

FINANCIAL REVIEW

Continuing Connected Transactions

The particulars of the following continuing connected transactions of the Group are set out below in compliance with the reporting requirements of Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

(a) THE GROUP

Transactions with Sun Hung Kai Properties Insurance Limited ("SHKPI")

As described in note 34(a) to the financial statements on pages 236 and 237 of this Annual Report, on 1 November 2019, the Group entered into an insurance policy with SHKPI, a wholly-owned subsidiary of SHKP, which is a substantial shareholder of the Company, pursuant to which the Group maintained medical and dental insurance coverage with SHKPI from 1 January 2020 to 31 December 2021 (the **"2020/21 Medical and Dental Insurance Arrangement"**). On 3 November 2020, the Group entered into various insurance policies with SHKPI, pursuant to which SHKPI agreed to provide to the Group a motor vehicle third party and passengers' liability insurance and an employees' compensation insurance from 1 January 2021 to 31 December 2022 (the **"2021/22 Insurance Arrangements"**). On 5 November 2021, the Group entered into certain supplemental insurance policies with SHKPI, pursuant to which the type of insurance covered or to be covered is motor vehicle third party and passengers' liability insurance for a period of 12 months from 1 January 2022 to 31 December 2022 (the **"2022 Supplemental Motor Insurance Arrangements"**). On 29 December 2022, the Group entered into various insurance policies with SHKPI, pursuant to which SHKPI agreed to provide to the Group a motor vehicle third party and passengers' liability insurance and an employees' compensation insurance coverage from 1 January 2023 to 31 December 2024 (the **"2023/24 Insurance Arrangements"**). The transactions contemplated under the 2020/21 Medical and Dental Insurance Arrangement, 2021/22 Insurance Arrangements, 2022 Supplemental Motor Insurance Arrangements and 2023/24 Insurance Arrangements constitute continuing connected transactions of the Company, particulars of which were disclosed in the announcements of the Company dated 1 November 2019, 3 November 2020, 5 November 2021 and 29 December 2022, respectively.

The cap amounts of the insurance premium payable by the Group to SHKPI under the 2020/21 Medical and Dental Insurance Arrangement for the years ended 31 December 2020 and 2021, as disclosed in the announcement dated 1 November 2019, were HK\$22,090,000 and HK\$22,090,000 respectively. Such annual cap amounts were determined with reference to the estimated medical and dental needs of the Group's employees for such periods, the insurance premium rates as specified under the 2020/21 Medical and Dental Insurance Arrangement and the historical transaction amounts. For the year ended 31 December 2022, the insurance premium paid and payable to SHKPI under the 2020/21 Medical and Dental Insurance Arrangement was HK\$Nil (2021: HK\$21,370,000).

The cap amounts of the insurance premium payable by the Group to SHKPI under the 2021/22 Insurance Arrangements for the years ended 31 December 2021 and 2022, as disclosed in the announcement dated 3 November 2020, were HK\$132,500,000 and HK\$99,500,000 respectively. Such annual cap amounts are determined mainly with reference to the historical transaction amounts, the estimated business requirements of the Group, including the estimated vehicles, staffing and fixed assets requirements, and the insurance premium rates as specified under the 2021/22 Insurance Arrangements. For the year ended 31 December 2022, the insurance premium paid and payable to SHKPI under the 2021/22 Insurance Arrangements was HK\$79,617,000 (2021: HK\$115,100,000).

The cap amount of the insurance premium payable by the Group to SHKPI under the 2022 Supplemental Motor Insurance Arrangements for the year ended 31 December 2022, as disclosed in the announcement dated 5 November 2021, was HK\$36,500,000. For the year ended 31 December 2022, the insurance premium paid and payable to SHKPI under the 2022 Supplemental Motor Insurance Arrangements was HK\$35,500,000 (2021: HK\$Nil).

The amounts of the insurance premium payable by the Group to SHKPI under the 2023/24 Insurance Arrangements for the years ending 31 December 2023 and 2024, as disclosed in the announcement dated 29 December 2022, will be approximately HK\$102,500,000 and HK\$105,500,000 respectively. Such annual cap amounts are determined mainly with reference to the historical transaction amounts, the estimated business requirements of the Group, including the estimated vehicles, staffing and fixed assets requirements, and the insurance premium rates as specified under the 2023/24 Insurance Arrangements.

The insurance premium paid and payable by the Group under the 2020/21 Medical and Dental Insurance Arrangement, 2021/22 Insurance Arrangements, 2022 Supplemental Motor Insurance Arrangements and 2023/24 Insurance Arrangements were and will be satisfied by internal resources of the Group. The transactions under the 2020/21 Medical and Dental Insurance Arrangement, 2021/22 Insurance Arrangements, 2022 Supplemental Motor Insurance Arrangements and 2023/24 Insurance Arrangements are only subject to the reporting, announcement and annual review requirements of the Listing Rules and are exempt from the independent shareholders' approval requirement.

(b) SUN BUS LIMITED

Shuttle Bus Services Agreements with certain subsidiaries of Sun Hung Kai Properties Limited ("SHKP")

As described in note 34(a) to the financial statements on pages 236 and 237 of this Annual Report, Sun Bus Limited has entered into various shuttle bus service contracts ("Shuttle Bus Services Agreements") with certain subsidiaries of SHKP, pursuant to which Sun Bus Limited agreed to provide and operate various shuttle bus services for the period from 1 May 2020 to 31 December 2023. The service fees for the provision of the shuttle bus services were charged in accordance with the rates specified in the relevant contracts, ranging from approximately HK\$350 to HK\$530 per hour per bus, which were determined after taking into account factors such as the number and model of buses requested, the days and hours of services requested, the relevant costs and expected loads and routes, using the prevailing market rates as a price indicator, namely, the service fees charged for similar bus operations in the market. The transactions contemplated under the Shuttle Bus Services Agreements constitute continuing connected transactions of the Company, particulars of which were disclosed in the announcement of the Company dated 5 August 2022. The cap amounts estimated to be receivable by Sun Bus Limited under the Shuttle Bus Services Agreements for the year ended 31 December 2022 and the year ending 31 December 2023 as disclosed in the announcement dated 5 August 2022 were HK\$7,210,265 and HK\$9,542,100 respectively. Such cap amounts were determined with reference to the historical amounts, the rates specified in the relevant contracts and the expected possible demand for the services. For the year ended 31 December 2022, the service fees received or receivable by Sun Bus Limited (inclusive of the fees for basic services, overtime services, on-demand additional services, and toll charges) under the Shuttle Bus Services Agreements amounted to HK\$5,876,000 (2021: HK\$2,776,000). The transactions contemplated under the Shuttle Bus Services Agreements are only subject to the reporting, announcement and annual review requirements of the Listing Rules and are exempt from the independent shareholders' approval requirement.

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(c) KT REAL ESTATE LIMITED (“KTRE”)

The Office Premises Leasing Management Agreement and the Retail Premises Leasing Management Agreement with Sun Hung Kai Real Estate (Sales and Leasing) Agency Limited (“SHKRE(SL)”) and the Property Management Agreement with Kai Shing Management Services Limited (“KSMS”)

On 29 December 2022, KTRE and Turbo Result Limited (being the owners in equal shares as tenants in common of The Millennity located at 98 How Ming Street, Kwun Tong) entered into the Office Premises Leasing Management Agreement and Retail Premises Leasing Management Agreement with SHKRE(SL), pursuant to which SHKRE(SL) was appointed as the exclusive marketing and leasing agent and administrators for the units in the office and retail premises and parking spaces in The Millennity for the terms of three years commencing from 1 January 2023 to 31 December 2025 (the **“2023-2025 Office and Retail Premises Leasing Management Agreements”**). On 29 December 2022, KTRE and TRL entered into the Property Management Agreement with KSMS, pursuant to which KSMS was appointed as the property manager for the units in the office/retail premises in The Millennity for the term of three years commencing from 1 January 2023 to 31 December 2025 (the **“2023-2025 Property Management Agreement”**). The transactions contemplated under the 2023-2025 Office and Retail Premises Leasing Management Agreements and the 2023-2025 Property Management Agreement constitute continuing connected transactions of the Company, particulars of which were disclosed in the announcements of the Company dated 29 December 2022.

The amounts of the office and retail premises leasing management fees and other expenses payable by KTRE to SHKRE(SL) under the Office Premises Leasing Management Agreement and Retail Premises Leasing Management Agreement for each of the three years ending 31 December 2023, 2024 and 2025, as disclosed in the announcement dated 29 December 2022, will be approximately HK\$186,525,000 and HK\$54,290,000 each year respectively. Such annual cap amounts are determined based on the maximum number of units estimated to be let or licensed in The Millennity and the remuneration rates as specified under the 2023-2025 Office and Retail Premises Leasing Management Agreements.

The amounts of the property management fees and other expenses payable by KTRE to KSMS under the 2023-2025 Property Management Agreement for each of the three years ending 31 December 2023, 2024 and 2025, as disclosed in the announcement dated 29 December 2022, will be approximately HK\$7,185,000 each year. Such annual cap amounts are determined based on the number of units in the Millennity and the remuneration rates as specified under the 2023-2025 Property Management Agreement.

The office and retail premises leasing management fees and property management fees and other expenses payable by KTRE under the 2023-2025 Office and Retail Premises Leasing Management Agreements and the 2023-2025 Property Management Agreement will be satisfied by internal resources of the Group. The transactions under the 2023-2025 Office and Retail Premises Leasing Management Agreements and the 2023-2025 Property Management Agreement are only subject to the reporting, announcement and annual review requirements of the Listing Rules and are exempt from the independent shareholders' approval requirement.

In compliance with the Listing Rules, the Directors, including the Independent Non-executive Directors, have reviewed and confirmed the following:

1. The foregoing continuing connected transactions conducted during the year ended 31 December 2022 with SHKPI and certain subsidiaries of SHKP were entered into:
 - (i) in the ordinary and usual course of the business of the Group;
 - (ii) either on normal commercial terms or better; and
 - (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole;
2. the annual insurance premium paid and payable by the Group to SHKPI under the 2021/22 Insurance Arrangements and the 2022 Supplemental Motor Insurance Arrangements for the year ended 31 December 2022 did not exceed the cap amounts of HK\$99,500,000 and HK\$36,500,000 respectively, as disclosed in the announcements dated 3 November 2020 and 5 November 2021 respectively; and
3. the service fees received and receivable by Sun Bus Limited (inclusive of the fees for basic services, overtime services, on-demand additional services, and toll charges) from certain subsidiaries of SHKP under the Shuttle Bus Services Agreements for the year ended 31 December 2022 did not exceed the cap amount of HK\$7,210,265, as disclosed in the announcement dated 5 August 2022.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions conducted during the year ended 31 December 2022 as set out above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.