confirmed that they have given sufficient time and attention to the affairs of the Group during the year ended 30 June 2021. During the year, the Board discussed the overall strategies of the Group, monitored its financial and operational performance, and approved the annual and interim results of the Group. In addition, it approved two announcements regarding the retirement of a Non-Executive Director and an Independent Non-Executive Director as well as the resignation of an Executive Director. It also approved the appointment of a member of each of the Audit and Risk Management Committee and the Executive Committee, a connected transaction regarding the formation of a joint arrangement for a property redevelopment project and two announcements with respect to the issuance and the redemption of debt instruments by a wholly-owned subsidiary of the Company respectively.

The Board held four regular meetings during the year ended 30 June 2021, and the attendance records of the Directors at the Board meetings are set out below:

| Directors | Meetings attended/held |
|---|---|
| **Executive Directors** | |
| Kwok Ping-luen, Raymond | 4/4 |
| Wong Chik-wing, Mike | 4/4 |
| Lui Ting, Victor | 4/4 |
| Kwok Kai-fai, Adam | 4/4 |
| Kwok Kai-wang, Christopher | 4/4 |
| Kwong Chun[1] | 0/3 |
| Tung Chi-ho, Eric | 4/4 |
| Fung Yuk-lun, Allen | 4/4 |
| **Non-Executive Directors** | |
| Lee Shau-kee[2] | 0/2 |
| Kwan Cheuk-yin, William | 3/4 |
| Kwok Kai-chun, Geoffrey | 4/4 |
| **Independent Non-Executive Directors** | |
| Yip Dicky Peter | 4/4 |
| Wong Yue-chim, Richard | 4/4 |
| Li Ka-cheung, Eric | 4/4 |
| Fung Kwok-lun, William | 4/4 |
| Leung Nai-pang, Norman | 4/4 |
| Leung Kui-king, Donald[2] | 0/2 |
| Leung Ko May-yee, Margaret | 4/4 |
| Fan Hung-ling, Henry | 4/4 |
| Wu Xiang-dong | 2/4 |

1 *Mr. Kwong Chun resigned as a Director with effect from 9 April 2021*

2 *Dr. Lee Shau-kee and Mr. Leung Kui-king, Donald retired as Directors with effect from 5 November 2020*

Directors have access to relevant and timely information, and they can ask for further information or retain independent professional advisors if necessary. They also have access to the advice and services of the Company Secretary, who is responsible for providing Directors with Board papers and related materials and ensuring that Board procedures are followed. Directors are given sufficient time for discussion at the Board meetings. Management is invited to join the Board meetings, where appropriate, to provide information to the Directors to enable the Board to make informed decisions. Where queries are raised by Directors, prompt and full responses will be given if possible.

Directors are required to declare their interests (if any) in the matters to be considered at the Board meetings in accordance with the articles of association of the Company (the "Articles of Association"). Should a potential conflict of interest involving a substantial shareholder or a Director arise, the matter will be dealt with by a physical meeting rather than by written resolution. Independent Non-Executive Directors with no conflict of interest will be present at meetings dealing with such conflict issues. Pursuant to the Articles of Association, a Director who is considered to be materially interested in the matter shall abstain from voting on the resolution approving such matter.

The Company has arranged appropriate directors and officers liability insurance in respect of legal action against Directors. In addition, each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto in accordance with the Articles of Association.

### *Chairman*

Mr. Kwok Ping-luen, Raymond is the Chairman and Managing Director of the Company. This is at variance with code provision A.2.1 of the Code, which provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Although the positions of Chairman and Managing Director are not separate, the powers and authorities have not been concentrated as all major decisions have been made in consultation with the Board and appropriate Board committees, as well as top management. In addition, there are two Non-Executive Directors and eight Independent Non-Executive Directors on the Board offering their experience, expertise, independent advice and views from different perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards in place.

The Chairman is primarily responsible for leading the Board and ensuring that it functions effectively and smoothly. Directors are encouraged to participate actively in all Board and committee meetings of which they are members.

During the year ended 30 June 2021, the Chairman held a meeting with the Independent Non-Executive Directors without the presence of the other Directors, in which the Independent Non-Executive Directors can share their views and raise any issues in the absence of other Directors and management of the Company.

### *Training and Support for Directors*

Directors must keep abreast of their collective responsibilities. Each newly appointed Director or Alternate Director would be provided an induction package containing an overview of the Group's businesses and the applicable statutory and regulatory obligations of a director of a listed company, and he or she would receive briefing on his or her responsibilities under the declaration and undertaking with regard to directors from an external lawyer of the Company.

The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills. The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable legal and regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are also issued to the Directors and the senior executives where appropriate to keep them abreast of any latest changes in applicable legal and regulatory requirements and corporate governance practices. In addition, external experts are invited to give seminars to the Executive Directors and the senior executives to update their skills and knowledge.

During the year ended 30 June 2021, a training package regarding anti-corruption was provided to the Directors. The Directors also participated in the following trainings:

| Directors | Types of training: Attending or giving talks at seminars and/or conferences and/or forums and/or briefings | Types of training: Reading materials on various topics* |
|---|---|---|
| **Executive Directors** | | |
| Kwok Ping-luen, Raymond | ✓ | ✓ |
| Wong Chik-wing, Mike | ✓ | ✓ |
| Lui Ting, Victor | ✓ | ✓ |
| Kwok Kai-fai, Adam | ✓ | ✓ |
| Kwok Kai-wang, Christopher | | ✓ |
| Tung Chi-ho, Eric | ✓ | ✓ |
| Fung Yuk-lun, Allen | ✓ | ✓ |
| Kwok Ho-lai, Edward *(Alternate Director to Kwok Ping-luen, Raymond)* | ✓ | ✓ |
| **Non-Executive Directors** | | |
| Kwan Cheuk-yin, William | ✓ | ✓ |
| Kwok Kai-chun, Geoffrey | | ✓ |
| **Independent Non-Executive Directors** | | |
| Yip Dicky Peter | ✓ | ✓ |
| Wong Yue-chim, Richard | | ✓ |
| Li Ka-cheung, Eric | ✓ | ✓ |
| Fung Kwok-lun, William | ✓ | ✓ |
| Leung Nai-pang, Norman | ✓ | ✓ |
| Leung Ko May-yee, Margaret | ✓ | ✓ |
| Fan Hung-ling, Henry | | ✓ |
| Wu Xiang-dong | ✓ | ✓ |

* *Topics include the Company's business, corporate governance matters, and directors' duties and responsibilities*

### *Compliance with Model Code*

The Company follows the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct for the Directors and the relevant employees who are likely to possess inside information of the Group (the "Relevant Employees") in their dealings in the Company's securities.

Before the Group's interim and annual results are announced, notifications will be sent to the Directors and the Relevant Employees to remind them not to deal in the securities of the Company during the blackout periods. In response to specific enquiry made by the Company, all Directors have confirmed that they have complied with the Model Code during the year ended 30 June 2021.

## Delegation by the Board

The Board directs and approves the Group's overall strategies. Given the diversity and volume of the Group's businesses, responsibilities for execution and daily operations are delegated to management. The Board gives clear directions as to management's power, and periodically reviews the delegations to management to ensure that they are appropriate and continue to be beneficial to the Group as a whole.

The Board has delegated specific roles and responsibilities to the Executive, Remuneration, Nomination, and Audit and Risk Management Committees. These Committees have specific terms of reference clearly defining their powers and responsibilities, and they are required by their terms of reference to report to the Board in relation to their decisions, findings or recommendations, and in certain specific situations, to seek the Board's approval before taking any action. Meetings of the Committees are convened as often as necessary and some decisions of the Committees are made by way of passing written resolutions.

## Executive Committee

The Executive Committee was established in 1977 and now consists of all seven Executive Directors and seven full time senior executives of the Group as its members, including a full time senior executive of the Group who was appointed by the Board as a new member of the Committee in May 2021. A list of the current members of the Committee and their biographical information are set out on page 2 and pages 147 to 159 respectively. In addition, four senior executives holding major positions in the Group have been invited by the Committee to attend its meetings regularly as associate members, and to contribute their experience and expertise to assist the Committee in its decision-making process. A list of the current associate members of the Committee is set out on page 159.

The Executive Committee meets regularly, usually once every week. It is primarily responsible for formulating business policies, making decisions on key business issues and policies, facilitating the approval of certain corporate actions and exercising the powers and authority delegated by the Board in respect of matters which arise between regularly scheduled Board meetings. A summary of the minutes of the meetings of, and the written resolutions passed by, the Executive Committee is provided to the Board for review at each regular Board meeting.

The Board has delegated to the Executive Committee its responsibilities to develop, review and monitor the policies and practices on corporate governance of the Group and to make recommendations to the Board, to review and monitor the Company's policies and practices on legal and regulatory compliance, to review and monitor the code of conduct and ethical behaviour applicable to the Directors and employees and the training and continuous professional development of Directors and senior management, and to review the Company's compliance with the Code and disclosures in the corporate governance report.

During the year ended 30 June 2021, the Executive Committee oversaw the daily business operations of the Group and made key business decisions. In addition, the Committee reviewed the Company's compliance with the Code and the applicable statutory and regulatory requirements, and the disclosure in the corporate governance report. The attendance records of the members at the Committee meetings held during the year are set out below:

| **Committee members** | **Meetings attended/held** |
|---|---|
| Kwok Ping-luen, Raymond | 50/51 |
| Wong Chik-wing, Mike | 49/51 |
| Lui Ting, Victor | 51/51 |
| Kwok Kai-fai, Adam | 50/51 |
| Kwok Kai-wang, Christopher | 48/51 |
| Kwong Chun[1] | 0/39 |
| Tung Chi-ho, Eric | 51/51 |
| Fung Yuk-lun, Allen | 44/51 |
| Chow Kwok-yin, Eric | 40/51 |
| Yung Sheung-tat, Sandy | 51/51 |
| Li Ching-kam, Frederick | 50/51 |
| Fung Sau-yim, Maureen | 48/51 |
| Chan Hong-ki, Robert | 50/51 |
| Lam Ka-keung, Henry | 51/51 |
| Lau Tak-yeung, Albert[2] | 6/7 |

1 *Mr. Kwong Chun ceased to act as a member with effect from 9 April 2021*

2 *Mr. Lau Tak-yeung, Albert was appointed as a member with effect from 17 May 2021*

## Remuneration Committee

The Remuneration Committee was established in June 2005 and is chaired by Professor Wong Yue-chim, Richard, an Independent Non-Executive Director. Other members of the Committee are Dr. Li Ka-cheung, Eric, Mr. Kwan Cheuk-yin, William and Dr. Leung Nai-pang, Norman. All members are Non-Executive Directors and the majority of them are Independent Non-Executive Directors.

The Company has adopted the model to delegate the determination of the remuneration packages of individual Executive Directors to the Remuneration Committee. The Committee is responsible for formulating and recommending remuneration policy to the Board and reviewing and making recommendations on compensation-related issues. The fees for the Directors are subject to the approval of the shareholders at the general meetings in accordance with the Articles of Association. The Committee, with the assistance of the Head of Internal Affairs, consults with the Chairman on its proposals and recommendations if necessary, and also has access to independent professional advice if necessary. The Committee is also provided with sufficient resources enabling it to perform its duties. The Committee's specific terms of reference are available on the websites of the Company and HKEX.

During the year ended 30 June 2021, the Remuneration Committee reviewed the Directors' fees and the emoluments of the Executive Directors. Particulars of the Directors' emoluments are set out in note 7 to the consolidated financial statements. The Committee held a meeting during the year and the attendance records of the members at the meeting are set out below:

| Committee members | Meeting attended/held |
|---|---|
| Wong Yue-chim, Richard | 1/1 |
| Li Ka-cheung, Eric | 1/1 |
| Kwan Cheuk-yin, William | 1/1 |
| Leung Nai-pang, Norman | 1/1 |

## Nomination Committee and Appointment of Directors

The Nomination Committee was established in June 2005 and is chaired by Professor Wong Yue-chim, Richard, an Independent Non-Executive Director. Other members of the Committee are Mr. Kwan Cheuk-yin, William, Mr. Yip Dicky Peter and Dr. Leung Nai-pang, Norman. All members are Non-Executive Directors and the majority of them are Independent Non-Executive Directors.

The Nomination Committee is responsible for formulating policy and making recommendations to the Board on the appointment and re-appointment of Directors, and Board succession. A nomination policy setting out the current nomination practice, such as the criteria and procedures for the selection, appointment and re-appointment of the Directors, has been adopted by the Company. Under the policy, the Committee will evaluate potential candidates by considering various factors, including their professional expertise, industry and business experience, time commitments, potential contribution to board diversity, and material conflict of interest with the Group (if any). The Committee will also consider the independence of candidates with reference to the Independence Guidelines if they will be appointed as Independent Non-Executive Directors. The Committee will then make recommendation of suitable candidates to the Board for consideration of appointment. In case of re-appointment of existing Directors who will retire at AGMs or general meetings of the Company, the Committee will review the rotation and retirement of Directors and make recommendations to the Board accordingly.

The Nomination Committee also reviews the size, structure and composition of the Board. Sufficient resources are provided to the Committee to enable it to perform its duties, and it can seek independent professional advice at the Company's expense if necessary. The Committee's specific terms of reference are available on the websites of the Company and HKEX.

During the year ended 30 June 2021, the Nomination Committee reviewed the structure, size and composition of the Board. It also reviewed the retirement and re-election of Directors at the forthcoming AGM, including the re-election of the retiring Independent Non-Executive Directors. The Nomination Committee reviewed the biographies of those Independent Non-Executive Directors who will be subject to retirement and re-election at the forthcoming AGM (the "Retiring INEDs"), and taking into consideration their knowledge, experience, capability and various diversity aspects as set out in the Diversity Policy as well as their contribution to the Company over the years, the Committee is of the view that the Retiring INEDs will continue to contribute to the Board with their respective perspectives, skills and experience.

In addition, none of the Retiring INEDs has any financial or family relationships with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company, which could give rise to a conflict of interests situation or otherwise affect their exercise of independent judgement. The Nomination Committee believes that the Retiring INEDs remain committed to their role as Independent Non-Executive Directors of the Company and will continue to be independent.

Dr. Li Ka-cheung, Eric (being one of the Retiring INEDs) has served the Company for more than nine years, during which period he has provided professional advice and insight to the Board with his extensive experience in the accounting industry. Dr. Li has in-depth understanding of the Group's business and operation and has also demonstrated strong independence by providing impartial views and comments at Board and Board committee meetings during his tenure of office. He has not taken part in the day-to-day management of the Company. The Nomination Committee considered that his long service will not affect his exercise of independent judgment and was satisfied that Dr. Li has the required integrity and experience to continue fulfilling the role of an Independent Non-Executive Director.

The Nomination Committee held a meeting during the year ended 30 June 2021 and the attendance records of the members at the meeting are set out below:

| **Committee members** | **Meeting attended/held** |
|---|---|
| Wong Yue-chim, Richard | 1/1 |
| Kwan Cheuk-yin, William | 1/1 |
| Yip Dicky Peter | 1/1 |
| Leung Nai-pang, Norman | 1/1 |

All Directors have formal letters of appointment setting out the key terms of their appointments. In accordance with the Articles of Association, new Director appointed by the Board shall hold office until the next following AGM or general meeting of the Company and shall then be eligible for re-election. In addition, one-third of the Directors are required to retire from office by rotation and are eligible for re-election at each AGM and each Director should be subject to retirement by rotation at least once every three years. Non-Executive Directors (including Independent Non-Executive Directors) will be subject to a term of approximately two years commencing from the date of the AGM at which they are re-elected and expiring at the AGM to be held two years thereafter, and they shall be eligible for re-election at that AGM for a like term upon the expiry of their term of office. In addition, the re-election of all retiring Directors (including those Independent Non-Executive Directors who have served the Company for more than nine years) will be subject to separate resolutions to be approved at the AGM.

## Audit and Accountability

The Board is responsible for presenting a balanced, clear and comprehensible assessment of the Group's performance and prospects. The Directors also acknowledge their responsibility for preparing the financial statements that give a true and fair view of the Group's financial position on a going-concern basis, and for presenting a balanced, clear and understandable assessments in its annual and interim reports, other inside information announcements and other financial disclosures. All Board members are provided with monthly updates, including contracted property sales updates, projects launched, upcoming projects, leasing and hotel project updates, land bank, major investment projects under development and financial position, which give the Directors a balanced and understandable assessment of the performance, position and prospects of the Group. Management provides all relevant information to the Board, giving the members sufficient explanation and information they need to discharge their responsibilities. A statement by the external auditor of the Company in respect of its reporting responsibilities is set out in the Independent Auditor's Report.

## Audit and Risk Management Committee

The Audit Committee was established in 1999 and was renamed as the Audit and Risk Management Committee in June 2016 to reflect its role in risk management. The Committee is chaired by Dr. Li Ka-cheung, Eric, and other members of the Committee are Mr. Yip Dicky Peter, Dr. Leung Nai-pang, Norman and Professor Wong Yue-chim, Richard, who was appointed as a member of the Committee with effect from 22 January 2021. Mr. Leung Kui-king, Donald ceased to act as a member of the Committee with effect from 5 November 2020 following his retirement as a Director. All members of the Committee are Independent Non-Executive Directors.

No former partner of the Company's existing auditing firm acted as a member of the Audit and Risk Management Committee within two years from the date of his ceasing to be a partner or to have any financial interest in the auditing firm.

The duties of the Audit and Risk Management Committee include:

- reviewing the Group's financial statements and annual reports and accounts, and interim reports before submitting them to the Board;
- reviewing the Group's financial controls, and its risk management and internal control systems;
- ensuring that management has fulfilled its duty to establish and maintain an effective risk management and internal control systems including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- considering major investigation findings on risk management and internal control matters;
- reviewing the internal audit programme and ensuring the internal audit function is adequately resourced and effective;
- reviewing the Group's financial and accounting policies and practices;
- reviewing the external auditor's management letter and questions raised by the external auditor to management, and management's response to such questions;
- reporting to the Board on matters in the code provision under C.3 of the Code;
- meeting with the external auditor to discuss issues regarding audit at least once a year in the absence of management; and
- reviewing the arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal controls or other matters.

The Audit and Risk Management Committee is provided with sufficient resources enabling it to perform its duties. The specific terms of reference of the Committee are available on the websites of the Company and HKEX.

The Audit and Risk Management Committee held two meetings during the year ended 30 June 2021. It had reviewed the interim and annual results of the Group, and discussed and approved the relevant financial reports; and reviewed the Group's risk management and internal control systems, the risk assessment result and the internal audit activities. Two private sessions between the members of the Committee and the external auditor without the presence of management had been arranged in these meetings. The attendance records of the members at the Committee meetings are set out below:

| **Committee members** | **Meetings attended/held** |
|---|---|
| Li Ka-cheung, Eric | 2/2 |
| Yip Dicky Peter | 2/2 |
| Leung Kui-king, Donald[1] | 0/1 |
| Leung Nai-pang, Norman | 2/2 |
| Wong Yue-chim, Richard[2] | 1/1 |

[1] *Mr. Leung Kui-king, Donald ceased to act as a member with effect from 5 November 2020*

[2] *Professor Wong Yue-chim, Richard was appointed as a member with effect from 22 January 2021*

In July 2021, the Audit and Risk Management Committee also held a meeting to discuss the audit plan of the external auditor for the financial year 2020/21 and the internal audit plan for the financial year 2021/22.

There was no disagreement between the Board and the Audit and Risk Management Committee on the selection, appointment, resignation or dismissal of the external auditor.

The Audit and Risk Management Committee monitors the audit and non-audit services rendered to the Group by the external auditor and ensures that the engagement of the external auditor in other non-audit services will not impair its audit independence or objectivity. An independence confirmation has been obtained from the external auditor which confirmed that during the course of its audit on the Group's consolidated financial statements for the year ended 30 June 2021 and thereafter to the date of the annual report, it is independent of the Group in accordance with the independence requirements of the Hong Kong Institute of Certified Public Accountants.

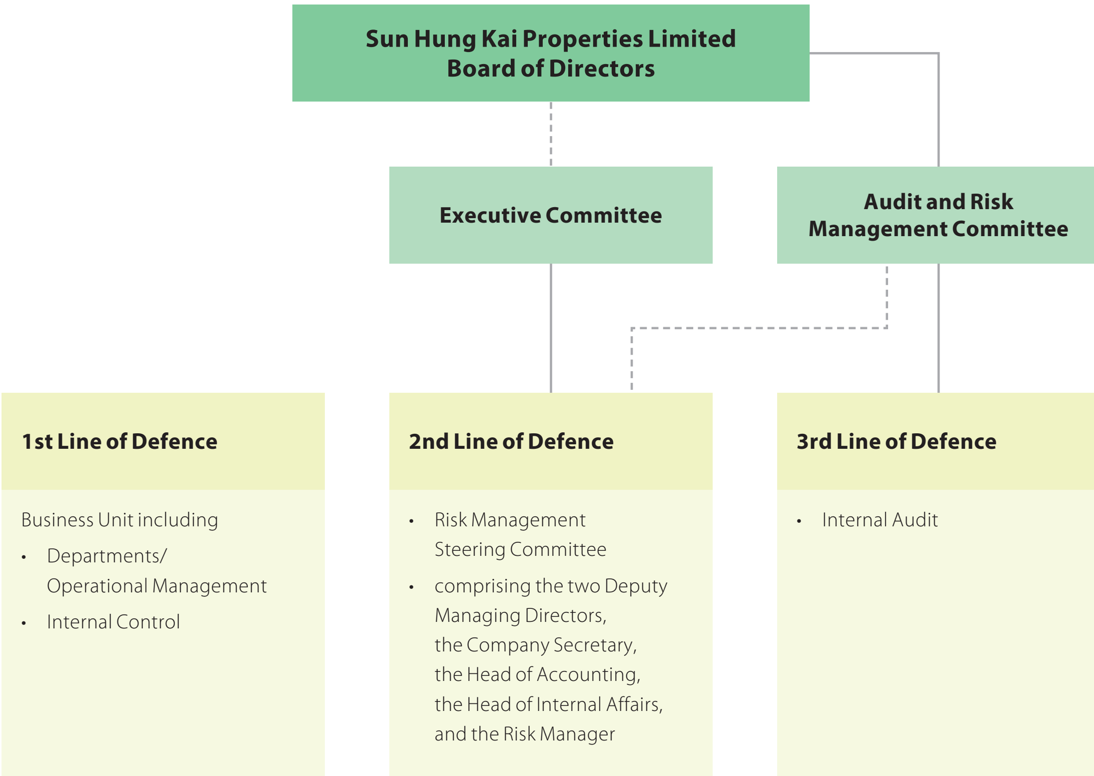
The fees in respect of audit and non-audit services provided to the Company and its subsidiaries by the external auditor for the year ended 30 June 2021 amounted to approximately HK$19 million and HK$6 million respectively. The non-audit services mainly consist of consultancy, taxation, review and other reporting services. These fees have been reviewed by the Audit and Risk Management Committee.

## Risk Management and Internal Control

The Group has diverse business activities in Hong Kong, on the mainland and in Singapore and is exposed to different risks in a dynamic environment. Effective risk management is therefore essential for the long-term growth and sustainability of the businesses of the Group. The Board is responsible for the overall strategy and development of the Group's businesses; for setting its corporate goals and risk appetite; for establishing and maintaining sound and effective risk management and internal control systems to safeguard the Group's assets and stakeholders' interests; and for reviewing the effectiveness of the systems. The Board assesses the effectiveness of the risk management and internal control systems through the reviews performed by the Audit and Risk Management Committee, executive management and both internal and external auditors. It should be acknowledged that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

### *Risk Management*

The Group's risk governance structure is guided by the "Three Lines of Defence" model as shown below:




**First Line of Defence**

Each business unit including department/operational management and internal control (collectively the "Business Unit") has the duty to manage its own risks in the course of its daily operations, including:

(i) establishing its own risk management measures for identifying, measuring, mitigating and monitoring its own risks;

(ii) designing and executing control procedures to mitigate the risks identified;

(iii) completing a risk assessment template and submitting its assessment results to the Risk Management Steering Committee twice a year;

(iv) operating in a manner that is in line with the risk appetite of the Group; and

(v) implementing any risk action plans as advised by the Risk Management Steering Committee and/or the Internal Audit Department and/or the Audit and Risk Management Committee to address any significant risks that may affect its operation.

**Second Line of Defence**

The Risk Management Steering Committee is under the direct supervision of the Executive Committee and also accountable to the Audit and Risk Management Committee. Members of this Committee comprise the two Deputy Managing Directors, the Company Secretary, the Head of Accounting, the Head of Internal Affairs, and the Risk Manager. The Risk Management Steering Committee is primarily responsible for:

(i) providing assistance to the Board and the Audit and Risk Management Committee in overseeing and monitoring the operation of the risk management and internal control systems;

(ii) reviewing the risk assessment results submitted by each Business Unit, providing support and guidance to them, and putting forward any risk action plans for implementation by them;

(iii) reporting its work done to the Audit and Risk Management Committee twice a year; and

(iv) proposing any enhancement to the risk management and internal control systems for consideration by the Audit and Risk Management Committee and/or the individual Business Unit concerned.

**Third Line of Defence**

The Internal Audit Department is primarily responsible for:

(i) performing audits to evaluate the proper functioning of the risk management and internal control systems;

(ii) reporting its findings to the Audit and Risk Management Committee and providing the Committee with an independent and objective assurance on the effectiveness of the risk management and internal control systems of the Group;

(iii) putting forward any risk action plans for implementation by the relevant Business Units concerned; and

(iv) proposing any enhancement to the risk management and internal control systems for consideration by the Audit and Risk Management Committee and/or the Risk Management Steering Committee and/or the individual Business Unit concerned.

**Audit and Risk Management Committee**

The Audit and Risk Management Committee assists the Board in overseeing the risk management and internal control systems of the Group, including:

(i) reviewing the risk management and internal control systems of the Group with the Internal Audit Department twice a year to ascertain whether management has fulfilled its responsibilities in establishing and maintaining effective systems;

(ii) reviewing the risk assessment results, including changes in the nature and extent of significant risks since the last review and the Group's ability to respond to changes in its business and the external environment;

(iii) discussing with management on the resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions to ensure that these are adequate;

(iv) considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(v) identifying any significant risks that should be drawn to the attention of the Board;

(vi) putting forward any risk action plans for implementation by the relevant Business Units concerned; and

(vii) reviewing and considering any enhancement to the risk management and internal control systems as proposed by the Risk Management Steering Committee and/or the Internal Audit Department.

**Board of Directors**

The Board has the overall responsibility for establishing and maintaining sound and effective risk management and internal control systems, including:

(i) setting the Group's strategies and corporate goals;

(ii) evaluating and determining the nature and extent of the risks it is willing to take in achieving its strategic and business objectives;

(iii) overseeing management in the design, implementation and monitoring of the risk management and internal control systems;

(iv) overseeing the risk management and internal control systems on an ongoing basis, and ensuring that a review of the systems is conducted twice a year to ensure their effectiveness;

(v) reviewing the changes in the nature and extent of significant risks since the last review and the Group's ability to respond to changes in its business and the external environment;

(vi) considering the scope and quality of management's ongoing monitoring of risks and of the internal control systems;

(vii) considering the extent and frequency of communication of monitoring results to the Board; and

(viii) considering any significant control failings or weaknesses that have been identified during the period.

### *Internal Control*

Risk management is integrated with the Group's internal control system which was developed based on the COSO (the Committee of Sponsoring Organizations of the Treadway Commission) principles as follows:

**(i) Control Environment**

- demonstrates a commitment to integrity and ethical values
- the Board demonstrates independence from management and exercises oversight of the development and performance of internal control
- management establishes, with Board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives
- demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives
- holds individuals accountable for their internal control responsibilities in the pursuit of objectives

**(ii) Risk Assessment**

- specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives
- identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed
- considers the potential for fraud in assessing risks to the achievement of objectives
- identifies and assesses changes that could significantly impact the system of internal control

**(iii) Control Activities**

- selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels
- selects and develops general control activities over technology to support the achievement of objectives
- deploys control activities through policies that establish what is expected and procedures that put policies into place

**(iv) Information and Communication**

- obtains or generates and uses relevant, quality information to support the functioning of internal control
- internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control
- communicates with external parties regarding matters affecting the functioning of internal control

**(v) Monitoring**

- selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning
- evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the Board, as appropriate

The internal control system aims at safeguarding assets from inappropriate use, maintaining proper accounts, ensuring compliance with laws and regulations, and enabling timely identification and management of key risks that may have impact on the Group. Management is primarily responsible for the design, implementation and maintenance of the risk management and internal control systems. The Group's internal control system includes a well-established organizational structure with clearly defined lines of responsibility and authority. Policies and procedures are laid down for its key business processes and Business Units covering project development, tendering, sales and leasing, financial reporting, human resources and computer systems.

A code of conduct is maintained and communicated to all employees for compliance. In addition, a whistleblowing policy was established for our employees to raise concerns in confidence about suspected misconducts, malpractices or fraudulent activities relating to the Group. The identity of the whistleblower will be treated with the strictest confidence.

The Company has a policy on inside information in place setting out the principles and procedures for handling and disclosing inside information of the Group in compliance with the relevant requirements under Part XIVA of the Securities and Futures Ordinance and the Listing Rules, and such policy has been communicated to the relevant senior executives of the Group. The policy contains provisions for establishing an internal committee to ascertain whether certain information constitutes inside information of the Group, and (where necessary) for escalating the matter to the senior management of the Group for final determination. To prevent inadvertent disclosure of inside information, the policy also prescribes certain measures in place, including restricting access to inside information to employees on a need-to-know basis, requiring documents and files containing inside information to be kept in a safe place, and requiring that confidentiality agreements be made with external parties in appropriate cases.

## *Key Risk Factors*

The following section lists out the key risks and uncertainties facing the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below:

### Risks Pertaining to the Property Market in Hong Kong

A substantial part of the Group's property portfolio is located in Hong Kong, and a substantial part of the Group's revenue is derived in Hong Kong. As a result, general state of the economy and the property market, legislative and regulatory changes, government policies and political conditions, interest rate changes, labour market conditions, availability of financing, outbreak of epidemic diseases in Hong Kong, introduction of precautionary and social distancing measures, and imposition of travel restrictions have a significant impact on the Group's operating results and financial conditions. For instance, profitability of the property development business may be affected due to deteriorating economic conditions or intense competition from other developers and property owners. The government may introduce property cooling measures from time to time, which may have a significant bearing on the property market and adversely affect the Group's property sales performance and financial condition. Launch of new property projects may be affected as a result of the outbreak of epidemic diseases. Further growth of the Group's property development business may also be impacted by the supply and price levels of land in Hong Kong.

Rental levels in Hong Kong are subject to competition arising from supply in the primary sector. In addition to the economic and market conditions mentioned above, other domestic and external economic and political factors including but not limited to supply and demand conditions, and stock market performance may affect the Group's property investment business. Retail rent levels may also be affected as a result of the outbreak of epidemic diseases, the introduction of precautionary and social distancing measures, and the imposition of travel restrictions.

**Risks Pertaining to the Property Market on the Mainland**

The Group has material interests in residential and commercial property development and property investment on the mainland and is therefore subject to the risks associated with the mainland property market. The Group's operations on the mainland may also be exposed to the risks of policy changes, currency fluctuation, interest rate changes, demand-supply imbalance, changes in the overall economic conditions, competition in the labour market, availability of financing, outbreak of epidemic diseases, introduction of precautionary and social distancing measures, and imposition of travel restrictions, which may pose an adverse impact on the Group's business, financial condition or results of operations.

**Operational Risks**

The Group's operation is subject to a number of risk factors distinctive to property development, property investment, and property related businesses. Default on the part of our buyers, tenants and strategic business partners, inadequacies or failures of internal processes, people and systems, leakage of sensitive information by hacking or accidents, inadequate responses to negative events which may have adverse impact on reputation, an outbreak of epidemic diseases or other external factors may have various levels of negative impact on the results of operations. Additionally, accidents may happen despite systems and policies set up for their prevention, which may lead to financial loss, litigation, or damage in reputation.

**Mitigating Principal Risks Faced by the Group**

The risk management and internal control systems have been designed to operate proactively to ensure that principal risks are not only identified, measured and monitored but also mitigated. Under such systems, management staff of various departments would identify suitable internal controls and countermeasures to mitigate principal risks faced by the Group. When formulating mitigating measures, important factors such as regulatory requirements, risk appetite, adequacy and effectiveness of mitigating actions proposed, risk owners in place to implement risk mitigating measures, and feasibility of transferring risks to third parties were taken into consideration. The objective of these risk mitigating plans is to ensure that principal risks are well managed and governed effectively.

In addition, the Group set up a crisis management taskforce to coordinate, respond to and tackle ad hoc events in an effective manner. Co-led by two Deputy Managing Directors, the taskforce comprises senior management members of major Business Units. Apart from handling key issues or risks, the taskforce at present focuses on monitoring the latest development of the pandemic and providing advice on taking necessary measures with timely reviews to ensure their effectiveness.

**Past Performance and Forward-Looking Statements**

The performance and the results of operation of the Group as set out in this annual report are historical in nature and past performance is not a guarantee of future performance. This annual report may contain forward-looking statements and opinions that involve risks and uncertainties. Actual result may also differ materially from expectations discussed in such forward-looking statements and opinions. Neither the Group nor the Directors, employees or agents of the Group assume (i) any obligations to correct or update the forward-looking statements or opinions contained in this annual report; and (ii) any obligations or liabilities in the event that any of the forward-looking statements or opinions does not materialize or turns out to be incorrect.

## *Effectiveness of Risk Management and Internal Control Systems*

During the year ended 30 June 2021, the Risk Management Steering Committee has worked with major Business Units and senior management to enhance the risk management and internal control systems. Activities included updating the risk assessment templates to include risk predictors (which are critical predictors of unfavourable events that can adversely impact individual Business Units concerned), and providing risk training to and maintaining ongoing interactive dialogues with the Business Units. It has also reviewed the major risks for operations in Hong Kong and on the mainland.

The Group's Internal Audit Department, which has been established for more than 25 years, performs independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems. The department has direct access to the Audit and Risk Management Committee and has rights to access all records, assets and personnel as stipulated in the Internal Audit Charter. The department follows a risk-based approach to formulate the audit plan that focuses on the top risks identified. The risks for departments and Business Units are assessed using the pre-determined risk criteria. The assessment results are consolidated and ranked from an enterprise-wide perspective. The Audit and Risk Management Committee reviews and approves annually the audit plan, which is formulated based on the risk assessment result. Summaries of major audit findings and control weaknesses, if any, are reviewed by the Audit and Risk Management Committee. The department monitors the follow-up actions agreed upon in response to recommendations.

The Board through the Audit and Risk Management Committee reviewed the risk assessment results, and the risk management and internal control systems of the Group for the year ended 30 June 2021, including financial, operational and compliance controls. The review includes considering the internal control evaluations conducted by executive management and the internal and external auditors as well as the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions. Based on the result of the review, the Board considered that for the year ended 30 June 2021, the risk management and internal control systems of the Group were effective and adequate.

## Shareholder Relations

### *Dividend Policy*

The Company has adopted a dividend policy which aims to provide shareholders of the Company with a sustainable dividend and to pay out 40% to 50% of the underlying net profit of the Group. In determining the dividend amount, the Board will take into account a number of factors such as the Group's financial performance, future capital expenditures and financial position as well as the general economic and business conditions. The policy will be reviewed from time to time so as to keep in line with the future prospects and capital requirements of the Group and the changes in market conditions.

### *Shareholders' Communication Policy*

The Board also established a shareholders' communication policy setting out the principles of the Company in relation to shareholders' communications, with the objective of ensuring that its communications with the shareholders are timely, transparent, accurate and open. Information would be communicated to the shareholders mainly through the Company's corporate communications (such as interim and annual reports, announcements and circulars) and AGMs, as well as disclosure on the website of the Company.

Interim reports, annual reports and circulars are sent to the shareholders in a timely manner and are also available on the websites of the Company and HKEX. The Company's website provides shareholders with its corporate information, such as its principal business activities and major property projects, the development of corporate governance and the sustainable development of the Group. For efficient communication with shareholders and in the interest of environmental protection, arrangements are made to allow shareholders to elect to receive corporate communications of the Company by electronic means through the Company's website.

Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any queries that they may have with respect to the Company. They can also send their enquiries to the Board through these means. In addition, shareholders can contact the share registrar of the Company if they have any enquiries about their shareholdings and entitlements to dividend.

The Company is committed to protecting the privacy right on all personal data collected from shareholders. When collecting personal data from the shareholders, the Company will specify in the relevant documents the purpose of collection and the use of personal data etc. Contact details are also provided to the shareholders for accessing and correcting their personal data.

## Annual General Meeting

The AGM allows the Directors to meet and communicate with shareholders. The Company ensures that shareholders' views are communicated to the Board. The chairman of the AGM proposes separate resolutions on each substantially separate matter to the shareholders for their consideration and approval. Members of the Audit and Risk Management, Remuneration and Nomination Committees and the external auditor also attend the AGM to answer questions from shareholders. Simultaneous interpretation is provided to facilitate smooth and direct communication between shareholders and Directors.

AGM proceedings are reviewed from time to time to ensure that the Company follows good corporate governance practices. The notice of AGM is distributed to all shareholders at least 20 clear business days prior to the AGM and the accompanying circular also sets out details of each proposed resolution and other relevant information as required to be disclosed under the Listing Rules. The chairman of the AGM exercises his power under the Articles of Association to put each proposed resolution to the vote by way of a poll. The procedures for conducting a poll are explained at the meeting prior to the polls being taken and the share registrar of the Company acts as the scrutineer for the vote-taking at the meeting. Voting results are available on the websites of the Company and HKEX on the day of the AGM.

The 2020 AGM was held on 5 November 2020 at the Company's headquarters. Businesses transacted at the 2020 AGM included the adoption of audited consolidated financial statements, the approval of final dividend, the re-election of Directors and fixing of the Directors' fees, the re-appointment of auditor, and the renewal of general mandates with respect to the buy-back of shares and the issue of new shares.

The attendance records of the Directors at the 2020 AGM are set out below:

| **Directors** | **AGM attended** |
|---|---|
| **Executive Directors** | |
| Kwok Ping-luen, Raymond | ✓ |
| Wong Chik-wing, Mike | ✓ |
| Lui Ting, Victor | ✓ |
| Kwok Kai-fai, Adam | ✓ |
| Kwok Kai-wang, Christopher | ✓ |
| Kwong Chun[1] | × |
| Tung Chi-ho, Eric | ✓ |
| Fung Yuk-lun, Allen | ✓ |
| **Non-Executive Directors** | |
| Lee Shau-kee[2] | × |
| Kwan Cheuk-yin, William | ✓ |
| Kwok Kai-chun, Geoffrey | ✓ |
| **Independent Non-Executive Directors** | |
| Yip Dicky Peter | ✓ |
| Wong Yue-chim, Richard | × |
| Li Ka-cheung, Eric | ✓ |
| Fung Kwok-lun, William | ✓ |
| Leung Nai-pang, Norman | ✓ |
| Leung Kui-king, Donald[2] | × |
| Leung Ko May-yee, Margaret | ✓ |
| Fan Hung-ling, Henry | ✓ |
| Wu Xiang-dong | × |

1 *Mr. Kwong Chun resigned as a Director with effect from 9 April 2021*

2 *Dr. Lee Shau-kee and Mr. Leung Kui-king, Donald retired as Directors with effect from 5 November 2020*

In order to safeguard the health and safety of attendees of the 2020 AGM and comply with the government regulatory requirements during the COVID-19 pandemic, the following precautionary measures were taken at the 2020 AGM:

- assigning attendees to sit in designated seating areas to ensure appropriate social distancing
- compulsory body temperature screening and submission of health declaration form by attendees
- compulsory wearing of face masks by attendees
- no refreshments provided at the meeting venue
- recommending shareholders to appoint the chairman of the 2020 AGM as their proxy to vote on the resolutions

In view of the uncertain development of the current COVID-19 situation, shareholders are encouraged to appoint the chairman of the 2021 AGM as their proxy to vote on the resolutions, instead of attending the meeting in person. The Company may implement additional precautionary measures at the 2021 AGM in accordance with prevailing guidelines published by the government as appropriate.

Shareholder(s) holding at least 5% of the total voting rights of all the shareholders of the Company having a right to vote at general meetings can send a request to the Company to convene a general meeting pursuant to Section 566 of the Companies Ordinance. The request must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. The request must be authenticated by the relevant shareholder(s) and sent to the Company in hard copy form or in electronic form.

Besides, Section 615 of the Companies Ordinance provides that (i) shareholder(s) representing at least 2.5% of the total voting rights of all shareholders of the Company who have a right to vote on the resolution at the AGM; or (ii) at least 50 shareholders who have a right to vote on the resolution at the AGM may request the Company to circulate a notice of a resolution for consideration at the AGM. Such request must identify the resolution to be moved at the AGM and must be authenticated by the relevant shareholder(s) and sent to the Company in hard copy form or in electronic form not later than six weeks before the relevant AGM or if later, the time when the notice of the AGM is despatched.

During the year ended 30 June 2021, no amendment was made to the Articles of Association. The latest version of the Articles of Association is available on the websites of the Company and HKEX.

# Directors' Report

The Directors are pleased to present their report together with the consolidated financial statements of the Group for the year ended 30 June 2021, which were approved by the Board of Directors (the "Board") on 9 September 2021.

## Principal Activities

The principal activity of the Company is investment holdings.

The principal activities of the Group are the development of and investment in properties for sale and rent, hotel operations, telecommunications, transport infrastructure and logistics, and data centre operations. Other ancillary and supporting businesses, which are described under principal subsidiaries, joint ventures and associates on pages 228 to 236, are integrated with the main business of the Group. An analysis of the Group's performance for the year by reportable and operating segments in business operation and geographical area is set out in note 3 to the consolidated financial statements.

## Business Review

A fair review of the Group's business, an indication of its likely future development and an analysis of it using financial key performance indicators as well as particulars of important events affecting the Group that have occurred since the end of the year ended 30 June 2021 (if any) are discussed in the "Financial Highlights and Land Bank", "Group Financial Summary", "Chairman's Statement", "Business Model and Strategic Direction", "Review of Operations" and "Financial Review" sections on pages 4 to 95. A description of the principal risks and uncertainties facing the Group is set out in the "Corporate Governance Report" on pages 119 and 120. An account of the Group's key relationships with its stakeholders and a discussion on the Group's environmental policies and performance are included in the "Investor Relations" and "Sustainable Development" sections on pages 96 to 105 and the standalone Sustainability Report. The above discussions form part of this report.

The Residential Properties (First-hand Sales) Ordinance regulates the sales of first-hand uncompleted and completed residential properties in Hong Kong, with a view to enhancing the transparency, fairness and consumer protection of the sales of first-hand residential properties. The Group takes particular care to comply with the requirements of this ordinance in relation to, among other things, sales brochures, price lists, show flats, disclosure of transaction information, advertisements, sales arrangements, and mandatory provisions for preliminary agreement for sale and purchase and agreement for sale and purchase for the sales of first-hand residential properties, not only through established internal procedures, but also by engaging external professional advisors including architects, surveyors and solicitors in checking the accuracy of the information contained in the relevant documents made available to the public in connection with such sales.

In relation to human resources, the Group is committed to complying with the requirements of the Personal Data (Privacy) Ordinance, and ordinances relating to disability, sex, family status and race discrimination, as well as the Employment Ordinance, the Minimum Wage Ordinance and ordinances relating to occupational safety of employees of the Group, so as to safeguard the interests and well-being of its employees.

The Group is also committed to safeguarding the security of personal data. When collecting and processing such data, the Group complies with the Personal Data (Privacy) Ordinance and the guidelines issued by the Office of the Privacy Commissioner for Personal Data, with a view to protecting the privacy of its employees, customers, tenants and purchasers of its properties, members of the SHKP Club and owners of properties under its management.

On the corporate level, the Group complies with the requirements under the Companies Ordinance, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Securities and Futures Ordinance (the "SFO") for, among other things, the disclosure of information and corporate governance matters, and the Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

## Group Profits

Profit after taxation for the year ended 30 June 2021, including share of results from joint ventures and associates, amounted to HK$27,446 million (2020: HK$24,314 million). After taking perpetual capital securities holders' interests and non-controlling interests into account, profit attributable to the Company's shareholders was HK$26,686 million (2020: HK$23,521 million).

## Dividends

An interim dividend of HK$1.25 per share (2020: HK$1.25 per share) was paid on 18 March 2021. The Board has recommended a final dividend of HK$3.70 per share (2020: HK$3.70 per share), making a total dividend of HK$4.95 per share for the full year ended 30 June 2021 (2020: HK$4.95 per share).

The proposed final dividend, if approved at the forthcoming annual general meeting of the Company to be held on Thursday, 4 November 2021 (the "2021 Annual General Meeting"), will be payable in cash on Thursday, 18 November 2021 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Wednesday, 10 November 2021. Shares of the Company will be traded ex-dividend as from Monday, 8 November 2021.

## Shares Issued

No shares were issued by the Company during the year. 164,500 shares of the Company were issued and allotted as fully paid shares for a total consideration of HK$18 million as a result of the exercise of share options under the share option scheme of the Company during the year ended 30 June 2020.

Details of the share capital of the Company are set out in note 29 to the consolidated financial statements and on pages 170 and 171 respectively.

## Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2021.

## Reserves

Movements in the reserves of the Company and the Group during the year are shown in note 32 to the consolidated financial statements and on pages 170 and 171 respectively.

## Investment Properties, and Property, Plant and Equipment

Movements in investment properties, and in property, plant and equipment during the year are shown in notes 12 and 13 to the consolidated financial statements respectively.

# Directors' Report

## Group Financial Summary

The results, assets and liabilities of the Group for the last five financial years are summarized on page 6.

## Property Development and Property Investment

Particulars of major property development and property investment in Hong Kong held by the Group are set out on pages 38 and 39, and pages 52 and 53 respectively; and particulars of major property development and property investment on the mainland held by the Group are set out on pages 66 and 67, and pages 76 and 77 respectively.

## Directors

The list of Directors and their biographical information as at the date of this report are set out on page 2, and pages 147 to 157 respectively.

During the year, Dr. Lee Shau-kee and Mr. Leung Kui-king, Donald retired as a Non-Executive Director and an Independent Non-Executive Director respectively at the annual general meeting of the Company held on 5 November 2020. Mr. Kwong Chun resigned as an Executive Director with effect from 9 April 2021. All other Directors held office for the whole year.

In accordance with Article 103(A) of the Company's articles of association (the "Articles of Association"), Mr. Wong Chik-wing, Mike, Dr. Li Ka-cheung, Eric, Mrs. Leung Ko May-yee, Margaret, Mr. Wu Xiang-dong, Mr. Kwok Kai-chun, Geoffrey and Mr. Kwok Kai-fai, Adam will retire from office and, being eligible, have offered themselves for re-election at the 2021 Annual General Meeting. Dr. Li Ka-cheung, Eric, an Independent Non-Executive Director, has served the Company for more than nine years. Pursuant to the Corporate Governance Code of the Listing Rules, his re-election will be subject to a separate resolution to be approved at the 2021 Annual General Meeting.

None of the above Directors proposed for re-election has a service agreement with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The Company has received from each Independent Non-Executive Director a confirmation of his or her independence pursuant to the independence guidelines under the Listing Rules, and considers that all the Independent Non-Executive Directors are independent.

The list of directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report is kept at the registered office of the Company and available for inspection by the Shareholders during office hours.

## Directors' and Chief Executives' Interests

As at 30 June 2021, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code set out in Appendix 10 to the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

### *1. Long positions in shares and underlying shares of the Company*

| | Number of shares held | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Name of Director** | **Personal interests (held as beneficial owner)** | **Family interests (interests of spouse or child under 18)** | **Corporate interests (interests of controlled corporation)** | **Other interests** | **Sub-total** | **Number of underlying shares held under equity derivatives** | **Total** | **% of issued voting shares as at 30.06.2021** |
| Kwok Ping-luen, Raymond | 188,743 | 80,000[1] | – | 528,346,686[2&7] | 528,615,429 | – | 528,615,429 | 18.24 |
| Wong Chik-wing, Mike | 497,695 | – | – | – | 497,695 | – | 497,695 | 0.02 |
| Lui Ting, Victor | 160,000 | – | – | – | 160,000 | – | 160,000 | 0.01 |
| Wong Yue-chim, Richard | 5,000 | 1,000[1] | – | – | 6,000 | – | 6,000 | 0.00 |
| Li Ka-cheung, Eric | – | 4,028[1] | – | – | 4,028 | – | 4,028 | 0.00 |
| Fung Kwok-lun, William | 220,000 | 9,739[1] | – | – | 229,739 | – | 229,739 | 0.01 |
| Leung Nai-pang, Norman | – | 10,833[1] | – | – | 10,833 | – | 10,833 | 0.00 |
| Leung Ko May-yee, Margaret | 15,372 | – | – | – | 15,372 | – | 15,372 | 0.00 |
| Kwok Kai-chun, Geoffrey | – | – | – | 649,898,872[4,5,7&8] | 649,898,872 | – | 649,898,872 | 22.43 |
| Kwok Kai-fai, Adam | – | – | 32,000[3] | 655,675,747[6,7&8] | 655,707,747 | – | 655,707,747 | 22.63 |
| Kwok Kai-wang, Christopher | 110,000[9] | 60,000[1] | – | 655,300,101[2,7&8] | 655,470,101 | – | 655,470,101 | 22.62 |
| Kwok Ho-lai, Edward *(Alternate Director to Kwok Ping-luen, Raymond)* | 32,000 | – | – | 655,300,101[2,7&8] | 655,332,101 | – | 655,332,101 | 22.61 |

*Notes:*

1. *These shares in the Company were held by the spouse of the Director concerned.*

2. *Messrs. Kwok Ping-luen, Raymond, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward were deemed to be interested in 528,346,686 shares in the Company by virtue of them being beneficiaries of certain discretionary trusts for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.*

3. *These shares in the Company were held by a corporation wholly-owned and controlled by Mr. Kwok Kai-fai, Adam.*

4. *Mr. Kwok Kai-chun, Geoffrey was deemed to be interested in 211,173,896 shares in the Company by virtue of him being a beneficiary of certain trusts for the purpose of Part XV of the SFO.*

5. *Mr. Kwok Kai-chun, Geoffrey was also deemed to be interested in 311,771,561 shares in the Company by virtue of him being a beneficiary of a discretionary trust for the purpose of Part XV of the SFO.*

6. *Mr. Kwok Kai-fai, Adam was deemed to be interested in 528,722,332 shares in the Company by virtue of him being a beneficiary of certain discretionary trusts for the purpose of Part XV of the SFO.*

7. *Of the said 528,346,686 shares, 311,771,561 shares and 528,722,332 shares in the Company as stated in Notes 2, 5 and 6 above respectively, Messrs. Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher, Kwok Kai-chun, Geoffrey and Kwok Ho-lai, Edward were deemed to be interested in 80,588,723 shares in the Company by virtue of them being beneficiaries of certain discretionary trusts for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.*

8. *Messrs. Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher, Kwok Kai-chun, Geoffrey and Kwok Ho-lai, Edward were also deemed to be interested in 126,953,415 shares in the Company by virtue of them being beneficiaries of a discretionary trust for the benefit of the sons of the late Mr. Kwok Ping-sheung, Walter, of Mr. Kwok Ping-kwong, Thomas and of Mr. Kwok Ping-luen, Raymond respectively for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.*

9. *These shares in the Company were held jointly with the spouse of Mr. Kwok Kai-wang, Christopher.*

## 2. *Long positions in shares and underlying shares of associated corporations of the Company*

### (a) SUNeVision Holdings Ltd. ("SUNeVision")

| Name of Director | Number of shares held: Personal interests (held as beneficial owner) | Family interests (interests of spouse or child under 18) | Other interests | Sub-total | Number of underlying shares held under equity derivatives[1] | Total | % of issued voting shares as at 30.06.2021 |
|---|---|---|---|---|---|---|---|
| Kwok Ping-luen, Raymond | – | – | 3,485,000[2&3] | 3,485,000 | – | 3,485,000 | 0.15 |
| Wong Chik-wing, Mike | 218,000 | – | – | 218,000 | – | 218,000 | 0.01 |
| Lui Ting, Victor | 356 | – | – | 356 | – | 356 | 0.00 |
| Leung Nai-pang, Norman | 341,000 | 142[4] | – | 341,142 | – | 341,142 | 0.01 |
| Leung Ko May-yee, Margaret | 1,000 | 2,000[4] | – | 3,000 | – | 3,000 | 0.00 |
| Kwok Kai-chun, Geoffrey | – | – | 11,927,658[2&5] | 11,927,658 | – | 11,927,658 | 0.51 |
| Kwok Kai-fai, Adam | – | – | 11,927,658[2&5] | 11,927,658 | – | 11,927,658 | 0.51 |
| Kwok Kai-wang, Christopher | – | – | 13,272,658[2,3&5] | 13,272,658 | – | 13,272,658 | 0.57 |
| Fung Yuk-lun, Allen | 4,000,000 | – | – | 4,000,000 | 4,000,000 | 8,000,000 | 0.34 |
| Kwok Ho-lai, Edward *(Alternate Director to Kwok Ping-luen, Raymond)* | – | – | 13,272,658[2,3&5] | 13,272,658 | – | 13,272,658 | 0.57 |

*Notes:*

1. *These underlying shares held under equity derivatives represented the share options (being regarded for the time being as unlisted physically settled equity derivatives) granted by SUNeVision under its share option scheme. Details of the share options are set out in the section headed "Share Option and Share Award Schemes" below.*

2. *Messrs. Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher, Kwok Kai-chun, Geoffrey and Kwok Ho-lai, Edward were deemed to be interested in 2,140,000 shares in SUNeVision by virtue of them being beneficiaries of certain discretionary trusts for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.*

3. *Messrs. Kwok Ping-luen, Raymond, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward were also deemed to be interested in 1,345,000 shares in SUNeVision by virtue of them being beneficiaries of a discretionary trust for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.*

4. *These shares in SUNeVision were held by the spouse of the Director concerned.*

5. *Messrs. Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher, Kwok Kai-chun, Geoffrey and Kwok Ho-lai, Edward were also deemed to be interested in 9,787,658 shares in SUNeVision by virtue of them being beneficiaries of a discretionary trust for the benefit of the sons of the late Mr. Kwok Ping-sheung, Walter, of Mr. Kwok Ping-kwong, Thomas and of Mr. Kwok Ping-luen, Raymond respectively for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.*

**(b) SmarTone Telecommunications Holdings Limited ("SmarTone")**

| Name of Director | Number of shares held: Personal interests (held as beneficial owner) | Other interests | Sub-total | Number of underlying shares held under equity derivatives | Total | % of issued voting shares as at 30.06.2021 |
|---|---|---|---|---|---|---|
| Kwok Ping-luen, Raymond | – | 5,162,337[1] | 5,162,337 | – | 5,162,337 | 0.46 |
| Kwok Kai-chun, Geoffrey | – | 6,849,161[2] | 6,849,161 | – | 6,849,161 | 0.62 |
| Kwok Kai-fai, Adam | – | 6,849,161[2] | 6,849,161 | – | 6,849,161 | 0.62 |
| Kwok Kai-wang, Christopher | – | 12,011,498[1&2] | 12,011,498 | – | 12,011,498 | 1.08 |
| Fung Yuk-lun, Allen | 437,359 | – | 437,359 | – | 437,359 | 0.04 |
| Kwok Ho-lai, Edward *(Alternate Director to Kwok Ping-luen, Raymond)* | – | 12,011,498[1&2] | 12,011,498 | – | 12,011,498 | 1.08 |

*Notes:*

1. *Messrs. Kwok Ping-luen, Raymond, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward were deemed to be interested in 5,162,337 shares in SmarTone by virtue of them being beneficiaries of a discretionary trust for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.*

2. *Messrs. Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher, Kwok Kai-chun, Geoffrey and Kwok Ho-lai, Edward were deemed to be interested in 6,849,161 shares in SmarTone by virtue of them being beneficiaries of a discretionary trust for the benefit of the sons of the late Mr. Kwok Ping-sheung, Walter, of Mr. Kwok Ping-kwong, Thomas and of Mr. Kwok Ping-luen, Raymond respectively for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.*

**(c) Transport International Holdings Limited ("Transport International")**

| Name of Director | Number of shares held: Personal interests (held as beneficial owner) | Sub-total | Number of underlying shares held under equity derivatives[1] | Total | % of issued voting shares as at 30.06.2021 |
|---|---|---|---|---|---|
| Kwok Ping-luen, Raymond | 525,832[2] | 525,832 | 400,000 | 925,832 | 0.20 |
| Lui Ting, Victor | 300,000 | 300,000 | – | 300,000 | 0.06 |
| Li Ka-cheung, Eric | – | – | 400,000 | 400,000 | 0.09 |
| Leung Nai-pang, Norman | – | – | 450,000 | 450,000 | 0.10 |
| Fung Yuk-lun, Allen | – | – | 400,000 | 400,000 | 0.09 |

*Notes:*

1. *These underlying shares held under equity derivatives represented the share options (being regarded for the time being as unlisted physically settled equity derivatives) granted by Transport International under its share option scheme. Details of these share options and their movements during the year ended 30 June 2021 were as follows:*

| | | | | Number of share options | | | | |
|---|---|---|---|---|---|---|---|---|
| **Name of Director** | **Date of grant** | **Exercise price per share (HK$)** | **Exercise period** | **Balance as at 01.07.2020** | **Granted during the year** | **Exercised during the year** | **Cancelled/ Lapsed during the year** | **Balance as at 30.06.2021** |
| *Kwok Ping-luen, Raymond* | *19.11.2020* | *15.32* | *19.11.2021 to 18.11.2025* | – | *400,000* | – | – | *400,000* |
| *Li Ka-cheung, Eric* | *19.11.2020* | *15.32* | *19.11.2021 to 18.11.2025* | – | *400,000* | – | – | *400,000* |
| *Leung Nai-pang, Norman* | *19.11.2020* | *15.32* | *19.11.2021 to 18.11.2025* | – | *450,000* | – | – | *450,000* |
| *Fung Yuk-lun, Allen* | *19.11.2020* | *15.32* | *19.11.2021 to 18.11.2025* | – | *400,000* | – | – | *400,000* |

*The above share options can be exercised up to 50% of the grant from the first anniversary of the date of grant and in whole or in part of the grant from the second anniversary of the date of grant.*

2. *Of these shares in Transport International, 521,659 shares were held jointly with the spouse of Mr. Kwok Ping-luen, Raymond.*

**(d) Each of Messrs. Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher, Kwok Kai-chun, Geoffrey and Kwok Ho-lai, Edward had the following interests in shares of the following associated corporations:**

| **Name of associated corporation** | **Actual shares held through corporation** | **Actual % of interests in issued voting shares as at 30.06.2021** |
|---|---|---|
| Splendid Kai Limited | 2,500[1] | 25.00 |
| Hung Carom Company Limited | 25[1] | 25.00 |
| Tinyau Company Limited | 1[1] | 50.00 |
| Open Step Limited | 8[1] | 80.00 |
| Vivid Synergy Limited | 963,536,900[1] | 20.00 |

*Note:*

1. *Messrs. Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher, Kwok Kai-chun, Geoffrey and Kwok Ho-lai, Edward were deemed to be interested in these shares by virtue of them being beneficiaries of certain discretionary trusts for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.*

Save as disclosed above, as at 30 June 2021, none of the Directors or chief executives of the Company were, under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations that were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO, or that were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## Share Option and Share Award Schemes

### *1. Share option scheme of the Company*

At the annual general meeting of the Company held on 15 November 2012, the Shareholders passed an ordinary resolution to approve the adoption of a share option scheme (the "Share Option Scheme").

During the year ended 30 June 2021, there were no outstanding share options granted under the Share Option Scheme.

The major terms of the Share Option Scheme, in conjunction with the requirements of Chapter 17 of the Listing Rules, are as follows:

1. The purpose of the Share Option Scheme is to attract and retain the best quality personnel for the development of the Company's businesses, to provide additional incentives to the employees of the Company or any of its subsidiaries, and to promote the long term financial success of the Company by aligning the interests of the grantees to the Shareholders.

2. The participants of the Share Option Scheme are the employees of the Company or any of its subsidiaries (including any Executive Directors of the Company or any of its subsidiaries) as the Board may in its absolute discretion select.

3. The total number of shares of the Company which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the shares of the Company in issue on the date of adoption of the Share Option Scheme. The 10% limit may be refreshed with the approval by ordinary resolution of the Shareholders.

   The maximum number of shares of the Company which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. As at 9 September 2021, the number of shares of the Company available for issue in respect thereof was 252,464,604 shares, representing approximately 8.71% of the issued shares of the Company.

4. The total number of shares of the Company issued and to be issued upon exercise of share options (whether exercised or outstanding) granted under the Share Option Scheme in any 12-month period to each grantee must not exceed 1% of the shares of the Company in issue.

5. The exercise period of any share option granted under the Share Option Scheme shall be determined by the Board but such period must not exceed ten years from the date of grant of the relevant share option.

6. The Share Option Scheme does not specify any minimum holding period but the Board has the authority to determine the minimum period for which a share option in respect of some or all of the shares forming the subject of the share options must be held before it can be exercised.

7. The acceptance of an offer of the grant of share options must be made within 28 days from the date of offer with a non-refundable payment of HK$1.00 from each grantee.

8. The exercise price of a share option to subscribe for shares of the Company shall not be less than the following prices, whichever is higher:

   - the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and

   - the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

9. The Share Option Scheme shall be valid and effective for a period of ten years commencing on the adoption of the Share Option Scheme on 15 November 2012.

## *2. Share option schemes of the subsidiaries*

### (a) SUNeVision

On 1 November 2012, SUNeVision adopted a share option scheme which became effective on 15 November 2012 following the passing of an ordinary resolution approving the same by the Shareholders at the annual general meeting of the Company held on 15 November 2012 (the "SUNeVision Share Option Scheme").

During the year ended 30 June 2021, SUNeVision granted 14,970,000 share options under the SUNeVision Share Option Scheme on 5 May 2021. Particulars of the outstanding share options granted under the SUNeVision Share Option Scheme and their movements during the year ended 30 June 2021 were as follows:

| Grantees | Date of grant | Exercise price per share (HK$) | Exercise period [1] | Number of share options: Balance as at 01.07.2020 | Granted during the year | Exercised during the year | Cancelled/ Lapsed during the year | Balance as at 30.06.2021 | Closing price per share (HK$) |
|---|---|---|---|---|---|---|---|---|---|
| **(i) Directors of SUNeVision** | | | | | | | | | |
| Fung Yuk-lun, Allen | 08.03.2016 | 2.45 | 08.03.2017 to 07.03.2021 | 4,000,000 | – | (4,000,000) | – | – | 6.79[2] |
| | 22.05.2019 | 6.688 | 22.05.2020 to 21.05.2024 | 4,000,000 | – | – | – | 4,000,000 | N/A |
| Other directors of SUNeVision | 08.03.2016 | 2.45 | 08.03.2017 to 07.03.2021 | 1,000,000 | – | (1,000,000) | – | – | 7.24[2] |
| | 19.06.2018 | 5.048 | 19.06.2019 to 18.06.2023 | 5,500,000 | – | – | – | 5,500,000 | N/A |
| | 22.05.2019 | 6.688 | 22.05.2020 to 21.05.2024 | 3,000,000 | – | (210,000) | – | 2,790,000 | 7.91[2] |
| | 05.05.2021 | 7.982 | 05.05.2022 to 04.05.2026 | N/A | 9,000,000 | – | – | 9,000,000 | 7.90[3] |
| **(ii) Other employees of the SUNeVision group** | 08.03.2016 | 2.45 | 08.03.2017 to 07.03.2021 | 905,000 | – | (905,000) | – | – | 6.65[2] |
| | 19.06.2018 | 5.048 | 19.06.2019 to 18.06.2023 | 2,705,000 | – | (1,255,000) | (480,000) | 970,000 | 6.74[2] |
| | 22.05.2019 | 6.688 | 22.05.2020 to 21.05.2024 | 3,740,000 | – | (506,000) | (217,000) | 3,017,000 | 7.90[2] |
| | 17.06.2020 | 5.39 | 17.06.2021 to 16.06.2025 | 10,700,000 | – | (600,000) | (70,000) | 10,030,000 | 7.88[2] |
| | 17.06.2020 | 5.39 | 01.07.2021 to 16.06.2025 | 500,000 | – | – | – | 500,000 | N/A |
| | 17.06.2020 | 5.39 | 02.09.2021 to 16.06.2025 | 600,000 | – | – | – | 600,000 | N/A |
| | 17.06.2020 | 5.39 | 08.10.2021 to 16.06.2025 | 150,000 | – | – | (150,000) | – | N/A |
| | 05.05.2021 | 7.982 | 05.05.2022 to 04.05.2026 | N/A | 4,370,000 | – | – | 4,370,000 | 7.90[3] |
| | 05.05.2021 | 7.982 | 15.07.2022 to 04.05.2026 | N/A | 400,000 | – | – | 400,000 | 7.90[3] |
| **(iii) Other participants of the SUNeVision Share Option Scheme** | 17.06.2020 | 5.39 | 17.06.2021 to 16.06.2025 | 1,000,000 | – | – | (800,000) | 200,000 | N/A |
| | 05.05.2021 | 7.982 | 05.05.2022 to 04.05.2026 | N/A | 400,000 | – | – | 400,000 | 7.90[3] |
| | 05.05.2021 | 7.982 | 05.10.2022 to 04.05.2026 | N/A | 800,000 | – | – | 800,000 | 7.90[3] |
| **Total** | | | | 37,800,000 | 14,970,000 | (8,476,000) | (1,717,000) | 42,577,000 | |

*Notes:*

1. *The share options can be exercised up to 30% of the grant from the first anniversary of the date of grant, up to 60% of the grant from the second anniversary of the date of grant, and in whole or in part of the grant from the third anniversary of the date of grant (except that for the exercise periods of the share options granted to certain employees of the SUNeVision group and/or other participants of the SUNeVision Share Option Scheme on 17 June 2020 and 5 May 2021 respectively, such share options can be exercised up to 30% of the grant from the first anniversary of the date of completion of one year's employment or secondment of the respective employees or participants (the "Date of Completion"), up to 60% of the grant from the second anniversary of the Date of Completion, and in whole or in part of the grant from the third anniversary of the Date of Completion).*

2. *This represented the weighted average closing price of the shares of SUNeVision immediately before the dates on which the share options were exercised.*

3. *This represented the closing price of the shares of SUNeVision immediately before the date on which the share options were granted.*

Save as disclosed above, there were no outstanding share options granted under the SUNeVision Share Option Scheme during the year ended 30 June 2021.

The fair values of the share options granted by SUNeVision were determined by using the Black-Scholes model which is one of the models to estimate the fair value of a share option. The total value of the share options granted during the year ended 30 June 2021 under the SUNeVision Share Option Scheme amounting to approximately HK$37,131,000 (2020: HK$18,243,000) was estimated based on the following variables and assumptions:

| | **Options granted during 2021** | **Options granted during 2020** |
|---|---|---|
| Risk-free interest rate | 0.61%[1] | 0.37% |
| Expected volatility | 42.90%[2] | 37.70% |
| Expected dividend yield | 2.22%[3] | 3.06% |
| Expected life of the share options | 5 years[4] | 5 years |

*Notes:*

1. *This represented the approximate yield of 5-year Exchange Fund Note traded on 5 May 2021.*

2. *This represented the annualised volatility of the closing price of the shares of SUNeVision in the year preceding the date of grant.*

3. *This represented the yield of the expected dividend, being the historical dividend of the shares of SUNeVision in the year preceding the date of grant.*

4. *This was based on the assumption that there was no material difference between the expected volatility over the whole life of the share options and the historical volatility of the shares of SUNeVision in the year preceding the date of grant.*

The value of a share option of SUNeVision varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of a share option of SUNeVision.

The major terms of the SUNeVision Share Option Scheme are as follows:

1. The purpose of the SUNeVision Share Option Scheme is to attract, retain and motivate talented participants to strive for future developments and expansion of the SUNeVision group and to provide SUNeVision with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants and for such other purposes as the board of SUNeVision may approve from time to time.

2. The participants of the SUNeVision Share Option Scheme include (i) any executive or non-executive directors (or any persons proposed to be appointed as such) or any employees (whether full-time or part-time) of each member of the SUNeVision group; (ii) any consultants, professional and other advisers to each member of the SUNeVision group (or persons, firms or companies proposed to be appointed for providing such services); (iii) any chief executives or substantial shareholders of SUNeVision; (iv) any associates of a director, chief executive or substantial shareholder of SUNeVision; and (v) any employees of the substantial shareholder of SUNeVision, provided that the board of SUNeVision shall have absolute discretion to determine whether or not one falls within the above categories.

3. The total number of shares of SUNeVision which may be issued upon exercise of all share options to be granted under the SUNeVision Share Option Scheme and any other share option schemes of SUNeVision shall not in aggregate exceed 10% of the total number of shares of SUNeVision in issue as at the date of approval of the SUNeVision Share Option Scheme by the shareholders of SUNeVision. The 10% limit may be refreshed with the approval of the shareholders of SUNeVision in general meeting. The maximum number of shares of SUNeVision which may be issued upon exercise of all outstanding options granted and yet to be exercised under the SUNeVision Share Option Scheme and any other share option schemes of SUNeVision must not exceed 30% of the total number of shares of SUNeVision in issue from time to time (or such higher percentage as may be allowed under the Listing Rules). As at 9 September 2021, the number of shares of SUNeVision available for issue under the SUNeVision Share Option Scheme was 216,548,953 shares, representing approximately 9.26% of the issued shares of SUNeVision.

4. The total number of shares of SUNeVision issued and to be issued upon exercise of the share options granted under the SUNeVision Share Option Scheme and any other share option schemes of SUNeVision to each participant (including exercised and outstanding share options) in any 12-month period shall not exceed 1% of the total number of shares of SUNeVision in issue.

5. A share option granted under the SUNeVision Share Option Scheme may be exercised at any time during the option period after the share option has been granted by the board of SUNeVision. A share option period is a period to be determined by the board of SUNeVision at its absolute discretion and notified by the board of SUNeVision to each grantee as being the period during which a share option may be exercised, such period shall not be longer than ten years from the date of grant of the share option.

6. Unless otherwise determined by the board of SUNeVision and specified in the offer letter at the time of the offer, there is neither any performance target that needs to be achieved by the grantee before a share option can be exercised nor any minimum period for which a share option must be held before the share option can be exercised.

7. The acceptance of an offer of the grant of the share options must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee.

8. The exercise price of a share option to subscribe for shares of SUNeVision shall be at least the highest of:

- the closing price of the shares of SUNeVision as stated in the Stock Exchange's daily quotations sheet on the date on which an offer is made to a participant, which must be a business day;
- the average closing price of the shares of SUNeVision as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an offer is made to a participant; and
- the nominal value of the shares of SUNeVision.

9. The SUNeVision Share Option Scheme shall be valid and effective for a period of ten years commencing on the day on which the SUNeVision Share Option Scheme takes effect.

### (b) SmarTone

On 2 November 2011, SmarTone adopted a share option scheme which became effective on 8 December 2011 (the "SmarTone Share Option Scheme"). Pursuant to the terms of the SmarTone Share Option Scheme, SmarTone granted or may grant share options to the participants, including directors and employees of the SmarTone group, to subscribe for the shares of SmarTone.

During the year ended 30 June 2021, no share options were granted under the SmarTone Share Option Scheme. Particulars of the outstanding share options granted under the SmarTone Share Option Scheme and their movements during the year ended 30 June 2021 were as follows:

| | | | | Number of share options | | | | |
|---|---|---|---|---|---|---|---|---|
| **Grantee** | **Date of grant** | **Exercise price per share (HK$)** | **Exercise period[1]** | **Balance as at 01.07.2020** | **Granted during the year** | **Exercised during the year** | **Cancelled/ Lapsed during the year** | **Balance as at 30.06.2021** |
| **Director of SmarTone** | 25.07.2016 | 14.28 | 25.07.2017 to 24.07.2021 | 3,000,000 | – | – | (3,000,000) | – |
| **Total** | | | | 3,000,000 | – | – | (3,000,000) | – |

*Note:*

1. *The share options can be exercised up to one-third of the grant from the first anniversary of the date of grant, up to two-thirds of the grant from the second anniversary of the date of grant, and in whole or in part of the grant from the third anniversary of the date of grant.*

Save as disclosed above, there were no outstanding share options granted under the SmarTone Share Option Scheme during the year ended 30 June 2021.

The major terms of the SmarTone Share Option Scheme, in conjunction with the requirements of Chapter 17 of the Listing Rules, are as follows:

1. The purpose of the SmarTone Share Option Scheme is to reward participants who have made a valuable contribution to the growth of the SmarTone group and to enable the SmarTone group to recruit and/or to retain employees who are regarded as valuable to the SmarTone group or are expected to be able to contribute to the business development of the SmarTone group.

2. Any employee, agent, consultant or representative of SmarTone or any of its subsidiaries, including any director of SmarTone or any of its subsidiaries, who has made valuable contribution to the growth of the SmarTone group based on his work experience, industry knowledge, performance, business connections or other relevant factors, will be eligible to participate in the SmarTone Share Option Scheme at the invitation of the directors of SmarTone.

3. SmarTone can issue share options so that the total number of shares of SmarTone that may be issued upon exercise of all share options to be granted under the SmarTone Share Option Scheme and any other share option schemes of SmarTone does not in aggregate exceed 10% of the shares of SmarTone in issue as at the date of adoption of the SmarTone Share Option Scheme. SmarTone may renew this limit at any time, subject to its shareholders' approval and the issue of a circular and in accordance with the Listing Rules provided that the number of shares to be issued upon exercise of all outstanding share options of SmarTone granted and yet to be exercised under all the share option schemes of SmarTone does not exceed 30% of the shares of SmarTone in issue from time to time. As at 9 September 2021, the number of shares of SmarTone available for issue in respect thereof was 102,761,185 shares which represented approximately 9.25% of the issued shares of SmarTone.

4. The maximum entitlement for any participant is that the total number of shares of SmarTone issued and to be issued upon exercise of share options granted and to be granted in any 12-month period up to the date of the latest grant does not exceed 1% of the relevant class of shares of SmarTone in issue.

5. The exercise period of any share option granted under the SmarTone Share Option Scheme shall be determined by the board of SmarTone but such period must not exceed ten years from the date of grant of the relevant share option.

6. The SmarTone Share Option Scheme does not specify any minimum holding period before the share option can be exercised but the board of SmarTone has the authority to determine the minimum holding period when the share options are granted.

7. Acceptance of offer to grant a share option shall be sent in writing together with a remittance in favour of SmarTone of HK$1.00 by way of consideration for the grant and must be received by the company secretary of SmarTone within 28 days from the date of the making of such offer.

8. The option price per share of SmarTone payable upon the exercise of any share option will be determined by the directors of SmarTone upon the grant of such share option. It shall be at least the highest of:

   - the average closing price of the shares of SmarTone as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the day of offer of such share option;
   - the closing price of the shares of SmarTone as stated in the Stock Exchange's daily quotations sheet on the day of offer of such share option, which must be a business day; and
   - the nominal value of a share of SmarTone.

9. The SmarTone Share Option Scheme shall be valid and effective for a period of ten years commencing from the adoption of the SmarTone Share Option Scheme on 2 November 2011.

## *3. Share award scheme of SmarTone*

On 29 June 2018, the board of SmarTone adopted a share award scheme (the "SmarTone Share Award Scheme"). Pursuant to the rules of the SmarTone Share Award Scheme, shares of SmarTone will be acquired by a trustee at the cost of SmarTone and be held in trust for selected employees of the SmarTone group until the end of each vesting period.

During the year ended 30 June 2021, no shares were awarded under the SmarTone Share Award Scheme. Particulars of the outstanding shares awarded under the SmarTone Share Award Scheme and their movements during the year ended 30 June 2021 were as follows:

| | | | Number of awarded shares | | | | |
|---|---|---|---|---|---|---|---|
| **Awardees** | **Date of award** | **Vesting period[1]** | **Balance as at 01.07.2020** | **Awarded during the year** | **Vested during the year** | **Lapsed during the year** | **Balance as at 30.06.2021** |
| **(i) Directors of SmarTone** | 29.06.2018 | 29.06.2019 to 29.06.2021 | 102,000 | – | (58,400) | (43,600) | – |
| | 31.01.2019 | 31.01.2020 to 31.01.2022 | 186,200 | – | (73,000) | (84,000) | 29,200 |
| **(ii) Other employees of the SmarTone group** | 29.06.2018 | 29.06.2019 to 29.06.2021 | 563,840 | – | (501,000) | (62,840) | – |
| | 31.01.2019 | 31.01.2020 to 31.01.2022 | 1,023,890 | – | (442,920) | (95,860) | 485,110 |
| | 28.02.2020 | 28.02.2021 to 28.02.2023 | 1,548,410 | – | (477,100) | (175,940) | 895,370 |
| **Total** | | | 3,424,340 | – | (1,552,420) | (462,240) | 1,409,680 |

*Note:*

*1. 30% of the awarded shares shall vest on the first and second anniversary date of the date of award and the balance shall vest on the third anniversary date of the date of award.*

The major terms of the SmarTone Share Award Scheme are as follows:

1. The specific objectives of the SmarTone Share Award Scheme are (i) to recognise the contributions by certain employees of the SmarTone group and to provide them with incentives in order to retain them for the continual operation and development of the SmarTone group; and (ii) to attract suitable personnel for further development of the SmarTone group.

2. The SmarTone Share Award Scheme shall be subject to the administration of the board of SmarTone in accordance with the rules of the SmarTone Share Award Scheme.

3. Subject to any early termination as may be determined by the board of SmarTone pursuant to the rules of the SmarTone Share Award Scheme, the SmarTone Share Award Scheme shall be valid and effective for a term of ten years commencing on the adoption of the SmarTone Share Award Scheme on 29 June 2018.

4. The total number of shares that may be awarded under the SmarTone Share Award Scheme shall not exceed 10% of the shares of SmarTone in issue (i.e. 1,124,269,277 shares) as at the date of adoption of the SmarTone Share Award Scheme.

5. Pursuant to the rules of the SmarTone Share Award Scheme, the board of SmarTone may, from time to time, at its absolute discretion select any employee of the SmarTone group (excluding any excluded employee as defined in the rules of the SmarTone Share Award Scheme) for participation in the SmarTone Share Award Scheme as a selected employee and determine the reference awarded sum for the purchase and/or allocation of awarded shares.

   The board of SmarTone shall cause to be paid to a trustee an amount equal to the aggregate of the reference awarded sums and the related purchase expenses. The trustee shall purchase from the market the relevant number of shares of SmarTone in accordance with written instructions issued by the board of SmarTone from time to time and shall hold such shares until they are vested in accordance with the rules of the SmarTone Share Award Scheme.

   When a selected employee of the SmarTone group has satisfied all vesting conditions specified by the board of SmarTone at the time of making the award and becomes entitled to the shares forming the subject of the award, the trustee shall transfer the relevant awarded shares to that selected employee.

6. Subject to any applicable provisions of the rules of the SmarTone Share Award Scheme, the awarded shares shall vest in accordance with the timetable as set out in the rules of the SmarTone Share Award Scheme. 30% of the awarded shares shall vest on the first and second anniversary date of the date of award and the balance shall vest on the third anniversary date of the date of award. Vesting of the awarded shares will be conditional on the selected employee remaining an employee of the SmarTone group until and on each of the relevant vesting dates.

   Where the awarded shares do not vest in accordance with the rules of the SmarTone Share Award Scheme, the trustee shall hold such shares for the benefit of one or more employees of the SmarTone group as it determines in its discretion, after having taken into account the recommendations of the board of SmarTone.

7. The trustee shall not exercise the voting rights in respect of any shares of SmarTone held under the trust.

8. The SmarTone Share Award Scheme shall terminate on the earlier of the 10th anniversary date of the date of adoption of the SmarTone Share Award Scheme or such date of early termination as determined by the board of SmarTone provided that such termination shall not affect any subsisting rights of the selected employees.

## Arrangement to Purchase Shares or Debentures

Other than the share option and share award schemes as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate.

## Equity-linked Agreements

Other than the share option scheme of the Company as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

## Interests of Substantial Shareholders and Other Persons

As at 30 June 2021, substantial shareholders of the Company and other persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which were notified to the Company, were as follows:

| | Number of shares held | | | | |
|---|---|---|---|---|---|
| | **Personal interests (held as beneficial owner)** | **Corporate interests (interests of controlled corporation)** | **Other interests** | **Total** | **% of issued voting shares as at 30.06.2021** |
| **(i) Substantial shareholders** | | | | | |
| HSBC Trustee (C.I.) Limited | – | – | 991,088,008[1,2&3] | 991,088,008 | 34.20 |
| Kwong Siu-hing | 25,024 | – | 774,137,237[1&3] | 774,162,261 | 26.72 |
| Adolfa Limited ("Adolfa") | 231,182,838 | 80,588,723 | – | 311,771,561[3&4] | 10.76 |
| Bertana Limited ("Bertana") | 231,182,838 | 80,588,723 | – | 311,771,561[3&5] | 10.76 |
| Cyric Limited ("Cyric") | 231,182,838 | 80,588,723 | – | 311,771,561[3&6] | 10.76 |
| **(ii) Other persons** | | | | | |
| Credit Suisse Trust Limited | – | – | 216,601,592[7&8] | 216,601,592 | 7.47 |
| Genesis Trust & Corporate Services Ltd. | – | – | 211,173,896[9] | 211,173,896 | 7.29 |
| Kwok Kai-ho, Jonathan | – | – | 211,173,896[9] | 211,173,896 | 7.29 |
| Thriving Talent Limited | 193,245,095[2] | – | – | 193,245,095 | 6.67 |
| Thriving Talent Holdings Limited | – | 193,245,095[2] | – | 193,245,095 | 6.67 |
| Rosy Result Limited | 189,149,595[7] | – | – | 189,149,595 | 6.53 |
| Asporto Limited | 187,357,707[9] | – | – | 187,357,707 | 6.47 |

*Notes:*

1. *Madam Kwong Siu-hing was deemed to be interested in 774,137,237 shares in the Company by virtue of her being a founder and a beneficiary of certain discretionary trusts for the purpose of Part XV of the SFO. These shares formed part of the shares in the Company in which HSBC Trustee (C.I.) Limited was deemed to be interested by virtue of it being the trustee of certain discretionary trusts and were therefore duplicated between these two substantial shareholders.*

2. *In addition to the deemed interests as stated in Note 1 above, HSBC Trustee (C.I.) Limited was deemed to be interested in 216,950,771 shares in the Company by virtue of it being the trustee of a discretionary trust for the purpose of Part XV of the SFO. Of these shares, 193,245,095 shares represented the same interests held by Thriving Talent Limited (which was a wholly-owned subsidiary of Thriving Talent Holdings Limited) and were therefore duplicated amongst them.*

   *The 216,950,771 shares in the Company as disclosed in the above paragraph were the same shares in the Company included in "other interests" of Mr. Kwok Kai-fai, Adam as disclosed in the table under the section headed "Directors' and Chief Executives' Interests" above, and were therefore duplicated between them.*

3. *Of the respective shares in the Company held by Adolfa, Bertana and Cyric, 80,588,723 shares were held through corporations of which each of Adolfa, Bertana and Cyric was interested in one-third of the entire issued share capital. These 80,588,723 shares represented the same interests and were therefore duplicated amongst these companies. Further, the respective shares held by Adolfa, Bertana and Cyric formed part of the shares in the Company in which each of Madam Kwong Siu-hing and HSBC Trustee (C.I.) Limited was deemed to be interested.*

4. *These shares were the same shares in the Company included in "other interests" of Mr. Kwok Kai-chun, Geoffrey as disclosed in the table under the section headed "Directors' and Chief Executives' Interests" above, and were therefore duplicated between them.*

5. *These shares were the same shares in the Company included in "other interests" of Mr. Kwok Kai-fai, Adam as disclosed in the table under the section headed "Directors' and Chief Executives' Interests" above, and were therefore duplicated between them.*

6. *These shares were the same shares in the Company included in "other interests" of Messrs. Kwok Ping-luen, Raymond, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward as disclosed in the table under the section headed "Directors' and Chief Executives' Interests" above, and were therefore duplicated amongst them.*

7. *Credit Suisse Trust Limited was deemed to be interested in 216,575,125 shares in the Company by virtue of it being the trustee of a discretionary trust for the purpose of Part XV of the SFO. Of these shares, 189,149,595 shares represented the same interests held by Rosy Result Limited and were therefore duplicated between them.*

   *The 216,575,125 shares in the Company as disclosed in the above paragraph were the same shares in the Company included in "other interests" of Messrs. Kwok Ping-luen, Raymond, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward as disclosed in the table under the section headed "Directors' and Chief Executives' Interests" above, and were therefore duplicated amongst them.*

8. *In addition to the deemed interests as stated in Note 7 above, Credit Suisse Trust Limited was deemed to be interested in 26,467 shares in the Company by virtue of it being the trustee of certain trusts for the purpose of Part XV of the SFO.*

9. *Genesis Trust & Corporate Services Ltd. was deemed to be interested in 211,173,896 shares in the Company by virtue of it being the trustee of certain trusts for the purpose of Part XV of the SFO. These shares represented the same interests in which Mr. Kwok Kai-ho, Jonathan was deemed to be interested by virtue of him being a beneficiary of certain trusts for the purpose of Part XV of the SFO and were therefore duplicated between them. Of these shares, 187,357,707 shares represented the same interests held by Asporto Limited and were therefore duplicated amongst them.*

   *The 211,173,896 shares in the Company as disclosed in the above paragraph were the same shares in the Company included in "other interests" of Mr. Kwok Kai-chun, Geoffrey as disclosed in the table under the section headed "Directors' and Chief Executives' Interests" above, and were therefore duplicated amongst them.*

Save as disclosed above, as at 30 June 2021, there were no other persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which were notified to the Company.

## Emolument Policy and Long-term Incentive Schemes of the Group

As at 30 June 2021, the Group employed more than 38,500 employees. The related employees' costs before reimbursements for the year amounted to approximately HK$12,048 million. Compensation for the Group is made with reference to the market as well as individual performance and contributions. Extensive use of bonuses to link performance with reward is adopted. The Group also provides a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training appropriate to individual needs. Share option and share award schemes are in place to provide appropriate long-term incentive to the key staff of the Group. Details of the share option and share award schemes of the Group are set out in the section headed "Share Option and Share Award Schemes".

## Basis of Determining Emolument to Directors

The same remuneration philosophy also applies to the Directors of the Company. Apart from benchmarking against the market, the Company looks at individual competence and contributions and the affordability of the Company in determining the exact level of remuneration for each Director. Appropriate benefits schemes are in place for the Executive Directors, including the share option scheme, which is the same as that offered to other employees of the Group.

## Permitted Indemnity

The Articles of Association provides that each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

## Bank and Other Borrowings

Details of bank and other borrowings as at 30 June 2021 are set out in notes 23 and 26 to the consolidated financial statements.

## Interest Capitalized

Interest capitalized during the year amounted to HK$702 million (2020: HK$881 million).

## Charitable Donations

HK$46 million (2020: HK$71 million) was donated by the Group during the year.

## Directors' Interests in Competing Businesses

The interests of the Directors of the Company in competing businesses that were required to be disclosed pursuant to Rule 8.10 of the Listing Rules as informed by the relevant Directors were as follows:

The businesses of the Group principally consist of (i) property developments and investments in Hong Kong, on the mainland and in Singapore, and (ii) hotel operations in Hong Kong and on the mainland. Messrs. Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher, Kwok Kai-chun, Geoffrey and Kwok Ho-lai, Edward (the Alternate Director to Mr. Kwok Ping-luen, Raymond) (collectively the "Kwok Family") maintain certain interests in businesses which consist of property developments and investments in Hong Kong, Singapore and the United Kingdom, and hotel operations in Hong Kong. As such, they are regarded as being interested in the competing businesses with the Group (the "Excluded Businesses"). However, when compared with the dominance and size of operations of the Group, such Excluded Businesses are immaterial. The Kwok Family does not have property development and investment businesses and hotel operation business on the mainland. Therefore, they are not regarded as being interested in such Excluded Businesses on the mainland.

The businesses of Transport International consist of property holdings and developments. Messrs. Kwok Ping-luen, Raymond and Fung Yuk-lun, Allen are non-executive directors of Transport International, and therefore, each of them is regarded as being interested in such Excluded Businesses.

The businesses of Wing Tai Properties Limited ("Wing Tai") consist of property developments, property investments and management, and hospitality investments and management. Mr. Kwok Ping-luen, Raymond is a non-executive director of Wing Tai and Mr. Kwok Ho-lai, Edward is his alternate, and therefore, each of them is regarded as being interested in such Excluded Businesses.

The businesses of Empire Group Holdings Limited ("Empire Group") consist of property investments and developments, and hotel operations. Mr. Kwok Kai-chun, Geoffrey is a director of Empire Group and is entitled to exercise, or control the exercise of, 10% or more of the voting power at any of its general meetings, and therefore is regarded as being interested in such Excluded Businesses. However, when compared with the dominance and size of operations of the Group, such Excluded Businesses are immaterial. Mr. Kwok Kai-chun, Geoffrey is a Non-Executive Director of the Company.

Other than the family businesses of the Kwok Family, the above-mentioned Excluded Businesses are managed by separate companies or public listed companies with independent management and administration. In this respect, coupled with the diligence of the Independent Non-Executive Directors and the Audit and Risk Management Committee of the Company, the Group is capable of carrying on its businesses independently of, and at arm's length from, the Excluded Businesses mentioned above.

## Connected Transactions

On 17 May 2021, the Company, Wheelock Properties Limited ("Wheelock Properties"), Henderson Development Limited ("Henderson Development") and their respective subsidiaries entered into an arrangement to jointly redevelop Nos. 34, 36 and 38 Belcher's Street, Hong Kong into a composite development of residential units with commercial accommodation on the ground floor (the "Project"). The Company's subsidiary (which is the beneficial owner of No. 34 Belcher's Street, Hong Kong) is entitled to 57.89% interest of and in the Project, whereas the subsidiaries of Wheelock Properties and Henderson Development (which are together the beneficial owners of Nos. 36 and 38 Belcher's Street, Hong Kong) are respectively entitled to 25.27% interest and 16.84% interest of and in the Project (the "Transaction"). The initial amount of the capital commitment of the Company's subsidiary in the Project is approximately HK$1,285 million, which was determined after arm's length negotiations between the above parties, taking into account the value of the land involved and the estimated construction costs and project costs of the Project borne and to be borne by the Company's subsidiary according to its interest of and in the Project as mentioned above.

Henderson Development is a private company wholly-owned by the family trusts of Dr. Lee Shau-kee. Dr. Lee Shau-kee was the Vice Chairman and a Non-Executive Director of the Company, who retired on 5 November 2020 (i.e. within the last 12 months from the date of entering into the Transaction). Accordingly, Henderson Development is an associate of Dr. Lee Shau-kee and is therefore a connected person of the Company, and the entering into of the Transaction constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. The Company has applied for, and the Stock Exchange has granted, a waiver from compliance with the announcement requirement for the Transaction pursuant to Rule 14A.103 of the Listing Rules on 21 January 2021.

The Directors (including the Independent Non-Executive Directors) of the Company have passed resolutions to approve the Transaction and they are in the view that the Transaction is carried out in the ordinary and usual course of business of the Group, the terms of the Transaction are on normal commercial terms which are fair and reasonable and the entering into of the Transaction is in the best interests of the Company and its shareholders as a whole.

Save as disclosed above, during the period from the date of the 2019/20 annual report of the Company to the date of this report, the Company did not have any connected transactions which was subject to the reporting requirements under Chapter 14A of the Listing Rules.

## Directors' Material Interests in Transactions, Arrangements and Contracts

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or his or her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Management Contracts

Save for employment contracts, no other contracts relating to the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

## Major Customers and Suppliers

During the year, less than 30% of the Group's sales and less than 30% of the Group's purchases were attributable to the Group's five largest customers combined and five largest suppliers combined respectively.

## Auditor

The retiring auditor, Messrs. Deloitte Touche Tohmatsu, has signified its willingness to continue in office. A resolution will be proposed at the 2021 Annual General Meeting to re-appoint it and to authorize the Directors to fix its remuneration.

## Audit and Risk Management Committee

The annual results for the year have been reviewed by the Audit and Risk Management Committee of the Company. The Group's consolidated financial statements have been audited by the Company's auditor, Messrs. Deloitte Touche Tohmatsu, and it has issued an unmodified opinion.

## Corporate Governance

A report on the principal corporate governance practices adopted by the Company is set out on pages 106 to 123.

## Sufficiency of Public Float

As at the date of this report, based on information that was publicly available to the Company and within the knowledge of the Directors, the Company maintained the amount of public float as required under the Listing Rules.

This report is signed for and on behalf of the Board.

**Kwok Ping-luen, Raymond**
*Chairman & Managing Director*

Hong Kong, 9 September 2021

# Directors' Biographical Information

## Directors

**Kwok Ping-luen, Raymond**
Hon LLD, Hon DBA, MBA, MA (Cantab), JP
*Chairman & Managing Director (Age: 68)*

Mr. Kwok has been Chairman of the Company since December 2011. Prior to the appointment as Chairman of the Company, Mr. Kwok had acted as Vice Chairman of the Company for 21 years. He is also the Managing Director and a member of the Executive Committee of the Company. He has been with the Group for 43 years. Mr. Kwok holds a Master of Arts degree in Law from Cambridge University, a Master's degree in Business Administration from Harvard University, an Honorary Doctorate degree in Business Administration from Hong Kong Metropolitan University (formerly known as The Open University of Hong Kong) and an Honorary Doctorate degree in Laws from The Chinese University of Hong Kong. Mr. Kwok is the chairman and an executive director of SUNeVision Holdings Ltd. He is also the chairman and a non-executive director of SmarTone Telecommunications Holdings Limited, and a non-executive director of Transport International Holdings Limited and Wing Tai Properties Limited.

In civic activities, Mr. Kwok is a member of the 13th National Committee of the Chinese People's Political Consultative Conference. He is also a director of The Real Estate Developers Association of Hong Kong and a member of the council of The Chinese University of Hong Kong.

Mr. Kwok is a son of Madam Kwong Siu-hing, who is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Kwok is the father of Messrs. Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward. He is also an uncle of Messrs. Kwok Kai-fai, Adam and Kwok Kai-chun, Geoffrey.

For the year ended 30 June 2021, Mr. Kwok is entitled to receive a fee of HK$320,000 for being the Chairman of the Company. He is also entitled to receive other emoluments in the total sum of approximately HK$3.36 million, including fees of HK$60,000 and HK$180,000 for being the chairman of SUNeVision Holdings Ltd. and SmarTone Telecommunications Holdings Limited respectively.

**Wong Chik-wing, Mike**
MSc(IRE), FHKIS, RPS (BS), JP
*Deputy Managing Director (Age: 65)*

Mr. Wong has been a Deputy Managing Director of the Company since July 2012. He joined the Group in 1981 and has been an Executive Director of the Company since January 1996. He is also a member of the Executive Committee of the Company. Mr. Wong graduated from The Hong Kong Polytechnic University with distinction and holds a Master's degree in International Real Estate. He is a fellow of The Hong Kong Institute of Surveyors and a registered professional surveyor. Also, he is an Adjunct Professor of both The University of Hong Kong (Department of Real Estate and Construction) and The Hong Kong Polytechnic University (Department of Building and Real Estate). He is currently responsible for planning and development, and project management matters of the Group's development projects.

For the year ended 30 June 2021, Mr. Wong is entitled to receive a fee of HK$300,000 for being a Director of the Company and other emoluments of approximately HK$27.64 million.

# Directors' Biographical Information

**Lui Ting, Victor**
BBA
*Deputy Managing Director (Age: 67)*

Mr. Lui has been an Executive Director and a Deputy Managing Director of the Company since April and July 2012 respectively. He is also a member of the Executive Committee of the Company. He joined the Group in 1977 and is currently responsible for the sales and marketing of a number of large residential developments as well as acquisition and disposal of non-core property investment projects of the Group. He holds a Bachelor of Business Administration degree from The Chinese University of Hong Kong.

For the year ended 30 June 2021, Mr. Lui is entitled to receive a fee of HK$300,000 for being a Director of the Company and other emoluments of approximately HK$27.97 million.

**Yip Dicky Peter**
MBA, BBS, MBE, JP
*Independent Non-Executive Director (Age: 74)*

Mr. Yip has been an Independent Non-Executive Director of the Company since September 2004. He is also a member of both the Audit and Risk Management Committee and the Nomination Committee of the Company. He joined The Hongkong and Shanghai Banking Corporation Limited ("HSBC") in Hong Kong in 1965 with working experiences in London, China and San Francisco. Mr. Yip worked in a number of departments of HSBC, which included trade services, corporate banking, group consultancy service and regional training. His previous assignment prior to becoming CEO China had been in personal financial services, covering jobs in marketing, card products, customer service and sales, with responsibilities over consumer business in Hong Kong. From January 2003 to April 2005, Mr. Yip was appointed chief executive China business, based in Shanghai; meanwhile, he was also a director of Bank of Shanghai, Ping An Insurance and Ping An Bank on the mainland. Mr. Yip became a general manager of HSBC in April 2005 until his retirement from HSBC in June 2012. He was the executive vice president of Bank of Communications Co., Ltd. and an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. and South China Holdings Company Limited. Mr. Yip was the chief representative for the Asia-Pacific Region of Institute of International Finance from July 2012 to July 2015. He is currently an independent director of S.F. Holding Co., Ltd., and the chairman and a non-executive director of Ping An OneConnect Bank (Hong Kong) Limited.

Mr. Yip is an elected associated member of the Chartered Institute of Bankers, London. He was educated in Hong Kong with an MBA from The University of Hong Kong. He has a Certified Financial Planner certificate issued by the Institute of Financial Planners of Hong Kong. Mr. Yip received the Ten Outstanding Young Persons Award in 1984 for his contribution to the banking industry and the community in Hong Kong. Mr. Yip was awarded the MBE by the British Government in 1984. In 1999, he was appointed Unofficial Justice of the Peace in Hong Kong. In 2000, he was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region. In June 2008, he was elected a member of Shanghai Committee of the Chinese People's Political Consultative Conference.

Mr. Yip is active in community and youth activities in Hong Kong and is a member of a number of service organizations such as Hong Kong Committee for United Nations Children Fund and the 8th National Council of Red Cross Society of China.

For the year ended 30 June 2021, Mr. Yip is entitled to receive fees of HK$300,000 for being a Director of the Company, HK$280,000 for being a member of the Audit and Risk Management Committee of the Company and HK$60,000 for being a member of the Nomination Committee of the Company.

**Professor Wong Yue-chim, Richard**
SBS, JP
*Independent Non-Executive Director (Age: 69)*

Professor Wong has been an Independent Non-Executive Director of the Company since May 2005. He is the Chairman of both the Nomination Committee and the Remuneration Committee, and a member of the Audit and Risk Management Committee of the Company. Professor Wong studied Economics at the University of Chicago and graduated with a Doctorate in Philosophy. He is Professor of Economics at The University of Hong Kong. Professor Wong was awarded the Silver Bauhinia Star in 1999 by the Government of the Hong Kong Special Administrative Region for his contributions in education, housing, industry and technology development. In addition, he was appointed Justice of the Peace in July 2000.

Professor Wong serves as an independent non-executive director of Great Eagle Holdings Limited and Pacific Century Premium Developments Limited. He was an independent non-executive director of Orient Overseas (International) Limited and a member of the managing board of the Kowloon-Canton Railway Corporation.

For the year ended 30 June 2021, Professor Wong is entitled to receive fees of HK$300,000 for being a Director of the Company, and HK$70,000 for being the Chairman of each of the Nomination Committee and the Remuneration Committee of the Company. In addition, he is also entitled to receive a fee of approximately HK$123,000 for being a member of the Audit and Risk Management Committee of the Company for the period from 22 January 2021 (being the date of his appointment as a member of this Committee) to 30 June 2021.

**Dr. Li Ka-cheung, Eric**
LLD, DSocSc., HonDSocSc (EdUHK), B.A., GBS, OBE, JP
*Independent Non-Executive Director (Age: 68)*

Dr. Li was appointed as a Non-Executive Director of the Company in May 2005. He is currently an Independent Non-Executive Director, the Chairman of the Audit and Risk Management Committee and a member of the Remuneration Committee of the Company. He is also an independent non-executive director and the chairman of the audit committee and the remuneration committee of SmarTone Telecommunications Holdings Limited.

Dr. Li is the honorary chairman of Shinewing (HK) CPA Limited. He is also an independent non-executive director of Transport International Holdings Limited, Wong's International Holdings Limited and China Resources Beer (Holdings) Company Limited. Dr. Li retired as an independent non-executive director of Hang Seng Bank Limited with effect from 27 May 2021.

Dr. Li is a member of the 13th National Committee of the Chinese People's Political Consultative Conference. He was a former member of the Legislative Council of Hong Kong, the chairman of its Public Accounts Committee, a past president of the Hong Kong Institute of Certified Public Accountants and a former convenor-cum-member of the Financial Reporting Review Panel.

For the year ended 30 June 2021, Dr. Li is entitled to receive fees of HK$300,000 for being a Director of the Company, HK$320,000 for being the Chairman of the Audit and Risk Management Committee of the Company and HK$60,000 for being a member of the Remuneration Committee of the Company. He is also entitled to receive other emoluments in the total sum of HK$288,000 for being a director and the chairman of the audit committee and the remuneration committee of SmarTone Telecommunications Holdings Limited.

# Directors' Biographical Information

**Dr. Fung Kwok-lun, William**
SBS, OBE, JP
*Independent Non-Executive Director (Age: 72)*

Dr. Fung has been an Independent Non-Executive Director of the Company since February 2010. He graduated from Princeton University with a Bachelor of Science degree in Engineering and also holds an MBA degree from the Harvard Graduate School of Business. He was conferred the degrees of Doctor of Business Administration, *honoris causa*, by The Hong Kong University of Science and Technology, by The Hong Kong Polytechnic University and by Hong Kong Baptist University and degree of Doctor of Letters, *honoris causa*, by Wawasan Open University of Malaysia.

Dr. Fung is the chairman of Global Brands Group Holding Limited and has been re-designated as its executive director on 10 August 2021. He is also a non-executive director of Convenience Retail Asia Limited and became its chairman on 26 May 2021. Both companies are within the Fung Group. Dr. Fung is an independent non-executive director of VTech Holdings Limited and The Hongkong and Shanghai Hotels, Limited. Formerly, he was the group non-executive chairman of Li & Fung Limited until October 2020.

Dr. Fung has held key positions in major trade associations. He is the past chairman of the Hong Kong General Chamber of Commerce (1994-1996), the Hong Kong Exporters' Association (1989-1991) and the Hong Kong Committee for Pacific Economic Cooperation (1993-2002). He was a Hong Kong Special Administrative Region delegate to the Chinese People's Political Consultative Conference (1998-2003). He has been awarded the Silver Bauhinia Star by the Government of the Hong Kong Special Administrative Region in 2008.

For the year ended 30 June 2021, Dr. Fung is entitled to receive a fee of HK$300,000 for being a Director of the Company.

**Dr. Leung Nai-pang, Norman**
LLD, GBS, JP
*Independent Non-Executive Director (Age: 81)*

Dr. Leung has been an Independent Non-Executive Director of the Company since July 2012. He is also a member of the Audit and Risk Management Committee, the Nomination Committee and the Remuneration Committee of the Company. Dr. Leung is the chairman and an independent non-executive director of Transport International Holdings Limited.

Dr. Leung has been active in public service for 40 years and he served as Commissioner of the Civil Aid Service from 1993 to 2007, chairman of the Broadcasting Authority from 1997 to 2002, council chairman of City University of Hong Kong from 1997 to 2003 and Pro-Chancellor of City University of Hong Kong from 2005 to 2016. He is the council chairman of The Chinese University of Hong Kong.

For the year ended 30 June 2021, Dr. Leung is entitled to receive fees of HK$300,000 for being a Director of the Company, HK$280,000 for being a member of the Audit and Risk Management Committee of the Company, and HK$60,000 for being a member of each of the Nomination Committee and the Remuneration Committee of the Company.

**Leung Ko May-yee, Margaret**
SBS, JP
*Independent Non-Executive Director (Age: 69)*

Mrs. Leung has been an Independent Non-Executive Director of the Company since March 2013. She holds a Bachelor's degree in Economics, Accounting and Business Administration from The University of Hong Kong. She was the vice-chairman and the chief executive of Hang Seng Bank Limited, the chairman of Hang Seng Bank (China) Limited, a director of various subsidiaries of Hang Seng Bank Limited, a director of The Hongkong and Shanghai Banking Corporation Limited and the Group General Manager of HSBC Holdings plc prior to her retirement from the HSBC group in June 2012.

Mrs. Leung is currently an independent non-executive director of First Pacific Company Limited and Agricultural Bank of China Limited. In addition, she was an independent non-executive director of Swire Pacific Limited, Hutchison Whampoa Limited, China Construction Bank Corporation, QBE Insurance Group Limited, Hong Kong Exchanges and Clearing Limited and Li & Fung Limited as well as the deputy chairman, managing director and chief executive of Chong Hing Bank Limited.

Mrs. Leung is the vice chairman of the Advisory Committee on Arts Development of the Home Affairs Bureau, a member of the Advisory Committee on Post-office Employment for Former Chief Executives and Politically Appointed Officials and the Public Service Commission of the Government of the Hong Kong Special Administrative Region, a non-ex officio member of The Law Reform Commission of Hong Kong, and a Steward of The Hong Kong Jockey Club. She is also a council member, the treasurer and the chairman of the finance committee, and a member of the human resources policy committee of The University of Hong Kong. Mrs. Leung was the chairman of the board of governors of Hang Seng Management College and Hang Seng School of Commerce, a court member of the Hong Kong Baptist University, and a member of the advisory board and the chairman of the investment committee of the Hong Kong Export Credit Insurance Corporation from 2005 to 2010. She was also a member of the Greater Pearl River Delta Business Council, the advisory committee of the Securities and Futures Commission, the Banking Review Tribunal, and the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the Hong Kong Special Administrative Region, the chairman of the executive committee of The Community Chest of Hong Kong, and a member of the board of directors and the finance committee of the Hospital Authority.

For the year ended 30 June 2021, Mrs. Leung is entitled to receive a fee of HK$300,000 for being a Director of the Company.

# Directors’ Biographical Information

**Fan Hung-ling, Henry**
SBS, JP
*Independent Non-Executive Director (Age: 73)*

Mr. Fan has been an Independent Non-Executive Director of the Company since March 2018. He graduated from The University of Hong Kong with an honours degree in Economics and Business Management and also holds a Bachelor of Laws degree from the University of Beijing. He is a Barrister-at-Law in Hong Kong, and in England and Wales as well as an Attorney-at-Law in the State of California, U.S.A.

Mr. Fan has over 30 years of experience in business management. He was a director and then managing director of CITIC Pacific Limited (now known as CITIC Limited) from 1990 and 1992 respectively to 2009. In addition, Mr. Fan was a deputy chairman of Cathay Pacific Airways Limited from 1997 to 2009 and an independent non-executive director of Hong Kong Exchanges and Clearing Limited from 2003 to 2009. He is currently an independent non-executive director of HKR International Limited. Mr. Fan is also the managing director of Hong Kong Glory Limited, a family investment company.

Mr. Fan has a long record of public service in Hong Kong. He is a member of the Chief Executive’s Council of Advisers on Innovation and Strategic Development, the chairman of the Hospital Authority, as well as a member of the board of directors of the West Kowloon Cultural District Authority and the Financial Services Development Council. He is also the Chairman of the board of directors of West Kowloon Cultural District Foundation Limited. Mr. Fan was a non-official member of the Executive Council of the Hong Kong Special Administrative Region, the chairman of the Mandatory Provident Fund Schemes Authority, and a non-executive director of the Securities and Futures Commission.

For the year ended 30 June 2021, Mr. Fan is entitled to receive a fee of HK$300,000 for being a Director of the Company.

**Wu Xiang-dong**
MBA, M.E., B.E.
*Independent Non-Executive Director (Age: 54)*

Mr. Wu has been an Independent Non-Executive Director of the Company since September 2019. He holds a double Bachelor’s degree in Construction Management and Engineering Mechanics, as well as a Master’s degree in Municipal Engineering from Tsinghua University and an MBA degree from the University of San Francisco.

Mr. Wu has over 26 years of experience in corporate management and commercial property operation. He is currently a co-chairman, the chief executive officer and the president of China Fortune Land Development Co., Ltd. Mr. Wu was an executive director of China Resources Land Limited (“CRL”) for the period from June 2009 to February 2019 and also worked as the executive vice president, the managing director and the chairman of the board of directors of CRL for certain time during such period. He was also an independent director of Yango Group Co., Ltd.

For the year ended 30 June 2021, Mr. Wu is entitled to receive a fee of HK$300,000 for being a Director of the Company.

**Kwan Cheuk-yin, William**

LLB

*Non-Executive Director (Age: 86)*

Mr. Kwan has been a Non-Executive Director of the Company since July 1999 and is a member of both the Nomination Committee and the Remuneration Committee of the Company. Mr. Kwan was the managing partner of Woo Kwan Lee & Lo, Solicitors and had over 58 years of experience in legal practice. He retired as such on 31 March 2021 and thereafter he was appointed a consultant of the firm. He is a former director and advisor and currently a voting member of the Tung Wah Group of Hospitals. He is a vice president of Scout Association of Hong Kong, a vice chairman of the Hong Kong Scout Foundation Management Committee, a member of Hong Kong Scout Foundation Investment Team, a vice chairman of the Scout Performing Arts Committee, a chairman of Air Activities Committee, an adviser of Air Activities Development Fund Committee, a chairman of Scout Association of Hong Kong Leadership Training Institute Foundation Management Committee, a member of Programme Committee of Scout Association of Hong Kong and a vice chairman of World Scout Foundation Baden-Powell Fellowship Hong Kong Chapter. Mr. Kwan is a past member of the Stamp Advisory Committee and was a committee member of the Hong Kong Philatelic Society up to 31 March 2021 and thereafter was appointed honorary life president of the Hong Kong Philatelic Society. He is an honorary member of the Federation of Inter-Asia Philately (FIAP), president of FIAP Grand Prix Club, formerly vice president of FIAP and winner of two Grand Prix International at FIP Exhibitions. He is also a president of the Hong Kong Branch of the King's College London Association, a permanent advisor of Wah Yan (Hong Kong) Past Students Association and a chairman of Wah Yan Dramatic Society. Mr. Kwan is a committee member and legal advisor of South China Athletic Association and former vice manager of its Football Section as well as manager of its Ten Pin Bowling Section and an honorary legal advisor of the Hong Kong Society for Reproductive Society.

Mr. Kwan was commissioner general and vice chairman of the Organizing Committees of the Hong Kong 1994, 1997, 2001 and 2004 International Stamp Exhibitions and was commissioner general and chairman of the Organizing Committees of the Hong Kong 2009 and 2015 International Stamp Exhibitions. He served on the Hong Kong Golf Club General Committee on several occasions in various capacities. He graduated from King's College, London University and is a fellow of King's College London, the Institute of Arbitrators and the Royal Philatelic Society, London.

For the year ended 30 June 2021, Mr. Kwan is entitled to receive fees of HK$300,000 for being a Director of the Company, and HK$60,000 for being a member of each of the Nomination Committee and the Remuneration Committee of the Company.

# Directors' Biographical Information

**Kwok Kai-chun, Geoffrey**
BA
*Non-Executive Director (Age: 36)*

Mr. Kwok has been a Non-Executive Director of the Company since December 2018. He holds a Bachelor of Arts degree in Economics from Yale University. Mr. Kwok joined the Group in May 2008 and has participated in managing the hotels and serviced apartments of the Group in Hong Kong and on the mainland. He is a director of a subsidiary in the hotel division of the Group. Prior to joining the Group, he worked in an international investment bank. He is also a director of Empire Group Holdings Limited.

Mr. Kwok is a nephew of Mr. Kwok Ping-luen, Raymond. He is also a grandson of Madam Kwong Siu-hing, who is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Kwok is a cousin of Messrs. Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward. He is a director of Asporto Limited, which has interests in the shares of the Company and such interests have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

For the year ended 30 June 2021, Mr. Kwok is entitled to receive a fee of HK$300,000 for being a Director of the Company.

**Kwok Kai-fai, Adam**
MBA, BSc
*Executive Director (Age: 38)*

Mr. Kwok has been an Executive Director of the Company since December 2014. He is also a member of the Executive Committee of the Company. Mr. Kwok holds a Bachelor of Science degree in Management Science and Engineering from Stanford University and a Master's degree in Business Administration from Harvard Business School. He worked in an international investment bank prior to joining the Group in November 2008, and has substantial experience in corporate finance. He was the project director taking charge of certain key residential and commercial projects of the Group in Hong Kong and the Pearl River Delta region. Since April 2013, he has taken up the overall responsibilities for the property business in Southern China.

In addition, Mr. Kwok is a vice-president of The Real Estate Developers Association of Hong Kong, a member of the Major Sports Events Committee, a member of the International Advisory Council of the Faculty of Business and Economics of The University of Hong Kong, an advisor of Our Hong Kong Foundation and a president of Hong Kong United Youth Association. He is also a standing committee member of the Guangdong Provincial Committee of the Chinese People's Political Consultative Conference, a founder and deputy chairman of Hong Kong Guangdong Youth Association, a standing committee member of All-China Youth Federation, a member of the chairman's committee of Friends of Hong Kong Association Development Foundation and a vice-chairman of Greater Bay Area Homeland Youth Community Foundation.

Mr. Kwok is a nephew of Mr. Kwok Ping-luen, Raymond. He is also a grandson of Madam Kwong Siu-hing, who is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Kwok is a cousin of Messrs. Kwok Kai-wang, Christopher, Kwok Kai-chun, Geoffrey and Kwok Ho-lai, Edward.

For the year ended 30 June 2021, Mr. Kwok is entitled to receive a fee of HK$300,000 for being a Director of the Company and other emoluments of approximately HK$8.97 million.

**Kwok Kai-wang, Christopher**
MBA, BSc
*Executive Director (Age: 34)*

Mr. Kwok has been an Executive Director of the Company since April 2016. He is also a member of the Executive Committee of the Company. Mr. Kwok holds a Bachelor of Science Degree in Chemistry from Harvard University and a Master's degree in Business Administration from Stanford Graduate School of Business. He worked in an international management consultancy firm before joining the Group in 2011. He is primarily responsible for the leasing of residential, retail and commercial properties of the Group in Hong Kong and on the mainland. Besides, he assumes the overall responsibilities for the property business in Northern China. Mr. Kwok also assists the Chairman of the Company in all other non-property businesses of the Group in which he is a non-executive director of SUNeVision Holdings Ltd.

In addition, Mr. Kwok is a member of the General Committee of the Employers' Federation of Hong Kong and a convenor of the Development Committee of the Hong Kong Chronicles Institute under Our Hong Kong Foundation. He is also a member of the Beijing Municipal Committee of the Chinese People's Political Consultative Conference and a vice-chairman of Greater Bay Area Homeland Youth Community Foundation.

Mr. Kwok is a son of Mr. Kwok Ping-luen, Raymond. He is also a grandson of Madam Kwong Siu-hing, who is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Kwok is a cousin of Messrs. Kwok Kai-fai, Adam and Kwok Kai-chun, Geoffrey, and the younger brother of Mr. Kwok Ho-lai, Edward.

For the year ended 30 June 2021, Mr. Kwok is entitled to receive a fee of HK$300,000 for being a Director of the Company. He is also entitled to receive other emoluments in the total sum of approximately HK$8.31 million, including a fee of HK$45,000 for being a director of SUNeVision Holdings Ltd.

**Tung Chi-ho, Eric**
BA(AS)Hons, BArch, HKIA, Registered Architect, Authorized Person (List of Architects)
*Executive Director (Age: 62)*

Mr. Tung has been an Executive Director of the Company since December 2013. He is also a member of the Executive Committee of the Company. Mr. Tung holds a Bachelor of Arts degree in Architectural Studies and a Bachelor of Architecture degree from The University of Hong Kong. He is a member of The Hong Kong Institute of Architects and a Registered Architect. Mr. Tung joined the Group in 1987 and has progressed through the ranks with increasing project management, sales and marketing responsibilities for a number of signature projects of the Group in Hong Kong and Singapore and on the mainland. He is also an executive director of SUNeVision Holdings Ltd.

For the year ended 30 June 2021, Mr. Tung is entitled to receive a fee of HK$300,000 for being a Director of the Company. He is also entitled to receive other emoluments in the total sum of approximately HK$22 million, including a fee of HK$45,000 for being a director of SUNeVision Holdings Ltd.

# Directors' Biographical Information

**Fung Yuk-lun, Allen**
BA, Ph.D.
*Executive Director (Age: 53)*

Mr. Fung has been an Executive Director of the Company since December 2013. He is also a member of the Executive Committee of the Company and the chief executive officer of the Group's non-property related portfolio investments. Mr. Fung obtained an undergraduate degree (Modern History) from Oxford University and holds a doctoral degree in History and East Asian Languages from Harvard University. He was a recipient of a Guggenheim Fellowship in 1996. Mr. Fung was a Teaching Fellow at Harvard University in 1993-1994 and a visiting Assistant Professor of History at Brown University in 1996-1997. Mr. Fung is a vice chairman and an executive director of SUNeVision Holdings Ltd. as well as a deputy chairman and an executive director of SmarTone Telecommunications Holdings Limited. He is also a non-executive director of Transport International Holdings Limited.

Mr. Fung joined McKinsey & Company ("McKinsey"), a global management consulting company, in 1997. He primarily served clients on the mainland and in Hong Kong, and also served institutions in Europe and Southeast Asia. Mr. Fung was the co-leader of the infrastructure practice for McKinsey. He was the managing partner of McKinsey Hong Kong from 2004 to 2010. In 2011, he became a director of McKinsey globally, being the first Hong Kong Chinese to become a director in McKinsey's history. He was also the head of recruiting for the Asia region in McKinsey.

Mr. Fung is a member of the General Committee of the Hong Kong General Chamber of Commerce, the president of the Hong Kong Society for the Protection of Children, an honorary secretary of The Hong Kong Federation of Youth Groups, and a council member and an executive committee member of The Hong Kong Management Association. He is also a member of the board of the Asian Youth Orchestra, a board member of the Hong Kong Tourism Board, a member of the board of the Hong Kong Philharmonic Society Limited, and a member of the Museum Advisory Committee of the Leisure and Cultural Services Department of the Government of the Hong Kong Special Administrative Region.

For the year ended 30 June 2021, Mr. Fung is entitled to receive a fee of HK$300,000 for being a Director of the Company. He is also entitled to receive other emoluments in the total sum of approximately HK$21.92 million, including fees of HK$52,500 and HK$162,000 for being a vice chairman and a director of SUNeVision Holdings Ltd. as well as a deputy chairman and a director of SmarTone Telecommunications Holdings Limited respectively.

**Kwok Ho-lai, Edward**
EMBA, BA
*Alternate Director to Kwok Ping-luen, Raymond (Age: 40)*

Mr. Kwok has been an Alternate Director to Mr. Kwok Ping-luen, Raymond since July 2012. He holds a Bachelor of Arts degree from Yale University and a Postgraduate Diploma in Professional Accountancy from The Chinese University of Hong Kong. He has also obtained an Executive MBA degree from the Kellogg School of Management and the HKUST Business School in December 2017. His professional qualifications include becoming a fellow member of the Hong Kong Institute of Certified Public Accountants in September 2020 and he became a fellow member of The Institute of Chartered Accountants in England and Wales in February 2020. In addition, Mr. Kwok has been an alternate director to Mr. Kwok Ping-luen, Raymond at Wing Tai Properties Limited since April 2015.

Mr. Kwok has joined the Group since January 2010 and is now a sales and project manager, responsible for feasibility study, marketing and planning of new residential projects of the Group in Hong Kong. Before joining the Group, Mr. Kwok worked in a major international audit firm.

Mr. Kwok is a son of Mr. Kwok Ping-luen, Raymond. He is also a grandson of Madam Kwong Siu-hing, who is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Kwok is a cousin of Messrs. Kwok Kai-fai, Adam and Kwok Kai-chun, Geoffrey, and the elder brother of Mr. Kwok Kai-wang, Christopher.

All the Directors and Alternate Directors of the Company have not entered into any service contract with the Company. In accordance with the articles of association of the Company, Directors are subject to retirement and shall be eligible for re-election at the annual general meetings of the Company. For the Non-Executive Directors (including the Independent Non-Executive Directors), they are subject to a term of approximately two years commencing from the date of the annual general meeting at which they are re-elected and expiring at the annual general meeting to be held two years thereafter, and they shall be eligible for re-election for a like term at that annual general meeting upon the expiry of their term of office. In accordance with the articles of association of the Company, the appointment of Alternate Directors will cease if their appointors cease to be Directors of the Company.

The Directors' fees are proposed by the Board of Directors and approved by the shareholders of the Company at the annual general meeting and their other emoluments are subject to review by the Board of Directors from time to time pursuant to the power given to it under the articles of association of the Company with reference to their contribution in terms of time, effort and accomplishments. Alternate Directors shall not be entitled to receive from the Company any remuneration in respect of their appointment as Alternate Directors except only such part (if any) of the remuneration otherwise payable to their appointors as such appointors may by notice in writing to the Company from time to time direct.

## Senior Management

The Executive Directors of the Company are also members of the senior management of the Group.

# Executive Committee

## Executive Committee

All Executive Directors of the Company are members of the Executive Committee of the Company. Other members and their profiles are as follows:

**Chow Kwok-yin, Eric**

ACIS

Mr. Chow graduated from The Hong Kong Polytechnic University. He is a member of The Institute of Chartered Secretaries and Administrators. Mr. Chow joined the Group in 2000 and is currently responsible for sales and marketing of selected residential projects in Hong Kong and on the mainland. He has been appointed as an Executive Director of Sun Hung Kai Real Estate Agency Limited since April 2005.

**Yung Sheung-tat, Sandy**

BA(Law)Hons

Mr. Yung holds a Bachelor of Arts degree in Law from Middlesex University, England. He has been qualified as a solicitor in Hong Kong since 1987 and was admitted as a solicitor in England and Wales in 1991 and as an advocate and solicitor in Singapore in 1995. Mr. Yung joined the Group in 1996 and is currently the Group General Counsel and Company Secretary of the Company. He has been appointed as an Executive Director of Sun Hung Kai Real Estate Agency Limited since July 2009.

**Li Ching-kam, Frederick**

FCCA, CPA

Mr. Li is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He joined the Group in 1989 and is currently the Group Chief Accountant. Mr. Li has been appointed as an Executive Director of Sun Hung Kai Real Estate Agency Limited since October 2015.

**Fung Sau-yim, Maureen**

BSc(Hons) Est. Mgt., MHousMan (Distinction), MBA
FHKIS, FRICS, RPS (GP), CIREA, FISCM

Ms. Fung holds a Bachelor degree of Science in Estate Management from the University of Reading, United Kingdom, an MBA degree from Northeast Louisiana University, United States and a Master degree of Housing Management with Distinction from the University of Hong Kong. She is a fellow member of the Hong Kong Institute of Surveyors and Royal Institution of Chartered Surveyors, a registered professional surveyor and a China Real Estate Appraiser. She joined the Group in 1991 and is responsible for strategic planning and development of shopping malls in Hong Kong and China. Ms. Fung is an Executive Director of Sun Hung Kai Properties (China) Limited and has been appointed as an Executive Director of Sun Hung Kai Real Estate Agency Limited since August 2018. She has also been appointed as a Board Member of Ocean Park, a member of the Aviation Development and Three-runway System Advisory Committee (ADTAC) and Tourism Strategy Group under Tourism Commission.

**Chan Hong-ki, Robert**

BSc(BS), MHKIS, MRICS, , RPS(BS), AP(Surveyor)

Mr. Chan graduated from the Hong Kong Polytechnic University and holds a Bachelor degree from University of Greenwich. He is a member of The Hong Kong Institute of Surveyors and The Royal Institution of Chartered Surveyors and a Registered Professional Surveyor. He is also an Authorized Person under the Buildings Ordinance (Chapter 123 of the laws of Hong Kong). He joined the Group in 1993 and is currently responsible for project management and design of various projects in Hong Kong and on the mainland. Mr. Chan is an Executive Director of Sun Hung Kai Architects and Engineers Limited and a Non-Executive Director of SUNeVision Holdings Limited. Mr. Chan has been appointed as an Executive Director of Sun Hung Kai Real Estate Agency Limited since October 2018.

**Lam Ka-keung, Henry**

Bsc(Hons), MSc(Const & Real Est)

Mr. Lam holds a Bachelor degree of Science from the Chinese University of Hong Kong and a Master degree of Science in Construction and Real Estate from the Hong Kong Polytechnic University. He joined the Group in 1993 and is currently responsible for strategic planning of shopping malls and new project development with retail component. He has been appointed as an Executive Director of Sun Hung Kai Real Estate Agency Limited since April 2019.

**Lau Tak-yeung, Albert**

MRICS, MHKIS

Mr. Lau graduated from the University of Reading, United Kingdom, in Land Management. He has become a member of The Royal Institution of Chartered Surveyors and The Hong Kong Institute of Surveyors since 1989. Mr. Lau has focused on China real estate market for more than 20 years. He joined the Group in 2017 and is currently responsible for investment and development, as well as operation management in China. Mr. Lau is an Executive Director of Sun Hung Kai Properties (China) Limited and has been appointed as an Executive Director of Sun Hung Kai Real Estate Agency Limited since May 2021.

The following are the associate members of the Executive Committee, who hold major positions in the Group, and who have been invited by the Executive Committee to attend its meetings regularly and to contribute their experience and expertise to assist the Executive Committee in its decision-making process:

| | | |
|---|---|---|
| Mak Nak-keung | – | Corporate Advisor |
| Sum Hong-ning, Brian | – | General Manager, Corporate Planning |
| Lung Po-kwan | – | Chief Financial Officer, Mainland China |
| Fung Chu-hee, Andrew | – | Manager, Chairman's Office |

# Independent Auditor's Report and Consolidated Financial Statements

# Independent Auditor's Report

Deloitte. 德勤

**TO THE SHAREHOLDERS OF SUN HUNG KAI PROPERTIES LIMITED**
*(incorporated in Hong Kong with limited liability)*

## Opinion

We have audited the consolidated financial statements of Sun Hung Kai Properties Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 166 to 236, which comprise the consolidated statement of financial position as at 30 June 2021, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## Basis for Opinion

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

## Key Audit Matters

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

## Key Audit Matters (cont'd)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Valuation of investment properties** | |
| We identified the valuation of investment properties as a key audit matter due to the significance of the Group's investment properties in the context of the Group's consolidated financial statements as a whole and because significant judgment is involved in determining the inputs used in the valuation.<br><br>As at 30 June 2021, the Group's investment properties amounted to HK$395,879 million which represented 49.7% of the Group's total assets. Decrease in fair value of investment properties of HK$1,551 million was recognized in the consolidated income statement for the year then ended.<br><br>The Group's investment properties are stated at fair value based on the valuation carried out by independent qualified valuers (the "Valuers"). The valuation was dependent on certain key estimates which requires significant judgment, including capitalization rates. The valuation of investment properties under development was also dependent on the estimated costs that will be incurred to complete the development with appropriate allowance for profit and risk. Details of the valuation methodology and key inputs used in the valuation are disclosed in note 12 to the consolidated financial statements. | Our procedures in relation to the valuation of the investment properties included:<br><br>• Evaluating the competence, capabilities and objectivity of the Valuers;<br><br>• Assessing the appropriateness and reasonableness of the valuation methodology, key assumptions and estimates used in the valuations, by comparing them to an estimated range, on a sample basis, based on evidence of comparable market transactions and other publicly available information of the property industry; and<br><br>• Assessing the completeness and consistency of information provided by the Group to the Valuers; and evaluating the accuracy of the key inputs used in the valuation on a sample basis. |

## Key Audit Matters (cont'd)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Assessment of the net realizable values of properties for sale** | |
| We identified the assessment of the net realizable values of properties for sale as a key audit matter as the properties for sale is significant to the Group's consolidated financial statements as a whole; and the Group's assessment of the carrying values of properties for sale, being the lower of cost and net realizable value, takes into account the price ultimately expected to be realized and the anticipated costs to completion.<br><br>As disclosed in note 20 to the consolidated financial statements, the Group's properties for sale amounted to HK$200,934 million which represented 25.2% of the Group's total assets, as at 30 June 2021. | Our procedures in relation to the Group's assessment of the net realizable values of properties for sale included:<br><br>• Assessing the reasonableness of the net realizable values of properties for sale, on a sample basis, by comparing the carrying values with the market prices achieved less future costs to completion in the same projects or comparable properties, based on our knowledge of the Group's business and current market development in the real estate industry; and<br><br>• Obtaining an understanding of the management's process in estimating the future costs to completion for the properties under development for sale; and assessing the reasonableness of their estimations, on a sample basis, by comparing the expected costs to the Group's development budgets and the actual development costs of similar projects recently completed by the Group and by checking to construction contracts and other relevant documents. |
| **Revenue recognition of property sales** | |
| We identified revenue recognition of property sales as a key audit matter as it is significant to the consolidated income statement and there is judgment involved in determining the appropriate point in time for recognizing revenue from property sales.<br><br>The Group's revenue from property sales for the year ended 30 June 2021 amounted to HK$42,701 million, which is disclosed in note 3 to the consolidated financial statements, and represented 50.1% of the Group's revenue.<br><br>As disclosed in note 2(c)(i) to the consolidated financial statements, revenue from sale of properties is recognized when control over the ownership or physical possession of the property is transferred to the customers. | Our procedures in relation to revenue recognition of property sales included:<br><br>• Obtaining an understanding on the management's controls over the determination of appropriate point in time to recognize revenue and testing the effectiveness of such controls; and<br><br>• Assessing whether the controls over the ownership of the properties have been transferred to the buyers, on a sample basis, with reference to the correspondences issued by the relevant government authorities and the terms set out in the sales and purchase agreements and checking the status of the transfer of the properties to the buyers and the settlement of the considerations for the property sales. |

## Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (cont'd)

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Lee Po Chi.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong
9 September 2021

# Consolidated Income Statement

*For the year ended 30 June 2021*
*(Expressed in millions of Hong Kong dollars)*

| | Notes | 2021 | 2020 |
|---|---|---|---|
| **Revenue** | 3(a) | **85,262** | 82,653 |
| Cost of sales | | **(40,493)** | (40,517) |
| Gross profit | | **44,769** | 42,136 |
| Other net income | | **250** | 831 |
| Selling and marketing expenses | | **(5,009)** | (4,560) |
| Administrative expenses | | **(2,765)** | (2,952) |
| **Operating profit** | | **37,245** | 35,455 |
| Change in fair value of investment properties | | **(1,551)** | (4,423) |
| Finance costs | | **(2,477)** | (2,528) |
| Finance income | | **487** | 408 |
| Net finance costs | 5 | **(1,990)** | (2,120) |
| Share of results of: | | | |
| Associates | | **723** | 181 |
| Joint ventures | | **2,249** | 1,418 |
| | | **2,972** | 1,599 |
| **Profit before taxation** | 6 | **36,676** | 30,511 |
| Taxation | 9 | **(9,230)** | (6,197) |
| **Profit for the year** | | **27,446** | 24,314 |
| **Profit for the year attributable to:** | | | |
| Company's shareholders | | **26,686** | 23,521 |
| Perpetual capital securities holders | | **66** | 169 |
| Non-controlling interests | | **694** | 624 |
| | | **27,446** | 24,314 |
| *(Expressed in Hong Kong dollars)* | | | |
| **Earnings per share based on profit attributable to the Company's shareholders (reported earnings per share)** | 11(a) | | |
| Basic | | **$9.21** | $8.12 |
| Diluted | | **$9.21** | $8.12 |
| **Earnings per share excluding the effect of change in fair value of investment properties net of deferred tax (underlying earnings per share)** | 11(b) | | |
| Basic | | **$10.31** | $10.13 |
| Diluted | | **$10.31** | $10.13 |

# Consolidated Statement of Comprehensive Income

*For the year ended 30 June 2021*
*(Expressed in millions of Hong Kong dollars)*

| | 2021 | 2020 |
|---|---|---|
| **Profit for the year** | **27,446** | 24,314 |
| **Items that may be reclassified subsequently to profit or loss:** | | |
| Exchange difference on translation of Mainland operations | **7,596** | (3,138) |
| Cash flow hedge | | |
| – fair value (losses)/gains recognized directly through other comprehensive income | **(308)** | 254 |
| – fair value gains transferred to consolidated income statement | **(30)** | (31) |
| | **(338)** | 223 |
| Fair value gains of debt securities at fair value through other comprehensive income | **26** | – |
| Share of other comprehensive income/(loss) of associates and joint ventures | **2,195** | (787) |
| **Items that will not be reclassified to profit or loss:** | | |
| Fair value gains/(losses) of equity securities at fair value through other comprehensive income | **192** | (332) |
| Share of other comprehensive income of an associate | **178** | 154 |
| **Other comprehensive income/(loss) for the year** | **9,849** | (3,880) |
| **Total comprehensive income for the year** | **37,295** | 20,434 |
| **Total comprehensive income for the year attributable to:** | | |
| Company's shareholders | **36,317** | 19,728 |
| Perpetual capital securities holders | **66** | 169 |
| Non-controlling interests | **912** | 537 |
| | **37,295** | 20,434 |

# Consolidated Statement of Financial Position

*As at 30 June 2021*
*(Expressed in millions of Hong Kong dollars)*

| | Notes | 2021 | 2020 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | 12 | **395,879** | 380,717 |
| Property, plant and equipment | 13 | **42,921** | 40,825 |
| Associates | 14 | **7,093** | 6,306 |
| Joint ventures | 15 | **94,388** | 72,476 |
| Financial investments | 16 | **3,229** | 2,603 |
| Intangible assets | 17 | **4,273** | 4,288 |
| Other non-current assets | 18 | **5,803** | 6,954 |
| | | **553,586** | 514,169 |
| **Current assets** | | | |
| Properties for sale | 20 | **200,934** | 196,153 |
| Inventories | | **362** | 367 |
| Trade and other receivables | 21 | **18,373** | 17,029 |
| Financial investments | 16 | **1,383** | 824 |
| Bank deposits and cash | 22 | **21,781** | 31,705 |
| Assets of subsidiaries contracted for sale | 36 | **–** | 37,584 |
| | | **242,833** | 283,662 |
| **Current liabilities** | | | |
| Bank and other borrowings | 23 | **(20,979)** | (26,375) |
| Trade and other payables | 24 | **(28,210)** | (36,851) |
| Deposits received on sales of properties | 25 | **(8,644)** | (21,462) |
| Current tax payable | | **(15,366)** | (12,654) |
| | | **(73,199)** | (97,342) |
| **Net current assets** | | **169,634** | 186,320 |
| **Total assets less current liabilities** | | **723,220** | 700,489 |
| **Non-current liabilities** | | | |
| Bank and other borrowings | 26 | **(95,844)** | (86,231) |
| Deferred tax liabilities | 27 | **(25,694)** | (22,638) |
| Other non-current liabilities | 28 | **(2,056)** | (1,205) |
| | | **(123,594)** | (110,074) |
| **NET ASSETS** | | **599,626** | 590,415 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 29 | **70,703** | 70,703 |
| Reserves | | **523,117** | 501,110 |
| **Shareholders' equity** | | **593,820** | 571,813 |
| **Perpetual capital securities** | 30 | **–** | 3,813 |
| **Non-controlling interests** | | **5,806** | 14,789 |
| **TOTAL EQUITY** | | **599,626** | 590,415 |

Directors:

**Kwok Ping-luen, Raymond**

**Lui Ting, Victor**

# Consolidated Statement of Cash Flows

*For the year ended 30 June 2021*
*(Expressed in millions of Hong Kong dollars)*

| | Notes | 2021 | 2020 |
|---|---|---|---|
| **Operating activities** | | | |
| Operating cash inflow | 33(a) | **41,400** | 39,800 |
| Changes in working capital | 33(a) | **(20,089)** | 10,696 |
| Cash generated from operations | 33(a) | **21,311** | 50,496 |
| Interest expenses and other finance costs paid | | **(3,009)** | (3,298) |
| Bank interest received | | **513** | 392 |
| Interest received from investments | | **75** | 137 |
| Dividends received from equity securities | | **117** | 125 |
| Dividends received from associates and joint ventures | | **2,075** | 3,166 |
| Tax paid | | | |
| – Hong Kong | | **(3,587)** | (3,370) |
| – Outside Hong Kong | | **(1,839)** | (1,148) |
| **Net cash from operating activities** | | **15,656** | 46,500 |
| **Investing activities** | | | |
| Additional investment in an associate | | **(8)** | (11) |
| Investment in joint ventures | | **(712)** | (6,705) |
| Additions to investment properties | | **(7,141)** | (46,374) |
| Additions to property, plant and equipment | | **(3,082)** | (2,890) |
| Additions to concession assets | | **(3)** | – |
| Purchase of long-term financial investments | | **(1,136)** | (110) |
| Net repayment from/(advances to) associates and joint ventures | | **255** | (534) |
| Payment of mobile licence fees | | **(120)** | (96) |
| Deposits received for disposal of subsidiaries | | **–** | 7,613 |
| Net cash inflow in respect of disposal of subsidiaries | 33(d) | **1,781** | – |
| Net proceeds from disposal of investment properties | | **119** | 639 |
| Proceeds from disposal of property, plant and equipment | | **2** | 34 |
| Proceeds from disposal of long-term financial investments | | **485** | 735 |
| **Net cash used in investing activities** | | **(9,560)** | (47,699) |
| **Financing activities** | | | |
| Drawdown of bank and other borrowings | | **26,872** | 40,401 |
| Repayment of bank and other borrowings | | **(24,267)** | (22,210) |
| Capital contributions from non-controlling interests | | **–** | 9,394 |
| Principal elements of lease payments | | **(983)** | (1,029) |
| (Decrease)/increase in amounts due to non-controlling interests | | **(152)** | 37 |
| Decrease/(increase) in bank deposits maturing after more than three months | | **298** | (19) |
| Proceeds from issue of shares | | **–** | 18 |
| Proceeds from issue of shares by a subsidiary | | **29** | 7 |
| Payment for repurchase of shares by a subsidiary | | **(47)** | (21) |
| Purchase of additional interest in a subsidiary | | **–** | (3) |
| Purchase of shares for share award scheme in a subsidiary | | **(7)** | (2) |
| Dividends paid to Company's shareholders | | **(14,344)** | (14,344) |
| Dividends paid to non-controlling interests | | **(416)** | (739) |
| Redemption of perpetual capital securities | | **(3,795)** | – |
| Distributions paid to perpetual capital securities holders | | **(84)** | (169) |
| **Net cash (used in)/from financing activities** | | **(16,896)** | 11,321 |
| **(Decrease)/increase in cash and cash equivalents** | | **(10,800)** | 10,122 |
| **Cash and cash equivalents at beginning of year** | | **31,150** | 21,430 |
| **Effect of foreign exchange rates changes** | | **1,296** | (402) |
| **Cash and cash equivalents at end of year** | 33(b) | **21,646** | 31,150 |

# Consolidated Statement of Changes in Equity

*For the year ended 30 June 2021*
*(Expressed in millions of Hong Kong dollars)*

| | Attributable to Company's shareholders | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Capital reserves | Investment revaluation reserve | Exchange reserve | Retained profits | Total | Perpetual capital securities | Non-controlling interests | Total |
| At 1 July 2019 | 70,683 | 591 | 1,488 | (2,206) | 495,849 | 566,405 | 3,813 | 5,601 | 575,819 |
| Profit for the year | – | – | – | – | 23,521 | 23,521 | 169 | 624 | 24,314 |
| Exchange difference on translation of Mainland operations | – | – | – | (3,053) | – | (3,053) | – | (85) | (3,138) |
| Fair value gains on cash flow hedge | – | 223 | – | – | – | 223 | – | – | 223 |
| Fair value gains/(losses) on debt securities at fair value through other comprehensive income | – | – | 2 | – | – | 2 | – | (2) | – |
| Fair value losses on equity securities at fair value through other comprehensive income | – | – | (332) | – | – | (332) | – | – | (332) |
| Transfer to retained profits upon disposal of equity investments | – | – | (12) | – | 12 | – | – | – | – |
| Share of other comprehensive (loss)/income of associates and joint ventures | – | – | 11 | (790) | 146 | (633) | – | – | (633) |
| Other comprehensive (loss)/income for the year | – | 223 | (331) | (3,843) | 158 | (3,793) | – | (87) | (3,880) |
| Total comprehensive (loss)/income for the year | – | 223 | (331) | (3,843) | 23,679 | 19,728 | 169 | 537 | 20,434 |
| Shares issued on exercise of share options | 20 | (2) | – | – | – | 18 | – | – | 18 |
| Recognition of equity-settled share-based payments | – | – | – | – | – | – | – | 25 | 25 |
| Purchase of shares for Share Award Scheme in a subsidiary | – | – | – | – | (1) | (1) | – | (1) | (2) |
| Vesting of share award in a subsidiary | – | – | – | – | 9 | 9 | – | (9) | – |
| Contributions from non-controlling interests | – | – | – | – | – | – | – | 9,394 | 9,394 |
| Final dividend paid | – | – | – | – | (10,722) | (10,722) | – | – | (10,722) |
| Interim dividend paid | – | – | – | – | (3,622) | (3,622) | – | – | (3,622) |
| Adjustments relating to changes in interests in subsidiaries | – | (2) | – | – | – | (2) | – | (10) | (12) |
| Dividends to non-controlling interests | – | – | – | – | – | – | – | (748) | (748) |
| Distributions paid to perpetual capital securities holders | – | – | – | – | – | – | (169) | – | (169) |
| At 30 June 2020 | 70,703 | 810 | 1,157 | (6,049) | 505,192 | 571,813 | 3,813 | 14,789 | 590,415 |

| | Attributable to Company's shareholders | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Capital reserves | Investment revaluation reserve | Exchange reserve | Retained profits | Total | Perpetual capital securities | Non-controlling interests | Total |
| At 1 July 2020 | 70,703 | 810 | 1,157 | (6,049) | 505,192 | 571,813 | 3,813 | 14,789 | 590,415 |
| Profit for the year | – | – | – | – | 26,686 | 26,686 | 66 | 694 | 27,446 |
| Exchange difference on translation of Mainland operations | – | – | – | 7,381 | – | 7,381 | – | 215 | 7,596 |
| Fair value losses on cash flow hedge | – | (338) | – | – | – | (338) | – | – | (338) |
| Fair value gains on debt securities at fair value through other comprehensive income | – | – | 26 | – | – | 26 | – | – | 26 |
| Fair value gains on equity securities at fair value through other comprehensive income | – | – | 189 | – | – | 189 | – | 3 | 192 |
| Transfer to retained profits upon disposal of equity investments | – | – | (29) | – | 29 | – | – | – | – |
| Share of other comprehensive income of associates and joint ventures | – | – | 30 | 2,198 | 145 | 2,373 | – | – | 2,373 |
| Other comprehensive (loss)/income for the year | – | (338) | 216 | 9,579 | 174 | 9,631 | – | 218 | 9,849 |
| Total comprehensive (loss)/income for the year | – | (338) | 216 | 9,579 | 26,860 | 36,317 | 66 | 912 | 37,295 |
| Recognition of equity-settled share-based payments | – | – | – | – | – | – | – | 27 | 27 |
| Lapse of share award/options of a subsidiary | – | – | – | – | 10 | 10 | – | (10) | – |
| Repurchase of its shares by a subsidiary | – | 1 | – | – | (1) | – | – | – | – |
| Purchase of shares for Share Award Scheme in a subsidiary | – | – | – | – | (5) | (5) | – | (2) | (7) |
| Vesting of share award in a subsidiary | – | – | – | – | 9 | 9 | – | (9) | – |
| Final dividend paid | – | – | – | – | (10,722) | (10,722) | – | – | (10,722) |
| Interim dividend paid | – | – | – | – | (3,622) | (3,622) | – | – | (3,622) |
| Adjustments relating to changes in interests in subsidiaries | – | 20 | – | – | – | 20 | – | (91) | (71) |
| Disposal of subsidiaries | – | – | – | – | – | – | – | (9,394) | (9,394) |
| Dividends to non-controlling interests | – | – | – | – | – | – | – | (416) | (416) |
| Distributions paid to perpetual capital securities holders | – | – | – | – | – | – | (84) | – | (84) |
| Redemption of perpetual capital securities | – | – | – | – | – | – | (3,795) | – | (3,795) |
| At 30 June 2021 | 70,703 | 493 | 1,373 | 3,530 | 517,721 | 593,820 | – | 5,806 | 599,626 |

# Notes to the Consolidated Financial Statements

*(Expressed in millions of Hong Kong dollars)*

## 1. Basis of Preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards and interpretations (collectively, "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance (Cap. 622) and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The consolidated financial statements are prepared under the historical cost convention except for investment properties and certain financial instruments, which are measured at fair value, as explained in the principal accounting policies set out in Note 2.

In the current year, the Group has adopted a number of amendments to HKFRSs issued by the HKICPA that are effective for the first time for the Group's financial year beginning 1 July 2020. None of these amendments had a material impact on the Group's financial statements.

The Group has not applied any new standard or amendment that is not effective for the current year.

## 2. Principal Accounting Policies

### *(a) Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries (together referred to as the "Group") made up to 30 June each year and the Group's interests in associates and joint ventures on the basis set out in Note 2(e) and Note 2(f) below, respectively. The financial statements of the associates and joint ventures used for this purpose are either coterminous with the financial statements of the Company or cover a year end not more than three months before the Company's year-end. The results of subsidiaries, associates and joint ventures acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or to the effective date of disposal. Accounting policies of subsidiaries, joint ventures and associates have been changed when necessary to ensure conformity with the Group's accounting policies.

Intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the Group companies are eliminated in full on consolidation. Unrealized profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associate or joint venture. Unrealised losses are eliminated in the same way as unrealised gains, but only to the content that there is no evidence of impairment of the asset transferred.

Non-controlling interests represent the equity in a subsidiary not attributable, directly or indirectly to the Company. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's ownership interest in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions, whereby the carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the equity shareholders of the Company.

## 2. Principal Accounting Policies (cont'd)

### (b) Revenue

Income is classified by the Group as revenue when it arises in the course of the Group's ordinary activities. Revenue from the Group's principal activities comprises proceeds from sale of properties, gross rental income from properties letting under operating leases, revenue from hotel operations, telecommunications, transport infrastructure and logistics, data centre operations and revenue derived from other business activities including department store, financial services, property management and construction. Group revenue does not include the revenue of associates and joint ventures.

### (c) Revenue recognition

The Group recognizes revenue from contracts with customers when control over a product or service is transferred to the customer at the transaction price to which the Group expects to be entitled in exchange for the promised product and service, excluding those amounts collected on behalf of third parties (such as value added tax or other sales taxes) and after deduction of any trade discounts. Transfer of control may be at a point in time or over time, dependent on the nature and terms of and laws applicable to the contracts. In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of financing component if it is significant.

Further details of the Group's recognition policies on revenue from contracts with customers, other sources of revenue and other income are as follows:

**(i) Property sales**

Revenue from sale of properties is recognized when the control over the ownership or physical possession of the property is transferred to the customer, which is the point in time when the Group satisfies its performance obligations under the contracts.

Deposits and instalments received on properties sold prior to the date of revenue recognition are presented in the statement of financial position as deposits received on sale of properties which are regarded as contract liabilities.

**(ii) Rental income**

Lease payments from properties letting under operating leases are recognized as rental income over the lease term on either a straight line basis or another systematic basis that is more representative of the pattern in which benefit from the use of the underlying leased asset is diminished. Contingent rentals are recognized in the accounting period in which they are earned.

**(iii) Hotel operations**

Revenue from hotel operations is recognized when the accommodation and related services are provided.

**(iv) Telecommunications**

Revenue from services is measured based on the usage of the Group's telecommunications network and facilities and is recognized when the services are rendered. Service revenue in respect of standard service plans billed in advance is deferred and included under contract liabilities. For sales of handset, equipment and gifts, revenue is recognized when the products are delivered to and accepted by the customer. When multiple-element arrangements exist, the amount of revenue recognized for each performance obligation is determined by considering the standalone selling prices or estimated fair values of each of the services element and handset device element provided within the bundled contracts.

## 2. Principal Accounting Policies (cont'd)

### *(c) Revenue recognition (cont'd)*

**(v) Transport infrastructure and logistics**

Toll income from toll road operations is recognized upon the passage of vehicles through the toll road.

Revenue from operation of business aviation centre including aircraft and passengers handling, fuel sales and hangar fee is recognized over time based on usage of services.

Management fee income from management and operation of tunnel, road infrastructure and car park facilities is recognized when the services are provided and in accordance with the terms of the management contracts.

Income from logistic and freight forwarding services is recognized when the services are rendered.

**(vi) Data centre operations**

Revenue from customers' use of data centre and information technology ("IT") facilities is recognized rateably over the terms of the agreement in the amount which the Group has right to invoice while other value-added service income is recognized over the period of service.

**(vii) Department store operations**

Revenue from sale of goods is recognized at point of sale when the customer takes possession of and accepts the product. Commission income from concessionaire sales is recognized upon sales of goods by counter suppliers.

**(viii) Financial services**

Interest income from loan financing business is accrued on a time basis using the effective interest method. Premiums from general insurance business are recognized as revenue proportionally over the period of coverage.

**(ix) Property management**

Income from provision of property and facilities management services is recognized when the services are rendered.

**(x) Construction**

Revenue in respect of building construction job is recognized over the contract period based on the stage of completion method measured by reference to the proportion that costs incurred to date bear to estimated total costs for the contract.

**(xi) Investment income**

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

Interest income from financial investments is recognized using the effective interest method.

## 2. Principal Accounting Policies (cont'd)

### *(d) Subsidiaries*

Subsidiaries are entities controlled by the Company. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date on which the Group obtains control and are deconsolidated from the date that control ceases.

Upon loss of control of a subsidiary, the Group derecognizes the assets (including any goodwill) and liabilities of the subsidiary and any non-controlling interests (including any components of other comprehensive income attributable to them) in the former subsidiary. If the Group retains any investment in that former subsidiary, then such investment is remeasured at fair value at the date when control is lost and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture. All amounts previously recognized in other comprehensive income in relation to that subsidiary are reclassified to profit or loss or transferred directly to retained earnings if required by other HKFRSs. The surplus or deficit arising from the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any interest retained in the former subsidiary and (ii) the carrying amount of the assets (including goodwill) and liabilities of the subsidiary attributable to the equity shareholders of the Company is recognized as a gain or loss on disposal in the consolidated profit or loss.

In the Company's statement of financial position, investments in subsidiary companies are stated at cost less provision for any impairment losses. Income from subsidiary companies is recognized by the Company in the statement of profit or loss on the basis of dividends received and receivable.

### *(e) Associates*

Associates are those in which the Group is in a position to exercise significant influence, but not control or joint control, over the management, including participation in the financial and operating policy decisions.

Results of associates are incorporated in the consolidated income statement to the extent of the Group's share of post-acquisition profits less losses.

Interests in associates are accounted for in the consolidated statement of financial position under the equity method and are carried at cost as adjusted for post-acquisition changes in the Group's share of their results and other comprehensive income ("OCI") less any identified impairment loss.

In the Company's statement of financial position, investments in associates are stated at cost less provision for any impairment losses. Income from associates is recognized by the Company in the statement of profit or loss on the basis of dividends received and receivable.

### *(f) Joint arrangements*

A joint arrangement is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control.

#### (i) Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint ventures) have rights to the net assets of the arrangement in accordance with contractual arrangements.

## 2. Principal Accounting Policies (cont'd)

### (f) *Joint arrangements (cont'd)*

#### (i) Joint ventures (cont'd)

Results of joint ventures are incorporated in the consolidated income statement to the extent of the Group's share of post-acquisition profits less losses.

Interests in joint ventures are accounted for in the consolidated statement of financial position under the equity method and are carried at cost as adjusted for post-acquisition changes in the Group's share of their results and OCI less any identified impairment loss.

In the Company's statement of financial position, investments in joint ventures are stated at cost less provision for any impairment losses. Income from joint ventures is recognized by the Company in the statement of profit or loss on the basis of dividends received and receivable.

#### (ii) Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement in accordance with contractual arrangements.

Investments in joint operations are accounted for such that each joint operator recognizes its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

### (g) *Intangible assets*

#### (i) Mobile licences

Spectrum utilization fees represent the payments for using the assigned spectrum to provide telecommunication services in Hong Kong within a specified period. The upfront payments and the present value of the annual fixed fees payable over the period are recorded as intangible assets, together with the related obligations. Amortization is provided on a straight line basis over the remaining assignment period from the date when the asset is ready for its intended use.

The difference between the discounted value and the total of the minimum annual fee payments represents the effective cost of financing and, accordingly, for the period prior to the asset being ready for its intended use, is capitalized as part of the intangible asset. Subsequent to the date when the asset is ready for its intended use, such finance costs are charged to the consolidated income statement in the year in which they are incurred.

Variable annual payments are recognized in the consolidated income statement as incurred.

#### (ii) Goodwill

Goodwill on acquisition of subsidiaries or business is measured initially at cost, being the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and any fair value of the Group's previously held equity interest in the acquiree over the fair value of the acquiree's net identifiable assets acquired and liabilities assumed as at the acquisition date. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is subject to impairment test annually and when there is indication that the carrying value may not be recoverable.

# 2. Principal Accounting Policies (cont'd)

## (g) *Intangible assets (cont'd)*

### (ii) Goodwill (cont'd)

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized directly in the consolidated income statement.

Goodwill on acquisition of associates and joint ventures, being the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets acquired, is included in the carrying amount of the investments in associates and joint ventures respectively and is not tested for impairment separately.

On disposal of a subsidiary, associate or joint venture, the carrying amount of goodwill attributable to the entity sold is included in the calculation of the profit or loss on disposal.

### (iii) Concession assets

The Group has entered into a service concession arrangement with the Government of Hong Kong Special Administrative Region ("HKSAR Government") to participate in the development, financing, operation and maintenance of toll road infrastructures. Under the arrangement, the Group carries out the construction of toll road for the granting authority and receives in exchange a right to operate the toll road and the entitlement to toll fees collected from users of the toll road. The assets including the cost of tunnel, approach road and buildings, electrical and mechanical systems under the service concession arrangement are recorded as intangible assets. Once the underlying infrastructure of the concession arrangement is completed, the concession assets are amortized over the term of the concession on a straight line basis.

## (h) *Contract acquisition and fulfilment costs*

Costs of obtaining and fulfilling a contract with a customer are capitalized as an asset if (i) the costs are incremental of obtaining the contract and they are expected to be recovered; and (ii) the costs of fulfilling a contract relate directly to the contract, generate or enhance resources of the Group that will be used in satisfying performance obligations in the future and are expected to be recovered. Capitalized contract costs are amortized on a systematic basis that is consistent with the transfer to the customers of the goods or services to which the asset relates. Impairment loss is recognized to the extent that the carrying amount of the capitalized costs exceeds the remaining considerations to be received less the future costs to be incurred.

## (i) *Contract assets and contract liabilities*

Upon entering into a contract with a customer, the Group obtains right to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net contract asset or net contract liability depending on the relationship between the remaining rights and the performance obligations.

A contract asset is recognized when the Group transfers a good or performs a service in the contract before receiving consideration from the customer or when the cumulative revenue recognized exceeds cumulative payments made by the customer. A contract asset is transferred to a receivable when the right to receive the consideration becomes unconditional. Conversely, a contract liability is recognized when the amounts received from a customer exceed revenue recognized for a contract or when advance payment is received from a customer before a good or service is transferred. A contract liability would also be recognized if the Group has an unconditional right to receive consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized.

## 2. Principal Accounting Policies (cont'd)

### *(i) Contract assets and contract liabilities (cont'd)*

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortized cost. Contract liabilities are recognized as revenue when the Group transfers the goods or services to the customers and therefore satisfies its performance obligations. Deposits received on sales of properties are regarded as contract liabilities and presented separately on the face of the consolidated statement of financial position under current liabilities.

### *(j) Financial instruments*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### (i) Financial assets

***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

***Subsequent measurement***

For purposes of subsequent measurement, financial assets of the Group are classified in four categories:

- Financial assets at amortized cost
- Debt investments at FVOCI
- Equity investments designated at FVOCI
- Financial assets at FVTPL

***Financial assets at amortized cost***

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash and cash equivalents, trade receivables, loan receivables and certain debt investments.

## 2. Principal Accounting Policies (cont'd)

### (j) *Financial instruments (cont'd)*

#### (i) Financial assets (cont'd)

***Debt investments at FVOCI***

The Group measures debt investments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt investments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. Fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

***Equity investments designated at FVOCI***

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Cumulative gains and losses recognized in OCI are transferred to revenue reserves on disposal.

Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group has elected to classify irrevocably certain equity investments under this category.

***Financial assets at FVTPL***

All financial assets not classified as measured at amortized cost or FVOCI as described above are mandatorily required to be measured at FVTPL.

This category includes financial assets held for trading, derivative instruments, equity investments which the Group had not irrevocably elected to classify at FVOCI, and debt investments with cash flows that are not solely payments of principal and interest.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing them in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at FVTPL are carried in the statement of financial position at fair value. Net gains and losses, including dividend or interest income, are recognized in profit or loss.

## 2. Principal Accounting Policies (cont'd)

### (j) Financial instruments (cont'd)

#### (i) Financial assets (cont'd)

***Derecognition of financial assets***

A financial asset is primarily derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows in a transaction in which the Group has transferred substantially all the risks and rewards of ownership of the asset or in which the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group enters into transactions whereby it transfers its rights to receive cash flows from an asset, but retains substantially all of the risks and rewards of ownership or control of the transferred asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

***Impairment of financial assets***

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments that are not measured at FVTPL:

- financial assets measured at amortized cost, and
- debt investments measured at FVOCI.

ECLs are a probability-weighted estimate of credit losses, measured based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the 12 months after the reporting date (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses that result from all possible default events over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

## 2. Principal Accounting Policies (cont'd)

### *(j) Financial instruments (cont'd)*

#### (i) Financial assets (cont'd)

***Impairment of financial assets (cont'd)***

Loss allowance for financial assets measured at amortized cost is deducted from the gross carrying amount of the assets. For debt instruments at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI instead of reducing the carrying amount of the assets.

The Group considers a financial asset in default when the Group is unlikely to receive the outstanding contractual amounts in full, without recourse by the Group to action such as realizing the security (if any is held). A financial asset can be classified as in default but without an allowance for credit losses (i.e. no impairment loss is expected) after taking into account the value of collateral held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Write-offs can relate to a financial asset in its entirety, or to a portion of it, and constitute a derecognition event.

#### (ii) Financial liabilities

***Classification and measurement***

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Financial liabilities are classified, at initial recognition, as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. The Group has not designated any financial liability at FVTPL.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. These include trade and other payables, loans and borrowings. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

***Derecognition of financial liabilities***

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

#### (iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle them on a net basis or to realize the assets and settle the liabilities simultaneously.

## 2. Principal Accounting Policies (cont'd)

### *(k) Derivative financial instruments and hedge accounting*

The Group holds derivative financial instruments such as interest rate swaps, cross currency interest rate swaps and currency forwards to hedge its interest rate and foreign currency risk exposures.

A derivative financial instrument is initially recognized at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. For the purpose of hedge accounting, hedges are classified as:

(a) cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment;

(b) fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized commitment; and

(c) hedges of a net investment in a foreign operation.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognized in profit or loss when the changes arise.

The Group documents, at the inception of the transaction, the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair values or cash flows of the hedged items.

The following hedges in place at the end of the reporting period qualified respectively as fair value and cash flow hedges under HKFRS 9. The Group's management strategies and hedge documentation are aligned with the requirements of HKFRS 9 and are thus treated as continuing hedges. The Group has not designated any derivative financial instruments as hedges of net investment in foreign operations.

(a) Cash flow hedge

*Cross currency interest rate swaps*

The Group has entered into cross currency interest rate swaps that are cash flow hedges and they are used to reduce the Group's exposure to interest rate risk and currency risk on its borrowings and interest.

The fair value changes on the effective portion of cross currency interest rate swaps designated as cash flow hedges are recognized in OCI, accumulated in the fair value reserve and reclassified to profit or loss when the hedged interest expense and/or exchange differences from the translation of the borrowings are recognized in profit or loss. The fair value changes on the ineffective portion of cross currency interest rate swaps are recognized immediately in profit or loss.

## 2. Principal Accounting Policies (cont'd)

### (k) *Derivative financial instruments and hedge accounting (cont'd)*

(b) Fair value hedge

*Interest rate swaps and cross currency interest rate swaps*

The Group has entered into fixed to floating interest rate swaps that are fair value hedges for the fair value exposures to interest rate movements of its borrowings ("hedged item"). The fair value changes on the hedged item resulting from the fair value risk are recognized in profit or loss. The fair value changes on the effective portion of interest rate swaps designated as fair value hedges are recognized in profit or loss within the same line item as the fair value changes from the hedged item. The fair value changes on the ineffective portion of interest rate swaps are recognized separately in profit or loss.

### (l) *Investment properties*

Investment properties are land and buildings (including leasehold property interests owned or held as a right-of-use asset) held for long term rental yields or capital appreciation or both, and are not occupied by the Group. These include completed properties, those under construction and properties that are being redeveloped for continuing use as investment properties.

Investment properties are measured initially at cost including transaction costs, and subsequently at fair value. Fair value is based on market value, as determined by independent qualified valuers at each reporting date on the highest and best use basis, and separate values are not attributed to land and buildings. The difference between the fair value of an investment property at the reporting date and its carrying amount prior to re-measurement is included in the income statement as a valuation surplus or deficit.

Costs incurred subsequently to develop, refurbish or replace part of an investment property are recognized in the asset's carrying amount prior to fair value re-assessment only when it is probable that future economic benefits associated with the cost item will flow to the Group and the cost can be measured reliably. All other repair and maintenance expenditures in respect of an investment property are expensed in profit or loss as incurred.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected to arise from its disposal. Any gain or loss on derecognition, calculated as the difference between the net disposal proceeds and the carrying amount of the property, is recognized in consolidated income statement in the period in which the asset is derecognized.

### (m) *Property, plant and equipment*

Properties held for own use and other items of plant and equipment, including right-of-use assets arising from leases of underlying property, plant and equipment , are stated at cost less accumulated depreciation and impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. The cost of self-constructed items of property, plant and equipment comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction.

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

## 2. Principal Accounting Policies (cont'd)

### *(n) Depreciation of property, plant and equipment*

**(i) Land and buildings**

Ownership interests in leasehold land of properties held for own use are depreciated over the unexpired term of their respective leases. Cost of building situated on leasehold land is depreciated on a straight-line basis over the shorter of the unexpired term of the lease and the building's estimated useful life.

Properties leased for own use under lease or tenancy contracts where the Group is not the owner of the property interests are depreciated on a straight-line basis over the shorter of the expected lease terms and their estimated useful lives, taking into consideration any renewal options in the contracts.

**(ii) Plant and equipment**

Plant and equipment are depreciated over their expected remaining useful lives of 2 to 25 years using a straight-line method, after deducting their estimated residual values, if any.

No depreciation is provided for development costs incurred on property, plant and equipment under construction.

### *(o) Properties for sale*

**(i) Stock of completed properties for sale**

Completed properties remaining unsold at year end are stated at the lower of cost and net realizable value.

Cost is determined by apportionment of the total land and development costs attributable to the unsold properties.

Net realizable value is estimated by the management, based on prevailing market conditions which represents the estimated selling price in the ordinary course of business less estimated selling expenses.

**(ii) Properties under development for sale**

Properties under development for sale are classified as current assets and stated at the lower of cost and net realizable value. Cost comprises specifically identified costs, including land acquisition costs, development expenditure, capitalized borrowing costs and other related expenditures. Net realizable value is estimated by the management, taking into account the price ultimately expected to be realized and the anticipated costs to completion.

### *(p) Borrowings and borrowing costs*

Borrowings are initially recognized at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost, using effective interest method. The carrying amount of hedged borrowings is adjusted for the change in fair value attributable to the hedged risk when accounting for fair value hedges set out in Note 2(k) applies.

Borrowing costs are expensed as incurred, except to the extent that they are capitalized as being directly attributable to the construction or production of assets which necessarily take a substantial period of time to get ready for their intended use or sale. Capitalization of such borrowing costs begins when construction or production activities commence and ceases when the assets are substantially ready for their intended use or sale.

## 2. Principal Accounting Policies (cont'd)

### (q) Inventories

Inventories comprising mainly building materials, hotel stocks, handsets and consumable goods are stated at the lower of cost and net realizable value. Cost is calculated on the weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### (r) Translation of foreign currencies

Foreign currency transactions during the year are converted into functional currency at the market rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at closing rates of exchange ruling at the year end date. Exchange differences arising in these cases are dealt with in the consolidated income statement.

The assets and liabilities of overseas subsidiaries, associates and joint ventures expressed in their respective functional currencies are translated into Hong Kong dollars at the closing rates of exchange ruling at the year end date whereas the income statement are translated at average exchange rates for the year. Exchange differences arising on translation are recognized in OCI.

### (s) Current and deferred income tax

Tax expense for the year comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in OCI or directly in equity, in which case the relevant amount of tax is recognized in OCI or directly in equity, respectively.

Current tax liabilities are recognized at the amount expected to be paid to the tax authorities, using tax rates enacted or substantively enacted at the reporting date. Current tax expense for the year comprises the expected tax payable on the taxable income for the year and any adjustment to the tax payable in respect of previous years.

Deferred tax is recognized in full, using the liability method, on all temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profits except that deferred tax is not recognized for temporary differences arising from the initial recognition of goodwill or an asset or a liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction. Deferred tax assets are recognized to the extent that it is probable that the future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilized.

Deferred tax is recognized on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and based on the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities except for investment property. Deferred tax liability in relation to investment property that is measured at fair value is determined assuming that the carrying amount of the property will be recovered entirely through sale.

## 2. Principal Accounting Policies (cont'd)

### (t) *Provisions*

Provisions are recognized when the Group has a present obligation as a result of past event and it is probable that an outflow of economic benefits will be required to settle that obligation and the amount of obligation can be reliably estimated. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

### (u) *Impairment of non-financial assets*

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property, properties for sale, inventories and deferred tax assets) to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Goodwill is tested annually for impairment whether or not there is any indication of impairment.

For impairment testing, assets are grouped into cash-generating units (CGU) for which there are separately identifiable cash flows. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss on goodwill is not reversed in subsequent period. For an asset other than goodwill, impairment loss is reversed only if there is a favourable change in the estimates used to determine the asset's recoverable amount. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

### (v) *Retirement benefit costs*

The retirement benefit costs charged to the consolidated income statement represent the contributions payable in respect of the current year to the Group's defined contribution schemes and the Mandatory Provident Fund Schemes.

### (w) *Share-based payments*

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted at the grant date and expensed on a straight line basis over the relevant vesting periods with a corresponding increase in capital reserves within equity. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognized in consolidated income statement such that the calculated expense reflects the revised estimates with a corresponding adjustment to capital reserves.

At the time when the share options are exercised, the amount previously recognized in capital reserves will be transferred to share capital. When the share options are forfeited, lapsed or cancelled, after the vesting date or are still not exercised on the expiry date, the amount previously recognized in capital reserves will be transferred to retained profits.

## 2. Principal Accounting Policies (cont'd)

### *(x) Leases*

The Group applies a control model to identify and distinguish a lease from a service contract on the basis of whether a customer is able to control the asset being leased. A contract is assessed for whether it is or contains a lease at its inception. A contract is or contains a lease if it provides a customer with the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed if the customer, throughout the period of the use, has both the right to direct the use and to obtain substantially all of the economic benefits from that use.

**The Group as a lessee**

The Group as a lessee recognizes a right-of-use asset and a lease liability when a lease is capitalized at the commencement date, except for leases with a lease term of 12 months or less ("short-term leases") and leases of low-value assets. Payments in relation to short-term leases and leases of low-value assets are recognized as an expense in profit or loss on a straight line basis over the lease term.

The lease liability is initially measured at the present value of lease payments payable with reference to an expected lease term, which includes optional lease periods when the Group is reasonably certain to exercise the option to extend or not to terminate the lease. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees and payments arising from options reasonably certain to be exercised. Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and are expensed in the period to which they relate.

The lease liability is subsequently measured by increasing its carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing its carrying amount to reflect the lease payments made. The lease liability is remeasured (with a corresponding adjustment made to the related right-of-use asset) when there is a change in future lease payments in case of renegotiation, changes of an index or rate or in case of reassessment of options.

The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability, any initial direct costs incurred, the obligation to restore the asset, and any lease payments made in advance of the commencement date less any incentives received. The right-of-use asset is subsequently measured at cost less accumulated depreciation, applying the depreciation requirements in HKAS 16 Property, Plant and Equipment and is subject to impairment review whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Right-of-use assets are presented in property, plant and equipment, except for right-of-use assets that meet the definition of investment properties, which are presented in investment properties, and are subsequently measured at fair value, in accordance with the Group's accounting policy as set out in Note 2(l).

Lease liabilities are presented in other non-current liabilities with the payments due within 12 months from the balance sheet date classified in trade and other payables.

## 2. Principal Accounting Policies (cont'd)

### (x) *Leases (cont'd)*

**The Group as a lessor**

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying asset to the lessee, and classified as an operating lease if it does not.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income from operating leases is recognized in accordance with Note 2(c)(ii).

### (y) *Non-current assets classified as held for sale*

Non-current assets or disposal groups are classified as held for sale if it is highly probable that their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets and investment properties that are carried at fair value. The classification applies when the Group is committed to a sale arrangement involving the loss of control in a subsidiary, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

## 3. Segment Information

Segment revenue and results are measured without allocation of central administration costs, other net income, net finance costs and change in fair value of investment properties, which are reported to the Group's management for the purposes of resource allocation and assessment of segment performance.

### *(a) Segment revenue and results*

An analysis of the revenue and results for the year of the Group and its share of associates and joint ventures by reportable and operating segments is as follows:

**For the year ended 30 June 2021**

| | The Company and its subsidiaries | | Associates and joint ventures | | | |
|---|---|---|---|---|---|---|
| | Revenue | Results | Share of revenue | Share of results | Combined revenue | Consolidated results |
| Property sales | | | | | | |
| Hong Kong | 34,681 | 14,522 | 199 | 49 | 34,880 | 14,571 |
| Mainland | 8,020 | 4,726 | 3,117 | 1,697 | 11,137 | 6,423 |
| | 42,701 | 19,248 | 3,316 | 1,746 | 46,017 | 20,994 |
| Property rental | | | | | | |
| Hong Kong | 15,152 | 11,214 | 2,875 | 2,330 | 18,027 | 13,544 |
| Mainland | 5,258 | 4,436 | 864 | 663 | 6,122 | 5,099 |
| Singapore | – | – | 642 | 506 | 642 | 506 |
| | 20,410 | 15,650 | 4,381 | 3,499 | 24,791 | 19,149 |
| Hotel operations | 2,178 | (441) | 364 | (70) | 2,542 | (511) |
| Telecommunications | 6,720 | 674 | – | – | 6,720 | 674 |
| Transport infrastructure and logistics | 3,743 | 1,093 | 3,178 | 296 | 6,921 | 1,389 |
| Data centre operations | 1,874 | 962 | – | – | 1,874 | 962 |
| Other businesses | 7,636 | 1,465 | 629 | 54 | 8,265 | 1,519 |
| Segment total | 85,262 | 38,651 | 11,868 | 5,525 | 97,130 | 44,176 |
| Other net income/(loss) | | 250 | | (22) | | 228 |
| Unallocated administrative expenses | | (1,656) | | – | | (1,656) |
| Operating profit | | 37,245 | | 5,503 | | 42,748 |
| Change in fair value of investment properties | | | | | | |
| Hong Kong | | (4,160) | | (599) | | (4,759) |
| Mainland | | 2,609 | | 595 | | 3,204 |
| Singapore | | – | | (483) | | (483) |
| | | (1,551) | | (487) | | (2,038) |
| Net finance costs | | (1,990) | | (309) | | (2,299) |
| Profit before taxation | | 33,704 | | 4,707 | | 38,411 |
| Taxation | | | | | | |
| – Group | | (9,230) | | – | | (9,230) |
| – Associates | | – | | 9 | | 9 |
| – Joint ventures | | – | | (1,744) | | (1,744) |
| Profit for the year | | 24,474 | | 2,972 | | 27,446 |

(Expressed in millions of Hong Kong dollars)

## 3. Segment Information (cont'd)

### (a) Segment revenue and results (cont'd)

For the year ended 30 June 2020

| | The Company and its subsidiaries | | Associates and joint ventures | | | |
|---|---|---|---|---|---|---|
| | Revenue | Results | Share of revenue | Share of results | Combined revenue | Consolidated results |
| Property sales | | | | | | |
| Hong Kong | 36,268 | 15,965 | 605 | 368 | 36,873 | 16,333 |
| Mainland | 3,497 | 1,667 | 862 | 367 | 4,359 | 2,034 |
| Singapore | – | – | 32 | 10 | 32 | 10 |
| | 39,765 | 17,632 | 1,499 | 745 | 41,264 | 18,377 |
| Property rental | | | | | | |
| Hong Kong | 15,914 | 11,898 | 3,095 | 2,558 | 19,009 | 14,456 |
| Mainland | 3,995 | 3,211 | 622 | 451 | 4,617 | 3,662 |
| Singapore | – | – | 588 | 447 | 588 | 447 |
| | 19,909 | 15,109 | 4,305 | 3,456 | 24,214 | 18,565 |
| Hotel operations | 2,595 | (335) | 480 | 5 | 3,075 | (330) |
| Telecommunications | 6,986 | 520 | – | – | 6,986 | 520 |
| Transport infrastructure and logistics | 4,051 | 1,181 | 3,490 | 184 | 7,541 | 1,365 |
| Data centre operations | 1,714 | 855 | – | – | 1,714 | 855 |
| Other businesses | 7,633 | 1,372 | 597 | 57 | 8,230 | 1,429 |
| Segment total | 82,653 | 36,334 | 10,371 | 4,447 | 93,024 | 40,781 |
| Other net income/(loss) | | 831 | | (5) | | 826 |
| Unallocated administrative expenses | | (1,710) | | – | | (1,710) |
| Operating profit | | 35,455 | | 4,442 | | 39,897 |
| Change in fair value of investment properties | | | | | | |
| Hong Kong | | (3,463) | | (1,225) | | (4,688) |
| Mainland | | (960) | | (177) | | (1,137) |
| Singapore | | – | | (246) | | (246) |
| | | (4,423) | | (1,648) | | (6,071) |
| Net finance costs | | (2,120) | | (452) | | (2,572) |
| Profit before taxation | | 28,912 | | 2,342 | | 31,254 |
| Taxation | | | | | | |
| – Group | | (6,197) | | – | | (6,197) |
| – Associates | | – | | 8 | | 8 |
| – Joint ventures | | – | | (751) | | (751) |
| Profit for the year | | 22,715 | | 1,599 | | 24,314 |

Results from property sales include selling and marketing expenses of HK$619 million (2020: HK$779 million) and HK$62 million (2020: HK$74 million) that relate to pre-sale of property projects under construction in Hong Kong and Mainland, respectively.

Other businesses comprise revenue and profit derived from other activities including property management, department store operations and financial services.

Other net income includes mainly net gain on disposal of investment properties and net investment income from financial assets.

## 3. Segment Information (cont'd)

### (b) Segment assets and liabilities

The Group's assets and liabilities by reportable and operating segments are analyzed as follows:

| | The Company and its subsidiaries | Associates and joint ventures | Total assets | Total liabilities |
|---|---|---|---|---|
| **At 30 June 2021** | | | | |
| Property development | | | | |
| Hong Kong | **191,931** | **3,438** | **195,369** | **(17,228)** |
| Mainland | **16,476** | **8,395** | **24,871** | **(1,562)** |
| | **208,407** | **11,833** | **220,240** | **(18,790)** |
| Property investment | | | | |
| Hong Kong | **286,826** | **66,816** | **353,642** | **(4,592)** |
| Mainland | **113,333** | **11,242** | **124,575** | **(2,319)** |
| Singapore | **–** | **4,565** | **4,565** | **–** |
| | **400,159** | **82,623** | **482,782** | **(6,911)** |
| Hotel operations | **25,232** | **1,682** | **26,914** | **(458)** |
| Telecommunications | **8,061** | **–** | **8,061** | **(3,360)** |
| Transport infrastructure and logistics | **3,300** | **4,732** | **8,032** | **(1,569)** |
| Data centre operations | **9,488** | **–** | **9,488** | **(976)** |
| Other businesses | **10,415** | **611** | **11,026** | **(4,634)** |
| | **665,062** | **101,481** | **766,543** | **(36,698)** |
| Bank deposits and cash | | | **21,781** | **–** |
| Financial investments | | | **4,612** | **–** |
| Bank and other borrowings | | | **–** | **(116,823)** |
| Unallocated corporate assets/(liabilities) | | | **3,483** | **(2,212)** |
| Current tax payable | | | **–** | **(15,366)** |
| Deferred tax liabilities | | | **–** | **(25,694)** |
| Total assets/(liabilities) | | | **796,419** | **(196,793)** |
| At 30 June 2020 | | | | |
| Property development | | | | |
| Hong Kong | 188,097 | 2,761 | 190,858 | (27,959) |
| Mainland | 15,027 | 7,421 | 22,448 | (4,668) |
| | 203,124 | 10,182 | 213,306 | (32,627) |
| Property investment | | | | |
| Hong Kong | 285,999 | 47,433 | 333,432 | (12,119) |
| Mainland | 97,246 | 9,476 | 106,722 | (2,173) |
| Singapore | – | 4,700 | 4,700 | – |
| | 383,245 | 61,609 | 444,854 | (14,292) |
| Hotel operations | 24,101 | 1,603 | 25,704 | (393) |
| Telecommunications | 8,029 | – | 8,029 | (3,037) |
| Transport infrastructure and logistics | 3,428 | 4,299 | 7,727 | (1,349) |
| Data centre operations | 8,765 | – | 8,765 | (1,312) |
| Other businesses | 11,900 | 1,089 | 12,989 | (4,411) |
| | 642,592 | 78,782 | 721,374 | (57,421) |
| Assets of subsidiaries contracted for sale | | | 37,584 | – |
| Bank deposits and cash | | | 31,705 | – |
| Financial investments | | | 3,427 | – |
| Bank and other borrowings | | | – | (112,606) |
| Unallocated corporate assets/(liabilities) | | | 3,741 | (2,097) |
| Current tax payable | | | – | (12,654) |
| Deferred tax liabilities | | | – | (22,638) |
| Total assets/(liabilities) | | | 797,831 | (207,416) |

(Expressed in millions of Hong Kong dollars)

## 3. Segment Information (cont'd)

### (c) Other segment information

The Group's depreciation and amortization and additions to non-current assets by reportable and operating segments are analyzed as follows:

| | Depreciation and amortization charged to consolidated income statement | | Additions to non-current assets | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| Property investment for rental | **–** | – | **7,673** | 46,362 |
| Hotel operations | **559** | 511 | **678** | 664 |
| Telecommunications | **1,696** | 1,753 | **1,322** | 1,355 |
| Transport infrastructure and logistics | **636** | 635 | **547** | 215 |
| Data centre operations | **398** | 303 | **1,675** | 1,513 |
| Other businesses | **159** | 149 | **179** | 185 |
| Unallocated corporate assets | **33** | 30 | **5** | 13 |
| | **3,481** | 3,381 | **12,079** | 50,307 |

### (d) Geographical information

The Group's non-current assets by geographical location is analyzed as follows:

| | **2021** | | | 2020 | | |
|---|---|---|---|---|---|---|
| | **The Company and its subsidiaries** | **Associates and joint ventures** | **Consolidated** | The Company and its subsidiaries | Associates and joint ventures | Consolidated |
| Hong Kong | **328,034** | **75,639** | **403,673** | 325,927 | 55,820 | 381,747 |
| Mainland | **114,964** | **20,332** | **135,296** | 99,828 | 17,480 | 117,308 |
| Singapore | **–** | **4,565** | **4,565** | – | 4,700 | 4,700 |
| Others | **75** | **945** | **1,020** | 75 | 782 | 857 |
| | **443,073** | **101,481** | **544,554** | 425,830 | 78,782 | 504,612 |
| Other non-current assets | | | **5,803** | | | 6,954 |
| Financial investments | | | **3,229** | | | 2,603 |
| Total non-current assets | | | **553,586** | | | 514,169 |

## 4. Revenue from Contracts with Customers

### *(a) Disaggregation of revenue from contracts with customers*

The following tables present the Group's revenue from contracts with customers disaggregated into major business segments, primary geographical markets and according to the timing of revenue recognition, including a reconciliation of the disaggregated revenue with the amounts disclosed in the segment information.

**For the year ended 30 June 2021**

| | Revenue from contracts with customers | | | Revenue | |
|---|---|---|---|---|---|
| | **recognized at a point in time** | **recognized over time** | **Subtotal** | **from other sources** | **Total** |
| (i) By segments | | | | | |
| Property sales | **42,701** | **–** | **42,701** | **–** | **42,701** |
| Property rental | **–** | **2,029** | **2,029** | **18,381** | **20,410** |
| Hotel operations | **1,106** | **1,072** | **2,178** | **–** | **2,178** |
| Telecommunications | **2,381** | **4,339** | **6,720** | **–** | **6,720** |
| Transport infrastructure and logistics | **69** | **3,329** | **3,398** | **345** | **3,743** |
| Data centre operations | **–** | **1,874** | **1,874** | **–** | **1,874** |
| Property management | **247** | **3,999** | **4,246** | **–** | **4,246** |
| Department store operations | **2,687** | **–** | **2,687** | **–** | **2,687** |
| Financial services and others | **–** | **11** | **11** | **692** | **703** |
| | **49,191** | **16,653** | **65,844** | **19,418** | **85,262** |
| (ii) Geographical markets | | | | | |
| Hong Kong | **40,685** | **16,350** | **57,035** | **14,166** | **71,201** |
| Mainland | **8,218** | **234** | **8,452** | **5,252** | **13,704** |
| Others | **288** | **69** | **357** | **–** | **357** |
| | **49,191** | **16,653** | **65,844** | **19,418** | **85,262** |

(Expressed in millions of Hong Kong dollars)

## 4. Revenue from Contracts with Customers (cont'd)

### (a) Disaggregation of revenue from contracts with customers (cont'd)

For the year ended 30 June 2020

| | Revenue from contracts with customers | | | Revenue | |
|---|---|---|---|---|---|
| | recognized at a point in time | recognized over time | Subtotal | from other sources | Total |
| (i) By segments | | | | | |
| Property sales | 39,765 | – | 39,765 | – | 39,765 |
| Property rental | – | 2,102 | 2,102 | 17,807 | 19,909 |
| Hotel operations | 1,340 | 1,255 | 2,595 | – | 2,595 |
| Telecommunications | 2,406 | 4,580 | 6,986 | – | 6,986 |
| Transport infrastructure and logistics | 69 | 3,658 | 3,727 | 324 | 4,051 |
| Data centre operations | – | 1,714 | 1,714 | – | 1,714 |
| Property management | 247 | 4,057 | 4,304 | – | 4,304 |
| Department store operations | 2,587 | – | 2,587 | – | 2,587 |
| Financial services and others | – | 22 | 22 | 720 | 742 |
| | 46,414 | 17,388 | 63,802 | 18,851 | 82,653 |
| (ii) Geographical markets | | | | | |
| Hong Kong | 42,601 | 17,102 | 59,703 | 14,864 | 74,567 |
| Mainland | 3,673 | 200 | 3,873 | 3,987 | 7,860 |
| Others | 140 | 86 | 226 | – | 226 |
| | 46,414 | 17,388 | 63,802 | 18,851 | 82,653 |

Revenue from other sources includes rental income and income from rendering of financial services.

### (b) Revenue recognized in relation to contract liabilities

Contract liabilities primarily relate to the Group's unfulfilled performance obligations to transfer goods or services to customers for which consideration has been received at the reporting date. The contract liability is recognized in revenue in the period when performance obligations are fulfilled.

During the year, the Group recognized revenue of HK$20,369 million (2020: HK$14,035 million) from sales of properties that were included in contract liabilities at the beginning of the year.

### (c) Expected revenue from remaining performance obligations in contracts with customers

As of 30 June 2021, the aggregate amount of transaction price allocated to the remaining performance obligations under the Group's existing contracts of sales of properties was HK$26,382 million (2020: HK$46,405 million). This represents the aggregate amount of revenue expected to be recognized by the Group in the future, of which approximately 71% (2020: 73%) is expected to be recognized as revenue within one year when the control over the ownership or physical possession of the property is transferred to the customers. For all other contracts that have an original expected duration of one year or less or are billed directly according to performance completed to date, the Group has applied the practical expedient in paragraph 121 of HKFRS 15, Revenue from contracts with customers and does not disclose the amount of transaction price allocated to the remaining performance obligations.

## 5. Net Finance Costs

| | Notes | 2021 | 2020 |
|---|---|---|---|
| Interest and other finance costs on bank and other borrowings | | **3,117** | 3,345 |
| Notional non-cash interest accretion | (a) | **21** | 12 |
| Finance costs on lease liabilities | | **41** | 52 |
| Less: Amount capitalized | (b) | **(702)** | (881) |
| | | **2,477** | 2,528 |
| Interest income on bank deposits | | **(487)** | (408) |
| | | **1,990** | 2,120 |

(a) Notional non-cash interest accretion represents adjustments to accrete the carrying amount of asset retirement obligations and contractual obligations of mobile licence recognized in the consolidated statement of financial position to the present value of the estimated future cash flows expected to be required for their settlement in the future.

(b) Interest expenses have been capitalized for properties under development at rates ranging from 1.02% to 4.61% (2020: 2.53% to 4.75%) per annum.

## 6. Profit before Taxation

| | 2021 | 2020 |
|---|---|---|
| Profit before taxation is arrived at after charging: | | |
| Cost of properties sold | **20,220** | 19,336 |
| Cost of other inventories sold | **3,764** | 3,806 |
| Depreciation of property, plant and equipment | **2,893** | 2,832 |
| Amortization of | | |
| Intangible assets (included in cost of sales) | **588** | 549 |
| Contract acquisition costs | **1,702** | 1,200 |
| Impairment loss on | | |
| Property, plant and equipment | **–** | 85 |
| Goodwill | **3** | 3 |
| Credit loss allowance on | | |
| Loans receivables | **32** | 8 |
| Trade and other receivables | **92** | 41 |
| Financial investments measured at FVOCI and amortized cost | **42** | – |
| Lease expenses | | |
| Short-term and low-value assets leases | **463** | 502 |
| Variable lease payments | **156** | 185 |
| Staff costs (including directors' emoluments and retirement schemes contributions) | **8,264** | 8,620 |
| Share-based payments | **27** | 25 |
| Auditors' remuneration | **25** | 25 |
| Loss on disposal of financial investments at fair value through profit or loss | **–** | 40 |
| Loss on disposal of property, plant and equipment | **18** | – |
| and crediting: | | |
| Dividend income from investments | **117** | 125 |
| Interest income from investments | **104** | 126 |
| Profit on disposal of financial investments at fair value through profit or loss | **105** | – |
| Fair value gains on financial investments at fair value through profit or loss | **230** | 29 |
| Profit on disposal of property, plant and equipment | **–** | 6 |

(Expressed in millions of Hong Kong dollars)

## 7. Directors' Emoluments and Five Highest Paid Individuals

The aggregate amounts of emoluments paid and payable to the directors of the Company during the year are as follows:

| Name of director | Notes | Fees | Salaries, allowances and benefits | Discretionary bonuses | Retirement scheme contributions | (Note f) Share-based payments | 2021 Total emoluments | 2020 Total emoluments |
|---|---|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | | | |
| Kwok Ping-luen, Raymond | | **0.56** | **2.77** | **0.09** | **0.26** | **–** | **3.68** | 3.86 |
| Wong Chik-wing, Mike | | **0.30** | **13.85** | **12.75** | **1.04** | **–** | **27.94** | 27.78 |
| Lui Ting, Victor | | **0.30** | **11.58** | **15.35** | **1.04** | **–** | **28.27** | 28.06 |
| Kwok Kai-fai, Adam | | **0.30** | **6.65** | **2.30** | **0.02** | **–** | **9.27** | 9.63 |
| Kwok Kai-wang, Christopher | | **0.35** | **5.86** | **2.38** | **0.02** | **–** | **8.61** | 8.91 |
| Kwong Chun | (a) | **0.23** | **3.71** | **0.88** | **–** | **–** | **4.82** | 8.43 |
| Tung Chi-ho, Eric | | **0.35** | **8.93** | **12.25** | **0.77** | **–** | **22.30** | 21.84 |
| Fung Yuk-lun, Allen | | **0.51** | **7.59** | **13.74** | **0.38** | **1.79** | **24.01** | 25.07 |
| **Non-Executive Directors** | | | | | | | | |
| Lee Shau-kee | (b) | **0.11** | **–** | **–** | **–** | **–** | **0.11** | 0.31 |
| Woo Po-shing | (c) | **–** | **–** | **–** | **–** | **–** | **–** | 0.05 |
| Kwan Cheuk-yin, William | | **0.42** | **–** | **–** | **–** | **–** | **0.42** | 0.42 |
| Kwok Kai-chun, Geoffrey | | **0.30** | **–** | **–** | **–** | **–** | **0.30** | 0.30 |
| **Independent Non-Executive Directors** | | | | | | | | |
| Yip Dicky Peter | | **0.64** | **–** | **–** | **–** | **–** | **0.64** | 0.64 |
| Wong Yue-chim, Richard | | **0.56** | **–** | **–** | **–** | **–** | **0.56** | 0.44 |
| Li Ka-cheung, Eric | | **0.97** | **–** | **–** | **–** | **–** | **0.97** | 0.97 |
| Fung Kwok-lun, William | | **0.30** | **–** | **–** | **–** | **–** | **0.30** | 0.30 |
| Leung Nai-pang, Norman | | **0.70** | **–** | **–** | **–** | **–** | **0.70** | 0.70 |
| Leung Kui-king, Donald | (d) | **0.20** | **–** | **–** | **–** | **–** | **0.20** | 0.58 |
| Leung Ko May-yee, Margaret | | **0.30** | **–** | **–** | **–** | **–** | **0.30** | 0.30 |
| Fan Hung-ling, Henry | | **0.30** | **–** | **–** | **–** | **–** | **0.30** | 0.30 |
| Wu Xiang-dong | (e) | **0.30** | **–** | **–** | **–** | **–** | **0.30** | 0.25 |
| **Total 2021** | | **8.00** | **60.94** | **59.74** | **3.53** | **1.79** | **134.00** | |
| Total 2020 | | 8.53 | 60.20 | 63.26 | 3.47 | 3.68 | | 139.14 |

The above analysis included four (2020: four) individuals whose emoluments were among the five highest pay in the Group.

## 7. Directors' Emoluments and Five Highest Paid Individuals (cont'd)

Details of the emoluments paid to the remaining one (2020: one) individual are:

| | **2021** | 2020 |
|---|---|---|
| Salaries, allowances and benefits in kind | **7.94** | 7.83 |
| Discretionary bonuses | **12.81** | 10.89 |
| Retirement scheme contributions | **0.73** | 0.72 |
| | **21.48** | 19.44 |

Number of employee whose emoluments fell within:

| **Emoluments Band** HK$ Million | **2021** **Number of employee** | 2020 Number of employee |
|---|---|---|
| 19.0 – 19.5 | **–** | 1 |
| 21.0 – 21.5 | **1** | – |
| | **1** | 1 |

(a) Mr. Kwong Chun resigned as an Executive Director on 9 April 2021.

(b) Mr. Lee Shau-kee retired as a Non-Executive Director and ceased to act as Vice Chairman of the Board at the annual general meeting of the Company held on 5 November 2020.

(c) Mr. Woo Po-shing resigned as a Non-Executive Director on 31 August 2019.

(d) Mr. Leung Kui-king, Donald retired as an Independent Non-Executive Director at the annual general meeting of the Company held on 5 November 2020.

(e) Mr. Wu Xiang-dong was appointed as an Independent Non-Executive Director on 1 September 2019.

(f) Share-based payments represented the fair value of share options granted to the director under the share option scheme of a subsidiary, which are determined at the date of grant and expensed over the vesting period.

## 8. Staff Retirement Schemes

The Group operates a number of defined contribution schemes for all qualified employees. The assets of these schemes are held separately from those of the Group in independently administered funds. Contributions to these schemes are made by both the employers and employees at rates ranging from 5% to 10% on the employees' salary.

As required by the municipal or provincial social insurance laws and regulations, the Group made contributions to the pension insurance managed by the local municipal governments in Mainland. The rates of contributions in general ranged from 13% to 20% of staff's monthly salary during the relevant period.

With effect from 1 December 2000, the Group sets up an employer sponsored scheme ("MPF Scheme") for other employees. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds. Pursuant to the rules of the MPF Scheme, the Group and its employees are each required to make contributions to the scheme at specific rates. Contributions of the Group to the MPF Scheme are charged to consolidated income statement as incurred.

Total contributions to the retirement schemes made by the Group during the year amounted to HK$362 million (2020: HK$362 million). Forfeited contributions for the year of HK$2 million (2020: HK$2 million) were used to reduce the existing level of contributions.

(Expressed in millions of Hong Kong dollars)

## 9. Taxation

| | **2021** | 2020 |
|---|---|---|
| Current tax expenses | | |
| Hong Kong profits tax | **4,383** | 4,502 |
| Under/(over) provision in prior years | **5** | (77) |
| | **4,388** | 4,425 |
| Tax outside Hong Kong | **3,521** | 1,777 |
| (Over)/under provision in prior years | **(1)** | 1 |
| | **3,520** | 1,778 |
| Total current tax | **7,908** | 6,203 |
| Deferred tax expenses | | |
| Change in fair value of investment properties | **852** | (477) |
| Other origination and reversal of temporary differences | **470** | 471 |
| Total deferred tax | **1,322** | (6) |
| Total income tax expenses | **9,230** | 6,197 |

(a) Hong Kong profits tax is provided at the rate of 16.5% (2020: 16.5%) based on the estimated assessable profits for the year. Tax outside Hong Kong, which includes Mainland land appreciation tax and withholding tax on income distributions, is calculated at the rates applicable in the relevant jurisdictions.

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

| | **2021** | 2020 |
|---|---|---|
| Profit before share of results of associates, joint ventures and taxation | **33,704** | 28,912 |
| Tax at Hong Kong profits tax rate of 16.5% (2020: 16.5%) | **5,561** | 4,771 |
| Effect of different tax rates of subsidiaries operating outside Hong Kong | **2,629** | 749 |
| Net effect of non-deductible expenses and non-taxable income | **567** | 411 |
| Utilization of tax losses not previously recognized | **(59)** | (82) |
| Tax losses and other temporary differences not recognized | **316** | 238 |
| Under/(over) provision in prior years | **4** | (76) |
| Withholding tax on income distributions | **211** | 187 |
| Others | **1** | (1) |
| Tax expenses | **9,230** | 6,197 |

## 10. Dividends

### *(a) Dividends payable to equity shareholders of the Company attributable to profit for the year*

| | **2021** | 2020 |
|---|---|---|
| Interim dividend declared and paid of HK$1.25 (2020: HK$1.25) per share | **3,622** | 3,622 |
| Final dividend proposed after the end of the reporting period of HK$3.70 (2020: HK$3.70) per share | **10,722** | 10,722 |
| | **14,344** | 14,344 |

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

## 10. Dividends (cont'd)

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

| | 2021 | 2020 |
|---|---|---|
| Final dividend in respect of the previous financial year, approved and paid during the year of HK$3.70 (2019: HK$3.70) per share | **10,722** | 10,722 |

## 11. Earnings Per Share

### (a) *Reported earnings per share*

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to the Company's shareholders of HK$26,686 million (2020: HK$23,521 million).

The basic earnings per share is based on the weighted average number of shares in issue during the year of 2,897,780,274 (2020: 2,897,778,151) shares.

Diluted earnings per share were the same as the basic earnings per share for the current year as there were no dilutive potential ordinary shares in existence during the year. The diluted earnings per share for the year ended 30 June 2020 was based on 2,897,778,583 shares which was the weighted average number of shares in issue during the prior year plus the weighted average number of 432 shares deemed to be issued at no consideration if all outstanding options had been exercised.

### (b) *Underlying earnings per share*

For the purpose of assessing the underlying performance of the Group, basic and diluted earnings per share are additionally calculated based on the underlying profit attributable to the Company's shareholders of HK$29,873 million (2020: HK$29,368 million), excluding the net effect of change in the valuation of investment properties. A reconciliation of profit is as follows:

| | 2021 | 2020 |
|---|---|---|
| Profit attributable to the Company's shareholders as shown in the consolidated income statement | **26,686** | 23,521 |
| Decrease/(increase) in fair value of investment properties | | |
| Subsidiaries | **1,551** | 4,423 |
| Associates | **(406)** | 27 |
| Joint ventures | **893** | 1,621 |
| | **2,038** | 6,071 |
| Effect of corresponding deferred tax expenses | | |
| Subsidiaries | **852** | (477) |
| Joint ventures | **223** | (100) |
| Non-controlling interests | **(8)** | 16 |
| Unrealized fair value losses of investment properties net of deferred tax | **3,105** | 5,510 |
| Fair value gains realized on disposal of investment properties net of deferred tax | **82** | 337 |
| Net effect of change in fair value of investment properties | **3,187** | 5,847 |
| Underlying profit attributable to the Company's shareholders | **29,873** | 29,368 |

(Expressed in millions of Hong Kong dollars)

## 12. Investment Properties

### *(a) Movement during the year*

| | Completed | Under development | Total |
|---|---|---|---|
| Valuation | | | |
| At 1 July 2019 | 330,084 | 56,528 | 386,612 |
| Additions | 951 | 45,411 | 46,362 |
| Transfer from property, plant and equipment | 16 | – | 16 |
| Disposals | (408) | – | (408) |
| Transfer to | | | |
| – property, plant and equipment | (2,250) | – | (2,250) |
| – properties for sale | – | (4,057) | (4,057) |
| – assets of subsidiaries contracted for sale | – | (37,584) | (37,584) |
| Exchange difference | (2,351) | (1,200) | (3,551) |
| Decrease in fair value | (3,608) | (815) | (4,423) |
| At 30 June 2020 and 1 July 2020 | 322,434 | 58,283 | 380,717 |
| Additions | **1,265** | **6,408** | **7,673** |
| Transfer upon completion | **6,877** | **(6,877)** | **–** |
| Disposals | **(73)** | **–** | **(73)** |
| Transfer to property, plant and equipment | **(257)** | **–** | **(257)** |
| Exchange difference | **6,024** | **3,346** | **9,370** |
| (Decrease)/increase in fair value | **(3,179)** | **1,628** | **(1,551)** |
| At 30 June 2021 | **333,091** | **62,788** | **395,879** |

### *(b) Investment properties valuation*

The Group's investment properties were valued at their fair values at 30 June 2021 and 30 June 2020 by Knight Frank Petty Limited, an independent firm of qualified valuers, on a market value basis, in accordance with Valuation Standards on Properties issued by Hong Kong Institute of Surveyors.

Fair values of the Group's investment properties are categorized as Level 3 measurement in the fair value hierarchy. During the year, there were no transfers among the fair value hierarchy.

The Group's completed investment properties are valued using the income capitalization method by capitalizing the net income from the existing tenancies and reversionary income potential at appropriate capitalization rates for individual properties. The capitalization rate adopted, which varies according to the type and class of property concerned, its location and the type of tenant in occupation, is derived by reference to the yields achieved from analysis of recent comparable property investment transactions and valuer's view of prevailing investor expectations regarding income and capital growth and perceived risks.

## 12. Investment Properties (cont'd)

### *(b) Investment properties valuation (cont'd)*

The Group's investment properties under development are valued using the residual method by estimating the value of the property when completed using either a sales comparison or income capitalization method assuming that the property had been completed in accordance with the current development plan on the valuation date less the costs that will be incurred to complete the development with appropriate allowance for profit and risk.

Set out below is the significant unobservable inputs used for fair value measurements:

| | **Fair value** | | **Weighted average capitalization rate** | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| **Completed** | | | | |
| Hong Kong | **259,233** | 259,103 | **5.1%** | 5.1% |
| Mainland | **73,858** | 63,331 | **6.6%** | 6.6% |
| | **333,091** | 322,434 | | |

| | **Fair value (residual method)** | | **Capitalization rate** | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| **Under development** | | | | |
| Hong Kong | **26,132** | 25,319 | **3.0%–5.5%** | 3.0%–5.5% |
| Mainland | **36,656** | 32,964 | **5.0%–8.8%** | 5.0%–8.8% |
| | **62,788** | 58,283 | | |

The fair values of the Group's investment properties are inversely related to capitalization rates, which are determined by reference to investors' expectations on investment yields, rental growth and the risk profile of the properties being valued. A lower (higher) capitalization rate would imply a higher (lower) property value.

*(c)* Profit on disposal of the Group's investment properties during the year amounted to HK$46 million (2020: HK$234 million).

*(d)* Gross rental income and direct operating expenses from investment properties during the year amounted to HK$19,259 million (2020: HK$18,799 million) and HK$4,430 million (2020: HK$4,503 million) respectively.

(Expressed in millions of Hong Kong dollars)

## 13. Property, Plant and Equipment

### *Movement during the year*

| | Ownership interests in leasehold land and buildings held for own use | | | | | | |
|---|---|---|---|---|---|---|---|
| | Hotel properties | Other completed properties | Properties under development | Subtotal | Other properties leased for own use | Plant and equipment | Total |
| Cost | | | | | | | |
| At 1 July 2019 | 17,745 | 7,896 | 10,723 | 36,364 | 2,173 | 14,132 | 52,669 |
| Additions | 18 | 87 | 1,175 | 1,280 | 814 | 1,851 | 3,945 |
| Transfer upon completion | 2,690 | – | (2,690) | – | – | – | – |
| Transfer from completed investment properties | – | 2,250 | – | 2,250 | – | – | 2,250 |
| Transfer from plant and equipment | – | 13 | – | 13 | – | – | 13 |
| Transfer to completed investment properties | – | (16) | – | (16) | – | – | (16) |
| Transfer to other completed properties | – | – | – | – | – | (13) | (13) |
| Disposals | (1) | (15) | – | (16) | – | (311) | (327) |
| Exchange difference | (59) | (2) | (78) | (139) | – | (14) | (153) |
| At 30 June 2020 and 1 July 2020 | 20,393 | 10,213 | 9,130 | 39,736 | 2,987 | 15,645 | 58,368 |
| Additions | **40** | **73** | **1,424** | **1,537** | **1,151** | **1,718** | **4,406** |
| Transfer from completed investment properties | **–** | **257** | **–** | **257** | **–** | **–** | **257** |
| Transfer from plant and equipment | **–** | **234** | **–** | **234** | **–** | **–** | **234** |
| Transfer to other completed properties | **–** | **–** | **–** | **–** | **–** | **(234)** | **(234)** |
| Disposals | **(1)** | **–** | **–** | **(1)** | **(225)** | **(524)** | **(750)** |
| Exchange difference | **155** | **3** | **216** | **374** | **–** | **44** | **418** |
| At 30 June 2021 | **20,587** | **10,780** | **10,770** | **42,137** | **3,913** | **16,649** | **62,699** |
| Accumulated depreciation and impairment | | | | | | | |
| At 1 July 2019 | 4,327 | 2,160 | – | 6,487 | 217 | 8,247 | 14,951 |
| Charge for the year | 467 | 196 | – | 663 | 1,077 | 1,092 | 2,832 |
| Impairment loss | – | – | – | – | 10 | 75 | 85 |
| Disposals | (1) | (3) | – | (4) | – | (295) | (299) |
| Exchange difference | (14) | (1) | – | (15) | – | (11) | (26) |
| At 30 June 2020 and 1 July 2020 | 4,779 | 2,352 | – | 7,131 | 1,304 | 9,108 | 17,543 |
| Charge for the year | **510** | **223** | **–** | **733** | **995** | **1,165** | **2,893** |
| Disposals | **(1)** | **–** | **–** | **(1)** | **(223)** | **(504)** | **(728)** |
| Exchange difference | **40** | **1** | **–** | **41** | **–** | **29** | **70** |
| At 30 June 2021 | **5,328** | **2,576** | **–** | **7,904** | **2,076** | **9,798** | **19,778** |
| Net book value at 30 June 2021 | **15,259** | **8,204** | **10,770** | **34,233** | **1,837** | **6,851** | **42,921** |
| Net book value at 30 June 2020 | 15,614 | 7,861 | 9,130 | 32,605 | 1,683 | 6,537 | 40,825 |

## 13. Property, Plant and Equipment (cont'd)

Included in the above line items are the following rights-of-use assets in relation to ownership interests in leasehold land and other properties leased by the Group for own use:

| | | During the year ended 30 June 2021 | | Net book value | |
|---|---|---|---|---|---|
| | Notes | **Additions** | **Depreciation** | **2021** | 2020 |
| **Right-of-use assets** | | | | | |
| Ownership interests in leasehold land held for own use | (i) | **1** | **182** | **14,657** | 14,699 |
| Other properties leased for own use | (ii) | **1,151** | **995** | **1,837** | 1,683 |
| | | **1,152** | **1,177** | **16,494** | 16,382 |

(i) The Group holds ownership interests in leasehold land used primarily for its hotel operations, data centre and logistics business, and for use as corporate headquarter. Land premium or lump sum payments were made upfront to acquire these land interests, and there are no ongoing lease payments to be made under the terms of the land lease. The leasehold land interests are depreciated over the unexpired term of their respective leases.

(ii) The Group is the lessee in a number of lease or tenancy contracts in respect of certain other properties leased for use as retail stores and office premises, and for use in transport logistics business, car parking operations and installation of telecommunications equipment. The leases are capitalized as right-of-use assets with depreciation provided to write off the cost of the leased assets over the shorter of the expected lease terms and their estimated useful lives. Remaining term of these leases range from one to twenty three years. Certain of these leases include an option to renew the lease for an additional period after the end of the contract term.

(Expressed in millions of Hong Kong dollars)

## 14. Associates

| | **2021** | 2020 |
|---|---|---|
| Unlisted shares, at cost less impairment loss | **7** | 28 |
| Hong Kong listed shares, at cost | **1,750** | 1,651 |
| Share of post-acquisition reserves | **5,323** | 4,618 |
| | **7,080** | 6,297 |
| Amounts due from associates | **13** | 9 |
| | **7,093** | 6,306 |
| Market value of Hong Kong listed associate | **2,849** | 2,727 |

Amounts due from associates form part of the Group's net interests in associated companies. The amounts are unsecured, interest free and have no fixed terms of repayment and are repayable as may from time to time be agreed among the shareholders.

The Group's effective interest in the revenue, results, assets and liabilities of its associates are summarized below:

| | **2021** | 2020 |
|---|---|---|
| Investment properties | **3,120** | 2,703 |
| Other non-current assets | **5,459** | 5,005 |
| Current assets | **1,873** | 1,972 |
| Current liabilities | **(1,608)** | (1,220) |
| Non-current liabilities | **(1,764)** | (2,163) |
| Net assets | **7,080** | 6,297 |
| Revenue | **2,972** | 3,262 |
| Fair value change of investment properties net of related deferred tax | **406** | (27) |
| Profit for the year | **723** | 181 |

Particulars regarding principal associates are set out in the section headed "Principal Associates" of the Annual Report 2021.

## 15. Joint Ventures

| | **2021** | 2020 |
|---|---|---|
| Unlisted shares, at cost less impairment loss | **29,306** | 9,766 |
| Share of post-acquisition reserves | **56,119** | 53,564 |
| | **85,425** | 63,330 |
| Amounts due from joint ventures | **8,963** | 9,146 |
| | **94,388** | 72,476 |

Amounts due from joint ventures form part of the Group's net interests in joint ventures. The amounts are unsecured, interest free and have no fixed terms of repayment and are repayable as may from time to time be agreed among the shareholders except for the amounts of HK$2,100 million (2020: HK$1,949 million) which are interest bearing at market rates.

## 15. Joint Ventures (cont'd)

The Group's effective interest in the revenue, results, assets and liabilities of its joint ventures are summarized below:

| | **2021** | 2020 |
|---|---|---|
| Investment properties | **99,522** | 78,720 |
| Other non-current assets | **4,192** | 3,935 |
| Current assets | **24,371** | 22,697 |
| Current liabilities | **(17,642)** | (18,197) |
| Non-current liabilities | **(25,018)** | (23,825) |
| Net assets | **85,425** | 63,330 |
| Revenue | **8,896** | 7,109 |
| Fair value change of investment properties net of related deferred tax | **(1,116)** | (1,521) |
| Profit for the year | **2,249** | 1,418 |

Particulars regarding principal joint ventures are set out in the section headed "Principal Joint Ventures" of the Annual Report 2021.

## 16. Financial Investments

| | **2021** | | | |
|---|---|---|---|---|
| | **Measured at FVTPL** | **Measured at FVOCI** | **Measured at amortized cost** | **Total** |
| **Non-current assets** | | | | |
| Debt securities | **128** | **93** | **849** | **1,070** |
| Equity securities | **481** | **1,678** | **–** | **2,159** |
| | **609** | **1,771** | **849** | **3,229** |
| **Current assets** | | | | |
| Debt securities | **–** | **466** | **72** | **538** |
| Equity securities | **845** | **–** | **–** | **845** |
| | **845** | **466** | **72** | **1,383** |

| | 2020 | | | |
|---|---|---|---|---|
| | Measured at FVTPL | Measured at FVOCI | Measured at amortized cost | Total |
| **Non-current assets** | | | | |
| Debt securities | 159 | 141 | 470 | 770 |
| Equity securities | 308 | 1,525 | – | 1,833 |
| | 467 | 1,666 | 470 | 2,603 |
| **Current assets** | | | | |
| Debt securities | – | 59 | 155 | 214 |
| Equity securities | 610 | – | – | 610 |
| | 610 | 59 | 155 | 824 |

(Expressed in millions of Hong Kong dollars)

## 17. Intangible Assets

| | Concession assets | Mobile licences | Goodwill | Total |
|---|---|---|---|---|
| Cost | | | | |
| At 1 July 2019 | 6,933 | 4,779 | 151 | 11,863 |
| Additions | – | 395 | – | 395 |
| At 30 June 2020 and 1 July 2020 | 6,933 | 5,174 | 151 | 12,258 |
| Additions | **3** | **581** | **–** | **584** |
| Disposals | **–** | **(8)** | **–** | **(8)** |
| At 30 June 2021 | **6,936** | **5,747** | **151** | **12,834** |
| Accumulated amortization and impairment | | | | |
| At 1 July 2019 | 5,389 | 2,014 | 15 | 7,418 |
| Amortization | 261 | 288 | – | 549 |
| Impairment | – | – | 3 | 3 |
| At 30 June 2020 and 1 July 2020 | 5,650 | 2,302 | 18 | 7,970 |
| Amortization | **262** | **326** | **–** | **588** |
| Impairment | **–** | **–** | **3** | **3** |
| At 30 June 2021 | **5,912** | **2,628** | **21** | **8,561** |
| Net book value at 30 June 2021 | **1,024** | **3,119** | **130** | **4,273** |
| Net book value at 30 June 2020 | 1,283 | 2,872 | 133 | 4,288 |

Concession assets represent cost of tunnel, approach road and buildings, electrical and mechanical systems under the service concession arrangement with the HKSAR Government to participate in the development, financing, operation and maintenance of toll road infrastructure, which have finite useful lives of 27 years, and are amortized on a straight line basis.

Mobile licences represent the upfront payments and the present value of the annual fixed fees payable over the licence period, which have finite useful lives ranging from 12 to 15 years, and are amortized on a straight line basis. The corresponding non-current and current portion of these contractual liabilities are recorded in other non-current liabilities and other payables respectively.

Goodwill represents the excess of the cost of acquisition over the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries. At the year end date, an impairment test was performed by comparing the carrying amount of the business with the recoverable amount.

## 18. Other Non-Current Assets

| | Note | 2021 | 2020 |
|---|---|---|---|
| Mortgage loan receivables | | **5,833** | 7,375 |
| Other loan receivables | | **1,019** | 705 |
| Total loans receivables | | **6,852** | 8,080 |
| Less: Amount due within one year included under trade and other receivables | | **(1,172)** | (1,491) |
| | | **5,680** | 6,589 |
| Derivative financial instruments | 19 | **123** | 365 |
| | | **5,803** | 6,954 |

Mortgage loan receivables are secured by first or second mortgages on properties and repayable by monthly instalments with various tenors up to 25 years (2020: 25 years) at the year end date and carry interest at rates with reference to banks' lending rates. The balance includes first mortgage loans of HK$3,795 million (2020: HK$4,959 million). The Group recognizes expected credit loss for all loans receivables based on its assessment of changes in credit risk on a collective basis, with reference to both historical loss experience and forward-looking information. Changes in the loss allowance are recognized in profit or loss.

## 19. Derivative Financial Instruments

| | Notes | 2021 Assets | 2021 Liabilities | 2020 Assets | 2020 Liabilities |
|---|---|---|---|---|---|
| Fair value hedges | | | | | |
| – interest rate swaps | | **32** | **–** | 46 | – |
| – cross currency interest rate swaps | | **–** | **–** | – | 200 |
| | | **32** | **–** | 46 | 200 |
| Cash flow hedges | | | | | |
| – cross currency interest rate swaps | | **99** | **109** | 328 | – |
| Not designated as accounting hedges | | | | | |
| – forward foreign exchange contracts | | **2** | **–** | 3 | – |
| | | **133** | **109** | 377 | 200 |
| **Representing:** | | | | | |
| Current portion | 21 & 24 | **10** | **–** | 12 | 200 |
| Non-current portion | 18 & 28 | **123** | **109** | 365 | – |
| | | **133** | **109** | 377 | 200 |

The total outstanding derivative financial instruments as at the year end date are analyzed as follows:

| | Maturing date | Notional principal amount 2021 | Notional principal amount 2020 |
|---|---|---|---|
| Designated as accounting hedges | | | |
| – interest rate swaps and cross currency interest rate swaps | Feb 2022 – May 2030 (2020: Feb 2021 – Jan 2030) | **22,284** | 20,315 |
| Not designated as accounting hedges | | | |
| – forward foreign exchange contracts | Jan 2022 – Sep 2025 (2020: Dec 2020 – Apr 2021) | **159** | 116 |
| | | **22,443** | 20,431 |

## 20. Properties for Sale

| | 2021 | 2020 |
|---|---|---|
| Stock of completed properties for sale | **44,017** | 45,237 |
| Properties under development for sale | **156,917** | 150,916 |
| | **200,934** | 196,153 |

(Expressed in millions of Hong Kong dollars)

## 21. Trade and Other Receivables

| | Notes | 2021 | 2020 |
|---|---|---|---|
| Trade receivables | (a) | **2,770** | 3,343 |
| Other account receivables, deposits and prepayments | (b) | **9,308** | 11,551 |
| Deposits for acquisition of properties | | **4,708** | 143 |
| Contract assets | (c) | **405** | 489 |
| Short-term loans | 18 | **1,172** | 1,491 |
| Derivative financial instruments | 19 | **10** | 12 |
| | | **18,373** | 17,029 |

(a) At 30 June 2021, 65% (2020: 65%) of trade receivables are aged less than 30 days, 14% (2020: 14%) between 31 to 60 days, 5% (2020: 5%) between 61 to 90 days and 16% (2020: 16%) more than 90 days.

Impairment losses in respect of trade receivables are recorded using an allowance account based on expected credit losses. When the Group is satisfied that recovery of the amount is remote, the impairment loss is written off against trade receivables directly. Impairment allowance in respect of trade receivable as at 30 June 2021 amounted to HK$144 million (2020: HK$59 million).

(b) The balance includes contract acquisition costs of HK$398 million (2020: HK$822 million) primarily related to incremental commission costs incurred to obtain property sales and telecommunication services contracts with customers. There was no impairment loss in relation to the cost capitalized.

(c) The contract assets primarily relate to the Group's right to consideration for unbilled revenue in relation to services rendered for use of data centre and IT facilities, telecommunication and construction services at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

## 22. Bank Deposits and Cash

Deposits with banks are interest bearing at prevailing market rates. At the year end date, about 33% (2020: 30%) of the Group's bank deposits and cash are denominated in Hong Kong dollars, 62% (2020: 41%) in Renminbi and 5% (2020: 29%) in US dollars.

## 23. Bank and Other Borrowings

| | Note | 2021 | 2020 |
|---|---|---|---|
| Unsecured bank overdrafts | | **–** | 122 |
| Long-term bank and other borrowings due within one year | 26 | **20,979** | 26,253 |
| | | **20,979** | 26,375 |

The carrying amounts of the bank and other borrowings approximate their fair values.

## 24. Trade and Other Payables

| | Notes | 2021 | 2020 |
|---|---|---|---|
| Trade payables | (a) | **2,708** | 2,809 |
| Other payables and accrued expenses | | **22,937** | 23,433 |
| Contract liabilities | (b) | **630** | 585 |
| Amounts due to non-controlling interests | (c) | **1,203** | 1,355 |
| Lease liabilities | 28 | **732** | 856 |
| Deposits received for disposal of subsidiaries | 36 | **–** | 7,613 |
| Derivative financial instruments | 19 | **–** | 200 |
| | | **28,210** | 36,851 |

(a) At 30 June 2021, 64% (2020: 58%) of trade payables are aged less than 30 days, 7% (2020: 10%) between 31 to 60 days, 3% (2020: 5%) between 61 to 90 days and 26% (2020: 27%) more than 90 days.

(b) The contract liabilities relate primarily to advance payments received from customers in respect of use of data centre and IT facilities, telecommunication and construction services.

(c) The amounts due to non-controlling interests are interest free, unsecured and have no fixed terms of repayment.

## 25. Deposits Received on Sales of Properties

The Group receives payments from customers based on payment schedules established in contracts. The Group receives certain percentage of the agreed transaction price as a deposit when the Group signs a contract with the customers. Typically, the remaining balance is paid upon closing of the contracts when the properties are assigned to the customers. In many cases, the Group receives some further deposits from customers prior to the closing of the contracts. In some arrangements relating to sales of uncompleted properties, the customers agree to pay the balance of consideration early during the property construction period, rather than on assignment. All such deposits received are recognized as contract liabilities until the Group satisfies its performance obligations by transferring the control of the properties to the customers, at which time the contract liabilities are recognized as revenue.

Changes in contract liabilities in respect of deposits received on sales of properties during the year:

| | 2021 | 2020 |
|---|---|---|
| At 1 July | **21,462** | 16,983 |
| Exchange difference | **325** | (85) |
| Decrease as a result of recognizing revenue during the year | **(20,369)** | (14,035) |
| Increase as a result of receiving sales deposits during the year | **7,226** | 18,599 |
| At 30 June | **8,644** | 21,462 |

(Expressed in millions of Hong Kong dollars)

## 26. Bank and Other Borrowings

The Group's long-term bank and other loans are repayable as follows:

| | Note | 2021 | 2020 |
|---|---|---|---|
| **Secured bank loans repayable** | | | |
| Within one year | | **260** | 260 |
| After one year but within two years | | **250** | 260 |
| After two years but within five years | | **9** | 274 |
| After five years | | **57** | 62 |
| | | **576** | 856 |
| **Unsecured bank loans repayable** | | | |
| Within one year | | **13,087** | 17,790 |
| After one year but within two years | | **14,528** | 7,675 |
| After two years but within five years | | **35,516** | 33,119 |
| After five years | | **5,435** | 3,236 |
| | | **68,566** | 61,820 |
| **Bonds and notes repayable** | | | |
| Within one year | | **7,632** | 8,203 |
| After one year but within two years | | **6,641** | 7,624 |
| After two years but within five years | | **5,860** | 8,524 |
| After five years | | **27,548** | 25,457 |
| | | **47,681** | 49,808 |
| | | **116,823** | 112,484 |
| Less : Amount due within one year included under current liabilities | 23 | **(20,979)** | (26,253) |
| | | **95,844** | 86,231 |

## 26. Bank and Other Borrowings (cont'd)

The fair values of the long-term borrowings as estimated by discounting their future cash flows at the prevailing market borrowing rates at the year end date for similar borrowings are as follows:

| | Carrying amount | | Fair value | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| Secured bank loans | **316** | 596 | **316** | 596 |
| Unsecured bank loans | **55,479** | 44,030 | **55,643** | 44,147 |
| Bonds and notes | **40,049** | 41,605 | **41,486** | 44,621 |
| | **95,844** | 86,231 | **97,445** | 89,364 |

(a) Secured bank loans related to bank borrowings of the Group's subsidiaries which are secured by way of legal charges over certain of its assets and business undertakings.

(b) The above bank loans are repayable on various dates up to November 2038 (2020: November 2038) and carry interest, after hedging where appropriate, at effective rate per annum of 1.72% (2020: 1.93%).

(c) The bonds and notes are repayable on various dates up to July 2032 (2020: April 2032), unsecured and carry interest, after hedging where appropriate, at effective rate per annum of 3.07% (2020: 3.31%).

(d) The carrying amounts of the Group's total borrowings are denominated in the following currencies (after cross currency interest rate swaps):

| | **2021** | 2020 |
|---|---|---|
| Hong Kong dollars | **87,862** | 81,670 |
| US dollars | **6,966** | 11,732 |
| Renminbi | **20,349** | 18,006 |
| British pound | **1,646** | 1,198 |
| | **116,823** | 112,606 |

(Expressed in millions of Hong Kong dollars)

## 27. Deferred Tax Liabilities

Deferred income tax assets and liabilities are offset when taxes relate to the same tax authority and where offsetting is legally enforceable. The Group has not recognized deferred tax assets arising from tax losses and deductible temporary differences as it is uncertain that the related tax benefits can be realized through future taxable profit. The components of the carrying amount of deferred tax liabilities and the movements during the year are as follows:

| | Accelerated tax depreciation | Revaluation of properties | Tax losses | Others | Total |
|---|---|---|---|---|---|
| At 1 July 2019 | 6,702 | 16,758 | (202) | 70 | 23,328 |
| Disposal of subsidiaries | (1) | – | – | – | (1) |
| Charged/(credited) to consolidated income statement | 560 | (485) | (85) | 4 | (6) |
| Exchange difference | (76) | (606) | 2 | (3) | (683) |
| At 30 June 2020 and 1 July 2020 | 7,185 | 15,667 | (285) | 71 | 22,638 |
| Charged/(credited) to consolidated income statement | **566** | **848** | **(111)** | **19** | **1,322** |
| Exchange difference | **216** | **1,517** | **(6)** | **7** | **1,734** |
| At 30 June 2021 | **7,967** | **18,032** | **(402)** | **97** | **25,694** |

At the year end date, the Group has unrecognized tax losses and deductible temporary differences of HK$5,625 million (2020: HK$4,849 million), of which HK$364 million (2020: HK$312 million) of tax losses will expire at various dates up to 2026 (2020: 2025). Recognition of these unrecognized tax losses depends on future taxable profits available and losses agreed with the relevant tax authorities.

## 28. Other Non-Current Liabilities

| | Notes | 2021 | 2020 |
|---|---|---|---|
| Asset retirement and other obligations | | **67** | 50 |
| Contractual obligations for mobile licences | | **827** | 370 |
| Lease liabilities | (a) | **1,053** | 785 |
| Derivative financial instruments | 19 | **109** | – |
| | | **2,056** | 1,205 |

(a) At the year end date, the Group's lease liabilities are repayable as follows:

| | 2021 | 2020 |
|---|---|---|
| Within one year | **732** | 856 |
| After one year but within two years | **351** | 333 |
| After two years but within five years | **193** | 216 |
| After five years | **509** | 236 |
| | **1,785** | 1,641 |
| Less: Amount due within one year included under trade and other payables | **(732)** | (856) |
| | **1,053** | 785 |

## 29. Share Capital

| | Number of shares in million | Amount |
|---|---|---|
| **Issued and fully paid:** | | |
| Ordinary shares | | |
| At 30 June 2020 and 30 June 2021 | **2,898** | **70,703** |

## 30. Perpetual Capital Securities

| | 2021 | 2020 |
|---|---|---|
| Perpetual capital securities | **–** | 3,813 |

These securities were issued in 2017 with no fixed maturity and are redeemable at the Group's option on or after 23 May 2020. Distributions are payable semi-annually in arrears at a fixed rate of 4.45 per cent per annum, which may be deferred at the Group's discretion. Therefore, perpetual capital securities are classified as equity instruments and distributions are treated as dividends.

During the year, the Group exercised its option and redeemed on 23 November 2020 all of the outstanding perpetual capital securities at their outstanding principal amount of US$487.5 million. There are no further securities in issue upon completion of the redemption.

## 31. Share Option Scheme

The Company has a share option scheme which was adopted on 15 November 2012 ("the Scheme"), whereby the directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company. Details of the Scheme adopted by the Company are set out in the Directors' Report of the Annual Report 2021.

### *The Scheme*

During the current and prior year, no share options were granted under the Scheme.

There were no outstanding share options granted under the Scheme during the year.

Movements in share options to subscribe for ordinary shares in the Company during the year ended 30 June 2020 are as follows:

| | | | Number of share options | | | | |
|---|---|---|---|---|---|---|---|
| Date of grant | Exercise price | Exercisable period | At 1 July 2019 | Granted during the year | Exercised during the year | Lapsed/ cancelled during the year | At 30 June 2020 |
| 11 July 2014 | HK$106.80 | 11.7.2015 to 10.7.2019 | 164,500 | – | (164,500) | – | – |
| Weighted average exercise prices (HK$) | | | 106.80 | – | 106.80 | – | – |

Share options exercised during the year ended 30 June 2020 resulted in 164,500 shares being issued. The related weighted average share price at the time of exercise was HK$134.74 per share.

(Expressed in millions of Hong Kong dollars)

## 32. Statement of Financial Position of the Company

| | Notes | 2021 | 2020 |
|---|---|---|---|
| **Non-current assets** | | | |
| Subsidiaries | (a) | **31,428** | 31,358 |
| **Current assets** | | | |
| Amounts due from subsidiaries | | **185,795** | 183,819 |
| Trade and other receivables | | **–** | 32 |
| Bank deposits and cash | | **49** | 46 |
| | | **185,844** | 183,897 |
| **Current liabilities** | | | |
| Trade and other payables | | **(55)** | (85) |
| **Net current assets** | | **185,789** | 183,812 |
| **Total assets less current liabilities** | | **217,217** | 215,170 |
| **Non-current liabilities** | | | |
| Other borrowings | | **–** | (1,315) |
| **NET ASSETS** | | **217,217** | 213,855 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 29 | **70,703** | 70,703 |
| Reserves | (b) | **146,514** | 143,152 |
| **SHAREHOLDERS' EQUITY** | | **217,217** | 213,855 |

Directors:
**Kwok Ping-luen, Raymond**
**Lui Ting, Victor**

(a) Particulars regarding principal subsidiaries are set out in the section headed "Principal Subsidiaries" of the Annual Report 2021.

(b) The movement of Company reserves during the year are as follows:

| | Capital reserve | Retained profits | Total |
|---|---|---|---|
| At 1 July 2019 | 5,299 | 130,636 | 135,935 |
| Transfer to share capital upon shares issued on exercise of share options | (2) | – | (2) |
| Profit for the year | – | 21,563 | 21,563 |
| Final dividend paid for the year ended 30 June 2019 | – | (10,722) | (10,722) |
| Interim dividend paid for the year | – | (3,622) | (3,622) |
| At 30 June 2020 and 1 July 2020 | 5,297 | 137,855 | 143,152 |
| Profit for the year | **–** | **17,706** | **17,706** |
| Final dividend paid for the year ended 30 June 2020 | **–** | **(10,722)** | **(10,722)** |
| Interim dividend paid for the year | **–** | **(3,622)** | **(3,622)** |
| At 30 June 2021 | **5,297** | **141,217** | **146,514** |

Reserves of the Company available for distribution to equity shareholders of the Company as at 30 June 2021 amounted to HK$141,217 million (2020: HK$137,855 million).

## 33. Notes to Consolidated Statement of Cash Flows

### *(a) Reconciliation of operating profit to cash generated from operations*

| | **2021** | 2020 |
|---|---|---|
| Operating profit | **37,245** | 35,455 |
| Depreciation and amortization | **5,183** | 4,581 |
| Profit on disposal of investment properties | **(46)** | (234) |
| Loss/(profit) on disposal of property, plant and equipment | **18** | (6) |
| Dividend income from investments | **(117)** | (125) |
| Loss on disposal of long-term financial investments | **–** | 1 |
| Interest income from investments | **(104)** | (126) |
| Fair value gains on long-term financial investments at FVTPL | **(117)** | (17) |
| Share-based payments | **27** | 25 |
| Other non-cash items | **46** | 121 |
| Exchange difference | **(735)** | 125 |
| **Operating cash inflow** | **41,400** | 39,800 |
| Decrease in stock of completed properties for sale | **19,914** | 19,759 |
| Increase in properties under development for sale | **(24,196)** | (15,330) |
| Decrease/(increase) in loans receivables | **1,228** | (1,368) |
| Decrease/(increase) in inventories | **5** | (11) |
| (Increase)/decrease in trade and other receivables | **(3,495)** | 3,744 |
| (Increase)/decrease in short-term financial investments at FVTPL | **(235)** | 42 |
| Decrease in trade and other payables | **(492)** | (619) |
| (Decrease)/increase in deposits received on sales of properties | **(12,818)** | 4,479 |
| **Changes in working capital** | **(20,089)** | 10,696 |
| **Cash generated from operations** | **21,311** | 50,496 |

### *(b) Analysis of the balance of cash and cash equivalents at end of year*

| | **2021** | 2020 |
|---|---|---|
| Bank deposits and cash | **21,781** | 31,705 |
| Bank overdrafts | **–** | (122) |
| | **21,781** | 31,583 |
| Less: Bank deposits maturing after more than three months | **(130)** | (428) |
| Less: Pledged bank deposits | **(5)** | (5) |
| | **21,646** | 31,150 |

(Expressed in millions of Hong Kong dollars)

## 33. Notes to Consolidated Statement of Cash Flows (cont'd)

### (c) Reconciliation of the carrying amounts of liabilities relating to financing activities

| | Bank and other borrowings | Amounts due to non-controlling interests | Lease liabilities | Total |
|---|---|---|---|---|
| At 1 July 2019 | 94,812 | 1,318 | 1,867 | 97,997 |
| Changes from financing cash flows | 18,191 | 37 | (1,029) | 17,199 |
| Adjustment due to fair value change of financial instruments | (40) | – | – | (40) |
| Net exchange difference | (479) | – | – | (479) |
| New leases arranged during the year | – | – | 803 | 803 |
| At 30 June 2020 and 1 July 2020 | 112,484 | 1,355 | 1,641 | 115,480 |
| Changes from financing cash flows | **2,605** | **(152)** | **(983)** | **1,470** |
| Adjustment due to fair value change of financial instruments | **186** | **–** | **–** | **186** |
| Net exchange difference | **1,548** | **–** | **–** | **1,548** |
| New leases arranged during the year | **–** | **–** | **1,127** | **1,127** |
| At 30 June 2021 | **116,823** | **1,203** | **1,785** | **119,811** |

### (d) Net cash inflow in respect of disposal of subsidiaries

| | 2021 |
|---|---|
| Analysis of assets and liabilities of subsidiaries disposed: | |
| Investment property under development (classified in assets of subsidiaries contracted for sale as at 30 June 2020) | **37,589** |
| Other payables and accrued expenses | **(12)** |
| Non-controlling interests | **(9,394)** |
| Net assets disposed | **28,183** |
| Interest retained by the Group as a joint venture | **(18,789)** |
| Total consideration | **9,394** |
| Net cash inflow in respect of disposal of subsidiaries: | |
| Total consideration | **9,394** |
| Deposits received in prior year | **(7,613)** |
| | **1,781** |

## 34. Joint Operations

At the year end date, the aggregate amounts of assets and liabilities recognized in the consolidated financial statements relating to the Group's interests in joint operations are as follows:

| | **2021** | 2020 |
|---|---|---|
| Investment properties | **20,016** | 19,962 |
| Stocks of completed properties for sale | **166** | 173 |
| Properties under development for sale | **4,010** | 2,754 |
| | **24,192** | 22,889 |
| Trade and other payables | **373** | 371 |
| Current tax payables | **95** | 85 |
| Deferred tax liabilities | **195** | 184 |
| | **663** | 640 |
| Revenue | **961** | 940 |
| Expenses | **249** | 230 |

## 35. Related Party Transactions

### *(a) Transactions with associates and joint ventures*

In the normal course of business, the Group undertook a variety of transactions with certain of its associates and joint ventures. The most significant transactions between the Group and these related parties which were carried out on commercial terms are summarized as follows :

| | **Associates** | | **Joint ventures** | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| Acquisition of property interest[i] | **751** | – | **–** | – |
| Interest income | **–** | – | **101** | 86 |
| Rental income | **–** | – | **2** | 2 |
| Cash rental paid | **–** | 1 | **51** | 57 |
| Other revenue from services rendered | **656** | 143 | **67** | 171 |
| Purchase of goods and services | **–** | – | **950** | 386 |

(i) On 9 November 2020, the Group entered into the agreement to acquire a 50% interest in the company owning the industrial site situated at Tuen Mun Town Lot No. 80 from a subsidiary of Transport International Holdings Limited, an associate of the Group, for a total consideration of HK$751 million. The property will be re-developed for office and commercial uses (subject to obtaining the relevant Government approvals). The transaction was completed in December 2020.

(Expressed in millions of Hong Kong dollars)

## 35. Related Party Transactions (cont'd)

### *(b) Transactions with other related party*

On 16 December 2019, the Group completed the related party transaction with Somerpath International Limited ("Somerpath") to sell a 25% interest in Vivid Synergy Limited (a subsidiary of the Company, which together with its wholly-owned subsidiaries owns the office portion of the proposed investment property development on the site located atop the High Speed Rail West Kowloon Terminus) for an aggregate consideration of HK$940 million. Somerpath is owned by the Kwok Family companies which are controlled by certain discretionary trusts where certain directors of the Company are the beneficiaries of those trusts.

In December 2019, Somerpath advanced a loan of HK$8,455 million in proportion to its shareholding to fund the balance payment of the land premium attributable to the office portion of the site. On 3 June 2020, the entire shareholder loan of HK$9,394 million from Somerpath was converted into equity of Vivid Synergy Limited by way of loan capitalization.

*(c)* Emoluments to key management personnel of the Group, including amounts paid to the Company's directors and certain of the highest paid employees, are disclosed in Note 7.

## 36. Assets of Subsidiaries Contracted for Sale

| | **2021** | 2020 |
|---|---|---|
| Investment property under development | – | 37,584 |

Assets of subsidiaries contracted for sale at 30 June 2020 relate to the office portion of the proposed investment property development on the site located atop the High Speed Rail West Kowloon Terminus held by the Company's 75% owned subsidiary Vivid Synergy Limited and was stated at fair value determined by an independent valuer. In April 2020, the Group contracted with a third party to sell a 25% interest in Vivid Synergy Limited for a consideration of HK$9,394 million. Deposits of HK$7,613 million were received during the year ended 30 June 2020 and the sale was completed in July 2020. Accordingly, Vivid Synergy Limited ceased to be a subsidiary of the Company and the Company's remaining 50% equity interest is accounted for as interest in joint venture in the consolidated financial statements.

## 37. Contingent Liabilities and Commitments

At the year end date, the Group had contingent liabilities and commitments, so far as not provided for in the consolidated financial statements, as follows:

| | 2021 | 2020 |
|---|---|---|
| (a) Capital commitments in respect of investment properties and property, plant and equipment | | |
| Contracted but not provided for | **10,043** | 6,785 |
| Authorized but not contracted for | **3,210** | 3,988 |
| (b) The Group's share of capital commitments of joint ventures | | |
| Contracted but not provided for | **3,110** | 805 |

(c) Guarantees for bank borrowings of joint ventures and other guarantees in the aggregate amount of HK$2,293 million (2020: HK$2,437 million).

## 38. Operating Lease

The Group leases out properties under operating leases. The leases typically run for an initial period of two to three years, with an option to renew the lease after that date at which time all terms are re-negotiated.

At the year end date, the aggregate minimum lease payments receivable by the Group in the future periods under non-cancellable operating leases are as follows:

| | 2021 | 2020 |
|---|---|---|
| Within one year | **15,459** | 15,365 |
| After one year but within two years | **9,148** | 9,783 |
| After two years but within three years | **4,948** | 4,988 |
| After three years but within four years | **2,400** | 2,662 |
| After four years but within five years | **1,541** | 1,701 |
| After five years | **2,119** | 3,151 |
| | **35,615** | 37,650 |

## 39. Charges of Assets

At the year end date, certain bank deposits of the Group's subsidiaries in the aggregate amount of HK$5 million (2020: HK$5 million) have been pledged for securing guarantees issued by the banks.

At the year end date, certain assets of the Group's subsidiaries with an aggregate carrying value of HK$1,129 million (including bank deposits and cash of HK$25 million) (2020: HK$1,411 million (including bank deposits and cash of HK$37 million)) have been charged to secure their bank borrowings.

## 40. Critical Accounting Judgements and Estimations

In the application of the Group's accounting policies, the management of the Company is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions used in preparing the consolidated financial statements are continually evaluated based on historical experience and other factors that are considered relevant, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below:

### (a) *Fair value of investment properties*

At each reporting date, the Group's investment properties (including investment properties under development) are measured at fair values based on valuations by independent qualified valuers on the highest and best use basis. Income capitalization method is used in the valuations which is dependent on certain estimates, including fair market rents, appropriate capitalization rates, reversionary income potential and redevelopment potential where appropriate. The valuations of investment properties under development are also dependent upon the estimated costs to complete and expected developer's profit margin. The management has reviewed the valuation and is satisfied that the valuation of the Group's investment properties is reasonable.

### (b) *Impairment of assets*

Assets including goodwill and intangible assets are reviewed for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of the fair value less costs to sell and value in use. Estimating the value in use of an asset involves estimating the future cash flows expected to arise from its continuing use and from its disposal at the end of its useful life and applying the appropriate discount rate that reflects current market assessment of the time value of money and the risk specific to the asset.

### (c) *Net realizable value of properties for sale*

Net realizable value of properties for sale (comprising completed properties for sale and properties under development for sale) is determined based on the Group's assessment of the price ultimately expected to be realized in the ordinary course of business by reference to prevailing market conditions less all estimated selling expenses and anticipated costs to completion.

### (d) *Income taxes*

There are transactions and calculations relating to the Group's ordinary business activities for which the ultimate tax determination is uncertain and judgement is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

### (e) *Recognition of deferred tax assets*

The amount of the deferred tax assets included in the consolidated financial statements of the Group is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences and unused tax losses can be utilized. The recognition of deferred tax assets requires the Group to make judgements, based on assessment regarding future financial performance, about the amount of future taxable profits and the timing of when these will be realized.

## 41. Financial Risk Management

The Group's major financial instruments include investments, amounts due from associates and joint ventures, loan receivables, trade receivables, bank deposits and cash, trade payables, bank and other borrowings and other non-current liabilities. Details of these financial instruments are disclosed in respective notes.

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The risks associated with these financial instruments are managed by the Group's financial management policies and practices described below:

### *(a) Foreign currency risk*

Foreign currency exposure does not pose a significant risk for the Group as most of the Group's assets, operational cash flows and borrowings are mainly denominated in Hong Kong dollars. The Group aims to minimize its currency risk using forward contracts where feasible and cost effective. The Group's primary foreign currency exposures arise mainly from the property development and investment activities in Mainland and Singapore, whose net assets are exposed to foreign currency translation risk. Where appropriate, the Group seeks to finance these investments through borrowings denominated in the relevant foreign currencies. Exchange differences arising from the translation of the net investment in these Mainland and Singapore subsidiaries, associates and joint ventures have been dealt with in consolidated statement of comprehensive income.

The Group is also exposed to foreign currency risk in respect of its foreign currency borrowings, bank deposits and cash, mainly denominated in US dollars. Where appropriate, the Group may enter into cross currency interest rate swaps to hedge the currency risks associated with its borrowings. Foreign currency exposure of the Group's other monetary assets/liabilities is minimal.

At 30 June 2021, it is estimated that a 10% (2020: 10%) increase/decrease in exchange rate of Hong Kong dollars against all other currencies, with all other variables held constant, would increase/decrease the profit before taxation for the year by approximately HK$94 million (2020: HK$21 million decrease/increase). The other comprehensive income would be decreased/increased by HK$123 million (2020: HK$82 million).

### *(b) Interest rate risk*

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed partly by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities, and partly, at times of interest rate uncertainty, through the use of interest rate swaps.

The Group's interest rate risks arise principally from borrowings. Borrowings raised at floating rates expose the Group to cash flow interest rate risk. Interest rate risk is managed by the Group's senior management through regular review to determine the strategy as to having the funding in floating/fixed rate mix appropriate to the Group's businesses and investments.

The Group's borrowings are principally arranged on a floating rate basis. When appropriate, interest rate swaps are used to hedge and manage its long-term interest rate exposure. Speculative derivative transactions are strictly prohibited.

## 41. Financial Risk Management (cont'd)

### (b) *Interest rate risk (cont'd)*

As at 30 June 2021, it is estimated that an increase/a decrease of 100 basis points (2020: 100 basis points) in interest rates, with all other variables held constant, would decrease/increase the profit before taxation for the year by approximately HK$340 million (2020: HK$212 million).

The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the year end date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The analysis is performed on the same basis for financial year 2020.

### (c) *Price risk*

The Group is exposed to price risk through the Group's financial investments that are measured at fair value at each year end date with reference to the quoted market prices. The Group manages its exposure by closely monitoring the price movements and the changes in market conditions that may affect the value of these investments.

As at 30 June 2021, it is estimated that an increase/a decrease of 10% (2020: 10%) in quoted prices, with all other variables held constant, would increase/decrease the profit before taxation for the year and the other comprehensive income by approximately HK$68 million and HK$191 million (2020: HK$80 million and HK$143 million), respectively.

### (d) *Credit risk*

The Group's credit risk is primarily attributable to trade receivables, loan receivables, derivative financial instruments and deposits with banks and financial institutions.

The Group's trade receivables mainly arise from sale of properties developed by the Group and rent receivables from tenants. Occasionally, long term loans are provided to purchasers of the Group's properties and carry interest at rates with reference to banks' lending rates. Regular review is carried out and stringent monitoring procedures are in place to deal with overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each year end date to ensure that adequate impairment loss is made for irrecoverable amounts.

Counterparty exposure from derivatives is managed, together with that from deposits and bank account balances, with credit limit that reflect published credit ratings and monitored on a regular basis to ensure there is no significant risk to any individual counterparty.

The Group has no significant concentration of credit risk. The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the consolidated financial statements after deducting any impairment loss. Except for the financial guarantees as set out in Note 37, the Group does not provide any other guarantee which would expose the Group to material credit risk.

## 41. Financial Risk Management (cont'd)

### *(e) Liquidity risk*

The Group's financial and treasury activities are centrally managed and controlled at the corporate level. The Group takes liquidity risk into consideration when deciding its sources of finances and their respective tenors. The Group aims to diversify its funding sources and minimize its refinancing risk by preventing substantial refinancing in any one period. The Group also maintains substantial undrawn committed revolving banking facilities to allow for flexibility in meeting its funding requirements.

The following tables detail the Group's remaining contractual maturity for its derivative and non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

| | Notes | **Carrying amount** | **Total contractual undiscounted cash flow** | **Up to 1 year** | **Over 1 year to 2 years** | **Over 2 years to 5 years** | **Over 5 years** |
|---|---|---|---|---|---|---|---|
| **As at 30 June 2021** | | | | | | | |
| Trade payables | 24 | **2,708** | **2,708** | **2,580** | **126** | **2** | **–** |
| Other payables and accrued expenses | 24 | **22,937** | **22,939** | **19,079** | **1,883** | **1,785** | **192** |
| Amounts due to non-controlling interests | 24 | **1,203** | **1,203** | **1,203** | **–** | **–** | **–** |
| Lease liabilities | 24 & 28 | **1,785** | **1,964** | **761** | **353** | **243** | **607** |
| Bank and other borrowings | 23 & 26 | **116,823** | **128,191** | **23,564** | **23,365** | **45,006** | **36,256** |
| Other non-current liabilities | 28 | **894** | **996** | **–** | **68** | **215** | **713** |
| Derivative financial instruments | 19 | **109** | **116** | **(24)** | **(21)** | **37** | **124** |
| | | **146,459** | **158,117** | **47,163** | **25,774** | **47,288** | **37,892** |

| | Notes | Carrying amount | Total contractual undiscounted cash flow | Up to 1 year | Over 1 year to 2 years | Over 2 years to 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|
| As at 30 June 2020 | | | | | | | |
| Trade payables | 24 | 2,809 | 2,809 | 2,565 | 242 | 2 | – |
| Other payables and accrued expenses | 24 | 23,433 | 23,435 | 19,294 | 2,239 | 1,686 | 216 |
| Amounts due to non-controlling interests | 24 | 1,355 | 1,355 | 1,355 | – | – | – |
| Lease liabilities | 24 & 28 | 1,641 | 1,776 | 901 | 355 | 193 | 327 |
| Bank and other borrowings | 23 & 26 | 112,606 | 124,398 | 29,008 | 17,745 | 45,584 | 32,061 |
| Other non-current liabilities | 28 | 420 | 446 | – | 65 | 85 | 296 |
| Derivative financial instruments | 19 | 200 | 201 | 201 | – | – | – |
| | | 142,464 | 154,420 | 53,324 | 20,646 | 47,550 | 32,900 |

(Expressed in millions of Hong Kong dollars)

## 42. Fair Value of Financial Instruments

### (a) Financial instruments carried at fair value

The following tables present the carrying value of the Group's financial instruments that are measured at fair value at the end of the reporting period, categorized into the three-level fair value hierarchy defined as follows:

Level 1 Fair values measured at unadjusted quoted prices in active markets for identifiable assets or liabilities at the measurement date. This level includes all listed debt securities and listed equity securities, and certain unlisted debt securities that are measured at quoted prices in active markets.

Level 2 Fair values measured using inputs other than quoted prices where those inputs are based on observable market data and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 Fair values measured using significant unobservable inputs. This level includes all unlisted equity securities, except for certain unlisted equity securities which are classified as Level 2 as they are measured using inputs that are derived from or corroborated by observable market data.

**As at 30 June 2021**

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Financial assets at FVTPL | | | | |
| Debt securities | 128 | – | – | 128 |
| Equity securities | 905 | – | 421 | 1,326 |
| Financial assets at FVOCI | | | | |
| Debt securities | 559 | – | – | 559 |
| Equity securities | 1,355 | 17 | 306 | 1,678 |
| Derivative financial instruments | | | | |
| Interest rate swaps | – | 32 | – | 32 |
| Cross currency interest rate swaps | – | 99 | – | 99 |
| Forward foreign exchange contracts | – | 2 | – | 2 |
| | 2,947 | 150 | 727 | 3,824 |
| **Financial liabilities** | | | | |
| Bond and notes subject to fair value hedges | – | 632 | – | 632 |
| Derivative financial instruments | | | | |
| Cross currency interest rate swaps | – | 109 | – | 109 |
| | – | 741 | – | 741 |

## 42. Fair Value of Financial Instruments (cont'd)

### *(a) Financial instruments carried at fair value (cont'd)*

As at 30 June 2020

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Financial assets at FVTPL | | | | |
| Debt securities | 159 | – | – | 159 |
| Equity securities | 669 | – | 249 | 918 |
| Financial assets at FVOCI | | | | |
| Debt securities | 200 | – | – | 200 |
| Equity securities | 1,235 | 5 | 285 | 1,525 |
| Derivative financial instruments | | | | |
| Interest rate swaps | – | 46 | – | 46 |
| Cross currency interest rate swaps | – | 328 | – | 328 |
| Forward foreign exchange contracts | – | 3 | – | 3 |
| | 2,263 | 382 | 534 | 3,179 |
| **Financial liabilities** | | | | |
| Bond and notes subject to fair value hedges | – | 3,041 | – | 3,041 |
| Derivative financial instruments | | | | |
| Cross currency interest rate swaps | – | 200 | – | 200 |
| | – | 3,241 | – | 3,241 |

There were no transfer amongst Level 1, Level 2 and Level 3 in the fair value hierarchy and no change in valuation techniques used during the year.

**(i) Valuation techniques and inputs used in Level 2 fair value measurement**

The fair values of cross currency interest rate swap contracts and interest rate swap contracts in Level 2 are calculated as the present value of the estimated future cash flows based on the terms and maturity of each contract, taking into account the current interest rates and the current creditworthiness of the swap counterparties.

The fair value of forward foreign exchange contracts in Level 2 is determined by using the forward exchange rates at the end of the reporting period quoted from financial institutions.

The fair value of bonds and notes subject to fair value hedges is determined based on cash flows discounted using current market interest rates for similar financial instruments.

(Expressed in millions of Hong Kong dollars)

## 42. Fair Value of Financial Instruments (cont'd)

### *(a) Financial instruments carried at fair value (cont'd)*

#### (ii) Valuation techniques and inputs used in Level 3 fair value measurement

The fair value of unlisted equity securities in Level 3 is determined by reference to the net asset value of the investees, or by using discounted cash flow models or market approach with reference to multiples such as price/earnings multiples of comparable listed companies, adjusted for a discount for lack of marketability.

The movement during the year in the balance of Level 3 fair value measurement is as follows:

| | Financial assets measured at | | |
|---|---|---|---|
| | **FVTPL** | **FVOCI** | **Total** |
| Unlisted equity securities | | | |
| At 1 July 2019 | 189 | 305 | 494 |
| Purchases | 40 | – | 40 |
| Sales | (3) | – | (3) |
| Change in fair value recognized in | | | |
| – profit or loss | 23 | – | 23 |
| – other comprehensive income | – | (20) | (20) |
| At 30 June 2020 and 1 July 2020 | 249 | 285 | 534 |
| Purchases | **84** | **–** | **84** |
| Sales | **(28)** | **–** | **(28)** |
| Change in fair value recognized in | | | |
| – profit or loss | **116** | **–** | **116** |
| – other comprehensive income | **–** | **21** | **21** |
| At 30 June 2021 | **421** | **306** | **727** |

### *(b) Fair values of financial assets and liabilities carried at cost or amortized cost*

The following table presents the carrying amounts of the Group's financial instruments measured at cost or amortized cost which were different from their fair values at the end of the reporting period.

| | **2021** | | 2020 | |
|---|---|---|---|---|
| | **Carrying amount** | **Fair value** | Carrying amount | Fair value |
| Debt securities | **921** | **940** | 625 | 639 |
| Long-term bank loans and bonds | **95,212** | **96,813** | 85,594 | 88,726 |

The fair value of debt securities is measured at quoted market prices. The fair value of long-term bank loans and bonds is estimated by discounting their future cash flows using the market interest rates prevailing at the end of the reporting period.

All other financial instruments measured at cost or amortized cost are typically those that are short-term in nature or carry variable interest rates and reprice to current market rate changes. Accordingly, their carrying amounts approximate their fair values.

## 43. Capital Management

The Group's objective for managing capital is to maintain a strong capital base to support the development of its business and to continue to provide returns for shareholders while maintaining a prudent level of financial leverage.

The Group actively reviews and monitors its capital structure on a regular basis to maintain a healthy net debt-to-shareholders' equity ratio. For this purpose the Group defines net debt as total borrowings less bank deposits and cash. Shareholders' equity comprises share capital and reserves attributable to the Company's shareholders as shown in the consolidated statement of financial position. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, raise new debt financing or sell assets to reduce debt.

The net debt-to-shareholders' equity ratios at the year end were as follows:

| | **2021** | 2020 |
|---|---|---|
| Secured bank loans | **576** | 856 |
| Unsecured bank and other loans | **116,247** | 111,750 |
| Total borrowings | **116,823** | 112,606 |
| Less: Bank deposits and cash | **(21,781)** | (31,705) |
| Net debt | **95,042** | 80,901 |
| Shareholders' equity | **593,820** | 571,813 |
| Net debt-to-shareholders' equity ratio | **16.0%** | 14.1% |

## 44. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

## 45. Approval of the Consolidated Financial Statements

The consolidated financial statements set out on pages 166 to 236 were approved by the board of directors on 9 September 2021.

# Principal Subsidiaries

The directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the following list contains only the particulars of subsidiaries as at 30 June 2021 which principally affect the results or assets of the Group.

Unless otherwise stated, the following principal subsidiaries were incorporated and are operating in Hong Kong, unlisted and are indirectly held by the Company.

| Name | Note | Total Attributable Equity Interest Held by the Company (%) | Activities | Issued Share Capital/ Registered Capital* (HK$) |
|---|---|---|---|---|
| SUNeVision Holdings Ltd. (Listed in Hong Kong) | 2 | 73.55 | Provision of data centre, facilities management and value-added services, installation and maintenance services | 233,766,933 |
| SmarTone Telecommunications Holdings Limited (Listed in Hong Kong) | 3 | 72.58 | Mobile telephone system operation | 111,098,860 |
| Sun Hung Kai Real Estate Agency Limited | 6 | 100 | Asset and project management services | 1,000,000 |
| New Town (N.T.) Properties Limited | 7 | 100 | Investment holding | 2,472,515,162 |
| Fidelity Finance Company, Limited | 6 | 100 | Finance | 200 |
| Honour Finance Company, Limited | 6 | 100 | Loan financing and investment holding | 500,000 |
| Sun Hung Kai Properties (Financial Services) Limited | 6 | 100 | Finance | 100,000 |
| Sun Hung Kai Properties Insurance Limited | 6 | 100 | General insurance | 75,000,000 |
| Sun Hung Kai Architects and Engineers Limited | 6 | 100 | Architectural and engineering | 350,000 |
| Sanfield Building Contractors Limited | | 100 | Building construction | 90,000,000 |
| Sanfield (Management) Limited | | 100 | Building construction and project management | 2 |
| Everlight Engineering Company, Limited | | 100 | Fire prevention and mechanical engineering | 5,000,000 |
| Aegis Engineering Company, Limited | | 100 | Plant and machine hire | 100,000 |
| Hong Yip Service Company Limited | | 100 | Property and facility management | 100,000 |
| Kai Shing Management Services Limited | 6 | 100 | Property and facility management | 10,000 |
| Mantegna Investment Company Limited | 1 | 100 | Property investment | 2 |
| | | 100 | | (Note 9) 9,999,998 |
| Royaltelle International Limited | | 100 | Hotel operation | 2 |
| Access Orient Investments Limited | 1 | 100 | Property investment | US$1 |
| Ace Peace Limited | | 100 | Property investment | 1 |
| Additech Ltd. | 1 | 100 | Property investment | US$1 |
| Advance Vision Enterprises Limited | | 100 | Property investment | 2 |
| Airport Freight Forwarding Centre Company Limited | | 100 | Freight forwarding centre | 100 |
| Annadale Development Limited | | 100 | Property trading and investment | 2 |
| Antanpark Limited | 1 | 100 | Property investment | US$1 |
| Antinio Investments Limited | 1 | 100 | Property investment | US$1 |
| Artsland Properties Investment Limited | 1 | 100 | Property investment | US$1 |
| Assured Outcome Limited | 1 | 100 | Property investment | US$1 |
| Barnard Enterprises Limited | 1 | 75 | Property investment | US$100 |
| Beauty Marble Investment Limited | | 100 | Property investment | 2 |
| Beijing New Town Plaza Real Estate Co., Ltd. | 5c | 100 | Property investment | US$9,000,000* |
| Beijing Sun Dong An Co., Ltd. | 5a | 100 | Property investment | US$129,000,000* |
| Best Numbers Limited | 1 | 100 | Property investment | US$1 |
| Best Winners Limited | 1 | 100 | Property investment and hotel operation | US$1 |

| Name | Note | Total Attributable Equity Interest Held by the Company (%) | Activities | Issued Share Capital/ Registered Capital* (HK$) |
|---|---|---|---|---|
| Biliboss Ltd. | 1 | 100 | Property investment | US$1 |
| Bright Strong Limited | | 100 | Property development, trading and investment | 2 |
| Buratto Limited | 1 | 100 | Property investment | US$1 |
| Capital Mind Investments Limited | 1 | 100 | Property investment | US$1 |
| Century Opal Limited | | 100 | Property investment and development | 1 |
| Channel First Limited | | 100 | Property development and investment | 1 |
| Champion Dynasty Investments Limited | 1 | 100 | Property investment | US$1 |
| Charmford Holdings Limited | | 100 | Property trading | 1 |
| Cheerlord Investment Ltd. | 1 | 100 | Property investment and hotel operation | US$1 |
| 成都忠捷置業有限公司 | 5b | 91 | Property development | RMB213,000,000* |
| Choice Win (H.K.) Limited | | 100 | Property development, trading and investment | 1 |
| City Lion Investment Limited | 1 | 100 | Property investment | US$1 |
| City Success Limited | | 100 | Property development, trading and investment | 2 |
| Classic Best Investments Limited | 1 | 100 | Property investment | US$1 |
| Classic Success Investments Limited | 1 | 100 | Property investment | US$1 |
| Connick Limited | 1 | 100 | Property investment | US$1 |
| Crown Opal Investment Limited | | 64.30 | Property trading | 1 |
| Crown World Investment Limited | | 100 | Property trading and investment | 1 |
| Dictado Company Limited | | 100 | Property investment | 200 |
| Digital Chance Investments Limited | 1 | 100 | Property investment | US$1 |
| Dipende Limited | 1 | 100 | Property investment | US$1 |
| Dragon Value Investments Limited | 1 | 100 | Property investment | US$1 |
| Ease Gold Development Limited | | 100 | Property development, trading and investment | 2 |
| Easyway Properties Limited | | 100 | Property trading and investment | 1 |
| Entero Company Limited | 8 | 100 | Property investment | 200 |
| Even Decade Limited | 1 | 100 | Property investment | US$1 |
| Ever Channel Limited | | 100 | Property investment | 2 |
| Ever Crystal Limited | | 100 | Property investment | 1 |
| Ever Fast Limited | | 100 | Property development and investment | 2 |
| Evermax Development Limited | | 100 | Property investment and trading | 2 |
| Excellent Chance Limited | 1 | 100 | Property investment | US$1 |
| Fast Commerce Global Limited | 1 | 100 | Property investment | US$1 |
| Forever Glory Investments Limited | 1 | 100 | Property investment | US$1 |
| Fortin International Limited | 1 | 100 | Property investment and trading | US$1 |
| Fortune Honor Limited | | 100 | Property investment | 2 |
| Fortune Sign Global Limited | 1 | 100 | Property investment | US$1 |
| Fortune Yield Investment Limited | | 100 | Property investment | 2 |
| 佛山市新普房地產開發有限公司 | 5c | 100 | Property development and investment | US$34,000,000* |
| 東莞創紀房地產開發有限公司 | 5c | 100 | Property development | US$121,000,000* |
| Full Market Limited | | 100 | Property investment | 2 |
| Fu Tong Investment Company Limited | 6 | 100 | Property investment | 300,000 |
| Garudia Limited | | 100 | Property investment | 2 |

# Principal Subsidiaries

| Name | Note | Total Attributable Equity Interest Held by the Company (%) | Activities | Issued Share Capital/ Registered Capital* (HK$) |
|---|---|---|---|---|
| Gleamland Limited | 1 | 100 | Property investment | US$1 |
| Globaluck Limited | | 100 | Property development | 2 |
| Golden Square Properties Enterprises Limited | 1 | 100 | Property investment | 2 |
| | | 100 | | (Note 9) 999,998 |
| Good Assets Limited | | 100 | Property trading | 1 |
| Good Faith Properties Limited | | 100 | Property development and investment holding | 1 |
| Goodwick Limited | | 100 | Property trading and investment | 1 |
| Great Assets Global Limited | 1 | 100 | Property investment | US$1 |
| Great Alliance Limited | | 100 | Property development and trading | 1 |
| Group Allied Limited | | 100 | Property trading and investment | 1 |
| Group Channel Limited | | 100 | Property investment | 1 |
| Guangzhou Dragon Lake Real Estate Ltd. | 5c | 60 | Property development | 604,965,400* |
| 廣州南沙區慶盛新鴻基地產發展有限公司 | 5c | 100 | Property development and investment | RMB3,000,000,000* |
| 廣州新天房地產發展有限公司 | 5b | 70 | Property development | RMB798,000,000* |
| 廣州市佳俊房地產開發有限公司 | 5c | 100 | Property development | RMB210,000,000* |
| 廣州市新域發展有限公司 | 5b | 100 | Business services | RMB5,000,000,000 |
| 廣州市南站新鴻基地產投資有限公司 | 5c | 100 | Property development and investment | RMB3,700,000,000 |
| 廣州市南站新鴻基地產發展有限公司 | 5c | 100 | Property development and investment | RMB3,700,000,000 |
| Hambrook Investments Limited | 1 | 100 | Property investment | US$1 |
| Harbour Vantage Limited | | 100 | Property trading | 2 |
| Harrison Global Limited | 1 | 100 | Property investment | US$1 |
| Headmaster Assets Limited | 1 | 100 | Property investment | US$1 |
| Hero Town Limited | 1 | 100 | Property investment | US$86,500,001 |
| Herowell Limited | | 100 | Property investment | 1 |
| Hintline Investments Limited | | 100 | Property investment and trading | 5,000 |
| Hinwood Investment Limited | | 100 | Property investment and trading | 1 |
| Hoi Kong Container Services Company Limited | | 100 | Mid stream operator | 40,000,000 |
| Honenberg Limited | | 100 | Property investment | 2 |
| Hong Kong Business Aviation Centre Limited | | 35 | Business Aviation Centre | 1,000,000 |
| Hong Kong Sky Deck Limited | | 100 | Observation deck | 1 |
| Hongyi (Shanghai) Corporate Development Co., Ltd. | 5c | 100 | Property investment | US$214,482,000* |
| Hung Kai Finance Investment Holding Limited | | 100 | Property investment | 200 |
| Jayan Company Limited | | 100 | Property investment and investment holding | 2 |
| Joinyield Limited | | 100 | Property development and investment | 1 |
| Jugada Company Limited | | 100 | Property investment | 2 |
| Jumbo Pacific Limited | | 100 | Property development and investment | 1 |
| Joyful Polaris Limited | 1 | 100 | Property investment | US$1 |
| Kamchatka Company Limited | | 100 | Property investment | 200 |
| Kamsford Hong Kong Limited | | 100 | Property investment | 16,500,000 |
| Kartasun Limited | | 100 | Property investment | 2 |
| Kimrose Investments Ltd. | 1 | 100 | Property investment | US$1 |
| Kintech Investment Limited | | 100 | Property trading | 1 |
| Laboster Company Limited | 6 | 100 | Property investment | 2 |
| Lanecove Enterprise Limited | 1 | 100 | Property investment | US$1 |
| Lansmart Limited | | 100 | Property trading and investment holding | 2 |

| Name | Note | Total Attributable Equity Interest Held by the Company (%) | Activities | Issued Share Capital/ Registered Capital* (HK$) |
|---|---|---|---|---|
| Lee Bit Kai Investment Company Limited | 6 | 100 | Property investment | 1,000 |
| Leverson Limited | 1 | 100 | Property investment and hotel operation | US$1 |
| Long Kinetic Limited | | 100 | Property investment and hotel operation | 1 |
| Long Tesak Company Limited | | 100 | Property investment | 100,000 |
| Lunalite Company Limited | | 100 | Property investment | 2 |
| Manceton Limited | | 100 | Property investment | 2 |
| Market Century Global Limited | 1 | 100 | Property investment | US$1 |
| Market Talent Investments Limited | 1 | 100 | Property investment | US$1 |
| Masston Limited | | 100 | Property investment | 1 |
| Maxwear Limited | 1 | 100 | Property investment | US$1 |
| Mighty Choice Assets Limited | 1 | 100 | Property investment | US$1 |
| Mindano Limited | | 100 | Property investment and investment holding | 10,000 |
| Morison Limited | 1 | 100 | Property investment | US$1 |
| Nixon Cleaning Company Limited | | 100 | Cleaning service | 100,000 |
| Obvio Yip Company Limited | 6 | 100 | Property development and investment | 15,000,000,000 |
| On Best Capital Investment Limited | | 92 | Property trading | 1 |
| Open Step Limited | | 60 | Property investment | 10 |
| Oriental Way Limited | | 100 | Hotel management and property investment | 1 |
| Pacific Earth Enterprise Limited | | 100 | Property trading and investment | 1 |
| Pacific Gold Limited | | 100 | Property investment and development | 1 |
| Pacotilla Company Limited | | 100 | Property investment | 200 |
| Partner Sino Assets Limited | 1 | 100 | Property investment | US$1 |
| Pawling Limited | 1 | 100 | Property investment | US$1 |
| Polarland Limited | | 100 | Property trading | 1 |
| Pontamell Limited | 1 | 100 | Property investment | US$1 |
| Potential Area Limited | 1 | 100 | Property investment | US$1 |
| Precise Oceanic Limited | 1 | 100 | Property investment | US$1 |
| Profit Richness Ltd. | 1 | 100 | Property investment | US$1 |
| Progress Success Investments Limited | 1 | 100 | Property investment | US$1 |
| Protasan Limited | | 100 | Property investment | 100 |
| Red Stand Investments Limited | 1 | 100 | Property investment | US$1 |
| Riderstrack Development Limited | 1 | 100 | Property investment | US$1 |
| Rinnovare Limited | 1 | 100 | Property investment | US$1 |
| Route 3 (CPS) Company Limited | | 70 | Toll road operation | 10,000 |
| Score Best Investments Limited | 1 | 100 | Property investment | US$1 |
| Scott Global Investments Limited | 1 | 100 | Property investment | US$1 |
| Senmark Limited | | 100 | Hotel operation | 2 |
| Shanghai Central Plaza Property Co., Ltd. | 5a | 80 | Property investment | US$42,000,000* |
| Shanghai International Commerce Centre Co., Ltd. | 5c | 100 | Property development and investment | US$290,500,000* |
| Shanghai SHK International Commerce Centre Co., Ltd. | 5c | 100 | Property development and investment | US$90,000,000* |
| Shanghai SHK Weiyi Property Co., Ltd. | 5c | 100 | Property investment | RMB1,200,000,000* |
| Shanghai SHK Weijing Property Co., Ltd. | 5c | 100 | Property investment | RMB1,200,000,000* |
| Shanghai SHK Weizheng Property Co., Ltd. | 5c | 100 | Property investment | RMB1,220,000,000* |
| Shanghai SHK Weiwan Property Co., Ltd. | 5c | 100 | Property investment | RMB18,500,000,000* |
| Shanghai Xin Zhong Hui Property Co., Ltd. | 5c | 100 | Property investment | US$18,000,000* |

# Principal Subsidiaries

| Name | Note | Total Attributable Equity Interest Held by the Company (%) | Activities | Issued Share Capital/ Registered Capital* (HK$) |
|---|---|---|---|---|
| Shubbery Company Limited | | 100 | Property investment | 200 |
| Shunyue Investments Limited | 1 | 100 | Property investment | US$1 |
| Silver Knight Developments Limited | 1 | 100 | Property investment | US$1 |
| Smithtown Investments Limited | 1 | 100 | Property investment | US$1 |
| Solar Kingdom Limited | | 100 | Property investment | 2 |
| Speed Wise Limited | 6 | 100 | Property investment | 2 |
| Speedway Assets Limited | 1 | 100 | Property investment | US$1 |
| Splendid Sharp Limited | | 100 | Property investment | 4 |
| Spring Bliss Investments Limited | 1 | 100 | Property investment | US$1 |
| Standard Top Limited | | 100 | Property investment | 2 |
| Starry View Holdings Limited | 1 | 100 | Property investment | US$1 |
| Startrack Company Limited | | 100 | Property investment | 200 |
| Sun Carol Company Limited | | 100 | Property investment | 200 |
| Sun Hung Kai Development (China) Limited | | 100 | Investment holding | 20,000,370 |
| Sun Hung Kai Development (Lujiazui II) Ltd. | 5c | 100 | Property investment | US$121,355,000* |
| Sun Hung Kai Development (Zhang Yang) Ltd. | 5c | 100 | Property development and investment | US$165,000,000* |
| Sun Hung Kai IFC (Nanjing) Co., Ltd. | 5c | 100 | Property investment | RMB721,914,400* |
| Sun Hung Kai ICC (Suzhou) Co., Ltd. | 5b | 90 | Property development and investment | RMB1,800,000,000* |
| Sun Hung Kai Properties (Capital Market) Limited | 2,6 | 100 | Finance | US$10 |
| Sun Hung Kai Properties Investment (Guangzhou) Limited | 5c | 100 | Investment holding | US$90,000,000* |
| Sun Hung Kai Real Estate (Sales and Leasing) Agency Limited | | 100 | Real Estate and general agencies | 1 |
| Sun Hung Kai Secretarial Services Limited | 6 | 100 | Secretarial services | 200 |
| Sun Yuen Long Centre Management Company Limited | | 100 | Property investment and management | (Note 10) 25,000 |
| | | 75 | | (Note 11) 25,000 |
| Sunfez Company Limited | | 100 | Property investment | 200 |
| Sunrit Enterprises Limited | | 100 | Property investment | 4,000,000 |
| Super Great Limited | | 100 | Property development and investment | 1 |
| Superwick Limited | | 100 | Property development and trading | 1 |
| Tainam Holdings Limited | 1 | 100 | Property investment | US$1 |
| Ten Choice Development Limited | | 100 | Property investment | 2 |
| Tenuta Limited | 1 | 100 | Property investment | US$1 |
| Time Bliss Limited | 1 | 100 | Property investment | US$1 |
| Tipro Development Limited | | 100 | Property investment | 1,000,000 |
| Tonthai Investment Enterprises Limited | 1 | 100 | Property investment | US$1 |
| Top Deluxe (H.K.) Limited | | 100 | Property trading | 1 |
| Top State Development Limited | | 100 | Property investment and trading | 1 |
| Town Descant Company Limited | | 100 | Property investment | 200 |
| Transport Infrastructure Management Limited | | 100 | Road management | 70,000,000 |
| True Vantage Global Limited | 1 | 100 | Property investment | US$1 |
| Tsi Mai Company Limited | | 100 | Property investment | 200 |
| Tuxedos Company Limited | | 100 | Property investment and trading | 200 |
| Uniland Investment Enterprises Limited | 1 | 100 | Property investment | US$1 |
| United Way Investments Limited | 4,6 | 100 | Owner of trade mark | US$1 |
| | | 100 | | (Note 9) US$83,400 |
| Upper Hill Company Limited | 1 | 100 | Property investment | US$1 |

| Name | Note | Total Attributable Equity Interest Held by the Company (%) | Activities | Issued Share Capital/ Registered Capital* (HK$) |
|---|---|---|---|---|
| Vast Earn Property Corp. | 1 | 100 | Property investment | US$2 |
| Wai Hung Development Company Limited | 6 | 100 | Investment holding and property investment | 70,000 |
| Warrior Company Limited | | 100 | Property investment | 300 |
| Wealth Capsule Investments Limited | 1 | 100 | Property investment | US$1 |
| Wealth Power International Enterprise Limited | | 92 | Property investment and trading | 1 |
| Well Capital (H.K.) Limited | | 100 | Property development and investment | 1 |
| Well Success Capital Investment Limited | | 92 | Property trading | 1 |
| Well Famous Enterprise Limited | | 100 | Property investment | 1 |
| Well Logic Properties Investment Limited | 1 | 100 | Property investment | US$1 |
| Wellden Limited | | 100 | Property investment | 2 |
| Wetland Park Management Service Limited | | 100 | Property investment | 2 |
| Willmax Limited | | 100 | Property investment | 2 |
| Wilson Parking (Holdings) Limited | | 100 | Investment holding and carpark operation | 1,000 |
| Winbox Investment Limited | | 100 | Property investment and trading | 1 |
| Winner Land Enterprises Limited | | 100 | Property investment | 2 |
| Winter Ranch Limited | 1 | 100 | Property investment | US$1 |
| Wisecity Development Limited | | 100 | Property development | 2 |
| Wonder Charm Assets Limited | 1 | 100 | Property investment | US$1 |
| WTC (Club) Limited | | 100 | Club management | 200 |
| YATA Limited | | 100 | Department store operation | 30,000,000 |
| Zarabanda Company Limited | | 100 | Property investment | 2 |

*Notes:*
1. *Incorporated in the British Virgin Islands and operating in Hong Kong.*
2. *Incorporated in the Cayman Islands and operating in Hong Kong.*
3. *Incorporated in Bermuda and operating in Hong Kong.*
4. *Incorporated in the British Virgin Islands.*
5. *Incorporated and operating in the People's Republic of China:*
   a. *Co-operative joint venture enterprise*
   b. *Equity joint venture enterprise*
   c. *Wholly foreign owned enterprise*
6. *Directly held by the Company.*
7. *11.89% directly and 88.11% indirectly held by the Company.*
8. *50% directly and 50% indirectly held by the Company.*
9. *Redeemable share.*
10. *"A" share.*
11. *"B" share.*

# Principal Joint Ventures

The directors are of the opinion that a complete list of the particulars of all joint ventures will be of excessive length and therefore the following list contains only the particulars of joint ventures as at 30 June 2021 which principally affect the results or assets of the Group.

Unless otherwise stated, the following principal joint ventures were incorporated and are operating in Hong Kong and unlisted.

| | Name | Note | Total Attributable Equity Interest Held by the Company (%) | Activities | Class of Share/ Registered Capital |
|---|---|---|---|---|---|
| + | Altomatic Limited | | 50 | Property investment | Ordinary |
| #+ | China Resources Sun Hung Kai Properties (Hangzhou) Limited | 5 | 40 | Property development and investment | Registered capital |
| #+ | China Resources Sun Hung Kai Properties (Wuxi) Limited | 5 | 40 | Property development and investment | Registered capital |
| # | Dragon Beauty International Limited | | 50 | Property development | Ordinary |
| | Glorious Concrete (BVI) Limited | 4 | 50 | Manufacturer of precast and ready mixed concrete | Ordinary |
| #+ | Green Valley Landfill, Limited | | 20 | Landfill waste disposal facility | Ordinary |
| #+ | Guangzhou Fujing Properties Development Co., Ltd. | 3 | 33.3 | Property development | Registered capital |
| #+ | 廣州宏城廣場房地產開發有限公司 | 6 | 50 | Property investment | Registered capital |
| #+ | Hangzhou Runhong Properties Limited | 5 | 40 | Property development | Registered capital |
| | IFC Development Limited | 1 | 50 | Property investment | Ordinary |
| | Jade Land Resources Limited | | 25 | Property trading and investment | Ordinary |
| # | Kerry Hung Kai Warehouse (Cheung Sha Wan) Limited | | 50 | Godown operation | Ordinary |
| | Max Century (H.K.) Limited | | 50 | Property investment | Ordinary |
| + | Newfoundworld Investment Holdings Limited | 1 | 20 | Investment holding | Ordinary |
| #+ | Orchard Turn Holding Pte. Ltd. | 2 | 50 | Investment holding | Ordinary |
| + | Ranny Limited | | 50 | Property investment | Ordinary |
| #+ | River Trade Terminal Co. Ltd. | 1 | 50 | River trade terminal | Ordinary |
| # | Senica International Limited | 4 | 22.5 | Investment holding | Ordinary |
| #+ | Shanghai Xintian Real Estate Co., Ltd. | 3 | 35 | Property development and investment | Registered capital |
| | Special Concept Development Limited | | 25 | Property investment | Ordinary |
| + | Splendid Shing Limited | | 50 | Property investment | Ordinary |
| #+ | Star Play Development Limited | | 33.3 | Property investment | Ordinary |
| #+ | 祥寶投資（成都）有限公司 | 5 | 40 | Property development and investment | Registered capital |
| | Teamfield Property Limited | | 57.52 | Property investment | Ordinary |
| + | Tinyau Company Limited | | 50 | Property investment | Ordinary |
| + | Topcycle Development Limited | | 50 | Property development | Ordinary |
| | Vivid Synergy Limited | 1 | 50 | Investment holding | Ordinary |

| | Name | Note | Total Attributable Equity Interest Held by the Company (%) | Activities | Class of Share/ Registered Capital |
|---|---|---|---|---|---|
| # | Wolver Hollow Company Limited | | 50 | Property investment | Ordinary |
| + | Xipho Development Company Limited | | 33.3 | Property trading | Ordinary |
| #+ | 佛山市新升房地產開發有限公司 | 5 | 50 | Property development | Registered capital |
| #+ | 佛山市新鋒房地產開發有限公司 | 5 | 50 | Property development | Registered capital |
| #+ | 佛山市新晉房地產開發有限公司 | 5 | 50 | Property development | Registered capital |
| #+ | 佛山市新駿房地產開發有限公司 | 5 | 50 | Property development | Registered capital |
| #+ | 佛山市新昊房地產開發有限公司 | 5 | 50 | Property development | Registered capital |
| #+ | 佛山市新匯房地產開發有限公司 | 5 | 50 | Property development | Registered capital |
| #+ | 佛山市新景房地產開發有限公司 | 5 | 50 | Property development | Registered capital |
| #+ | Hangzhou River East Estates Co., Ltd. | 3 | 45 | Property development and investment | Registered capital |
| #+ | Hangzhou River West Co., Ltd. | 3 | 50 | Property development and investment | Registered capital |

\+ *The financial statements of these companies were not audited by Deloitte Touche Tohmatsu.*

\# *Companies with year ends not co-terminous with that of Sun Hung Kai Properties Limited.*

*Notes:*
1. *Incorporated in the British Virgin Islands and operating in Hong Kong.*
2. *Incorporated and operating in the Republic of Singapore.*
3. *Incorporated and operating in the People's Republic of China as equity joint venture enterprise.*
4. *Incorporated in the British Virgin Islands.*
5. *Incorporated and operating in the People's Republic of China as wholly foreign owned enterprise.*
6. *Incorporated and operating in the People's Republic of China as co-operative joint venture enterprise.*

# Principal Associates

The directors are of the opinion that a complete list of the particulars of all associates will be of excessive length and therefore the following list contains only the particulars of associates as at 30 June 2021 which principally affect the results or assets of the Group.

Unless otherwise stated, the following principal associates were incorporated and are operating in Hong Kong and unlisted.

| Name | Note | Total Attributable Equity Interest Held by the Company (%) | Activities | Class of Share |
|---|---|---|---|---|
| #+ Transport International Holdings Limited (Listed in Hong Kong) | 1 | 40.31 | Public transportation | Ordinary |
| #+ Ranex Investments Limited | | 29 | Property development and investment | Ordinary |
| #+ The Hong Kong School of Motoring Limited | | 30 | Driving School | Ordinary |
| #+ Onluck Finance Limited | | 35.44 | Finance | Ordinary |
| #+ Treasure Peninsula Limited | | 29 | Finance | Ordinary |

\+ *The financial statements of these companies were not audited by Deloitte Touche Tohmatsu.*

\# *Companies with year ends not co-terminous with that of Sun Hung Kai Properties Limited.*

*Note: 1. Incorporated in Bermuda and operating in Hong Kong.*

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