

**NWS HOLDINGS LIMITED**

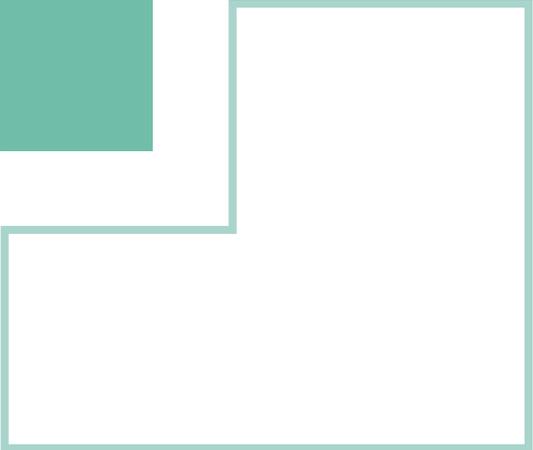
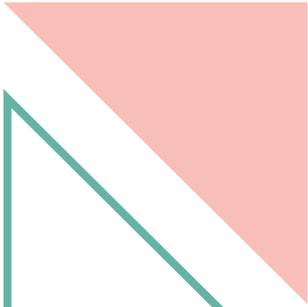
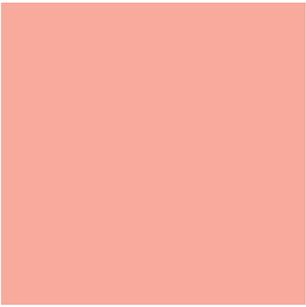
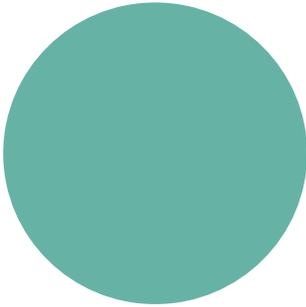
*(Incorporated in Bermuda with limited liability)*

Stock code: 659

Interim Report 2019-2020



Connecting  
Lives



Building  
Futures

# Contents

---

3	Financial Highlights
4	Chairman's Statement
5	Management Discussion and Analysis
15	Independent Auditor's Review Report
16	Condensed Consolidated Income Statement – Unaudited
17	Condensed Consolidated Statement of Comprehensive Income – Unaudited
18	Condensed Consolidated Statement of Financial Position – Unaudited
20	Condensed Consolidated Statement of Changes in Equity – Unaudited
22	Condensed Consolidated Statement of Cash Flows – Unaudited
24	Notes to Condensed Consolidated Interim Financial Statements
77	Financial Resources
79	Interim Dividend
80	Disclosure Pursuant to Rule 13.22 of the Listing Rules
81	Additional Information
91	Corporate Information

Where the English and the Chinese texts conflict, the English text prevails.

This interim report is also available at [www.nws.com.hk](http://www.nws.com.hk).

©NWS Holdings Limited 2020

---

NWS Holdings Limited (“NWS Holdings” or the “Company”, together with its subsidiaries, the “Group”; Hong Kong stock code: 659), headquartered and listed in Hong Kong, invests and operates a wide range of businesses predominantly in Hong Kong and across Greater China. Our core businesses include toll roads, commercial aircraft leasing, construction and insurance, while we also manage a strategic portfolio spanning sectors from environment, logistics, facilities management to transport.

As the diversified industries flagship of New World Development Company Limited (“NWD”, together with its subsidiaries, the “New World Group”; Hong Kong stock code: 17), the Group seeks to foster long-term and sustainable growth that benefits our employees, investors and stakeholders.

---

# Financial Highlights

	For the six months ended 31 December	
	2019 HK\$m	2018 HK\$m
Revenue	<b>13,215.5</b>	14,188.0
Profit attributable to shareholders of the Company	<b>1,513.8</b>	2,274.3
Basic Earnings per Share	<b>HK\$0.39</b>	HK\$0.58
Dividend Payout Ratio	<b>75%</b>	50%
	At 31 December 2019 HK\$m	At 30 June 2019 HK\$m
Net Debt	<b>17,504.0</b>	10.5
Total assets	<b>149,636.9</b>	86,065.0
Net Assets	<b>59,222.9</b>	57,246.6
Shareholders' funds	<b>48,004.8</b>	49,046.0
Net Assets per Share	<b>HK\$15.14</b>	HK\$14.64
Net Gearing Ratio	<b>30%</b>	0%

# Chairman's Statement

## Dear Shareholders,

With the constantly changing environment, there are many externalities we cannot change nor influence, but we can always embrace and adapt to those changes to get us to our destination. There will always be turbulence along the way, but NWS Holdings has built a solid foundation that has well equipped us to sail through the volatility. It is those who persevere and with agility that will succeed.

With the acquisition of FTLife Insurance, the disposal of a number of our non-core businesses, and the regrouping of our business segments to reflect our vision going forward, the last financial year was marked as the year of a new chapter for NWS Holdings. Financial year 2020 will continue to be a year of transition and we will follow through on the changes and solidify our foundation, which will continue to be our core competence as we strive for sustainable long-term growth.

Despite the volatile business environment in the first half of financial year 2020, our core businesses have shown a considerable amount of resilience. With the completion of the acquisition of FTLife Insurance in November 2019, the Group's foundation has further strengthened with a new engine for growth. We also continued to optimize our strategic portfolio to crystalize and release more value from our portfolio for our shareholders.

While we continue to align our business portfolio with our vision, we will continue to leverage on our strong foundation that we have invested in Greater China in the past decade, especially in the Greater Bay Area, to capture the wealth of opportunities ahead. Despite risks and uncertainties due to the outbreak of the novel coronavirus early this year that may affect our results in the short term, the Group's business nature and well-established risk management policy would enable us to minimize potential impact. We are committed to maximizing value from all our businesses and share the results with all stakeholders. As part of the New World Group, NWS Holdings continues to embrace and cherish the community where our businesses operate and is devoted to creating shared value together with our stakeholders.



**Dr Cheng Kar Shun, Henry**

Chairman

Hong Kong, 28 February 2020

# Management Discussion and Analysis

## Group Overview

The six months ended 31 December 2019 (the “Current Period”) marked a period of uncertainties and volatilities globally and over the Greater China region especially the business environment in Hong Kong. During the Current Period, the Group recognized an Attributable Operating Profit (“AOP”) of HK\$2,289.9 million, representing a decrease of 6% from the six months ended 31 December 2018 (the “Last Period”). Core Business reported an AOP of HK\$2,048.1 million, an increase of 12% over the Last Period, demonstrating its resilience despite the current challenging business environment, and a period of Renminbi depreciation. The AOP of the Core Business has reflected the new contribution from FTLife Insurance Company Limited (“FTLife Insurance”) since the completion of acquisition on 1 November 2019, Changliu Expressway since the acquisition of its concession rights in July 2019, as well as the full period impact from the acquisition of Sky Aviation Leasing International Limited (“Sky Aviation”) by Goshawk Aviation Limited (“Goshawk”). Strategic Portfolio continued to see pressure in Facilities Management segment and Transport segment, coupled with the absence of one-off fair value gain from SUEZ NWS Limited (“SUEZ NWS”) shared by the Group in the Last Period which amounted to approximately HK\$232.5 million and the disposal of the investment in two ports in Tianjin in June 2019, the AOP declined 59% to HK\$241.8 million. With the Group’s strong foundation built upon a buoyant Core Business, along with the continuing business transition and non-core assets disposal, it is well positioned in creating sustainable long term growth and value for all our stakeholders.

During the Current Period, the Group has set foot in the insurance business which has become part of our Core Business and has contributed two months of AOP since completion of acquisition, as well as continued to expand our toll road portfolio with the acquisition of the concession rights of Changliu Expressway. Meanwhile, the Group has continued to streamline and optimize its businesses by disposing of a number of non-core assets including the remaining stakes in Beijing Capital International Airport Company Limited (“BCIA”), the discontinued operations of Free Duty in Macau, and all of our shares in Healthcare Assets Management Limited, recuperating a total of approximately HK\$910 million of cash for the Group’s future expansion.

One-off exceptional loss on disposal of and the provision for various projects during the Current Period amounted to a net loss of a total of HK\$152.9 million comparing to a net gain of HK\$180.8 million during the Last Period. The differences between the Last Period’s one-off gain and the Current Period’s one-off loss had a sizeable negative effect on the Group’s profit attributable to shareholders.

The profit attributable to shareholders, inclusive of the above contributions from AOP, one-off exceptional loss, increase in finance cost mainly due to the bond issuance and after deduction of profit attributable to holders of perpetual capital securities, decreased 33% year-on-year to HK\$1,513.8 million. Accordingly, the basic earnings per share was HK\$0.39 in the Current Period, down 33% from HK\$0.58 in the Last Period. Contribution from the operations in Hong Kong contributed 34% of the AOP in the Current Period (Last Period: 30%), the increase of which was mainly due to the contribution from FTLife Insurance, while Mainland China and other regions accounted for 55% and 11% of the AOP respectively (Last Period: 63% and 7% respectively). Adjusted earnings before interest, taxes, depreciation and amortization (“EBITDA”) grew by 24% to HK\$3.2 billion, underpinned by the resilience of our businesses and the new contribution from FTLife Insurance.

In order to optimize our capital structure and capture the market opportunities, the Group issued an additional US\$300.0 million senior perpetual capital securities in July 2019. Following the completion of acquisition of FTLife Insurance, the Group’s net gearing ratio increased to 30% as at 31 December 2019. As at 31 December 2019, the Group had unutilized committed banking facilities of approximately HK\$5.4 billion with total cash and bank balances amounting to HK\$12.5 billion. The overall financial position of the Group remained strong, which would allow the Group to face the challenges ahead and lay a solid foundation for future growth and development.

## Contribution by Division

For the six months ended 31 December

	2019 HK\$m	2018 HK\$m
Core Business	2,048.1	1,835.7
Strategic Portfolio	241.8	596.2
<b>Attributable operating profit</b>	<b>2,289.9</b>	2,431.9
<i>Corporate office and non-operating items</i>		
Gain on fair value of investment properties	–	33.7
Net (loss)/gain on disposal of projects, net of tax	(152.9)	180.8
Net gain on fair value of derivative financial instruments	84.7	2.8
Net exchange gain	45.0	3.8
Interest income	81.9	20.9
Finance costs	(353.5)	(172.6)
Expenses and others	(190.9)	(227.0)
	(485.7)	(157.6)
<b>Profit for the period<sup>^</sup></b>	<b>1,804.2</b>	2,274.3
<b>Profit attributable to:</b>		
Shareholders of the Company	1,513.8	2,274.3
Holder of perpetual capital securities	290.4	–
	1,804.2	2,274.3
<b>Adjusted EBITDA<sup>#</sup></b>	<b>3,150.6</b>	2,547.0

<sup>^</sup> After non-controlling interests

<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 (debt instruments).

## Operational Review — Core Business

The Core Business reported an AOP of HK\$2,048.1 million for the Current Period, representing an increase of 12% year-on-year. Core Business accounted for 89% of the Group's AOP.

### AOP Contribution by Segment

For the six months ended 31 December

	2019 HK\$m	2018 HK\$m	Change % Fav./Unfav.)
Roads	949.6	948.5	–
Aviation	267.9	231.8	16
Construction	670.2	655.4	2
Insurance	160.4	–	N/A
<b>Total</b>	<b>2,048.1</b>	1,835.7	12

### Roads

AOP of Roads segment has maintained largely stable at HK\$949.6 million, notwithstanding the adverse impact arising from Renminbi depreciation. Excluding the exchange rate effect, AOP would have increased by 4%, which is in line with the overall growth in toll income reflecting the steady growth of the underlying traffic and the Group's acquisitions made in the last couple of years has gradually come to fruition.

The Group's four anchor expressways, namely Hangzhou Ring Road, Tangjin Expressway (Tianjin North Section), Guangzhou City Northern Ring Road and Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section), contributed more than 80% of the Roads segment's AOP. While traffic flow of Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) was negatively affected by traffic diversion to Nansha Bridge and prohibition of certain types of large size vehicles using Humen Bridge, the other three expressways continued to witness steady traffic with the highest growth rate at 10%. Traffic flow of seven expressways in the Greater Bay Area continued to register an increase in traffic volume of up to 19% year-on-year.

The acquisition of Suiyuenan Expressway in January 2018 and Sui-Yue Expressway in December 2018, as well as acquisition of the concession rights of Changliu Expressway during the Current Period have further reinforced our presence in Central China, and have provided AOP contribution of over HK\$100 million to the Group during the Current Period. The long remaining concession period of roughly 20 years for these new projects not only increases the average remaining concession period of our road portfolio to about 12 years, it also sets to generate sustainable income to the Group in the years to come.

Although there has been a steady increase in traffic in our roads, the AOP contribution growth was offset by the People's Republic of China (the "PRC") Government's nationwide push for drivers to use the electronic toll collection system ("ETC") which offers at least 5% discounts to all ETC users in China since 1 July 2019. In addition, aiming at increasing efficiency of expressway networks nationwide, toll stations at provincial boundaries were revoked as planned by the end of 2019, we envisage the overall traffic flow will be improved in the long term.

## Aviation

Following the divestment of the remaining stakes in BCIA, the Aviation segment principally engages in commercial aircraft leasing business through our full service leasing platform Goshawk. The 16% increase in AOP of the Aviation segment from HK\$231.8 million to HK\$267.9 million was achieved thanks to the full period impact of the acquisition of Sky Aviation, expansion in fleet size, as well as gain arising from aircraft disposal in the Current Period and the absence of one-off acquisition expense of Sky Aviation recognized in the Last Period. Current Period's AOP growth was offset by the loss of dividend income after the Group's disposal of all the remaining shares in BCIA in September 2019. The share of mark-to-market loss from unfavourable interest rate swap contracts position totalling HK\$43.0 million recognized in the Current Period was approximately the same as the impact in the Last Period.

The Group's commercial aircraft leasing business continued to grow rapidly during the Current Period. Together with the direct orders of 40 narrow-body aircraft from the two major aircraft manufacturers with delivery scheduled between 2023 and 2025, the number of aircraft owned, managed and committed expanded from 223 as at 30 June 2019 to 239 as at 31 December 2019, with combined market value amounted to approximately US\$12 billion, while aircraft on book expanded from 154 as at 30 June 2019 to 161 as at 31 December 2019. Being a global leading commercial aircraft lessor in terms of fleet value with one of the youngest fleet and one of the longest average remaining lease term in the industry, the 161 aircraft on book's average age is 4.0 years and with an average remaining lease term of 6.8 years. As at the end of the Current Period, Goshawk maintained its diversified strategy with customer base encompassing 62 airlines in 35 countries.

The remaining 2.77% interest in BCIA was divested in September 2019 for a consideration of approximately HK\$778.3 million, after which the Group has completely exited our investment in BCIA.

## Construction

As at 31 December 2019, the gross value of contracts on hand increased to approximately HK\$53 billion (31 December 2018: HK\$39 billion) and the remaining works to be completed increased to approximately HK\$38 billion (31 December 2018: HK\$22 billion), of which approximately 41% are from government and institutional related projects and 59% are from private sector which includes both commercial and residential projects. A well-balanced source of projects helps mitigate the impact of volatility in the market. The AOP growth of Construction segment was 2% during the Current Period with an AOP contribution of HK\$670.2 million. During the Current Period, a number of new projects have been awarded with a total contract sum of approximately HK\$4.4 billion. New projects contracted for during the Current Period included, but not limited to, the commercial development in Kai Tak Area and the foundation works in Ko Chiu Road, Yau Tong, Kwun Tong.

With the suspension of the meeting of the Legislative Council in the first half of financial year ending 30 June 2020 ("FY2020"), we have seen a temporary slowdown of the projects from the Hong Kong Government, the 2% growth in AOP during the Current Period further validates the resilience of the Group and its leading position in the construction industry in Hong Kong. AOP during the Current Period mainly contributed from construction works and construction management services of projects for Kai Tak Sports Park, Home Ownership Scheme Developments at Tin Shui Wai and Mui Wo, Xiqu Centre at West Kowloon Cultural District and Residential Development at Tsuen Wan West Station TW6.

## Insurance

The completion of acquisition of FTLife Insurance on 1 November 2019 marked a key milestone of the Group in expanding into the insurance business. FTLife Insurance, as a premier Hong Kong life insurance company with more than 30 years of history, offers a comprehensive range of life insurance products including whole life, term life, endowment, investment-linked, accident and health products to individual and institutional clients. According to data released by the Insurance Authority, FTLife Insurance was ranked as the 13th largest Hong Kong life insurance company by Annual Premium Equivalent (“APE”) as of 30 September 2019.

FTLife Insurance has started contributing to the Group’s AOP of HK\$160.4 million, reflecting the two months of performance since its completion of acquisition on 1 November 2019. The result has shown early signs of fruition in synergies and the strong support from the New World Group with the APE and Value of New Business (“VONB”) year-on-year growth for the two months were 11% and 21%, respectively. The number of agents of FTLife Insurance increased by 14% year-on-year to over 3,200 by the end of 31 December 2019.

Despite an uncertain market for Hong Kong insurers with public activities during the Current Period, FTLife Insurance’s new products such as the Voluntary Health Insurance Scheme (“VHIS”) and Qualifying Deferred Annuity Policy (“QDAP”) were well-received in the Hong Kong market and supported its new business growth. In September 2019, FTLife Insurance also launched Regent Prime and Regent Elite insurance products to strengthen its product portfolio. These two new offerings, together with VHIS and QDAP were all ranked among the top in their respective categories.

FTLife Insurance maintained a very strong statement of financial position with solvency ratio exceeding 580%, far higher than the minimum requirement of 150%, driven by prudent investment management policies and buybacks of certain investments by the vendor of FTLife Insurance as agreed in its acquisition. As at 31 December 2019, the total assets value and net assets value (excluding the goodwill arising from business combination) were HK\$64.9 billion and HK\$15.6 billion, respectively, while embedded value was HK\$17.3 billion, comparing to HK\$16.1 billion as at 31 December 2018.

On the back of FTLife Insurance’s improving distribution strength, profitability over the past few years, as well as the strong support from the Group after the completion of the acquisition, Moody’s has upgraded FTLife Insurance’s insurance financial strength rating from Baa1 to A3 with stable outlook. Meanwhile, Fitch Ratings also affirmed A- insurer financial strength rating with stable rating outlook which highlighted FTLife Insurance’s robust capital base and solvency ratio.

Leverage on New World Group’s ecosystem, FTLife Insurance is set to add further growth momentum to the Group. Synergies with the New World Group include connecting FTLife Insurance’s and New World Group’s affluent customer base in residential developments, hotels, department stores, consumers facing retail chains and education business, as well as collaboration opportunities with the New World Group’s healthcare and wellness portfolio, such as Gleneagles Hong Kong Hospital (“GHK Hospital”) and Humansa.

## Operational Review — Strategic Portfolio

The Strategic Portfolio reported a decline in AOP of 59% to HK\$241.8 million.

### AOP Contribution by Segment

For the six months ended 31 December

	2019 HK\$'m	2018 HK\$'m	Change % Fav./Unfav.)
Environment	233.1	449.6	(48)
Logistics	339.1	338.5	–
Facilities Management	(364.4)	(146.8)	(148)
Transport	(29.1)	(26.0)	(12)
Strategic Investments	63.1	(19.1)	430
<b>Total</b>	<b>241.8</b>	596.2	(59)

### Environment

During the Current Period, AOP from the Environment segment decreased by 48% to HK\$233.1 million, mainly attributable to the absence of one-off fair value gain of HK\$232.5 million from SUEZ NWS shared by the Group in the Last Period. Excluding the one-off fair value gain, AOP remained steady with a growth of 7%, demonstrating resilience of the business.

The overall water and wastewater treatment volume of SUEZ NWS grew by 10%, attributed by the commencement of the Macao Peninsula Wastewater Plant since January 2019 and the Taiwan Chengcing Lake Water Treatment Plant since February 2019. While average daily waste treatment volume dropped by 4% during the Current Period due to drop in landfill, continuous AOP improvement from engineering and procurement business and hazardous waste projects have contributed to the increase in AOP. During the Current Period, SUEZ NWS secured two industrial wastewater treatment projects in Dongying (Shandong) and Taixing (Jiangsu) with a total daily treatment capacity of 76,000m<sup>3</sup> that are scheduled to complete construction by late 2020 and 2022, respectively, as well as a hazardous waste treatment project in Hekou Blue Economy Chemical Industry Park in Dongying (Shandong) with phase one capacity totalled 30,000 tonnes per year that is scheduled to commission by 2021.

Chongqing Derun Environment Co., Ltd. continued to contribute positively to the AOP. During the Current Period, two waste-to-energy plants located in Guangdong and Xinjiang Provinces commenced operation which have raised the total daily operating waste-to-energy capacity by 1,750 tonnes. Two waste-to-energy contracts and three expansions of waste-to-energy plants with a total daily treatment capacity of 2,250 tonnes in Chongqing, Gansu, Sichuan and Zhejiang Provinces were awarded.

The Group has formed an investment platform named ForVEI II S.r.l. in the financial year ended 30 June 2019 (“FY2019”) dedicated to grasp the opportunities in solar power segment in Europe and currently mainly in Italy, in a bid to diversify the Group’s portfolio in the Environment segment and generate long-term growth and value for the shareholders. During the Current Period, a total of 43.26 MW installed capacity of solar plants were acquired, with total installed capacity reaching 46.12 MW as of 31 December 2019.

## Logistics

Logistics segment performed steadily during the Current Period. Despite the loss of profit contribution from the two ports in Tianjin which were disposed of in June 2019, AOP remained stable at HK\$339.1 million.

ATL Logistics Centre Hong Kong Limited's performance remained solid in the Current Period, which accounted for over 70% of the AOP in Logistics segment, bolstered by the increase in average rent of 6% year-on-year and the consistently high average occupancy rate of 99.7% (Last Period: 99.4%).

China United International Rail Containers Co., Limited's throughput rose continuously by 12% year-on-year to 1,929,000 TEUs during the Current Period, partially attributable to the development of rail intermodal transportation and the rapid expansion of the logistics services. Continuous expansion of the business, including Qinzhou terminal that has commenced operation in June 2019, doubling of handling capacity of Xian terminal in the Current Period, as well as construction of expansion of Qingdao terminal and new Guangzhou terminal, is expected to support steady growth of the business.

After the disposal of the interest in the two Tianjin ports in June 2019, the Group's port business is principally operated through our investment in Xiamen Container Terminal Group Co., Ltd. In the Current Period, throughput increased moderately by 1% to 4,336,000 TEUs.

## Facilities Management

Whilst public activities during the Current Period have had significant impact on the business environment within Facilities Management segment, some of its businesses have shown resilience such as Hong Kong Convention and Exhibition Centre ("HKCEC") and GHK Hospital.

HKCEC experienced cancellation on a certain number of events, and the food and beverage business has been negatively affected in the Current Period. During the Current Period, 357 events were held at HKCEC with a total patronage of approximately 4.1 million, declined 31% and 21% year-on-year, respectively. Yet, HKCEC still contributed positively to AOP, attributable to the cost saving initiatives that offset the decrease in rentals, and food and beverage profits.

Free Duty's business remained under pressure, attributable to the drop in the number of passengers and visitors triggered by the public activities in the Current Period. Against the backdrop of a tough operating environment, the Group has continued to streamline its business to achieve a more efficient resources allocation, which led to the closure of an outlet in Macau and the discontinuance of the concession in Macau International Airport upon its expiry during the Current Period, this also concluded Free Duty's business operations in Macau and focuses our business in Hong Kong. The Group will continue to conduct internal review of its organization structure, implement cost control measures and explore new business opportunity to revive the Free Duty's business.

GHK Hospital continued its ramp up during the Current Period. Increase in both outpatient visits, inpatient admissions and operational beds all led to higher revenue but the impact was offset by the increase in staff cost, resulting in a slight narrowing of loss during the Current Period. Outpatient and inpatient admissions increased by 34% and 7% year-on-year, respectively. The opening of a clinic in Central and continued marketing efforts contributed to the rise in outpatient and inpatient visits while it continued to increase its operational beds to 190 with an average occupancy rate of 54% to meet the demands of quality medical services in Hong Kong. With FTLife Insurance becoming part of the Group's business, GHK Hospital is set to benefit from the synergy to be generated between the two businesses.

## Transport

Challenging business environment and escalating operating expenses mainly arising from the rising staff cost, bus insurance claims and tunnel toll rates, together with the decline in patronage caused by public activities have offset the positive impact from the bus fare increase of Citybus Limited (Franchise for Hong Kong Island and Cross-Harbour Bus Network) (“Citybus F1”) and New World First Bus Services Limited (“NWFB”) effective from January 2019, the growth from the Hongkong-Zhuhai-Macao Bridge travellers and better weather in the Current Period. Together with the diminishing AOP contribution from New World First Ferry Services Limited, loss from the Transport segment expanded slightly from HK\$26.0 million to HK\$29.1 million during the Current Period. In August 2019, NWFB and Citybus F1 applied to the Transport Department for a fare increase of 12% starting from February 2020, which is pending approval from the Hong Kong Government.

The Hong Kong Government agreed to reimburse one-third of actual fuel cost for the 12 months up to June 2020 for the public bus and ferry operators in alleviating the operating pressure under the current economic environment.

## Business Outlook

While the global economy has been showing signs of recovery towards the end of 2019, attributable to the easing of Sino-US trade disputes and diminished fears of a no-deal Brexit in the United Kingdom, with the outbreak of the novel coronavirus, the global economic outlook in the second half of FY2020 remains uncertain and challenging.

China wrapped up 2019 with a GDP growth of 6.1%, well in line with the target range set by the central government at the beginning of 2019, and remains as one of the fastest around the globe. While trade tensions with the United States continue to cloud the outlook of the economy and Renminbi movement, the series of policy measurements implemented by the central government are set to steer the economy on a more sustainable and quality growth path. While in Hong Kong, business environment becomes increasingly challenging as uncertainties abound.

Our Core Business has proven to be resilient in today's volatile business environment but not without its challenges and fully immune to the externalities. The Group will continue to monitor closely the challenges and on-going developments and respond swiftly as appropriate to minimize any potential impact on our business. For Roads, while there was steady growth in traffic in most of our projects in the Current Period, the unprecedented implementation of the Toll Fee Exemption (as defined in note 36 to Condensed Consolidated Interim Financial Statements), which started on 17 February 2020, for all toll roads in Mainland China during the period of prevention and control measures taken by the PRC Government over the novel coronavirus is expected to have an immediate and short term impact on the results of the Group's Roads segment. The PRC Government will announce certain ancillary protective policies to safeguard the legitimate interests of various parties concerned, including the users, creditors, investors and operators of toll roads in due course. The ETC initiative, while might have impact on our revenue in the short term, is positive to our business in the long run with improved traffic flow and more accurate toll calculation and more timely collection, it will also improve the overall cost efficiency for toll road management. There is also a change of charging method for trucks implemented by the PRC Government since 1 January 2020, whether it will have a positive or negative impact to us remains to be seen but it has added some uncertainties to our Roads segment. Nevertheless, the Group continues to seek opportunities to expand further into toll roads in China, particularly in Central China with our further established network, and continues to explore opportunities in the Greater Bay Area.

The aviation industry remains challenging in the short run with airline operators facing strong competition and looming trade war dampening air traffic growth. A number of airline operators in Europe and India have been under extreme pressure and some are in financial difficulties. It poses alarming risks to all commercial aircraft lessors including Goshawk. Fortunately, with Goshawk's strong risk and credit management policies and swift responses to crisis, the impact of the crisis has been properly managed. While the recent turbulence in the industry and the potential threat from the outbreak of the novel coronavirus may hinder the short term growth prospect in the industry, the secular growth in demand for aircraft and traffic, especially for emerging markets like China and India remain unchanged. Goshawk will continue to expand its fleet under management by means of sale and lease back transactions, potential acquisitions and mergers, direct order with manufacturers and further expand our asset management services managing fleet for third parties. The Group will continue to explore opportunities and exercise our prudent financial management policies, as well as risk management policies to mitigate our credit risk, counterparty risk and liquidity risk, in a bid to maximize our risk adjusted return.

Construction industry has been relatively stable for the Current Period and projects to be tendered by the Hong Kong Government have experienced a slowdown due to the temporary suspension of meetings of the Legislative Council during the Current Period. The Group sees this to be temporary and is well positioned to respond quickly and effectively when the opportunities arise.

During 2019, the overall insurance industry in Hong Kong has been negatively affected due to the public activities which has temporarily led to a decrease in the purchases from Mainland Chinese Visitors. For FTLife Insurance, the performance was also partly affected by the transition of shareholder. FTLife Insurance's 2019 APE grew by 3% year-on-year to HK\$1,996 million and VONB rose by 1% year-on-year to HK\$610 million. Agency business contributed to 45% of the total APE in 2019, whilst the partnership distribution channel represented 55% of total APE contribution. FTLife Insurance's VONB margin dropped slightly by 0.5% to 30.6% in 2019, mainly impacted by the lower interest rate environment. Total gross written premium was up 20% in 2019, reaching HK\$8,709 million by the end of 2019.

Upon the completion of acquisition on 1 November 2019, FTLife Insurance has been in the process of integrating into the Group as well as the ecosystem of New World Group. The Group has kept the management team of FTLife Insurance intact and added a few key positions for better operational and risk management, as well as expediting the integration process. The APE and VONB year-on-year growth of 11% and 21%, respectively in the two months after completion have outpaced their respective growth rates for the full year of 2019. FTLife Insurance will continue to innovate its products and services with the unique network and resources that New World Group possesses to ensure to stay in the forefront of the industry.

In the near term, the outbreak of the novel coronavirus in Hong Kong continues to overcast uncertainties over the insurance industry. However, in the medium to long-term, we believe there will be strong demand for protection and savings insurance products with the rising medical costs in Hong Kong and Mainland China and the continued surge in middle class in China. With the relaxation of the insurance market in Mainland China to foreign and Hong Kong based insurers like FTLife Insurance, there will be a wealth of opportunities and possibilities and the Group is well positioned to benefit from it.

In our Strategic Portfolio, Environment and Logistics segments remain stable and provide steady AOP contribution to the Group. The streamlining measures implemented within Facilities Management segment have shown signs of improvements. Transport segment remains challenging and we are hoping that the fare increase submitted to the Transport Department will soon be approved to ease the pressure. The Group will continue to evaluate and explore various opportunities arising from time to time to create more value for all our stakeholders.

The outbreak of the novel coronavirus at the beginning of 2020 overcast shadow of uncertainty on the global economy in the near term, particularly in Mainland China and Hong Kong. With the Group's exposure in the region, we foresee it would inevitably have a negative impact in different degree depending on the business segment we operate and the duration of the outbreak. Despite the temporary impact, the Group believes the long term fundamentals of the Core Business and the Group's overall strategic direction have remained intact.

The Group will continue to monitor closely the latest development of the outbreak and will deploy appropriate measures to respond swiftly against any headwind we may encounter. The diversified nature of the Group's business allows us to minimize concentration risk, supported by the sturdy performance of our Core Business and strong statement of financial position with the ample cash on hand and over HK\$10.0 billion of unutilized committed banking facilities as at 28 February 2020 which can help mitigate credit and liquidity risk. Although some of the Group's businesses may have inherited certain government policy risks that may be difficult to control, the Group's well-established risk management policy will prepare the Group for challenges ahead and provide strong support to our operations. The Group is committed to maintaining a sustainable and progressive dividend policy and will continue to deliver service excellence to the public and fully devoted to help build the community we call home.

# Independent Auditor's Review Report



羅兵咸永道

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF NWS HOLDINGS LIMITED

*(incorporated in Bermuda with limited liability)*

### Introduction

We have reviewed the interim financial information set out on pages 16 to 76, which comprises the condensed consolidated statement of financial position of NWS Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 31 December 2019 and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

#### **PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 28 February 2020

---

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong  
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

# Condensed Consolidated Income Statement

## — Unaudited

	Note	For the six months ended	
		31 December	
		2019	2018
		HK\$m	HK\$m
Revenue	5	<b>13,215.5</b>	14,188.0
Cost of sales	6	<b>(11,296.0)</b>	(12,590.2)
Gross profit		<b>1,919.5</b>	1,597.8
Other income/gains (net)	7	<b>631.1</b>	476.7
Selling and marketing expenses		<b>(321.3)</b>	(108.4)
General and administrative expenses		<b>(652.7)</b>	(607.3)
Overlay approach adjustments on financial assets	3(b)(xiii)	<b>(137.8)</b>	–
Operating profit	8	<b>1,438.8</b>	1,358.8
Finance costs		<b>(451.9)</b>	(210.7)
Share of results of			
Associated companies	5(b)	<b>273.6</b>	596.2
Joint ventures	5(b)	<b>918.3</b>	899.9
Profit before income tax		<b>2,178.8</b>	2,644.2
Income tax expenses	9	<b>(374.5)</b>	(353.5)
Profit for the period		<b>1,804.3</b>	2,290.7
Profit attributable to			
Shareholders of the Company		<b>1,513.8</b>	2,274.3
Holders of perpetual capital securities		<b>290.4</b>	–
Non-controlling interests		<b>0.1</b>	16.4
		<b>1,804.3</b>	2,290.7
Earnings per share attributable to the shareholders of the Company	10		
Basic		<b>HK\$0.39</b>	HK\$0.58
Diluted		<b>N/A</b>	HK\$0.58

# Condensed Consolidated Statement of Comprehensive Income — Unaudited

	Note	For the six months ended	
		31 December	
		2019 HK\$'m	2018 HK\$'m
Profit for the period		<b>1,804.3</b>	2,290.7
Other comprehensive 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>(137.7)</b>	(36.4)
Remeasurement of post-employment benefit obligation		<b>(3.6)</b>	–
Items that have been reclassified/may be subsequently reclassified to profit or loss			
Net fair value changes on financial assets at fair value through other comprehensive income (debt instruments)		<b>(422.7)</b>	–
Release of reserve upon disposal of subsidiaries		–	0.1
Release of reserves upon disposal/partial disposal of interests in associated companies		<b>(14.5)</b>	(14.1)
Share of other comprehensive income of associated companies and joint ventures		<b>0.8</b>	6.9
Cash flow hedges in relation to the Group and joint ventures		<b>(62.5)</b>	(222.0)
Amount reported in other comprehensive income applying overlay approach adjustments on financial assets	3(b)(xiii)	<b>137.8</b>	–
Currency translation differences		<b>(791.5)</b>	(1,316.5)
Other comprehensive loss for the period, net of tax		<b>(1,293.9)</b>	(1,582.0)
Total comprehensive income for the period		<b>510.4</b>	708.7
Total comprehensive income attributable to			
Shareholders of the Company		<b>221.8</b>	696.8
Holders of perpetual capital securities		<b>290.4</b>	–
Non-controlling interests		<b>(1.8)</b>	11.9
		<b>510.4</b>	708.7

# Condensed Consolidated Statement of Financial Position — Unaudited

		(Unaudited) At 31 December 2019 HK\$'m	(Audited) At 30 June 2019 HK\$'m
	Note		
<b>ASSETS</b>			
Non-current assets			
Investment properties	11	1,726.2	1,726.5
Property, plant and equipment	12	5,577.0	5,413.4
Intangible concession rights	13	14,422.7	10,060.8
Intangible assets	14	6,666.2	718.7
Value of business acquired	15	5,770.4	–
Right-of-use assets	2(b)	2,068.6	–
Deferred acquisition costs	16	260.2	–
Associated companies	17	14,087.9	14,552.3
Joint ventures	18	13,529.8	13,645.1
Financial assets at fair value through other comprehensive income	19	36,020.4	2,125.1
Financial assets at fair value through profit or loss	20	7,274.1	4,300.0
Other non-current assets		2,299.2	4,037.9
		<b>109,702.7</b>	56,579.8
Current assets			
Inventories		322.0	428.6
Trade, premium and other receivables	21	15,113.8	13,997.6
Investments related to unit-linked contracts	22(a)	9,495.2	–
Financial assets at fair value through other comprehensive income	19	1,571.0	–
Financial assets at fair value through profit or loss	20	927.6	0.1
Cash and bank balances		12,504.6	15,058.9
		<b>39,934.2</b>	29,485.2
Total assets		<b>149,636.9</b>	86,065.0
<b>EQUITY</b>			
Share capital	23	3,911.1	3,911.1
Reserves	24	44,093.7	45,134.9
Shareholders' funds		<b>48,004.8</b>	49,046.0
Perpetual capital securities	25	10,528.5	8,039.8
Non-controlling interests		689.6	160.8
Total equity		<b>59,222.9</b>	57,246.6

	Note	<b>(Unaudited)</b> <b>At</b> <b>31 December</b> <b>2019</b> <b>HK\$m</b>	(Audited) At 30 June 2019 HK\$m
<b>LIABILITIES</b>			
Non-current liabilities			
Borrowings and other interest-bearing liabilities	26	<b>26,643.1</b>	12,666.1
Deferred tax liabilities		<b>2,461.6</b>	2,262.2
Insurance and investment contract liabilities	27	<b>13,424.7</b>	–
Liabilities related to unit-linked contracts	22(b)	<b>161.6</b>	–
Lease liabilities	2(b)	<b>1,631.1</b>	–
Other non-current liabilities		<b>235.2</b>	161.0
		<b>44,557.3</b>	15,089.3
Current liabilities			
Borrowings and other interest-bearing liabilities	26	<b>3,365.5</b>	2,403.3
Insurance and investment contract liabilities	27	<b>19,291.0</b>	–
Liabilities related to unit-linked contracts	22(b)	<b>9,495.2</b>	–
Trade, other payables and payables to policyholders	28	<b>12,850.8</b>	10,842.6
Lease liabilities	2(b)	<b>343.9</b>	–
Taxation		<b>510.3</b>	483.2
		<b>45,856.7</b>	13,729.1
Total liabilities		<b>90,414.0</b>	28,818.4
Total equity and liabilities		<b>149,636.9</b>	86,065.0

# Condensed Consolidated Statement of Changes in Equity — Unaudited

For the six months ended 31 December 2019

HK\$m	Note	Shareholders' funds					Total	Perpetual capital securities	Non-controlling interests	Total
		Share capital	Share premium	Revenue reserve	Other reserves					
At 30 June 2019		3,911.1	17,821.5	28,290.7	(977.3)	49,046.0	8,039.8	160.8	57,246.6	
Impact on initial adoption of HKFRS 16	2(b)	-	-	(106.6)	-	(106.6)	-	-	(106.6)	
At 1 July 2019, restated		3,911.1	17,821.5	28,184.1	(977.3)	48,939.4	8,039.8	160.8	57,140.0	
Total comprehensive income for the period	24	-	-	844.1	(622.3)	221.8	290.4	(1.8)	510.4	
<i>Contributions by/(distribution to) owners</i>										
Dividend paid to Shareholders of the Company	24, 30	-	-	(1,134.2)	-	(1,134.2)	-	-	(1,134.2)	
Dividend paid to Non-controlling interests		-	-	-	-	-	-	(25.0)	(25.0)	
Issuance of perpetual capital securities		-	-	-	-	-	2,489.8	-	2,489.8	
Distribution to perpetual capital securities holders		-	-	-	-	-	(291.5)	-	(291.5)	
Transaction costs in relation to the issuance of perpetual capital securities	24	-	-	(22.2)	-	(22.2)	-	-	(22.2)	
Capital contributions from non-controlling interests		-	-	-	-	-	-	555.6	555.6	
Total transactions with owners		-	-	(1,156.4)	-	(1,156.4)	2,198.3	530.6	1,572.5	
<b>At 31 December 2019</b>		<b>3,911.1</b>	<b>17,821.5</b>	<b>27,871.8</b>	<b>(1,599.6)</b>	<b>48,004.8</b>	<b>10,528.5</b>	<b>689.6</b>	<b>59,222.9</b>	

		For the six months ended 31 December 2018						
		Shareholders' funds					Non-controlling interests	
HK\$m	Note	Share capital	Share premium	Revenue reserve	Other reserves	Total		Total
At 30 June 2018		3,896.5	17,629.5	27,518.3	905.7	49,950.0	173.8	50,123.8
Impact on initial adoption of HKFRS 9		-	-	414.0	(104.0)	310.0	-	310.0
At 1 July 2018, restated		3,896.5	17,629.5	27,932.3	801.7	50,260.0	173.8	50,433.8
Total comprehensive income for the period		-	-	2,276.8	(1,580.0)	696.8	11.9	708.7
<i>Contributions by/(distribution to) owners</i>								
<i>Dividend paid to</i>								
Shareholders of the Company	30	-	-	(1,794.7)	-	(1,794.7)	-	(1,794.7)
Non-controlling interests		-	-	-	-	-	(0.1)	(0.1)
<i>Share options</i>								
Nominal value of new shares issued		6.2	-	-	-	6.2	-	6.2
Share premium on new shares issued		-	81.0	-	-	81.0	-	81.0
Transfer		-	-	(2.4)	2.4	-	-	-
Total transactions with owners		6.2	81.0	(1,797.1)	2.4	(1,707.5)	(0.1)	(1,707.6)
At 31 December 2018		3,902.7	17,710.5	28,412.0	(775.9)	49,249.3	185.6	49,434.9

# Condensed Consolidated Statement of Cash Flows — Unaudited

	Note	For the six months ended	
		31 December	
		2019 HK\$'m	2018 HK\$'m
Cash flows from operating activities			
Net cash generated from operations	33	<b>3,290.8</b>	1,861.5
Finance costs paid		<b>(354.9)</b>	(146.7)
Interest received		<b>391.5</b>	127.3
Dividends received from financial assets in relation to insurance business and investments related to unit-linked contracts		<b>15.9</b>	–
Hong Kong profits tax paid		<b>(177.1)</b>	(227.8)
Mainland China and overseas taxation paid		<b>(304.9)</b>	(82.3)
Net cash generated from operating activities before net purchases of financial assets in relation to insurance business		<b>2,861.3</b>	1,532.0
Purchases of financial assets in relation to insurance business		<b>(4,276.3)</b>	–
Disposal of financial assets in relation to insurance business		<b>902.7</b>	–
		<b>(3,373.6)</b>	–
Net cash (used in)/generated from operating activities		<b>(512.3)</b>	1,532.0
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	34(b)	<b>(10,097.7)</b>	–
Dividends received from associated companies and joint ventures		<b>1,023.0</b>	946.0
Decrease/(increase) in investments in and advances to associated companies		<b>242.1</b>	(316.3)
Increase in investments in and advances to joint ventures		<b>(571.6)</b>	(2,469.4)
Additions of intangible concession rights, intangible assets and property, plant and equipment		<b>(5,773.7)</b>	(429.9)
Purchases of financial assets at fair value through profit or loss		<b>(809.6)</b>	(652.8)
Disposal of financial assets at fair value through profit or loss		–	631.4
Disposal of financial assets at fair value through other comprehensive income		<b>778.3</b>	–
Disposal of assets held-for-sale		–	168.0
Disposal of subsidiaries, net of cash disposed		–	142.9
Deferred consideration/proceeds received from disposal/partial disposal of interests in associated companies		<b>391.0</b>	86.8
Disposal of intangible concession rights and property, plant and equipment		<b>62.8</b>	62.7
Dividends received from financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss		<b>91.4</b>	64.1
Increase in short-term bank deposits maturing after more than three months		<b>(0.3)</b>	–
Increase in other non-current assets		<b>(94.1)</b>	–
Net cash used in investing activities		<b>(14,758.4)</b>	(1,766.5)

	Note	For the six months ended 31 December	
		2019 HK\$m	2018 HK\$m
Cash flows from financing activities			
Issuance of new shares from share options exercised		–	87.2
New bank loans and other borrowings		<b>13,010.7</b>	4,504.7
Repayment of bank loans, other borrowings and financing received under a financial reinsurance arrangement		<b>(1,474.8)</b>	(1,890.0)
Proceeds from issuance of perpetual capital securities, net of transaction costs	25	<b>2,467.7</b>	–
Distribution to perpetual capital securities holders		<b>(291.5)</b>	–
Capital elements of lease liabilities payments		<b>(137.2)</b>	–
Capital contributions from non-controlling interests		<b>555.6</b>	–
Dividend paid to shareholders of the Company	30	<b>(1,134.2)</b>	(1,794.7)
Dividend paid to non-controlling interests		<b>(25.0)</b>	(0.1)
Decrease in cash collateral received from counterparties		<b>(159.2)</b>	–
Decrease in loans from non-controlling interests		–	(2.3)
Net cash from financing activities		<b>12,812.1</b>	904.8
Net (decrease)/increase in cash and cash equivalents		<b>(2,458.6)</b>	670.3
Cash and cash equivalents at the beginning of the period		<b>15,045.4</b>	6,643.2
Currency translation differences		<b>(45.0)</b>	(51.3)
Cash and cash equivalents at the end of the period		<b>12,541.8</b>	7,262.2
Analysis of cash and cash equivalents			
Cash and bank balances		<b>12,504.6</b>	7,275.6
Cash and bank balances attributable to investments related to unit-linked contracts	22(a)	<b>60.6</b>	–
Short-term bank deposits maturing after more than three months		<b>(13.4)</b>	(13.4)
Pledged deposits		<b>(10.0)</b>	–
		<b>12,541.8</b>	7,262.2

# Notes to Condensed Consolidated Interim Financial Statements

## 1. General information

NWS Holdings Limited is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries include:

- (a) the development of, investment in and/or operation of roads, commercial aircraft leasing, construction and insurance; and
- (b) the investment in and/or operation of environmental and logistic projects, facilities and transport.

The Company has its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

The unaudited condensed consolidated interim financial statements (the “interim financial statements”) were approved for issuance by the board of directors of the Company (the “Board”) on 28 February 2020.

## 2. Basis of preparation and accounting policies

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 Hong Kong Stock Exchange (the “Listing Rules”). The interim financial statements should be read in conjunction with the annual financial statements for FY2019.

As analyzed in note 5(a)(i), the Group, before taking into consideration the newly acquired insurance business, is in net current assets position as at 31 December 2019, while the Group is in net current liabilities position of HK\$5,922.5 million after taking into consideration the consolidation of FTLife Insurance, which is mainly due to the classification of the full surrender value of insurance and investment contract liabilities of HK\$19,291.0 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 and investment contract liabilities expected to be settled within one year is approximately HK\$4,718.5 million as detailed in the liquidity risk table in note 4(a)(ii).

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

Taking into consideration the expected settlement pattern for insurance and investment 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 FY2019 except as described in notes 2(a), 2(b), 3(a) and 3(b) below.

### (a) Adoption of new standard, amendments to standards and interpretation

During the Current Period, the Group has adopted the following new standard, amendments to standards and interpretation which are relevant to the Group's operations and are mandatory for FY2020:

HKFRS 16	Leases
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKAS 19 (Amendments)	Employee Benefits
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HK (IFRIC) - Int 23	Uncertainty over Income Tax Treatments
HKFRSs Amendments	Annual Improvements to HKFRSs 2015–2017 Cycle

Except for the adoption of Hong Kong Financial Reporting Standard 16 “Leases” (“HKFRS 16”) as disclosed in notes 2(b) and 3(a) and amendments to Hong Kong Accounting Standard 28 “Long-term Interests in Associates and Joint Ventures” which resulted in reclassification of expected credit loss provision from share of net assets to amounts receivable from associated companies and joint ventures as disclosed in notes 17 and 18, the adoption of other amendments to standards and interpretation does not have significant effect on the results and financial position of the Group.

### (b) Adoption of Hong Kong Financial Reporting Standard 16 “Leases”

The Group has adopted HKFRS 16 retrospectively from 1 July 2019, but has not restated comparative information for the prior reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore not reflected in the consolidated statement of financial position as at 30 June 2019, but are recognized in the opening consolidated statement of financial position as at 1 July 2019. Details of the changes in accounting policy are set out in note 3(a).

On adoption of HKFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of Hong Kong Accounting Standard 17 “Leases” (“HKAS 17”). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing annual rates applied to the lease liabilities on 1 July 2019 were 3.8% for leases in Hong Kong and 4.2% for leases in Mainland China.

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

### (b) Adoption of Hong Kong Financial Reporting Standard 16 “Leases” (continued)

For right-of-use assets, the Group has elected to measure the right-of-use assets as if HKFRS 16 had been applied since the commencement date of a lease using the same incremental borrowing rate.

For a lease previously classified as finance lease, the Group recognized the carrying amount of the leased asset as the carrying amount of the right-of-use asset at the date of initial application.

The Group reassessed all lease contracts as well as contracts which did not satisfy the definition of a lease under HKAS 17 on 1 July 2019, of which there is one contract that was not previously classified as an operating lease when applying HKAS 17 now meets the definition of a lease under HKFRS 16.

There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The adoption of HKFRS 16 resulted in changes in certain terminology used. The right-of-use assets in relation to prepaid leasehold land were previously presented as leasehold land.

The following table shows the adjustments recognized for each individual financial statement line item. Financial statement line items that were not affected by the changes have not been included:

	At 30 June 2019 HK\$m	Upon adoption of HKFRS 16 HK\$m	At 1 July 2019 HK\$m
<b>Condensed consolidated statement of financial position (extract)</b>			
<b>Assets</b>			
Property, plant and equipment	5,413.4	(184.9)	5,228.5
Right-of-use assets	–	1,623.0	1,623.0
Associated companies	14,552.3	(0.7)	14,551.6
Joint ventures	13,645.1	(2.2)	13,642.9
Trade, premium and other receivables	13,997.6	(30.9)	13,966.7
<b>Liabilities</b>			
Lease liabilities			
– current	–	233.8	233.8
– non-current	–	1,277.1	1,277.1
<b>Equity</b>			
Revenue reserve	28,290.7	(106.6)	28,184.1

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

### (b) Adoption of Hong Kong Financial Reporting Standard 16 “Leases” (continued)

The recognized right-of-use assets relate to the following types of assets:

	<b>At 31 December 2019 HK\$m</b>	At 1 July 2019 HK\$m
Leasehold land	<b>682.1</b>	695.0
Buildings, plant and equipment	<b>637.5</b>	137.0
Others	<b>749.0</b>	791.0
Total right-of-use assets	<b>2,068.6</b>	1,623.0

### (c) 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 2020 or later periods but which the Group has not early adopted:

HKFRS 17	Insurance Contracts
HKFRS 3 (Amendments)	Definition of a Business
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKAS 1 and HKAS 8 (Amendments)	Amendments to Definition of Material
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

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

HKFRS 17 will replace the current HKFRS 4 “Insurance Contracts”. HKFRS 17 includes some fundamental differences to current accounting in both insurance contract measurement and profit recognition. The general model is based on a discounted cash flow model with a risk adjustment and deferral of unearned profits. A separate approach applies to insurance contracts that are linked to returns on underlying items and meet certain requirements. Additionally, HKFRS 17 requires more granular information and a new presentation format for the statement of comprehensive income as well as extensive disclosures. The Group is yet to undertake a detailed assessment of the new standard. The standard is mandatorily effective for accounting periods beginning on or after 1 January 2021.

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.

### 3. Changes in/adoption of accounting policies, critical accounting estimates and judgements

#### (a) Changes in accounting policy upon adoption of HKFRS 16

As explained in note 2(b) above, the Group has adopted HKFRS 16 which resulted in changes in accounting policy used in the preparation of the consolidated financial statements.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- account for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application.

#### *Accounting policies applied from 1 July 2019*

The Group leases various land, office buildings and premises. Rental contracts are made for a range of fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until FY2019, leases were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognized as right-of-use assets and a corresponding liabilities at the date at which the leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities primarily include the net present value of the fixed payments, less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

### 3. Changes in/adoption of accounting policies, critical accounting estimates and judgements (continued)

#### (a) Changes in accounting policy upon adoption of HKFRS 16 (continued)

Right-of-use assets are measured at cost comprising the following items:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less.

Some leases contain variable payment terms that are linked to sales or net profits generated. Variable lease payments that depend on sales or net profits are recognized in the profit or loss in the period in which the condition that triggers those payments occurs. Most leases are subject to fixed payments.

#### (b) Adoption of accounting policies upon acquisition of insurance business

As detailed in note 34, the Group completed its acquisition of entire equity interest in FTLife Insurance on 1 November 2019 which resulted in adoption of the following accounting policies used in the preparation of the interim financial statements.

##### (i) *Product classification*

The Group's insurance business issues contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts for which the Group has accepted significant insurance risk from policyholders providing coverage for death, accident and sickness at the inception of the contract. As a general guideline, the Group determines whether it has significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur. The Group also accepts financial risk on insurance contracts. Financial risk is the risk of a possible future change in a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variables.

Investment contracts are those contracts on which the Group accepts financial risk but that do not transfer significant insurance risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

### 3. Changes in/adoption of accounting policies, critical accounting estimates and judgements (continued)

#### (b) Adoption of accounting policies upon acquisition of insurance business (continued)

##### (ii) *Insurance contract liabilities*

Insurance contract liabilities represent net future policy liabilities as determined by the appointed actuary of the Group using a net level premium approach.

The provision for life insurance contracts with fixed level premiums is calculated on the basis of the prospective actuarial valuation method where the assumptions used depend on the circumstances prevailing. The liability is determined as the sum of the expected discounted value of the benefit payments, less the expected discounted value of the theoretical premiums that would be required to meet the benefits, based on the valuation assumptions as to mortality, lapse rate, expense and investment income that are appropriate at the time of valuation. Changes to the liabilities at each reporting date are recorded in the profit or loss for the year as an expense. The liabilities on yearly renewable premium contracts are the liabilities for the unexpired risks carried at the end of the reporting period. The liability is derecognized when the contract expires, is discharged or is cancelled.

##### (iii) *Investment contract liabilities*

Liabilities for investment contracts are carried at fair values through accumulated cash flows plus investment income credited to the contracts, either at the discretion of the Group or linked to the changes in unit fund values.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the consolidated statement of financial position.

Fees charged and investment income received are recognized in the profit or loss for the year when earned.

The liability is derecognized when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value cannot be less than the surrender value.

##### (iv) *Reinsurance*

The Group cedes insurance risk in the normal course of business for its insurance contracts. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the insurance contract liabilities and are in accordance with the reinsurance contract and are accounted for in the same period as the underlying claim.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the profit or loss for the year.

Reinsurance arrangements do not relieve the Group from its obligations to policyholders.

### 3. Changes in/adoption of accounting policies, critical accounting estimates and judgements (continued)

#### (b) Adoption of accounting policies upon acquisition of insurance business (continued)

##### (v) *Value of business acquired (“VOBA”)*

VOBA, in respect of a portfolio of long-term insurance and investment contracts, is an intangible asset that reflects the estimated fair value of in-force contracts in acquisition of an insurance company and represents the portion of the purchase price that is allocated to the value of the right to receive future cash flows from the business in-force at the acquisition date. VOBA is based on actuarially determined projections, by each block of business, of future policy and contract charges, premiums, mortality and morbidity, separate account performance, surrenders, operating expenses, investment returns and other factors. VOBA is amortized over the estimated life of the contracts in the acquired portfolio on a systematic basis. The rate of amortization reflects the profile of the value of in-force business acquired. The carrying value of VOBA is reviewed annually for impairment and any reduction is charged to the consolidated income statement.

##### (vi) *Deferred acquisition costs (“DAC”)*

The direct acquisition costs and a portion of indirect acquisition costs relating to the production of new business are deferred so far as there are sufficient margins in the future profits of the new business to fund the amortization of DAC. DAC include first year commissions and other costs related to the acquisition of new business. All other acquisition costs and all maintenance costs are expensed as and when incurred. The Group has adopted an approach by which DAC of new business are amortized according to the expected future premiums or charges and actual persistency.

##### (vii) *Liability adequacy test*

A liability adequacy test is performed at each reporting date to verify whether the insurance contract liabilities, net of deferred acquisition cost and value of business acquired, are adequate using current estimates of future cash flows under the insurance contracts. The liability value is adjusted if insufficient to meet future obligations, taking into account future premiums, investment income, benefits and expenses and cash flows from embedded options and guarantees. If the test shows that a deficiency exists, the shortfall is immediately recorded in the profit or loss for the year.

##### (viii) *Premiums*

Premiums in respect of traditional policies and group policies are recognized as income as and when they fall due, whereas those in respect of universal life and unit-linked contracts are accounted for as they are received.

Premiums on reinsurance contracts that transfer underwriting risk are expensed as incurred.

Ceded reinsurance recoveries are accounted for in the same period as the underlying claim.

### 3. Changes in/adoption of accounting policies, critical accounting estimates and judgements (continued)

#### (b) Adoption of accounting policies upon acquisition of insurance business (continued)

##### (ix) Fees and commission income

Insurance and investment contract policyholders are charged for policy administration services and investment management services. The policy administration fee is recognized as revenue over time when services are rendered. Investment management fees related to asset management services are recognized over time when services are rendered.

##### (x) Benefits and insurance claims

Death claims and surrenders are recorded when notifications have been received. Maturities and annuity payments are recorded when due. Benefits recorded are then accrued to the liability.

##### (xi) Commissions

Commissions and bonuses payable to agents for the first policy year are included as a component of DAC.

Commissions received on reinsurance policies that transfer underwriting risk are recognized as income at the same time as the reinsurance premiums are accounted for.

##### (xii) Premiums receivables

Premiums receivables represent premiums which are due for payment. The Group normally allows policyholders to make payment within a grace period of one month from the due date. The grace period may be extended by one further month by management purely on a discretionary basis. Insurance policies continue in force if default premiums are settled before the expiry of the grace period.

Premiums receivables are stated at amortized cost using the effective interest rate method less provision for impairment.

##### (xiii) Adoption of overlay approach in accordance with HKFRS 4 (Amendment)

The Group elected to apply an “overlay approach” in accordance with HKFRS 4 (Amendments) “Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts” which allows the Group to reclassify fair value gain or loss from consolidated income statement to other comprehensive income for those eligible financial assets previously classified as available-for-sale financial assets under HKAS 39 but currently classified as financial assets at fair value through profit or loss under HKFRS 9.

### 3. Changes in/adoption of accounting policies, critical accounting estimates and judgements (continued)

#### (c) New critical accounting estimates and judgements applied by the Group upon acquisition of insurance business

##### (i) *Product classification*

Contracts are classified as insurance contracts where they transfer significant insurance risk from the holder of the contract to the Group. The Group's accounting policy for the classification of insurance and investment contracts is discussed in more detail in note 3(b)(i).

There are a number of contracts sold where the Group exercises judgement about the level of insurance risk transferred. Typically, these are contracts which contain a significant savings component. The level of insurance risk is assessed by considering whether there are any scenarios with commercial substance in which the Group is required to pay significant additional benefits. These benefits are those which exceed the amounts payable if no insured event were to occur. These additional amounts include claims liability and assessment costs, but exclude the loss of the ability to charge the holder of the contract for future services.

##### (ii) *Estimate of life insurance contract liabilities*

The estimation of the ultimate liabilities arising from claims made under life insurance contracts is one of the most critical accounting estimate for the Group's insurance business. There are sources of uncertainty that need to be considered in the estimation of the liabilities that the Group will ultimately pay for those claims.

Four major components in the estimation of the liabilities for insurance contracts are death benefits, lapse rates, expenses and investment returns. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard industry and national mortality tables that reflect historical mortality experience, adjusted, where appropriate, to reflect the Group's unique risk exposure. The estimated number of deaths determines the value of possible future benefits to be paid out which will be factored into ensuring sufficient cover by reserves, which in return is monitored against the current and future premiums. Lapse rates are based on the historical experience of the Group. Expenses are based on the renewal compensation cost structure and the maintenance expenses level of the Group. Investment returns are based on the investment strategy of the Group, with due regard to the expected return on assets backing the insurance contracts.

Estimates for future deaths, lapse rates, expenses and investment returns are determined at the inception of the contract and are used to calculate the liability over the term of the contract. At each reporting date, these estimates are reassessed for adequacy with margin and changes will be reflected in adjustments to the liability.

##### (iii) *DAC*

The Group adopted an approach by which DAC of new business is amortized according to the expected future premiums or charges, which are projected based on the Group's best estimate assumptions, and actual persistency. Assumptions as to projected future premiums or charges are made at the date of policy issue and are applied during the lives of the contracts consistently. Judgements are exercised in making appropriate estimate of future premiums or charges.

## 4. Financial and insurance risk management and fair value estimation

### (a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk.

The interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's FY2019 annual financial statements.

Saved as disclosed below in relation to various risk factors of insurance business, there has been no significant change in any risk management policies since the last year end.

#### (i) *Credit risk in relation to insurance business*

In relation to premium receivables from insurance business, the credit risk in respect of policyholder balances, incurred on the non-payment of premiums or contributions, will only persist during the grace period specified in the policy documents or trust deed on the expiry of which either the premium is paid or the policy will be terminated or changed to reduced paid-up or term cover according to the provision of the policy.

#### (ii) *Liquidity risk in relation to insurance business*

The major liquidity risks the Group's insurance business confronts are the daily calls on its available cash resources in respect of claims arising from insurance and investment contracts and the maturity of debt securities.

The Group's insurance business manages liquidity through its liquidity risk policy which includes determining what constitutes liquidity risk and the minimum proportion of funds to meet emergency calls; the setting up of contingency funding plans; specifying the sources of funding and the events that would trigger the plan; specifying the concentration of funding sources; the reporting of liquidity risk exposures and breaches to the monitoring authority; monitoring the compliance with liquidity risk policy and the reviewing of liquidity risk policy for pertinence and changing environment.

The table below presents the estimated amounts (on a discounted basis) and timing of cash flows arising from liabilities under insurance and investment contracts, projected based on the Group's best estimate assumptions. The Group's insurance business has to meet daily calls on its cash resources, notably from claims arising on its insurance and investment contracts and early surrender of policies for surrender value. There is therefore a risk that cash will not be available to settle liabilities when due at a reasonable cost. The Group's insurance business manages this risk by monitoring and setting an appropriate level of cash position to settle these liabilities.

#### 4. Financial and insurance risk management and fair value estimation (continued)

##### (a) Financial risk factors (continued)

##### (ii) Liquidity risk in relation to insurance business (continued)

At 31 December 2019:

HK\$m	Note	Within 1 year	Over 1 year but within 5 years	Over 5 years	Total
Insurance contract liabilities	27	4,718.5	1,275.5	26,716.3	32,710.3
Investment contract liabilities	27	-	-	5.4	5.4
		4,718.5	1,275.5	26,721.7	32,715.7

(iii) Upon completion of acquisition of insurance business, financial risks also arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risks that the Group's insurance business faces due to the nature of its investments and liabilities are interest rate risk and duration risk. The Group's insurance business manages these positions within an asset liability management ("ALM") framework that has been developed to achieve long term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of ALM is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders.

ALM also forms an integral part of the insurance risk management policy in order to ensure in each period sufficient cash flows are available to meet liabilities arising from insurance and investment contracts.

#### 4. Financial and insurance risk management and fair value estimation (continued)

**(b) Regulatory framework of the Group's insurance business**

The operations of the Group's insurance business are subject to local regulatory requirements in Hong Kong. The Group's insurance business is required to maintain an appropriate solvency position to meet unforeseen liabilities arising from economic shocks and/or natural disasters.

**(c) Capital management framework of the Group's insurance business**

The Group's insurance business has an internal risk management framework for identifying risks to which it is exposed to. The internal framework estimates and indicates how much capital is needed to mitigate the risk of insolvency.

The Group's insurance business always maintains a solvency position higher than 150% of the solvency margin required by the Insurance Authority ("IA") to ensure an adequate surplus position. Further objectives are set by the Group's insurance business to maintain a strong credit rating and healthy capital ratios in order to support its business.

The Group's insurance business manages its capital requirements by assessing probable shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Group's insurance business activities.

The Group's insurance business fully complied with capital requirements imposed by the IA during the Current Period.

#### 4. Financial and insurance risk management and fair value estimation (continued)

##### (d) Insurance risk

The Group's insurance business is in the business of insuring against the risk of mortality, morbidity, disability, critical illness, accidents and related risks. The Group's insurance business retains a maximum of US\$150,000 for each risk it insures, with the excess being reinsured through surplus treaties, coinsurance treaties, facultative reinsurance, catastrophe treaties and quota share arrangements with reputable international reinsurers. Consequently, total claims payable in any given year can be predicted with a higher degree of precision. Over the last five years, the actual claims on average have been less than expected. As part of the quality control process, the Group's insurance business regularly invites reinsurers to audit its underwriting and claim practices and procedures, to ensure that it meets the highest industry standards.

##### At 31 December 2019:

HK\$m	Gross insurance contract liabilities (note 27(b))	Reinsurer's share of insurance contract liabilities	Insurance contract liabilities, net of reinsurer's share
<b>Type of products</b>			
Whole life	27,062.7	(55.7)	27,007.0
Term	95.5	(0.3)	95.2
Dread disease	1,799.9	(0.1)	1,799.8
Medical	234.0	–	234.0
Disability	12.0	–	12.0
Accident	21.7	(0.1)	21.6
	<b>29,225.8</b>	<b>(56.2)</b>	<b>29,169.6</b>
Coinsurance liabilities	246.0	–	246.0
	<b>29,471.8</b>	<b>(56.2)</b>	<b>29,415.6</b>

Liabilities on insurance contracts offered by the Group are predominantly conventional whole life insurance for which premiums are paid for a limited period of time or the whole of life, with fixed benefits paid upon death and surrender benefits increasing with the duration of policy.

Some plans provide for guaranteed periodic payments. Most of the whole life insurance products are entitled to annual dividends and some with terminal dividend upon policy termination.

The key assumptions used for the determination of future liabilities for most products including mortality rate, interest rate, lapse rate, expense, investment return and discount rate.

The method of calculating the liabilities is the net level premium reserve, with an adjustment to remove premium deficiency.

For unit-linked funds, the liabilities are the fund account values.

For insurance with pure risk coverage such as accident benefit, dread disease, medical insurance and disability insurance, the liabilities are the unearned gross premiums.

## 4. Financial and insurance risk management and fair value estimation (continued)

### (e) Fair value estimation

The carrying amounts and fair value disclosures of the financial instruments of the Group are as follows:

- (i) Listed investments are stated at market prices. The quoted market price used for financial assets held by the Group is the bid price at the end of the reporting period. Unlisted investments are stated at fair values which are estimated using other prices observed in recent transactions or valuation techniques when the market is not readily available.
- (ii) The fair value of long-term financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.
- (iii) The carrying values of bank balances, receivables, payables and short-term borrowings approximate their fair values due to the short-term maturities of these assets and liabilities.
- (iv) The following table presents the Group's financial instruments, including financial assets at fair value through other comprehensive income ("FVOCI"), financial assets at fair value through profit or loss ("FVPL"), derivative financial instruments, investments related to unit-linked contracts, investment contract liabilities and liabilities related to unit-linked contracts, that are measured at fair value at 31 December 2019 and 30 June 2019 respectively:
  - Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
  - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
  - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

#### 4. Financial and insurance risk management and fair value estimation (continued)

##### (e) Fair value estimation (continued)

(iv) (continued)

At 31 December 2019:

HK\$m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets at FVOCI				
Equity securities	3,032.6	292.8	–	3,325.4
Debt securities	24,787.5	9,478.5	–	34,266.0
Financial assets at FVPL				
Equity securities	58.7	117.0	306.3	482.0
Debt securities	0.1	1,675.6	354.6	2,030.3
Investment funds	2,569.2	–	3,120.2	5,689.4
Derivative financial instruments	–	1,030.2	–	1,030.2
Investments related to unit-linked contracts	9,495.2	–	–	9,495.2
	<b>39,943.3</b>	<b>12,594.1</b>	<b>3,781.1</b>	<b>56,318.5</b>
<b>Liabilities</b>				
Derivative financial instruments	–	(48.0)	(4.4)	(52.4)
Investment contract liabilities	–	(5.4)	–	(5.4)
Liabilities related to unit-linked contracts	–	(9,656.8)	–	(9,656.8)
	<b>–</b>	<b>(9,710.2)</b>	<b>(4.4)</b>	<b>(9,714.6)</b>

At 30 June 2019:

HK\$m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets at FVOCI				
Equity securities	1,805.3	319.8	–	2,125.1
Financial assets at FVPL				
Equity securities	–	117.0	311.0	428.0
Debt securities	0.1	1,348.2	280.8	1,629.1
Investment funds	–	–	2,243.0	2,243.0
Derivative financial instruments	–	40.0	–	40.0
	<b>1,805.4</b>	<b>1,825.0</b>	<b>2,834.8</b>	<b>6,465.2</b>
<b>Liabilities</b>				
Derivative financial instruments	–	(24.8)	(7.3)	(32.1)

There were no transfers of financial assets between Level 1 and Level 2 fair value hierarchy classifications.

#### 4. Financial and insurance risk management and fair value estimation (continued)

##### (e) Fair value estimation (continued)

(iv) (continued)

The following table presents the changes/transfer in Level 3 financial instruments for the Current Period:

HK\$m	Financial assets at FVPL	Derivative financial liabilities
At 1 July 2019	2,834.8	(7.3)
Acquisition of subsidiaries	471.2	–
Additions	488.8	–
Net (loss)/gain recognized in the condensed consolidated income statement	(8.9)	2.9
Translation differences	(4.8)	–
<b>At 31 December 2019</b>	<b>3,781.1</b>	<b>(4.4)</b>

#### 5. Revenue and segment information

The Group's revenue is analyzed as follows:

	For the six months ended 31 December	
	2019 HK\$m	2018 HK\$m
Roads	1,427.6	1,288.5
Aviation	–	161.6
Construction	6,338.5	8,818.7
Insurance	1,998.6	–
Facilities Management	1,518.9	2,093.7
Transport	1,931.9	1,825.5
	<b>13,215.5</b>	14,188.0

## 5. Revenue and segment information (continued)

Revenue from insurance business is further analyzed as follows:

	For the six months ended 31 December	
	2019 HK\$m	2018 HK\$m
Gross premiums on insurance contracts	1,931.5	–
Less: premiums ceded to reinsurers	(44.2)	–
Premiums, net of reinsurance	1,887.3	–
Fee income on insurance and investment contracts	111.4	–
Reinsurance commission income and refund	(1.1)	–
General insurance commission under agency agreements	1.0	–
Fee and commission income	111.3	–
	<b>1,998.6</b>	–

The basis of revenue recognition of the Group's insurance business is detailed in notes 3(b)(viii) and 3(b)(ix).

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) Environment; (vi) Logistics; (vii) Facilities Management; (viii) Transport; and (ix) Strategic Investments.

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.

## 5. 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	Roads	Aviation	Construction	Environment
<b>For the six months ended 31 December 2019</b>				
Total revenue	1,427.6	-	6,346.2	-
Inter-segment	-	-	(7.7)	-
Revenue - external	1,427.6	-	6,338.5	-
Revenue from contracts with customers:				
Recognized at a point in time	1,427.6	-	-	-
Recognized over time	-	-	6,338.5	-
	1,427.6	-	6,338.5	-
Revenue from other source:				
Insurance revenue	-	-	-	-
	1,427.6	-	6,338.5	-
Attributable operating profit				
Company and subsidiaries	529.0	-	505.6	13.6
Associated companies	93.5	-	164.6	143.8
Joint ventures	327.1	267.9	-	75.7
	949.6	267.9	670.2	233.1
Reconciliation – corporate office and non-operating items				
Net loss on disposal of projects, net of tax				
Net gain on fair value of derivative financial instruments				
Net exchange gain				
Interest income				
Finance costs				
Expenses and others				
Profit for the period after non-controlling interests				
Profit attributable to holders of perpetual capital securities				
Profit attributable to shareholders				

Logistics	Facilities Management	Transport	Strategic Investments	Subtotal	Insurance	Total	
-	1,522.2	1,931.9	-	11,227.9	1,998.6	13,226.5	
-	(3.3)	-	-	(11.0)	-	(11.0)	
-	1,518.9	1,931.9	-	11,216.9	1,998.6	13,215.5	
-	893.9	1,842.5	-	4,164.0	-	4,164.0	
-	625.0	89.4	-	7,052.9	111.3	7,164.2	
-	1,518.9	1,931.9	-	11,216.9	111.3	11,328.2	
-	-	-	-	-	1,887.3	1,887.3	
-	1,518.9	1,931.9	-	11,216.9	1,998.6	13,215.5	
-	(186.8)	(29.1)	45.8	878.1	160.4	1,038.5	
63.9	(182.6)	-	45.6	328.8	-	328.8	(b)
275.2	5.0	-	(28.3)	922.6	-	922.6	(b)
339.1	(364.4)	(29.1)	63.1	2,129.5	160.4	2,289.9	
						(152.9)	
						84.7	
						45.0	
						81.9	
						(353.5)	
						(190.9)	
						1,804.2	
						(290.4)	
						1,513.8	

## 5. 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	Roads	Aviation	Construction	Environment
<b>For the six months ended</b>				
<b>31 December 2019</b>				
Depreciation of property, plant and equipment	15.4	–	20.6	–
Depreciation of right-of-use assets	0.4	–	11.6	–
Amortization of intangible concession rights	464.0	–	–	–
Amortization of intangible assets	–	–	–	–
Amortization of VOBA	–	–	–	–
Interest income	(27.0)	(0.1)	(1.3)	(15.3)
Finance costs	6.7	–	36.7	–
Income tax expenses	231.3	–	109.5	1.5
Overlay approach adjustments on financial assets	–	–	–	–
Net loss/(gain) on fair value of financial assets at FVPL	–	–	–	–
Additions to non-current assets (remark)	5,417.0	–	24.0	–
<b>At 31 December 2019</b>				
Company and subsidiaries	16,337.2	6,303.0	7,069.4	163.8
Associated companies	2,606.2	–	2,016.3	5,143.3
Joint ventures	4,485.7	1,639.3	0.1	3,143.4
Total assets	23,429.1	7,942.3	9,085.8	8,450.5
Total liabilities	2,676.1	–	8,144.8	44.4

	Facilities Logistics Management	Transport	Strategic Investments	Subtotal	Insurance	Segment Total	Corporate	Consolidated	
	-	62.3	197.4	-	295.7	5.8	301.5	2.9	304.4
	-	52.1	54.1	-	118.2	23.6	141.8	11.5	153.3
	-	-	-	-	464.0	-	464.0	-	464.0
	-	15.6	0.8	-	16.4	6.8	23.2	-	23.2
	-	-	-	-	-	54.6	54.6	-	54.6
	(0.1)	(29.9)	(1.0)	(38.2)	(112.9)	(204.2)	(317.1)	(81.9)	(399.0)
	-	18.5	14.8	0.1	76.8	21.6	98.4	353.5	451.9
	(3.4)	27.9	(11.6)	5.2	360.4	14.1	374.5	-	374.5
	-	-	-	-	-	137.8	137.8	-	137.8
	-	-	-	17.5	17.5	(139.1)	(121.6)	-	(121.6)
	-	117.6	223.6	-	5,782.2	6,665.6	12,447.8	4.5	12,452.3
	7.4	4,798.8	6,327.8	7,333.4	48,340.8	70,749.0	119,089.8	2,929.4	122,019.2
	1,686.5	817.0	-	1,815.5	14,084.8	-	14,084.8	3.1	14,087.9
	2,894.6	10.4	-	1,338.6	13,512.1	-	13,512.1	17.7	13,529.8
	4,588.5	5,626.2	6,327.8	10,487.5	75,937.7	70,749.0 (i)	146,686.7	2,950.2	149,636.9
	56.7	1,812.6	2,251.8	23.7	15,010.1	49,289.7 (i)	64,299.8	26,114.2	90,414.0

## 5. 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):

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

### At 31 December 2019:

HK\$m	Non-insurance and corporate	Insurance	Total
<b>Total assets</b>			
Intangible concession rights	14,422.7	–	14,422.7
Intangible assets	695.7	5,970.5	6,666.2
Value of business acquired	–	5,770.4	5,770.4
Associated companies	14,087.9	–	14,087.9
Joint ventures	13,529.8	–	13,529.8
Financial assets at FVOCI	1,265.0	36,326.4	37,591.4
Financial assets at FVPL	5,074.6	3,127.1	8,201.7
Other non-current assets	529.1	1,770.1	2,299.2
Investments related to unit-linked contracts	–	9,495.2	9,495.2
Trade, premium and other receivables	13,896.8	1,217.0	15,113.8
Cash and bank balances	6,339.6	6,165.0	12,504.6
Others	9,046.7	907.3	9,954.0
	<b>78,887.9</b>	<b>70,749.0</b>	<b>149,636.9</b>
Represented by			
Non-current assets	57,433.9	52,268.8	109,702.7
Current assets	21,454.0	18,480.2	39,934.2
	<b>78,887.9</b>	<b>70,749.0</b>	<b>149,636.9</b>
<b>Total liabilities</b>			
Borrowings and other interest-bearing liabilities	26,654.7	3,353.9	30,008.6
Insurance and investment contract liabilities	–	32,715.7	32,715.7
Liabilities related to unit-linked contracts	–	9,656.8	9,656.8
Trade, other payables and payables to policyholders	10,285.4	2,565.4	12,850.8
Others	4,184.2	997.9	5,182.1
	<b>41,124.3</b>	<b>49,289.7</b>	<b>90,414.0</b>
Represented by			
Non-current liabilities	27,906.0	16,651.3	44,557.3
Current liabilities	13,218.3	32,638.4	45,856.7
	<b>41,124.3</b>	<b>49,289.7</b>	<b>90,414.0</b>
<b>Net current assets/(liabilities)</b> (note 2)	<b>8,235.7</b>	<b>(14,158.2)</b>	<b>(5,922.5)</b>

## 5. 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	Roads	Aviation	Construction	Environment	Logistics	Facilities Management	Transport	Strategic Investments	Total	
For the six months ended 31 December 2018										
Total revenue	1,288.5	161.6	8,818.7	-	-	2,095.6	1,825.5	-	14,189.9	
Inter-segment	-	-	-	-	-	(1.9)	-	-	(1.9)	
Revenue - external	1,288.5	161.6	8,818.7	-	-	2,093.7	1,825.5	-	14,188.0	
Revenue from contracts with customers:										
Recognized at a point in time	1,288.5	161.6	-	-	-	1,391.6	1,732.1	-	4,573.8	
Recognized over time	-	-	8,818.7	-	-	702.1	93.4	-	9,614.2	
	1,288.5	161.6	8,818.7	-	-	2,093.7	1,825.5	-	14,188.0	
Attributable operating profit										
Company and subsidiaries	515.7	44.0	415.5	15.6	-	27.4	(26.0)	(48.1)	944.1	
Associated companies	92.4	-	238.2	376.5	71.7	(183.9)	-	9.6	604.5	(b)
Joint ventures	340.4	187.8	1.7	57.5	266.8	9.7	-	19.4	883.3	(b)
	948.5	231.8	655.4	449.6	338.5	(146.8)	(26.0)	(19.1)	2,431.9	
Reconciliation - corporate office and non-operating items										
Gain on fair value of investment properties									33.7	
Net gain on disposal of projects, net of tax									180.8	
Net gain on fair value of derivative financial instruments									2.8	
Net exchange gain									3.8	
Interest income									20.9	
Finance costs									(172.6)	
Expenses and others									(227.0)	
Profit attributable to shareholders									2,274.3	

## 5. 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	Roads	Aviation	Construction	Environment	Logistics	Facilities Management	Transport	Strategic Investments	Segment Total	Corporate	Consolidated
For the six months ended 31 December 2018											
Depreciation of property, plant and equipment	13.5	-	25.6	-	-	52.9	191.1	-	283.1	3.0	286.1
Amortization of intangible concession rights	416.3	-	-	-	-	-	-	-	416.3	-	416.3
Amortization of intangible assets	-	-	-	-	-	15.6	0.9	-	16.5	-	16.5
Interest income	(22.1)	(1.0)	(9.8)	(29.8)	-	(28.5)	(0.5)	(24.4)	(116.1)	(20.9)	(137.0)
Finance costs	-	-	32.3	-	-	0.4	5.4	-	38.1	172.6	210.7
Income tax expenses	220.5	2.9	81.3	9.9	0.1	26.8	10.4	0.8	352.7	0.8	353.5
Net loss on fair value of financial assets at FVPL	-	-	-	-	-	-	-	109.2	109.2	-	109.2
Additions to non-current assets (remark)	28.2	-	7.0	-	-	50.6	340.4	-	426.2	3.7	429.9
At 30 June 2019											
Company and subsidiaries	11,199.8	6,592.0	7,616.4	177.2	-	4,481.2	5,864.5	5,873.8	41,804.9	16,062.7	57,867.6
Associated companies	2,573.1	-	2,029.0	5,173.1	1,663.6	1,029.7	-	2,080.4	14,548.9	3.4	14,552.3
Joint ventures	4,621.6	1,612.5	0.1	3,007.9	2,959.1	5.4	-	1,424.5	13,631.1	14.0	13,645.1
Total assets	18,394.5	8,204.5	9,645.5	8,358.2	4,622.7	5,516.3	5,864.5	9,378.7	69,984.9	16,080.1	86,065.0
Total liabilities	2,194.4	2.2	8,651.9	55.0	0.3	1,212.2	1,730.6	18.9	13,865.5	14,952.9	28,818.4

- (b) Reconciliation of attributable operating profit from associated companies and joint ventures to the condensed consolidated income statement:

HK\$m	Associated companies		Joint ventures	
	For the six months ended 31 December		For the six months ended 31 December	
	2019	2018	2019	2018
Attributable operating profit	<b>328.8</b>	604.5	<b>922.6</b>	883.3
Corporate and non-operating items	<b>(55.2)</b>	(8.3)	<b>(4.3)</b>	16.6
Share of results of associated companies and joint ventures	<b>273.6</b>	596.2	<b>918.3</b>	899.9

## 5. Revenue and segment information (continued)

(c) Information by geographical areas:

HK\$m	Revenue		Non-current assets (remark)	
	For the six months ended 31 December		At 31 December	At 30 June
	2019	2018	2019	2019
Hong Kong	<b>11,533.5</b>	12,365.8	<b>15,676.0</b>	7,686.7
Mainland China	<b>1,458.7</b>	1,331.4	<b>14,752.4</b>	10,166.4
Global and others	<b>223.3</b>	490.8	<b>32.3</b>	66.3
	<b>13,215.5</b>	14,188.0	<b>30,460.7</b>	17,919.4

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.

The Group's share of revenue of associated companies and joint ventures are as follows:

HK\$m	Associated companies		Joint ventures	
	For the six months ended 31 December		For the six months ended 31 December	
	2019	2018	2019	2018
Hong Kong	<b>1,857.2</b>	1,570.2	<b>374.8</b>	363.9
Mainland China	<b>969.6</b>	1,053.6	<b>4,333.4</b>	4,424.4
Global and others	<b>647.0</b>	660.6	<b>2,711.7</b>	2,622.9
	<b>3,473.8</b>	3,284.4	<b>7,419.9</b>	7,411.2

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.

## 6. Cost of sales

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

	Note	For the six months ended 31 December	
		2019 HK\$m	2018 HK\$m
Cost of inventories sold		853.4	1,188.4
Cost of services rendered		8,887.5	11,401.8
Claims and benefits, net of reinsurance	(a)	1,500.5	–
Amortization of VOBA	15	54.6	–
		<b>11,296.0</b>	12,590.2

(a) Details of claims and benefits, net of reinsurance is shown below:

	For the six months ended 31 December	
	2019 HK\$m	2018 HK\$m
Claims	152.7	–
Reinsurers' and coinsurers' share of claims	(96.8)	–
Claims, net of reinsurers' and coinsurers' share	55.9	–
Surrenders, annuities and maturities	266.9	–
Reinsurers' and coinsurers' share	(13.2)	–
	253.7	–
Policyholders' dividends and interests	69.1	–
Incentives to policyholders	28.9	–
Increase in insurance contract liabilities	1,092.9	–
Total claims and benefits, net of reinsurance	<b>1,500.5</b>	–

The accounting policy of claims and benefits is detailed in note 3(b)(x).

## 7. Other income/gains (net)

	For the six months ended	
	31 December	
	2019	2018
	HK\$m	HK\$m
Gain associated with investments related to unit-linked contracts	435.3	–
Net gain/(loss) on fair value of financial assets at FVPL	121.6	(109.2)
Net gain on fair value of derivative financial instruments	81.8	–
Profit on disposal of subsidiaries	–	140.1
Profit on disposal of assets held-for-sale	–	67.6
Profit on disposal of financial assets at FVPL	–	60.4
Gain on fair value of investment properties	–	33.7
Interest income		
Financial assets at FVOCI (debt instruments)	182.6	–
Bank deposits and others	216.4	137.0
Dividend income	85.1	64.1
Other income	72.9	145.3
Net exchange (loss)/gain	(56.2)	14.1
Impairment loss on other receivables	–	(22.2)
Charges related to unit-linked contracts	(430.9)	–
Loss on disposal/partial disposal of interests in associated companies	(77.5)	(54.2)
	<b>631.1</b>	476.7

## 8. Operating profit

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

	Note	For the six months ended 31 December	
		2019 HK\$m	2018 HK\$m
<b>Crediting</b>			
Gross rental income from investment properties		29.4	31.2
Less: outgoings		(6.6)	(7.2)
		22.8	24.0
<b>Charging</b>			
Depreciation of property, plant and equipment	12	304.4	286.1
Depreciation of right-of-use assets		153.3	–
Amortization of intangible concession rights	13	464.0	416.3
Amortization of intangible assets	14	23.2	16.5
Agency commission and allowances, net of change in deferred acquisition costs	3(b)(vi), (xi)	199.6	–
Expenses on short-term leases		59.5	–
Expenses on variable lease payments		59.5	–
Operating lease rental expenses – properties		–	133.2

## 9. Income tax expenses

Hong Kong profits tax is provided at the rate of 16.5% (2018: 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 25% (2018: 12% to 25%). Withholding tax on dividends is mainly provided at the rate of 5% or 10% (2018: 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 charged to the condensed consolidated income statement represents:

	<b>For the six months ended</b>	
	<b>31 December</b>	
	<b>2019</b>	2018
	<b>HK\$m</b>	HK\$m
Current income tax		
Hong Kong profits tax	<b>146.3</b>	121.0
Mainland China and overseas taxation	<b>283.5</b>	289.6
Deferred income tax credit	<b>(55.3)</b>	(57.1)
	<b>374.5</b>	353.5

Share of taxation of associated companies and joint ventures of HK\$76.4 million (2018: HK\$73.8 million) and HK\$208.6 million (2018: HK\$206.1 million) respectively are included in the condensed consolidated income statement as share of results of associated companies and joint ventures respectively.

Dividends withholding tax of HK\$53.3 million (2018: HK\$57.3 million) is included in the above income tax charge.

## 10. Earnings per share

The calculation of basic earnings per share for the Current Period is based on earnings of HK\$1,513.8 million (2018: HK\$2,274.3 million), being profit attributable to shareholders of the Company, and on the weighted average of 3,911,137,849 (2018: 3,898,457,613) ordinary shares outstanding during the Current Period.

The share options of the Company had an anti-dilutive effect on the basic earnings per share for the Current Period and were ignored in the calculation of diluted earnings per share.

The calculation of diluted earnings per share for the Last Period was as follows:

	For the six months ended 31 December 2018 HK\$m
Profit attributable to shareholders of the Company and for calculation of diluted earnings per share	2,274.3
	Number of shares
	For the six months ended 31 December 2018
Weighted average number of shares for calculating basic earnings per share	3,898,457,613
Effect of dilutive potential ordinary shares	
Share options	2,246,547
Weighted average number of shares for calculating diluted earnings per share	3,900,704,160

## 11. Investment properties

HK\$m	Commercial properties in Hong Kong	Commercial properties in Macau	Residential properties in Mainland China	Total
At 1 July 2019	1,681.0	31.6	13.9	1,726.5
Translation differences	–	–	(0.3)	(0.3)
<b>At 31 December 2019</b>	<b>1,681.0</b>	<b>31.6</b>	<b>13.6</b>	<b>1,726.2</b>

The investment properties were revalued on 31 December 2019 by independent, professionally qualified valuers, Savills Valuation and Professional Services Limited and Savills (Macau) Limited. Valuations for properties were based on market value assessment or the income approach.

## 12. Property, plant and equipment

HK\$m	Note	Land and properties	Other plant and equipment	Construction in progress	Buses, vessels and other motor vehicles	Total
<b>Cost</b>						
At 30 June 2019		1,359.6	2,499.1	142.0	3,970.9	7,971.6
Impact on initial adoption of HKFRS 16	2(b)	(211.9)	-	-	-	(211.9)
At 1 July 2019, restated		1,147.7	2,499.1	142.0	3,970.9	7,759.7
Acquisition of subsidiaries	34(b)	-	110.4	-	0.4	110.8
Additions		-	400.2	79.4	95.2	574.8
Disposals		-	(124.9)	-	(20.0)	(144.9)
Transfers		-	-	(4.2)	4.2	-
Translation differences		-	(4.1)	-	-	(4.1)
<b>At 31 December 2019</b>		<b>1,147.7</b>	<b>2,880.7</b>	<b>217.2</b>	<b>4,050.7</b>	<b>8,296.3</b>
<b>Accumulated depreciation and impairment</b>						
At 30 June 2019		175.5	1,612.7	-	770.0	2,558.2
Impact on initial adoption of HKFRS 16	2(b)	(27.0)	-	-	-	(27.0)
At 1 July 2019, restated		148.5	1,612.7	-	770.0	2,531.2
Depreciation	8	22.9	115.4	-	166.1	304.4
Disposals		-	(95.0)	-	(19.0)	(114.0)
Translation differences		-	(2.3)	-	-	(2.3)
<b>At 31 December 2019</b>		<b>171.4</b>	<b>1,630.8</b>	<b>-</b>	<b>917.1</b>	<b>2,719.3</b>
<b>Net book value</b>						
<b>At 31 December 2019</b>		<b>976.3</b>	<b>1,249.9</b>	<b>217.2</b>	<b>3,133.6</b>	<b>5,577.0</b>
At 30 June 2019		1,184.1	886.4	142.0	3,200.9	5,413.4

### 13. Intangible concession rights

	Note	HK\$m
<b>Cost</b>		
At 30 June 2019 and 1 July 2019		18,153.1
Additions		5,171.5
Disposals		(233.2)
Translation differences		(493.6)
<b>At 31 December 2019</b>		<b>22,597.8</b>
<b>Accumulated amortization and impairment</b>		
At 30 June 2019 and 1 July 2019		8,092.3
Amortization	8	464.0
Disposals		(203.2)
Translation differences		(178.0)
<b>At 31 December 2019</b>		<b>8,175.1</b>
<b>Net book value</b>		
<b>At 31 December 2019</b>		<b>14,422.7</b>
At 30 June 2019		10,060.8

### 14. Intangible assets

HK\$m	Note	Goodwill	Operating right and others	Total
<b>Cost</b>				
At 30 June 2019 and 1 July 2019		422.0	636.4	1,058.4
Acquisition of subsidiaries	34(b)	5,859.3	90.5	5,949.8
Additions		–	27.4	27.4
Disposals		(6.5)	–	(6.5)
<b>At 31 December 2019</b>		<b>6,274.8</b>	<b>754.3</b>	<b>7,029.1</b>
<b>Accumulated amortization and impairment</b>				
At 30 June 2019 and 1 July 2019		15.4	324.3	339.7
Amortization	8	–	23.2	23.2
<b>At 31 December 2019</b>		<b>15.4</b>	<b>347.5</b>	<b>362.9</b>
<b>Net book value</b>				
<b>At 31 December 2019</b>		<b>6,259.4</b>	<b>406.8</b>	<b>6,666.2</b>
At 30 June 2019		406.6	312.1	718.7

## 15. Value of business acquired

	Note	HK\$m
At 1 July 2019		–
Acquisition of subsidiaries	34(b)	5,825.0
Amortization	6	(54.6)
<b>At 31 December 2019</b>		<b>5,770.4</b>

The nature and measurement of value of business acquired are detailed in note 3(b)(v).

## 16. Deferred acquisition costs

	HK\$m
At 1 July 2019	–
Additions of new business	311.9
Amortization	(51.7)
<b>At 31 December 2019</b>	<b>260.2</b>

The nature and measurement of deferred acquisition costs is detailed in note 3(b)(vi).

## 17. Associated companies

	Note	At 31 December 2019 HK\$m	At 30 June 2019 HK\$m
Group's share of net assets			
Listed shares – Hong Kong	(a)	<b>2,566.8</b>	2,627.4
Listed shares – overseas	(a)	<b>834.1</b>	850.6
Unlisted shares	(b),(c),2(a)	<b>8,681.3</b>	7,810.0
		<b>12,082.2</b>	11,288.0
Goodwill		<b>533.5</b>	591.8
Amounts receivable			
Gross amount		<b>2,564.5</b>	2,672.5
Less: expected credit loss provision	2(a)	<b>(1,092.3)</b>	–
	(d)	<b>14,087.9</b>	14,552.3

- (a) As at 31 December 2019, the carrying amount represents the Group's investments in Wai Kee Holdings Limited, Shougang Concord International Enterprises Company Limited and Tharisa plc. The share of market value of the Group's listed associated companies amounts to HK\$2,273.4 million (30 June 2019: HK\$2,152.6 million).
- (b) As at 31 December 2019, the Group has provided a pledge over its 30% equity interest in an associated company which owns and operates the Suiyuenan Expressway with carrying amount of approximately HK\$1,449.1 million as security for a bank loan made by that associated company.
- (c) As at 31 December 2019, the carrying amount mainly represents the Group's investments in various infrastructure, ports, healthcare, strategic investments and other projects.
- (d) Management regularly reviews whether there are any indications of impairment of the Group's investments in associated companies. Management is of the view that provision for impairment of the Group's investments in associated companies as at 31 December 2019 is adequate.

## 18. Joint ventures

	Note	At 31 December 2019 HK\$m	At 30 June 2019 HK\$m
<b>Co-operative joint ventures</b>			
Cost of investment less provision		<b>1,310.3</b>	1,392.4
Goodwill		<b>86.2</b>	86.2
Share of undistributed post-acquisition results		<b>1,951.8</b>	1,980.7
Amounts receivable		<b>17.1</b>	12.8
		<b>3,365.4</b>	3,472.1
<b>Equity joint ventures</b>			
Group's share of net assets		<b>3,987.8</b>	4,099.7
Goodwill		<b>87.2</b>	87.2
		<b>4,075.0</b>	4,186.9
<b>Companies limited by shares</b>			
Group's share of net assets	2(a)	<b>4,417.5</b>	3,342.2
Goodwill		<b>180.2</b>	180.2
Amounts receivable			
Gross amount		<b>2,810.3</b>	2,688.3
Less: expected credit loss provision	2(a)	<b>(1,318.6)</b>	–
Amounts payable		<b>–</b>	(224.6)
		<b>6,089.4</b>	5,986.1
		<b>13,529.8</b>	13,645.1

As at 31 December 2019, the carrying amount mainly represents the Group's investments in various infrastructure, logistics, commercial aircraft leasing and other projects. Management is of the view that provision for impairment of the Group's investment in joint ventures as at 31 December 2019 is adequate.

## 19. Financial assets at fair value through other comprehensive income

	At 31 December 2019 HK\$m	At 30 June 2019 HK\$m
Equity securities		
Listed in Hong Kong	3,032.6	1,805.3
Unlisted	292.8	319.8
	<b>3,325.4</b>	2,125.1
Debt securities		
Listed	31,107.3	–
Unlisted	3,158.7	–
	<b>34,266.0</b>	–
	<b>37,591.4</b>	2,125.1
Represented by		
Non-current assets	36,020.4	2,125.1
Current assets	1,571.0	–
	<b>37,591.4</b>	2,125.1

## 20. Financial assets at fair value through profit or loss

	At 31 December 2019 HK\$m	At 30 June 2019 HK\$m
Equity securities		
Listed in Hong Kong	58.7	–
Unlisted	423.3	428.0
	<b>482.0</b>	428.0
Unlisted debt securities	2,030.3	1,629.1
Investment funds		
Listed	2,516.3	–
Unlisted	3,173.1	2,243.0
	<b>5,689.4</b>	2,243.0
	<b>8,201.7</b>	4,300.1
Represented by		
Non-current assets	7,274.1	4,300.0
Current assets	927.6	0.1
	<b>8,201.7</b>	4,300.1

Financial assets at FVPL related to unit-linked contracts are detailed in note 22(a).

## 21. Trade, premium and other receivables

	Note	At 31 December 2019 HK\$m	At 30 June 2019 HK\$m
Trade receivables	(a)	1,457.2	1,971.1
Premium receivables		296.2	–
Other receivables, deposits and prepayments	(b)	4,678.5	4,077.3
Retention money receivables		1,583.2	1,681.2
Contract assets		201.4	45.7
Derivative financial instruments		15.8	5.6
Amounts due from associated companies		115.8	37.7
Amounts due from joint ventures		6,765.7	6,179.0
		<b>15,113.8</b>	13,997.6

(a) The ageing analysis of trade receivables based on invoice date is as follows:

	At 31 December 2019 HK\$m	At 30 June 2019 HK\$m
Under 3 months	1,309.1	1,673.4
4 to 6 months	33.4	1.6
Over 6 months	114.7	296.1
	<b>1,457.2</b>	1,971.1

The Group has various credit policies for different business operations depending on the requirements of the markets and businesses in which the subsidiaries operate. Retention money receivables in respect of construction services are settled in accordance with the terms of respective contracts.

(b) The balance includes construction related receivables amounting to HK\$3,075.4 million (30 June 2019: HK\$2,901.1 million) which have not yet been billed at period/year end.

## 22. Investments/liabilities related to unit-linked contracts

(a) Investments related to unit-linked contracts are analyzed as follows:

	At 31 December 2019 HK\$m	At 30 June 2019 HK\$m
Financial assets at FVPL – Investment funds, at fair value	9,434.6	–
Cash and bank balances	60.6	–
	<b>9,495.2</b>	–

The classification and measurement of financial assets at FVPL related to unit-linked contracts are in accordance with HKFRS 9.

(b) Liabilities related to unit-linked contracts are analyzed as follows:

	At 31 December 2019 HK\$m	At 30 June 2019 HK\$m
Insurance contract liabilities	689.5	–
Investment contract liabilities	8,967.3	–
	<b>9,656.8</b>	–
Represented by		
Non-current liabilities	161.6	–
Current liabilities	9,495.2	–
	<b>9,656.8</b>	–

The classification and measurement of insurance contract liabilities and investment contract liabilities related to unit-linked contracts are detailed in notes 3(b)(ii) and 3(b)(iii), respectively.

## 23. Share capital

	Ordinary shares	
	No. of shares	HK\$m
<b>Authorized</b>		
At 1 July 2019 and 31 December 2019	6,000,000,000	6,000.0
<b>Issued and fully paid</b>		
At 1 July 2019 and 31 December 2019	3,911,137,849	3,911.1

### Share Option Scheme

The share option scheme of the Company (the "Share Option Scheme"), which was adopted on 21 November 2011, is valid and effective for a period of ten years from the date of adoption. The Board may, at their discretion, grant options to any eligible participant as defined under the Share Option Scheme to subscribe for the shares of the Company. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the share capital of the Company in issue as at 21 November 2011, i.e. 3,388,900,598 shares.

Movement in the number of share options during the Current Period is as follows:

	Number of share options
At 1 July 2019	26,047,602
Lapsed	(1,432)
<b>At 31 December 2019</b>	<b>26,046,170</b>

On 9 March 2015, 55,470,000 share options were granted to directors and certain eligible participants at the exercise price of HK\$14.16 per share, which represents the average closing price of the Company's shares in the daily quotations sheets of the Hong Kong Stock Exchange for the five consecutive trading days immediately preceding 9 March 2015. Such share options will expire on 8 March 2020.

Pursuant to the Share Option Scheme, the number of unexercised share options and the exercise price may be subject to adjustment in case of alteration in the capital structure of the Company. Due to the distribution of dividends of the Company in scrip form in prior years, several adjustments had been made to the number and the exercise price of outstanding share options in accordance with the Share Option Scheme in prior years. With effect from 15 May 2017, the exercise price per share of the share options granted was adjusted to HK\$14.12.

The share options were vested according to the Share Option Scheme and the terms of grant provided that for the vesting to occur the grantee has to remain as an eligible participant on such vesting date. All share options outstanding as at 30 June 2019 and 31 December 2019 are fully vested.

## 24. Reserves

HK\$m	Note	Share premium	Special reserves	Cash flow hedge reserve	FVOCI reserve (non-recycling)	FVOCI reserve (recycling)	Exchange reserve	Revenue reserve	Total
At 30 June 2019		17,821.5	784.5	(421.5)	(704.7)	-	(635.6)	28,290.7	45,134.9
Impact on initial adoption of HKFRS 16	2(b)	-	-	-	-	-	-	(106.6)	(106.6)
At 1 July 2019, restated		17,821.5	784.5	(421.5)	(704.7)	-	(635.6)	28,184.1	45,028.3
Profit attributable to shareholders of the Company		-	-	-	-	-	-	1,513.8	1,513.8
Dividend paid to shareholders of the Company	30	-	-	-	-	-	-	(1,134.2)	(1,134.2)
Release of reserves upon disposal/partial disposal of interests in associated companies		-	(8.5)	-	-	-	(6.0)	-	(14.5)
Net fair value changes on financial assets at FVOCI (equity instruments)		-	-	-	(154.6)	-	-	-	(154.6)
Group		-	-	-	(4.6)	-	-	-	(4.6)
Associated company		-	-	-	21.5	-	-	-	21.5
Joint venture		-	-	-	666.1	-	-	(666.1)	-
Release of reserve upon disposal of financial assets at FVOCI (equity instruments)		-	-	-	-	(422.7)	-	-	(422.7)
Net fair value changes on financial assets at FVOCI (debt instruments)		-	-	-	-	137.8	-	-	137.8
Amount reported in other comprehensive income applying overlay approach adjustments on financial assets		-	-	-	-	-	-	-	-
Currency translation differences		-	-	-	-	-	(357.0)	-	(357.0)
Group		-	-	-	-	-	(188.7)	-	(188.7)
Associated companies		-	-	-	-	-	(243.9)	-	(243.9)
Joint ventures		-	0.8	-	-	-	-	-	0.8
Share of other comprehensive income of associated companies and joint ventures		-	-	-	-	-	-	-	-
Cash flow hedges		-	-	(123.6)	-	-	-	-	(123.6)
Group		-	-	61.1	-	-	-	-	61.1
Joint venture		-	-	-	-	-	-	(3.6)	(3.6)
Remeasurement of post-employment benefit obligation		-	-	-	-	-	-	(22.2)	(22.2)
Transaction costs in relation to the issuance of perpetual capital securities		-	-	-	-	-	-	-	-
<b>At 31 December 2019</b>		<b>17,821.5</b>	<b>776.8</b>	<b>(484.0)</b>	<b>(176.3)</b>	<b>(284.9)</b>	<b>(1,431.2)</b>	<b>27,871.8</b>	<b>44,093.7</b>

## 24. Reserves (continued)

Special reserves include statutory reserves which are created in accordance with the relevant laws of the PRC and/or terms of the joint venture agreements for subsidiaries and joint ventures established in Mainland China and are required to be retained in the financial statements of these subsidiaries and joint ventures for specific purposes. Special reserves also include capital redemption reserve, share option reserve and property revaluation reserve. Cash flow hedge reserve is arising from foreign exchange forward, interest rate swaps, cross currency swaps and fuel price swaps.

## 25. Perpetual capital securities

In January 2019, the Group issued US\$1.0 billion 5.75% senior perpetual capital securities of which US\$800.0 million was issued at a price of 100% of the principal amount and US\$200.0 million were issued at a price of 100.4% of the principal amount. In July 2019, the Group further issued US\$300.0 million 5.75% senior perpetual capital securities at a price of 104% of the principal amount which was consolidated and formed a single series with the original issue in January 2019. The proceeds of the capital securities are for general corporate purpose and the capital securities are listed on Hong Kong Stock Exchange. The senior perpetual capital securities have no maturity date and the Group has the right to redeem the securities from the holders and the payments of distribution can be deferred at the discretion of the Group. The securities are classified as equity in the condensed consolidated financial statements of the Group.

## 26. Borrowings and other interest bearing liabilities

	At 31 December 2019 HK\$m	At 30 June 2019 HK\$m
Non-current		
Unsecured long-term bank loans	19,377.0	7,663.4
Unsecured fixed rate bonds	6,985.4	5,002.4
Financing received under a financial reinsurance arrangement	280.5	–
Unsecured other borrowings	0.2	0.3
	<b>26,643.1</b>	12,666.1
Current		
Current portion of unsecured long-term bank loans	1,938.9	2,403.2
Unsecured short-term bank loans	333.4	–
Financing received under a financial reinsurance arrangement	88.3	–
Cash collateral received for cross currency swap and forward starting interest rate swap agreements	1,004.8	–
Unsecured other borrowings	0.1	0.1
	<b>3,365.5</b>	2,403.3
	<b>30,008.6</b>	15,069.4

## 27. Insurance and investment contract liabilities

	Note	At 31 December 2019 HK\$m	At 30 June 2019 HK\$m
Insurance contract liabilities	(b)	32,710.3	–
Investment contract liabilities		5.4	–
	(a)	32,715.7	–
Represented by			
Non-current liabilities		13,424.7	–
Current liabilities		19,291.0	–
		32,715.7	–

(a) The maturity profile of insurance and investment contract liabilities is stated as below:

	Note	At 31 December 2019 HK\$m	At 30 June 2019 HK\$m
Payable within one year		4,718.5	–
Payable after one year		27,997.2	–
	4(a)(ii)	32,715.7	–

Insurance and investment contract liabilities related to unit-linked contracts are detailed in note 22(b).

**27. Insurance and investment contract liabilities (continued)**

(b) Insurance contract liabilities are comprised of:

	Note	At 31 December 2019 HK\$m	At 30 June 2019 HK\$m
Liabilities for guaranteed benefits		29,152.2	–
Liabilities for coinsurance payments		246.0	–
Provision for annual dividends		73.6	–
Insurance contract liabilities	4(d)	29,471.8	–
Policyholders' dividends and bonuses		3,238.5	–
Total insurance contract liabilities		32,710.3	–

**28. Trade, other payables and payables to policyholders**

	Note	At 31 December 2019 HK\$m	At 30 June 2019 HK\$m
Trade payables	(a)	458.3	933.7
Payables to policyholders	29	1,484.1	–
Other payables and accruals	(b)	8,477.4	7,171.4
Retention money payables		1,398.0	1,161.0
Contract liabilities		797.3	1,337.3
Amounts due to non-controlling interests		156.3	149.9
Derivative financial instruments		16.7	23.8
Amounts due to associated companies		6.0	64.7
Amounts due to joint ventures		56.7	0.8
		12,850.8	10,842.6

**28. Trade, other payables and payables to policyholders (continued)**

(a) The ageing analysis of trade payables based on invoice date is as follows:

	<b>At 31 December 2019 HK\$m</b>	At 30 June 2019 HK\$m
Under 3 months	419.2	866.1
4 to 6 months	–	7.3
Over 6 months	39.1	60.3
	<b>458.3</b>	933.7

(b) The balance includes construction related accruals and provisions amounting to HK\$4,934.2 million (30 June 2019: HK\$4,780.5 million).

**29. Payables to policyholders**

	<b>At 31 December 2019 HK\$m</b>	At 30 June 2019 HK\$m
Claims payable	237.4	–
Premium deposits	1,107.5	–
Other payables	139.2	–
	<b>1,484.1</b>	–

### 30. Dividend

A final dividend of HK\$1,134.2 million (2018: final dividend of HK\$1,794.7 million) that related to FY2019 was paid in December 2019.

On 28 February 2020, the Board resolved to declare an interim dividend of HK\$0.29 per share (2018: paid of HK\$0.29 per share) for FY2020, payable on or about 15 April 2020 to the shareholders whose names appear on the register of members of the Company on 25 March 2020. This interim dividend, amounting to HK\$1,134.2 million (2018: HK\$1,132.6 million), has not been recognized as liability in this interim financial information. It will be recognized in shareholders' equity in FY2020.

### 31. Commitments

(a) The outstanding commitments for capital expenditure are as follows:

	Note	At 31 December 2019 HK\$m	At 30 June 2019 HK\$m
Contracted but not provided for			
Intangible concession rights		69.5	62.5
Property, plant and equipment		233.0	347.0
Right-of-use assets		126.4	–
Acquisition of subsidiaries	(i)	–	18,380.0
Capital contributions to associated companies and joint ventures	(ii)	588.9	873.1
Other investments		345.8	48.4
		<b>1,363.6</b>	19,711.0

- (i) The completion of the acquisition of FTLife Insurance took place on 1 November 2019.
- (ii) The Group has committed to providing sufficient funds in the form of advances, capital and loan contributions to certain associated companies and joint ventures to finance relevant projects. The Group estimates that the share of projected funds requirements of these projects would be approximately HK\$588.9 million (30 June 2019: HK\$873.1 million) which represents the attributable portion of the capital and loan contributions to be made to the associated companies and joint ventures.

### 31. Commitments (continued)

- (b) The Group's share of commitments for capital expenditure committed by the joint ventures not included above are as follows:

	At 31 December 2019 HK\$m	At 30 June 2019 HK\$m
Contracted but not provided for Property, plant and equipment	11,736.9	11,064.0

### 32. Financial guarantee contracts

The Group's financial guarantee contracts are as follows:

	At 31 December 2019 HK\$m	At 30 June 2019 HK\$m
Guarantees for credit facilities granted to Associated companies	1,659.9	1,567.6
Joint ventures	2,145.0	2,145.0
	<b>3,804.9</b>	3,712.6

In addition, as at 31 December 2019, the Company and NWD, through their respective wholly owned subsidiaries, namely NWS Sports Development Limited ("NWS Sports") and New World Sports Development Limited ("New World Sports"), 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") of the obligations, terms, conditions and liabilities to be performed, observed and assumed by KTSPL under the contract entered into between the Hong Kong Government and KTSPL for the design, construction and operation of Kai Tak Sports Park (the "DBO Contract") and any further agreement entered into between the Hong Kong Government and KTSPL in connection with the DBO Contract. NWS Sports, the Company, New World Sports and NWD have also entered into a deed of counter-indemnity, under which the Group's guarantee towards KTSPL is up to the extent of 25% or amounts to approximately HK\$7.5 billion. KTSPL, which is held as to 25% by NWS Sports and as to 75% by New World Sports, is an associated company of the Group.

### 33. Notes to condensed consolidated statement of cash flows

Reconciliation of operating profit to net cash generated from operations:

	For the six months ended 31 December	
	2019 HK\$m	2018 HK\$m
Operating profit	<b>1,438.8</b>	1,358.8
Depreciation and amortization	<b>999.5</b>	718.9
Interest income	<b>(399.0)</b>	(137.0)
Gain on fair value of investment properties	–	(33.7)
Profit on disposal of subsidiaries	–	(140.1)
Profit on disposal of assets held-for-sale	–	(67.6)
Profit on disposal of financial assets at FVPL	–	(60.4)
Loss on disposal/partial disposal of interest in associated companies	<b>77.5</b>	54.2
Net (gain)/loss on fair value of financial assets at FVPL	<b>(121.6)</b>	109.2
Impairment loss on other receivables	–	22.2
Dividend income from financial assets at FVOCI and financial assets at FVPL	<b>(85.1)</b>	(64.1)
Gain associated with investments related to unit-linked contracts	<b>(435.3)</b>	–
Net exchange loss	<b>10.2</b>	9.1
Overlay approach adjustments on financial assets	<b>137.8</b>	–
Other non-cash items	<b>5.1</b>	(22.3)
Operating profit before working capital changes	<b>1,627.9</b>	1,747.2
Decrease in security deposits	<b>447.9</b>	19.6
Decrease/(increase) in inventories	<b>106.6</b>	(20.3)
Decrease in trade, premium and other receivables	<b>363.3</b>	569.1
Decrease in trade, other payables and payables to policyholders	<b>(495.6)</b>	(375.2)
Changes in balances with associated companies and joint ventures	<b>(145.1)</b>	(33.7)
Increase/(decrease) in amounts due to non-controlling interests	<b>8.5</b>	(33.5)
Increase in deferred acquisition costs	<b>(260.2)</b>	–
Increase in insurance and investment contract liabilities	<b>1,172.3</b>	–
Increase in liabilities related to unit-linked contracts	<b>326.0</b>	–
Purchases of financial assets at FVPL associated with investments related to unit-linked contracts	<b>(1,061.7)</b>	–
Disposal of financial assets at FVPL associated with investments related to unit-linked contracts	<b>1,212.7</b>	–
Others	<b>(11.8)</b>	(11.7)
Net cash generated from operations	<b>3,290.8</b>	1,861.5

## 34. Business combination

### Acquisition of subsidiaries

- (a) In December 2018, Earning Star Limited, an indirect wholly owned subsidiary of the Company, entered into a share purchase agreement to acquire the entire issued share capital of FTLife Insurance at a total consideration of HK\$21,812.2 million (after adjustments) of which deposits in an aggregate amount of HK\$3,120 million were paid during FY2019. FTLife Insurance is a life insurance company operating in Hong Kong providing a broad range of protection and savings-related life and medical insurance products. The acquisition was completed in November 2019 and FTLife Insurance became an indirect wholly owned subsidiary of the Company since then.
- (b) The fair value of assets acquired and liabilities assumed based on provisional assessment and the resulting goodwill at the date of acquisition are as follows:

	HK\$m
Consideration (after adjustments)	
Cash	18,692.2
Deposits paid in prior period	3,120.0
	<b>21,812.2</b>

	Provisional fair value HK\$m
Property, plant and equipment	110.8
Intangible assets	90.5
Value of business acquired	5,825.0
Right-of-use assets	557.5
Financial assets at FVOCI	33,569.5
Financial assets at FVPL	2,803.6
Other non-current assets	1,982.7
Trade, premium and other receivables	1,125.9
Investments related to unit-linked contracts	9,168.3
Cash, bank balances and pledged deposits	8,586.8
Borrowings and other interest-bearing liabilities	(3,548.8)
Deferred tax liabilities	(299.0)
Insurance and investment contract liabilities	(31,543.4)
Liabilities related to unit-linked contracts	(9,330.8)
Lease liabilities	(559.8)
Other non-current liabilities	(86.6)
Trade, other payables and payables to policyholders	(2,418.4)
Taxation	(80.9)
Identifiable assets acquired and liabilities assumed	15,952.9
Goodwill on acquisition	5,859.3
	<b>21,812.2</b>

**34. Business combination (continued)****Acquisition of subsidiaries (continued)****(b)** (continued)

	HK\$m
Purchase consideration settled in cash in the Current Period	<b>18,692.2</b>
Less: cash and cash equivalents of the subsidiaries acquired	
Cash and bank balances	<b>(8,576.8)</b>
Cash and bank balances attributable to investments related to unit-linked contracts	<b>(17.7)</b>
<b>Net cash outflow on acquisition in the Current Period</b>	<b>10,097.7</b>

- (c)** A provisional goodwill of HK\$5,859.3 million arising from the acquisition is attributable mainly to the benefit of talents and experience of the management and workforce of the acquired insurance business and integration of the Group's existing premium products and services into the attractive insurance sector.
- (d)** The measurement of goodwill, identifiable assets acquired and liabilities assumed at the acquisition date will be subject to finalization within one year from the acquisition date in accordance with HKFRS 3. Any adjustment to the provisional amount, if necessary, will be reflected in the upcoming consolidated financial statements of the Group.
- (e)** For the purpose of disclosing the revenue and results of the combined entity for the current reporting period as if the acquisition occurred at the beginning of the current reporting period, it is considered impracticable to quantify the impact as the valuation of certain balances including insurance contract liabilities and value of business acquired is based on assumptions made on the acquisition date which are not applicable to that of the beginning of the current reporting period. As a result, the information is considered not being a fair indicator to illustrate the full period financial impact of FTLife Insurance could have been contributed to the Group.
- (f)** Up to 31 December 2019, acquisition-related costs of HK\$155.8 million was incurred, in which HK\$7.0 million are recognized as general and administrative expenses in the condensed consolidated income statement for the Current Period and the remaining HK\$148.8 million was recognized in FY2019.

### 35. Related party transactions

- (a) Except for those disclosed, the following is a summary of significant related party transactions during the Current Period carried out in the normal course of the Group's business:

	Note	For the six months ended 31 December	
		2019 HK\$m	2018 HK\$m
<b>Transactions with affiliated companies</b>			
Provision of construction work services	(i)		
Provision of other services	(ii)	0.5	7.0
Interest income	(iii)	0.3	0.5
Management fee income	(iv)	75.9	64.4
Lease payments and other related expenses	(v)	2.2	2.5
Other expenses	(vi)	(0.8)	(4.5)
	(vii)	(70.2)	(126.5)
<b>Transactions with other related parties</b>			
Provision of construction work services	(i)		
Provision of other services	(ii)	909.2	580.0
Interest income	(iii)	21.5	22.3
Lease payments and other related expenses	(iv)	1.5	–
Mechanical and electrical engineering services	(v)	(16.4)	(15.2)
Other expenses	(vi)	(219.0)	(534.7)
	(vii)	(60.5)	(71.6)

- (i) Affiliated companies include associated companies and joint ventures of the Group. Related parties are subsidiaries, associated companies and joint ventures of NWD and Chow Tai Fook Enterprises Limited (“CTF Enterprises”) as well as Mr Doo Wai Hoi, William (“Mr Doo”) and his associates which are not companies within the Group. NWD is the ultimate holding company of the Company and CTF Enterprises is a substantial shareholder of NWD. Mr Doo is a Vice-chairman and a non-executive director of NWD and is the father of Mr William Junior Guilherme Doo, a non-executive director of the Company.
- (ii) Revenue from the provision of construction work services was charged in accordance with the relevant contracts. Revenue from provision of construction work services to KTSPL, which is both a subsidiary of NWD and an associated company of the Group, was presented under “Transactions with other related parties” only.
- (iii) The Group provided various kinds of services including facilities management, property management and other services to certain affiliated companies and related parties. The services were provided and charged in accordance with the relevant contracts.
- (iv) Interest income was charged at relevant interest rates on the outstanding balances due from the affiliated companies or relevant yield on investments in debt securities.
- (v) Management fee was charged at rates in accordance with the relevant contracts.
- (vi) Lease payments and other related expenses were charged at rates in accordance with the respective tenancy agreements.
- (vii) Mechanical and electrical engineering services were charged in accordance with the relevant contracts.
- (viii) Other expenses include purchase of construction materials, laundry, security and guarding, landscaping, cleaning, property management and other services. The services were charged in accordance with the relevant contracts.

### 35. Related party transactions (continued)

#### (b) Key management compensation

The aggregate amounts of emoluments of the directors of the Company are as follows:

	For the six months ended	
	31 December	
	2019 HK\$m	2018 HK\$m
Remuneration	38.1	50.8

- (c) The total amounts receivable (before expected credit loss provision) from associated companies and joint ventures are HK\$12,273.4 million (30 June 2019: HK\$11,590.3 million). These balances are unsecured, of which HK\$3,242.5 million (30 June 2019: HK\$3,147.9 million) are interest bearing. These balances also include an amount of HK\$197.5 million (30 June 2019: HK\$197.5 million) which has been subordinated to certain indebtedness of a joint venture. The total amounts payable to associated companies, joint ventures and non-controlling interests are HK\$252.8 million (30 June 2019: HK\$474.5 million). These balances are unsecured and interest free.
- (d) During the Current Period, FTLife Insurance, a wholly owned subsidiary of the Company, subscribed for senior unsubordinated and unsecured notes due 2049 in the principal amount of HK\$1,500.0 million issued by NWD (MTN) Limited (“NWD (MTN)”), a wholly owned subsidiary of NWD, as part of its investment portfolio. These notes are bearing a coupon rate of 4.89% per annum and listed on the Hong Kong Stock Exchange. As at 31 December 2019, the outstanding principal amount was HK\$1,500.0 million and fair value of these notes was HK\$1,501.7 million which was included in the condensed consolidated statement of financial position of the Group as financial assets at FVOCI.

### 36. Event subsequent to period end

With effect from 17 February 2020, toll fee exemption for vehicles travelling on all toll roads in the PRC is implemented (“Toll Fee Exemption”) until the end of the prevention and control measures taken by the PRC Government over the novel coronavirus disease, with exact timing to be announced later by the PRC Government (“Exemption Period”). The PRC Government will issue certain ancillary protective policies to safeguard the legitimate interests of various parties concerned, including investors and operators of toll roads in a coordinated manner.

Based on the information available as of the date of this report, it is expected that the overall actual financial impact of the Toll Fee Exemption on the Group’s toll road business in the PRC will be subject to the duration of the Exemption Period and related ancillary protective policies. Whilst it is expected that the Toll Fee Exemption will inevitably have an immediate impact on the results of the Roads segment of the Group, we currently do not expect that the Toll Fee Exemption will have a significant impact to the overall operations of the Group in the long term.

### 37. Comparative figures

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

# 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 34% debt and 66% equity as at 31 December 2019, compared with 21% debt and 79% equity as at 30 June 2019.

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. For our Transport segment, fuel price swap contracts are used to hedge against fuel price exposure. 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 joint ventures and associated companies have local currency project loans in place, these are naturally hedged against the investments in the same local currency of the entity concerned.

## Liquidity and capital resources

As at 31 December 2019, the Group's total cash and bank balances amounted to HK\$12,504.6 million, compared with HK\$15,058.9 million as at 30 June 2019. Cash and bank balances were mainly denominated as to 64% in Hong Kong Dollar, 22% in Renminbi and 13% in United States Dollar. The Group's net debt as at 31 December 2019 was HK\$17,504.0 million, compared with HK\$10.5 million as at 30 June 2019. The increase in net debt was mainly due to payment for the acquisition of FTLife Insurance and the concession rights of Changliu Expressway, payment of final dividend, net of the proceeds from the additional issuance of senior perpetual capital securities and dividends received. The Group's net gearing ratio (calculated as net debt over total equity) increased to 30% as at 31 December 2019 (30 June 2019: close to zero per cent.). The Group had unutilized committed banking facilities of approximately HK\$5.4 billion as at 31 December 2019.

## Debt profile and maturity

As at 31 December 2019, the Group's total debt increased to HK\$30,008.6 million from HK\$15,069.4 million as at 30 June 2019. 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\$26,643.1 million as at 31 December 2019, 8% will mature in the second year, 64% will mature in the third to fifth year and 28% will mature after the fifth year. Bank loans were mainly denominated in Hong Kong Dollar and bearing interest at floating rates while fixed rate bonds were denominated in United States Dollar. As at 31 December 2019, the Group has provided a pledge over its 30% equity interest in an associated company which owns and operates the Suiyuan Expressway as security for a bank loan made by that associated company.

## Commitments

The Group's total commitment for capital expenditures was HK\$1,363.6 million as at 31 December 2019, compared with HK\$19,711.0 million as at 30 June 2019. These comprised commitments for capital contributions to certain associated companies, joint ventures and other investments of HK\$934.7 million as well as additions of concession rights, property, plant and equipment and right-of-use assets of HK\$428.9 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\$3,804.9 million as at 31 December 2019, compared with HK\$3,712.6 million as at 30 June 2019. These comprised guarantees for banking facilities of associated companies and joint ventures.

In addition, as at 31 December 2019, the Company and NWD, through their respective wholly owned subsidiaries, namely NWS Sports and New World Sports, provided a joint and several guarantee in favour of the Hong Kong Government for the punctual, true and faithful performance and observance by KTSPL of the obligations, terms, conditions and liabilities to be performed, observed and assumed by KTSPL under the DBO Contract and any further agreement entered into between the Hong Kong Government and KTSPL in connection with the DBO Contract. NWS Sports, the Company, New World Sports and NWD have also entered into a deed of counter-indemnity, under which the Group's guarantee towards KTSPL is up to the extent of 25% or amounts to approximately HK\$7.5 billion. KTSPL, which is held as to 25% by NWS Sports and as to 75% by New World Sports, is an associated company of the Group.

## Interim Dividend

The Board has resolved to declare an interim dividend of HK\$0.29 per share for FY2020 (the “Interim Dividend”) in cash to the shareholders whose names appear on the register of members of the Company on 25 March 2020. It is expected that the Interim Dividend will be paid on or about 15 April 2020.

### 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 24 March 2020
Closure of register of members	25 March 2020
Record date	25 March 2020
Interim Dividend payment date	on or about 15 April 2020

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 in Hong Kong, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than the aforementioned latest time.

## Disclosure Pursuant to Rule 13.22 of the Listing Rules

As at 31 December 2019, the Group has provided financial assistance, by way of shareholders' loans or advances, in the aggregate amount of HK\$12,273.4 million to its affiliated companies, guarantees given for bank loans and other credit facilities for the benefit of the affiliated companies and the guarantee towards KTSP in the aggregate amount of HK\$11,304.9 million and contracted to provide an aggregate amount of HK\$588.9 million in capital and/or loans to affiliated companies. The said amounts, in aggregate, represent approximately 16.3% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules. Affiliated companies include associated companies and joint ventures of the Group.

The advances are unsecured, interest free and have no definite repayment terms except for (i) an aggregate amount of HK\$104.7 million which carries interest at 8% per annum; (ii) an amount of HK\$17.1 million which carries interest at Hong Kong prime rate; (iii) an aggregate amount of HK\$1,600.0 million which carries interest at 6-month Hong Kong Interbank Offered Rate ("HIBOR") plus a margin of 1.3% per annum and is not repayable within the next 12 months from the end of the reporting period; (iv) an amount of HK\$280.8 million which carries interest at 12-month London Interbank Offered Rate plus a margin of 12.15% per annum and is repayable on demand; (v) an amount of HK\$222.2 million which carries interest at 90% of over-five-year Renminbi benchmark lending rate published by the People's Bank of China and is not repayable within the next 12 months from the end of the reporting period; (vi) an amount of HK\$108.0 million which carries interest at one-to-five-year Renminbi benchmark lending rate published by the People's Bank of China and is not repayable within the next 12 months from the end of the reporting period; (vii) an amount of HK\$751.8 million which carries interest at 1-month HIBOR plus a margin of 1.025% per annum and is not repayable within the next 12 months from the end of the reporting period; (viii) an amount of HK\$157.9 million which carries interest at 4% per annum; and (ix) an aggregate amount of HK\$6,301.0 million which is interest free and is repayable within the next 12 months from the end of the reporting period. The advances also include an amount of HK\$197.5 million which has been subordinated to certain indebtedness of an affiliated company. Contracted capital and loan contributions to affiliated companies would be funded by internally generated resources and banking facilities of the Group.

Pursuant to Rule 13.22 of the Listing Rules, a proforma combined statement of financial position of those affiliated companies with financial assistance from the Group and the Group's attributable interest in those affiliated companies as at 31 December 2019 are presented as follows:

	<b>Proforma combined statement of financial position HK\$m</b>	<b>The Group's attributable interest HK\$m</b>
Non-current assets	100,341.2	48,716.4
Current assets	11,723.5	4,311.3
Current liabilities	(27,869.5)	(14,072.2)
Non-current liabilities	(63,413.9)	(30,483.8)
	<b>20,781.3</b>	<b>8,471.7</b>

The proforma combined statement of financial position of the affiliated companies is prepared by combining their statements of financial position, after making adjustments to conform with the Group's significant accounting policies and re-grouping into significant classification in the statement of financial position, as at 31 December 2019.

# Additional Information

## 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 18 November 2019 (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.

## 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 required standard set out in the "Code for Securities Transactions by Relevant Employees" during the Current Period.

## Update on Directors' Information

Changes in the information of directors of the Company since the disclosure made in the 2019 annual report of the Company and up to the date of this report, that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

1. Dr Cheng Kar Shun, Henry was re-designated from the Chairman and Managing Director to the Honorary Chairman of New World China Land Limited ("NWCL") on 1 February 2020.
2. Dr Cheng Chi Kong, Adrian, who was appointed as an executive director and a member of the Executive Committee of the Company on 11 October 2019, was appointed as director of a subsidiary of the Group during the Current Period. Furthermore, he was appointed as the Joint Chief Executive Officer of NWCL with effect from 1 January 2020 and then promoted as the Executive Chairman of NWCL on 1 February 2020.
3. Mr William Junior Guilherme Doo was appointed as an independent non-executive director of The Bank of East Asia, Limited, a listed public company in Hong Kong, on 1 November 2019.

## 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 Audit Committee has also reviewed this interim report.

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.

## Directors' Interests in Securities

As at 31 December 2019, the directors of the Company had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO:

### (a) Long position in shares

	Number of shares			Total	Approximate percentage of shareholding as at 31.12.2019
	Personal interests	Family interests	Corporate interests		
<b>The Company</b>					
(Ordinary shares of HK\$1.00 each)					
Dr Cheng Kar Shun, Henry	18,349,571	–	12,000,000 <sup>(1)</sup>	30,349,571	0.776%
Mr Tsang Yam Pui	180,000	–	–	180,000	0.005%
Mr Lam Wai Hon, Patrick	1,446,207	–	7,608 <sup>(2)</sup>	1,453,815	0.037%
Mr William Junior Guilherme Doo	–	–	128,869 <sup>(3)</sup>	128,869	0.003%
Mr Kwong Che Keung, Gordon	1,207,077	–	–	1,207,077	0.031%
Dr Cheng Wai Chee, Christopher	2,875,786	–	–	2,875,786	0.074%
<b>NWD</b>					
(Ordinary shares)					
Dr Cheng Chi Kong, Adrian	700,000	–	–	700,000	0.007%
Mr Cheung Chin Cheung	124,400	–	–	124,400	0.001%
Mr William Junior Guilherme Doo	–	40,000 <sup>(4)</sup>	–	40,000	0.000%
Mr Kwong Che Keung, Gordon	40,000	–	–	40,000	0.000%

Notes:

- (1) The shares were held by a company wholly owned by Dr Cheng Kar Shun, Henry.
- (2) The shares were held by a company wholly owned by Mr Lam Wai Hon, Patrick.
- (3) The shares were held by a company wholly owned by Mr William Junior Guilherme Doo.
- (4) The shares were held by the spouse of Mr William Junior Guilherme Doo.

## Directors' Interests in Securities (continued)

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

#### (i) The Company

The following directors of the Company had personal interests in options to subscribe for shares of the Company:

Name	Date of grant	Exercisable period (Note)	Number of share options			Balance as at 31.12.2019	Exercise price per share HK\$
			Balance as at 01.07.2019	Granted during the period	Exercised during the period		
Dr Cheng Kar Shun, Henry	9 March 2015	(1)	7,420,739	-	-	7,420,739	14.120
Mr Cheung Chin Cheung	9 March 2015	(1)	3,710,368	-	-	3,710,368	14.120
Mr Cheng Chi Ming, Brian	9 March 2015	(1)	3,710,368	-	-	3,710,368	14.120
Mr Chow Tak Wing	9 March 2015	(1)	508,212	-	-	508,212	14.120
Mr To Hin Tsun, Gerald	9 March 2015	(1)	701,960	-	-	701,960	14.120
Mr Dominic Lai	9 March 2015	(1)	701,960	-	-	701,960	14.120
Mr Tsang Yam Pui	9 March 2015	(1)	200,368	-	-	200,368	14.120
Mr Lam Wai Hon, Patrick	9 March 2015	(1)	1,429,368	-	-	1,429,368	14.120
Mr Kwong Che Keung, Gordon	9 March 2015	(1)	1,403,922	-	-	1,403,922	14.120
Dr Cheng Wai Chee, Christopher	9 March 2015	(1)	1,403,922	-	-	1,403,922	14.120
Mr Shek Lai Him, Abraham	9 March 2015	(1)	1,403,922	-	-	1,403,922	14.120
Mr Lee Yiu Kwong, Alan	9 March 2015	(1)	922	-	-	922	14.120

Notes:

- (1) 60% of the share options granted are exercisable from 9 May 2015 to 8 March 2020 while the remaining 40% of the share options granted are divided into 2 tranches exercisable from 9 March 2016 and 9 March 2017 respectively to 8 March 2020.
- (2) The cash consideration paid by each of the directors for the grant of share options was HK\$10.

## Directors' Interests in Securities (continued)

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

#### (ii) NWD

Under the share option scheme of NWD, the holding company of the Company, the following directors of the Company had personal interests in options to subscribe for shares of NWD. Details of the share options of NWD granted to them are as follows:

Name	Date of grant	Exercisable period (Note)	Number of share options				Exercise price per share HK\$
			Balance as at 01.07.2019	Granted during the period	Exercised during the period	Balance as at 31.12.2019	
Dr Cheng Kar Shun, Henry	10 June 2016	(1)	10,675,637	–	–	10,675,637	7.540
	3 July 2017	(2)	2,000,000	–	–	2,000,000	10.036
Dr Cheng Chi Kong, Adrian	9 March 2016	(3)	3,800,000 <sup>(4)</sup>	–	–	3,800,000	7.200
	10 June 2016	(1)	3,736,471 <sup>(4)</sup>	–	–	3,736,471	7.540
	3 July 2017	(2)	2,000,000 <sup>(4)</sup>	–	–	2,000,000	10.036

Notes:

- (1) Divided into 4 tranches exercisable from 10 June 2016, 10 June 2017, 10 June 2018 and 10 June 2019 respectively to 9 June 2020.
- (2) Divided into 4 tranches exercisable from 3 July 2017, 3 July 2018, 3 July 2019 and 3 July 2020 respectively to 2 July 2021.
- (3) Divided into 4 tranches exercisable from 9 March 2016, 9 March 2017, 9 March 2018 and 9 March 2019 respectively to 8 March 2020.
- (4) This balance of outstanding share options refers to the balance as at the date of appointment of Dr Cheng Chi Kong, Adrian as an executive director of the Company, i.e. 11 October 2019.
- (5) The cash consideration paid by each of the directors for each grant of the share options was HK\$10.

## Directors' Interests in Securities (continued)

### (c) Long position in debentures

#### (i) NWCL

Name	Amount of debentures issued by NWCL (HK\$)				Total	Approximate percentage to the total amount of debentures in issue as at 31.12.2019
	Personal interests	Family interests	Corporate interests			
Mr William Junior Guilherme Doo	–	–	7,800,000 <sup>(Note)</sup>		7,800,000	0.095%

Note: The debentures, which were issued in US\$, were held by a company wholly owned by Mr William Junior Guilherme Doo and had been translated into HK\$ using the rate of US\$1.0 = HK\$7.8.

#### (ii) Fita International Limited ("Fita")

Name	Amount of debentures issued by Fita (US\$)				Total	Approximate percentage to the total amount of debentures in issue as at 31.12.2019
	Personal interests	Family interests	Corporate interests			
Mr William Junior Guilherme Doo	–	–	3,000,000 <sup>(Note)</sup>		3,000,000	0.400%

Note: The debentures were held by a company wholly owned by Mr William Junior Guilherme Doo.

## Directors' Interests in Securities (continued)

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

#### (iii) NWD (MTN)

Name	Amount of debentures issued by NWD (MTN) (US\$)			Total	Approximate percentage to the total amount of debentures in issue as at 31.12.2019
	Personal interests	Family interests	Corporate interests		
Mr William Junior Guilherme Doo	–	–	2,000,000 <sup>(Note)</sup>	2,000,000	0.063%

Note: The debentures were held by a company wholly owned by Mr William Junior Guilherme Doo.

#### (iv) NWD Finance (BVI) Limited (“NWD Finance”)

Name	Amount of debentures issued by NWD Finance (US\$)			Total	Approximate percentage to the total amount of debentures in issue as at 31.12.2019
	Personal interests	Family interests	Corporate interests		
Mr William Junior Guilherme Doo	–	–	5,845,000 <sup>(Note)</sup>	5,845,000	0.234%

Note: The debentures were held by a company wholly owned by Mr William Junior Guilherme Doo.

Save as disclosed above, as at 31 December 2019, none of the directors or chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and any of its associated corporations as defined in the SFO that were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

## Share Option Scheme

During the Current Period, movement of share options granted by the Company under the Share Option Scheme is as follows:

- (1) Details of the movement of share options granted to directors of the Company are disclosed under the section headed “Directors’ Interests in Securities” above.
- (2) Details of the movement of share options granted to other eligible participants are as follows:

Category	Date of grant	Exercisable period (Note)	Number of share options				Balance as at 31.12.2019	Exercise price per share HK\$
			Balance as at 01.07.2019	Granted during the period	Exercised during the period	Lapsed during the period		
Eligible employees <sup>(1)</sup>	9 March 2015	(2)	2,047,649	-	-	(1,432)	2,046,217	14.120
Eligible participant other than eligible employees <sup>(3)</sup>	9 March 2015	(2)	1,403,922	-	-	-	1,403,922	14.120

Notes:

- (1) Such interest refers to the interest held by the employees (whether full time or part time employees, excluding directors of the Company) of the Company, any subsidiary or any invested entity of the Group.
- (2) 60% of the share options granted are exercisable from 9 May 2015 to 8 March 2020 while the remaining 40% of the share options granted are divided into 2 tranches exercisable from 9 March 2016 and 9 March 2017 respectively to 8 March 2020.
- (3) Such interest refers to the interest held by a retired independent non-executive director of the Company.
- (4) The cash consideration paid by each eligible participant for the grant of share options was HK\$10.

## Substantial Shareholders' Interests in Securities

As at 31 December 2019, so far as are known to the directors, the following parties (other than a director or chief executive of the Company) were recorded in the register kept by the Company under Section 336 of the SFO as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Name	Number of shares			Approximate percentage to the issued share capital of the Company as at 31.12.2019
	Beneficial interests	Corporate interests	Total	
Cheng Yu Tung Family (Holdings) Limited	–	2,477,530,362 <sup>(1)</sup>	2,477,530,362	63.35%
Cheng Yu Tung Family (Holdings II) Limited	–	2,477,530,362 <sup>(2)</sup>	2,477,530,362	63.35%
Chow Tai Fook Capital Limited	–	2,477,530,362 <sup>(3)</sup>	2,477,530,362	63.35%
Chow Tai Fook (Holding) Limited	–	2,477,530,362 <sup>(4)</sup>	2,477,530,362	63.35%
CTF Enterprises	97,034,424	2,380,495,938 <sup>(5)</sup>	2,477,530,362	63.35%
NWD	1,588,468,276	792,027,662 <sup>(6)</sup>	2,380,495,938	60.86%
Mombasa Limited	718,384,979	–	718,384,979	18.37%

Notes:

- (1) Cheng Yu Tung Family (Holdings) Limited held approximately 48.98% direct interest in Chow Tai Fook Capital Limited ("CTFC") and was accordingly deemed to have an interest in the shares deemed to be interested by CTFC.
- (2) Cheng Yu Tung Family (Holdings II) Limited held approximately 46.65% direct interest in CTFC and was accordingly deemed to have an interest in the shares deemed to be interested by CTFC.
- (3) CTFC held approximately 81.03% direct interest in Chow Tai Fook (Holding) Limited ("CTFH") and was accordingly deemed to have an interest in the shares deemed to be interested by CTFH.
- (4) CTFH held 100% direct interest in CTF Enterprises and was accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF Enterprises.
- (5) CTF Enterprises, together with its subsidiaries, held more than one-third of the issued shares of NWD and was accordingly deemed to have an interest in the shares interested by or deemed to be interested by NWD.
- (6) NWD held 100% indirect interest in Mombasa Limited and was accordingly deemed to have an interest in the shares of the Company held by Mombasa Limited. NWD was also deemed to be interested in 2,979,975 shares held by Financial Concepts Investment Limited, 35,331,354 shares each held by Hing Loong Limited and Fine Reputation Incorporated respectively, all of them being subsidiaries of NWD.
- (7) All the interests stated above represented long positions.

Save as disclosed above, there was no other interest recorded in the register that was required to be kept under Section 336 of the SFO as at 31 December 2019.

## Employees and Remuneration Policies

As at 31 December 2019, approximately 28,300 staff was employed by entities under the Group's management of which approximately 10,700 staff was employed in Hong Kong. Total staff related costs (including provident funds, staff bonus and deemed share option benefits but excluding directors' remunerations) during the Current Period were HK\$2.292 billion (2018: HK\$2.099 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.

## 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.

**Dr Cheng Kar Shun, Henry**

*Chairman*

Hong Kong, 28 February 2020

# Corporate Information

## Board of Directors

### Executive Directors

Dr Cheng Kar Shun, Henry (*Chairman*)  
 Mr Ma Siu Cheung (*Chief Executive Officer*)  
 Dr Cheng Chi Kong, Adrian  
 Mr Cheung Chin Cheung  
 Mr Cheng Chi Ming, Brian  
 Mr Ho Gilbert Chi Hang  
 Mr Chow Tak Wing

### Non-executive Directors

Mr To Hin Tsun, Gerald  
 Mr Dominic Lai  
 Mr Tsang Yam Pui  
 Mr Lam Wai Hon, Patrick  
 Mr William Junior Guilherme Doo

### Independent Non-executive Directors

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  
 Mr Wong Kwai Huen, Albert

## Board Committees

### Executive Committee

Dr Cheng Kar Shun, Henry (*Chairman*)  
 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

### Audit Committee

Mr Kwong Che Keung, Gordon (*Chairman*)  
 Mr Dominic Lai  
 Dr Cheng Wai Chee, Christopher  
 The Honourable Shek Lai Him, Abraham  
 Mr Lee Yiu Kwong, Alan

### Remuneration Committee

The Honourable Shek Lai Him, Abraham (*Chairman*)  
 Mr Ma Siu Cheung  
 Mr Kwong Che Keung, Gordon  
 Dr Cheng Wai Chee, Christopher

### Nomination Committee

Dr Cheng Kar Shun, Henry (*Chairman*)  
 Mr Ma Siu Cheung  
 Mr Kwong Che Keung, Gordon  
 Dr Cheng Wai Chee, Christopher  
 The Honourable Shek Lai Him, Abraham

### Sustainability Committee

Mr Ma Siu Cheung (*Chairman*)  
 Mr Cheung Chin Cheung  
 Mr Cheng Chi Ming, Brian  
 Mr Dominic Lai  
 Mr Lam Wai Hon, Patrick  
 Mr William Junior Guilherme Doo  
 Mr Lee Yiu Kwong, Alan  
 Mrs Oei Fung Wai Chi, Grace

### Corporate Governance Committee

Mr Kwong Che Keung, Gordon (*Chairman*)  
 Mr Ma Siu Cheung  
 Mr Cheung Chin Cheung  
 Mr Chow Tak Wing  
 Mrs Oei Fung Wai Chi, Grace  
 Mr Wong Kwai Huen, Albert

### Company Secretary

Mr Chow Tak Wing

## Registered Office

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## Head Office and Principal Place Of Business

28/F, New World Tower  
18 Queen's Road Central  
Hong Kong

## Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited  
4th Floor, North Cedar House  
41 Cedar Avenue  
Hamilton HM 12  
Bermuda

## Branch Share Registrar and Transfer Office in Hong Kong

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

## Auditor

PricewaterhouseCoopers  
Certified Public Accountants  
22/F, Prince's Building  
Central  
Hong Kong

## Principal Bankers

Bank of America, N.A.  
Bank of China (Hong Kong) Limited  
BNP Paribas Hong Kong Branch  
China Construction Bank (Asia) Corporation Limited  
Crédit Agricole Corporate & Investment Bank  
DBS Bank Ltd. Hong Kong Branch  
Hang Seng Bank Limited  
Mizuho Bank, Ltd. Hong Kong Branch  
Standard Chartered Bank (Hong Kong) Limited  
Sumitomo Mitsui Banking Corporation  
Hong Kong Branch  
MUFG Bank, Ltd. Hong Kong Branch  
The Hongkong and Shanghai Banking Corporation Limited

## Website

[www.nws.com.hk](http://www.nws.com.hk)

**NWS HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

28/F New World Tower      Tel      +852 2131 0600  
18 Queen's Road Central      Fax      +852 2131 0611  
Central, Hong Kong      Email      nwsnews@nws.com.hk  
[www.nws.com.hk](http://www.nws.com.hk)



NWS Holdings Limited takes every practicable measure to conserve resources and minimize waste. This interim report is printed on FSC™ certified paper and other controlled material using chemistry free plate system and soy ink.  
The FSC™ logo identifies product group from responsible forestry in accordance with the rules of the Forest Stewardship Council®.