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## **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020**

### **HIGHLIGHTS**

- **The Group's AOP: HK\$3,336.3 million, increased by 46%**
  - Core Business' AOP was HK\$2,322.2 million, increased by 13% (accounted for 70% of the Group's AOP)
  - Strategic Portfolio's AOP was HK\$1,014.1 million, increased by 319%
- **Continued disposal of non-core assets of the Group to unlock value for shareholders and total consideration was approximately HK\$3.6 billion**
- **Maintained the Group's sustainable and progressive dividend policy with an interim dividend of HK\$0.29 per share (same as interim dividend for FY2020)**
- **Ample liquidity with total capital resources amounted to approximately HK\$29.2 billion, including cash and bank balances amounting to HK\$11.0 billion and unutilized committed banking facilities of approximately HK\$18.2 billion**
- **Net gearing ratio lowered to 26% (30 June 2020: 31%)**
- **In January 2021, the Company announced the disposal of its interests in SUEZ NWS and Derun Environment for a total consideration of approximately HK\$6.5 billion**

The board of directors (the "Board") of NWS Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 31 December 2020 (the "Current Period"), together with comparative figures for the six months ended 31 December 2019 (the "Last Period").

# BUSINESS REVIEW

## Group overview

Businesses of the Group remained solid and improved progressively amid uncertainties during the Current Period, and the Group's Attributable Operating Profit ("AOP") increased 46% over the Last Period to HK\$3,336.3 million. With the rapid recovery of Roads segment after the resumption of toll fee collection in Mainland China since May 2020 and the full period contribution of FTLife Insurance Company Limited ("FTLife Insurance"), AOP of Core Business amounted to HK\$2,322.2 million, increased 13% as compared to the Last Period. Among Strategic Portfolio, while Environment segment and Logistics segment remained relatively stable, thanks to (i) improved performance of Facilities Management segment with the continuous ramp up of operations of Gleneagles Hospital Hong Kong ("GHK Hospital") and the stringent cost control measures implemented for Free Duty; (ii) increased contribution from Strategic Investments segment due to improved market condition that led to improved revaluation on some of our investments and recovery of some of our investments' underlying performances; and (iii) the disposal of the loss-making Transport segment, AOP increased by 319% as compared to the Last Period to HK\$1,014.1 million.

During the Current Period, our business portfolio has further optimized by disposing of a number of non-core assets, including (i) all of our stakes in NWS Transport Services Limited ("NWS Transport") that owns New World First Bus Services Limited and Citybus Limited; (ii) the remaining 40% interest in New World First Ferry Services Limited; and (iii) our 25% interest in Zhujiang Power Station – Phase II. Total considerations generated from these disposals amounted to approximately HK\$3.6 billion. In January 2021, after the cut-off date for the results of the Current Period, we have also announced the disposal of the Group's interests in SUEZ NWS Limited ("SUEZ NWS") and Chongqing Derun Environment Co., Ltd. ("Derun Environment") at a total consideration of approximately HK\$6.5 billion to further unlock value for our shareholders and streamline our business portfolio.

In the Current Period, non-operating losses were mainly attributable to the remeasurement, impairments and provisions of HK\$1.9 billion being incurred, which includes (i) the reclassification of an investment of the Group to an asset held-for-sale and the resultant remeasurement loss of HK\$1,330.0 million; (ii) the Group's share of provisions of HK\$415.9 million from Goshawk Aviation Limited ("Goshawk") which was due to assets impairment, provision for expected credit loss and aircraft repossession/recovery costs; and (iii) the remeasurement loss (net of tax and transaction costs) of HK\$127.7 million associated with the disposal of the Group's interests in SUEZ NWS and Derun Environment announced in January 2021.

Due to the aforesaid losses from non-operating items, despite a significant year-on-year increase in AOP of 46%, profit attributable to shareholders for the Current Period, after the deduction of profit attributable to holders of perpetual capital securities, decreased 60% to HK\$611.8 million. The basic earnings per share was HK\$0.16, declined 59%. Contribution from operations in Hong Kong accounted for 48% of the AOP in the Current Period (Last Period: 34%), while Mainland China and other regions contributed 42% and 10% of the AOP, respectively (Last Period: 55% and 11%, respectively). Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") was down by 4% to HK\$3,038.8 million.

Notwithstanding the above remeasurement, impairments and provisions, our financial position has improved and continues to be strong during the Current Period. As at 31 December 2020, the Group's net gearing ratio lowered to 26%. The Group's unutilized committed banking facilities as at 31 December 2020 were approximately HK\$18.2 billion, and total cash and bank balances were HK\$11.0 billion. Our solid financial position is providing support to our commitment to sustainable and progressive dividend policy regardless of the negative impact of non-operating items on profit attributable to shareholders during the Current Period.

<b>Contribution by Division</b>		
For the six months ended 31 December		
	<b>2020</b>	2019
	<b>HK\$'m</b>	HK\$'m
Core Business	<b>2,322.2</b>	2,048.1
Strategic Portfolio		
Continuing operations	<b>764.9</b>	23.7
Discontinued operations	<b>249.2</b>	218.1
<b>Attributable operating profit</b>	<b>3,336.3</b>	2,289.9
<i>Corporate office and non-operating items</i>		
Loss on fair value of investment properties	<b>(14.3)</b>	-
Remeasurement, impairments and provisions	<b>(1,904.4)</b>	-
Net loss on disposal of projects, net of tax	<b>(50.7)</b>	(152.9)
Net (loss)/gain on fair value of derivative financial instruments	<b>(54.1)</b>	84.7
Net exchange gain	<b>0.5</b>	45.0
Interest income	<b>14.7</b>	81.9
Finance costs	<b>(249.9)</b>	(353.5)
Expenses and others	<b>(174.8)</b>	(190.9)
	<b>(2,433.0)</b>	(485.7)
<b>Profit for the period after tax and non-controlling interests</b>	<b>903.3</b>	1,804.2
<b>Profit attributable to:</b>		
Shareholders of the Company	<b>611.8</b>	1,513.8
Holders of perpetual capital securities	<b>291.5</b>	290.4
	<b>903.3</b>	1,804.2
<b>Adjusted EBITDA<sup>#</sup></b>	<b>3,038.8</b>	3,150.6

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

## OPERATIONAL REVIEW – CORE BUSINESS

### *AOP Contribution by Segment*

For the six months ended 31 December

	<b>2020</b>	2019	Change %
	<b>HK\$'m</b>	HK\$'m	Fav./Unfav.)
Roads	<b>1,061.0</b>	949.6	12
Aviation	<b>271.7</b>	267.9	1
Construction	<b>527.1</b>	670.2	(21)
Insurance	<b>462.4</b>	160.4	188
Total	<b><u>2,322.2</u></b>	<u>2,048.1</u>	13

### **Roads**

Both traffic flow and toll fee income have seen swift recovery following the toll fee exemption policy in Mainland China ended in May 2020 and China's economy rapidly normalized, with overall traffic volume of our roads portfolio rising 9% and toll income increasing 8% during the Current Period. AOP of the Roads segment increased 12% to HK\$1,061.0 million, of which contribution from the three expressways in Central China that the Group acquired in recent years, namely Suiyuanan Expressway, Sui-Yue Expressway and Changliu Expressway, continued to remain stable. Excluding the effect of Renminbi appreciation, underlying AOP growth from operation of the Roads segment would be 8%.

Our four anchor expressways, including Hangzhou Ring Road, Tangjin Expressway (Tianjin North Section), Guangzhou City Northern Ring Road and Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) totally contributed approximately 80% of the Roads segment's AOP. Overall traffic volume grew steadily at 4% during the Current Period.

As at 31 December 2020, the overall average remaining concession period of the Group's roads portfolio was around 10 years. The long remaining concession period is expected to provide sustainable income and cash flow to the Group in the years to come.

## Aviation

The Group's Aviation segment principally engages in commercial aircraft leasing business through our full service leasing platform Goshawk. During the Current Period, despite the upheaval in the aviation industry triggered by COVID-19, AOP of the Aviation segment remained stable at HK\$271.7 million.

Included in the non-operating items of the Current Period, a provision of HK\$415.9 million was shared by the Group for impairments on aircraft and provision for expected credit loss, as well as aircraft repossession/recovery costs resulted from lease restructurings and airline reorganization driven by the impact of COVID-19. As at 31 December 2020, Goshawk had 7 aircraft across 4 airlines which were subject to some form of insolvency proceedings.

While the business environment continues to be weighed down by COVID-19 as international travel restrictions remain in place, the gradual resumption of domestic flights and creation of air travel bubbles by governments have provided some supports to the industry. Domestic passenger traffic and demand levels gradually recovered from the April 2020 lows. During the Current Period, Goshawk continued to grant rental deferrals on a case by case basis to customers but the number of requests for new lease rental deferrals has been decreasing and a number of rental deferrals were fully repaid. The average collection rate from airline customers has sequentially improved from 68% in the second quarter of 2020 to 82% in the fourth quarter of 2020 with the average in the Current Period being stabled at 76%. Our owned aircraft utilization rate for the Current Period was 99%.

As a global leading commercial aircraft lessor, Goshawk continues to focus on a young and in-demand fleet with long leases and maintains a globally diversified customer base with a disciplined approach. As at 31 December 2020, inclusive of the direct orders of 40 narrow-body aircraft delivering in 2023 to 2025 from two major aircraft manufacturers, the number of aircraft owned, managed and committed totalled 224 (31 December 2019: 239), with combined appraised value amounting to approximately US\$10.1 billion which was lower than the US\$12.1 billion in the Last Period due to less committed aircraft and reduced combined market value of the portfolio. The 162 aircraft on book as at 31 December 2020 (31 December 2019: 161) had an average age of 5.0 years and an average remaining lease term of 5.9 years, with diversified customer base spanning across 61 airlines in 34 countries.

During the Current Period, Goshawk maintained its prudent financial policy with a sound financial footing. As at 31 December 2020, in addition to a well-balanced debt maturities profile, Goshawk had US\$1.5 billion cash and undrawn banking facilities. Our diversified, young and liquid portfolio with narrow-body accounted for 79% of our fleet size, as well as staggering lease maturities that are less prone to impairment, along with our stringent measures on risk management have allowed Goshawk to maintain a relatively lower risk profile to navigate through the difficult times.

## Construction

Construction segment consists of our wholly-owned interest in NWS Construction Limited and its subsidiaries (collectively, “Hip Hing Group”) and approximately 23% interest in Wai Kee Holdings Limited. In the Current Period, AOP of the Construction segment declined by 21% to HK\$527.1 million, with that of Hip Hing Group dropping 20% to HK\$401.7 million, which was primarily attributable to less gross profit recognition compared with the Last Period. Key AOP drivers during the Current Period included construction management services and foundation works for Kai Tak Sports Park, construction works of public rental housing development at Queen’s Hill and the completion of West Kowloon Government Office and Tung Chung Town project.

Compared with the Last Period, due to some delay in tenders coming to the market caused by COVID-19, Hip Hing Group’s gross value of contracts on hand dropped by 15% to approximately HK\$45.0 billion, while the remaining works to be completed decreased by 22% to HK\$29.6 billion. Among the remaining works to be completed, 64% came from the private sector which encompasses both commercial and residential, while the remaining 36% came from government and institutional related projects, and the Group regards a balanced source of projects is key to a stable long term growth. New projects awarded to Hip Hing Group during the Current Period was approximately HK\$1.0 billion, including, but not limited to, the design and construction of temporary quarantine facilities at Penny’s Bay, Lantau Island and foundation works for public housing development in Sheung Shui.

## Insurance

During the Current Period, FTLife Insurance contributed an AOP of HK\$462.4 million to the Group, an increase of 188% as compared to the Last Period due to the full period contribution.

Despite business from Mainland Chinese Visitors (“MCV”) was severely affected by COVID-19 and border closure, we have continued to enrich our innovative product portfolio through the launch of new insurance products, such as “Be With You” Personal Accident Plan that provides exclusive protection and automatically converts coverage at various stages of life was launched in May 2020, “On Your Mind” Insurance Plan which is the first-in-market life insurance plan with built-in policy reverse mortgage function was launched in September 2020, and “HealthCare 168 Plus” Critical Illness Protector was launched in November 2020. These initiatives, as well as the deliberate shift of focus by the management, have spurred the Annual Premium Equivalent (“APE”) of our Hong Kong business by 49%. Our gross written premium remained stable at HK\$4,935.2 million, overall APE declined by 13% to HK\$931.9 million, Value of New Business (“VONB”) was HK\$235.5 million, and VONB margin, representing VONB as a percentage of APE, was 25%.

Notwithstanding the disruptions due to the outbreak of COVID-19, the solid execution capability of FTLife Insurance’s management and agile business strategy have empowered us to respond swiftly to the change in business environment and enabled us to outperform the market as attested by our APE performance. In the third quarter of 2020, our APE only dropped 11%, compared to the drop of 29% in the industry, and the APE of our Hong Kong business alone surged 52% which was significantly higher than the industry’s growth of 6%. FTLife Insurance ranked 13<sup>th</sup> amongst Hong Kong life insurance companies by APE as at 30 September 2020.

FTLife Insurance has well maintained its sturdy financial position with a solvency ratio at 553% as at 31 December 2020, far above the minimum regulatory requirement of 150%. Embedded value grew 16% year-on-year and improved to HK\$20.0 billion as at 31 December 2020 (31 December 2019: HK\$17.3 billion). Total assets value and net assets value (excluding the goodwill arising from business combination) were HK\$75.6 billion and HK\$19.7 billion, respectively. Meanwhile, Moody’s has maintained the insurance financial strength rating of FTLife Insurance at A3/Stable, while Fitch Rating has also affirmed FTLife Insurance’s A-insurer financial strength rating with stable rating outlook, and these have further testified FTLife Insurance’s strong financial position.

## OPERATIONAL REVIEW – STRATEGIC PORTFOLIO

### AOP Contribution by Segment

For the six months ended 31 December

	2020 HK\$'m	2019 HK\$'m	Change % Fav./Unfav.)
Logistics	336.3	339.1	(1)
Facilities Management	(323.3)	(364.4)	11
Strategic Investments	751.9	49.0	1,434
Discontinued operations			
Environment	244.3	247.2	(1)
Transport	4.9	(29.1)	117
Total	<u>1,014.1</u>	<u>241.8</u>	319

### Logistics

Performance of the Logistics segment remained solid, with AOP maintained largely stable at HK\$336.3 million.

ATL Logistics Centre Hong Kong Limited (“ATL”), which accounted for approximately 70% of the segment AOP, reported resilient results during the Current Period. With the premier facilities and services provided, ATL stays competitive and lead in the segment in Hong Kong. Average occupancy rate remained high at 99.8% (Last Period: 99.7%), while average rent grew 1% during the Current Period.

China United International Rail Containers Co., Limited (“CUIRC”), benefiting from the further advancement of rail intermodal transportation, international block train service and the throughput ramp up in new Qinzhou terminal which was operational since June 2019, saw encouraging growth in both throughput and AOP. During the Current Period, throughput of CUIRC increased markedly at 30% year-on-year to 2,513,000 TEUs, while AOP surged 41%. The new Guangzhou terminal is under construction and is expected to commence operation in 2021.

For Xiamen Container Terminal Group Co., Ltd., throughput during the Current Period has recovered strongly from the negative impact from COVID-19 and registered a growth of 10% to 4,774,000 TEUs. AOP dropped about 8% in the Current Period was mainly due to the change in the mix of cargo with more transshipments.

## **Facilities Management**

COVID-19 has continued to weigh on the Facilities Management segment's performance. Yet, with all the efforts we have made and all the austerity measures in place to mitigate losses, Attributable Operating Loss ("AOL") has narrowed to HK\$323.3 million in the Current Period.

GHK Hospital has been ramping up rapidly with decent revenue growth generated from the increase in both outpatient visits and inpatient admissions, and AOL narrowed during the Current Period. As at 31 December 2020, regularly utilized beds increased to 204 (31 December 2019: 190) with average occupancy rate of 63%. Our on-going marketing efforts have contributed partly to the 18% increase in the number of outpatient, while the number of inpatient increased by 31%. During the Current Period, new service centres have been set up and the clinic in Central has been ramping up nicely after relocating to New World Tower. Meanwhile, partnering with a leading telecommunication service provider, virtual outpatient clinic, DrGo, was launched in August 2020 to extend our service coverage to the public. Deepening collaboration within New World Development Company Limited and its subsidiaries (collectively, "New World Group") and other major insurance companies in Hong Kong, GHK Hospital is well positioned to further accelerate the ramp up.

Despite the collective efforts in the exhibition and convention industry to resume local events and exhibitions in Hong Kong, the industry has been buffeted by the consecutive waves of COVID-19 outbreak and stringent social distancing measures. As a result, number of events held at Hong Kong Convention and Exhibition Centre ("HKCEC") dropped significantly by 71% to 105 with total patronage plunged 91% to approximately 0.4 million during the Current Period. During the Current Period, HKCEC has accounted for approximately half of the AOL of the segment, a reversal from AOP during the Last Period.

Free Duty's business remained to be hard-hit under the impact of COVID-19 and border closure and as a result, our three outlets at Lo Wu, Hung Hom and Lok Ma Chau MTR stations remain closed. In view of the mounting operating pressure, the Group has already implemented a series of cost-saving initiatives to minimize losses.

## **Strategic Investments**

This segment includes investments with strategic value to the Group, growth potential which will enhance and create value for our shareholders. AOP of the Current Period, which mainly comprised the share of results, net fair value change, interest and dividends from certain investments, was HK\$751.9 million, representing an increase of more than tenfold. The strong increase in AOP was mainly attributable to some of the investments with the recovery of its underlying businesses and being fair valued upwards due to positive market condition, as well as a result of subsequent round of fund raising being valued higher.



## **Environment**

With the disposal of interests in SUEZ NWS and Derun Environment announced in January 2021, as per accounting treatment, the Group has reclassified both businesses as discontinued operations. AOP contribution of these two businesses amounted to HK\$244.3 million during the Current Period, and included in the non-operating items, the Group recognized a remeasurement loss (net of tax and transaction costs) of HK\$127.7 million for the Current Period mainly due to the provision for certain contingent liabilities and transaction costs for the aforementioned disposal.

For SUEZ NWS, due to the contract expiry of Zhongshan Water Plant since April 2020 and the disposal of Zhengzhou Water Plant in September 2020, as well as the impact from COVID-19, the overall water and wastewater treatment volume of SUEZ NWS dropped 12% in the Current Period. Meanwhile, overall waste treatment volume continued to be affected by the outbreak of COVID-19, and registered a decline of 4% during the Current Period.

Derun Environment continued to provide positive contribution to AOP driven by the growth in water and wastewater businesses.

For VEI II S.r.l., an investment platform that is dedicated to seizing the opportunities in solar power segment in Europe (currently mainly invests in Italy), has further increased its installed capacity by 0.55MW to 49.67MW during the Current Period. This project, together with the remaining environment projects, are reclassified to Strategic Investments segment.

## **BUSINESS OUTLOOK**

China ended the year with a growth of 2.3% in GDP, one of the fastest in the world thanks to its efforts in containing COVID-19 spreads and strong rebound in economic activities. Yet, many other parts of the world are still battered by COVID-19, which continues to cast shadow over the global economy and business environment. While the development of vaccine is offering hope of an end to the downturn, uncertainties are expected to persist until there is a massive rollout of vaccine in every country.

Our fundamentals remain intact amid the COVID-19 storm. Within our Core Business, Roads segment rebounded rapidly and we remain positive over its outlook and will continue to look for new investment opportunities, including distressed opportunities and opportunities with good growth prospect in areas such as Central China and the Greater Bay Area. Meanwhile, the Group will also continue to further our discussion with government authorities of China in relation to the compensation measures for toll fee exemption period such as extension of concession period.

The aviation sector is still grappling with the downturn driven by COVID-19. Yet, with the gradual recovery of domestic flight and development of air travel bubbles by governments, business environment and outlook of the industry have shown signs of improvement, especially with the vaccination campaigns being launched globally, which are set to enhance confidence in international travel. Airlines' financials are also stabilizing thanks to various forms of supports from government and financial market. With the hope of aviation industry bottoming out, Goshawk will remain cautious whilst upholding our stringent risk management and prudent financial policy to safeguard our business and at the same time preparing for the industry to recover.

For Hip Hing Group, we remain positive over the mid to longer term, supported by the strong demand from both the government and the private sectors, as well as our first-rate track record and expertise developed over the past decades. Meanwhile, the adoption of new construction technologies will also enable us to mitigate some of the margin pressure.

Despite short term interruption on FTLife Insurance's MCV business, the secular growth outlook remains uninterrupted for the insurance industry, and the rising awareness on healthcare and insurance protection is presenting further growth opportunities for the insurers. We will continue to gradually strengthen our agency force and distribution channel, at the same time stay ahead of the curve and create more innovative insurance products to cater for the diverse needs of customers, and be ready to grasp the demand from MCV once the borders reopen. For example, FTLife Insurance has recently launched in January 2021 Prosperous Deferred Annuity Plan 2, which is targeting customers who are 20 years old or above and allows them to start their retirement planning at an early age while enjoying tax deductions at the same time. Meanwhile, FTLife Insurance has collaborated with a leading solution provider and developed a cloud-based digital underwriting solution, which sets to shorten turnaround times for issuing policies and enhance customer experience going forward. Further collaboration with the New World Group, such as forming strategic partnership with Humansa's elderly home management service to provide healthcare services to mature adults, would also generate further growth potential in the future.

Amongst our businesses within our Strategic Portfolio, Logistics segment is expected to remain strong and we will look to further invest and expand in modern logistics to capitalize on the rapid demand in logistics under the new economy. Whilst Facilities Management segment is still under mounting pressure and business outlook rests on when the borders could be reopened, the Group will make every effort to reinvigorate the segment and be ready to capture the opportunities once cross-border travel resumes.

On 11 January 2021, the Company announced the disposal of its interests in SUEZ NWS and Derun Environment at a total consideration of approximately HK\$6.5 billion, which is another testament to our determination in unlocking and crystallizing value for our shareholders through optimizing our portfolio. The disposal not only further bolsters our balance sheet, but also provides us with an opportunity to recycle capital to redeploy to where we see more growth potentials.

The Group will adhere to our prudent business and financial strategies to strengthen our foundation, and at the same time continue to review our portfolio from time to time to seek opportunity to further optimize our portfolio and create more value for all our stakeholders.

## **FINANCIAL RESOURCES**

### **Treasury management and cash funding**

The Group's funding and treasury policy is designed to maintain a diversified and balanced debt profile and financing structure. The Group operates a centralized treasury function to monitor its cash position, cash flow and debt profile as well as optimize its funding cost-efficiency. In order to maintain maximum financial flexibility with adequate liquidity for the Group's operations, potential investments and growth plans, the Group has built a strong base of funding resources, optimizes our capital structure and expands our source of funding from time to time such as perpetual capital securities, capital market issue and bank borrowings, for which the proportion will change depending on financial market conditions. The capital structure of the Group was 30% debt and 70% equity as at 31 December 2020, compared with 35% debt and 65% equity as at 30 June 2020.

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

### **Liquidity and capital resources**

As at 31 December 2020, the Group's total cash and bank balances amounted to HK\$10,987.6 million, compared with HK\$13,221.8 million as at 30 June 2020. Cash and bank balances were mainly denominated as to 41% in United States Dollar, 36% in Hong Kong Dollar and 22% in Renminbi. The Group's net debt as at 31 December 2020 was HK\$15,301.0 million, compared with HK\$17,733.9 million as at 30 June 2020. The decrease in net debt was mainly due to the proceeds from the disposal of entire issued share capital of NWS Transport and certain non-core businesses/investments, repayment of shareholder's loan from associated companies, dividends received, net of operating cash outflow (especially for the insurance business) and payments of dividends. The Group's net gearing ratio (calculated as net debt over total equity) reduced from 31% as at 30 June 2020 to 26% as at 31 December 2020. The Group had unutilized committed banking facilities of approximately HK\$18.2 billion as at 31 December 2020.

## **Debt profile and maturity**

As at 31 December 2020, the Group's total debt decreased to HK\$26,288.6 million from HK\$30,955.7 million as at 30 June 2020. The Group has managed to evenly distribute its debt maturity profile to reduce refinancing risks. Amongst the non-current portion of the long-term loans and borrowings of HK\$23,626.6 million as at 31 December 2020, 17% will mature in the second year, 49% will mature in the third to fifth year and 34% will mature after the fifth year. Bank loans were mainly denominated in Hong Kong Dollar and Renminbi and bearing interest at floating rates while fixed rate bonds were denominated in United States Dollar. As at 31 December 2020, the Group has provided a pledge over its 30% equity interest in an associated company which owns and operates Suiyuenan Expressway as security for a bank loan made to that associated company.

## **Commitments**

The Group's total commitments for capital expenditures was HK\$1,341.0 million as at 31 December 2020, compared with HK\$1,159.8 million as at 30 June 2020. These comprised commitments for capital contributions to certain associated companies, joint ventures and other financial investments of HK\$1,093.3 million as well as additions of concession rights and property, plant and equipment of HK\$247.7 million. Sources of funds for capital expenditures include internal resources of the Group and committed external financing from reputable international banks.

## **Financial guarantee contracts**

Financial guarantee contracts of the Group were HK\$3,879.2 million as at 31 December 2020, compared with HK\$3,807.9 million as at 30 June 2020. These comprised guarantees for banking facilities of associated companies and joint ventures.

In addition, as at 31 December 2020, the Company and New World Development Company Limited, through their respective wholly-owned subsidiaries, provided a joint and several guarantee in favour of the Hong Kong Government for the punctual, true and faithful performance and observance by Kai Tak Sports Park Limited ("KTSPL") under the contract entered into between the Hong Kong Government and KTSPL for the design, construction and operation of Kai Tak Sports Park. Taking into consideration the deed of counter-indemnity entered, the Group's guarantee towards KTSPL is up to the extent of 25% or amounts to approximately HK\$7.5 billion. KTSPL is an associated company of the Group in which the Group has a 25% interest.

## **MAJOR ACQUISITIONS AND DISPOSALS**

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

## RESULTS

The unaudited consolidated interim results of the Group for the Current Period together with comparative figures for the Last Period are set out as follows:

### Condensed Consolidated Income Statement – Unaudited

		For the six months ended 31 December	
	Note	2020 HK\$m	2019 HK\$m (restated)
<b>Continuing operations</b>			
Revenue	2	<b>14,232.5</b>	11,283.6
Cost of sales	3,5	<b>(12,249.7)</b>	(9,348.3)
Gross profit		<b>1,982.8</b>	1,935.3
Other income/gains (net)	4	<b>1,089.2</b>	525.6
Selling and marketing expenses	5	<b>(473.5)</b>	(316.8)
General and administrative expenses	5	<b>(865.9)</b>	(555.2)
Overlay approach adjustments on financial assets		<b>(895.1)</b>	(137.8)
Operating profit	5	<b>837.5</b>	1,451.1
Finance costs		<b>(428.2)</b>	(437.1)
Share of results of			
Associated companies	2(c)	<b>234.4</b>	125.2
Joint ventures	2(c)	<b>564.5</b>	833.1
Profit before income tax		<b>1,208.2</b>	1,972.3
Income tax expenses	6	<b>(372.0)</b>	(386.1)
Profit from continuing operations		<b>836.2</b>	1,586.2
<b>Discontinued operations</b>			
Profit from discontinued operations	11(a)	<b>71.7</b>	218.1
<b>Profit for the period</b>		<b>907.9</b>	1,804.3
Profit attributable to			
Shareholders of the Company			
From continuing operations		<b>540.1</b>	1,295.7
From discontinued operations		<b>71.7</b>	218.1
		<b>611.8</b>	1,513.8
Holders of perpetual capital securities		<b>291.5</b>	290.4
Non-controlling interests		<b>4.6</b>	0.1
		<b>907.9</b>	1,804.3
Basic earnings per share attributable to shareholders			
of the Company			
From continuing operations	7	<b>HK\$0.14</b>	HK\$0.33
From discontinued operations		<b>HK\$0.02</b>	HK\$0.06
		<b>HK\$0.16</b>	HK\$0.39

## Condensed Consolidated Statement of Comprehensive Income – Unaudited

	<b>For the six months ended 31 December</b>	
	<b>2020</b>	2019
<i>Note</i>	<b>HK\$'m</b>	HK\$'m (restated)
Profit for the period	<b>907.9</b>	1,804.3
Other comprehensive income/(loss)		
Items that will not be reclassified to profit or loss		
Net fair value changes on financial assets at fair value through other comprehensive income (equity instruments)	<b>10.1</b>	(137.7)
Remeasurement of post-employment benefit obligation	<b>3.1</b>	(3.6)
Items that have been reclassified/may be subsequently reclassified to profit or loss		
Net fair value changes and other net movements on financial assets at fair value through other comprehensive income (debt instruments)	<b>332.8</b>	(422.7)
Release of reserve upon disposal of subsidiaries	<b>99.1</b>	-
Release of reserves upon disposal/partial disposal of interests in associated companies	<b>0.5</b>	(14.5)
Release of reserve upon disposal of interest in a joint venture	<b>(93.8)</b>	-
Release of reserve upon deconsolidation of a subsidiary	<b>(10.3)</b>	-
Share of other comprehensive (loss)/income of associated companies and joint ventures	<b>(7.4)</b>	0.8
Cash flow/fair value hedges	<b>2.1</b>	(62.5)
Amount reported in other comprehensive income applying overlay approach adjustments on financial assets	<b>895.1</b>	137.8
Currency translation differences	<b>2,345.2</b>	(791.5)
Other comprehensive income/(loss) for the period, net of tax	<b>3,576.5</b>	(1,293.9)
Total comprehensive income for the period	<b>4,484.4</b>	510.4
Total comprehensive income attributable to Shareholders of the Company		
From continuing operations	<b>3,557.4</b>	92.4
From discontinued operations	<b>610.6</b>	129.4
	<b>4,168.0</b>	221.8
11(b)		
From discontinued operations	<b>291.5</b>	290.4
From discontinued operations	<b>24.9</b>	(1.8)
From discontinued operations	<b>4,484.4</b>	510.4

## Condensed Consolidated Statement of Financial Position – Unaudited

		(Unaudited) At 31 December 2020 HK\$'m	(Audited) At 30 June 2020 HK\$'m
	<i>Note</i>		
<b>ASSETS</b>			
Non-current assets			
Investment properties		1,680.2	1,703.1
Property, plant and equipment		1,179.5	4,881.5
Intangible concession rights		14,723.7	14,083.9
Intangible assets		5,912.5	5,906.8
Value of business acquired		5,495.4	5,651.5
Right-of-use assets		1,472.2	1,999.7
Deferred acquisition costs		1,199.1	688.2
Associated companies		7,724.8	13,353.5
Joint ventures	9	10,461.2	12,287.5
Financial assets at fair value through other comprehensive income		43,389.3	38,011.7
Financial assets at fair value through profit or loss		10,318.5	8,488.2
Derivative financial instruments		854.0	1,972.0
Other non-current assets		1,814.8	1,198.7
		<u>106,225.2</u>	<u>110,226.3</u>
Current assets			
Inventories		222.2	328.6
Trade, premium and other receivables	10	15,789.2	16,207.5
Investments related to unit-linked contracts		10,458.5	9,053.6
Financial assets at fair value through other comprehensive income		449.5	528.1
Financial assets at fair value through profit or loss		374.8	373.2
Derivative financial instruments		635.0	0.7
Cash and bank balances		10,987.6	13,221.8
		<u>38,916.8</u>	<u>39,713.5</u>
Assets held-for-sale	12	<u>7,208.4</u>	<u>112.2</u>
Total assets		<u>152,350.4</u>	<u>150,052.0</u>
<b>EQUITY</b>			
Share capital		3,911.1	3,911.1
Reserves		45,489.6	42,455.9
Shareholders' funds		49,400.7	46,367.0
Perpetual capital securities		10,528.5	10,528.5
Non-controlling interests		4.6	562.2
Total equity		<u>59,933.8</u>	<u>57,457.7</u>



## Condensed Consolidated Statement of Financial Position – Unaudited

	(Unaudited) At 31 December 2020 HK\$'m	(Audited) At 30 June 2020 HK\$'m
	<i>Note</i>	
<b>LIABILITIES</b>		
Non-current liabilities		
Borrowings and other interest-bearing liabilities	23,626.6	26,891.7
Deferred tax liabilities	1,967.7	2,285.9
Insurance and investment contract liabilities	16,377.6	14,454.8
Liabilities related to unit-linked contracts	173.8	168.2
Derivative financial instruments	54.3	140.7
Lease liabilities	1,189.2	1,575.1
Other non-current liabilities	113.8	189.3
	<u>43,503.0</u>	<u>45,705.7</u>
Current liabilities		
Borrowings and other interest-bearing liabilities	2,662.0	4,064.0
Insurance and investment contract liabilities	22,328.1	20,445.3
Liabilities related to unit-linked contracts	10,458.5	9,053.6
Derivative financial instruments	178.0	97.7
Trade, other payables and payables to policyholders	13 12,491.3	12,475.0
Lease liabilities	274.5	377.3
Taxation	517.2	375.7
	<u>48,909.6</u>	<u>46,888.6</u>
Liabilities directly associated with assets held-for-sale	12 <u>4.0</u>	<u>-</u>
Total liabilities	<u>92,416.6</u>	<u>92,594.3</u>
Total equity and liabilities	<u>152,350.4</u>	<u>150,052.0</u>

## **Notes:**

### **1. Basis of preparation and accounting policies**

The unaudited condensed consolidated interim financial statements (the “interim financial statements”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The interim financial statements should be read in conjunction with the annual financial statements for the financial year ended 30 June 2020 (“FY2020”).

As analyzed in note 2(b), the Group, before taking into consideration the insurance business, is in net current assets position as at 31 December 2020, while the Group is in net current liabilities position of HK\$2,788.4 million, which is mainly due to the classification of the full surrender value of insurance and investment contract liabilities of HK\$22,328.1 million as current liabilities at the reporting date.

Under Hong Kong Accounting Standard 1 “Presentation of Financial Statements”, liability is classified as current if there is no unconditional right by the issuer to defer the settlement for at least 12 months after the reporting period. The unavoidable payment obligation exists if all the policyholders choose to exercise their surrender option at the reporting date and accordingly the full surrender value of insurance and investment contract liabilities is classified as current liabilities as at the period end. However, management considered the likelihood for all policyholders to exercise the surrender option and leading to the settlement of the aforesaid liabilities within one year is low. Based on historical pattern, management considered the amount of insurance contract liabilities expected to be settled within one year is approximately HK\$3,897.8 million.

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

The accounting policies used in the preparation of the interim financial statements are consistent with those set out in the annual report for FY2020 except as described in note 1(a) below.

## 1. Basis of preparation and accounting policies (continued)

### (a) Adoption of amendments to standards

During the Current Period, the Group has adopted the following amendments to standards which are relevant to the Group's operations and are mandatory for the financial year ending 30 June 2021 ("FY2021"):

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

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

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

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

HKFRS 17 and HKFRS 17 (Amendments)	Insurance Contracts
HKFRS 3 (Amendments) HKFRS 10 and HKAS 28 (Amendments)	Reference to the Conceptual Framework Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current
HKAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract
HKAS 39, HKFRS 4, HKFRS 7 and HKFRS 9 (Amendments)	Interest Rate Benchmark Reform – Phase 2
HKFRSs Amendments	Annual Improvements to HKFRSs 2018-2020 Cycle
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

## 1. Basis of preparation and accounting policies (continued)

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

### *HKFRS 17 “Insurance Contracts” (“HKFRS 17”) and HKFRS 17 (Amendments)*

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

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

- (c) Restatements due to discontinued operations

During the Current Period, the Group has disposed of its entire interest in the transport business and plans to recover a significant part of the carrying amount of environment business principally through sale rather than through continuing use. Their results for the period are presented separately as one-line item below profit from continuing operations as “discontinued operations” in the condensed consolidated income statement. The comparative figures in the condensed consolidated income statement and the condensed consolidated statement of comprehensive income have been restated to present their operations as “discontinued operations”. The comparative figures in condensed consolidated statement of financial position were not re-presented. Further details of financial information of the discontinued operations are set out in note 11.

## 2. Revenue and segment information

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

HK\$m	For the six months ended 31 December 2020			
	Hong Kong	Mainland China	Others	Total
Roads	-	1,646.1	-	1,646.1
Construction	7,812.6	-	-	7,812.6
Insurance	4,583.7	-	-	4,583.7
Facilities Management	165.6	24.5	-	190.1
	<b>12,561.9</b>	<b>1,670.6</b>	-	<b>14,232.5</b>

  

HK\$m (restated)	For the six months ended 31 December 2019			
	Hong Kong	Mainland China	Others	Total
Roads	-	1,427.6	-	1,427.6
Construction	6,338.5	-	-	6,338.5
Insurance	1,998.6	-	-	1,998.6
Facilities Management	1,264.5	31.1	223.3	1,518.9
	<b>9,601.6</b>	<b>1,458.7</b>	<b>223.3</b>	<b>11,283.6</b>

Management has determined the operating segments based on the reports reviewed by the Executive Committee of the Company that are used to make strategic decisions. The Executive Committee reviews the Group's internal reporting in order to assess performance and allocate resources. The Executive Committee considers the businesses of the Group from product and service perspectives, which comprised (i) Roads; (ii) Aviation; (iii) Construction; (iv) Insurance; (v) Logistics; (vi) Facilities Management; (vii) Strategic Investments; (viii) Environment; and (ix) Transport. During the Current Period, the results of the "Environment" segment and "Transport" segment are presented as discontinued operations in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as detailed in note 11. Last Period's comparative segment information has been restated to conform with the Current Period's presentation.

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

## 2. Revenue and segment information (continued)

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

HK\$m	Continuing operations								Discontinued operations		Total
	Roads	Aviation	Construction	Insurance	Logistics	Facilities Management	Strategic Investments	Subtotal	Environment	Transport	
<b>For the six months ended 31 December 2020</b>											
Total revenue	1,646.1	-	7,812.6	4,584.9	-	190.1	-	14,233.7	-	655.1	14,888.8
Inter-segment	-	-	-	(1.2)	-	-	-	(1.2)	-	-	(1.2)
Revenue - external	1,646.1	-	7,812.6	4,583.7	-	190.1	-	14,232.5	-	655.1	14,887.6
Revenue from contracts with customers:											
Recognized at a point in time	1,646.1	-	-	-	-	54.7	-	1,700.8	-	614.7	2,315.5
Recognized over time	-	-	7,812.6	310.8	-	135.4	-	8,258.8	-	40.4	8,299.2
	1,646.1	-	7,812.6	310.8	-	190.1	-	9,959.6	-	655.1	10,614.7
Revenue from other source:											
Insurance revenue	-	-	-	4,272.9	-	-	-	4,272.9	-	-	4,272.9
	1,646.1	-	7,812.6	4,583.7	-	190.1	-	14,232.5	-	655.1	14,887.6
Attributable Operating Profit/(Loss)											
Company and subsidiaries	563.0	-	395.9	462.4	-	(223.5)	656.9	1,854.7	5.0	(3.5)	1,856.2
Associated companies	114.8	-	131.2	-	54.7	(105.2)	41.9	237.4	144.4	8.4	390.2
Joint ventures	383.2	271.7	-	-	281.6	5.4	53.1	995.0	94.9	-	1,089.9
	1,061.0	271.7	527.1	462.4	336.3	(323.3)	751.9	3,087.1	244.3	4.9	3,336.3
Reconciliation – corporate office and non-operating items											
Loss on fair value of investment properties											(14.3)
Net loss on disposal of projects, net of tax											(50.7)
Remeasurement, impairments and provisions											(1,904.4)
Net loss on fair value of derivative financial instruments											(54.1)
Net exchange gain											0.5
Interest income											14.7
Finance costs											(249.9)
Expenses and others											(174.8)
Profit for the period after tax and non-controlling interests											903.3
Profit attributable to holders of perpetual capital securities											(291.5)
Profit attributable to shareholders											611.8

- (i) The amount mainly represents remeasurement loss for an investment of HK\$1,330.0 million (included in “other income/gains (net)” and detailed in notes 4 and 12) and for Environment Disposal Group of HK\$112.7 million (included in “profit from discontinued operations” and detailed in note 11(a)) upon reclassified as held-for-sale respectively as well as share of impairment losses, expected credit loss provision and others for Goshawk of HK\$415.9 million (included in “share of results of joint ventures” and detailed in note 9).

- (ii) The finance costs recognized in the condensed consolidated income statement for Current Period amounting to HK\$428.2 million, in which the above HK\$249.9 million represents corporate office finance costs and HK\$178.3 million is recognized as part of Attributable Operating Profit in various reportable segments.

## 2. Revenue and segment information (continued)

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

HK\$'m	Continuing operations									Discontinued operations		Consolidated
	Roads	Aviation	Construction	Insurance	Logistics	Facilities Management	Strategic Investments	Corporate	Subtotal	Environment	Transport	
<b>For the six months ended</b>												
<b>31 December 2020</b>												
Depreciation of property, plant and equipment	27.1	-	23.8	21.0	-	58.5	0.1	3.2	133.7	-	111.1	244.8
Depreciation of right-of-use assets	0.4	-	17.2	59.8	-	50.2	-	11.3	138.9	-	31.9	170.8
Amortization of intangible concession rights	514.1	-	-	-	-	-	-	-	514.1	-	-	514.1
Amortization of intangible assets	-	-	-	18.6	-	15.6	-	-	34.2	-	-	34.2
Amortization of value of business acquired ("VOBA")	-	-	-	156.1	-	-	-	-	156.1	-	-	156.1
Interest income	(17.9)	-	(1.3)	(692.9)	-	(20.9)	(71.5)	(14.7)	(819.2)	(5.0)	(0.2)	(824.4)
Finance costs	83.9	-	27.9	50.0	-	16.4	0.1	249.9	428.2	-	5.7	433.9
Income tax expenses/(credit)	290.9	-	62.5	32.0	-	(30.5)	13.1	4.0	372.0	-	(52.7)	319.3
Overlay approach adjustments on financial assets	-	-	-	895.1	-	-	-	-	895.1	-	-	895.1
Net gain on fair value of financial assets at fair value through profit or loss ("FVPL")	-	-	-	(941.0)	-	-	(629.9)	-	(1,570.9)	-	-	(1,570.9)
Additions to non-current assets (remark)	50.6	-	84.9	49.8	-	10.2	1.7	13.8	211.0	-	66.7	277.7
<b>At 31 December 2020</b>												
Company and subsidiaries	16,413.4	6,333.4	8,977.3	81,136.4	5.2	4,041.5	6,222.0	4,562.4	127,691.6	6,472.8	-	134,164.4
Associated companies	2,848.0	-	54.5	-	1,774.7	422.9	2,621.9	2.8	7,724.8	-	-	7,724.8
Joint ventures	4,329.3	923.9	-	-	3,038.1	11.0	2,142.9	16.0	10,461.2	-	-	10,461.2
Total assets	23,590.7	7,257.3	9,031.8	81,136.4	(b)	4,818.0	4,475.4	10,986.8	4,581.2	145,877.6	6,472.8	152,350.4
Total liabilities	6,624.6	-	8,656.2	55,835.0	(b)	56.6	1,482.5	100.8	19,656.9	92,412.6	4.0	92,416.6

## 2. Revenue and segment information (continued)

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

HK\$'m	Continuing operations							Discontinued operations		Total	
	Roads	Aviation	Construction	Insurance	Logistics	Facilities Management	Strategic Investments	Subtotal	Environment		Transport
For the six months ended 31 December 2019 (restated)											
Total revenue	1,427.6	-	6,346.2	1,998.6	-	1,522.2	-	11,294.6	-	1,931.9	13,226.5
Inter-segment	-	-	(7.7)	-	-	(3.3)	-	(11.0)	-	-	(11.0)
Revenue - external	1,427.6	-	6,338.5	1,998.6	-	1,518.9	-	11,283.6	-	1,931.9	13,215.5
Revenue from contracts with customers:											
Recognized at a point in time	1,427.6	-	-	-	-	893.9	-	2,321.5	-	1,842.5	4,164.0
Recognized over time	-	-	6,338.5	111.3	-	625.0	-	7,074.8	-	89.4	7,164.2
	1,427.6	-	6,338.5	111.3	-	1,518.9	-	9,396.3	-	1,931.9	11,328.2
Revenue from other source:											
Insurance revenue	-	-	-	1,887.3	-	-	-	1,887.3	-	-	1,887.3
	1,427.6	-	6,338.5	1,998.6	-	1,518.9	-	11,283.6	-	1,931.9	13,215.5
Attributable Operating Profit/(Loss)											
Company and subsidiaries	529.0	-	505.6	160.4	-	(186.8)	45.8	1,054.0	13.6	(29.1)	1,038.5
Associated companies	93.5	-	164.6	-	63.9	(182.6)	41.0	180.4	148.4	-	328.8
Joint ventures	327.1	267.9	-	-	275.2	5.0	(37.8)	837.4	85.2	-	922.6
	949.6	267.9	670.2	160.4	339.1	(364.4)	49.0	2,071.8	247.2	(29.1)	2,289.9
Reconciliation – corporate office and non-operating items											
Net loss on disposal of projects, net of tax											(152.9)
Net gain on fair value of derivative financial instruments											84.7
Net exchange gain											45.0
Interest income											81.9
Finance costs											(353.5)
Expenses and others											(190.9)
Profit for the period after tax and non-controlling interests											1,804.2
Profit attributable to holders of perpetual capital securities											(290.4)
Profit attributable to shareholders											1,513.8



## 2. Revenue and segment information (continued)

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

HK\$'m	Continuing operations									Discontinued operations		Consolidated
	Roads	Aviation	Construction	Insurance	Logistics	Facilities Management	Strategic Investments	Corporate	Subtotal	Environment	Transport	
For the six months ended 31 December 2019 (restated)												
Depreciation of property, plant and equipment	15.4	-	20.6	5.8	-	62.3	-	2.9	107.0	-	197.4	304.4
Depreciation of right-of-use assets	0.4	-	11.6	23.6	-	52.1	-	11.5	99.2	-	54.1	153.3
Amortization of intangible concession rights	464.0	-	-	-	-	-	-	-	464.0	-	-	464.0
Amortization of intangible assets	-	-	-	6.8	-	15.6	-	-	22.4	-	0.8	23.2
Amortization of VOBA	-	-	-	54.6	-	-	-	-	54.6	-	-	54.6
Interest income	(27.0)	(0.1)	(1.3)	(204.2)	(0.1)	(29.9)	(39.9)	(81.9)	(384.4)	(13.6)	(1.0)	(399.0)
Finance costs	6.7	-	36.7	21.6	-	18.5	0.1	353.5	437.1	-	14.8	451.9
Income tax expenses/(credit)	231.3	-	109.5	14.1	(3.4)	27.9	6.7	-	386.1	-	(11.6)	374.5
Overlay approach adjustments on financial assets	-	-	-	137.8	-	-	-	-	137.8	-	-	137.8
Net (gain)/loss on fair value of assets at FVPL	-	-	-	(139.1)	-	-	17.5	-	(121.6)	-	-	(121.6)
Additions to non-current assets (remark)	5,417.0	-	24.0	6,665.6	-	117.6	-	4.5	12,228.7	-	223.6	12,452.3
At 30 June 2020												
Company and subsidiaries	15,554.1	6,332.7	7,462.8	75,061.9	118.1	4,284.5	7,153.4	3,466.0	119,433.5	0.3	4,977.2	124,411.0
Associated companies	2,530.9	-	2,009.4	-	1,587.4	528.2	1,960.1	3.2	8,619.2	4,574.0	160.3	13,353.5
Joint ventures	3,984.3	978.1	0.1	-	2,848.9	5.6	2,332.7	13.5	10,163.2	2,124.3	-	12,287.5
Total assets	22,069.3	7,310.8	9,472.3	75,061.9	4,554.4	4,818.3	11,446.2	3,482.7	138,215.9	6,698.6	5,137.5	150,052.0
Total liabilities	6,034.7	-	8,065.6	51,448.3	68.5	1,544.1	73.3	23,239.4	90,473.9	4.0	2,116.4	92,594.3

## 2. Revenue and segment information (continued)

- (b) Total assets and total liabilities mainly represents the following items of the condensed consolidated statement of financial position:

### At 31 December 2020

HK\$'m	Non-insurance and corporate	Insurance	Total
<b>Total assets</b>			
Intangible concession rights	14,723.7	-	14,723.7
Intangible assets	203.7	5,708.8	5,912.5
Value of business acquired	-	5,495.4	5,495.4
Associated companies	7,724.8	-	7,724.8
Joint ventures	10,461.2	-	10,461.2
Financial assets at FVOCI	815.0	43,023.8	43,838.8
Financial assets at FVPL	4,716.8	5,976.5	10,693.3
Trade, premium and other receivables	14,480.8	1,308.4	15,789.2
Investments related to unit-linked contracts	-	10,458.5	10,458.5
Cash and bank balances	5,913.9	5,073.7	10,987.6
Assets held-for-sale	7,208.4	-	7,208.4
Others	4,965.7	4,091.3	9,057.0
	<u>71,214.0</u>	<u>81,136.4</u>	<u>152,350.4</u>
Represented by			
Non-current assets	43,048.6	63,176.6	106,225.2
Current assets	28,165.4	17,959.8	46,125.2
	<u>71,214.0</u>	<u>81,136.4</u>	<u>152,350.4</u>
<b>Total liabilities</b>			
Borrowings and other interest-bearing liabilities	23,167.5	3,121.1	26,288.6
Insurance and investment contract liabilities	-	38,705.7	38,705.7
Liabilities related to unit-linked contracts	-	10,632.3	10,632.3
Trade, other payables and payables to policyholders	10,020.4	2,470.9	12,491.3
Others	3,393.7	905.0	4,298.7
	<u>36,581.6</u>	<u>55,835.0</u>	<u>92,416.6</u>
Represented by			
Non-current liabilities	23,981.3	19,521.7	43,503.0
Current liabilities	12,600.3	36,313.3	48,913.6
	<u>36,581.6</u>	<u>55,835.0</u>	<u>92,416.6</u>
<b>Net current assets/(liabilities) (note 1)</b>	<u>15,565.1</u>	<u>(18,353.5)</u>	<u>(2,788.4)</u>

## 2. Revenue and segment information (continued)

- (c) Reconciliation of Attributable Operating Profit from continuing operations of associated companies and joint ventures to the condensed consolidated income statement:

HK\$m	Associated companies		Joint ventures	
	For the six months ended		For the six months ended	
	2020	2019 (restated)	2020	2019 (restated)
Attributable Operating Profit	237.4	180.4	995.0	837.4
Corporate and non-operating items				
Impairment losses, expected credit loss provision and others (notes 2(a)(i),9)	-	-	(415.9)	-
Others	(3.0)	(55.2)	(14.6)	(4.3)
Share of results of associated companies and joint ventures	234.4	125.2	564.5	833.1

- (d) Information by geographical areas:

HK\$m	Non-current assets (remark)	
	At 31 December 2020	At 30 June 2020
Hong Kong	9,884.9	14,181.4
Mainland China	15,050.5	14,360.9
Others	32.7	32.7
	24,968.1	28,575.0

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

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

### 3. Cost of sales

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

	<b>For the six months ended 31 December</b>	
<i>Note</i>	<b>2020 HK\$'m</b>	2019 HK\$'m (restated)
Cost of inventories sold	<b>8.9</b>	853.4
Cost of construction	<b>6,766.7</b>	4,921.9
Cost of services rendered	<b>1,526.8</b>	2,017.9
Claims and benefits, net of reinsurance	<b>3,791.2</b>	1,500.5
Amortization of VOBA	<b>156.1</b>	54.6
5	<b><u>12,249.7</u></b>	<b><u>9,348.3</u></b>

### 4. Other income/gains (net)

	<b>For the six months ended 31 December</b>	
<i>Note</i>	<b>2020 HK\$'m</b>	2019 HK\$'m (restated)
<b>Continuing operations</b>		
Gain associated with investments related to unit-linked contracts	<b>1,592.7</b>	435.3
Net gain on fair value of financial assets at FVPL	<b>1,570.9</b>	121.6
Profit on disposal of interest in a joint venture	<b>40.4</b>	-
Profit/(loss) on disposal of interest in an associated company	<b>5.1</b>	(10.2)
Net profit/(loss) on disposal of financial assets at FVOCI (debt instruments)	<b>1.8</b>	(1.9)
Interest income		
Financial assets at FVOCI (debt instruments)	<b>668.5</b>	182.6
Bank deposits and others	<b>150.7</b>	201.8
Dividend income	<b>60.9</b>	58.8
Other income	<b>17.4</b>	19.8
Net exchange gain/(loss)	<b>3.5</b>	(56.3)
Charges related to unit-linked contracts	<b>(1,584.6)</b>	(430.9)
Remeasurement loss on assets classified as held-for-sale	<b>(1,330.0)</b>	-
2(a)(i),12		
Net (loss)/gain on fair value of derivative financial instruments	<b>(54.1)</b>	81.8
Loss on fair value of investment properties	<b>(14.3)</b>	-
Loss on partial disposal of interest in an associated company	-	(67.3)
Expected credit loss provision		
Financial assets at FVOCI (debt instruments)	<b>(35.6)</b>	(3.3)
Premium and other receivables	<b>(4.1)</b>	(6.2)
	<b><u>1,089.2</u></b>	<b><u>525.6</u></b>

## 5. Operating profit

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

		<b>For the six months ended</b>	
		<b>31 December</b>	
	<i>Note</i>	<b>2020</b>	2019
		<b>HK\$m</b>	HK\$m
			(restated)
<b>Continuing operations</b>			
<b>Crediting</b>			
Gross rental income from investment properties		24.2	29.4
Less: outgoings		(5.4)	(6.6)
		<u>18.8</u>	<u>22.8</u>
<b>Charging</b>			
Cost of inventories sold		8.9	853.4
Cost of construction		6,766.7	4,921.9
Claims and benefits, net of reinsurance		3,791.2	1,500.5
Amortization of VOBA		156.1	54.6
Depreciation of property, plant and equipment		133.7	107.0
Depreciation of right-of-use assets		138.9	99.2
Amortization of intangible concession rights		514.1	464.0
Amortization of intangible assets		34.2	22.4
Agency commission and allowances, net of change in deferred acquisition costs (including amortization of HK\$149.2 million)		406.3	199.6
Expenses on short-term leases		2.5	12.8
Expenses on variable lease payments		37.5	59.5
Staff costs (including directors' emoluments)		1,038.0	1,226.4
Other costs and expenses		561.0	699.0
		<u>13,589.1</u>	<u>10,220.3</u>
<b>Represented by</b>			
Cost of sales	3	12,249.7	9,348.3
Selling and marketing expenses		473.5	316.8
General and administrative expenses		865.9	555.2
		<u>13,589.1</u>	<u>10,220.3</u>

## 6. Income tax expenses

Hong Kong profits tax is provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the Current Period. Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profits for the Current Period at the rates of tax prevailing in the countries in which the Group operates. These rates range from 12% to 28% (2019: 12% to 25%). Withholding tax on dividends is mainly provided at the rate of 5% or 10% (2019: 5% or 10%).

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

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

	<b>For the six months ended</b>	
	<b>31 December</b>	
	<b>2020</b>	2019
	<b>HK\$'m</b>	HK\$'m
		(restated)
Current income tax		
Hong Kong profits tax	<b>91.0</b>	144.7
Mainland China and overseas taxation	<b>353.0</b>	283.5
Deferred income tax credit	<b>(72.0)</b>	(42.1)
	<b>372.0</b>	386.1

Share of taxation of associated companies and joint ventures from continuing operations of HK\$69.2 million (2019: HK\$50.8 million) and HK\$200.8 million (2019: HK\$208.6 million) respectively are included in the condensed consolidated income statement as share of results of associated companies and joint ventures respectively.

Dividends withholding tax from continuing operations of HK\$69.0 million (2019: HK\$53.3 million) is included in the above income tax charge.

## **7. Earnings per share**

The calculation of basic earnings per share for the Current Period is based on the profit attributable to shareholders of the Company arising from the continuing operations of HK\$540.1 million (2019: HK\$1,295.7 million) or the profit attributable to shareholders of the Company arising from the discontinued operations of HK\$71.7 million (2019: HK\$218.1 million), and on the weighted average of 3,911,137,849 (2019: 3,911,137,849) ordinary shares outstanding during the Current Period.

There is no dilutive potential ordinary share outstanding during the Current Period. The share options of the Company had an anti-dilutive effect on the basic earnings per share for the Last Period and therefore were not included in the calculation of diluted earnings per share.

## **8. Dividend**

A final dividend of HK\$1,134.3 million (2019: final dividend of HK\$1,134.2 million) that related to FY2020 was paid in December 2020.

On 26 February 2021, the Board resolved to declare an interim dividend of HK\$0.29 per share (2019: paid of HK\$0.29 per share) for FY2021, payable on or about 14 April 2021 to the shareholders whose names appear on the register of members of the Company on 24 March 2021. This interim dividend, amounting to HK\$1,134.2 million (2019: HK\$1,134.2 million), has not been recognized as liability in this interim financial information. It will be recognized in shareholders' equity in FY2021.

## **9. Joint ventures**

The share of results of joint ventures from continuing operations in the Current Period includes the Group's share of impairment loss for Goshawk (in which the Group holds 50% equity interest) on aircraft portfolio of HK\$307.2 million. Goshawk is principally engaged in aircraft leasing industry. In view of the outbreak of COVID-19 which brought challenges to aviation industry, Goshawk management has carried out an impairment assessment on the carrying value of its aircraft portfolio. Impairment arises when an aircraft's carrying amount exceeds its recoverable amount (which is the higher of fair value less cost to sell and value in use). The key assumptions used in the impairment assessment include discount rate applied and revenue projection. Besides, the share of results of joint ventures from continuing operations also includes the Group's share of an expected credit loss provision on account receivables and others of HK\$108.7 million from Goshawk. The key assumptions used in the expected credit loss assessment include credit rating of airlines and provision rate.

## 10. Trade, premium and other receivables

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

	At 31 December 2020 HK\$'m	At 30 June 2020 HK\$'m
Under 3 months	1,075.0	1,796.1
4 to 6 months	8.1	11.2
Over 6 months	96.0	117.1
	<u>1,179.1</u>	<u>1,924.4</u>

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

## 11. Discontinued operations

During the Current Period, the Group entered into (i) a sale and purchase agreement with Bravo Transport Holdings Limited to dispose of the entire issued share capital of NWS Transport (an indirect wholly-owned subsidiary of the Company) at a consideration of HK\$3,200.0 million (subject to instalment arrangements and adjustments); and (ii) a sale and purchase agreement with Chu Kong Shipping Enterprises (Holdings) Company Limited to dispose of its remaining 40% interest in New World First Ferry Services Limited (collectively, "Transport Disposal"). Both transactions were completed during the Current Period and the Group ceased to operate the transport business. The Group has recognized an aggregated net loss on Transport Disposal of HK\$64.8 million in the condensed consolidated income statement for the Current Period. The assets and liabilities of NWS Transport at the date of completion of disposal were included in note 14.

The Group holds a 42% interest in SUEZ NWS (an associated company of the Group) and 100% in NWS Hong Kong Investment Limited ("NWS HKI", which indirectly holds 12.55% effective interest in Derun Environment) (collectively, the "Environment Disposal Group"). As at 31 December 2020, the Group reached an advanced stage of negotiation of the disposal of the entire interest in the Environment Disposal Group held by the Group (the "Environment Disposal"). In January 2021, the Group entered into conditional sale and purchase agreements for the Environment Disposal together with the inter-company payable by NWS HKI to the Company at an aggregate consideration of HK\$6,533.0 million. Given the Environment Disposal Group accounts for a significant part of the Group's environment business, the Environment Disposal constitutes a discontinued operation under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The assets and liabilities of the Environment Disposal Group were reclassified as held-for-sale and measured at the lower of carrying amount and fair value less costs to sell at the date of held for sale classification and 31 December 2020 (included in the amounts disclosed in note 12). After taking into account the estimated capital gains tax, stamp duty, provision relating to the contingent liabilities and other transaction costs directly attributable to the Environment Disposal, the Group has recognized a remeasurement loss of HK\$112.7 million in the condensed consolidated income statement for the Current Period.



## 11. Discontinued operations (continued)

The condensed results related to the Transport Disposal and Environment Disposal are presented as discontinued operations in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”.

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

### (a) Results from discontinued operations

	<i>Note</i>	<b>For the six months ended</b>	
		<b>2020</b>	<b>2019</b>
		<b>HK\$'m</b>	<b>HK\$'m</b>
Revenue		<b>655.1</b>	1,931.9
Cost of sales		<b>(791.8)</b>	(1,947.7)
Gross loss		<b>(136.7)</b>	(15.8)
Other income/gains (net)		<b>126.1</b>	105.5
Selling and marketing expenses		<b>(1.5)</b>	(4.5)
General and administrative expenses		<b>(33.4)</b>	(97.5)
Operating loss		<b>(45.5)</b>	(12.3)
Finance costs		<b>(5.7)</b>	(14.8)
Share of results of			
Associated companies		<b>152.8</b>	148.4
Joint venture		<b>94.9</b>	85.2
Profit before income tax		<b>196.5</b>	206.5
Income tax credit		<b>52.7</b>	11.6
		<b>249.2</b>	218.1
Remeasurement loss upon reclassified as held-for-sale	2(a)(i)	<b>(112.7)</b>	-
Net loss on disposal of discontinued operations		<b>(64.8)</b>	-
Profit for the period from discontinued operations		<b>71.7</b>	218.1

## 11. Discontinued operations (continued)

(b) Total comprehensive income from discontinued operations

	For the six months ended	
	31 December	
	2020	2019
	HK\$'m	HK\$'m
Profit from discontinued operations	<u>71.7</u>	<u>218.1</u>
Other comprehensive income/(loss)		
Net fair value changes on financial assets at fair value through other comprehensive income (equity instruments)	1.9	(5.4)
Remeasurement of post-employment benefit obligation	3.1	(3.6)
Release of reserve upon disposal of subsidiaries	99.1	-
Release of reserves upon disposal of interest in an associated company	(1.5)	-
Cash flow hedges	41.6	28.2
Currency translation differences	<u>394.7</u>	<u>(107.9)</u>
Other comprehensive income/(loss) for the period, net of tax	<u>538.9</u>	<u>(88.7)</u>
Total comprehensive income for the period from discontinued operations	<u>610.6</u>	<u>129.4</u>

## 12. Assets held-for-sale/liabilities directly associated with assets held-for-sale

As detailed in note 11, the assets and liabilities related to the Environment Disposal Group have been reclassified as held-for-sale.

Apart from the above, the Group reclassified an investment with a carrying amount of HK\$2,026.2 million to an asset held-for-sale at the end of the reporting period as the Group intended to recover the carrying amount through a sale transaction. Upon reclassification, the investment was measured at the lower of carrying amount and fair value less costs to sell. Based on the fair value of the investment as determined by the Group, a remeasurement loss of HK\$1,330.0 million (notes 2(a)(i) and 4) was recognized in the condensed consolidated income statement during the Current Period and HK\$696.2 million was included as an asset held-for-sale.

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

	<b>At 31 December 2020 HK\$'m</b>	<b>At 30 June 2020 HK\$'m</b>
Assets		
Associated companies	<b>4,949.0</b>	111.5
Joint ventures	<b>2,258.7</b>	-
Trade and other receivables	<b>0.7</b>	0.7
Assets reclassified as held-for-sale	<b><u>7,208.4</u></b>	<u>112.2</u>
Liabilities		
Deferred tax liabilities	<b>(4.0)</b>	-
Liabilities directly associated with assets reclassified as held-for-sale	<b><u>(4.0)</u></b>	<u>-</u>

### 13. Trade, other payables and payables to policyholders

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

	At 31 December 2020 HK\$'m	At 30 June 2020 HK\$'m
Under 3 months	237.4	558.8
4 to 6 months	1.2	1.4
Over 6 months	17.4	24.6
	<u>256.0</u>	<u>584.8</u>

### 14. Disposal of subsidiaries

During the Current Period, the Group disposed of the entire issued share capital of NWS Transport as disclosed in note 11 and a subsidiary which principally held a strategic investment as financial assets at FVPL. The net assets of these subsidiaries at the date of completion of disposal and net loss on disposal of subsidiaries recognized during the Current Period were as follows:

	HK\$'m
Net assets disposed of	
Property, plant and equipment	3,662.3
Right-of-use assets	401.8
Financial assets at FVOCI	267.9
Financial assets at FVPL	468.0
Inventories	70.4
Trade and other receivables	426.3
Cash and bank balances	234.6
Lease liabilities	(405.5)
Derivative financial instruments	(118.8)
Other non-current liabilities	(47.1)
Borrowings and other interest-bearing liabilities	(598.8)
Trade and other payables	(775.6)
Taxation	(0.6)
Deferred tax liabilities	(291.6)
	<u>3,293.3</u>
Net loss on disposal	(87.7)
Release of reserve upon disposal	99.1
	<u>3,304.7</u>
Represented by	
Cash consideration received	2,958.0
Consideration receivable by instalments included in other non-current assets	626.7
Vendor cash flow subsidy included in derivative financial instruments	(280.0)
	<u>3,304.7</u>

## **15. Event subsequent to period end**

In January 2021, the Group entered into conditional sale and purchase agreements for the Environment Disposal together with the inter-company payable by NWS HKI to the Company at an aggregate consideration of HK\$6,533.0 million, as detailed in note 11. The transaction is yet to complete up to the date of this announcement.

## **16. Comparative figures**

Certain comparative figures for the Last Period have been reclassified or extended to conform with the presentation for the Current Period.

## **INTERIM DIVIDEND**

The Board has resolved to declare an interim dividend of HK\$0.29 for FY2021 (the “Interim Dividend”) in cash to the shareholders whose names appear on the register of members of the Company on 24 March 2021. It is expected that the Interim Dividend will be paid on or about 14 April 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining shareholders’ entitlement to the Interim Dividend, the register of members of the Company will be closed with details as set out below:

Latest time to lodge transfer documents for registration	4:30 p.m. on 23 March 2021
Closure of register of members	24 March 2021
Record date	24 March 2021
Interim Dividend payment date	on or about 14 April 2021

On the abovementioned closure date, no transfer of shares will be registered. In order to qualify for the Interim Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than the aforementioned latest time.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2020, approximately 22,300 staff were employed by entities under the Group's management of which approximately 4,500 staff were employed in Hong Kong. Total staff related costs including provident funds, staff bonus and deemed share option benefits but excluding directors' remunerations from continuing operations during the Current Period were HK\$1.004 billion (2019: HK\$1.188 billion). Remuneration packages including salaries, bonuses and share options are granted to employees according to individual performance and are reviewed according to general market conditions every year. Structured training programmes were provided to employees on an ongoing basis.

## **AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS**

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

The unaudited consolidated interim results of the Group for the Current Period have been reviewed by the Company's external auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

## **CORPORATE GOVERNANCE PRACTICES**

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

Throughout the Current Period, the Company has complied with all the applicable code provisions under the Corporate Governance Code as contained in Appendix 14 of the Listing Rules, with the exception of code provision E.1.2.

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

## **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 Current Period.

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

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

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

## **THE BOARD**

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

**Dr Cheng Kar Shun, Henry**  
*Chairman*

Hong Kong, 26 February 2021

*\* For identification purposes only*